What Makes An Excellent Customer Experience? Customers _And_ Retailers Weigh In

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IORMA
The Global Consumer Commerce Centre

About This Research

- Today, at the beginning of 2023, shopping is objectively easier than at any other point in history

- Consumers can buy *just about anything they want* (often-times from a multitude of sources) and take delivery of those products in any number of ways they deem most convenient to their personal needs

- For retailers, however, "easy" is no longer part of the internal lexicon

- To sell successfully in the modern world, one most overcome competition from sources old and new, or as RSR so often points out, consumers will "just buy it on Amazon.com"

So Now What?

- With competition seemingly everywhere and always just a click away, many retailers have identified that offering an **excellent customer experience** is the way in which <u>they plan to differentiate their brand</u>

- But what is an "excellent customer experience"?

- We asked roughly 100 retailers – and 1,000 consumers – to find out. It turns out there are a lot of breaks between their perceptions of what is – *and what should be*

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First Thing's First: Retailers Know What They Want

To What Degree Do You Agree With The Following Statements?

■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
Building deeper relationships with existing customers is key to our success in today's challenging economic times	60%	38%	2%	
Personalized customer communications are critical for winning and keeping customers	58%	39%	2%	
Customer segmentation is only good for a short time (less than 3years), and must be constantly re-evaluated	34%	44%	18%	4%
We just need to deliver products consumers want at competitive prices	33%	31%	32%	4%
Customer data is not nearly as important as product movement data for understanding demand trends	19%	19%	37%	25%

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But They Also Know They Have A _LONG_ Way To Go

**Please Indicate The Degree To Which You Agree Or Disagree With The Following Statements:
("Strongly Agree")**

■ All Retailers

Statement	%
My company knows who our best shoppers are	39%
My company has a strong, single owner of the customer experience	36%
The economy has significantly impacted our customer segmentation strategy	35%
Our strategy is about getting rid of "bad" customers and promoting "good" customers to be "great"	22%

Less than half of retailers can speak confidently here!

What Do Shoppers Think?

Please Rate How Well Your Favorite Retailer Currently Does The Following:
(% Answering "Very Well")

■ All Shoppers

They have a great loyalty program	41%
They are able to notify me about products and services I may be interested in	39%
Makes offers to me based on what I actually buy, not what they want me to buy	37%
Knows enough about me to make offers specific to just me	35%
Knows enough about me to identify products I may like	35%
Knows enough about me to make offers based on shoppers like me	34%
Knows enough about me to identify the ways I like to shop	34%

The Best Retailers Are In Slightly Better Shape

"Strongly Agree"

■ Retail Winners ■ All Others

My company knows who our best shoppers are
- Retail Winners: 48%
- All Others: 31%

My company has a strong, single owner of the customer experience
- Retail Winners: 48%
- All Others: 24%

The economy has significantly impacted our customer segmentation strategy
- Retail Winners: 41%
- All Others: 29%

Our strategy is about getting rid of "bad" customers and promoting "good" customers to be "great"
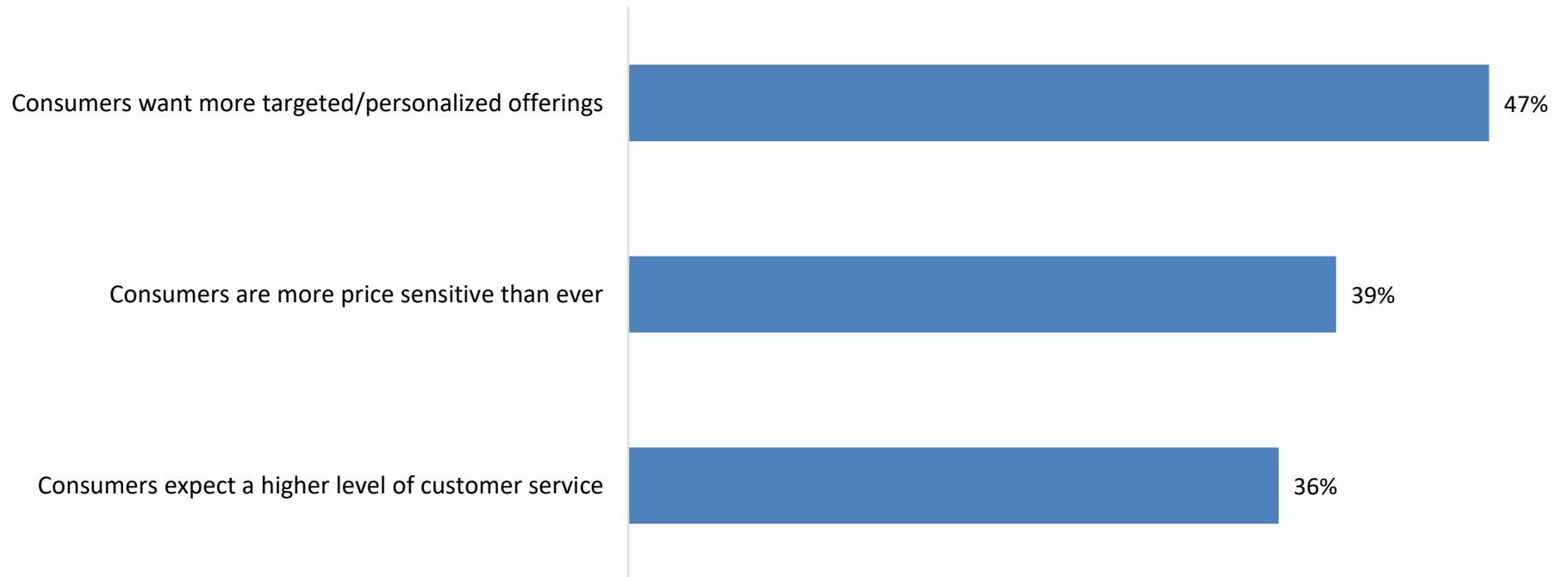- Retail Winners: 22%
- All Others: 22%

Business Challenges

The Complications Of Where We Are – And How We Got Here – Are Vast

Retailers *Are Fully Aware That* They Need To Offer More Relevance

Top Business Challenges Driving The Company's Current Customer Strategy

Challenge	
Consumers want more targeted/personalized offerings	47%
Consumers are more price sensitive than ever	39%
Consumers expect a higher level of customer service	36%

Meanwhile, While Price Reigns Supreme, Shoppers Have A Long List Of Ways They Think Retailers – Even Their Favorite Retailers - Are Failing Them

When Thinking About Shopping At Your Favorite Retailer, How Important Are The Following To You?

■ Very Important ■ Somewhat Important ■ Not Important

Price, of course, trumps all. What's beneath this really matters though

	Very Important	Somewhat Important	Not Important
They have the lowest price	66%	29%	5%
The shopping experience is consistent	60%	37%	3%
Makes offers to me based on what I actually buy, not what they want me to buy	44%	42%	15%
They have a great loyalty program	36%	46%	18%
They are able to notify me about products and services I may be interested in	35%	44%	21%
Knows enough about me to make offers specific to just me	32%	43%	26%
Knows enough about me to make offers based on shoppers like me	30%	46%	24%
Knows enough about me to identify the ways I like to shop	30%	39%	32%
Knows enough about me to identify products I may like	29%	44%	27%

Shoppers Want Consistency. And Price. And To Feel Like Retailers *Know Them & How They Like To Shop*

Please Rate How Well Your Favorite Retailer Currently Does The Following ("Very Well")
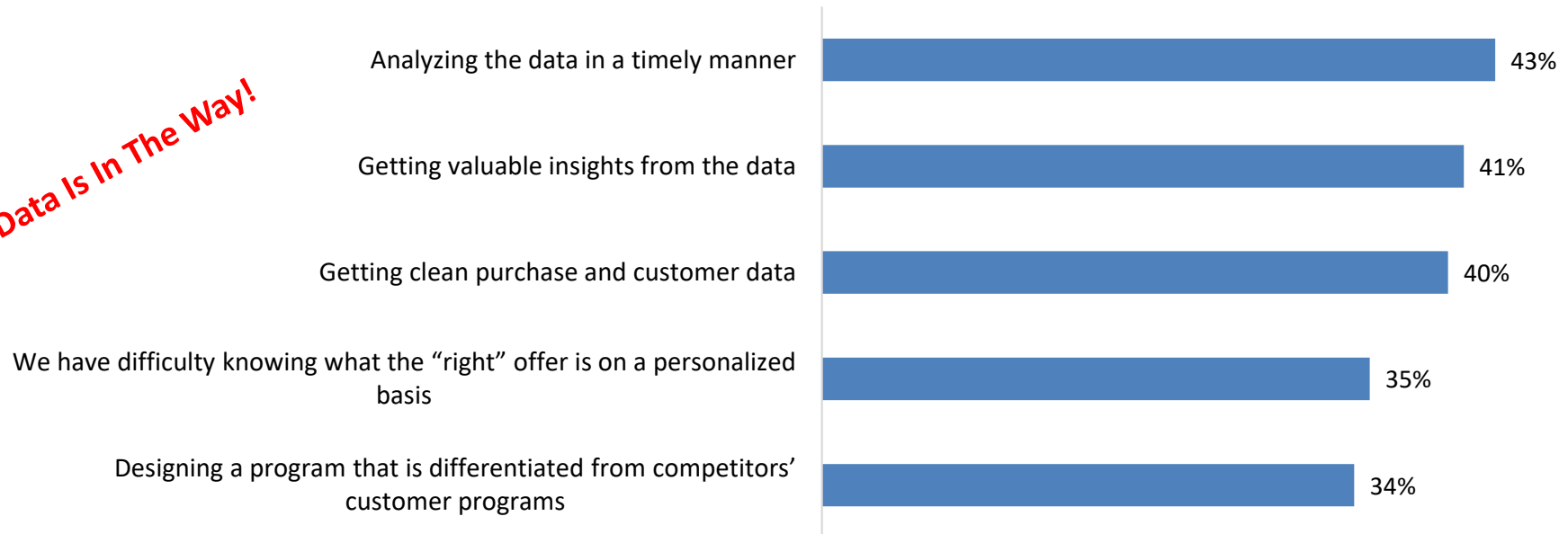
■ All Shoppers

The shopping experience is consistent	55%
They have the lowest price	50%
They have a great loyalty program	41%
They are able to notify me about products and services I may be interested in	39%
Makes offers to me based on what I actually buy, not what they want me to buy	37%
Knows enough about me to make offers specific to just me	35%
Knows enough about me to identify products I may like	35%
Knows enough about me to make offers based on shoppers like me	34%
Knows enough about me to identify the ways I like to shop	34%

Even Though Retailers Keep Collecting Data About Shoppers, That Doesn't Always Translate Into Easier Or Better Decision Making

Top *Operational Challenges* To Making Your Value Prop More Relevant To Consumers

■ All Retailers

The Data Is In The Way!

Challenge	All Retailers
Analyzing the data in a timely manner	43%
Getting valuable insights from the data	41%
Getting clean purchase and customer data	40%
We have difficulty knowing what the "right" offer is on a personalized basis	35%
Designing a program that is differentiated from competitors' customer programs	34%

Opportunities

Retailers AND Shoppers Both See Potential For The Future

Relevance = Sales

What Are The Desired Outcomes From A More Personalized Value Proposition?

Outcome	Percentage
Driving sales	54%
Retain customers longer	51%
More frequent visits	51%
Increasing margins	47%
Drive repeat purchases	44%
Improving overall customer profitability	39%
Lower the cost of acquiring new customers	33%
Increase in market basket	29%
Achieve higher customer satisfaction scores	27%
Create new barriers to competition	12%
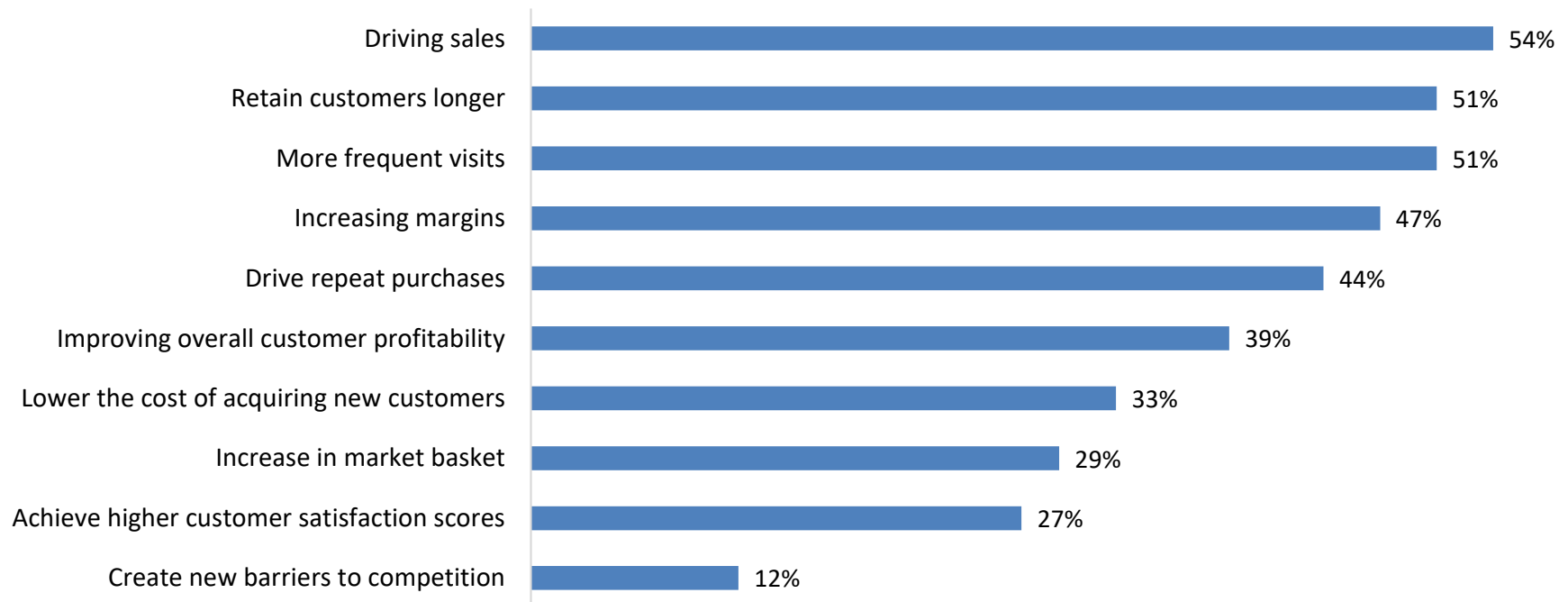
How Retailers Plan To Get There

Top **Opportunities** To Make Your Value Prop More Relevant To Consumers

■ Retail Winners   ■ All Others

	Retail Winners	All Others
Tapping into new customer segments	46%	27%
Using customer data to improve our business	41%	37%
Shifting lower-value customers to higher-value customer segments	37%	22%
Identifying high-value customers as they enter the store	30%	29%
Regaining "lost" customers that have changed their buying habits	30%	37%

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Retailers: Do Shoppers Find What They Need?

What Does Trip Assurance Mean To Your Brand?

■ Retail Winners   ■ All Others

Category	Retail Winners	All Others
Customer finds what they are looking for every time	54%	37%
Customer finds what they are looking for most of the time	26%	16%
Customers feel that we understand them and meet their needs	9%	16%
We off the customer reasonable substitutes if they don't find what they are looking for	9%	27%
We have yet to address this issue	2%	4%

More than half of Winners say every time!

Shoppers: Do _You_ Find What You Need?

How Often Do You Find What You Are Looking For When You Shop In A Store?

Rarely
4%

Always
15%

Some of the time
23%

Most of the time
58%
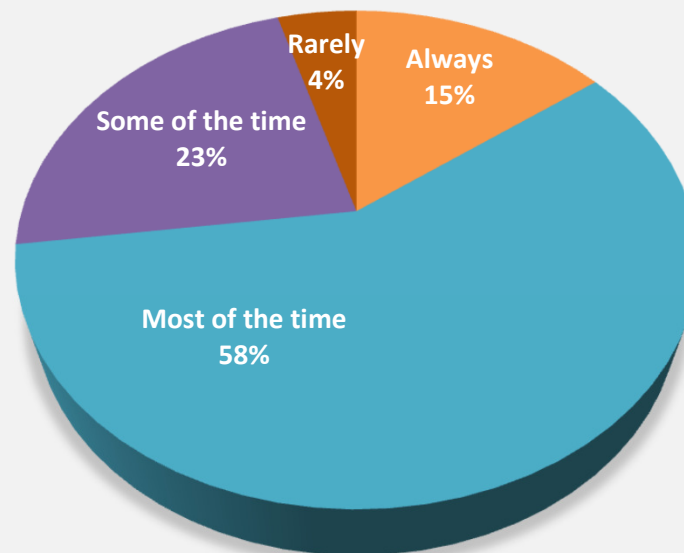
This is in fairly stark contrast to what retailers believe

Retailers Also Think They Do A Good Job Sending Relevant Communications

How Targeted Are Your Company's Customer Communications?

Category	Percentage
Targeted communications to our most loyal customers	58%
Targeted communications by customer segment	52%
Targeted communications by zip code	43%
Targeted communications by region	42%
Mass communication - no targeting	31%
Targeted communications by groups within customer segments	25%
Personalized communications (unique by customer)	21%
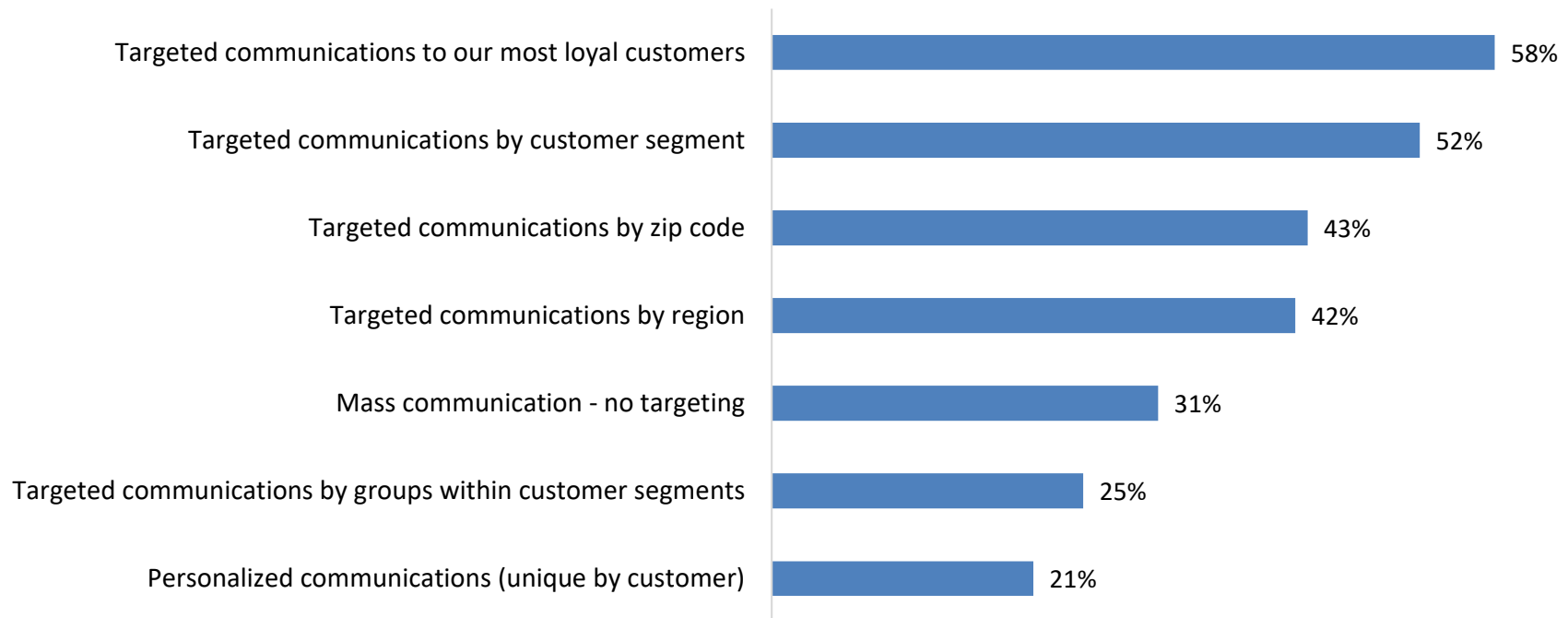
Organizational Inhibitors

What Stands In The Way Of Progress?

Everyone Has The Same Problems Here

Top <u>Organizational Inhibitors</u> To Making Your Value Prop More Relevant To Consumers

Legend: ■ Retail Winners ■ All Others

Inhibitor	Retail Winners	All Others
Difficult to prove that customer programs delivered results	48%	35%
Resources - Lack of in-house knowledge / innovation team to lead and deploy change	43%	35%
Technology - Our current technology is difficult or cost prohibitive to change	41%	37%
The digital experience has become an increasingly important part of our brand; we cannot risk experimenting the way we'd like to	37%	43%
Leadership - Lack of vision / difficult to get execute signoff	35%	35%

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In Order To Get Past These Roadblocks, Leadership Matters

Top Ways To Overcome The Identified Inhibitors

■ Retail Winners ■ All Others

Category	Retail Winners	All Others
An executive tasked with owning the customer relationship across all channels	78%	59%
Investment in a streamlined technology platform or infrastructure	65%	67%
Customer focus groups	48%	41%
Bring in outside expertise to help us address organizational development issues	48%	67%
Less focus on channel-specific strategies and more on enterprise-brand strategies	39%	37%
A more coherent omni-channel strategy from our executive team	22%	29%

Technology Enablers

Are There Technologies That Can Help?

Retailers: A Pressing Need To Get Consistent Across All Platforms

Importance Of Technologies To Implement A Customer-Centric Strategy

■ Very Important   ■ Somewhat Important   ■ Not Important

Technology	Very Important	Somewhat Important	Not Important
eCommerce integrated into an overall selling platform	78%	21%	1%
Customer relationship management system	72%	26%	2%
Analytics tools for customer segmentation	69%	25%	5%
POS integrated into an overall selling platform	69%	29%	1%
Customer order management and fulfillment capability	62%	36%	2%
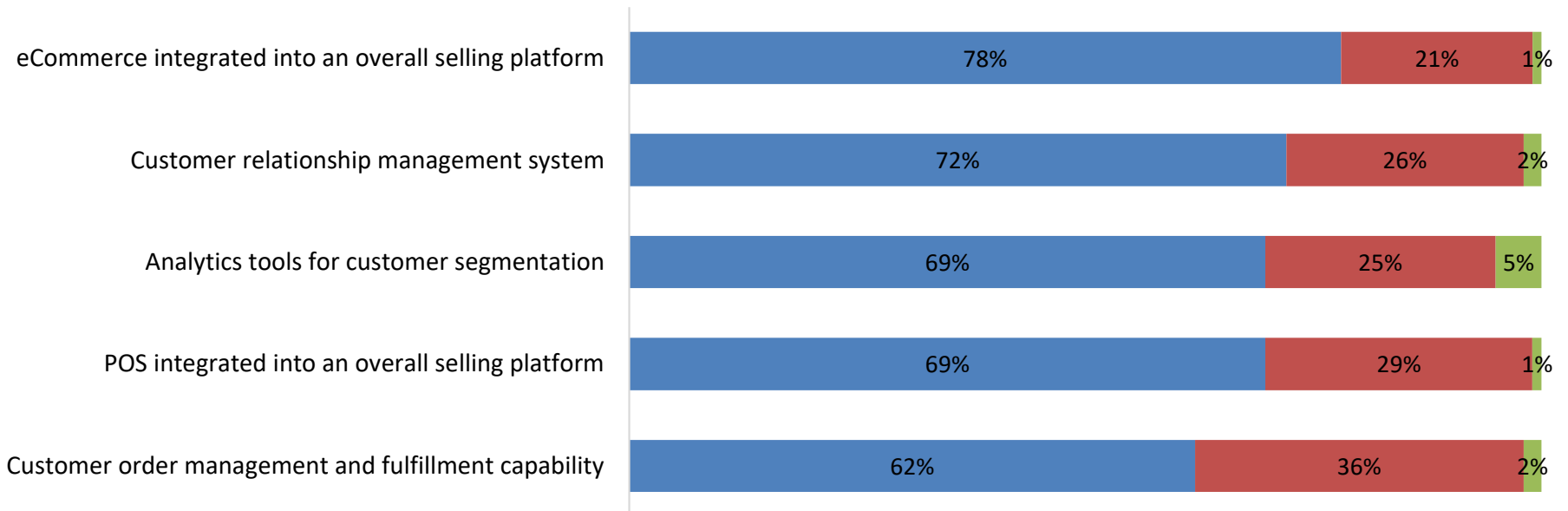
Which Technologies Will Help Win The Day?

"Very Important" Technologies To Implement A Customer-Centric Strategy

■ Retail Winners ■ All Others

Technology	Retail Winners	All Others
POS integrated into an overall selling platform	83%	57%
Digital asset management	72%	53%
Analytics tools for customer segmentation	72%	67%
Customer relationship management system	70%	73%
eCommerce integrated into an overall selling platform	70%	86%
Customer order management and fulfillment capability	67%	57%
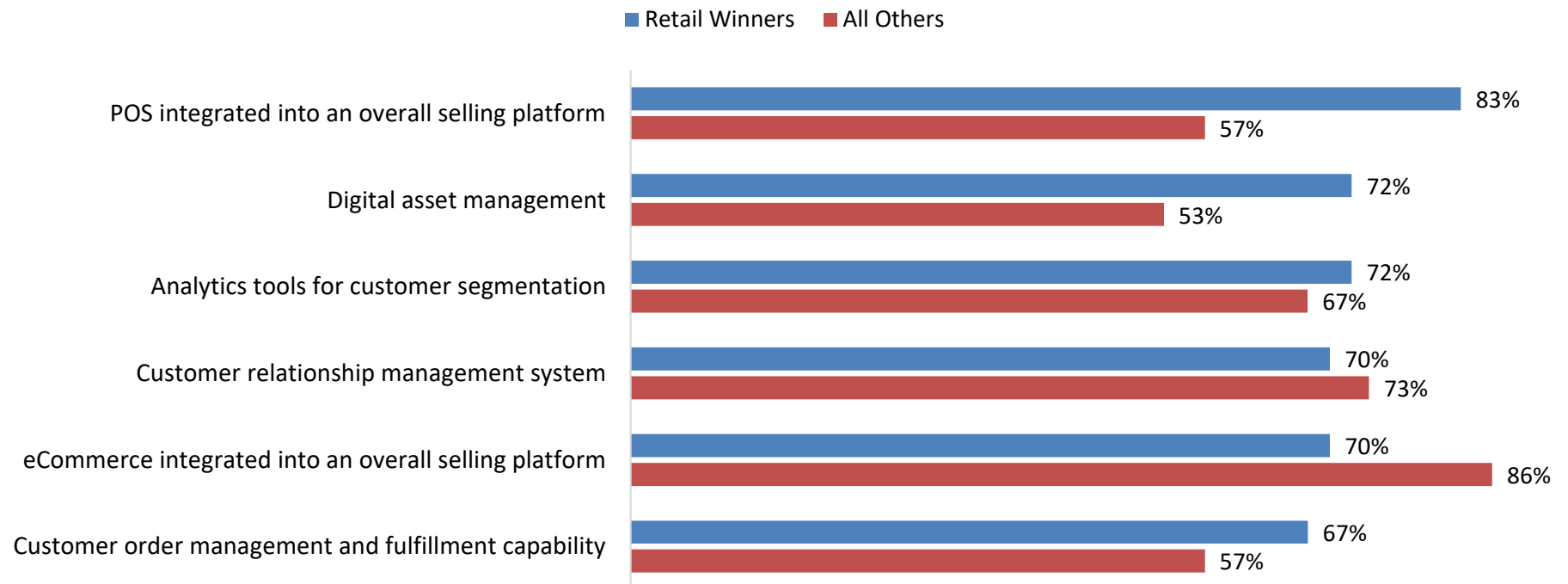
BOOTstrap Recommendations

Baseline Suggestions For Every Retailer Under The Sun

Our Recommendations

- **Ask This Question**

  Retailers don't often review their *raison d'etre* (other than the obvious, to make money), but they should - by asking themselves this question: "*What compelling value does our brand deliver to consumers?*" Based on the answer to that question, retailers can then look at the customer experience to objectively rate how effective it really is. This is an important exercise that should be undertaken before any other tactic is pursued.

- **Know Your Best Customers And Be Accountable To Them**

  For over one-half of Winners, "customer centricity" is an enterprise strategy that affects all departments, and they organize internal processes around customer insights. An almost identical number of over-performers indicate that they know who their best customers are and have a single owner of the customer experience. Winners clearly understand that the biggest opportunities lie within establishing deeper relationships with their existing shopper base. Winners are committed to the approach. Other retailers should take note.

- **Be Consistent**

  No matter how the consumer shops, it is critical to get consistency right. Winners are far ahead in integrating the physical (eg. instore point-of-sale systems) and digital eCommerce into a unified selling environment.

- **Be As Personal As The Brand Value Dictates**

  While one-to-one personalization may not be a true objective, relevance is. Winners are far ahead in using analytics for customer segmentation and in implementing loyalty/promotion "engines" to serve up offers to customers. They are also ahead in implementing promotion optimization solutions, personalized pricing capabilities, and direct marketing campaign management applications. Follow their lead.

- **Communicate Value**

  Almost 60% of Retail Winners push targeted offers to consumers either daily or in real-time. While this may seem like an aggressive tactic, it appears to be working for them. On the other hand, over 50% of average and under-performers are content to communicate value to shoppers weekly or monthly. The results speak for themselves.

Thank You

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Full report:

https://www.rsrresearch.com/research/what-makes-an-excellent-customer-experience-customers-and-retailers-weigh-in