PURPOSE, TRUST AND CARE ARE KEY TO A COMPELLING CX JOURNEY

NTT DATA

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Imagine while watching your favorite television show, you see a commercial featuring a product that looks intriguing. Most days, you might just ignore it, or fast-forward depending on how you digest media. But — what if you were able to pick up your smartphone and scan a QR code to learn more about that product and purchase it — right from the comfort of your own couch, and have it at your front door in the morning? This is no longer an anecdote for what can be done with retail, because NBC Universal parent company Comcast has made this a reality.

Many may have already heard of shoppable ads on social media platforms like Instagram or Google, but in early 2019 the national television broadcaster jumped on the bandwagon proving that rapidly changing customer expectations continues to drive technology innovation and vice versa.

New store formats and business models are surfacing at faster speeds than ever before and consumers are

Key Drivers Forcing Retailers to Rethink CX Business Strategies

✓ **Consumer Demand:** Convenience, Customer Service, Personalization and Trust.

✓ **New Buying Behavior:** Omnichannel experience and use of social networks.

✓ **Rise of an Alternate Consumer:** User-generated content, subscription services, and focus on socially/ecologically sensitive products.

✓ **Interactive Relationships:** Faster real-time responses with extended interactions.

✓ **New Segments with Specific Needs**: Increase in healthier and wealthier ageing population, rise of Millennials and Gen-Z.

✓ **Privacy and Security of Data:** Managing and protecting customer data while unlocking value.

taking advantage of emerging technologies to make their shopping experiences simple and immersive. Innovation and technology have changed the way consumers work and live. Adding to that complexity, retailers must continuously enhance their capabilities to compete with new forms of commerce, from new channels, that range from industry gorillas to smaller tech-empowered businesses.

That is why retailers must rethink their strategies to deliver a customer experience (CX) infused with purpose, trust and care across the entire consumer journey. The shopper journey must be a personalized long-term relationship instead of a one-time transaction.

In the first of this four-part Smart Retail Explorer Series, we focus on purpose-built CX — a critical differentiator for leading retailers. The following takes a deep dive into the state of CX in the retail industry, the business challenges retailers cannot afford to ignore, and real-world cases containing best practices on where to start.

THE CX LANDSCAPE IN RETAIL

Consumers are always connected, and have more choices and control than ever before. They are looking for a personalized experience across the entire buying journey, but at the same time are concerned about the security and privacy of their data.

In fact, according to a survey conducted by The Harris Poll, 63% of respondents expected personalization as a standard of service. And, those companies that get it right

are realizing tangible business benefits. For example, Nike attributes a large portion of its 7% revenue growth last year to "strategic investments in innovation and digital" that drove "global consumer demand led by Nike Direct." Nike Direct is part of the larger Nike Consumer Experience (NCX) where the company has promised to double its "cadence and impact of innovation," double its speed to market and double its "direct connections with consumers."

What's more, new social channels have become accelerants for commerce. For example, 41% of e-commerce brands now use shoppable Instagram posts. This new buying behavior, coupled with the ability for consumers to use social networks along the journey to talk about their experience, is blurring the lines between channels.

There is an increase in same-day delivery offerings driven by consumer expectations, and Amazon is leading the charge on those expectations through its Prime services.

In addition, the democratization of innovation for smaller companies gives digital native retailers greater access to new technologies, fueling the increased tempo of change and adoption while intensifying competition. For example, more cost-effective cloud-based applications, like AWS, Azure, Google Cloud, etc., have removed barriers to entry for these smaller retailers. IT is now enabled for all, giving the same capabilities as their larger counterparts.

Such companies like Bonobos and Warby Parker were born as digital natives that aimed to build a better customer experience for online shopping. Bonobos is now the largest clothing brand ever built on the web in the United States,

63%
of consumers expect personalization as a standard of service and believe they are recognized as an individual when sent special offers

52%
of consumers feel like a brand recognizes them as an individual when they are sent unique offers

43%
feel individually recognized when they are acknowledged across touchpoints

Source: The Harris Poll, "Addressing the Gaps in Customer Experience"

and the retailer is growing it retail locations (currently at more than 60). Warby Parker dominated the online eyewear category, and now has a retail presence in the United States and Canada at 64 retail locations and growing.

Layered on top of these demanding expectations are new types of accompanying technology. Consumer demands are now calling for a CX that features an experiential or entertainment component. For example, Neighborhood Goods brands itself as a new type of grocery store that strives to be a place for community. It accomplishes this through exclusive events where consumers can RSVP to 'run the riverside with Fossil & Electric Flight Crew' or 'get in the ring with combo boxing.' Neighborhood Goods has figured out how to tie in its brands with memorable experiences such as blind dates, workouts, happy hours and more.

Immersive shopping can also be achieved through augmented reality (AR), dining and cooking classes, e-commerce moving to physical (Amazon Go), holographic mirrors, voice commerce, and even virtual agents.

"Twenty-five percent of customer service and support operations will integrate virtual customer assistant (VCA) or chatbot technology across engagement channels by 2020, up from less than 2% in 2017," according to Gartner, Inc.

"As more customers engage on digital channels, VCAs are being implemented for handling customer requests on websites, mobile apps, consumer messaging apps and social networks," said Gene Alvarez, managing vice president at the Gartner Customer Experience Summit in Tokyo. "This is underpinned

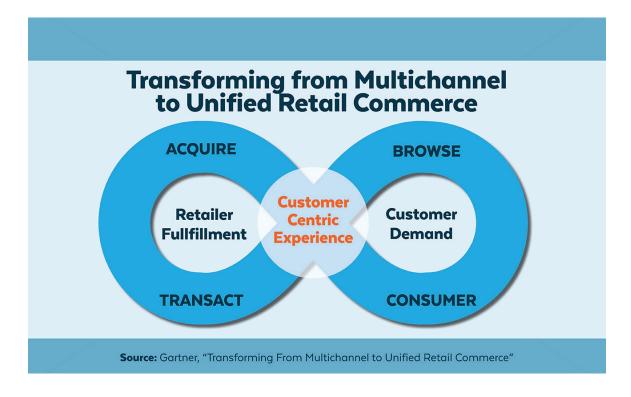## IN SMART RETAIL THE CX SHOULD HAVE
- Security by design
- Single view of customer
- A holistic use of data, AI, IoT and automation
- CX KPI measurement
- Agile methodologies and frameworks – incremental test and learn approach

by improvements in natural-language processing, machine learning and intent-matching capabilities."

For retailers to respond effectively to these changes and accelerate the time to value, they must look at the business challenges to address before investing in the accompanying technology — then leverage data, analytics and AI, to create actionable insights.

CONFRONTING THE ROADBLOCKS TO CX SUCCESS
Retailers need to stay close to the consumer to create a great CX that is based on purpose, trust and care. Once a bad CX

Transforming from Multichannel to Unified Retail Commerce

ACQUIRE

BROWSE

Retailer Fullfillment

Customer Centric Experience

Customer Demand

TRANSACT

CONSUMER

Source: Gartner, "Transforming From Multichannel to Unified Retail Commerce"

is apparent, shopper loyalty is lost, and trust must be regained (costing retailers valuable time and resources). In fact, PwC research shows that globally one in three consumers (32%) say they will walk away from a brand they love after just one bad experience. A widely surveyed topic, customers have disclosed some of the most important friction points that create barriers to establishing purpose, trust and care in their commerce relationships. These include shipping and delivery expectations, speed and accuracy, and relevancy and transparency of the interactions.

Inability to Meet New Shipping Expectations. Today, we live in an on-demand culture. As such, 40% of shoppers say they would pay extra for same-day delivery, reports, PwC. However, with new commerce and delivery options such as buy online pick up in store (BOPIS), ship to store, and ship from store, there are many critical points that can break down and lead to disruption during the shopper journey. And while it can be challenging, it is critical for retailers to have a consistent omnichannel view of inventory, customer and logistics, in order to deliver a consistent CX every time.

For example, if a retailer is using an in-house fulfillment method, a sudden and sharp increase in orders, say for special holidays, or more critically crisis situations like those presented as a result of COVID-19 can wreak havoc on shipping (causing complaints about late or missed deliveries, or even panic due to out-of-stock). And this is only one type of delivery method. There are more sales channels than ever before leading to silos that can be a major challenge to implementing and maintaining an omnichannel

STARTING THE SMART CX JOURNEY

1. Determine your current state CX (where you are), and the future state (where you want to be).

2. Prioritize impacts, identify gaps and create a transformation roadmap (that clearly lays out the prioritized initiatives required to get you to your future state).

3. Measurement is key: before, during and after transformation.

4. Develop CX KPIs up front to understand what success looks like and how to measure it.

5. Continuously measure as initiatives are rolled out, allowing for course-correction along the journey, and ensuring transformation targets are met.

strategy. When systems aren't properly communicating with each other, it increases risks for inventory issues, stock-outs, slower delivery times, backorders, and even ruined reputations.

Retailers Need to Stay Close to the Consumer to Make Their Experience Frictionless, Improve Speed and Accuracy

GUIDANCE	Provide tools & recommendations	Predict my needs	Use innovation technology
PERSONALIZATION	Easily identify products	Know who I am	Customize my preferences
EASE OF USE	Maximize an intuitive navigation	Complete tasks quickly	Results in minimal errors

Speed and Accuracy Need to Keep Up. This comes right behind free delivery in importance for consumers. A joint survey conducted by Splitit and Google Consumer Surveys revealed that 87% of online shoppers will abandon their carts during the checkout process if it is too long or too complicated. And, 55% said they would never return to the website again. As shown in order cancellations, speed is a major factor in the CX journey.

When it comes to the physical store, the repercussions of long or complicated processes are just as detrimental: A study from PwC shows that speed, convenience, helpful employees and friendly service matter most, each hitting over 70% in importance to consumers. Long check-out lines are one source of friction. To address this, many stores are already investigating various technologies of cashierless checkout, following in the footsteps of Amazon Go Grocery. Eliminating this friction can take the form of complete self-service, where pre-registered shoppers enter the store, take what they need, and leave without ever stopping at a register. With facial authentication shoppers need not even take out their phones. This is not a far-future experience. It's here today. "Our Catch&Go cashierless store service recently added facial authentication shopping and inventory-linked dynamic pricing," observed Eric Clark, chief digital officer, NTT DATA Services.
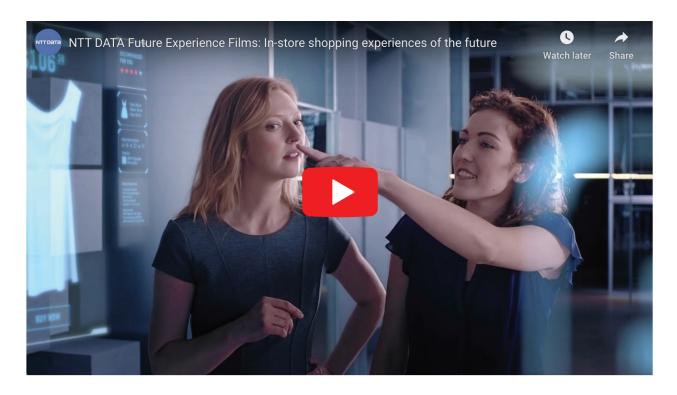
Retail Brands Are Required to Be Relevant and Transparent. These essential elements of a retail relationship need to be in delicate harmony. While consumers generally want you to know them, to provide relevant offers and

THE SMART CX TOOLKIT

- **CX Advisory** Create a user-centric and measurable strategy through journey analysis and in-depth research methodologies.

- **CX Design** Design personalized and optimized experiences based on customer journey analysis, prototyping and rigorous testing.

- **CX Engineering** Produce personalized, integrated and secure experiences for your customers based on expertise in current and emerging technologies.

- **Security Services** Intelligent security for better business efficiency.

personalized experiences, and expect simplified transactions that preload known information – they are cautious about privacy and concerned about how their information is managed. They demand transparency and trust.

Consumers also desire relevant, personalized experiences. A major part of personalizing the CX requires retail brands to truly know their customers, and to clearly communicate how and why their information

NTT DATA Future Experience Films: In-store shopping experiences of the future

is being collected, especially as regulations like GDPR and the more recent, California Consumer Privacy Act (CCPA), are becoming standard practice. Chain Store Age recently reported that; interactions that consumers label 'very frustrating' include brands sending them an offer for a recently purchased item (34%), sending offers that aren't relevant (33%), or when a brand fails to recognize them as an existing customer (31%). The article also reveals that there is a trade-off for customers who are willing to share personal information — they expect transparency, with 74% saying it is very important or absolutely essential brands tell them what information is being collected.

These roadblocks stand in the way of evolving vital customer relationships. Traditional differentiators such as price and availability have faded and are now replaced by data-driven, long-term relationships that are built on purpose, trust and care. Retailers will need to break through the roadblocks and address these critical customer expectations. Retailers that do, will win their customer's loyalty.

UNLEASH THE POWER OF DATA, ANALYTICS AND AI

So how can retailers overcome the CX roadblocks and build a user-first, technology-second strategy? Tapping into the power of data, analytics and AI, is essential. In fact, more than 40% of all data analytics projects will relate to an aspect of customer experience by 2020, reports Gartner. And, 94% of retail executives say the effective use of analytics is critical to improving the CX, according to Oxford Economics.

That's because the retailers that leverage data to create real-time, personalized experiences will be able to compete and win. Imagine the power of combining loyalty, or rewards programs with real-time data to anticipate the need for a birthday gift, and being able to deliver an accurate promotion at just the right time? Sending those relevant offers and recommendations can improve the overall brand experience (which is oftentimes now reflected back on social media).

Offering an inspirational, one-of-a-kind experience is crucial to creating memorable excitement for shoppers. In order to understand customers beyond just loyalty program data, retailers can apply technologies, such as artificial intelligence (AI), and automation, to continuously improve the CX over time.

AI and advanced analytics can suggest innovative CX actions that deliver value to a segment, persona or individual customer. For instance, last holiday season, H&M Home and Google collaborated on an AI-powered voice payment and holiday gift guide application to take its CX to the next level. While home décor shopping is historically visual, this more holistic experience involves shopping via text, voice-only, or voice plus visual, offering multiple modes of interaction for consumers to better align with their needs. Many other retailers are also making a case for this data-driven approach by incorporating hyper-personalization and in-store analytics, while maintaining privacy and trust.

Loyal customers are **7x more likely** to test an offering, **5x as likely** to make a repeat purchase and **4x more likely** to refer the brand.

Source: Qualtrics, "ROI of Customer Experience"

Hyper-personalization through methods such as shopper segmentation, or perceived gender and age to do real-time segmentation help tailor the shopper journey and visualize in-store analytics KPIs from different dimensions.

Stitch Fix has taken advantage of hyper-personalization by offering services from a personal stylist. The consumer keeps the apparel items they like and sends the rest of the items back. Through this process, the retailer can then keep the data it is using to curate items of clothing for each shopper, while continuing to gather information and make more accurate recommendations over time.

Amazon uses predictive analytics to gather data that creates a personalized homepage for each of its consumers based on historical shopping habits, wish lists and shopping carts. This enables Amazon to anticipate consumer needs, while helping them discover new or 'frequently bought together' products.

In-store analytics can help retailers boost their CX by identifying customer behavior, demographics, emotions and in-store behavior. Acting on in-store analytics has led to many tangible improvements for a more convenient path to purchase.

For example, Kroger Supermarkets was able to determine that its greatest point of friction was at checkout causing issues like abandons or bottlenecks. It used people-tracking technology and location intelligence to reduce its average waiting time and increasing sales by 1-2%.

Canadian supermarket chain Loblaw is enhancing its data-driven insights, gathering more information every day and using it to take practical actions. The company is better managing seasonal inventory, piloting flyers with fewer pages and seeing new proof of its ability to build loyal consumers through its rewards program.

Best Buy has "really come through the valley by making investments around the customer experience," said Peter Keith, a retail analyst with Piper Jaffray. How did it accomplish this? By paying attention to customer behavior. The company noticed "showrooming" where shoppers were coming in to test products, only to later purchase them online because it was cheaper — so Best Buy lowered its prices to compete. What's more? It fixed an internal search engine that was retrieving bad data about which items were in stock, leading to happier customers in the store. The retailer then focused on its own people boosting the in-store CX, something that drones or robots cannot do well. With more engaged and knowledgeable store associates, the company increased foot traffic in the store. The last step in its CX transformation was to turn its brick-and-mortar into 'showcase-and-ship.' Now, roughly 40% of Best Buy's online orders are either shipped or picked up from a store.

Maintaining trust and privacy is also a key differentiator to the CX journey. Retailers should first focus on the human element of the CX, and then apply the technologies needed to complement their consumer-first strategies. They have to

> **"Purpose-built shopping experiences are the new competitive advantage, delivering positive ROI and impact to both the top and bottom lines."**
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> **Vijay Krishnanji, Director of Customer Experience Innovation, NTT DATA**

For More Executive Insight From Vijay Krishnanji Click Here

find the right balance of data privacy and security, while at the same time delivering those convenient, relevant and personalized experiences. If done efficiently, retailers will build long-term trust with their consumers.

Starbucks is finding CX success by focusing on fresh and healthy food, piled on top of a strong sense of corporate responsibility showing that the brand knows what's relevant to its loyal shoppers. It is transparent about product data which means customers can trust that they are making the right buying decisions based on that item's provenance, sustainability practices and labor practices.

The retail coffee giant also has a robust loyalty program through its app which was introduced back in 2011. Its customers are willing to share their data in the app because they also trust that it leads to rewards, relevant deals and convenience, through real-time personalization.

This emerging type of 'zero-party data' as coined by Forrester to describe data that a customer proactively shares shows that shoppers do want personalization if it makes their lives easier. Zero-party data differs from first-party data because it is not basic information like a birthdate. Instead, it gives retailers richer insights into explicit preferences instead of implied. With this type of consensual data coming to the forefront for retailers, it gives them the opportunity to promote transparency, highlight their values, and strengthen trust around exactly how they are using valuable shopper data.

Shoppers are more willing to stick with their journey if it is frictionless, fast, accurate and relevant. When retailers have consumers' trust, then they can achieve the smart platform that leverages advanced analytics, AI and ML technologies, to turn data into decisions that drive the desired outcomes.

PREPARE FOR THE CX INNOVATION JOURNEY AHEAD

It is no longer enough to entice a customer with a one-time promotion or coupon at one touchpoint. Price, availability and selection are now table stakes and retailers need to catch up to consumer expectations or risk being left behind. According to the 2020 Global Customer Experience Benchmark Report by NTT Ltd, 82% of organizations agree that CX offers a competitive edge and 58% feel it is a primary differentiator. By letting the desired CX drive the solutions roadmap, retailers can incorporate the technologies needed to help future-proof the business so that loyalty will remains constant.

Looking at the CX in a holistic way helps create a consistent brand experience along every touchpoint, showing consumers that your retail brand really understands them while creating a more interactive and personalized engagement factor to grab and keep their attention. This purpose-driven CX — coupled with an empowered workforce, a scaled digital foundation, and a connected, sustainable store and supply chain — will help retailers get on the fast track to accelerating smart in retail.

This is the first edition in a series of white papers focused on the application of data and data analytics to support and foster retail success in the short and long terms alike. To read the other editions, see below:

A New Frontier for Frontline Retail Workers
Harnessing the Transformative Power of Data Analytics and Artificial Intelligence

NTT DATA
Trusted Global Innovator

CRAFTING THE PERFECT CUSTOMER EXPERIENCE

A quality customer experience is the cornerstone of a successful retail enterprise. But unfortunately many retailers struggle to develop and deliver an experience that truly wows.

As the industry continues to become technology and data-driven the customer experience must evolve in lockstep. Retailers must invest in both their customer-facing technology and back-end systems to ensure every customer interaction positive, engaging and memorable.

To uncover how retailers can best perfect the customer experience NTT DATA's Director of Customer Experience Innovation, Vijay Krishnanji, sat down with RIS for an exclusive Q&A on the topic.

RIS: WHAT ARE THE KEY DRIVERS FORCING RETAILERS TO RETHINK THEIR BUSINESS STRATEGIES CONCERNING THE CONSUMER EXPERIENCE?

KRISHNANJI: Many playbooks have been reprioritized within a short time due to COVID-19. For example, the demand for online grocery shopping has surged in the US, overwhelming the digital departments of many retailers. As retailers transform existential challenges into opportunities with the help of technology, it is important to stay focused on the consumer journey first to solve problems and create new forms of value.

Customers are increasingly connected, mobile and socially influenced; and their expectations for convenience, safety and speed in the buying journey are steadily rising.

Take, for example, the evolution of omnichannel fulfillment. Fast and convenient delivery and pickup options are now available within the hour for many products. The heightened requirements put on retail during the pandemic have escalated the drive to digital commerce and contactless interaction methods. These once desirable services have now become essential and will likely see more adoption post-pandemic. But there are still customer friction challenges to be addressed such as improving stock availability, speed and accuracy of orders. Retailers also need to ensure stores are safe again when shoppers gradually start coming back.

While solving these challenges, it's easy to pigeonhole people by generation, the reality is that human beings are unique and emotionally driven when it comes to their buying decisions. They are also adaptable, for example to become digital natives quickly when it is a necessity.

As a retailer, if you're to remain relevant, it is important to create compelling, differentiated offers, by taking a customer-centric approach and developing a deep understanding of each shopper as an individual.

RIS: HOW CAN TECHNOLOGY HELP RETAILERS DIFFERENTIATE THE CX?

KRISHNANJI: Digitalization helps close the gap on revenue growth and drive operational efficiencies for retailers, but it also introduces more opportunity for technology distractions.

NTT DATA believes that data is the foundation of power. But it's only powerful if you're able to understand the human element behind the data. Earlier this year, I attended NRF 2020, where Microsoft CEO Satya Nadella reinforced the importance for retailers to embrace analytics and digital technologies to extract actionable insights from the massive amount of data that retailers generate every day to better understand customers and personalize the shopping experience.

One of our data-driven CX innovations for retailers comes through a partnership with Deming Robotics by Spacee. The solution can convert data about stock levels, planogram and pricing compliance into actionable insights using artificial intelligence-enabled computer vision. NTT DATA Nucleus, the cloud-based intelligent enterprise platform at the core of the solution, provides predictive and prescriptive analytics that retailers can use to reduce out-of-stock and shrinkage issues and ensure the availability of right product and right information at the moment of purchase or inspiration.

Retailers need to reinvent themselves by staying focused on the customer, embracing analytics, AI and automation while, using real-time and accurate data as the bedrock for real-time experiences that are personalized, flexible and business value focused. This is the new normal.

> **"Purpose-built shopping experiences are the new competitive advantage, delivering positive ROI and impact to both the top and bottom lines."**
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> **Vijay Krishnanji, Director of Customer Experience Innovation, NTT DATA**

RIS: WHAT ARE SOME OF THE KEY CAPABILITIES THAT RETAILERS SHOULD IMPLEMENT WHEN DEPLOYING A TECHNOLOGY FOCUSED CX STRATEGY?

KRISHNANJI: In a market challenged by price differentiation, e-commerce's endless aisles, and threats of pandemic type events, crafting purpose-built experiences that evoke the emotions of surprise, joy, excitement, love and trust across the CX journey can build long-term relationships and drive loyalty.

Designing a purpose-built shopping experience starts with empathy. Retailers need to understand customers' current experiences and pinpoint any areas of friction. A purpose-built CX strategy must evolve in lockstep with technology and be data driven. Retailers must invest in both their customer-facing technology and back-end systems.

Consider the case of Neighborhood Goods, whose flagship department store is a short walk from my office, who has figured out how to tie in its flexible social space and contemporary brands with memorable experiences such as blind dates, workouts, happy hours and more. Underlying the experience is technology that enables

brands with analytics that they would typically have online such as demographic data, enables customers with a mobile app to customize their shopping experience and empowers employees with tablets for customer service and frictionless checkout. By creating a flexible, personalized and community-based experience, the retailer created a key purpose-built CX strategy.

Another capability being accelerated by COVID, is retailers' growing interest in enabling checkout-free grab-and-go experiences, so customer no longer need to wait in lines. NTT DATA is currently piloting the Catch&Go cashierless store service concept in Japan and recently added facial authentication shopping and inventory-linked dynamic pricing capabilities.

When it comes to implementing a purpose-built CX strategy, retailers need a few foundational capabilities to be successful:

The first is developing CX key performance indicators upfront, to understand what success should look like and how to measure it and get feedback continuously as initiatives roll out for customers.

Adopting an agile mindset and methodology is key in the current environment and post pandemic. This also entails having a flexible API-based framework on the backend to enable an omnichannel strategy.

It's also important to invest early in preparing for the influx of the modern, data intensive customer and employee apps by modernizing the underlying infrastructure, applications and having a robust data governance framework in place.

RIS: WHAT DOES THE FUTURE OF CX LOOK LIKE FOR RETAIL? HOW CAN RETAILERS PREPARE FOR IT TODAY?

KRISHNANJI: During the 2019 Thanksgiving sales cycle, buyers turned to social media platforms for product research and to mobile devices for e-commerce more than ever before. In his keynote speech at NRF 2020, Erik Nordstrom, co-president of the family's eponymous department store, talked about the brand's shift to a single omnichannel view of sales rather than treating online and in-store sales separately, while also emphasizing that success for Nordstrom is success for its customers.

Intelligent automation powered by real-time Internet of Things devices, prescriptive analytics and in-store video cameras are just scratching the surface of helping retailers move from reactive to proactive decision-making, delivering real-time experiences and making it safe for customers and employees during and post pandemic. As the demand increases for real-time experiences, so do the threats to privacy and security. Finding the right balance between protecting consumer privacy and data and providing the experiences they want will be invaluable to building trust in the relationship.

The COVID-19 pandemic has shown that while tomorrow's retail experience will continue to be disrupted, the customer will remain king by choosing how they engage and interact with retailers and brands.

Purpose-built shopping experiences are the new competitive advantage, delivering positive ROI and impact to both the top and bottom lines.