Retail Transformation Underway
Achieving Customer-Centric Commerce

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Introduction

Achieving Customer-Centric Commerce

Does any retailer today still believe omni-channel is the be-all and the end-all? Retailers who jumped on the omni-channel bandwagon, believing the promise that it would take traditional retail into a new era of better margins and customer satisfaction, are beginning to realize that omni-channel has not only failed to deliver the results promised, but has created a novel set of challenges with which to contend.

As omni-channel capabilities edge closer to reality, disjointed strategies continue to miss the mark in captivating shoppers and boosting retail profitability. In fact, in many cases profitability has fallen as margins have continued to shrink.

Is this cause for despair? Or is omni-channel simply a waystation in a much longer journey which leads to a totally new world of **Seamless Circular Commerce**: where one stream of data flows throughout every facet of an organization, creating feedback loops that incorporate the customer into every decision? We argue that the new nirvana that retailers should be striving for is customer intimacy and a personal touch in every interaction. And the core capability that will bring about this nirvana is a single view of a customer across all channels, touchpoints and devices. A customer-centric view of the retail organization is needed to complete this trek.

As retailers begin transitioning from a channel-centric view of their business to a united, customer-centric one—one which responds to the demands and preferences of clients—some retail leaders are transforming their companies for the future. What can we learn from these leaders and those who are falling behind? Where are we as an industry on this transformational journey?
Gone are the days when shoppers simply visited a store, or placed an order through a catalog to buy merchandise. Instead, the continually evolving shopping journey gives today's shoppers immediate access to their favorite brands via multiple touchpoints—both online and offline—that enable them to make informed purchase decisions and convenient transactions. Digital touchpoints are so critical to the customer journey that 84% of shoppers used a combination of digital solutions before or during their most recent trip to a store, a factor that influenced 36%, or $1 trillion, of in-store retail sales according to “The New Digital Divide,” a report from Deloitte issued back in 2014.

The popularity of digital shopping has only escalated in the past year, with Holiday 2015 predictions indicating that greater than 65% of all retail transactions are being influenced by multiple devices. Retailers have heard the digital wake-up call. Most have moved beyond disruption and well into transformation.

This white paper sets out to present a bird’s eye view of the retail transformation underway as retailers enter 2016. It is an insider’s perspective provided by leading CIOs, CMOs, E-commerce, Digital, and Operating executives. The research asked respondents for critical self-assessments of their organizations’ progress in achieving Seamless Circular Commerce, and responses were kept anonymous to ensure they were candid.

On the surface, all retailers professed to be focused on their customers. But we found that many still struggle to evolve from omni-channel—which puts the brand at the center of the business—to a model which truly puts the customer front and center. Too many retailers are still unable to see a single customer consistently across all the channels and devices the customer uses to interact with their business. Without shoppers’ individual navigation patterns, too many companies are treating their shoppers as a broad, homogenous group, a move that is not providing strong enterprise-level returns. While a unified brand message or marketing campaign certainly is the sign of consistent brand execution, it is hardly the way to ensure conversion or maximize technology and marketing expenditures.

Survey Respondent Demographics
It is time for companies to take a step back, evaluate how well they are responding to consumers’ escalating demands, and benchmark where they rank against other retailers. Interested if you are a Leader, Follower or a Bystander in this movement? Read on. Armed with this assessment, retailers can better develop clear execution plans for the future, plans designed to meet, even exceed, customer expectations. It is important to learn how to create a customer-centric commerce approach, one that will give real insight into customer shopping journeys, as well as the tools and organizational design needed to engage with customers in an individual, personal, and targeted way.
Snapshot of the Industry

The O Alliance is pleased to present the recent findings on the customer-centric transformation currently underway in retail. These insights, shared during the largest independent data survey on the state of customer-centricity in the retail industry, represent the views of more than 150 senior executives representing 100+ retailers in North America and Europe. 22% of the respondents were C-level, and 48% were EVP, SVP or VP level. 90% of the respondents operate both brick and mortar and e-commerce stores.

Participants, including companies from across the general merchandise, mass market, specialty and department store segments, representing men’s, women’s, teen and children’s apparel, footwear, accessories, health and beauty, sporting goods, consumer electronics and home décor, responded to a survey conducted just prior to the 2015 Black Friday shopping weekend and during the Holiday 2015 Cyber weeks.

Responses reveal the current state of the industry’s singular view of the customer and the execution of customer-centric commerce. Additionally, twenty retailers agreed to participate in qualitative interviews regarding the research findings, sharing deeper insights into the topic.

*Note: The distribution of retail vertical and size is comparable to the retail universe in developed markets. More than 12% of the companies had annual revenues of greater than $10 billion, with 22% of the respondents from mid-size retailers between $2 billion and $10 billion, 35% between $500 million and $2 billion and 32% under $500 million. The survey responses were confidential.*
Overall, this paper provides both a current snapshot of the state of the industry, as well as a roadmap retailers can follow to move beyond omni-channel and achieve the goal of customer centricity. We identify five key characteristics of leading organizations. The report also focuses on emerging patterns and trends and where possible includes a response from a retailer who participated in the qualitative portion of the research and agreed to go on the record.

Retailers of all sizes and product categories were intentionally included in the survey to represent a cross section of customer experiences. Consumers migrate their expectations across product categories as they experience new digital and logistics capabilities. There appears to be little to no correlation between company size or product types and customer expectations.

For purposes of creating a benchmark, and to allow individual companies to know where they currently stand, we scored each respondent based on their survey responses. Respondents were grouped into three categories: Leaders, Followers, and Bystanders. Leaders scored highest, as they have already taken steps to better understand customer data and invest in customer insights, technology and organizational redesign. They are the farthest along on the road to a customer-centric business. Followers are companies with big plans to move towards the customer-centric model, and they are making some progress. They rank in the middle of the pack, close to the average. Bystanders scored lowest, showing a lack of meaningful progress and plans to embark on customer-centric initiatives.

While there is no clear “one size fits all” approach to customer centricity, it is a concept that is changing the pace of retail. If one finds their organization resembling a Bystander, it bears asking what efforts need to be taken to catch a train that has already left the station.

This research shows that the time for change is now. The key to staying relevant to increasingly complex shoppers is to engage those shoppers personally, based on knowledge of their activity across an entire brand, not just a single channel.
Shifting Focus to the Customer

As companies transition from a multi-channel mindset to an omni-channel model, they also face pressures from nimbler competitors that simply skipped those steps entirely and moved the goal line...to the customer. For example, pure play retailers such as Amazon.com continue to raise the bar on customer-focused service and logistics—putting a stake in the ground as “The Earth’s Most Customer-Centric Company.” Meanwhile, innovative companies with deep-rooted digital backgrounds, such as Rebecca Minkoff and Hointer, are able to quickly open physical locations that blend the power of digital technology with the physical shopping experience. And then of course, there is a device in everyone’s hand that puts the retail store at the customer’s fingertips.

With more than 50% of all U.S. retail sales now digitally influenced, it is apparent that customer-facing tools such as smartphones, tablets, proprietary handheld devices and store-level web-based kiosks are becoming mission-critical in the always-on shopping experience. However, arming themselves with the best fleet of digital solutions seems to be easier said than done for many retailers. Retailers struggle to integrate each tool into a cohesive system—one that creates a seamless circular flow of data that learns over time, rather than a patchwork of silos that becomes more complicated with each new addition.

While omni-channel was about giving a shopper a single view of your brand across all touchpoints,
the customer-centric model is about giving the brand a single view of the shopper. Too many retailers are still unable to understand a single customer’s path to purchase across all touchpoints and technologies in their stack.

It is now the norm for a shopper to browse assortments on a smartphone, read customer reviews on a tablet, and then make a purchase in-store, on a laptop, or on a desktop. Without a customer-centric platform, this single shopper appears as several unique users. The disjointedness of data across a retailer’s channels has made it nearly impossible for retailers to understand their customers as individuals. Furthermore, relying on inaccurate customer metrics, retailers cannot assess their business in a way that allows for consistent progress and profit.

A prerequisite to understanding the modern shopper is collecting, storing, and analyzing customer data in a secure way. While many organizations are making strides, there are still opportunities to improve for most retailers. Eighty-six percent (86%) of companies currently record an individual customer’s e-commerce transaction history in a centralized database and 76% of companies do the same for in-store transactions. However, only 63% of companies combine both types of transaction histories in a unified database, according to The O Alliance’s research. This indicates that while a retailer may know a lot about a customer’s purchase history in-store and online separately, they are less likely to be able to connect this knowledge into a single view of that customer across the entire brand.

Despite their best efforts and escalating marketing spending, most retailers are finding that there is more work to be done if they want to excel as a true customer-centric company. Retailers need a way to differentiate themselves in the marketplace to become more profitable. This requires a retailer to meet customer demands more expertly than their competitors—an effort that demands an understanding of their shoppers’ behaviors from a single view.
Five Key Findings

1. Using data to map and understand the customer journey

2. Leveraging unified marketing campaigns to create cross-channel behavior

3. Centralizing data storage and analysis using the cloud

4. Creating a Customer-Centric Organization

5. Crushing obstacles to Customer-Centric Commerce

Key Finding #1
Using Data to Map and Understand the Customer Journey

It is no secret that segmentation is paramount to becoming a customer-centric brand. By leveraging behavioral data to segment customers, brands can better understand customer preferences and engage individual customers in a more personalized way. That's probably why more than two-thirds (68%) of respondents to The O Alliance survey use data from customer files to build segments. Only about half (54%), however, base their segments on behavior across multiple channels and devices. For organizations that don’t combine their data, a single customer may end up in one segment because of their activity on their phone, a different one based on their laptop, and a third based on their work computer. This could result in conflicting messages being delivered to the same customer, or the same message being delivered too many times.

By June 2016, 70% of all retailers will be using customer data to understand and map the customer journey. Of course, not all retailers are prepared to make this commitment. Among industry Bystanders, fewer than half (43%) are using data to segment customers today, only 9% are doing so based on cross-channel behavior, and just 14% are using customer data to understand and map the customer journey.

Surprisingly, nearly one-third (32%) of all respondents are not building customer segments today. This forces retailers into broad marketing techniques that treat all customers the same. Consequently, their ability to differentiate themselves through a personal touch is vastly diminished.

Various factors could be stalling participation, including:

- Some retailers have not yet unified their customer data across all channels;
- Customer segments are built in silos, and may be misleading;
- Some retailers concentrate solely on the commerce sector, neglecting to detail the shopper’s journey to purchase;
Reliance on legacy data systems to create reports perpetuates fragmented views of each channel. This offers artificial hope to retailers looking to invest in a particular channel to boost overall company success; and

Many retailers are not equipped to handle the volume and complexity of data entering their systems.

At the core of each of these issues is a common culprit: the growth in the complexity of the data available to retailers. And with it, the fragmentation of that data due to the proliferation of retail channels. As more digital touchpoints are incorporated into the shopping experience, the amount of data generated continues to swell and becomes increasingly difficult to manage. Retailers need to be able to connect a shopper’s activities on their website, in their stores, on social media, and in mobile apps to a universal customer profile. Yet this task is becoming more and more daunting as technology enables customers to engage in increasingly complex ways.

The volume of data doubles every two years, and by 2020 the digital universe—the data we all create and copy annually—will reach 44 zettabytes, or 44 trillion gigabytes, according to “The Digital Universe of Opportunities: Rich Data and the Increasing Value of the Internet of Things,” a report from International Data Corporation (IDC). With more data flowing into enterprises at faster velocities, basic analytics tools are no longer adequate. In an era when an increasing influx of data provides enormous opportunities for retailers, it is imperative for organizations to leverage sophisticated tools, including predictive analytics.

The good news is that with more data available to tap into, making customer connections can actually be easier, given the right tools are in place. Advanced data analytics companies, such as Revmetrix, collect enough data today to be able to identify a single customer across multiple devices and channels. According to Revmetrix CEO Hemang Gadhia, “Over 30% of all digital transactions wind up spanning across multiple channels and devices. In order for retailers to really understand what their customers are doing and to accurately assess their marketing efficacy, they must bridge their understanding of the customer. This is vital for retailers moving forward.”
Using basic tools with limited access to customer information can only present a fraction of the total picture—a factor that creates false confidence in retailers who mistake this incomplete data for the truth. These results can also cause other risks, including targeting the wrong messages to the wrong customers.

A less-than-complete view of customer data may prompt marketers to deploy campaigns in the wrong direction—a move that abandons opportunities and exhausts already limited funds. Despite these risks, 73% of retailers still have basic analytical and reporting capabilities according to Boston Retail Partners’ “Annual Merchandise Planning & Allocation Survey.”

For most marketers today, a single multi-channel customer looks like multiple customers: one per channel or device the customer uses.

“"We are halfway to where we need to be."”
— Kevin Finnegan, EVP, Global Sales, New York & Co.

Fashion retailer New York & Company can attest to today’s retailers’ challenges. While the company is on the right path, Kevin Finnegan, Executive Vice President of Global Sales at New York & Company, believes “we are halfway to where we need to be”. The issues to blame include sending messages that are still not personalized enough, and falling short on analyzing the entire customer journey. With insight into customer purchase paths however, “we can more easily fulfill the right products from the right stores,” he added. “It is time for us to distinguish the processes that add value versus focusing on the ‘shiny objects.”
Key Finding #2
Leveraging Unified Marketing Campaigns to Create Cross-Channel Behavior

Targeting the multi-touch shopper is becoming paramount, as this shopper is proving to be not only more loyal, but also more profitable. In fact, a report from IDC entitled “FutureScape: Worldwide Retail 2015 Predictions” dubs them 30% more valuable than their single-channel counterparts. Engaging these customers on a personal level throughout their journey, regardless of how and where they visit a brand, drives loyalty as well as conversion rates.

Companies want to stimulate cross-channel behavior, and most retailers (70%) try to do so today with marketing campaigns aimed at driving engagement in a different channel from the one in which the campaign is proffered. Think of an email campaign that offers a discount only redeemable in-store, or a display ad that prompts a customer to download a mobile app.

Meanwhile, about half (48%) of all retailers lack the ability to measure the success of these very campaigns. To do so, retailers need a true cross-channel attribution solution. Good attribution solutions account for every touch along the journey to the desired outcome, moving beyond first-click and last-click models. Having an accurate sense of which marketing efforts are driving dollars back into your business—and which aren’t—is key to making smart decisions and keeping customers happy. Leading retailers acknowledge this: Leaders are six times (6x) more likely than Bystanders to have cross-channel attribution in place today. No Leaders said that cross-channel attribution is not a priority, yet 12% of all retailers are not focused on it.

Leading retailers already see that a true cross-channel view of attribution can help plug holes in leaky marketing budgets. A leading retail executive, who participated in this survey, turned to customer journey history after noticing that her marketing spend had increased by 20% over the past year but revenue had only increased by 2%. A study of a handful of individual customer journeys revealed that some of her marketing technology solutions were claiming credit for certain transactions they did not really deserve. In one case, a customer journey spanned 11 visits across two different devices. The first eight of these visits began with click-throughs from email.
campaigns, and on the eighth visit the customer added items to her cart and then left the website. This customer was then retargeted automatically, clicking back to the company’s website through one of the retargeting ads. Even though the visit on which the purchase was made was the result of another email campaign, the retargeter took credit for this revenue. Data revealed that marketing spend was going to waste due to an inaccurate view of which marketing campaigns were actually contributing to a purchase when a journey spanned multiple site visits or multiple devices.

Forrester Research defines cross-channel attribution as “the practice of using advanced statistical approaches to allocate proportional credit to marketing communications and media activity across all channels, which ultimately leads to the desired customer action.” Today’s sophisticated marketing attribution tools replace the last-touch model, which only shows a shopper’s final brand encounter, with a model that reveals the marketing value at each touch point in the shopper’s journey. “Marketing measurement has evolved beyond last-touch credit,” states Tina Moffett, Forrester’s senior analyst serving Customer Insight professionals.

“More and more marketers and customer insights (CI) pros understand that assigning marketing credit must reflect the dynamic purchase path,” Moffett concludes. “An integrated measurement approach—using attribution and marketing mix together—helps CI pros and marketers measure the impact of all marketing at the customer level,” Moffett says in the report. “Firms can pinpoint their most effective tactics and optimize marketing along the customer purchase path, enabling them to spend marketing dollars wisely.”
By June 2016, 72% of marketing campaigns will be tailored to various stages in the customer journey. By this date, more than half (57%) of respondents’ cross-device campaigns will target customer across multiple devices. “Customers are looking for brands to connect with relevant messages based on how they shop, engage, and what they have purchased. Time and again customers show that they will respond with higher conversion and spend,” says Jim Thompson, founder of Lift Engagement, an O Alliance partner. But retailers need to be able to measure the effect of these campaigns, or they risk wasting money and time.

There are many issues that plague marketers today. Some marketers still insist on connecting with their shoppers via mass marketing strategies ranging from poorly segmented direct mailings, flyers, email blasts and broadcast media efforts. Often based on old or incomplete information, these marketing methods fail to view and treat customers as people whose wants and preferences change over time. Marketers end up wasting a lot of money targeting the wrong people. Or worse, they upset good customers by spamming them with irrelevant offers.

But marketers who can use data to stay on the right path will be more apt to win and keep those coveted multi-channel shoppers.

Key Finding #3
Centralizing Data Storage and Analysis Using the Cloud

As retailers strive to deliver a consistent message brand-wide, they need to work from one single point of truth—whether that is customer data, marketing information, campaign and promotion redemptions, inventory management, or pricing files. To achieve a true single point of truth requires all mission-critical, back-end solutions to be tightly integrated and built with forethought to evolving digital commerce and retail operations, as well as the business intelligence and related data analytics needed to measure operations and results.
When data housing solutions are not integrated—or worse, are supported by outdated legacy solutions, retailers learn to make do by using middleware to cobbled systems together. While it may be a “quick fix,” in reality this effort creates a tangled web of code that further complicates already disparate systems, and puts the customer experience in jeopardy. Yet, it is a common tale industry-wide, as 72.5% of companies reported they lack or have underdeveloped capabilities needed to manage a cross-channel shopping experience, according to “A New Era for Retail: Cloud Computing Changes the Game,” a report from Accenture.

One national specialty chain is one of many companies that fell victim to these pains. Burdened with legacy systems, key decision makers viewed their brand landscape “through a legacy retail lens,” according to a company executive. “Too often, we viewed all activities as support for the window rather than seeing activities supporting the customer experience.”

These issues are only compounding, and the “technology debt” created by postponed technology investments may be crippling. Unable to amalgamate even internal transactional data, organizations are now faced with additional data integration challenges. For example, while three-fourths of companies have invested in in-store traffic counters, only 11% report that they track store traffic and browsing patterns inside the store using beacons, Wi-Fi, geolocation or other technologies. Only one-third of companies reported that customer files include on-line browsing behavior and other non-transactional data. Even fewer, only 9%, currently link social media activity to their customer data files.
How fast are these changes happening? Perhaps too slow. Only 18% plan to incorporate in-store browsing behavior and traffic data within the next 6 months and almost half (47%) have no plans to utilize these valuable data patterns. Interestingly, social media data may be first to be integrated by most. 70% of companies will be storing this rich behavioral data by June 2017.

The only way to gain real-time access to information, consolidate data, and achieve consistency brand-wide is to adopt a flexible foundation that can grow with a company’s needs cost-effectively. This is why today’s leaders are moving in the direction of cloud-based solutions.

As an open, web-based, scalable infrastructure that can be accessed using a “pay-as-you-go” license model, it makes sense for retailers to leverage the cloud as a means of competing in the fast-paced, ever-changing commerce world. On-demand systems offer more agility and lower upfront investments than traditional systems; and they increase adaptability to changing market conditions and new technologies. Besides, with data more readily available to the entire organization, customer engagement can be both more responsive and personalized.

The option is becoming so popular that investments in the cloud were on a trajectory to triple from $4.2 billion in 2011 to an estimated $15.1 billion by the end of 2015, according to an Accenture report. Further, 73.8% of retailers expect to move at least some services to the cloud in the next five years, according to “Methods and Practices: Cloud in Retail,” a report from IDC.

Brooks Brothers is proving that cloud computing is a competitive advantage. With investments in a holistic cloud-based enterprise platform, the company has integrated all major areas of the business including finance, logistics, planning and point-of-sale. “The platform enables us to merge data and science, not just anecdotes and gut, when planning how to personalize our customer communications,” said Sahal Laher, Brooks Brothers CIO. “We are also impacting planning and stores organization in a major way with streamlined access to data insights.”

“The cloud platform allows us to merge data and science, not just anecdotes and gut, when planning how to personalize our customer communications.”

— SAHAL LAHER
CHIEF INFORMATION OFFICER
BROOKS BROTHERS
### Key Finding #4

**Creating a Customer-Centric Organization**

In the quest to create a **Seamless Circular Commerce** organization, retailers must embrace that every business decision should be based on knowledge of customer behavior brand-wide. Just as breaking down the walls between channels is a must, the same tactic must be applied to all lines of business, so that all decision makers can share and use information needed to improve customer engagements.

While The O Alliance’s data reveals that most companies recognize the importance of having business functions integrated across all channels, it is the aggressive **Leaders** that are embracing the importance of integrating lines of business and redefining operational strategies to fit a customer-centric model. Among all retailers, 81% have integrated marketing teams brand-wide, 74% have integrated IT teams, 72% have integrated merchandising teams, and 66% have integrated inventory planning, buying and allocation roles.

Ninety-seven percent (97%) of **Leaders** have at least one of these teams integrated today, while more than one out of every ten **Bystanders** admitted to having no plans to integrate any of these functions. Progress is being made, but there is still an abundance of siloed functions permeating the industry. The longer companies leave their functional teams in channel silos, the longer associates will suffer from fragmented information, inconsistent initiatives, and internal competition. And without a single source of data to feed these teams, executives doom themselves to making misinformed business decisions.

<table>
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<th>6 months (%)</th>
<th>18 months (%)</th>
<th>No plans (%)</th>
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<tr>
<td>PLANNING</td>
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<td>7</td>
<td>8</td>
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**Customer-Centric Organizations are Integrating Teams**
To lead the integration of teams, retailers need to appoint leaders to champion the task. Champions are also needed to ensure that customer-centric data be disseminated across the enterprise. As expected, retail Leaders are stepping out to address the talent and leadership issues demanded by these changes. While specific titles vary between companies, the pattern is clear: Leaders have assigned a key executive to manage the customer experience across channels. Forty-three percent (43%) of companies either have or plan to have a C-level executive in a customer-centric role. Specifically, 15% have appointed a “Chief Omni-Channel Officer,” 13% have a “Chief Customer Officer,” 10% have a “Chief Customer Data Officer,” 7% have a “Chief Customer Experience Officer,” and 6% have a “Chief Customer Engagement Officer,” The O Alliance’s study revealed.

While these efforts are commendable, these statistics leave a lot of room for much-needed attention and improvement. The fact that 57% of companies have no plans to add a customer-centric executive to their team may stem from a lack of willingness to change. As the customer evolves, retailers need to make a genuine organizational commitment to evolving too. Regardless of where the blame lies, those companies that continue to ignore this strategy will continue to find themselves in the Follower and Bystander categories, and struggling to play catchup as their competition garners the customer loyalty needed to remain a competitive player in an increasingly volatile marketplace.
Determined not to be one of these statistics, a leading national jewelry retailer is making customer-centric strides to achieve customer-centric success. Having seen the challenges caused by associates making decisions purely on instinct and theory rather than facts, they are “creating new, smart, agile teams that are trained to follow new leaders that will drive this new stage of the business,” explained the company’s CMO.

Once retailers can uncover the value of customer-centric champions for their brand, the next step is to immerse their customer-facing employees in the **Seamless Circular Commerce** model. At the heart of this process is transitioning them into brand ambassadors who are committed to endorsing the brand experience and delivering the highest level of value to every customer, whenever and wherever they touch the brand. Of course, it will not be an easy road. According to Lois Huff, Vice President of Client Insights and Brand Strategy at Limited Stores, “This requires getting organizational buy-in for new teams to learn to work together, as well as taking steps to build confidence in new systems and approaches.”

Specifically, companies must “cultivate a motivated and powerfully informed workforce working toward driving customer satisfaction,” as summarized in a Retail Systems Research report, “Commerce Convergence: Closing the Gap Between Consumer and Brand.”

By putting digital solutions in the hands of employees, specifically systems that keep them abreast of business and shopper information, retailers are in a stronger position to bolster customer engagement and drive loyalty. Whether it is through smartphones, tablets, stationary or mobile POS stations, or desktops fixed on the sales floor, these solutions keep associates in tune to inventory levels and availability, cross-channel order status, and shoppers’ history and preferences.

It is encouraging that 47% of companies reported their front-line employees have access to relevant customer data while they engage with customers. And with only 15% of respondents saying that this is not a current priority, this will be a strong focus area within the next 18 months.
Key Finding #5
Crushing Obstacles to Customer-Centric Commerce

The O Alliance was particularly interested in uncovering the behaviors, processes and organizational structures that slow progress, frustrate executives, and obstruct the path to a customer-centric retail model. When we asked retailers to identify the obstacles to a single view of a customer, surprisingly only one of the top answers had anything to do with technology.

The Key Obstacles

Are the obstacles in the chart below universal across retailers? The data suggests they are. While a slight deviation exists in the area of available talent for the retailers under $500 million in revenue, there were virtually no other major variances, and this slight deviation may be based on the inability of smaller organizations to pay top-tier salaries to recruit and retain top talent. But on all other factors, retailers of all types and sizes expressed similar concerns.

It is clear from the responses that creating Seamless Circular Commerce will not result from actions taken exclusively in the CMO’s and CIO’s offices. Human Resources, Finance, Executive Committees and Boards must also be part in this shift in direction.
Interestingly, these top box obstacles are more organizational than technological. So how did the Leaders stand out? The overarching answer is by showing organizational commitment to the customer through customer-focused leadership roles.

Leaders have worked to align all functions within the organization around a single clear mission: understanding and serving the customer. Leaders are “building capabilities” versus buying point-to-point technology solutions to achieve this goal. Leaders are building data ecosystems that support a comprehensive view of customers across the organization. Leaders are data obsessive, and see it as a new organizational currency versus an organizational burden. Leaders are hunting for new ways to capture, analyze, and use data to serve their customers in an increasingly personalized way. Leaders are utilizing cloud-based solutions, or planning major moves towards cloud providers. Leaders have a multi-year transformation roadmap, but also have left the flexibility, both financially and operationally, to test and adopt new solutions that are consistent with the customer-centric philosophy. While all Leaders do not have expensive innovation labs, all have created methods for evaluating and onboarding new technologies to ensure innovation is not missed. And Leaders do not think they are at the end of the transformation journey, but rather in midstream.
Creating the Roadmap

Moving the Organization Toward Customer-Centricity

To begin to move towards consumer-centricity, retailers must first seek a view of their customers that encompasses behavior across all channels, regardless of the touchpoints they use. This single view of a customer “bridges the many digital and traditional touchpoints that customers access to better serve customers, streamline IT operations and improve the bottom line,” Tom Litchford, NRF’s Vice President of Retail Technologies, said in a company statement. ¹⁰ Once this foundation is in place, retail can finally come full circle and become a newly valuable business model—one in which customers interact with one brand, and brands serve one customer.

By understanding the customer who is shopping multiple touchpoints across the entire brand, retailers can gain insight into:

- Which marketing campaigns are driving revenue and which aren’t, enabling smarter decisions about future marketing spend;
- The key metrics affecting their business, letting them know how their business is doing; and
- How their customers truly shop throughout their lifetime with a brand, across multiple devices and channels, allowing them to create a better shopper experience.

The end result is long-term customer loyalty that promises to drive revenue and profit.

Achieving Seamless Circular Commerce requires retailers to create transparency company-wide, which means breaking down the walls that separate business channels. Once these roadblocks are removed, retailers are ready to move toward a single view of a customer and consumer-centric commerce. The sooner retailers can make this transition, the sooner results will appear in their bottom line. More than 63% of shoppers reported that brand consistency plays a role in their spending, while a lack of consistency reduces spend for 39% of consumers, according to “Building Omnichannel Retail From the Back End Up,” a white paper from Retail TouchPoints. ¹¹
# Recommendations on Moving Forward

## Leaders, Laggards and Bystanders: Comparing Features

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<thead>
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<th>Leaders</th>
<th>Laggards</th>
<th>Bystanders</th>
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<tbody>
<tr>
<td><strong>Eliminating functional silos</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing, Merchandising, &amp; IT</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buying, Planning, &amp; Allocation</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td><strong>Creating a seamless shopping experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agile fulfillment across channels</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Flexible return across channels</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Reserve store inventory online</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td><strong>Creating a consistent customer experience</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capture customer data across channels</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Offer e-receipts in the store</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Drive cross-channel purchasing with targeted offers</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Promote the mobile app in stores</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Offer guest WiFi</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td><strong>Building a comprehensive view of the customer</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store purchase data from across all channels in a central database</td>
<td>✓</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Capture non-transactional browsing data from your website</td>
<td>✓</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Integrate purchase and browsing data</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td><strong>Segmenting Customers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Based on purchases in one channel</td>
<td>✓</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Based on a complete view of purchasing &amp; engagement across all channels and devices</td>
<td>✓</td>
<td></td>
<td>●</td>
</tr>
<tr>
<td><strong>Creating relevance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campaigns targeted at key stages of the customer journey</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Campaigns targeted at multiple devices for a single user</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td><strong>Unlocking the value of data</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leverage customer journeys to discover opportunities</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Cross-device marketing attribution assigning revenue from multiple channels</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Empower associates with customer data and insights</td>
<td>✓</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

- ✓: Available today
- ●: Planned for 2016
- ●: Long-term or no plans
Conclusion

Moving from Bystander to Leader

The retail industry is finally embracing digital customer touchpoints as a means of driving engagement. Most are fairly far along on the omni-channel track. However, omni-channel has created a data problem for retailers: they have lost the ability to interact with a single customer in a personal and intimate way. Relying on traditional marketing strategies, legacy systems, and inadequate business intelligence tools, retailers are still struggling to drive loyalty and profitability. A lack of a data-driven single point of truth and an unwillingness to move away from historic organizational silos have compounded the problem.

By transitioning toward a united, customer-centric commerce platform, one that embraces data and open, web-based, integrated solutions, retailers can finally transform their disjointed businesses into seamless customer serving machines.

Recommendations

- Retailers must evaluate their operations and determine how their shoppers want to engage with their brand using customer journey maps.
- Companies must break down the data barriers between channels and create an all-encompassing, seamless data ecosystem.
- Once the barriers separating channels have been removed, retailers must adopt unified commerce platforms that support data sharing and systems integration to deliver a single view of the customer.
- Armed with centralized databases, retailers can better understand customer preferences, and engage individual customers in a more personalized way.
- Cloud-based platforms are a flexible way to adopt and adapt to new technology, as well as the supporting systems needed.
- By applying advanced business intelligence tools to incoming data, retailers are in a stronger position to understand the demands and needs of their shoppers along their shopping journeys.
- As retailers begin to segment shoppers based on demand, behavior, payment and procurement preferences, and other customer-specific details, they can create more personalized engagement vehicles to interact with specific shoppers.
- By arming front-line employees with smart solutions that incorporate data into the customer interaction, retailers can add value to the shopping experience.
Key Steps for Customer-Centric Transformation

While this may seem like a daunting task, retailers can follow this checklist to set the customer-centric transformation in motion:

<table>
<thead>
<tr>
<th>Customer-Centric Transformation Checklist</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Map the customer journey</td>
</tr>
<tr>
<td>✓ Begin centralizing customer data to build a unified view of the customer across channels</td>
</tr>
<tr>
<td>✓ Cut through the noise with relevant campaigns that connect with customers on the basis of observed behavior</td>
</tr>
<tr>
<td>✓ Begin eliminating functional silos by integrating teams</td>
</tr>
<tr>
<td>✓ To enable a seamless shopping experience for customers, develop capabilities to share data throughout the organization</td>
</tr>
<tr>
<td>✓ Assign a C-level executive to manage the customer experience</td>
</tr>
</tbody>
</table>
The O Alliance is a new consulting model that leverages a network of transformational practitioners with expertise in all critical areas that unlock value and empower a retailer, including digital/technology, operations, change management, marketing and talent. Designed to align a retailer’s organizational practices with today’s digitally savvy consumer, The O Alliance’s holistic approach delivers a customer-focused strategy and solution-driven execution that creates a circular shopping ecosystem.

The O Alliance’s proprietary Seamless Circular Commerce model, and its organization alignment process, “The O Method™,” places all customer behaviors and preferences at the center of commerce creation. The Circle of One is at the heart of this proprietary process, which replaces – rather, disrupts – outdated organizational structures, information siloes and omni-channel attitudes to maximize the value of customer data. “The O Method™” condenses massive amounts of customer-centric retail data currency into commerce creators across the entire retail ecosystem: Information is leveraged from myriad domains to drive lifetime customer value and increase wallet share. With customers at the core, all retail processes and customer touch points are seamlessly interrelated.

Customer-centric Seamless Circular Commerce allows retailers to create deeply personalized customer experiences that drive organization revenues and profitability.

Today’s shoppers will browse a product on their smartphone, read reviews on their iPad, and then make a purchase in-store. However, most retail/ecommerce businesses keep channel-specific data siloed in disconnected systems and have no way of knowing they’re dealing with a single customer. Retailers need a way to bring all of those interactions together, connect the dots, and see a unified view of every customer.

Revmetrix is advanced customer intelligence technology custom-built for the age of omnichannel commerce. The Revmetrix platform helps retail/ecommerce businesses create a 360º view of customer shopping behavior, even as it spans across multiple channels and devices. Best of all, the time to get up-and-running with Revmetrix is measured in hours, not days or weeks.

To learn about how Revmetrix can help you create better, smarter interactions at every point of engagement with your customers, email us at info@revmetrix.com or call us at (646) 902-4REV.

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References