

ONE HAPPY CUSTOMER

How retailers can use customer centricity
and experience design to drive revenue
through loyalty and satisfaction



INTRODUCTION

As competition in the retail landscape becomes increasingly fierce, it is more important than ever for organizations to drive revenue growth through customer centricity. This means shifting from selling products to solving problems, organizing around what customers want as opposed to what the business can do, and prioritizing customer lifetime value over individual transactions. For many retailers, this is a fundamental change, one that requires the organization to break down the barriers and unite traditional customer-facing functions with back-end operations – all in the hopes of creating one happy customer.

PART ONE: THE MANY PATHS TO CUSTOMER CENTRICITY

Mention the term customer centricity to retail executives and the conversation will quickly turn to customer experience. Often used interchangeably, centricity and experience are perceived as transposable terms when, in fact, they are two distinct concepts – symbiotic but not synonymous.

The customer experience is all about what customers get: the service they receive in a store, the process they follow on a mobile site, the interaction with the brand they have at those touchpoints, and countless others along the journey. Customer centricity, on the other hand, explains why brands interact with customers the way that they do: what motivates the customer, what expectations he or she has, and how the brand lives up to the promise it puts in the market.

For retailers, customer centricity does not always manifest solely through experience. For example, two of the most successful retailers in the U.K. – Aldi and Primark – build their brands on product and price, consistently delivering goods that their customers want and need at a cost they can afford. For them, the experience is a byproduct. Next, the British multinational clothing, footwear, and home product retailer, is an example of customer centricity as defined through convenience. Unlike traditional retailers and even some fast-fashion competitors, this brand boasts a market-leading

Fulfillment model. Subscribers to nextunlimited can place orders up to midnight and receive free next-day delivery to either their home or a Next store.

For some retailers, centricity will be defined more strictly through the customer experience – one that builds loyalty through exemplary service, personalization, and experiential opportunities. Lego is one often-cited example of a brand with a strong customer experience. Part store, part playground, Lego locations live up to the brand's Dutch roots to “leg godt” or “play well.” Founded in 1934, this brand has also infused technology in an organic way with applications such as the Mosaic Maker, which uses augmented reality (AR) to share instructions and brick requirements to build a self-portrait.

As demonstrated by Lego, defining the customer experience must be done within the context of the brand. For everyday brands like Aldi, adding digital elements, such as a dynamic couponing app or wayfinding boards, may be novel though not necessarily impactful unless they are incorporated in a way that is central to the existing store experience. On the other hand, for a brand like Nike, whose mission is built on “bringing inspiration and innovation to athletes,” digitization is the cornerstone of the in-store experience. Flagship locations offer the ability to experience the products, learn about their craftsmanship and materials, personalize their order, and check out without visiting a cashier.

While it is true that experience is increasingly the catalyst for organizational transformation for many retailers, few have been able to unite the organization and work towards this common goal. Experience, in the modern sense, is delivered by the entire organization, not just customer-facing functions and marketing. Further, after years of embracing the power of digital and an agile approach, organizations are now realizing that it takes more to transform. A culture of experimentation, new operating models, and metrics of success are all necessary to enabling a transformative customer experience.

“It is important to continue to live up to the brand promise and define customer centricity according to those attributes that they are known for, be it product and price, convenience, or experience.”

Simon Butler

Vice President, Head of Retail,
Capgemini



“What gets missed in the race to become technically agile/product oriented to transform the experience is that a different culture, a new set of measures, and a revised operating model are also needed to create the kind of business agility needed to truly deliver on customer experience transformation.”

Steve Hewett

Vice President, UK Head of Digital for Retail, Capgemini Invent

Another aspect of experience that many retailers may struggle with are the systemic challenges that stymie innovation and agility. Legacy systems, antiquated supply chains, and rigid fulfillment models make it difficult for some traditional retailers to provide the speed and flexibility modern shoppers want. Thus, the cost and complexity of realizing the customer experience no longer sits in marketing or digital, but across the organization. In order to become more customer-centric, brands need not think of traditional customer-facing functions, but the business end-to-end, with back-office systems enabling customer-facing transformation.

PART TWO: CUSTOMER CENTRICITY AS A VALUE DRIVER

For many retail organizations, the opportunity to grow has become increasingly intertwined with the ability to cut costs. Market dynamics dictate that price is an important driver of success. Most retailers are saddled with unpredictable and uncontrollable external pressures, including political turbulence, economic uncertainty, and wildly fluctuating exchange rates. Controlling costs is one of the best ways to remain competitive.

At the same time, this can be a somewhat limited way of thinking. For one, operational costs are of little relevance to customers, who measure value according to how well the brand serves their needs and meets their expectations.

For brands that build centrality on product and price, keeping costs low is a winning strategy. For those that tout convenience or experience, the law of diminishing returns applies. At some point, whittling away at the price tag just isn't worth the trouble.

For many modern customers, value isn't found only in discounts or coupons but in the brand's ability to solve problems – be it saving time and effort or increasing comfort. This value manifests in many forms – from timely, relevant product recommendations to early access to sales to hassle-free return policies. Even an unexpected in-store touch, such as offering free bottled water or WIFI access, has the chance to connect with customers on an emotional level. Unlike cost savings, which represent a one-time gain to customers, value created through experience compounds over time – meaning that every initiative is an investment in building long-term loyalty.

While every interaction has the potential to drive customer satisfaction and build loyalty, retailers have limited opportunity to differentiate during most phases of the customer journey. Everyday interactions, such as bill paying, are standard activities that are unlikely to solicit a reaction from customers. On the other end of the spectrum, signature moments – those make-or-break interactions that have the power to build deeper, more lasting relationships between people and your business – are where brands should focus.

ELEVATING THE EXPERIENCE THROUGH SIGNATURE MOMENTS

Everyday interactions	“Wow” moments	Signature moments
<p>Run-of-the-mill interactions such as locating a store, paying a bill, or searching for products</p>	<p>Key customer decision point interactions that streamline the experience</p> <p>Often technology based, making use of AI, biometrics, mobile payments, etc.</p>	<p>Emotional interactions that offer the opportunity to build loyalty and create deep, lasting relationships if managed well</p> <p>Often involve high-touch human interaction or servicing</p> <p>Interaction is ownable and differentiating for the brand</p>
<p>Walmart: Locate a store via chatbot</p> <p>Sephora: Product search via website or mobile app</p>	<p>Burberry: Facebook Messenger invites brand followers to watch a live runway show</p> <p>Sephora: Chatbot books services and supports voice-activated shopping</p> <p>ASOS: Enki personal shopping assistant provides “style-match” capabilities from user photos, as well as voice-activated shopping</p>	<p>H&M: Kik chatbot presents users with different outfit photos to choose from to help narrow down style choices</p> <p>Walmart: Jetblack provides members-only personal shopping and concierge service</p> <p>Macy’s Alexa Skill: Provides daily affirmations and wishes customers good morning</p>
<p>Limited differentiation</p>	<p>Moderate differentiation</p>	<p>Highest differentiation</p>

Technology as an enabler of customer centricity

Technology has the power to improve the customer experience, but its application and implementation are as important as the capability. For example, in-store pickup is gaining traction with retailers as a way to fulfill orders faster and reduce last-mile shipping costs. On the organization level, this service may meet organizational goals. But from the perspective of the customer, the process is often far from ideal. In rolling out this technology, many retailers failed to consider the full customer experience: How will customers know how to find and use the pickup kiosk? How will stores prepare staff to service this new model? How can we design an interface that is intuitive for both customers and staff?

Pickup kiosks are a prime example of automation with high potential, but little real value to the customer. This feature promises time savings and simplicity, but in many cases falls far short of the goal as shoppers cannot locate the kiosk or use it intuitively. This means that not only has this portion of the customer experience failed, but the brand promise has been eroded.

Retailers need to think about technology less in terms of raw capabilities and more as a practical application – one that takes the effort of change off the customer. They need to recognize the human aspect of transformation, and educate people not just on how the application works but also the benefit it will provide to them. What seems intuitive and obvious to industry leaders and C-Suite executives who live and breathe industry advancements may not be the reality for customers.

For example, when Uber enters a new market it sometimes sends postcards explaining what their company does, how

to download and use the app, and what benefits the customer could expect if they tried the service. In countries and cities where Uber is ubiquitous, this step may seem laughably basic – but it is not. Change takes effort. And by breaking down the process in such a way, the organization takes a great deal of the burden off the user.

Think big, start small, scale fast

Retailers should also be wary of falling into the habit of testing applications or creating proofs of concept without a clear plan to scale. Intelligent automation – the collective term for advanced technology solutions such as artificial intelligence (AI), machine learning (ML), and robotic process automation (RPA) – has





amazing potential, but must be deployed at scale to create topline growth or bottom-line impact.

For example, Uniqlo is using neuroscience technology to turn customer brainwaves into product recommendations. The brand's AI-powered UMood kiosks measure brain activity when showed a variety of product images, helping customers browse and select t-shirts based on their mood.

Interesting? Certainly. Impactful? Possibly. Without the benefit of scale, it is difficult to determine what value UMood and similar high-tech applications bring to organizations beyond the positive press coverage. As retailers reconsider their tech investments, they may need to decide if they want to make headlines or progress. Pilot programs and proofs of concept, while exciting, often hold little real long-term value to the business and make no real impact with the consumer.

For prominent examples of scale and impact we look to the beauty world. Modiface, an augmented reality firm focused on the beauty industry, works with brands to create digital "try-on" tools for customers. The company has partnered with market-leader Sephora for nearly a decade and has helped create the brand's signature Color iQ tool, which matches the customer's skin tone to foundations, as well as its Visual Artist mobile app, which provides product recommendations based on photo uploads. However, Sephora's approach to technology is lauded not because they use the latest and greatest in augmented reality, but because they have made a point to scale the capabilities across their entire network, driving personalization and customization across channels.

While many brands are eager to experiment with technology, it is also important to keep the brand identity in mind. Luxury brands, in particular, should consider how customers will react to digital tools that encourage self-service or otherwise diminish the brand's reputation for personalized service. On the other hand, incorporating tools that help staff better serve the customer, such as digital inventory awareness models or customer profiling apps, may help raise the in-store experience.



PART THREE: OUR SOLUTION – HELPING RETAILERS CREATE HAPPY CUSTOMERS

The retail industry is in the midst of a paradigm shift. With many customer needs now being met outside of traditional stores, organizations must rethink the fundamental value propositions that owned channels should deliver. Data-enabled technology has changed the way that brands interact with customers, allowing them to tailor when and where to reach shoppers and what content will resonate best. Add to all this a general erosion of loyalty amongst shoppers as the world becomes more global and more connected, and brands must fundamentally rethink every aspect of their business.

Put simply, there are new ways for people to shop, new ways for brands to engage shoppers, and new ways for retailers to build loyalty. While these are three separate and distinct issues that retailers must consider, they are also interconnected and interdependent. As a result, organizations must create and implement a strategy that addresses each issue individually, while also understanding how doing so will affect each of the other areas.

“It is essential that retailers approach this challenge with strategic intent, using these three elements as a way to align the brand purpose to customer needs and create opportunities for differentiation,” notes Hewett.

This is not a standalone effort by one business unit, but a strategic mandate for the entire business – uniting both customer-facing functions with back-end capabilities. It necessitates a cultural and technical transformation, delivered not through the lens of operational efficiency, but the eyes of the customer. And it is not a one-time consideration, but an ongoing process – one that places a relentless focus on the customer.

At Capgemini, we help retailers address new ways of shopping, new methods of engagement, and new loyalty models through the following non-linear steps:

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- Agile, experimentation-based strategy and proposition development
 - Setting the “north star” for customer transformation
 - Human-centred design, rapid prototyping, and customer testing
 - Creating the experiences and offers to deliver these propositions
 - Deep understanding of emerging and enterprise technologies, agile retail operating models, and leading class operations
 - Defining the strategic capabilities that will underpin the retailer of tomorrow and the journey to get there
 - Outcome focused and delivery agility
 - Transforming to a customer-centric retailer
 - Delivering and consistently evolving new retail models

“With many technology applications, the burden of change is placed on the customer. To be successful, retailers need to demonstrate the value of the technology to the customer’s experience and make the transition nearly effortless.”

Gabe Weiss

Principal, Customer Engagement,
Capgemini Invent

THE FUTURE OF RETAIL: CUSTOMER ENGAGEMENT AND LOYALTY WITH CAPGEMINI

Capgemini is purpose-built to help retailers navigate complex market dynamics and ever-evolving customer behaviors. We offer retailers a united solution that incorporates business strategy, consulting, and technology, helping organizations identify their issues, architect solutions, and deploy them at scale.

CONCLUSION

For decades, retailers have been fixated on their ability to transform. But to what? As the landscape continues to change and customer behaviors rapidly evolve, many organizations have struggled with a fundamental question: What kind of retailer do we want to be?

While there is value in organizational soul-searching, the answer is more likely to be found on the outside. Perhaps, in the quest for identity, a better question may be: What kind of retailer do customers need us to be?

To sort this out, retailers must understand who their customers are – their preferences, motivations, and aspirations – not as a collective, but on a personal level. They must shift from addressing business issues to solving customer problems. They must focus on creating one happy customer.

Innovation strategy and proposition

- Growth strategies
- Applied emerging technology
- New products and services

Customer experience design

- Strategy design
- UX design and UI/visual design
- Branded experiences
- Prototype and validate

Digital and connected commerce

- Stores and supply chain
- Data and technology
- E-commerce experience design, digital marketing, and strategy
- Service optimization
- Strategy and support

“There are very few genuine use cases for AI, adopted and scaled, in retail. We shouldn't always jump to the conclusion that more technology is a good thing. Brands that do risk losing the essence of their identity.”

Simon Butler
Vice President, Head of Retail,
Capgemini

About Capgemini Invent

As the digital innovation, consulting and transformation brand of the Capgemini Group, Capgemini Invent helps CxOs envision and build what's next for their organizations. Located in more than 30 offices and 22 creative studios around the world, its 6,000+ strong team combines strategy, technology, data science and creative design with deep industry expertise and insights, to develop new digital solutions and business models of the future.

Capgemini Invent is an integral part of Capgemini, a global leader in consulting, technology services and digital transformation. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

Visit us at www.capgemini.com/invent

For more details contact:

Steve Hewett

VP, Global Lead for Retail Customer Engagement
UK

Steve.hewett@capgemini.com

Simon Butler

VP, Head of Retail
UK

Simon.butler@capgemini.com

Gabe Weiss

Principal, Customer Engagement
N.A.

Gabriel.weiss@capgemini.com

People matter, results count.

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