Customer Engagement

Practitioner

You are making positive steps toward your digital transformation. This assessment will help you identify the best next steps to progress to a more advanced stage.

- You recognize the importance of gaining a 360-degree view of customers and connecting departments but continue to push for automation in this process. There is room for improvement in systems integration and automation that will help you anticipate needs and capitalize on opportunities to provide new products and services.

- You are starting to collect and act on customer data that currently sits in silos. That means you can influence discrete parts of the customer journey but not the entire experience.

- You use business insights to stay competitive but don't yet have the means to be proactive and lead the competition.

What's Next?
As you progress, you should consider centralizing customer and business data into a single dashboard that is accessible to everyone and enables integrated and holistic decisions. You should use internal and external data sources to create a 360-degree view of customers so that you can anticipate and adjust your business to their needs and wants. You should use business insights to promise and deliver more to your customers, empowering you to stay ahead of the competition. You could also accelerate efforts to integrate systems to ultimately create one single source of truth for analytics and customer services. This will be a great improvement over the siloed, disconnected information sets you deal with today.

Your Action Plan:

- **Continue to develop your roadmap:** Identify strategic advisors who can partner with you to map out where you engage well with customers and where you can improve. Pick a proof-of-concept project, define the value and be realistic about whether the benefits will arrive all at once or lead to increasing value over time. Consider collaborating with other retailers because, as part of an ecosystem, retailers can share costs or take risks that might otherwise be too great for a single company.

- **Engage in even deeper conversations with consumers:** Consider using cognitive systems to deepen your conversations with consumers. AI-powered shopping assistants can help draw insights about consumers from structured and unstructured information, both internally and externally. These systems can also help you understand consumer preferences, behaviors based on their past purchases and demographics, weather conditions and other factors.

- **Create a 360-degree view of your consumers:** Gaining a comprehensive view of shoppers across all touchpoints will allow you to better anticipate needs and capitalize on every opportunity. When you have centralized customer and business data into a single dashboard, you can provide relevant messages and offers that reflect the "channel of one." This communicates that you really know your consumer personally and individually at any point in time.

- **Embrace customer-centric innovation:** Consider a more experimental approach to business transformation where retailers can rapidly prototype and test multiple new solutions with customers in settings such as innovation labs. Find ways to become part of the consumer's lifestyle, beyond the basic transaction. Activities like hosting classes or clubs in stores and creating pop-ups that focus on a range of areas, including health, fitness or cooking, can help create a brand community.

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 engage 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.