

CUSTOMER ENGAGEMENT

ASPIRATIONAL

You have an established plan for digital transformation and have started to execute on some of those initiatives. You have taken important steps in data aggregation and manipulation, but you still need to take significant action to progress to the next stage.

- Your data is sitting in silos, and you are taking meaningful steps to connect various data streams. But you have not yet centralized customer and business data to enable everyone to make integrated, holistic decisions from a single platform.
- You use individual sources of customer data to inform basic business processes, but integrating these data sources is still a manual exercise across the organization.
- What you sell and where you sell it are still somewhat fixed.



What's Next?

As you march down your digital transformation path, you will integrate and automate departments and systems. This will enable you to anticipate needs and capitalize on every opportunity to provide new products and services. To start, you will collect and act on customer data in specific places; ultimately, you will collect data from various internal and external sources. As a result, you will be able to create a 360-degree view of the customer so that you can anticipate and adjust your business to their needs and wants.



Your Action Plan

- **Solidify your roadmap:** You've already identified some of the critical components of your digital transformation journey and are acting on some of them. Now it's time to solidify that roadmap and develop a list of strategic advisors who can partner with you to make the most important aspects of your digital customer engagement strategy come to life beyond basic processes. Think inclusively and look to the marketplace to see who has deep domain experience you can leverage to accelerate the customer journey.
- **Engage with your customers in real time:** Surveys are a good start, but think of other opportunities to deepen the relationship. Your goal is to interact with customers when and how they want to engage with you, using relevant messages and offers that reflect the "channel of one." This will communicate that you really know them, personally and individually, at any point in time. This will also signal that you're opening up the lanes for them to engage with you on their terms.
- **Expand your 360-degree view of your consumers:** You've already started connecting systems through integration efforts, but it's time to achieve a more granular-level view of shoppers across all touchpoints. This will allow you to better anticipate needs and capitalize on every opportunity. Move from integrated departments and channels to a one-source-of-truth platform so that you can centralize customer and business data into one single dashboard, enabling everyone to make holistic decisions.
- **Develop a cognitive strategy:** Machine learning and other cognitive tools can help companies digest vast amounts of data to help them discover new product trends and consumer needs. Work with a strategic advisor to identify a "get started" cognitive project, such as a virtual shopping assistant, that will enable you to demonstrate early results. AI-powered chatbots could also help you engage with customers and simultaneously gather useful data about shopping patterns.

Find out more: ibm.com/retail-customer-engagement

The Landscape

Consumer expectations are evolving quickly, which is putting pressure on retailers to keep up. From the selection process to order placement to shipping options, consumers expect retailers to leverage all available platforms to optimize convenience.

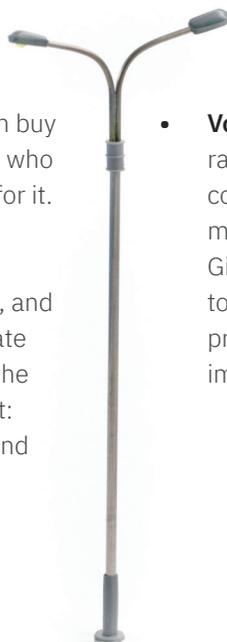


For example, consumers want to be able to check if an item is out of stock before they visit a store. If it is unavailable, they expect to know when the item will be restocked or where to locate it in another store or channel.

Increasingly, they also want the option to start an order on one channel and then change it or complete it on another device. Many people, particularly younger shoppers, also want store associates to be able to access an online cart and modify or complete an order for them in-store.

The number of consumers who consider the availability of next-day, same-day or one- to two-hour delivery when making a purchasing decision is also rising. These changes in delivery expectations can strain fulfillment operations but also come with extra sales opportunities. An increasing number of consumers like to pick up or return their online purchases in-store, and those who take advantage of in-store pickup or return often buy additional products in-store. And many of those who prefer express shipping are willing to pay extra for it.

Most of your peers are already engaging with customers through special offers and discounts, and have implemented analytics programs to evaluate progress and gather feedback. They are just at the start, however, of holistic customer engagement: understanding what shoppers want and need, and helping them achieve those outcomes.



Challenges

- **Fragmentation:** Retailers face increasing competition across channels. New types of competitors, like large online marketplaces, club stores, private labels and direct-to-consumer retailers, are putting pressure on traditional retailers to retain customers and the breadth of their customer baskets. As customers shop in more places and compare prices, brand loyalty is eroding. Customers no longer necessarily trust one brand to provide all they need. Retailers need to reinvent themselves to retain customers and rebuild loyalty.

- **Insufficiency of old tools:**

Special offers and discounts are no longer enough to set retailers apart. Consumers expect a more personalized shopping experience, and demographic groups are beginning to demand different products and services tailored to their needs. The mature population shops differently than younger consumers, who have aggressively embraced mobile technology to engage with brands throughout their purchase journeys.



- **Volatile commodity prices:** When it comes to raw materials, fluctuating availability, quality and cost have increased dramatically since 2000, making it difficult to manage the supply chain. Given that retailers cannot pass along these costs to shoppers, with increasing input costs and pricing pressures, they must focus on improving margins.



Changing the Perspective

Personalizing shopping with virtual tools.

Problem: Superspecs, a British eyeglass retailer, wanted to let busy customers find the best pair of eyeglasses more quickly and conveniently.

Solution: Superspecs introduced a virtual try-on tool that takes 3D scans of a customer's face, analyzes their face shape and then recommends 36 frames to each customer. The recommendations also reflect consumers' purchasing history and the latest trends. Customers can flick through images of themselves wearing the different frames and select the best match. In two years, one million customers have used this tool to find their next pair of glasses.

Engaging with consumers across all channels.

Problem: Couture, Inc, a large apparel retailer, wanted to gain a competitive edge in mobile and e-commerce channels.

Solution: Couture, Inc introduced an AI-based shopping assistant that speaks with customers to better understand when, where and why they are shopping. Based on what it learns from the customer, the assistant then provides customized suggestions. Since its launch, the shopping assistant has had over 10,000 conversations daily with shoppers, helping to drive a 21% increase in web traffic year over year. On the back end, the AI assistant helped the company gather insights and define 21 major purchasing factors for one and a half million products. The retailer extended the app into the store setting and enjoyed the greatest revenue gains in this domain—a benefit they hadn't even expected.

In a survey of 800 global consumer product executives, more than two-thirds understand that customers want personalized shopping experiences, but less than half of the executives surveyed believe they are meeting this demand.

Source: "Inspiring Deeper Brand Enthusiasm," IBM Institute for Business Value.

95% of consumer packaged goods executives familiar with cognitive computing believe it will play a critical role in the future of their business.

Source: Ibid

When looking for product recommendations, 68% of consumers trust what they hear on Facebook over anything they encounter via traditional media, advertising channels or other online platforms.

Source: Shea Bennett, "Consumers Trust Social Media Recommendations (and Facebook Most of All) [INFOGRAPHIC]," Adweek, December 10, 2013.

