

Building a Customer-First Retail Future



AIMIA

Author’s Note

Our intention with this report is not to pass off the ideas within it as original thinking but to give oxygen to some critical considerations for retailers as we all work together to shape the future of the global retail industry. As experts in the fields of customer analytics and customer loyalty, Aimia is well placed to lay out a vision of this future and the critical role that will be played in it by enhanced customer understanding.

We hope you find our take on this vast and emotionally charged subject thought-provoking. We would be keen to engage with you to discuss further any aspects that you find to be of particular interest.



Contents

Author’s Note	2
Executive Summary	4
The Macro Trends Characterising Retail Development	6
Preparing for a Customer-First Retail Future	16
1 Living a Customer-First Philosophy	18
2 Investing in a Customer-First Engine Room	20
3 Evolving a Customer-First Offer	24
4 Breaking the Mould with Customer-First Retail Design	28
Conclusion	30
References	34

Executive Summary

The pace and scale of change ripping through the retail landscape represent a considerable opportunity for those tasked with readying their organisations for a profitable future in retail. There are multiple sources of complexity to contend with, but a by-product of this uncertainty is that it opens up many avenues for creative solutions. Energised by a need to respond to the disruptive aftershocks caused by new technology, the emergence of left-field competitors, the opaque activities of gatekeepers and the changing role of physical retail space – all whilst keeping data secure and flowing seamlessly through the business – today’s retailers face a strategic and operational puzzle to stretch even the most dextrous of minds.

No-one can deny the ambiguity surrounding the specifics and the likely speed of the changes that lie ahead, or how customers and retailers alike should – or will – react. However, a number of emerging macro trends are already apparent and appear set to characterise the retail future. These trends represent the logical ‘jumping on point’ for any retailer assessing its future options. It is against this backdrop that Aimia has defined the key foundations of how to prepare for a ‘Customer-First Retail Future’.

Aimia believes that to deliver more spend, more often, from more promiscuous shoppers, retailers will need to remove friction from the shopping experience.

The path to friction-free shopping will be crafted by smoothly transitioning customers between touchpoints as they move along each purchase journey. We believe that this is best achieved by embracing the initiatives on page 5. By distilling our own discussions with leading retailers across the globe and combining this experience with the most incisive thinking we have seen from our industry colleagues and commentators, we believe that the Aimia vision for retail laid out in this paper will raise eyebrows, as well as pulse rates.



- 1 Living a Customer-First Philosophy:**
Tomorrow’s successful retailers will be agile organisations which build and curate demand using a customer-first philosophy, and where the CEO is the visible champion of customer experience across the business.
- 2 Investing in a Customer-First Engine Room:**
Directed by skilled data scientists trained to ask the right questions and to interpret the nuances of the output, AI and machine learning algorithms will speed up data processing and provide retail specialists with the insights to build customer-first retail solutions.
- 3 Evolving a Customer-First Offer:**
The focal point for future differentiation will be the ability to offer a unique and relevant shopping experience that consumers will pay more to engage with.
- 4 Breaking the Mould with Customer-First Retail Design:**
Stores designed around product categories will become obsolete and future stores must be rethought from the customer experience perspective and designed around customer retail journeys. This will require the adoption of a radically new approach to retail design.

The Macro Trends Characterising Retail Development

Across most established global economies, retail is in a post-modern stage of development. Many household-name retailers are classified as being in a vulnerable mature growth phase with static sales, declining traffic, inflexible supply chains and a substantial sunk cost base. Some predict that retail will be one of the industries hardest hit by large scale disruptors over the next decade. As a result, the clickbait headline writers have had fun taking physical retail to the edge of the Armageddon precipice, scaremongering that future competition will come from anywhere and everywhere, depending simply on where the next disruptor takes aim.

However, for reasons that we will explore in this paper, going to the shops has proven to be a far more resilient activity than many of these commentators predicted. Of course, well-documented changes in shopper habits means that retailers need to continually evolve (with increasing cadence), but reinvention is hard for traditional retailers who lack the creativity or the collective will to do this for the umpteenth time. As a result, store closures will continue to be announced and some big names may yet go to the wall.

Within this tumult, a number of emerging macro trends are becoming apparent and seem sure to characterise the retail future. These trends are the logical 'jumping on point' for any retailer assessing its options on how to respond in these exciting but turbulent times.



Consumers can buy stuff everywhere

Multi-channel; Omni-channel; Any-channel – today’s shopper can shop wherever and however they wish, and they don’t and won’t differentiate by channel. To truly meet future needs, retail must adopt the same umbrella outlook as their consumers, as it is at the cross-over points between channels that offer delivery breaks down. The near future is about offering a seamless, integrated cross-channel experience to shoppers - although the real win lies in removing the word channel from all future discussions.

Shoppers moved on long ago from expecting a cohesive e-commerce strategy to demanding a reliable on-the-go m-commerce solution. The future, though, lies in developing a presence in both social commerce (s-commerce) and voice-activated commerce (v-commerce).

S-commerce has emerged to take advantage of the marketplace that has bubbled up where people interact on social media platforms and it holds great opportunity for brands and retailers to have real-time conversations with customers as they buy.

V-commerce has mushroomed since the launch of ambient devices such as Amazon Echo and seems set to become a real commercial force; device owners have quickly become accustomed to passing on the responsibility for thinking about non-experiential shopping to their intelligent PA gadgets. V-commerce has huge potential to direct sales to you or to bypass your brand altogether in favour of a ‘tied in’ competitor.



Wave after wave of new technology

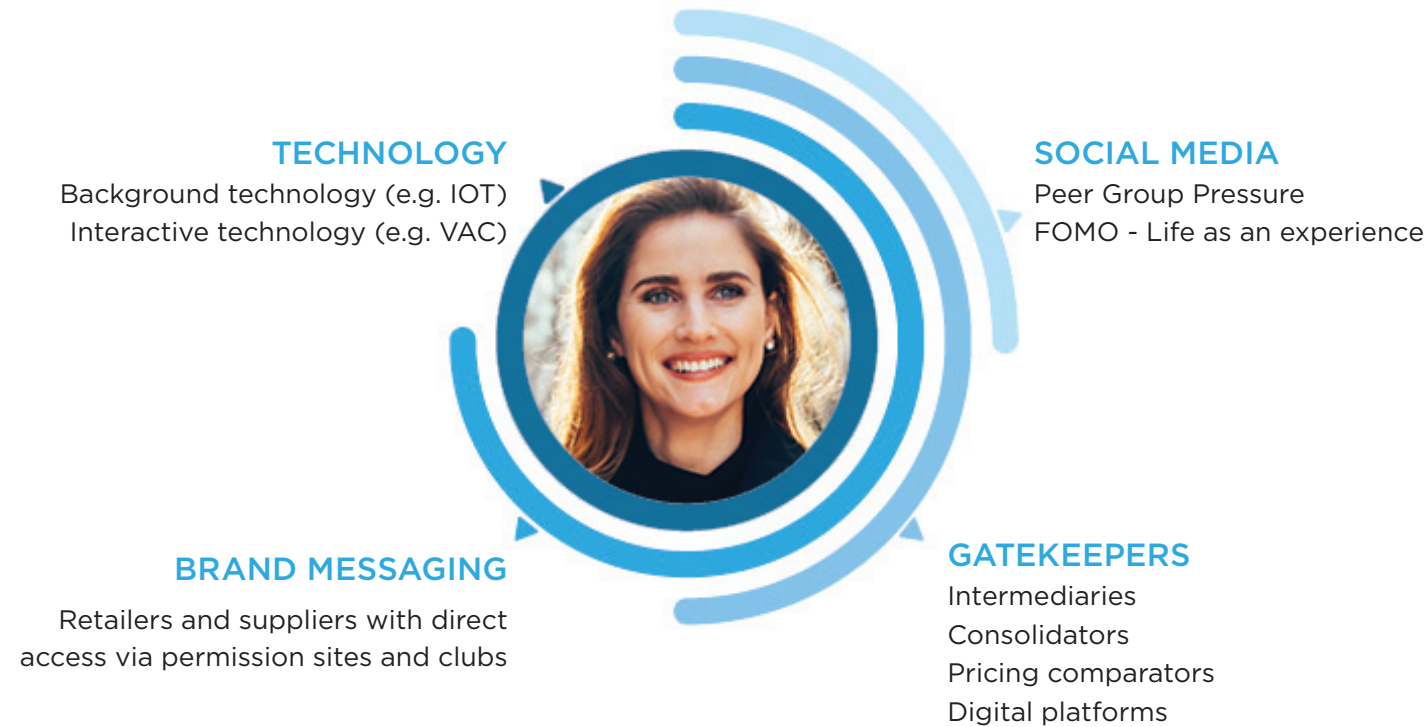
It is an exciting time for creative thinkers. AI and machine learning can unlock ever more pinpoint understanding of shopper behaviours, offering the chance to build personalised point of purchase engagement strategies. When combined with the opportunities offered by mobile and wearable technology and by the Internet of Things, this should be enough to keep retail marketers awake at night as they plan for a brighter future.

Retail applications will always struggle to keep up with the pace of technological change. Investment in technology and the personnel trained to manage the information flow must be linked into a wider ‘what do we want to be’ strategy. Given the time lags and costs associated with implementing this technology, making the right call at the right time is a major challenge facing retailers.

Although online Bots offer a huge opportunity for customers to interact with a company ‘representative’ that holds ALL information at its AI fingertips, developments in robotics are also throwing up starker and more socially challenging questions that retailers will need to grapple with. For example, what (current) human tasks can robots be programmed to successfully carry out in stores or warehouses, and what becomes of the human capital they replace? Is it more expedient to have a robot stacking a shelf if that frees up a team member to enhance face-to-face customer service, or do you simply replace that position and save the money?

The Circles of Influence

Customers are bombarded with controlled influences that impact decisions



The age of the empowered customer

Retail has progressed through the ages of dominant suppliers and agenda-setting retailers to emerge into a brave new retail age defined by the empowered customer. As mobile technology has removed the dimensional ties of both time and space, the customer now controls the marketplace. Retailers must be open for business wherever and whenever the customer wants.

The proposed 'value cycle' construct is a clear embodiment of the power shift in retail; it is no longer simply about supply and demand. Instead, it revolves around a reciprocal trade off in which the retailer provides value to the customer (product, experience, saving, convenience), and they in turn provide value to the retailer (repeat business, feedback, advocacy). The value that is delivered has a nuanced interpretation across each individual customer.

Customers now have unlimited choice and unfettered access. If being the 'cheapest on display' isn't your model, then your offer must evolve to provide another reason for customers to shop your brand. This could entail a more convenient delivery option, the development of an aspirational or inspirational brand label, a leading-edge personalised reward scheme beyond simple transactions, the promise of a retail experience like no other, or a commitment to an ethical cause. For example, TOMS footwear donates shoes and spectacles to persons in need with every purchase made, and they use this social philanthropy as a brand differentiator and reason to shop with them. Whatever your chosen solution, putting the customer at the heart of your business strategy has never been more relevant.

Convenience has become a fluid concept

Simply put, convenience now resonates as strongly with many consumers as price historically has. The main difference is that whilst it can be assumed that the lowest price is the best option for all customers, the concept of convenience is more fluid and varies by customer, by product category, and even by mission.

Knowing which interpretation of convenience to build into your business model to appeal to the fluid needs of your target customers, whilst demonstrating a level of operational consistency in delivering on this promise, may help define the level of your future success. One thing is for certain: considering how to make your business more convenient for tomorrow's shoppers is a strategy to build today.

The role of the physical store has changed

Although the online Fast Moving Consumer Goods (FMCG) channel is projected to be worth USD \$170 billion globally by 2025, this only represents a 10% total market share globally (Kantar Worldpanel). From this statistic alone it is clear that physical retail is alive and kicking; albeit with some adaptations. Indeed, many pure play e-commerce retailers have opened their own showcase stores in recognition of the role physical retail has to play in the overall shopping mix.

The scale and functionality of stores have changed, though. For instance, in grocery, the 'little and often' shopping mantra has seen the size of stores shrink from the massive hyper-markets of the mid-noughties to a plethora of small box neighbourhood community hubs which service 'stones-throw' catchment needs on a daily basis.

In the future, the largest stores will not survive if all they represent is a showroom for a limited product assortment. The 'touch and feel' benefits of physical product interaction, especially on bigger ticket items, are no longer seen as enough temptation for customers to visit. There is a need for retail in the physical world to offer a wider experience.

The growth of 'retailtainment' as a concept is a recognition that customers (especially Millennials) increasingly value a more socially interactive shopping experience, where old-fashioned retail is simply a part of the trip. Today, shoppers are seeking an 'all in one experience' played out over an extended time-frame and which can involve shopping as part of a leisure-based package. In response, individual retailers and shopping centre owners must develop attraction strategies that aim to keep customers entertained.



Owning the last mile

With multiple channels generating multiple product delivery options, one of the most challenging aspects of living a seamless customer promise is how best to get the final product into the hands and homes of the end customer. Future retail will be built around new and ground-breaking ‘last mile’ solutions as retailers are forced into doing more work than ever to achieve this.

In grocery, competition from meal-kit subscription services and the outsourcing of restaurant delivery services via the gig economy requires every food retailer to be on top of their last mile delivery options. The solution may involve an enhanced click-and-collect or BOPIS solution, whilst home delivery using a local Uber-style operation may offer greater flexibility than contracting out to a ‘named’ delivery partner across your whole network. Driverless cars and drones may also be considered as medium-term delivery opportunities.

Enacting the most appropriate last mile solution will be critical to any retailers’ future profitability. Much consideration should be given to time-frame promises, as the cost of over promising or failing to meet that promise can outweigh any savings associated with online ordering. Examining how best to offer customer convenience on last mile delivery consistently and profitably is an equation all boards should be balancing right now.

New sources of competition

As new technology breaks down the barriers to entry, traditional retailers have been confronted by a plethora of new competitors from niche online specialists and pop-up FMCG brand showcases to giant one-stop-shop digital platforms.

A lot is made of the role that disruptors play in shaking up traditional industries and retail has not been immune, with the rise of Amazon and Alibaba being two prime examples. Many of these disruptors are unusual in that they don’t actually own any product; they host content and enable access across digital platforms. Retailers can aspire to these companies’ commitment to the customer and the unerring use of customer data to constantly evolve their offer. They also highlight the importance of a disruptive approach to innovation. The more plates they have spinning, the more likely they will find the next initiative to delight their customers.

In areas where customers are particularly emotionally engaged with brands, there is mutual benefit in suppliers going direct-to-customer. This process of disintermediation means that, for the first time, suppliers can actively and directly engage with end consumers and the implications of this one-to-one interaction are just beginning to be understood.



Partnership is paramount

Partnering provides immediate authority when an individual retailer cannot deliver an effective connected experience and strategic shop-floor partnerships offer valuable opportunities to better manage customer journeys, either through a store-within-a-store concept or at a wider mall or centre level. The skill is to choose a partner with a matched value proposition, whilst avoiding the creation of pain points along the buying process.

Partnering with a retail technology provider could offer the most effective solution for actively managing customer data in the future. One option is to use an ecosystem of specialists working with an internal centre of excellence, or alternatively, you can outsource the management of your digital data transformation platform to a single multi-faceted technology provider. The main thing to remember is that whilst IT is integral to the success of your data management strategy, they should not be in control of the process. Without IT support this will fail, but it will equally fail if it is left to IT to manage.

Partnerships can also add immense value across product delivery platforms, payment system providers or via coalition partners through customer reward schemes.

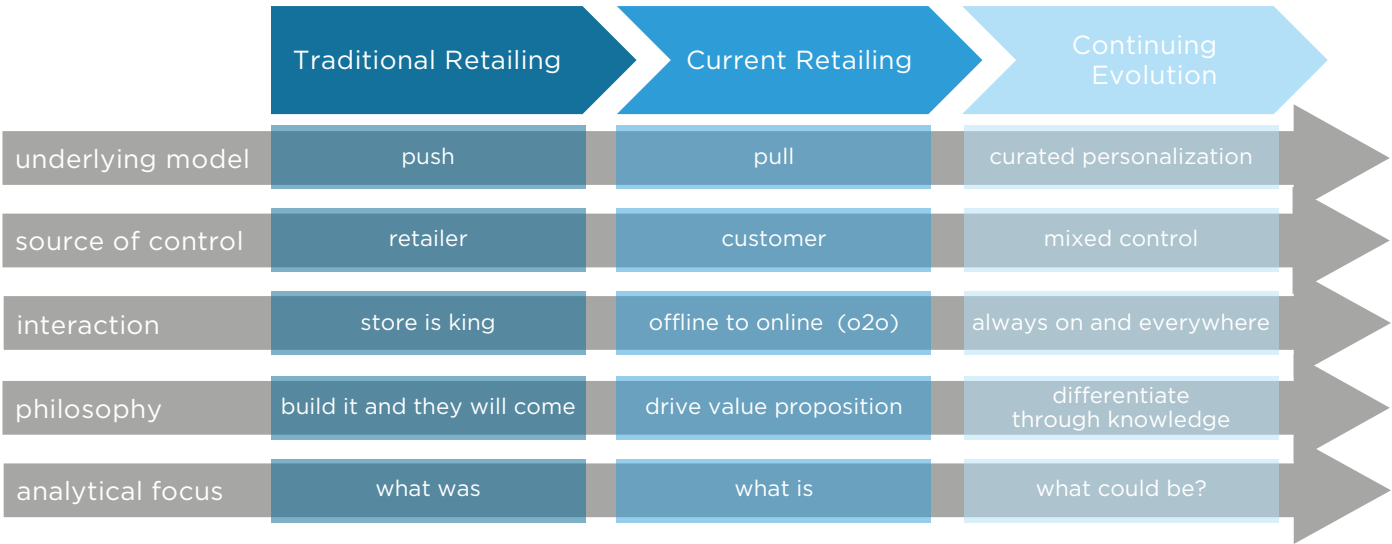
The unseen impact of gatekeepers

Flying under the radar and impacting both online and offline customer journeys is the role played by the new power brokers in retail: digital gatekeepers. Consumer demand is directed opaquely through digital intermediaries and powerful gatekeepers such as search engines, price comparison sites, social media sites, peer review forums and bloggers/vloggers. Dependent on how savvy or specific each request is, search flows can lead to a limited (and predetermined) set of destination sites being presented before the shopper even gets to view a product or retail outlet.

These entities are the seen (Google) and unseen (cookies) paid and unpaid directors of search engine traffic that determine which sites customers are directed to and what they see when they land on a webpage. Voice-activated commerce devices are set to become the next wave of key-holders.

Gatekeepers are modern day offer curators and knowing how they influence the experience of your customer is a key management consideration.

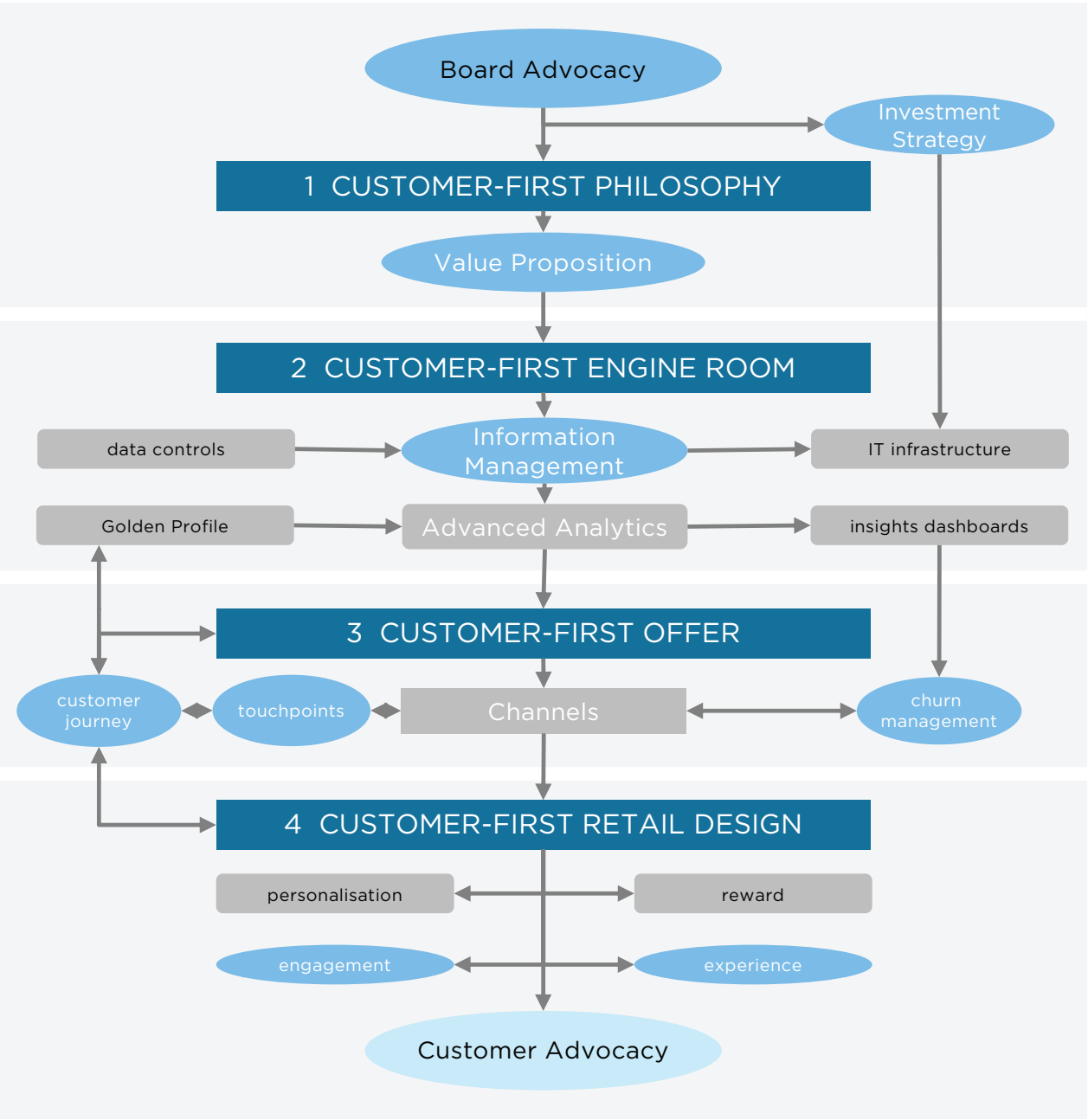
Overview of Change:
Moving from Product Journeys to Customer Journeys



Preparing for a Customer-First Retail Future

It is against this backdrop of emerging macro trends that Aimia has defined the key foundations of how to prepare for a ‘Customer-First Retail Future’. Aimia believes that to deliver more spend, more often, from more promiscuous shoppers, retailers need to invest in building a ‘Friction-Free’ shopping environment.

The path to friction-free shopping will be crafted by smoothly transitioning customers between touchpoints as they move along each purchase journey. We believe that this can best be achieved by embracing the following four initiatives.



Preparing for a Customer-First Retail Future

1 Living a Customer-First Philosophy

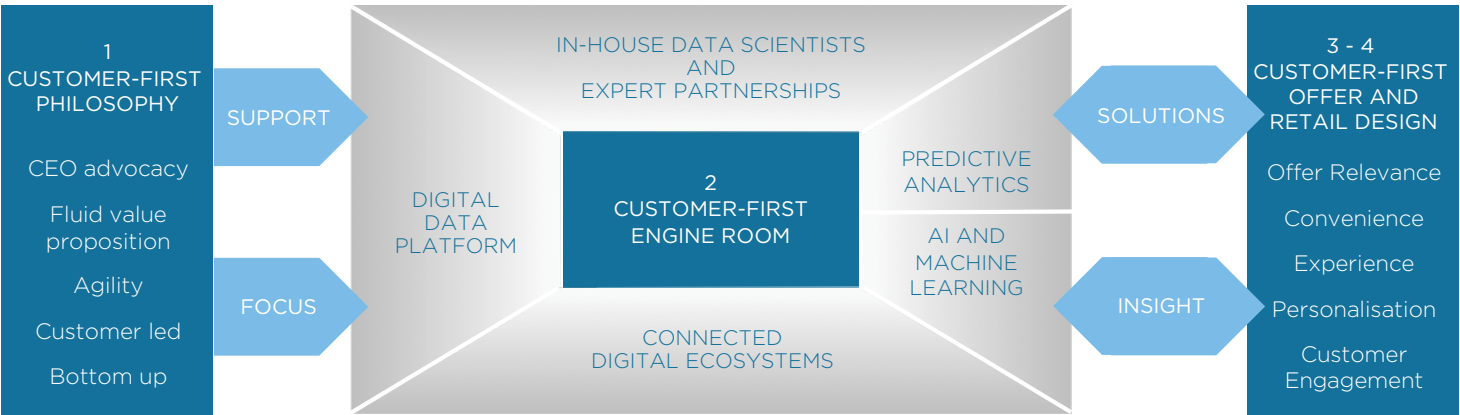
Everything starts with the adoption of a customer-first philosophy. A retail shakedown is underway, and the removal of structural barriers across your business that make things convenient for you rather than the customer is the first cathartic act in any attempt to jolt c-suite management out of their comfort zones. This message must cascade down from the board accompanied by a concise action plan that shows 100% commitment to this customer-first strategy, whilst also recognising that cultural change takes time in any organisation.

Agility and fluidity are key concept words for retailer boards to put at the centre of their future thinking. In this digital retail era, business agility can be one key to achieving success. However, traditional board composition can limit agility as ‘experience’ may translate into a rigid way of responding to challenges. In the future, retailers must combine agile thinking with nimble action and hardwire risk-taking into their culture, overhauling the innovation process and embedding a ‘test and learn’ culture across the company that both feeds into and is inspired by the overall customer strategy.

Speed to market is becoming ever more critical. Every retailer should be looking to implement innovation in real time through continuous and incremental change. Don’t be gung-ho, simply cherry pick what works and don’t be afraid to get behind disruptive innovations. Learn from the inevitable failures and don’t be stymied by a need to research all angles before moving to action.

A clear value proposition is a basic requirement for every retailer, but the need for this to become a more fluid intention aligned to the customer cause is palpable. Being unique and offering the wow factor are often a step too far unless you operate in an evolving retail space as a thought leader. Boards should revisit their value proposition on a regular basis and retain what is relevant, whilst challenging and updating what has become obsolete, has been copied, appears trite or is no longer compelling.

Building a Customer-First Digital Data Future

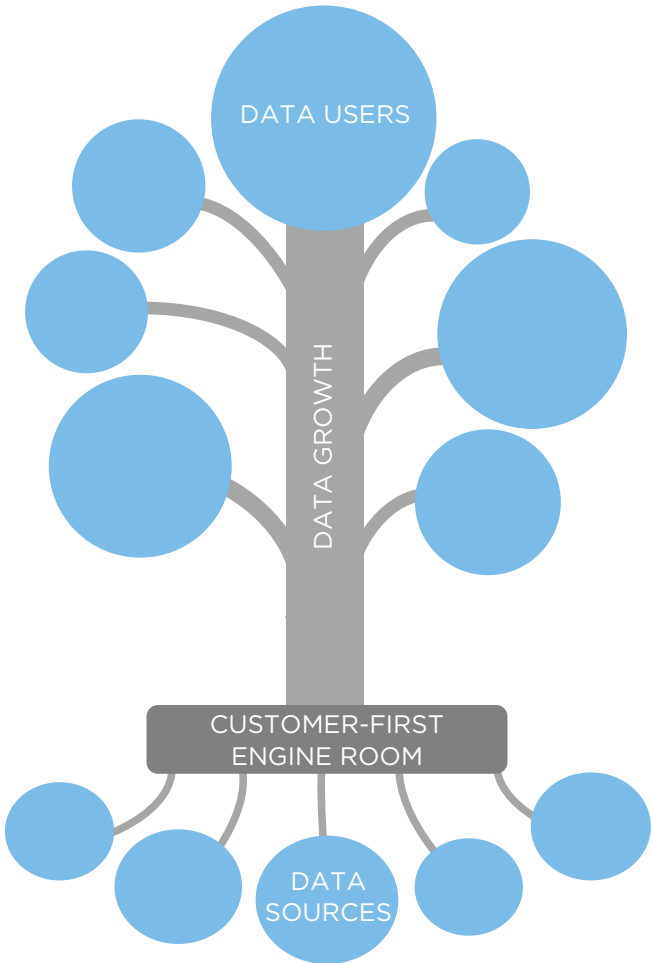
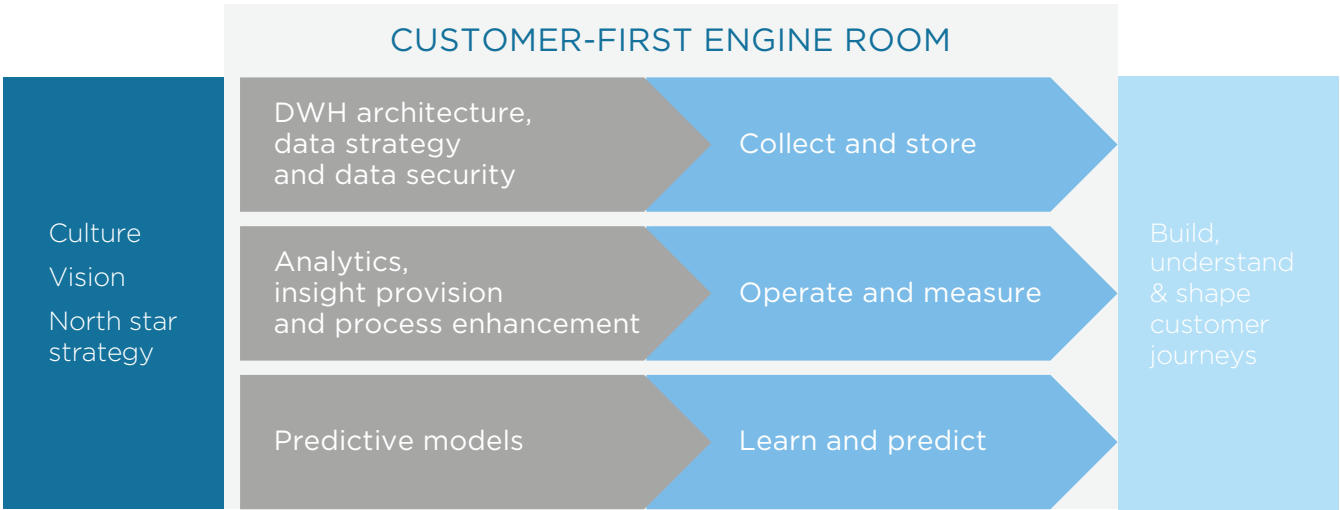


2 Investing in a Customer-First Engine Room

Since the turn of the century, the age of information has seen masses of data dumped into disconnected silos across many retail organisations. Limited access, capability, focus and free time has meant that until very recently we were only able to skim stones across the surface of this pool of potentially rich insight. However, where once IT systems creaked to breaking point whenever a non-batch data request was made, the digital transformation of customer data management is now enabling the development of inter-connected information ecosystems and finally rich customer insight. With loyalty programs in which customers self-identify, retailers can connect disparate pieces of data across multiple silos and touchpoints to build a complete picture of their customers – what we call the Golden Profile. With this Profile, retailers create relevant messaging to reach their consumers in a meaningful, impactful way.

The advancements in technology, storage capacity and processing power promise to unlock a future where advanced analytics can drive an increasingly personal interaction between retailers and their customers, and the challenge now is to collect the data effectively, efficiently and within budget to ensure that it forms the cornerstone of a more precise retail future

However, a commitment to applied customer insight is a base requirement and not a game-changer in itself, and your approach and investment must be considered within a clear strategic framework to avoid it becoming a costly black hole.



Customer insight is the pot of gold at the end of the digital data rainbow

The new outlook provided by integrated data systems, data democratisation and dashboard-led management information, is enabling new approaches and shared findings to drive a deeper level of customer understanding.

Retailers must move from a mindset where they feel inundated with data to a mindset where they feel data-rich, and the first step to making ‘big data’ a rich source of information and insight is to have a well-articulated data strategy. This requires clarity on determining what you need to know first, agreement on who will have access to this information and then collective application of this insight across the business to drive the KPIs relevant to your customer strategy. Soon, it will not be acceptable for any organisation not to know its customers intimately; who is important and who is not, who will grow the business and who is transitory.

As the data rush intensifies, so does the need to manage the data appropriately by being open about what is being captured and how you intend to use it. Permission, protection and trust are key elements in the ongoing collection and use of customer data and the value exchange principle will be essential here if we are not to kill the golden goose through inappropriate or unethical usage. We should all retain sight of the fact that ultimately the customer data always belongs to the customer and its use can only continue with the trust of the customers themselves.

Advanced analytics unlock the door to data riches

Predictive analytics sit behind much disruptor behaviour and - as we have stressed - traditional retailers must compete by harnessing advanced analytics to explore what lies behind the behaviours of customers.

Continuously repeating the same ‘rear-view mirror’ analytics can lead to a retailer becoming more effective and efficient in those specific customer areas, but to break the mould retailers should trial metrics that can shape future customer experiences.

To provoke thinking in this area, Aimia uses a Share of Wallet analysis to uncover where else your shoppers are spending their money and why you are missing out on this spend, even amongst your top customers. Knowing more about the ‘dark side’ of your customer’s spending will drive understanding and change, and is a breakthrough challenge and future opportunity.

The key for every retailer is to unearth a series of actionable insights that allow them to build a sustainable competitive advantage. By using AI and Machine Learning, advanced analytics will pick up behaviour differentials that can go beyond projections to predictions. This allows customer demand generation strategies to be constantly refined as you adapt their execution based on learning and predicting what customers will do next.

Predictive metrics can also be used to streamline operational issues through real-time and transparent demand planning, for example, sales and traffic analyses that help to optimise availability and to build efficient last mile solutions.



Segmentation drives demand strategies

As customers increasingly expect retailers to act on the information collected about them, retailers are responding by designing personalised customer engagements which strike a balance between empowering the customer and guiding them through their journey. Gen Z coming of age will transition shopping to the next level of digital personalisation.

Achieving the goal of N=1 individual level segmentation is important for marketing, communication and engagement policies. However, in the commercial buying and merchandising arena this level of granularity is too low, and it is more useful to group customers together into behavioural segments driven by their basket level purchasing behaviour.

The Aimia Advanced Segmentation (AAS) tool enables this to be achieved quickly and through a transparent and retailer directed process. The segments that are developed immediately become the focus of management information dashboards and the terminology is adopted across the retailer, enabling aligned thinking and target management.

AAS allows dynamic segmentation which plots the life journey of customers through the segments as their needs change. This fluidity is a strength as machine learning techniques can help to spot when clone customers might be most likely to require different interactions. Segment level and individual level strategies can also focus on lapsed behaviour management to prevent churn.

Bringing your data to life requires the human touch

It has been said that customer understanding is the new currency across retail, and it is obvious that the more we know about our customers the more appropriately we can meet their needs, and hopefully retain their business. However, once a customer data platform is installed, the data will just sit there until you can recruit the right team to orchestrate the use of advanced techniques to entwine the individual data strands of each customer interaction and interpret the findings.

Despite a huge growth in the number of advanced educational establishments offering courses in Data science (or similar) there is a real-time shortage of personnel to operate in this area. This bottleneck will lead to all but the most progressive retailers being unable to exploit the possibilities held in their customer data depositories as they will be competing for these new miners with most other industries. Worryingly, this could lead to an over-reliance on automated systems which, without clear human direction, may end up going into analytical cul-de-sacs.

Forward-looking retailers are already putting in place graduate academies and Centres of Excellence to hothouse the necessary skills within their own establishments. This will attract new talent and offer the opportunity to retrain current team members and ensure they are future focused.

3 Evolving a Customer-First Offer

To embark on the journey to future success, retailers should look to evolve a differentiated customer-first offer that balances consumer-led strategies across the oft-quoted ‘battleground’ areas of price, convenience and customer experience. The issue is that price and to an increasing extent convenience are now purely table stakes in the high rolling game of shopper attraction.

The past decade has witnessed a sharp increase in the number of cash-strapped customers intent on achieving the lowest possible price for any item online or in-store. In many countries, this has seen the rapid expansion of a thriving discount sector where the customer experience is solely focused on finding the best price, delivered with no frills. Unless you can be the lowest price on offer, then fighting the customer attraction war using this weapon alone will only have one outcome.

As we mentioned earlier, convenience as a concept has gone beyond the traditional location-based definition to mean different things to different shoppers at different times. Although the interpretation varies, determining your convenience proposition for your target customer group and communicating this through a consistent delivery mechanism will win some customer visits. This strategy can be anything from offering Click and Collect services to an old-fashioned no-gaps-in-our-coverage mushroom strategy to ensure that your brand is always within reach. Playing in this field without an alternative strategy is dangerous though; what is more convenient than Amazon Prime?

If the competition is just too intense in both these areas for most retailers, then the answer lies in offering a differentiated and valued shopper experience which deflects attention away from the other two areas and is strategically focused on building sales at full price, rather than subsidising them through cutting price or offering (costly) convenience.

Viewed as a profit strategy, building customer experience makes sense. Offering inspirational service or a unique ambience can contrast positively against a competitor who is consistently out of stock or relies on boring ‘me too’ merchandising, and is a key way to engage with shoppers and build anticipation rather than increase anxiety.

Online disrupters such as Amazon have raised the bar in so many aspects of retail that finding ways to surprise and delight your customer can be summarised through living a ‘what can we do that Amazon can’t do’ strategy mantra. This can be lived by the adoption of an experiential approach to customer interaction that gives customers a reason to repeat, not retreat.



Easing the customer path to purchase through friction-free shopping

Access to more and better data will enable retailers to proactively manage their customer relationships. Aimia believes that the wrapper to place around this new relationship is the concept of ‘friction-free shopping’. This is not an original proposition, but we believe it’s the most succinct view retailers should be taking.

A customer now expects to get the same experience at every brand touchpoint, whether it is in-store, on the web, via their smart mobile device or through a social media hub. Channel meshing, which aligns a shopper’s online experience with their in-store experience, makes this transition seamless and gives the customer the opportunity to pick up where they left off. Unified IDs through loyalty allow virtual recognition and tracking wherever and whenever a customer interacts with your brand, so that as a retailer you are able to plot the decision path across the entire customer purchase journey.

There is no clear separation between physical and virtual channels in the eyes of the customer – just one experience – and if every touchpoint can represent an effortless, positive experience, then friction-free shopping becomes a reality. We recognise ‘one you’ is a powerful engagement tool and helps to transition contact between the physical and virtual retail worlds.

In many instances, however, customers may encounter friction as they move along the buying process. If you can exhibit the organisational agility to correct issues as they arise, via a one to one real-time interaction, then the value this generates can drive an overall positive emotional experience that can build backdoor loyalty and advocacy.

Maintaining customer relevance

Customers’ lives don’t stand still, meaning that there is a need to constantly reappraise the relevance of your engagement strategy as it plays out over different timescales. In the longer-term, external disruptive events remould the needs of even your most well-known customers and staying relevant beyond these progressive events is crucial and shows an empathy and understanding which can lead to a lifetime of advocacy.

Maintaining relevance is a key way to reduce churn, which is one of the biggest unseen retailer costs and a key future battleground to tackle through advanced analytics. Whether it is 5 times or 10 times more costly to attract a new customer than to maintain a current customer, the message is clear: the costs of servicing a current customer are lower, and if you can keep hold of your customers for longer their lifetime value for your organisation will grow.

E-commerce retailers are gleaning new insights from their physical stores as this different relationship allows them to probe the preferences and behaviours of their customers in this new space. More information means more ways to engage with them and to capture their future spending.

Despite its somewhat ambiguous reference frame, the need to put relevancy at the centre of future retail strategy is fundamental. This can only be achieved by increasing the granularity and frequency of your data collection points and through directed analytics. For larger organisations, simply linking together purchase patterns across electrical, clothing, DIY and other big-ticket items can unearth significant life events such as buying a house, moving in with a partner or having a child. For example, if you have a customer that has bought a bike for a 3-year-old, the chances are that they will want another bike when the child is 6, 9, 13 and so on.

Spotting changed habits and new purchase drivers are one thing, but active customer progression management is accompanied by dizzying complexity. Retailers who manage this complexity best by directing their learnings effectively through a retargeting strategy will be the big winners.

Understanding the changed needs associated with these disruptive events allows you to manage your personalised messaging and keep your brand centrally located within their consideration set. Failure to spot these step-change moments means that you continue to pump out personalised messages which no longer reflect your targets changed outlook on life and which, after a while, become disparaged, leading to switch-off and ultimately churn. The customer must believe that you care about them and not just their wallets.

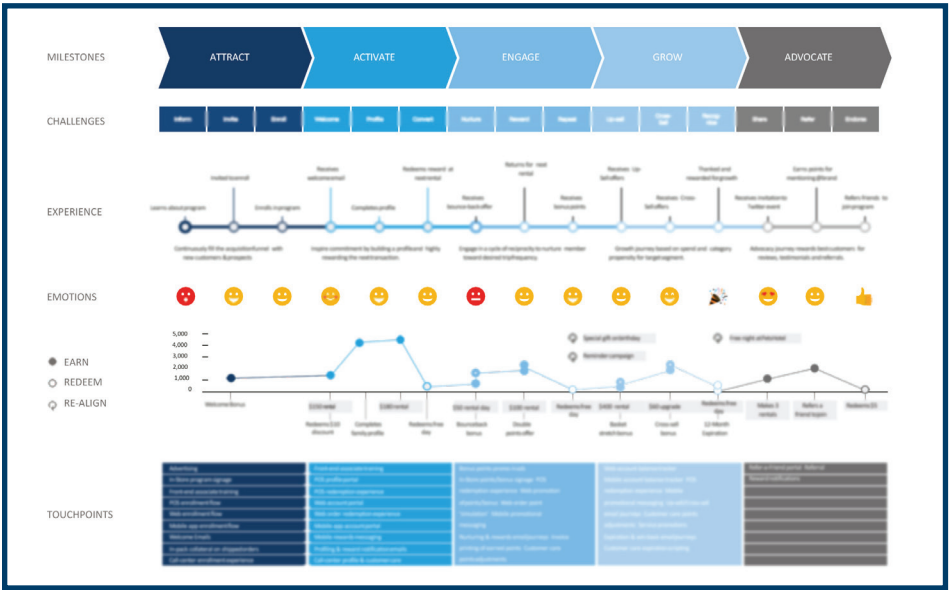
This long game strategy must be played at the same time as tracking mundane day-to-day purchase journeys, which may show a static pattern of engagement or exhibit an almost imperceptible change gradient, and which do not validate any immediate adjustment of your current engagement strategy.

Valuing loyalty beyond the transaction

Touchpoint management is essential for reducing friction across the shopping journey, but it is also a way to cement loyalty and drive advocacy by rewarding the customer for interactions beyond the physical purchase of a product or service.

The value of a purchase is easy to define and hence a loyalty reward mechanism can be calculated, but as loyalty moves into a post-transaction reward world, future schemes will look to place value against other interactions such as social media reviews, new product trials or referrals. The customer (and the retailer) needs to understand the benefit and value of this type of interaction and the nature of rewards should also be expanded to look at curated experiential rewards, personalised through customer knowledge management.

An Example of Touchpoint Mapping



This level of recognition and relevance will lead to positive brand associations and on-going commitment and advocacy. Think in terms of the affection for a particular retail brand; the inherent loyalty, the ‘they never let me down’ mentality. For example, VivoBarefoot (a minimalist running shoe company) saw orders grow 38% by rewarding its customers for taking advocacy steps and promoting this initiative via the front page of their website.

Aimia has developed the SmartJourney™ process to recognise and reward customer behaviours at the key ‘moments of truth’ as they interact with our clients’ brand.

We will build an experience touchmap for each customer and define a roadmap of initiatives and investments based on modelled returns to ensure the customer relationship is optimised over time. The aim is to inspire a customer from their first brand interaction to becoming a brand advocate.

4 Breaking the Mould with Customer-First Retail Design

To ensure that instore traffic numbers and conversion levels remain high, every retailer must exaggerate the positive elements of shopping in their stores, remembering that it is not simply about the product and service anymore; those are a given. This can include a focus on the social aspect, the immediate ‘walk away with it now’ aspect or the tactile ‘chosen by me’ aspect. A key task is to explore every characteristic of the experience you offer to ensure relevancy. If the product purchase can be wrapped up in other valued interruptions then it almost becomes a by-product of the journey, rather than the focus.

As they re-imagine the customer experience, retailers are creating destinations that allow customers to rationalise the associated drive-time. Turning shopping from a chore to an experience is not always easy to do inside the ‘retail box’ and sometimes it is purely about understanding the appropriate scale of response. From face painting which keeps the kids entertained, to building a climbing wall, or the installation (perhaps in partnership) of a full-size ice rink, restaurant, cinema or health spa; there are many ways to add an unexpected or eagerly anticipated element to the social aspect of a shopping trip.

One common aspect of retail today that should play no part in a future retail solution is the checkout. Planning for the ‘death of the checkout’ and the reduction in the number of product handling occasions by the customer is a strategic imperative. Checkouts have long been both a critical pain point and a cost centre, so removal could benefit all, even if it means sacrificing some impulse sales. Mobile scan and checkout apps on smart devices, linked directly to payment systems and loyalty schemes, will become the norm, perhaps enhanced by facial recognition to make the process even more friction-free.

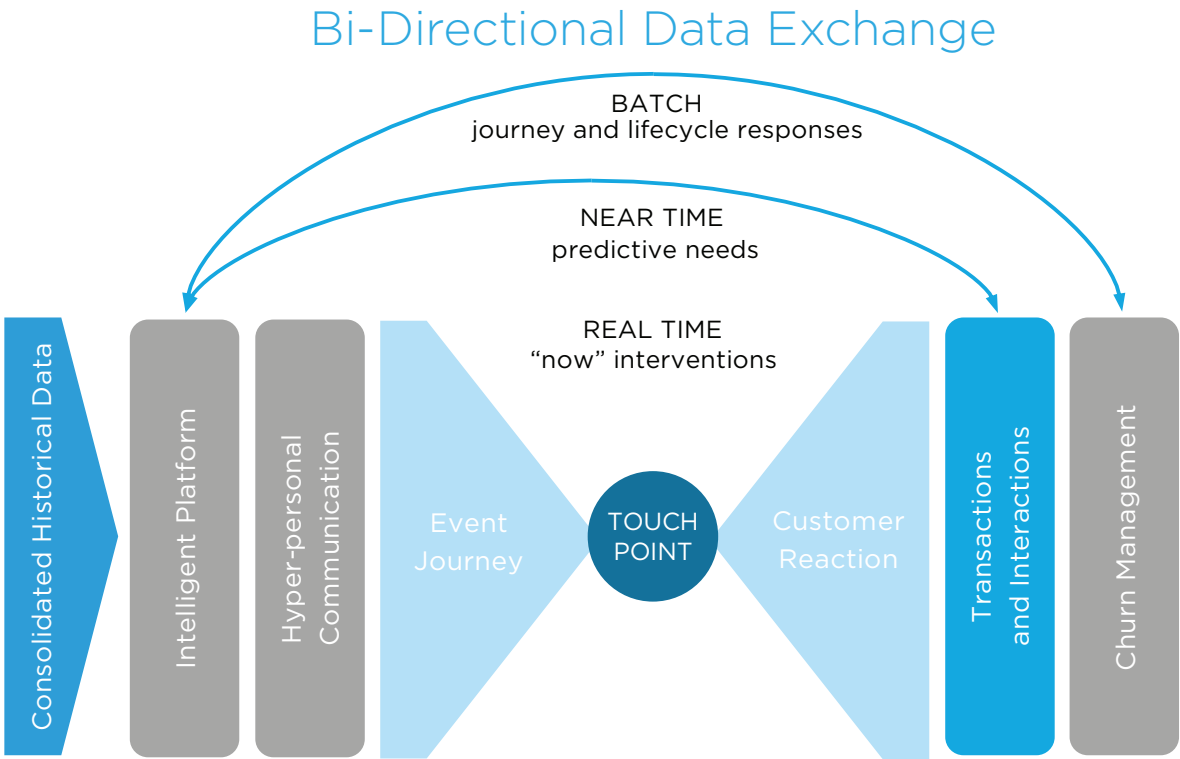
Endless aisle initiatives also allow access to the full spectrum of merchandise – size and colour, or speciality and premium – that you offer chain-wide but cannot physically carry in a store. If this is teamed up with a convenient last mile delivery solution that could have the product waiting for a customer when they get home, then the goodwill level in the emotional bank account for your brand will be raised.

Personalising the retail experience

Within the store of the future, ‘smart’ interactive customer service can be employed to enhance the shopping journey. Beacon technology means that as they enter the store each customer is recognised through their mobile device and they can be micro-tracked across the entirety of their physical shop. An in-store beacon transmits knowledge of who you are to a device being used by the store team and with pre-set customer permission, the technology allows the store to communicate directly with the shopper. This mobile empowerment enables the store team to approach the shopper in the most appropriate way to offer advice or to exploit upsell or cross-sell opportunities.

This levelling of the playing field between the shopper and the service team allows for a more fulfilling all-round experience. The challenge is to ensure that the data does not replace softer selling skills, as attuned customer service remains fundamental to the art of delivering an enhanced shopper experience.

Technology will increasingly be used to enhance and personalise the shopping experience. In a clothing store, the installation of interactive changing rooms with virtual mirrors can add some socially interactive fun and support an endless aisle inventory programme, by enabling styles and colours to be tried on that aren’t available on the shop floor. Online this can be taken one step further through the use of shopping avatars. Machine learning combined with past purchase behaviour can lead to the avatar suggesting styles and items which in turn can generate reliance, advocacy and loyalty for the switched-on retailer and reduce the volume of returns from less well thought out online purchases.



Conclusion

Attention-grabbing headlines predicting an apocalyptic decline in the need for physical retail space are not borne out by many recent consumer studies, the actual purchasing behaviours of the increasingly influential Millennial generation and the foray into the real world of previously pure play e-commerce retailers.

Driven by a desire to ‘touch and feel’ the product and to experience the rush of immediate gratification whilst enjoying a ‘social event’, it is becoming generally accepted that physical retail will play an important role in the retail landscape of the future.

It is a fact though that retail is saturated. It is over-stored in the physical world and over-optioned online. There is too much choice and customers will demand a simpler, more curated, world. Retailers have to identify the pain points and offer guidance but let their customers explore when they do want free rein. The future will be built around giving customers what they want, when and how they want it.

In the rush to invest in the customer and the supporting analytical infrastructure, every retailer must remember that the aim is to be both believable and to make a profit. Theatrics and grand visions may grab the headlines, but ultimately, whilst we all have to change with the times, we will only survive by being true to ourselves and our investment decisions must bear this in mind.



1 Living a Customer-First Philosophy

Tomorrow’s successful retailers will be agile organisations which build demand strategies using a customer-first philosophy and where the CEO is the visible champion of customer experience across the business. Decision-making is freed up by access to real-time information, made possible by a top-down investment in knowing the customer and delivering to their needs.

A clear value proposition is a basic requirement for every retailer, but the need for this to become a more fluid intention aligned to the customer cause is palpable. Boards should revisit their value proposition on a regular basis and retain what is relevant, whilst challenging and updating what has become obsolete and is no longer compelling.

2 Investing in a Customer-First Engine Room

Being fully committed to eradicating friction from the shopping process means managing each touchpoint on a continuous basis and understanding the changing needs of each customer across time and space. To support this customer-first philosophy, retailers must invest in a digital data platform which puts customer data at the fingertips of all decision makers across the business. However, once a customer data platform is installed the data will just ‘sit there’ until you can recruit the right team to orchestrate the use of advanced techniques to interrogate the data and to put the pieces of the customer puzzle together. The revolution will be delivered by those with the skill to interpret, not collect, the data.

This scale of information management and interpretive personalisation costs time and money, and businesses will need to build their customer-first engine room with a clear understanding of the end goal and the payback timeline. It is critical to remember that whilst the architecture that sits behind the customer-first data culture is realised by IT, this is not an IT project.

Permission, protection and trust are key elements in the collection and use of customer data and the value exchange principle will be essential here if we are not to kill the golden goose through inappropriate or unethical usage. We should all retain sight of the fact that ultimately the customer data always belongs to the customer and its use can only continue with the trust of the customers themselves.

3 Evolving a Customer-First Offer

To remain relevant, retailers need to balance their value proposition through a clear understanding of where they sit in the offer development golden triangle. This concept places price and convenience at its base and shopper experience at the apex. It is our opinion that for most retailers the answer lies in offering a differentiated and valued shopper experience, which deflects attention away from the other two areas where competitive pressures are just too intense.

Aimia believes that the wrapper to place around the new customer relationship is the concept of ‘friction-free shopping’, which can be achieved by aligning a shopper’s online experience with their instore experience.



We recognise ‘one you’ is a powerful engagement tool and helps to transition contact between the physical and virtual retail worlds.

Taking a lead from the way film directors build up character resonance with their audiences, retailers should use an emotional arc to develop layered relationships with customers, with the aim being to engage without overstepping the mark. Non-invasive personalisation will ensure the customer feels special without making it ‘creepy’. You may have the knowledge that John or Sue is in your store, but that doesn’t mean your customer service representative needs to greet them by name as they walk past. Create moments to savour, not moments of discomfort.

If a retailer can deliver value, convenience and a sought after experience – whilst transparently operating with a heart and a conscience – then their future should be assured. By tying into social and charitable causes, retailers can give customers confidence that their spending is creating a ‘real’ difference, beyond the normal redistribution of profits.

4 Breaking the Mould with Customer-First Retail Design

As retailers strive to become fit for purpose in the future, we have seen considerable investment in removing legacy IT systems to enable advanced customer analytics, but now this must be supported by a commitment to remove ingrained legacy thinking from retail board rooms, and legacy design from the shop-floor.

Reappraising the role of the store means reappraising the design of the store. The new retail will not be built by tweaking current store design and stores must be rethought from the customer experience perspective and designed around customer retail journeys, not product categories.

In the near future, retail design must incorporate radical solutions to endless aisle, click and collect and a move towards touch-free checkout. This will require a focus on the customer journey, as the shopping trip becomes embedded within a wider social experience, and entertainment will be as much to the fore as products. For grocery this may mean incorporating social spaces, running interactive sessions and a focus on food that speaks to the senses and has local, community, health and exotic appeal.

Aimia envisions the continued growth of super malls as lifestyle destinations where retailers work together to deliver an enhanced and self-contained social experience, built around the need to keep the shoppers entertained and fulfilled.

It’s All About the Money, Honey

Aimia has no doubt that the retailer of the future will need to embrace automation, repurpose its physical assets and realign its human capital to support and develop the customer cause. They will relentlessly pursue a customer engagement strategy, powered by advanced customer analytics that are fed by a digitally-enabled customer-first data engine. This will require significant investment, but the payback will come in continued customer relevancy and healthy levels of repeat sales.

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(Great material that has helped to shape Aimia thinking. Thank you.)

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