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Customer experience in the omni-channel world and the challenges and opportunities this presents

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Abstract

This paper discusses the nature of the omni-channel customer and how this is driving change in the physical retail space. It considers the need for new technologies to support store staff and also new metrics to measure store performance.

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Customers think about value, not channels

Customers do not think about channels. They do not think about cross-channel, multi-channel or omni-channel. All that customers are really concerned about is finding an answer to their current needs or desires in a way that is convenient, enjoyable and offers them good value, both in terms of money and use of their time.

Many retailers who embraced digital channels viewed them as an opportunity to reduce their overheads and compete with the specialist digital-only players. However, those digital-only retailers who have succeeded were the ones who understood both their product ranges and how consumers bought those products. Products that were initially successful included travel, books, music and video games.

One of the key differences with these goods when compared with, say, clothing and electrical goods is the experience associated with researching and evaluating. The buying process for these product types is not very tactile; consumers do not buy them based on what they look like, their texture or aesthetic feel. For these reasons, they are ideal products for digital channel-based selling.

The challenge faced by retailers of clothing, homeware and electricals is that customers tend to adopt a more tactile approach to buying. In the case of electrical goods, the aesthetic look or the ‘fit’ in a living space or kitchen can be as important as the functionality (which can be researched online or through traditional advertising media). The difference is that the decision-making process requires a physical visual test: How does it feel? When opening or closing a door, what feedback or lighting effect does the item give the user? The more expensive the item, the more important this becomes to the consumer during the decision-making process. Thereafter, the opportunity lies with the retailer to close the sale in the store, by making the process of purchasing easy and convenient.

Products that don’t need to be touched

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Buying processes unchanged

Today's customers have access to a wider range of technologies than previous generations, with many customer segments having either grown up with or heavily influenced by technology. Changing lifestyles mean that today's customers want to undertake the buying process at a time and place that suits their own needs, using the technology that they have in their hand or in front of them.

The typical buying process (see Figure 1) has not really changed since early man traded food for tools. We research what we need, we pick it up, touch it, put it on or jump on it to try it out. We look for the best price before we part with our money. Then we pick it up or have it delivered to our homes. Then, with a bit of luck, we don't need any further customer service. However, if it does go wrong, then we want to conveniently get it repaired or replaced or get our money back.

Creating a smooth experience

What omni-channel brings to the customer experience is the opportunity for customers to undertake the buying process on their terms and at their convenience. Omni-channel presents the retailer with the opportunity to make the experience so smooth that the customer wants to keep coming back.

We will now consider two important aspects of the omni-channel customer experience:

- Who are the omni-channel customers and what do they want?
- What is the role of the store in the omni-channel buying process?

Three types of omni-channel consumer

Who is the omni-channel customer and what do they want?

The omni-channel customer is mobile, highly connected and embraces technology in their daily life. Research¹ suggests that there are the following three segments of omni-channel customer:

Segment	Description
<i>Omni integrated:</i>	Affluent, home oriented, well connected, aged 30–50 years
<i>Young mobile:</i>	Under 30 years, constantly on the move, SMS is their primary communication channel
<i>Social networker:</i>	Spans all age groups, highly connected by interest rather than demographics

The research also suggests that, once these segments are fully engaged through digital and social media channels, they can become very loyal customers. Behaviourally, these customer segments demand a convenient and enjoyable environment in which to undertake product research, at both a time and place that suits them. Often, the research occurs over an extended timeframe or involves multiple device types.

Consistent experience is a challenge

This poses one of biggest challenges for many organizations — how to deliver consistency of service and information while making the customer's life as easy as possible. For many organizations, web and

Figure 1: Typical five-stage buying process

mobile platforms have been developed as bolt-on features to existing channels. Often, this results in them having limited product ranges or special online offers. For the omni-channel customer, there is little that is more frustrating than researching a product only to enter the store to make the final purchase decision and be faced with a different price or even more choice.

To prevent this occurring requires each channel to have access to the same product range, the same product data and the same prices and promotions. In addition, each channel needs to be aware of the experience that the customer has had to date through the other channels, for example what they viewed, what was compared, what was the last page they visited and even what was rejected. Having this capability means that the buying process becomes continuous as the customer changes channel or enters the store. Figure 2 illustrates a real-time channel data schema that will enable a retailer to share data across all channels.

From a technology perspective, this may need significant technology investment, procuring or integrating technology platforms. It can also lead to re-thinking the role of the store in the omni-channel retail experience.

Need for technology investment

Shoppers arrive prepared in-store

What is the role of the store in the omni-channel buying process?

For the omni-channel customer, the in-store experience they want is very different from that of the traditional retail customer. The moment they walk through the shop door, they are far more prepared, and they know the products they want to see and what they are expecting to pay, even when it is different to the store's ticket price. They also expect the staff to know more than they do and perhaps help them make the final decision.

This puts the member of staff in a challenging position: they are at a disadvantage in that they have hundreds, if not thousands, of products at hand and their customer has one or two in mind and a wealth of

Figure 2: Omni-channel data integration schema

Enabling staff with technology

information at their fingertips. Providing the tools the sales staff need to meet the customer on a level playing field is where smart in-store technology can help to meet the expectations of the customer.

Providing staff with hand-held technology to support the sales process is one way to achieve this. Enabling staff to recognize the customer and their activity through the use of hand-held devices that present the customer's recent activity and allowing the customer's own device to view store stock levels and delivery schedules in real time — or being able to complete the transaction on the shop floor — will help sales staff to meet the customer's expectations.

The days of queuing are over

These tools will also help the sales assistant to understand the decision-making process the customer has been through, thereby being able to provide further advice, simplifying and speeding up the buying process. The importance of being able to quickly and easily close the sale and the positive impact this has on the customer experience is evidenced by a YouGov survey.² It showed that 59 per cent of retail customers are unwilling to queue for service, of which 32 per cent are prepared to leave and make the purchase online and 18 per cent would buy elsewhere.

What this illustrates is that, for a retail business whose customers fall into the three omni-channel segments discussed earlier in this paper, there is a very high risk of losing revenues if the in-store customer experience does not meet the customer's expectations.

Fast-track product availability

Case example: Argos digital store

Argos is trialling a new digital store format in six of its outlets. This format uses iPad-based kiosks and empowers staff with iPads to help their customers through the selection of the best products and the purchase. The concept behind the approach is to simplify and speed up the sales process, removing the traditional approach of queuing to collect the goods. For those customers who order out of store, Argos is also introducing a fast-track system whereby the goods will be available within 60 seconds of the

customer walking through the door. In a further step away from its traditional format, the retailer is also introducing more pedestal and cabinet displays of goods to improve the 'test and try' phase of the buying process.

Physical retail supporting digital sales

Stores face measurement challenges

A further challenge for the omni-channel retailer is how to measure performance of the individual store. Historically, a store's performance was measured on sales, turnover and profit of the store as an entity. If the role of the store changes to support the omni-channel customer by being less focused on the purchase phase and more on the 'Research', 'Test or Try', 'Collect' and 'After Sales' phases (as shown in Figure 1), this will pose an interesting challenge when traditional metrics are used. Stores that would appear to be unprofitable using conventional sales figures may be providing value in the 'end-to-end' sales process. That value would be lost if these outlets were to close.

Metrics therefore need to measure the contribution of the outlet in the role of showroom, distribution hub and service centre. They need to be reflected in the value the store location brings to the sales process. This could be through taking into consideration online sales, footfall and customer service as components of the overall performance measures.

Transforming the retail space

Some conclusions

Omni-channel customers show a very different set of behaviours to traditional retail customers. They are better informed, make use of technology and demand more from those retailers they do business with. When they find a retailer that delivers the experience they want, these customers become very loyal and profitable providing that the overall experience is maintained. Serving the omni-channel customer requires the retailer to make use of smart technology so that information and data are available not only to customers, but also to the staff serving those customers.

The role of the physical store is a pivotal piece of the omni-channel jigsaw, requiring optimization of the format and the role of the store to meet the demands of its core customer segments. Doing so will have an impact on how performance is measured. Therefore, retailers who are successful will understand where the pieces of the omni-channel jigsaw really do fit together.

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