



2019 SPECIAL REPORT SERIES

Retail CX

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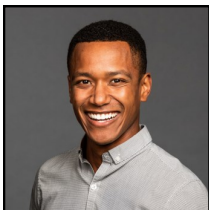
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What is modern retail CX?



The death of the American mall appears inexorable. Store footprint for legacy retailers is shrinking at a net negative. Direct-to-consumer seems the wisest recourse for brands to reach buyers.

With all these changes afoot, retailers are scrambling to restrategize and navigate a channel-agnostic world where brands that successfully blend the in-store and digital purchasing experience come out on top. Just like machine-human interactions have shown that virtual agents *augment* the performance of live agents instead of stealing their jobs, physical retail and e-commerce don't have to be antagonistic.

What new innovations are being tested in retail CX?

Retailers are experimenting with emerging technologies both in-store and online to provide personalized, context-based marketing. They're collecting data to understand foot traffic patterns on shop floors as well as website heat maps and debuting new retail concepts such as pop-ups and interactive installations to keep shoppers engaged. Altogether, these strategies are designed to appeal to today's digital-first consumer, remain competitive against industry-dominators like Amazon and maintain store traffic.

Innovations in the digital customer experience

Personalizing the web experience

Heavy investment in personalization shows that organizations are steadfast in their commitment to creating individualized experiences. For example, baby food maker Danone Nutricia adopted Sitecore technology to tailor content on its Nutricia For You website to the mother's stage of pregnancy when she first visits the site.

If a mother two months pregnant returns to the site two months later, the system will know she is four months into her pregnancy and tailor content accordingly. If a customer made a recent purchase, the system can greet her with a thank you message. The more the system knows about the customer through multiple interactions, the more it can personalize the interaction in a trend known as context marketing.

Website personalization helps guide consumers to the right products. Retailers like North Face and H&M have introduced AI-powered personal shoppers on their websites or via SMS to help with purchasing decisions by inferring customer preferences and intent through chat and making algorithmic recommendations.



Context marketing is also used for long-term customer relationship management by storing historical customer data and sending targeted offers based on purchase history, saved items or wishlists, and email click-throughs.

These data are used to further personalize email campaigns, website product recommendations and even sending geo-targeted offers through mobile geofencing. Geofencing is location-based advertising where a smartphone user's location is tracked through the Internet and ads are targeted to those at a specific location, such as in proximity to a competitor's store or while browsing the retailer's own store.



“Brands like Louis Vuitton won't price their items differently in-stores versus online, but they *can* broaden their reach if they put the same level of attention to the experience they can provide online that they put on the in-store experience.”

- Alizée Blanchin, innovation, digital and CX consultant at Wavestone

Context marketing also happens at the aggregate level, where AI discerns buying patterns from customers of a similar demographic to infer what products go together and which items people tend to purchase in groups. These help provide somewhat personalized product recommendations even for new or prospective customers for which the business has no personal data, and generally lead to higher-value bundle purchases.

Using mobile apps to extend the customer relationship and help with purchasing decisions

Aside from serving as an additional point-of-purchase, brands use mobile apps to offer exclusive discounts and loyalty programs. Starbucks, for instance, has the most popular restaurant loyalty app. The coffee chain has a gamified interface for rewarding users who earn stars for every item they buy, which they can then redeem for free drinks, in-store refills and Starbucks merchandise.

Quick-service restaurants like Chipotle and CAVA have heavily promoted their mobile app to speed up in-store checkout by encouraging users to order ahead through the app – a prime example of using digital CX to remove friction from the in-store experience.

Meanwhile, brands that sell goods with a high purchase consideration, such as furniture or automobiles, use their mobile app to help customers with their purchase decision. Furniture retailer Wayfair offers a mobile app equipped with an augmented reality feature, where users can pull high-resolution, 3D renderings of products and see them superimposed in a real-world context. Say you're eyeing a new dining set – simply drag the item from the menu bar on your screen into a 3D rendering of your surroundings.

Similarly, Home Depot's Project Color mobile app enables customers to take a picture of any space in their home and apply virtual paint swatches before deciding which one to buy. It speeds the purchasing decisions and eliminates pain by preventing the customer from having to visit the store, collect samples, try them at home and return to the store *again* to buy.

One of the biggest dissuading factors for buying items like furniture, clothing and shoes online is the inability to try before you buy – hence the wave of innovation and experimentation from online retailers to make it easier for customers to evaluate the product beyond simply gauging product photos, specifications and reviews.



Collecting data in-store and online to generate 360-degree views of the customer

One of the biggest struggles is reconciling data from customer's in-store behavior with their digital profile. For T-Mobile, when customers started sales conversations in retail stores, there was no way for store associates to pick up that conversation with them if the customer then decided to buy outside the store.

The company couldn't capture information from potential buyers and move it across channels, which saves customers time while ensuring the prospect doesn't get snapped up by a competitor. Now, T-Mobile's retail reps use a custom app to capture leads and manage appointments while handing off data and orders to the company's existing back-end infrastructure.

It's difficult for a retailer to capture data on a customer who's simply roaming the shop floor, but when that customer interacts with the brand's mobile app as they navigate the store, that then becomes a further source of data that enriches the customer's existing data repository.



"Knowing your customer through their entire lifecycle and journey is vital. Give **each customer a single unique ID** to ensure all their interactions are accounted for in the CRM. For example, countless consumers have made a purchase with their work email, signed up for marketing communications with their personal email, and called customer support using a nickname. The optimal retail CRM solution will recognize that all of these records are for the same customer and move them under a single customer ID to give the retailer a complete view of the customer journey." - Julian Walker, Product Marketing Manager, Salesforce

Home Depot lets users of Apple Business Chat ask the whereabouts and availability of products and receive an interactive map detailing the corresponding aisle and bay, allowing customers to self-navigate without asking a clerk. Meanwhile, Sephora's chatbot on Facebook Messenger helps customers book a makeover appointment at the nearest store and try on products using augmented reality filters on their cell phone camera, empowering customers to make more educated purchasing decisions while giving the retailer insight into their purchase considerations.



Equipping search engines with visual search for smarter product recommendations

Searching using keywords doesn't always yield the exact results you want. Visual search is an AI-powered retail trend that allows shoppers to find and buy a product by snapping a photo. The AI identifies and searches for the product across multiple sites and retailers. While Google offers a visual search feature in its search engine, the Pinterest Lens offers a similar service through the Pinterest app, which helps users visually search similar pins and discover new brands. To compete in visual search, retailers must make sure their visual assets are high-quality and current.



Enabling social shopping to meet customers where they are

Brands spend massive budgets on social media advertising, and tech companies have responded by adding features that enable users to purchase directly from a brand's Instagram and Snapchat posts. Social shopping is another example of how retailers strive to honor customer channel preference, while also recognizing the potential for influencers to drive purchases.

Alibaba, China's largest ecommerce company, relies heavily on flash sales generated from live streams with influencers, known internally as "Key Opinion Leaders." Last year, Alibaba generated \$15 billion in sales from live streaming, a 400 percent increase from the year before. Austin Li, a full-time livestreamer for Taobao, helped the company sell a record-breaking 15,000 tubes of lipstick in 15 minutes when he reportedly applied over 380 swatches in a 2-hour livestream.

Providing chat services to help the customer with online purchases

Proactive web chat is designed to offer help if a customer exhibits ambivalent behavior while browsing a brand's website. For instance, if they reach checkout only to wishlist the item instead of paying for it, or if they've been idle on a landing page for a certain amount of time, a proactive chatbot will greet the customer and ask if they need help or recommendations. Some chatbots also act as AI-powered personal shoppers to personalize a customer's product search, while some companies also run chatbots in preferred messaging apps like Whatsapp, Apple Business Chat, Line and Kakao Talk.



“Poor checkout experiences lead to over \$200B in lost sales every year. Consumers are so used to one-click ordering from Amazon that the average checkout experience that requires 22 clicks is seen as cumbersome ([Checkout Conversion Index, 2018](#)). To beat this click fatigue, more retailers need to start allowing their customers to checkout using mobile wallets, like Apple Pay.” - Julian Walker

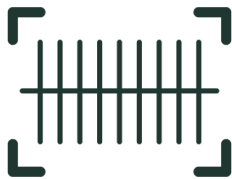
In-store innovations

The loss of in-store foot traffic to e-commerce is not because digital channels are inherently better at retail than brick-and-mortar, or because today's shoppers are uncompromisingly digital-first. Consumers always seek the path of least resistance, and right now, physical stores impose a host of customer pain points that are easily avoided through online shopping. Retailers are blowing it with long checkout lines, poor inventory control and unhelpful/uninformed store clerks. Here's what retailers are doing to counteract in-store pain points.

Removing long checkout lines with scan-and-go capabilities

Long checkout lines are a major dissuading factor for would-be shoppers, many of whom decide to buy online instead. Retailers like 7-Eleven are experimenting with cashierless, scan-and-pay mobile apps that allow customers to bag their own purchases and circumvent checkout altogether. Meanwhile, the Amazon Go store pioneered cashierless “just walk out” technology where sensors on store shelves detect when an item is removed, adds it to a virtual cart in the user’s Amazon Go mobile app and automatically charges their card when they leave the store.

Most intriguing yet is The Drug Store in Tribeca, the first retail space for DIRTY LEMON, a digitally native wellness beverage brand. The company has sold over two million of its brightly-colored “beauty elixirs” and “cleansing blends” priced over \$10 a bottle. The store is unstaffed with no checkouts. Instead, customers take the product they want from the refrigerators, send the company a text specifying which item they took, and their credit card is automatically charged



Using smart shelving and in-store robots for inventory control

When an item is out-of-stock on a retailer’s website, it’s less of a blow to the customer than if they traveled to your store only to receive bad news. Smart shelves are equipped with sensors that detect when an item is removed from store shelves or when a particular item is running low. It then sends an alert to inventory control to replace the item.

Walmart’s in-store robots are purportedly designed to help with inventory control as well, although not through smart shelving. Instead, the locomotive robots scan store shelves and alert the back office to restock if an item is running low.

Injecting the retail space with a sense of experiential

New retail concepts attempt to gel entertainment, experiences and retail under one roof using technologies that combine the best of e-commerce and physical retail, taking shopping trips from a necessary chore to an awe-inspiring excursion.

Much-vaunted and soon-to-be opened by late 2019/early 2020, AREA15 is an experiential retail and entertainment complex in Las Vegas offering live events, immersive activations and art installations interspersed with storefronts. Expect to see oddities like a 32-foot bamboo volcano, a stainless steel car by Las Vegas sculptor Henry Chang, a food hall and indoor and outdoor event space.

While AREA15 constitutes an entire shopping complex, individual stores are also looking at blending art installations with shopping. Known as much for its star-studded clientele as its outlandish store concept, Korean eyewear brand Gentle Monster has capitalized on the art of intrigue.

From the outside, its stores look like sculpture parks or art galleries showcasing modern art, daring passersby *not* to take a gander. The eyewear is displayed almost as an afterthought among themed sculptures and art installations that rotate consistently, giving customers a reason to return. By seizing on our innate fascination for the bizarre, the South Korean eyewear brand sticks in the customer's mind without going the traditional route of the "seven touchpoints."



"If you look at the stores that make it today, they create an experience for the consumer, which is the whole beauty of what a retail space does...Why are some shoppers absolutely loyal to Target over Walmart? They're similar mass purchasing stores with similar discounts, but the way their brand experiences are radically different." Ali Craig, Brand Strategist and Host of *Fix My Brand*



"Retailers have to ask themselves, 'how can our store fit better into our shoppers' lifestyles?' For instance, should the store also be a place to study, workout, pickup orders, or a mix of all of the above? The opportunities are endless, but retailers must understand their consumer to determine the best ways to transform their store concepts. " - Julian Walker

Providing product customization in-store lures traffic

Iconic brands commanding a large fanbase benefit especially from giving customers the chance to personalize their products in-store. Levi's, for instance, offers customized embroidery on denim jeans and jackets, while NikeiD allows customers to personalize their sneakers.

While these customizations can be ordered online, some fans relish the excitement of watching their custom design being applied to the product and interacting with the artist. Ralph Lauren took customization to the next level by designing an in-store holographic experience for designing your own polo shirt. Store visitors could select designs from a tablet and see it represented in holographic form as a digital overlay on a polo shirt-wearing mannequin as a way to preview their design.



“The goal of branding is about creating these conditions of irrational loyalty, and irrational loyalty is feeling so incredibly bonded to a brand that you would feel like you were cheating on it if you were to try something else, or to have something so indispensable you feel like you couldn't live without it.” - Deb Gabor, author of *Irrational Loyalty: Building a Brand that Thrives in Turbulent Times*



Modularized, pop-up retail spaces empower retailers to reach more customers

Pop-up stores are often lionized in the retail industry as a modularized, cost-cutting way for retailers to engage with consumers in their natural habitat, build relationships in-person as well as online, and offer weird and quirky experiences that hopefully sear the brand into customers' memories. China's BingoBox stores are bringing the pop-up concept to convenience retail with their shipping crate-type stores. The modules are dropped by the street in areas lacking convenience stores, like college campuses, parks and residential areas.

Instead of employing cashiers and clerks, the store is enabled with self-sufficient technology. Each item has an RFID tag that can detect if an item has been paid for, and CCTV cameras monitor the store 24/7. Customers simply pick up items and place them on a checkout counter that automatically scans and tallies up their purchases.

In fact, the unstaffed store is far more proficient at loss prevention than a typical one, because each customer is identified by a unique QR code, which they must scan to gain entrance. Thieves can be permanently barred from entering in the future.

What can we learn from brands that have rebounded from the retail apocalypse?

An onslaught of retail closures this year from legacy brands comes as no surprise to adherents of the "retail apocalypse," but those of us vested in the customer experience know that ecommerce isn't solely to blame. From Payless ShoeSource's failure to understand changing consumer tastes to luxury retailer Barneys' failure to invest in e-commerce, each retail closure can be traced to a number of pain points that drive shoppers away.

On the other side of the coin are businesses that have rebounded from a retail near-death experience, like Best Buy, which did so by electing to offer a superior customer experience. Meanwhile, Toys R Us' comeback after filing for bankruptcy in September 2017 represents an all-new brand positioning and in-store approach dedicated to experiential retail.

In addition to the use cases presented above for various emerging technologies both in the digital and physical realm, here's what we can learn from these high-profile retail comebacks.



Best Buy – offering superior customer support in smart home technologies

Best Buy rebounded from dire straits in 2012 by refocusing on the customer and positioning itself as a leader in smart home technology. To do this, the company hired in-home advisors to conduct home visits and act as personal chief tech officers to help people make their homes smart or simply more functional. The focus is on being a consultant and building a long-term relationship rather than pushing for a one-off transaction. No job is too small. The team regularly fields requests from customers asking how to use their Amazon Echo – all free of charge. It all stems from Best Buy's desire to recast its employees as an “inspiring friend” to their customers.

Best Buy is counting on these advisors to distinguish it from Amazon, which has also begun offering appliance repair and installation through Amazon Home Services with vetted contractors, as well as AmazonBasics, a private label offering low-priced commodity electronics. By 2016, Best Buy's profit and stock price were up.



“Brick-and-mortar stores should first and foremost **focus on providing excellent customer service**. Store associates learn so much information about their customers (likes, dislikes, preferences). However, this information often goes unrecorded or gets handwritten into the associate's personal clienteling book. To make the store associate's effort worthwhile, retailers should equip associates with a phone or tablet with a clienteling app that's connected to the organization's CRM. This will ensure that the organization maintains a complete, omni-channel view of the customer.” - Julian Walker

Toys R Us – providing immersive in-store play experiences

After filing for bankruptcy in 2017 and closing all its UK and US stores the following year, Toys R Us is relaunching online while planning to open a limited number of stores in the US through 2020. The former big-box retailer is rebranding with smaller stores that focus on events and activities, such as interactive demos, open play areas and spaces for special events like birthday parties.

It's no longer enough for a toy retailer to simply stock items; it must encourage play and interaction and provide an experience for its customers. Think about it: with the option to purchase toys online, most parents only visit a toy store upon their child's insistence. A typical big-box store isn't attractive to children, so it's essential for Toys R Us to provide a space that induces children to want to visit again and again, otherwise foot traffic will be severely limited.

At the two stores opening this year in Houston, TX and Paramus, NJ, consumers will have the opportunity to play with toys displayed out of the box before potentially making a purchase. The company believes that this immersive experience will help it track patterns and measure how the in-store retail experience affects online sales. The brand has also relaunched its website, “centered around product discovery and engagement.”

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Kindra Cooper is a digital writer and editor for CCW Digital, the global online community and research hub for customer contact professionals. In her role, Kindra writes daily articles and produces podcasts on customer experience, design thinking, UI/UX, brand strategy and more. Her reporting has appeared in various print and web publications covering politics, arts & entertainment, business and architecture.



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Upcoming Events

DECEMBER

CCW Digital Online Event: Contact Center 2025: A Roadmap—FREE to register

December 3-4, 2019

<https://www.customercontactweekdigital.com/online-events/contact-center-2025-a-roadmap>

JANUARY

CCW Nashville

January 28-31, 2020

JW Marriott, Nashville, TN

<https://www.customercontactweekdigital.com/events-customercontactweekwinter>

FEBRUARY

Experience Design

February 25-27, 2020

Denver, CO

<https://experiencedesignweek.iqpc.com/>

MARCH

CCW Executive Exchange Miami

March 22-24, 2020

Miami, FL

<https://www.customercontactweekdigital.com/events-ccwexchangeusa/>

APRIL

Design Thinking 2020

April 14-17, 2020

Austin, TX

https://designthinkingusa.iqpc.com/?mac=CMIQ_Events_Title_Listing

MAY

Chief Experience Officer Exchange

May 17-19, 2020

Denver, CO

<https://www.customercontactweekdigital.com/events-cxoexchange>