Customer Engagement

Reinventor

Congratulations! You are at the cutting edge of digital transformation. This assessment will help you identify your next steps so that you can continue to stay ahead of the competition.

- You have centralized your customer and business data into a single dashboard that is accessible to everyone.

- You use internal and external data sources to create a 360-degree experience for your customer and can easily adjust your business to their needs and wants.

- You are using business insights to promise and keep delivering more to customers to maintain your advantage.

What's Next?
As you progress further, you will increasingly leverage cognitive tools and external data from sources such as Internet of Things (IoT) platforms. This will help you engage, discover and make decisions more efficiently across all channels of your business.

Your Action Plan:

- **Develop your cognitive strategy:** For companies on the cutting edge, combining cognitive systems with big data, cloud computing and other technologies, such as augmented reality, will be critical for staying ahead of competitors. When deploying new technologies, pick a "get started" project in one area that will enable you to demonstrate results quickly and build trust for larger initiatives.

- **Find insights in data:** A greater amount of data is available about customers than ever before. Once retailers can harness the customer insights in this data, they can advance innovation in anticipation of customer needs. Cognitive solutions, for example, can analyze tens of millions of consumer conversations on social media and in the broader digital universe to predict new product trends. That in turn can help companies build their innovation pipelines and prioritize their efforts.

- **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. Consider overarching systems that integrate web, social and mobile technologies with content and analytics to help you create more targeted, contextual content with a cloud-based solution.

- **Hedge against risk:** Cognitive systems can also enable companies to make better-informed and more-timely decisions. The benefit of these systems is that they constantly evolve and become better as they learn from new information, results and actions. For example, cognitive solutions can help companies hedge against fluctuations in raw material costs by processing data about external factors such as regional news and weather forecasts.

    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.