



## **REVOLUTIONISING CUSTOMER EXPERIENCE**

How technology will revolutionise the customer experience journey in retail.

**WRITTEN BY**

William McCarron  
COO at Millijoin  
[william@millijoin.com](mailto:william@millijoin.com)

# INTRODUCTION

The retail sector is currently facing a variety of challenges that means organisations need to stay very much on their toes if they are to maintain a competitive advantage. Faced with the explosive rise of online and mobile shopping, and the downward pressure these apply to pricing, businesses must now more than ever differentiate their customer experience to survive. With higher fixed and variable costs than online alternatives, they are no longer and will no longer be, the low-cost provider. In the famous words of Michael Porter, they seem destined to be 'stuck in the middle', a position widely known doomed to fail. If you are not the cheapest, and you don't provide any kind of differentiation, then what are you?

At the same time, retailers sole remaining lifeline in the form of advertising is rapidly losing effectiveness. Subsidising poor, uninspired customer experiences through heavy advertising is no longer a viable option. Customers live in a world of information overload from friends, reviews and social media. No longer able to conceal their mediocrity through clever campaigning, retailers must make fundamental changes to remain competitive.

Retail needs to prioritise differentiating themselves and taking the battle from pricing and moving the battle to areas where they can succeed and thrive; the employee-customer relationship. Retailers must deliver customer experiences so compelling, unique and delightful that customers gravitate towards them. To achieve this it is essential that retailers leverage the technology that customers have grown used to in other areas of their lives. By transferring the conveniences of online shopping while retaining the human aspect, retail will create an experience that is truly revolutionary.



In many areas of our lives, technology is often embraced with open arms. Within retail, it appears that there is an inherent fear of technology through a misconception that technology equates to greater competition. Coupled with a 'retail is dead' mindset, innovation has greatly been lacking in retail spaces. But by writing off the technology, retailers are disregarding the opportunities that technology has presented them.

In brief, technology has the potential to facilitate communication internally, to better connect employees with customers, to automate repetitive queries and improve efficiency, to better inform the customers, and to improve and elevate customer experience as a whole.

The benefits of embracing technology in retail, as you will see, are evident and extensive. From the employee perspective through to the customer, and the organisation as a whole through data and refinement; everyone stands to gain from leveraging technology to create amazing customer experiences. According to PWC, 82% of top performing companies pay close attention to customer experience around digital and tech, so this is not an opportunity that can be ignored. Retailers must see this transition as an investment in to their future and essential for their success in an ever more interconnected world.

A large, semi-circular pink graphic on the right side of the page, containing a quote.

*“Retailers must deliver experiences so compelling, unique and delightful that customers gravitate towards them.”*

*"77% of customers state that physical retail's biggest advantage is the ability to touch, see, and try products."*

## THE GROWTH OF SMARTPHONES

The smartphone revolution has fundamentally changed the world. In 1996, less than 20% of people had access to a mobile phone, today that number stands at 95%. The result of which is that smartphone users are 'always on'. They have access to everything, at all times. If they want a specific item they can find it and order it online, 24 hours a day, 7 days a week. This also applies to communication; the channels are always open. During these years of great technological change, the physical retail experience for customers remains relatively unchanged. But concealed in this growth lies a huge untapped opportunity for physical retailers.

The ubiquity of smartphones has created a network, a continuous flow of devices that enter and leave stores. If correctly utilised, this infrastructure could be used to help customers and businesses efficiently connect, and opens a world of possibilities. But retail must do more to tap into this infrastructure provided by the ubiquity of mobile phones. This means more than introducing fixed digital terminals into stores. Each employee must have the ability to tap into this network; to access information and to be accessible. But also allow customers the ability to seamlessly connect, communicate and access information relevant to them.

## RISE OF ECOMMERCE AND CHANGING HABITS



Shopping began with customised experience, with the shop keeper knowing every customer's name, knowing their family, and knowing their personalised preference. But the rise of big box stores, and then subsequently online shopping changed the shopping dynamic entirely. As a consequence, over the last 20 years, our perceptions of how and when we buy something have drastically changed; shopping has very much become a 24-hour endeavour and taught us that nobody has to wait in line for anything anymore. However, although speed and efficiency grew, the value of customer experience was somewhat ignored. But this is changing.

In the e-commerce world, nobody can deny that Amazon reigns supreme, taking market share in ways that nobody could have imagined. But what is fundamental to Amazon's success? Jeff Bezos has frequently stated that Amazon's success is being obsessively customer-centric, implying that Amazon understands there is more than just price and efficiency to the customer/retailer relationship.

Amazon can achieve stellar customer service through data, through personalisation, and through a level of communication that physical retailers believe they cannot compete, all while providing a lower price.

But physical retailers have strong advantages over eCommerce too. According to Tulip, 77% of customers state that physical retail's biggest advantage is the ability to touch, see, and try products before purchasing; a consequence of this is physical retail's unrivalled conversion figures. A study by HeadCount, a leading authority on retail traffic and conversion, showed that these advantages translate to conversion that is up to 7 times higher than that of online shopping. The allure of this value proposition of physical spaces, of discovery and the power of product visualisation, has driven Amazon to open trial physical stores. What is notable is that Amazon has steered away from fully autonomous kiosk stores and towards larger, manned stores, where they can offer a "more comprehensive customer experience", selling higher value items and leaving 'basic' items for online channels.

This isn't an Amazon only phenomenon; stores such as Bonobos, Warby Parker, and Allbirds, which all started online, are increasing their physical footprint and opening stores. Their reasoning for this move to physical was to gain the kind of feedback which is hard to gather online. It was also an opportunity to showcase and preview new products, develop personal and authentic connections with their customers, tell a compelling story, and increase sell-through activities that increase relationships and loyalty.

This shift to online for the commoditisation of basic necessities such as groceries and a focus on customer experience for higher value or differentiated items is further backed up by changing customer behaviour. According to PWC, 44% of customers shopping in-store daily or weekly for items other than groceries, up from 36% in 2014.

## CHANGING CUSTOMER EXPECTATIONS

Technology offers solutions to most problems in our lives, we have apps to control or connect us to most devices, or direct lines of communication to family, friends and in some cases, coworkers. Furthermore, Today's generation is the first generation who looks to technology, more specifically apps, to solve the ills of their daily lives; this includes their perceptions of how their retail experience should perform.

As a consequence of the growth of online shopping, customers now expect a level of efficiency which the majority of retailers currently do not provide. The archaic processes and inefficiencies of physical retail have been highlighted in comparison for all to see. Consequently, customers now expect and want retailers to embrace greater technology to make their experience more efficient, and it shows. 78% of customers surveyed by Tulip said they expect businesses such as retailers to do a better job of using technology to improve their customer experience. Furthermore, according to PWC, 80% of US customers point to speed, convenience, knowledgeable help, and friendly service as the most important elements. All of these factors can be improved through greater technological integration. Simple tasks such as reservations, stock levels, and location queries can all be automated and handled by the customer using Location Based Services (LBS), and communication can be instantaneous and accessible from anywhere.

According to Tulip, knowledgeable staff is also extremely important for customers, with 79% saying it is 'very important', and at the same time 83% of customers feeling as though they are more knowledgeable than staff. So it is essential to create a platform where employees are able to access key product information, inventory and availability.

Retailers are in the perfect position to capitalise on this opportunity if they embrace the technology that customers have grown to expect. To fully integrate technology that enables them to succeed while creating an immersive experience that answers elements that cannot be answered online is essential for Retail's survival.



By allowing customers direct access to product information, or allowing employees to be symbiotic with information, retail can rise to the level of information of online, and even excel in areas such as experience personalisation.

A shift towards a more personalised approach can be seen with Nordstrom, the department store chain, introducing 'Nordstrom Local' which is focused on specialised products, personal stylists and customisation. This personalised approach is a growing expectation amongst US customers, with 63% saying they would share more information and personal data with a company that offers a great customer experience. Customers expect retailers to do a better job of understanding who they are talking to, to create an experience suited to their needs.

Digitalising customer interactions will create a wealth of knowledge for experience personalisation, giving insight into customer preferences, previous purchases, correspondence and giving the ability to tailor offers and information for each specific customer.

Technology in the retail space can also facilitate communication between customers and employees. Customers are increasingly growing to expect such communication, with 73% of customers stating a willingness for stores associates to contact them through digital means. These channels could be leveraged for the customer to reach out to an employee at their local store prior to purchase with questions, or post sales for follow up information. Data from Intercom showed the value of such conversations; with a single reply equating to a 50% increase in conversion, two replies boosting conversion by 100%, and a chat with 6 or more exchanges boosting conversion by more than 250%.

*“Emotionally connected customers have a 306% higher lifetime value (LTV) and stay with a brand for an average of 5.1 years vs. 3.4 years”*

## CHANGING EMPLOYEE EXPECTATIONS

This demand for greater technology, for the tools to better do their job, can be seen from an employee perspective too, with 50% stating that they do not have the tools required to work to their full potential. This is another wasted opportunity; when retailers do leverage new technology, 90% of associates say they have the tools to do their job well, compared to only 49% whose retailers do not provide digital tools. SalesFloor Employees want and need the tools to flourish in their roles. They want to be able to better serve and better engage their customers, communicate with their team, and focus on meaningful tasks such as relationship building. 2 out of 3 associates say access to digital tools and technology is a must-have at a future retailer, with 76% of employees hoping to have such technology soon available to them. Research by Slack showed that only 31% of workers are satisfied with their current work communication tools.

Furthermore, a study by Gallup showed that better-engaged workers equate to improved wellbeing. Teams of workers that feel engaged showed 41% lower absenteeism and 59% less staff turnover. Employees echo the data with their own sentiment, data from SalesFloor 72% of sales associates stating they are more likely to stay in their current position, and less likely to look for a new job if they are provided with the tools and technology to enhance their jobs.

Technology can also boost wellbeing by giving employees instant feedback and by also automating the mundane, repetitive tasks for the customer, and freeing employees to focus on more valuable, meaningful and engaging work.

This opportunity to give employees better tools to succeed and consequently increase engagement, cannot be missed. In the US alone, poor engagement and unhappy employees cost \$450-\$550bn per year.

## BUILDING VALUABLE RELATIONSHIPS

Gone are the days where retailers can ask their customers to be added to their mailing list and bombard them leaflets or email marketing. Relationship building is an ongoing and long-term process. Employees must build trust which involves being part of the sales journey from the first enquiry to the final sale and beyond. Typical in-store retail interactions are confined to one-on-one conversations. But by properly equipping employees with the right technology and the ability to be contacted by customers prior, during, and after sales, retailers open more opportunities to forge lasting relationships. These relationships can be further fortified by understanding a customer's preferences and needs. In the case of repeat customers, this can be elevated by being able to connect to a familiar employee when in-store or remotely. This ability to seamlessly blend remote digital communication with human interaction is one truly untapped advantage of physical retailers. With this approach, retailers are laying the groundwork for building an emotional connection, which can provide huge value. According to Motista, customers who feel an emotional connection spend twice as much than customers who rate themselves as just satisfied.

Technologically driven relationship building creates channels for honest and direct feedback between customers and employees. According to Recruiter, 75% of employees state that feedback is important with 65% saying they wish they received more feedback, highlighting the weight employees put on reflection for their wellbeing.

Feedback should be a constant stream, not a yearly review, and opening digital channels can create an environment of continuous improvement, helping employees understand and reflect on how they can better serve customers. Could they explain something more clearly? Can they avoid confusion? Can they refine their sales process? Without feedback, they are blind sales with lower conversion and by putting feedback in the hands of the employee, retailers are putting the feedback in the hands of those most able to take action. Empowering employees this way, and allowing them to make positive change, will result in happier employees. Happier employees equate to happier customers and higher conversion, as 71% of customers state that employees have a significant impact on their customer experience.

Furthermore, a relationship with a store or brand equates to emotionally connected customers. According to Motista, emotionally connected customers have a 306% higher lifetime value (LTV), stay with a brand for an average of 5.1 years vs. 3.4 years, and will recommend brands at a much higher rate (71% vs. 45%).

These numbers are not achievable online, as an emotional connection requires a compelling argument and trust, and as 50% of communication is body language, human interaction is an essential part of relationship building.



## FINDING THE BALANCE

Like many things in life, the key to the successful implementation of technology is finding a balance. It is essential that retailers must use greater technology to make the customer journey actually feel more human. Although this may sound conflicted, the reality is that retailers can increase efficiency and adopt greater technology, while retaining the human feeling. The current process for getting assistance in-store is walking, finding, and waiting for help. If retailers can ensure that human help is only a click or swipe away at all times, the customer-employee relationship will never have been closer.

Customers expect this balance, where technology is a facilitator and complimentary, and works in a supporting role for both parties, with 71% of customers stating that they prefer interacting with a human for complex questions.

But automation can also be used in areas where customers want a simple answer and expect efficiency.

Humans must be present in the process to make good judgement, to read body language, but this doesn't mean that technology can't be used to tailor the experience, make recommendations or find items quicker. Data can quickly and efficiently highlight hindsight, but can also create a funnel and close off opportunities that humans can understand. Therefore, an employee must always have control over that experience.

This balance of having technology and humans working alongside each other and creating a complete experience is also a great opportunity to further improve and refine the customer experience journey. With machine learning (ML) and artificial intelligence (AI), these human interactions can be used to train a system to better serve a human when an employee is not required or preferred by the customer.



## THE FUTURE OF RETAIL

Over the coming years, the transition will switch entirely from retail stores selling mixed product lines of commoditised items and unique items, to primarily differentiated goods with a strong focus on customer experience. As pricing becomes more transparent and efficient, the focus will switch to the augmented product, to the value proposition that surrounds the product. This will involve a strong focus on experience, pre and post sales to support and loyalty.

To facilitate such a transition, and to remain competitive and relevant, it is imperative that retailers transfer the efficiencies developed online and use them in a physical context. At the same time, retailers must build lasting relationships and prioritise loyalty over visitor volume.

Providing a customer with a good experience can gain a customer's loyalty for life, but providing a sub-standard level of customer experience can lose that same customer forever.

Creating a free flow of information and communication is essential, both internally for employees, but also for visitors. Allowing customers to access any information instantly will mean that a customer's experience can be as tailored as they wish.

Lastly, greater integration of technologically driven processes will provide businesses with a whole wealth of data and customer insights that can help them better understand and refine their operations.



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[william@millijoin.com](mailto:william@millijoin.com)