CONSUMEROLOGY

The Art and Science of Retail Success

greenlight commerce

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The inexorable rise of online commerce has left many wondering how best to approach retail overall – not only to maximise sales, but also to strike the right balance between online and instore sales, and across all the channels used to communicate with customers. Companies that are serious about growth need to be 'omnichannel' businesses, but getting that right is not straightforward.

The positive news is that retail is growing. In the UK, the underlying trend is one of growth, with Government figures showing overall retail sales up 1.2% year-on-year and online sales increasing 14%. Forrester reports that total US sales are forecast to grow 3.8% in 2017, with 12.9% of sales happening online. Yet with everyone agreeing that customers' buying habits are changing very fast and clear shifts occurring in social media engagement from older to younger users, how can you boost your chances of grabbing some of the retail growth – or even staying in the race?

" A retailer's key measure of success used to be focussed on the end result; transactions. However, we are now much more balanced, focussing on customer satisfaction and brand health to drive transactions." Sainsbury's Head of Customer Experience Clare Muscutt

Customer first

The top-line answer is that it's all about 'customer first' and 'customer experience'. With so many brands and channels to choose from, it's no longer possible to assume that the location of your store(s) or offering the cheapest prices is going to win you customers – and particularly loyal, repeat buyers.

"'Customer first' is easy to do when you're running a small business in a shop," observes Ian Whittingham, Managing Director of independent cycling retailer Sigma Sport. "But as your business expands and moves online, you have to stay true to this across everything you do, and do everything you can to make it a good customer experience."

Businesses at the other end of the scale face similar challenges. Sainsbury's Head of Customer Experience Clare Muscutt notes: "As far as customers are concerned, the 'value equation' used to be about quality plus price. Now, though, customers also expect a great experience, so we have to be ready to respond to their needs quickly and in innovative ways."

Building a great customer experience takes thought, planning and good design. Beyond that, what is appropriate for each business will vary. In terms of stores, for example, a specialist business such as Sigma Sport, which is having to compete directly with online sales, can stand out by making its store a 'destination'. In terms of products, that has meant focussing on niche brands that weren't being offered elsewhere. In addition, Whittingham and his team strive to offer services, resources and workshops that can't be replicated online. "Our store is a social hub," says Whittingham. "We do all we can to ensure everything we do in-store is relevant."
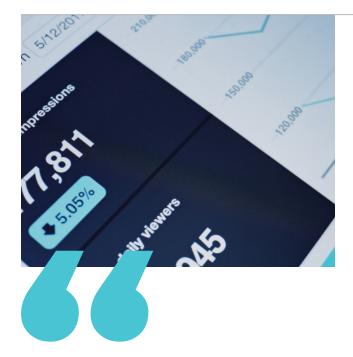
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For larger brands with multiple outlets, any changes to physical stores adds up to a massive operation. Thus they don't have the option to act fast when it comes to format, but they do have larger teams and budgets for researching, planning and implementing changes. Shifting to a focus on 'customer experience' isn't easy for large brands, however, as there are subtle factors in play that are hard to quantify and potentially harder for larger businesses to focus on.

"A retailer's key measure of success used to be focussed on the end result; transactions," admits Muscutt. "However, we are now much more balanced, focussing on customer satisfaction and brand health to drive transactions." And even that isn't straightforward. "Satisfaction can be thought of as a combination of ease plus effectiveness, but emotional engagement is also important – it's like the hidden part of an iceberg which you can't see, but that makes all the difference."

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Customers don't have linear journeys anymore." Sainsbury's Head of Customer Experience Clare Muscutt

Succeeding in an omnichannel world

Retail is made more complicated by the fact that consumers get information and recommendations from so many channels and can purchase via many routes. As Muscutt points out: "Customers don't have linear journeys anymore." Hence if you can make their purchasing journeys more efficient and easier, that will be better for them – and for your business. Adding to the problem, apparently unconnected facets can be connected within the purchasing journey for any single customer. Some of these will be out of your control, but where you can have an impact, you need to aim for a seamless, consistent customer experience.

There are some guiding principles and plenty of tools and organisations that can help. Using a 'mobile first' approach is now commonly accepted as the best design approach for websites, analytics can help you identify both problems and winning approaches, and numerous tools and agencies can support with factors such as search, payment, localisation and so on.

One aspect that does warrant particular care is personalisation. "Personality-matched content is twice as profitable," suggests Vesselin Popov, Business Development Director at the University of Cambridge Psychometrics Centre. "And when people spend on ads that match their personality, they are happier too."

Conversely, Popov warns that you need to be both a brand that can be trusted and to avoid appearing creepy by how you personalise content through any channel. "People don't like predictions being made about them without their consent, so you need to be transparent. If you personalise, there needs to be a benefit to the customer and the content needs to be relevant. However, often people don't realise they need to share their data for this to work."

Beyond the obvious benefits of personalisation, there are times when it can be extremely beneficial, such as when there is any conflict between your target audiences: in sport, for example, triathletes and cyclists don't always see eye-to-eye, and neither do canoeists and surfers. It's possible that a business that caters to one may want to cater to the other, but an ad, email or social post that appeals to one may actually antagonise the other.

It is possible to avoid this by carefully assessing digital attributes to determine an individual's traits and predict their subsequent behaviour. "People behave in different ways dependent on these traits, hence why they are predictable," notes Popov. "This can be used to personalise content, but you do then need to deliver the right content to the right people – it's all about assessment and targeting."

Popov highlights that it's not just about using data responsibly, but also about testing and recording all relevant statistics properly, with responses, explanations and how the personalised content matches against revenue. Otherwise, you are not validating your use of personalisation in terms of benefits for either the customer or the business.

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Social engagement

No brand can afford not to extend their considerations of the customer experience and personalisation into social media. "Your story on social needs to be about the customer," states Whittingham. In addition, adds Muscutt: "Driven by experience, people expect personalisation and will share more if they get a better experience in return."

The connected customer is informed, disloyal and time poor, but also socially dependent, notes Muscutt. They also increasingly use social media for customer service, so your strategy needs to include a way of managing interactions as well as engagement, given that it is visible to the world in a way that traditional customer service channels are not.

Understanding your customer profile is particularly key in managing your social channels, given the move towards image-based social media – particularly among younger consumers; the so-called millennials, or generation Z. This shift necessitates careful consideration of your algorithms and a focus on both the language and images you use, both on social and right across your business.

It's also worth looking beyond the obvious big social channels at the opportunities presented by niche apps within your sector. For cycling specialist company Sigma Sport, for example, an app called Strava is huge amongst its core audience and therefore a focus for

interacting with potential customers, and there will be others for different sectors.

With so many aspects to look at in order to tackle the total customer experience for your brand, it's vital that everyone in your organisation understands the need for a customer-centric view and that all the right stakeholders can play their part. It's also important not to lose sight of the human aspect and the need for creativity.

"It is complicated and it can be hard, but we need to do all we can to give buyers what is needed to make informed buying decisions," says Whittingham. "It needs to be data driven, but it's possible to get too embedded in that. You need to go with your gut feel too sometimes, and be brave." Muscutt agrees: "Omnichannel experience design needs to be a balance of science and art."

How can you build trust and avoid being creepy?

Vesselin Popov, Business Development Director, University of Cambridge Psychometrics Centre

There's a fine line between being data driven and being creepy. If consumers feel like a retailer knows too much about them, or is second-guessing their intentions without explaining what these guesses are based on, then they will recoil from any interactions that are driven by data and look for a more 'private' experience. This increases the emotional distance between them and that brand, and that's a problem because it's this closeness that remains essential if you want to sustain a relationship based on trust.

Critically, businesses should consider why they need consumers to trust them. Many business models still don't require real trust to function, as they are based instead on surveying users and reselling their private information. But where an organisation has identified the added value that trust can bring – such as customer retention, referrals, lifetime value, and so on – then there are a few simple principles which could help with building that trust:

- **USER CONTROL** – Individuals should not have their data collected nor predictions made about them without their consent. Every user ought to be able to control the way in which you use their information, and thereby feel included in the analytical processes happening in the background.

- **TRANSPARENCY** – If you make data-driven decisions about an individual, then you should clearly and concisely explain the results of those decisions to them. This allows them to engage with the data, potentially offering corrections and feedback that helps to improve your models in future.

- **BENEFIT** – Individuals should derive some benefit from how you use their data or the analytical techniques you employ. Prediction for the sake of prediction is a waste of time and money, and could risk both alienating users and failing to deliver any tangible benefits to the organisation. Analyses that improve customer experience and offer new opportunities are in fact those most likely to be aligned with both business and consumer needs.

- **RELEVANCE** – Individuals should be able to see a clear link between the data collected about them and the purpose for which it is used. If, for example, you're going to correlate geolocation data with intention to purchase, or web browsing history with colour preference, then you should explain to people what the steps are that the model takes to reach such decisions.

i Office for National Statistics; Retail sales, Great Britain: September 2017 https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/september2017
ii Forrester; The Art and Science of Retail eCommerce, The Retail eCommerce Playbook for 2017; 25 August 2017