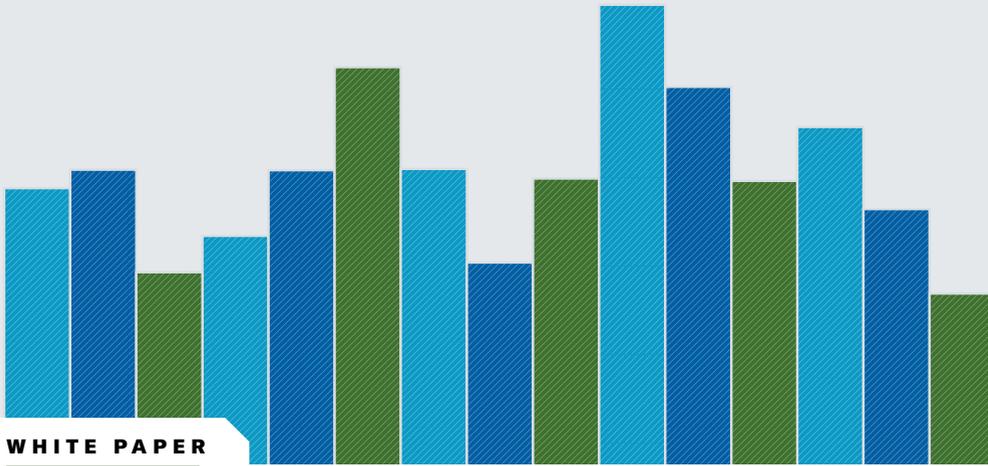




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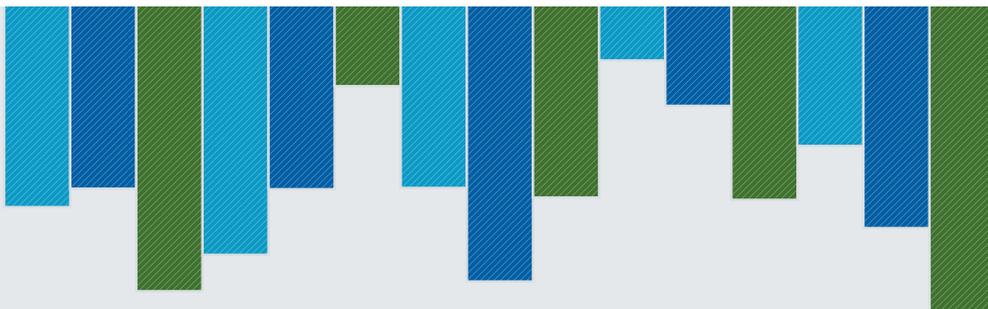
ANALYTIC SERVICES



WHITE PAPER

Customer Experience in Retail

Data Drives Everything



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To say customer experience (CX) matters is an understatement. In fact, as this research reveals, it's significantly more important for retail than for all other industries combined. (see figure 1).

Price and product quality will always be values consumers care about, but in the post-Covid-19 world, people are demanding digitally enabled shopping experiences—in both the virtual and physical spaces. The pandemic has radically and fundamentally changed the way we all discover, browse, shop, and buy. Daily life has gone digital, from doctors' appointments on Zoom to ordering your groceries online to "dining out" via DoorDash—and this shopping behavior is here to stay.

What has emerged is a new definition of what superior customer experience is. What matters more than ever is safety, convenience, and trust—most notably, seamless curbside pickup, a frictionless experience while shopping on social apps and voice platforms, and an intuitive checkout on mobile.

These shifts have created an opportunity that retailers cannot afford to miss: to develop a 360-degree view of their customers by harnessing and operationalizing consumer, product, and inventory data. This is what allows retailers to deliver seamless and personalized experiences across the growing number of physical and digital touchpoints customers now regularly traverse.

We commissioned this research with Harvard Business Review Analytic Services to better understand the seismic changes impacting retail and uncover how to transform in the face of these challenges, and we hope you will find it as insightful as we did.

Want more? Visit our [Retail Resource Hub](#) to learn more about how Salesforce can help you dig a little deeper into your customer base and create personalized retail experiences across channels.



Rob Garf
**Vice President and General
Manager, Retail**
Salesforce

Customer Experience in Retail

Data Drives Everything

Companies in the retail industry have been transforming their business models for years. For example, brick-and-mortar stores are striving to compete with digitally native brands, which, in turn, are expanding beyond the web into boutique physical locations. But no matter how retailers approached digital transformation—or how far down the road they had traveled—everything changed once the Covid-19 pandemic hit, including the drive for retailers of all types to expand their use of data and analytics.

As many nonessential stores closed due to government mandates and other retailers, such as groceries, faced supply shortages and changes in customer behavior, companies had to rethink their go-to-market strategies. These changes are borne out by a recent global survey by Harvard Business Review Analytic Services of 1,091 business leaders, including 82 within the retail industry. A third of the retail executives say they introduced new selling models, including expanded delivery and communication services, in response to shifting customer needs and demands due to the pandemic. In particular, 63% of companies added curbside pickup and other changes in how they deliver products to customers. These changes don't appear to be temporary responses to the crisis. For example, more than half (57%) expect to continue the new curbside pickup and home delivery services once the pandemic has passed.

“The pandemic helped solidify many of the strategic moves that retailers had been making before the outbreak,” says Jeff Simpson, a principal in the retail practice of Deloitte Consulting. “In fact, many of those moves went into hyper speed.”

HIGHLIGHTS



82% of retailers from a recent survey name **improved customer experience** as their highest business priority for the year ahead.



71% of survey respondents say they are **highly likely to invest in mobile transaction capabilities** and customer apps over the next 24 months.



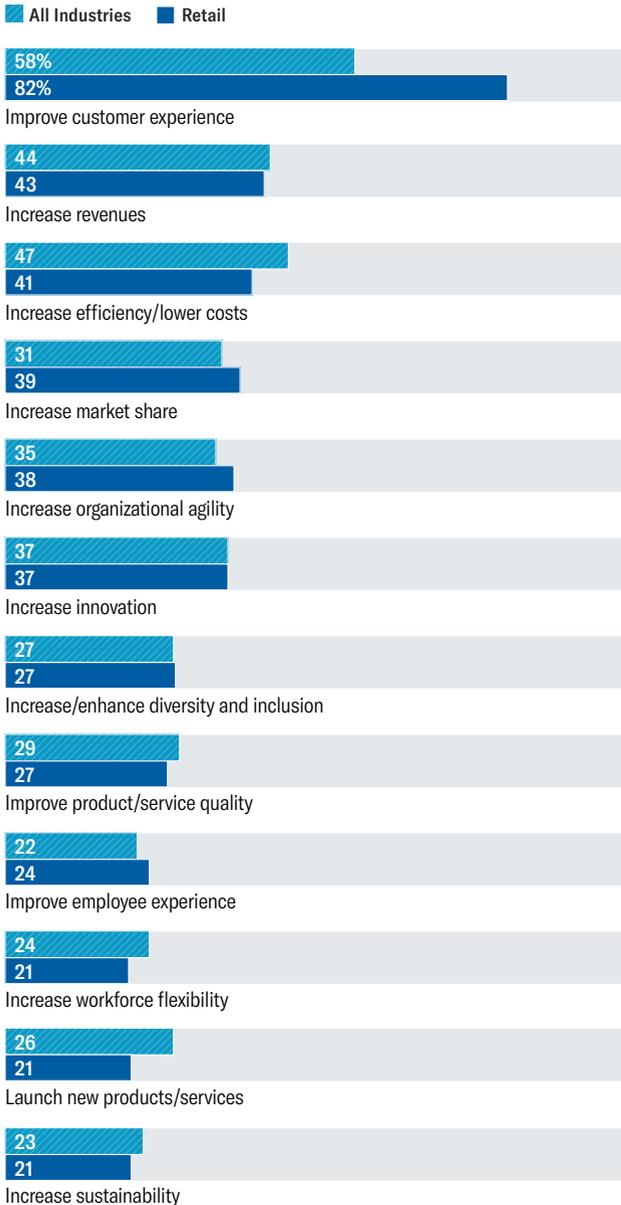
56% of retail executives say their third highest investment priority focuses on **improving data management**.

FIGURE 1

Covid-19 Refocuses Business Goals

Improved CX becomes a top business priority for significantly more retailers than any other issue.

Which of the following business priorities are among your organization's top five for the year ahead? [TOP 12 RESPONSES SHOWN]



Source: Harvard Business Review Analytic Services Survey, December 2020



A wide majority (82%) of retailers from the survey name improved customer experience as their highest business priority for the year ahead, with increased revenues coming in a distant second at 43%.

Something else is changing in retail in the wake of Covid-19: the push for superior customer experience (CX), or the ability to create personalized shopping engagements with consumers to improve customer satisfaction, sales, and ongoing brand loyalty. Though this business priority preceded the pandemic, the focus on CX has only intensified. A wide majority (82%) of retailers from the survey name improved CX as a top-five business priority for the year ahead, with increased revenues coming in a distant second at 43%. **FIGURE 1** It's easy to understand why retailers will be so focused on CX. It's at the heart of attracting and engaging loyal customers and expanding revenues through upselling and cross-selling opportunities. CX also becomes more challenging as traditional retailers increasingly rely on digital engagements with fewer face-to-face customer interactions. These efforts collectively determine how successfully retailers grow profits and solidify their positions in the market. In short, competitive battles are often won or lost over who delivers the best customer experience.

To enhance CX, retailers can't simply spruce up stores and e-commerce sites or train frontline workers to serve shoppers more effectively. First, the industry must directly link CX priorities to overarching business transformation goals. Next, retailers should develop comprehensive, companywide strategies that create customer-centric cultures throughout their organizations. Third, companies should enhance omnichannel selling practices that overcome the fragmented shopping journeys that frustrate consumers and cause them to seek out better experiences.

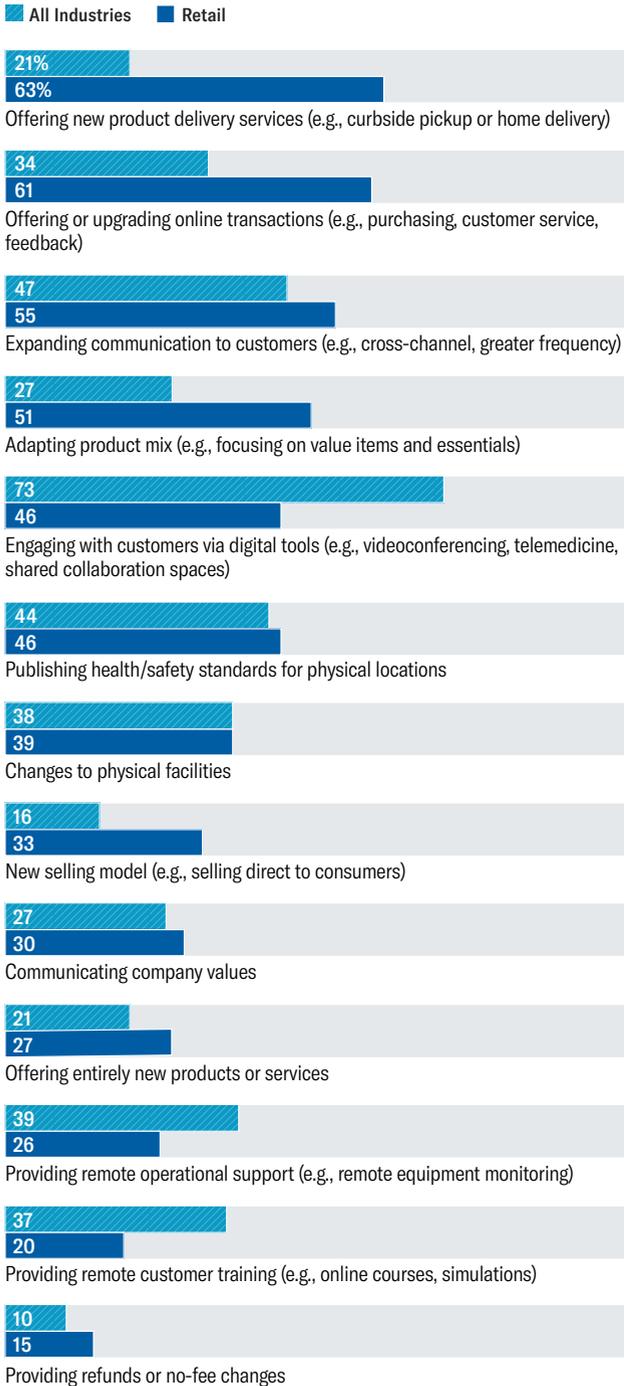
Underpinning these three moves to enhance customer experience is a solid foundation built on data and analytics. A truly customer-centric culture within the retail industry is driven by the right mix of data about consumers, products, inventory, and suppliers. Comprehensive data serves the specific tasks of each department, including in store and digital marketing, purchasing, logistics, and supply chain management.

FIGURE 2

Retailers React to Changing Customer Needs

Stores rethink their approaches to serving customer demands.

Which of the following changes has your organization made/is it making in response to new customer needs and demands due to the Covid-19 pandemic?



Source: Harvard Business Review Analytic Services Survey, December 2020



“Frontline workers are key to CX, but they can’t do it alone,” says Barbara Stewart, professor of global retailing at the University of Houston.

To become more customer centric, retailers must put this data to use and ensure a shared and easy-to-understand 360-degree view of customers is accessible by everyone in the enterprise. In addition, retailers must find ways to take better advantage of advanced analytics, such as artificial intelligence (AI) and machine learning technologies, to mine internal and third-party data to further understand customers and market trends. Ultimately, it is the seamless integration of these technologies and data across systems, channels, and teams, plus process and organizational updates, that enable retailers to improve CX—and address the next widescale disruption or emerging business opportunity.

The Pandemic Disrupts Retailing

In early 2020, the Covid-19 crisis in North America and some other regions drew clear lines between those retailers that would succeed and those that would struggle in the months that followed. Retailers that weathered the crisis well typically fall into two camps: First, those retailers with mature digital commerce, along with big box stores, and grocery chains that sell necessities like food and household supplies needed during lockdowns. Second, retailers that were able to quickly shift focus to maintain operations, including pairing online sales with new customer services like curbside order pickup or home delivery that promote health and safety. “It’s the retailers that haven’t been able to adapt to the pandemic that are having the most difficulty,” says Fred Hurvitz, Kohl’s professor of practice for retail studies at Pennsylvania State University.

The need for retailers to be agile in the face of change surfaced in the Harvard Business Review Analytic Services survey. Many respondents say they have already created or are planning a series of enhancements because of the pandemic. In addition to the new delivery services noted earlier, changes include offering or upgrading online transactions and expanding customer communications, which helped improve CX by addressing how customers turned to digital during the pandemic. **FIGURE 2**

More than half of the respondents from retail also say improvements in delivery services and online transaction capabilities will continue once the pandemic has passed. In addition, nearly half (48%) of the retail respondents expect expansions in customer communications to continue after the pandemic. Communications may include messaging about products, promotions, and other information relevant to consumers that flows across various engagement channels.

The survey results show that the pandemic didn't put the brakes on business transformation efforts that had been launched prior to the outbreak. Instead, Covid-19 is raising the profile of superior CX as a top business priority among retailers. The 82% of retail executives who rank CX a top priority is 24 percentage points higher than across all industries. CX enhancement is also far outpacing other core business goals for retailers, such as revenue increases, efficiency gains, and cost reductions. What's more, the importance of CX for retailers had risen 16 percentage points since the start of the pandemic.

The vital importance of CX for ongoing business success and competitive differentiation is pushing retail executives to pay more attention to this area in their business transformation plans. In part, that means making CX everyone's job rather than a concern only for certain job titles. "CX has to be driven by all levels of the company," says Barbara Stewart, professor of global retailing at the University of Houston. "Frontline workers are key to CX, but they can't do it alone."

Whether a worker's role is to craft sales and promotional campaigns, engage with shoppers on showroom floors, answer support calls, or restock store shelves, each person contributes to the creation of positive experiences that retain customers. "Getting every employee to buy into this idea is the best way for a retailer to create long-term value with a customer," Hurvitz of Pennsylvania State University adds.

The Growing Value of Data

Another factor that contributes to great CX in retailing is the ability to harvest large volumes of data that can inform business decisions aimed at increasing profits, improving customer loyalty, and expanding market share. The right information tells stores which customers have the highest lifetime value or are the best prospects, and subsequently, how to target communications and promotions for each group. "Granularity of data about how customers interact with a brand is crucial because it allows us to speak to each customer in a way that meets his or her preferences," says Rodney Hutton, chief marketing officer at Ethan Allen Global, a furniture retailer headquartered in Danbury, Conn.

The insights can also reduce costs. In the past, traditional brick-and-mortar and mail-order retailers typically sent catalogs to everyone in their databases of actual or potential



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customers, a scattergun approach that came with high costs for printing and postage. Today, the company can segment traditional customers who only shop in physical stores from people who engage with the brand through digital channels. Traditionalists continue to receive printed materials, while online shoppers get cost-effective digital catalogs in their inboxes. "Being more focused with our advertising dollars can be a game changer because it represents a difference of millions of dollars in ad spending," Hutton says.

In addition, understanding the mix of sales channels that customers prefer helps stores optimize inventories and maintain well-stocked shelves—two keys for ensuring positive CX. "When stores can more accurately predict demand, they ensure that the right products are on the shelves and avoid out-of-stocks that disappoint shoppers," says Steven Keith Platt, director at the Platt Retail Institute, research director at the Retail Analytics Council, and lecturer at Northwestern University in Evanston, Ill. "Stores also avoid the unnecessary expense of ordering excess inventory to make sure they don't run out of stock."

Similarly, buyers at retailers can track the performance of vendors and distributors to best meet changes in product demand and delivery schedules. Comprehensive data also sheds light on future buying trends. Predictive insights help retailers pivot quickly by opening or closing stores and introducing new services to keep customers satisfied, which gives companies a leg up for outperforming traditional competitors and market insurgents.

But simply amassing large volumes of data isn't enough. The key for improving CX is to use data more effectively. That starts with integrating relevant information from customer engagement channels and other internal systems, as well as from third-party sources. "The trend now is to use outside data to see how shoppers behave with competing retailers, which creates a broader context for understanding consumers," says Deloitte's Simpson.



When diverse types of data are integrated and centralized within a shared data hub, retailers can more easily glean insights by applying advanced analytics powered by AI and machine learning to enhance CX and further business transformation efforts. For example, incorporating outside data about debit and credit card transactions, cell phone usage, or sales receipts potentially uncovers new business opportunities for retailers. “When you piece all the data together into an aggregated view, you get a much deeper understanding of customer needs,” Simpson explains. “A retailer can then decide whether to add certain product lines in an effort to capture additional spending.”

Retailers are seeing the benefits of integrating data from multiple sources. Thanks to a new data hub platform that creates a single view of customers, Ethan Allen managers can merge records of customer shopping journeys that occur in person and digitally. “We know that Mr. Smith only shops online, while Mrs. Smith shops online and at retail. Another person does research online but then only shops in the store,” Hutton explains. “Having that kind of granular data is crucial because it allows us to speak to the customers in a way that meets their preferences.”

Updating Data Strategies to Enhance CX

Retail executives have an ambitious agenda for the coming months. The pandemic is spurring them to continue—and

often accelerate—their business transformation strategies, while a heightened need for effective CX is a higher priority than ever. Retailers can help address these imperatives by improving their data management and analytics capabilities. To best meet this collection of interrelated goals, industry executives and experts say the following steps can push retailers forward in each of these areas.

Revisit CX Goals

Businesses should revisit their customer experience goals to ensure they are relevant in the era of Covid-19 and that they are informed by a more sophisticated use of data and analytics. Comprehensive customer data can help companies enhance CX and prioritize business initiatives. “Many of our clients are rethinking their value proposition to identify what consumers value most in their experiences with the store,” Simpson explains. “There has been a mistaken notion among companies that modern customer experience means putting a rock-climbing wall in the store or offering yoga classes to create experience with a capital E. But when we drill into what consumers really want, we see customer experience still comes down to fundamentals—convenience, fast delivery, contactless pickups, and easy payments. The reality is much simpler than what some of these big ideas around customer experience represent.”

Focusing on specific use cases can help retailers clarify their CX and transformation objectives. For example,



The ability to understand customers will help inform decisions in behind-the-scenes operations, such as managing supply chains and designing websites.

developing better forecasts of store traffic can be a relatively straightforward improvement that pays dividends for CX. “Companies can start by analyzing just two years of traffic data from a subset of their stores,” Platt of the Platt Retail Institute says.

Create a Data Culture

Leaders should subsequently decide what changes to company culture are necessary to achieve the overarching goal of making CX part of everyone’s responsibility. Implementing these changes can be challenging because they require a multifaceted approach. Organizations can start by understanding that while technology can support enhanced CX, innovation isn’t a substitute for people skills. Companies should focus their data culture efforts on the following key areas.

First, business leaders should assess employee incentives, as new incentives will further solidify staff commitments to CX. “Employees should be rewarded for their positive interchanges with customers,” says Stewart, from the University of Houston. “Monetary rewards are nice, but people can also be recognized in other ways. There’s a lot to be said for managers who give someone a pat on the back when he or she does something extra to help a customer.”

Next, organizations can update hiring goals to include CX considerations, Stewart notes. Targeting candidates who have good people skills even if they aren’t vying for frontline positions benefits the organization by instilling customer-centric attitudes among all workers. The ability to understand customers will help inform decisions in behind-the-scenes operations, such as managing supply chains or designing websites.

Finally, CX executives need to evaluate organizational structures and should consider updates that support CX and analytics capabilities. Platt advocates appointing a chief data officer and creating centers of excellence for data and AI. These centers are independent functions within the retail organization where people are responsible for managing data and implementing AI, he explains. Making these kinds of changes to the organization creates a foundation for moving to the next step in the transformation process.

Customize Data Results for Individual Roles

Executives should communicate results in ways that are tailored to various roles, such as a store manager who is most

interested in optimizing inventory levels and staff scheduling or someone in merchandising who analyzes product sell-through rates and is thinking about markdowns. Within the same retail organization and same topic area—store traffic rates—various consumers of data see the information in different ways. Different perspectives based on company roles are “why we advocate focusing on very specific use cases that are relatively easy to execute,” Platt says. “It becomes clearer how to communicate reports so people can act on the data.”

Hutton of Ethan Allen Global concurs. “The temptation is to follow a philosophy of ‘data for everyone,’ but that can lead to people drowning in information and taking their focus away from the business at hand,” he says. The company’s answer is to use a centralized data analytics team, which develops insights from all the data it collects and then distributes relevant reports to departments and individuals based on their roles within the company.

Prioritize Customer-Centric Investments

Business leaders should evaluate targeted investments that give consumers the digital tools they want to enhance their retail experiences. Seventy-one percent of the respondents to the Harvard Business Review Analytic Services survey say they are highly likely to invest in mobile transaction capabilities and customer apps over the next 24 months. **FIGURE 3**

Sixty-two percent of retail executives are also highly likely to invest in resources for accessing customer data across various business functions, such as sales, marketing, and service operations. Detailed information from a cross-section of functions provides a data foundation for personalized engagements with shoppers that are essential for enhancing CX. More than half (56%) of retail executives say their third highest investment priority focuses on improving data management, such as providing access to information for people across business departments and integrating data collected by variety enterprise systems. Data integration enables centralized storehouses of customer information, which provide a foundation for 360-degree views of consumers.

Cloud-based data hubs are an essential building block for creating a comprehensive understanding of customers. “We invested in a cloud-based data hub that lets us seamlessly track each customer, whether they shop in a physical store, online, or both,” Hutton says. “From there we can



The potential of analytics powered by AI and machine learning “[is] genuinely mind blowing,” says Paula Rosenblum, managing partner at the consulting firm Retail Systems Research.

use analytics to dig into microanalyses” to help improve customer relationships, he adds.

Leading data-hub solutions let retailers assign a customer ID to aggregate related data from individual systems running throughout the company. Data aggregation lets companies build a single view of the customer, and from there segment various customer groups and develop tailored engagement strategies using advanced analytics. The potential of analytics powered by AI and machine learning “[is] genuinely mind blowing,” says Paula Rosenblum, managing partner at the consulting firm Retail Systems Research, based in Miami. The possibilities are becoming especially important in the Covid-19 era “when the world seems more unpredictable than ever,” she adds.

Digital innovations like 3D visualization are also changing how shoppers engage with retailers. “Over the past couple of years, we’ve been investing in upgrades to our web platform that help customers do planning and research,” Hutton says. “3D capability on our websites lets people pick items and put them in a digital representation of a room to get ideas about what look they want to achieve. They can then work with one of our design centers to complete the process.”

Similarly, the furniture company’s mobile apps are getting a 3D update. Shoppers create 3D representations of living rooms with various furniture settings. “Within the next year, a shopper will be able to upload a photo of their room to our website to see how a piece of furniture looks in it,” Hutton adds.

Improve Behind-the-Scenes Operations

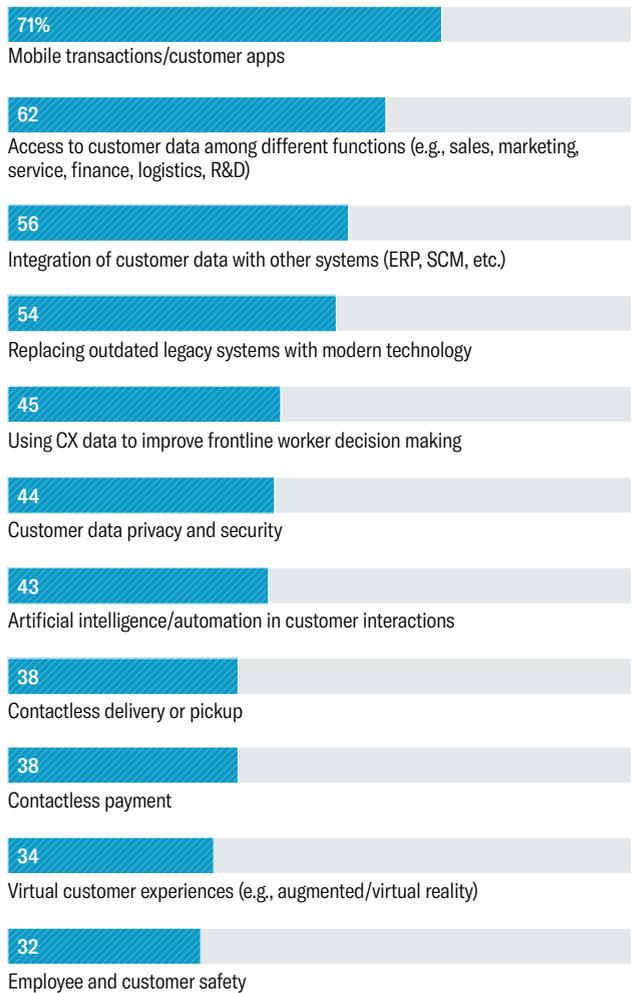
Retailers should look beyond direct customer engagements to find new uses for digital innovations that can boost CX. Savvy retailers are turning to AI and machine learning to generate insights to improve supply chain management and avoid CX killers like out-of-stock items. Analytics are important because supply chain health is determined by a complex set of variables. Supply managers must consider the information that’s collected internally from point-of-sale terminals and warehouse inventory records, along with external data from factors such as international tariffs, pandemic-related factory closures, and traffic jams, all of which may lead to shipping delays. “The goal is to create an end-to-end awareness of supply chain status, with alerts and predictive analyses of potential problems,” Platt says.

FIGURE 3

Wanting What’s Right, Not What’s Bleeding Edge

Retail executives have clear ideas about where to direct funding for the next 24 months

In which of the following is your organization highly likely to invest over the next two years to support its customer experience strategy?



Source: Harvard Business Review Analytic Services Survey, December 2020



The vision of modern retailing is a world where online and in-store consumers use virtual and augmented reality to experience and compare products from companies that not only know their current desires but anticipate their future needs.

Balance Technology with Personal Service

The vision of modern retailing is a world where online and in-store consumers use virtual and augmented reality to experience and compare products from companies that not only know their current desires but anticipate their future needs. Once a buying decision is made, consumers don't have to worry about out-of-stock items or shipping delays, and if there's ever a question, help from an attentive human or digital assistant is at hand. Now, more than ever, the vision is being realized as leading retailers update business transformation plans with a new emphasis on customer engagement, effective data management, and a sophisticated application of advanced analytics.

The key is to see technology as an enabler but not the whole solution for achieving superior CX. "Our philosophy is technology plus personal service," Hutton says. "Technology alone isn't the answer and personal service has some inherent limitations that technology can overcome. Combining the two is how we create high levels of customer experience."



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