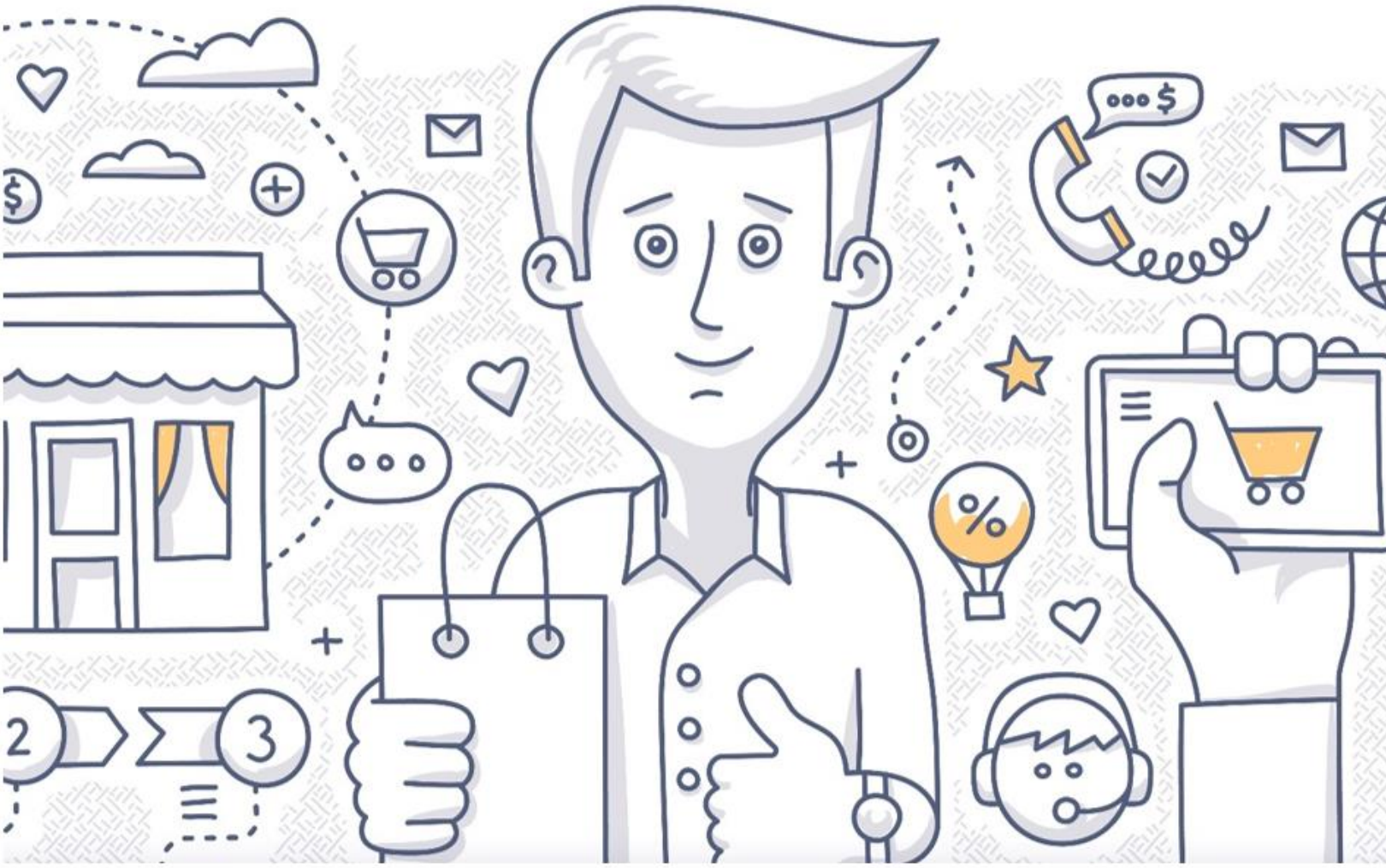
REIMAGINING THE CUSTOMER EXPERIENCE



How Leading Marketers Are Leveraging Technology to Reimagine the Customer Experience at Scale

digitalsurgeons

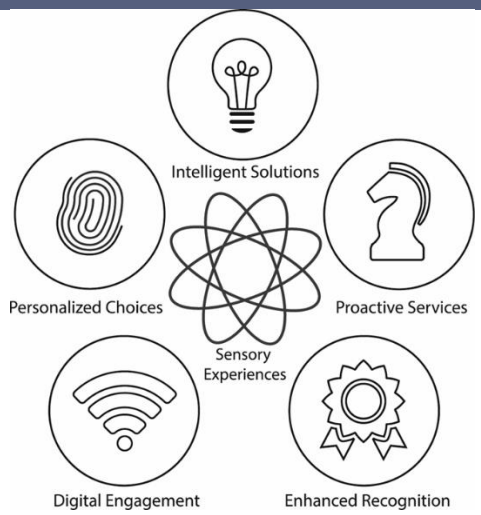
EXECUTIVE SUMMARY

To the digitally empowered customer, the experience matters more than products and pricing. As a consequence, the vast majority of marketers are making the customer experience the focal point of the branding, design, delivery and differentiation of their products and services.

Advances in technology and marketing science have armed marketers an expanded pallet of powerful digital, analytics and mobile tools to help them differentiate and enhance the customer experience.

This research isolated the most impactful ways retail, travel, and hospitality marketers are leveraging those technologies to reimagine the customer experience. It also cautions marketers that an investment in technology alone will not delight customers. Marketers who want to differentiate their brands must also define and develop customer experiences that are fun, relaxing, or inspiring. Ultimately the most successful experiences are the result of a blend of art and science, and a lot of experimenting with the marketing, media, sales and merchandising mix.

THE SIX DIMENSIONS REDEFINING THE CUSTOMER EXPERIENCE



This research shows how the customer experience investments of retail, travel and hospitality leaders like Disney, Hilton, Best Western, STORY and Lowes tend to focus on six core areas. Individually, each of these dimensions are important to customers. When these six dimensions are used in clever combinations, they have the potential to redefine what customer experience is in the digital age by creating 360-degree, multi-sensory, and multi-channel experiences.

To help marketing leaders take action to improve their customer experience, the analysis breaks down 18 specific ways leading marketers in the travel, hospitality, retail and restaurant industries are leveraging technology to reimagine the customer experience. At the end, it details best practices for transforming the customer experience within the constraints of a traditional marketing organization.

BEST PRACTICES FOR TRANSFORMING THE CUSTOMER EXPERIENCE

1. Expand the experience design pallet to integrate different elements in physical and digital worlds
2. Incorporate emotional factors into marketing planning, journey mapping, and targeting tools
3. Consider all five senses when designing a customer experience
4. Train staff to act as the glue that holds customer experience process, technology, and systems together
5. Build a content supply chain to support personalized content experiences, offers and offerings at scale
6. Operationalize experience delivery across functions and enterprise platforms
7. Experiment by blending media, merchandise, education, and technology at the point of sale in new ways
8. Establish a new scorecard for success that combines marketing, loyalty, branding and behavioral outcomes
9. Use a “mobile-first” strategy as the core of your approach
10. Focus on customer-centric design on human behavior, emotion, and purpose as well as need

REIMAGINING THE CUSTOMER EXPERIENCE

How Leading Marketers Are Leveraging Technology to Reimagine the Customer Experience

Digitally enabled and connected customers are looking for choice, transparency, simplicity, and personalized experiences when it comes to the products and services they buy.

To the digitally empowered customer, products and pricing matter less. Experiences matter more. As a consequence, 89% of marketers are prioritizing the customer experience as the focal point of the branding, design, delivery and differentiation of their products and services by next year, according to Gartner.[1]

The customer experience is now crucial to differentiation and profitability in both digital and physical channels. Businesses that directly engage customers in face-to-face environments – including retailers, travel and hospitality companies, restaurants, and banks – are making significant technology investments in hopes of delivering unique and impactful customer experiences. Businesses that are moving to omnichannel retail and Direct-to-Consumer business models are being forced dramatically expand the experience design pallet by integrating different elements and blend the physical and digital worlds.

Advances in technology and marketing science have given marketers an expanded pallet of tools to help them differentiate and enhance the customer experience. As Geraldine Calpin the CMO of Hilton puts it "Technology gives us an amazing toolkit to redefine the guest experience in game changing ways. The trick is to use these technology tools to find new and better ways we can deliver white glove treatment, like:

- Providing advanced check-in, room selection, and keys to the room right on their mobile phones;
- Helping them find local hot spots or relevant activities to enhance their stay;
- Anticipating their service needs in advance to exceed expectations and avoid problems before they happen;
- And giving guests more control and choice when it comes to rooms, amenities, activities, and environment.

Businesses that directly engage customers in face-to-face environments - retail, travel, hospitality and banking – are making significant technology investments in customer data, IoT infrastructure and mobile, social and digital

Advances in technology and marketing science have given marketers an expanded pallet of tools to help them differentiate and enhance the customer experience

engagement channels in hopes of differentiating their brands, including:

- Database analytics – business are working hard to unify data sources and create a single view of the customer using CRM, Customer Engagement Management Systems, and Data Warehouses so they can deliver offers, reward points, content and services that are targeted, relevant and timely.
- IoT infrastructure – the retail and travel industries are among the top investors in IoT – lead by Disney which has invested over $1B in IoT, scent and wearable solutions to enhance the customer experience;[2]
- Mobile, social and digital channels – 72% of travel and hospitality businesses are now providing customers mobile applications to enhance service delivery.[2]

According to Forrester Research's Customer Experience Index, the best marketers are focusing their technology investment to more effectively identify and address customer needs and eliminate "friction" from their experience.[4]

But technology alone may not be enough. In today's competitive environment, CMOs need to delight customers, not just satisfy them. Delighting customers involves more than getting their name right, knowing their interests, and communicating consistently across a variety of devices. Our poll of marketers found that marketers ranked generating good feelings, memories and happy customers as the top drivers of a positive customer experience.[5] For example, according to Jennie Blumenthal, a Partner in PwC's Hospitality & Leisure Practice, "Our focus group research found that business and leisure travelers will both pay over $20 dollars more for a preferred hotel brand – and when we dug down, many of the key determinants of brand preference were soft benefits related directly to the experiences they had during their stay".

So marketers who seek to differentiate their brands with customer experience need to define and develop customer experiences be fun, relaxing, or inspiring. This will take a blend of art and science. And a lot of experimenting with the marketing mix.

Progressive marketers like the retailer STORY and the Travel Company Eurostar are focused on enhancing customer's enjoyment and pleasure as a core part of their customer experience strategies, in addition to a more utilitarian focus on executing a friction and error free visit. According to Megan Burns of Forrester Research, relatively few customer experience programs pay as much attention to emotional experience as they do to functional experience of streamlining transactions, targeting offers, and customizing communications.6

This means that marketers that also focus on the sensory aspects of the customer experience have a big opportunity to differentiate their business and drive superior loyalty-inspiring sensory experiences overcome the rational similarities in products, services, and prices. "The absolute heart of what every customer brand is striving really hard now to build is a strong emotional engagement" according to Nick Mercer, the Commercial Director, of Eurostar who is featured in "functional benefits - my product is faster or better or whatever else - can be replicated. So we are absolutely putting all our efforts into building a stronger emotional engagement."[7]

In today's competitive environment CMOs need to delight customers not just satisfy them

This analysis suggests the best marketers are tapping into the full range of sensory experiences in combination with digital engagement, enhanced recognition, and proactive service to differentiate their brands. They are incorporating physiological, physical, or environmental tools into their experience strategies in addition to leveraging digital, mobile, and social touch points to better engage customers.

The definitive playbook of what works best has yet to be written. But innovators like Disney, Hilton, Virgin Airlines, Best Western, MGM Grand, and Lowes are finding brand new ways to use digital, mobile, wearable, scent and IoT (Internet of Things) technologies to delight customers and build loyalty.

This research found that the customer experience investments of these marketing leaders tend to focus on six core areas. Individually, each of these dimensions are important to customers. When used in combination, these six dimensions have the potential to redefine what customer experience is in the digital age – creating 360-degree, multi-sensory, and multi-channel experiences.

For example, the retailer Barneys was able to create a 70% increase in-store sales and 4 Billion in earned media impressions worldwide by creatively blending a mix of digital, social, mobile and experiential elements into an in-store promotion featuring Lady Gaga called the 12 Days of Gaga. The campaign included an exclusive curated set of merchandize aligned to the theme available online and in a fully converted section of Barney's flagship store dedicated to the event over the holiday season. According to Peter Sena, Founder of Digital Surgeons and designer of the experience, the art of the experience design was blurring the lines between the in-store experience and the digital experience, facilitated by online badges on mobile phones that drove thousands of customers to the store. "Consumers don't think in channels, so as marketers and designers we can't either," said Sena, founder of Digital Surgeons and designer of the experience. "Great experience design blurs the lines between channels and taps into game mechanics and sensory experiences to create interest, engagement, and commerce for niche and broad viewers alike."

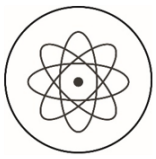
THE SIX DIMENSIONS REDEFINING THE CUSTOMER EXPERIENCE

Digital Engagement

Actively and consistently engaging customers across social, mobile and digital channels throughout the customer life cycle.

Enhanced Recognition

Offering enhanced value and recognition to your most loyal customers beyond loyalty points and discount offers.



Sensory Experiences

Providing custom smells and sounds to influence customer moods and behaviors based on season, location, etc.

Personalized Choices

Providing customers the opportunity to personalize solutions via a wider range of choices and personalized recommendations

Intelligent Solutions

Using technology to offer "smart" rooms and products that are adaptable based on customer needs and usage.

Proactive Services

Leveraging analytics to anticipate probable customer needs and wants to reduce/prevent problems from occurring.

This paper delves into the six dimensions that leading marketers in the retail, travel, and hospitality industries are using to redefine the customer experience to differentiate their brands, enhance loyalty and drive top line growth. They include:

- **Enhanced Recognition** - Offering enhanced value and recognition to your most loyal customers beyond points and offers;
- **Sensory Experiences** - Providing custom sensory experiences including smell and sound to influence their mood and behavior;
- **Personalized Choices** - Providing customers the opportunity to more personalize solutions via a wider range of choices;

- **Intelligent Solutions** – Leveraging technology to offer intelligent solutions such as smart rooms and products to adapt to customer needs and usage;
- **Proactive Services** – Using analytics to that anticipate client needs or solve problems before they happen problems;
- **Digital Engagement** - Active and consistent engagement across social, mobile and digital channels before, during and after their visit.

The following analysis breaks these dimensions down into 18 specific ways leading marketers in the travel, hospitality, retail and restaurant industries are leveraging technology to reimagine the customer experience. The report concludes by prioritizing the most important best practices marketing leaders can use to transform the customer experience in their organization.

HOW MARKETERS ARE USING TECHNOLOGY TO REIMAGINE THE CUSTOMER EXPERIENCE

1. Executing omnichannel retail models that blend digital and physical touch points
2. Using location-based targeting to support every stage of the customer journey
3. Using mobile applications to facilitate measurable sales outcomes in physical interactions
4. Using mobile applications to streamline and enhance the delivery of loyalty and rewards programs
5. Offering new tools and enhanced loyalty currencies that offer loyal customers value beyond points
6. Deploying scent marketing to enhance the brand experience
7. Enhancing the environment with sound
8. Creating visual experiences enabled by digital screens
9. Using virtual and augmented reality to visualize, select, and configure solutions
10. Tracking customer needs and preferences in personalization platforms
11. Personalizing offers and content experiences based on preferences and location
12. Personalizing products and solutions
13. Customer monitoring
14. Product monitoring
15. Smart facilities
16. Using prescriptive service alerts to anticipate and manage problems before they happen
17. Providing real time voice of the customer feedback to customer facing staff
18. Targeting emotional signals along the customer journey

DIGITAL ENGAGEMENT

Active and consistent engagement across social, mobile and digital channels before, during and after their visit is essential to delivering a superior customer experience.

Changing customer behavior necessitate this. Nearly seventy percent of US online consumers use a smartphone to go online in retail stores, almost two-thirds use on in a restaurant or a coffee shop, and forty three percent use their phones while riding public transportation.[6] Fifty-nine percent of consumers have switched devices while ordering online or getting directions.[11] Most millennials shop for travel on smart phones, but buy on the desktop.[9]

As a direct consequence, social media and mobile marketing were identified as the top two growth priorities of CMO's in survey of 380 marketers by the Brand Publishing Institute.[8] Marketers are investing in these channels and touch points to more directly support, enhance, or accelerate the customer journey and adapt to significant changes in customer behavior. Specifically, there are three things marketers are doing to enhance customer engagement across digital, mobile and social channels.

1. **Executing omnichannel retail models that blend digital and physical touch points.** Marketers are experimenting with a wide variety of online and offline models to calibrate their experiences to align with a rapidly evolving customer journey. These include buy online and fulfill instore, portable shopping carts, online booking, and room self-check-in. For example, Home Depot uses online channels to reduce friction in the customer journey as part of what they call an interconnected customer experience – that blends mobile applications and the PC experience with physical retail and delivery. Online sales are only 5% of transactions. Many more orders are "hybrid" online and offline transactions such as ship to store and pick up at store, or ship to site. And the real differentiator for customers come from eliminating customer pain points by exposing physical inventory in retail stores so the trip is not a waste of time, providing help findings products on shelves with maps, geolocation and identifying the right product with image recognition and voice search on mobile devices. According to Matt Carey, the CIO of Home Depot, the retailer is on a mission to create an "interconnected retail experience" that uses physical and digital assets across Home Depot's 2,200 plus stores and distribution centers - transforming the customer experience a cross all its channels, whether in the store, in a person's home, online or on a customer's mobile device.[12] The Gap is incorporating digital and mobile channels into the experience – allowing customers to pre-shop online before visiting the store, and arming sales associates with mobile applications that can check inventory and answer client questions in real time to reduce friction during the visit and enhance conversations with customers.[13]

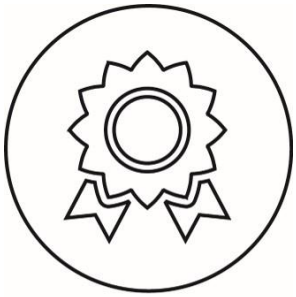
2. **Using location-based targeting to support every stage of the customer journey.** For example, airlines like Delta, Virgin and British Airways are experimenting with e using beacons and location based services in airports to provide passengers direction to their gate based on where they are or whether they are lost. Hotels chains like Hilton are pushing directions and relevant activities in the area to guests on their mobile

devices based on where you are at the time. According to Virginia Cargill, the President of President of 33 Degrees/Circle K Digital Network "digital screens deployed at the point of purchase give retailers and manufacturers/suppliers a way to extend the digital experience to the store and where enabled with apps and beacons, deliver personalized treatment and information to shoppers based on their location in the store, past behavior, and profile information at CRM".

3. **Using mobile applications to facilitate measurable sales outcomes in physical interactions.** Most retailers have deployed iPads in the retail environment. These retailers are using mobile applications in retail to facilitate sales, process payments, and answer customer questions. Forty-four percent of retailers use tablets to show additional products not available in stores at the point of sales. Forty percent use the devices to send e-receipts, and twenty three percent use them to check inventory in warehouses and twenty one percent use tablets to check their actual in-store inventory.[3] Several travel and hospitality marketers including Norwegian Cruise Lines and Radisson Hotels provide their guests an i-concierge mobile application that allows them to talk to and text guests directly on their cell phones, make reservations for excursions, order room service, request extra towels, and check-out

MGM GRAND: BREAKING DOWN DIGITAL SILOS TO BUILD A BETTER EXPERIENCE

MGM Grand, which owns 20 resort properties worldwide, started to connect the dots across the many brand silos, customer touch points and cross property revenue streams. According to their SVP- Chief Digital Officer John Bollen, their leadership team had an "a-ha moment" when they realized their digital strategy was being built around individual brands, revenue streams (e.g. gaming and black jack) and digital touch points because they were taking a siloed approach to the customer experience. Their leadership realized what they should be asking is not what they want for their singular brands but what the guest wants. So MGM changed tack and took a more customer centric and multi-dimensional view of customer experience – spanning brands, digital touch points and properties. They worked with Adobe to unify both customer data and content into a single system or "golden record" based on their marketing cloud solution that collects data, interactions and content from across mobile, social, property and human touch points. Upon this foundation, they are able to deliver a better customer experience across the board – including their MLife Loyalty program, their guest services systems and owned digital properties. For example, the system can offer their best clients tickets to sold out concerts during their stay to deliver value beyond points in their loyalty system.[32]



ENHANCED RECOGNITION

Offering enhanced value and recognition to your most loyal customers beyond points and offers is essential to delivering a superior customer. Eighty-two percent of global decision-makers view improving customer loyalty as a top marketing priority and key to differentiation.[15]

According to Hae Eun Chun, of the Cornell University School of Management, there are three general types of pleasure: sensory pleasure, aesthetic pleasure, and achievement pleasure. Guests can be attuned to the moment-to-moment pleasurable experience in any or all of these types of pleasure. The pleasure of achievement can involve actions taken, personal growth, a renewed sense of self, or attainting something that is desirable or rewarding. Examples of achievement pleasure including finishing a good book, winning a competition, eating in a healthier way, or learning about history.[16]

Mobile technology in particular gives marketers a platform to actively and frequently recognize their most loyal guests with benefits and experiences that go well beyond frequency points and rewards. For example, seventy two percent of travel and hospitality businesses are providing customers with mobile apps to enhance the customer experience.[2] According to Bruce Hoffmeister, the Chief Information Officer of Marriott, "the rise of mobile has given the company more opportunities to interact with customers before, during and after a stay. Mobile revenues grew twenty five percent in 2015."[17]

There are four things marketers are doing to offer enhanced value and recognition to their most loyal customers.

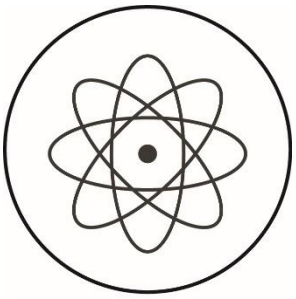
1. **Using mobile applications to streamline and enhance the delivery of loyalty programs.** Over half of the top 100 retailers have a loyalty program in place. 325 retail chains are using mobile loyalty applications from systems like IBotta and Shopkick to delivery promotions and coupons to customers on their mobile devices before they enter the store or at the point of sale. 137 million shoppers are using mobile shopping applications like those offered by IBotta, Shopkick, and Wal-Mart while they are shopping according to Nielsen.[18] The My Starbucks Rewards mobile application has 12 million active members who spend twice as much as customers who are not in the loyalty program, and pay using their mobile phone twenty four percent of the time.[19] Dunkin Donuts – who has 11 million customers download their DD Perks Reward Program mobile application trains store employees to help customers use the tool to ensure mobile transactions go smoothly in physical retail.[20]

2. **Offering new tools and enhanced loyalty currencies that offer loyal customer's value beyond points**. Seventy-two percent of travel and hospitality businesses are providing customers with mobile apps to enhance the customer experience.[2] Hotels including Marriott, Starwood, and Hilton are increasing guest satisfaction and engagement by allowing their best customers to select rooms, check in, open doors and text drink or room service orders all from a mobile app on their cell phone. For example, two thirds of hotel managers believe mobile check-in will be the norm by 2017, according to the Hospitality Asset

Managers Association.[21] According to Arne Sorenson, CEO of Marriott International, "technology is changing so quickly and is so relevant to so many different aspects of our business. Increasingly it is how we use that technology to communicate with our guests when they are in the hotel. How do we use the technology to service them, whether it's ordering room service, special pillows for their bed, getting something delivered by the pool, marketing to them, or resolving their complaints before they leave the hotel? We want to give you and experience so when you leave you remember something about it."[22]

A DOZEN THINGS GUESTS WILL BE ABLE TO DO ON A MOBILE DEVICE IN THE NEAR FUTURE
1. Select a room
2. Check in
3. Pre-set temperature
4. Order extra pillows
5. Unlock doors
6. Enter parking garage
7. Stream music and video on room entertainment systems
8. Reserve a car service
9. Book spa service
10. Order drinks poolside
11. Talk directly to staff
12. Track room service orders

72% of travel and hospitality businesses are providing customers with mobile apps to enhance the customer experience



SENSORY EXPERIENCES

Delighting customers involves more than getting their name right, knowing their interests, and communicating consistently across a variety of devices. So marketers who seek to differentiate their brands with customer experience need to delight the customer by engaging all five senses, not just their mobile device. Providing custom sensory experiences including smell and sound to influence their mood and behavior is essential to delivering a superior customer experience.

According to a report entitled Guiding the Guest Experience by Hae Eun Chun of the Cornell University School of Hotel Administration, guests' perceptions of their experiences can be improved without huge investments, by getting them to focus on the positive aspects of their experiences, or by avoiding calling attention to unpleasant aspects – such as waiting. She encourages marketers to tap into three different types of pleasure in their customer experience strategies. Sensory pleasures derived from a lovely sound, a pleasant taste or smell. Aesthetic pleasures derived from enjoying a beautiful environment or an attractive view. And achievement – through personal sense of accomplishment, learning new things, or winning a competition. Having people try to notice and acknowledge pleasurable little things that would otherwise go unnoticed (e.g., flowers, sunshine, or music) boosts overall happiness and enjoyment. For example, olfactory nerves activate all give senses, making customers more aware and alert of their surroundings.[16]

The best marketers are tapping into the full range of sensory experiences in combination with digital engagement, enhanced recognition, and proactive service are a powerful way to differentiate your brand. According to Stephen Rosenstock, the Executive Vice President of Operations of Omni Hotels – which received a top ranking in the JD Power Customer Satisfaction Index - "It's all about it's all about rounding out the package for arriving customers by hitting all five senses. When you walk into a hotel, you focus on the visual, and then the sense of touch, things like thread count. But with (the right) scent and sound, it just adds so much more."[23]

There are four things marketers are doing to provide customers with sensory experiences:

1. **Deploying scent marketing to enhance the brand experience.** Two thirds of the companies analyzed in this study were piloting or deploying scent to enhance the brand experience. Scents have been proven to eliminate stress, stimulate fond memories and inspire customers. According to Jennifer Dublino, VP of Development at ScentWorld Events, the right scent has been shown to make people more comfortable at hotels, shorten the time they think they are waiting at banks, and improve sense of performance at a gym."[24] Tom Conroy, the CEO of Yankee Candle Scent Systems shares "retail and hospitality marketers are investing heavily to build brand affinity and drive traffic in digital, social, mobile and advertising channels. Converting this demand requires flawless execution and a differentiated experience in the point of sale. Customer experience leaders like Best Western and Wyndham Hotels are integrating a precise fragrance impression into the customer experience as an effective and durable way to complete the multi-sensorial experience for customers." Nike conducted research with the Smell & Taste Research Foundation that

found a scented retail environment induced more favorable product perceptions in in shoppers – making them more likely to buy the shoes, and often willing to pay more for the product.[25]

2. **Enhancing the environment with sound.** Sounds can entice customers to linger over their meals longer, order more drinks and enjoying the atmosphere.[26] Marketers like Walmart and Abercrombie & Fitch use sound to create an environment conducive to the customer experience they desire. Abercrombie & Fitch focused on music that motivates young customers, while repelling their partners.

3. **Creating visual experiences enabled by digital screens.** Several cruise lines - Norwegian, Carnival, Royal Caribbean, and Disney – are pioneering the use of digital screens to create innovative new experiences for guests. They are deploying floor to ceiling glass walls in dining rooms, virtual balconies in guest rooms, and "enchanted art" that comes to life. Retailers like Kenzo are working to deliver millennials upscale ambiance and a highly visual in-store environment that parallels the online shopping experience with immersive video, interactive catalogs and personalized merchandising.[27] According to Virginia Cargill, "Digital screens at the point of sale are part of an emerging trend towards an integrated retail experience that includes mobile loyalty applications, location based beacons, and customer profile data. Ultimately, when used in combination with mobile phones and geo-location service, digital screens will give retailers an impactful way to extend the digital experience to the store and delivering personalized 1:1 treatment and information to shoppers based on their location in the store, past behavior, and profile." For example, retailers are experimenting with extending the online shopping experience into retail by featuring products from an abandoned shopping cart on the screen and offering promotions via SMS text to their mobile phone when they know the customer is in the proximity of the product display.

4. **Using virtual and augmented reality to visualize and configure solutions.** Marketers like Lowes and Home Depot are experimenting with using virtual reality headsets at the point of sale to configure and design solutions. For example, Lowes uses hologram technology at the point of sale to help customers visualize and design spaces in new ways. The virtual reality headsets help customers design their kitchens and select cabinets and kitchen elements with life-like realism.[29] Hotels are getting into the act as well. Best Western, Marriott, Carlson Rezidor, and Starwood are using virtual and augmented reality to help customers explore vacation properties and venues. For example, Best Western offers customers a highly immersive virtual reality experience both on premises with virtual reality headsets, as well as online. Customers can take a virtual tour of any resort property – walking through the lobbies, viewing guest rooms, and experiencing amenities offered at the resorts. At sales offices at their properties, guests can use virtual reality headsets from Samsung and Oculus Rift to tour properties. Online, customers can experience 360-degree videos in a variety of digital and social touch points including Google Maps and Search, YouTube and Facebook. According to Dorothy Dowling, the CMO of Best Western Hotels and Resorts a "Walking into the lobby or guest room leaves an indelible impression on what kind of experience will follow, but photos are not enough. The Best Western Virtual Reality Experience transports consumers into our hotels and a customizable narration will guide them through the experience."[28] Several other leading hotels – including Starwood, Marriott and Shangri La – are also experimenting with virtual reality in concept labs and pilots.

HOW STORY IS REDEFINING THE RETAIL BUSINESS MODEL AND THE CUSTOMER EXPERIENCE

Three years ago Rachel Shechtman founded STORY, a highly successful retail concept that takes the point of view of a magazine, changes like an art gallery, and sells things like a store.

She treats her store as "the ultimate touch point" that delivers an all-consuming experience that is as much about the narrative and community as it is about the end product being sold. Every three to eight weeks, STORY completely reinvents itself - from the design to scents to the merchandise – with the goal of bringing to light a new theme, trend or issue.

While STORY offers a consistent and seamless customer experience in digital, social, and mobile channels, the retailer really stands out by completing the experience means delivering a differentiated experience in the last 1,000 feet of physical retail. According to Rachel, "We really focus on experience per a square foot – looking at how each moment and part of the store experience can be engaging and provide surprise and delight! Changing the store every 3-8 weeks enables us to give customers a reason to come back more frequently, but it also enables us to showcase and launch even more brands and new technologies in store".

STORY has achieved great results by experimenting with the traditional retail marketing mix. Each theme mixes experiences, community, and all forms of content – from education to entertainment - with traditional merchandising and cleverly curated products. And the mix can vary by season or theme. " We are constantly experimenting and trying new things, but I'd like to think the 15+ years' experience I have had across various retail formats, brands and models has given me insights to take calculated leaps so as to mitigate the risk".

In her experience, some of the major things holding conventional retailers back from evolving the customer experience are organizational siloes, legacy systems, and frameworks that dictate how people work and are rewarded. "These are the silent killers when it comes to innovation" says Rachel. "To us it's imperative for our own mix of retail that marketing, merchandising, editorial and business development work together as one holistic customer experience strategy".

To execute, STORY has built a crack in-house marketing team supported by a handful of strategic partnerships that range from our POS system with Lightspeed, to Perch Interactive for in-store display, to Prism Skylabs for heat mapping, to Yankee Candle Scent Systems for scenting the store. In addition, we have an outstanding collaborative process for redesigning the store that is supported by Alu. According to Rachel, "Each one of these partners provides a valuable service and the more relationships we add to the mix, the more detailed picture we can paint and the more we can learn about our customer. For example, we work with Yankee Candle Scent Systems to create different scents for each one of our STORY's. Since each iteration and theme has a different point of view and voice, depending on the subject matter, it would make sense that it smells different! For example, for our Home for the Holidays STORY theme we chose a Frosted Spruce scent to evoke memories of the holiday season. But for our Disrupt STORY in partnership with USA Network Show Mr. Robot – we created an environment that included graffiti, an Arcade Hackerspace" and used a Luxury Leather scent. Our subconscious is affected in ways that we don't fully understand, and testing new sensorial strategies has been fascinating".

Shechtman leverages technology as part of the retail experience, but warns retailers to be balanced in their approach. "There isn't a one size fits all approach. What works for us, isn't necessarily what works for Macy's at scale. I also think we need to definitely stop and ask the question 'is there a meaningful business action I can take as a result of the data that this technology will provide? I often hear so much about different software and the data sounds impressive, but there isn't much to do with it".

PERSONALIZED CHOICES

Providing customers the opportunity to personalize solutions and giving them a wider range of choices are essential to delivering a superior customer experience.

Ninety four percent of senior level executives believe delivering personalized content experiences is critical or important to reaching customers.[30] Over three quarters of marketers polled by CMO.com say they are prioritizing technology investments in customer data and content management to deliver personalized content experiences to enhance their customer experience.[5] According to Marianne McHardy, the Customer Behavior Director of Accor Hotels, "I see brands becoming more personal in the digital era. We feel closer than ever to a brand or we feel nothing at all. I believe we are arriving at a moment where it will be 0 or 100% interaction. Meaning either I love it or I hate it."[7]

And customers value personalization. Sixty-nine percent of guests feel personalizing their experience by history is important.[9] Seventy-five percent of consumers are willing to share some personal information if they get something in return, such as personalized, location specific information on restaurants, theatres, shops and cultural events in the area.[22]

There are three things marketers are doing to offer customers more personalized solutions and a wider range of choices:

1. **Tracking customer needs and preferences in personalization platforms.** Leading retail, travel and hospitality marketers including Target, Starbucks, Ritz and Delta Airlines are developing customer profiles in CEM (Customer Experience Management), CRM, and Data Warehouse systems. These systems allow marketers to improve the tracking of customer preferences and behavior at every touch point and every step of the customer journey. For example, Delta Airlines uses Customer Experience Management (CEM) software to capture real time voice of the customer feedback and get that information to service representatives to address customer pain points – like communicating delays proactively to give customers predictability, which airline traveler's value greatly. Ritz Carleton captures customer preferences during their stay in a CRM system called Mystique so they can anticipate needs during their next visit. According to Ryann Van der Eijk, the Chief Experience Officer of KLM, "Customers have more and more information, at the same time, info (rmation) can never win from a personal interaction and the way we make you feel. So we have to keep track with data and tools, but even more focus on the right interaction which is supported by the data".[7]

2. **Personalizing offers and content experiences based on preferences and location.** Twenty-seven percent of customers get offers based on their location.[9] Leading marketers including Best Western, Hilton, and Home Depot, Ritz Carleton, and Virgin are distinguishing their customer experience with highly relevant content like custom itineraries and directions based on location, the exact aisle and

shelf the product is located at a particular store, three-dimensional visualization of rooms, resorts, and kitchen designs. It takes an enormous amount of high quality targeted content to support room selection, 360-degree property tours, product locators, and virtual reality for example, Best Western needed to take 1.7 million high resolution photos and videos to support their virtual reality tours. Hilton had to digitize room layouts across 13 brands and 4,700 hotels with many room types and views to support room selection on a smart phone. And Home Depot needed to create store to support online product locators across 2,200 plus stores. "Content plays a big part of delivering a personalized customer experience" according to Geraldine Calpin, CMO of Hilton, "We are making an impact by using content to enhance their experience, share stories, and help them make decisions. We share content and stories at every stage of the travel experience, like recommending quicker routes to the hotel, local restaurants, great rooms with great views, local hot spots based on real-time information, and activities that suit their interest. For example, we have created digital room layouts for hundreds of thousands of rooms so that guests can select the exact room they want – and guests now use it once every 2.5 seconds. And we partner with Uber to give guests recommendations like the hot places to have lunch at 1 p.m. based on real-time information."

Content plays a big part of delivering a personalized customer experience

3. **Personalizing products and solution.** Hospitality marketers are leveraging customer preference data to offer customers the ability to set and customize rooms, temperature, scent, and the mini bar. Macy's offers personalized shopping services – called mystylist@macys and the connect@macys kiosk – where they can get access to experts and 1:1 personalized services in 135 of its top stores as part of its Store of the Future imitative. According to Roger Allen, Director of Database Marketing, Foxwoods Resorts, "by knowing our guest's preferences, we can better target our promotional offers based on their histories and preferred amenities. That helps us create tailored offerings that earn customer loyalty."[10]

75% of consumers are willing to share some personal information if they get something in return, such as personalized information on restaurants and cultural events in the area

INTELLIGENT OFFERINGS

Marketers are leveraging Internet of Things (IoT) technology to offer intelligent solutions such as smart rooms and products to adapt to customer needs and usage.

Travel, transportation, and hospitality companies are among the leading investors in IoT. The industry is forecasted to make over $100 million on IoT investments by 2018.[2] Thirty percent of this IoT investment will be in customer monitoring, and a quarter of the dollars will go into product monitoring applications. Monitoring customers is the largest IoT application in this industry. Over two thirds of travel and hospitality companies use mobile applications to track customer data.

Retailers are also investing in IoT technology to enhance the client experience. For example, twenty-one percent of brick and mortar stores say they are using IoT to keep checkout lines as short as possible by monitoring premises.[2]

There are three things marketers are doing to offer intelligent solutions and facilities to adapt to customer needs and usage

1. **Customer monitoring.** Marketers are using geo location, Internet of Things (IoT), beacons and RF technology to better understand how customers use and consume products and interact with their environment. A quarter of retailer investment in IOT technology is focused on customer monitoring – monitoring the status of customers through digital devises (such as Mobile Apps) or wearables (such as wristbands) while using the company's products and services.[2] For example Disney deployed "Magic Bands" - wearable devices that provide over 30 million guests a "friction free" and personalized experience at their Orlando theme parks, hotels, and resorts.

2. **Product monitoring.** Marketers are embedding IoT and Bluetooth technology into their products to deliver experiences that continue after the customer purchases an item. The sale of the product at the end of the customer journey. Today, many progressive retailers are experimenting with using IoT technology to extend the customer experience beyond the store by taking advantage of lower communication cost for remote collaboration and coordination. Over a quarter of retailers are using the technology to track products after they have been sold or leased to the customer according to Tata Consulting Services.[2] For example, Nike supports its community of runners by tracking running performance using a Nike+ IoT device inserted into a running shoe to provide information about workouts. By logging into the Nike+ web site, runners can find out which routes are most popular, what distances and paces others are achieving, and how their progress compares.

3. **Smart facilities.** Marketers are investing in Internet of Things (IoT) technologies that help them anticipate problems, reduce wait time in lines, allocate resources, and automate tasks. Twenty one percent of brick and mortar stores use the IoT to keep checkout lines as short as possible by monitoring premises according to Tata Consulting Services.[2] For example, Kroger has reduced time customers spend in lines using customer monitoring and analytic tools to cut the average in-store wait time from more than four minutes to less than 30 seconds. Hilton is testing how IoT technology can turn the smartphone into a concierge and remote control all-in-one and make rooms and products "smart". GE lighting offers "smart" retail lighting systems that facilitate location-based targeting by embedding beacons into the ceiling lights – creating a targeting infrastructure that can deliver targeted promotions to consumers at any point in the store. Several hotels - including Marriott and Hilton – report they are putting in place property-wide location tracking systems that use beacons or geolocation to identify where their guests are so they can offer guests their favorite drink at poolside when you know they are there.

The travel, transportation, and hospitality industry will make over $100 million on IoT investments by 2018. Thirty percent of this IoT investment will be in customer monitoring, and a quarter of the dollars will go into product monitoring applications.

PROACTIVE SERVICES

Advances in analytics offer marketers unprecedented potential to improve customer service by better anticipating client needs or solving problems before they happen.

By digitally connecting their client-facing staff to each other and to guests, travel and hospitality businesses can deliver a better and more enjoyable guest experience. For example, Norwegian Cruise Lines and Radisson Hotels provide their guests an i-concierge mobile application that allows them to talk to and text guests directly on their cell phones, make reservations for excursions, order room service, request extra towels, and check-out

And mobile, social and digital services enable real- customer ratings and feedback, fast enough to be addressed or resolved during their stay if a company is responsive. For example, customer facing staff can acknowledge special requests in real-time on mobile devices. And locating guests is not as difficult.

Several hotels report they are piloting real time chat between guests and hotel staff, so guests can text the front desk if they need anything – from requesting the room to be cleaned at a specific time, asking for coffee in the lobby, or sunscreen at the pool. With it, teams can be more responsive and give enhanced service by anticipating needs. It helps avoid problems before they happen and takes the "friction" out of the experience. For instance, if a guest wants tea in the lobby or sunscreen by the pool all they need to do is chat directly with team members.

There are three things marketers are doing to use prescriptive analytic, social, and mobile technology to anticipate, solve, or mange customer problems before they happen:

1. **Using prescriptive service alerts to anticipate and mange problems before they happen.** Leading marketers like Delta are using analytics to anticipate client needs or solve problems before they happen or mitigate the negative impacts of a problem or error. For example, Delta Airlines deployed rapid recovery emails that offer apologies, upgrades, and SkyMiles credits to loyal customers who experienced flight delays, or got stuck sitting in a middle seat.[6]

2. **Providing real time voice of the customer feedback to customer facing staff.** Marketers are using Customer Experience Management (CEM) solutions, social listening and sentiment analysis using big data, and push notification to staff who can do something about it. For example, Eurostar, KLM, and Virgin Atlantic have put in place dedicated teams responding to monitoring voice of the customer feedback with the goal of solving customer problems. According to Greenwich Associates, ten of the top fifty retail banks have put in place closed loop CEM systems that use information collected in voice of the customer surveys to help bankers in retail branches identify, engage, and retain at-risk customers. These systems collect and shares information about overall satisfaction, problems that occur, product usage, and competitive perceptions in regular customer surveys with retail branch managers to help them anticipate, respond to, and address client service issues and high potential

cross sell opportunities. More advanced marketers feed voice of the customer sentiment, product usage data, net promoter scores, and event triggers data into proprietary predictive models that help anticipate client attrition or high potential selling events – and alert the responsible bankers and their managers to these opportunities via email and customer experience portals so they could take action immediately.

3. **Targeting emotional signals along the customer journey.** Advanced markets are using voice recognition, text analysis, sentiment analysis, and facial recognition to identify moments of customer stress, frustration or optimism so they can adapt their response accordingly. For example, retailers like Best Buy screen calls to determine if a customer is expansive or frustrated when calling, and adjudicate the call to the appropriately trained service team member based on their outlook. Hershey's cleverly uses facial recognition technology to get customers to smile in exchange for a free chocolate sample at the point of sale. This innovative consumer experience builds a strong brand connection by delivering an in-store happiness moment - all centered on a smile - at the point of purchase.

In today's competitive environment CMOs need to delight customers not just satisfy them

BEST PRACTICES

Ten Keys to Transforming the Customer Experience in Your Organization

Progressive marketers like STORY, Home Depot, MGM Grand, and Barneys are mixing and matching the six dimensions outlined above to create 360-degree, multi-sensory, and multi-channel experiences. Strategically this requires leaders to think differently about their go to market approach. But executing organizationally requires transformation. Mohammad Gaber, who directs Travel & Hospitality Industry Strategy & Marketing at Adobe, points out "Market leaders like MGM, Delta, Enterprise and Ryan Air understand that enhancing the customer experience is a transformational issue for organizations, not a trend. It encompasses people, process, technology, content and data. To do it well, organizations need to move from channel specific organizational approaches to a more multi-modal organizational approach." This analysis breaks down ten practical best practices for transforming the customer experience in your organization from the companies studied in this analysis.

1. **Expand the experience design pallet to integrate different in both physical and digital worlds.** Explore the full range of touch points - digital, social, mobile, device and human - and tap into three different types of pleasure – sensory, aesthetic and achievement – as you develop your customer experience strategies. According to Reuben Arnold, the SVP Marketing and Customer Engagement at Virgin Atlantic Travel, "With customer experience in the next two years we'll see this increasing link between the digital and the physical experience - enabled by Wi-Fi in the air."[7]

2. **Incorporate emotional factors into marketing planning, journey mapping and targeting tools.** Advanced marketers are looking beyond conventional transactions and interactions in their customer

targeting and customer journey mapping analysis – by including "hot spots" where customers are lost, frustrated, confused, or open to a surprise, or receptive to new ideas. Customer targeting taxonomies should focus on marketing personas that are based on customer feelings and mood as well as demographic or economic identifiers. For example, separating impatient buyers from people who want to be educated.

3. **Consider all five senses when designing a customer experience.** Open up the pallet of options to improve your customer experience to include all five senses (sight, sound, smell, touch and taste) help brands make a deeper emotional connection with consumers. Marketers tend to over rely on vision, words and pictures which appeal to the rational part of the brains. Smell, taste and touch appeal to the emotional parts.

4. **Train staff to act as the glue that holds customer experience process, technology, and systems together.** Several hotels and airlines emphasized the importance of training employees to take advantage of voice of the customer feedback and engage with clients in new ways such as SMS texts. According to Rachel Schechtman, CEO of STORY," one of the biggest areas that is being overlooked in retail at scale is compensation structures and training. Legacy systems and frameworks are dictating how people work and are rewarded, and I think that is a silent killer when it comes to innovation."

5. **Build a content supply chain to support personalized content experiences, offers and offerings at scale.** Personalization and multi-channel engagement drives up the cost and complexity of content dramatically according to research by the Brand Publishing Institute.[8] Without brand publishing processes, these costs can exceed the benefits. It takes an enormous amount of high quality targeted content to support room selection, 360-degree property tours, product locators, and virtual reality. For example, Hilton had to digitize room layouts and views across 13 brands and 4,700 hotels to support digital room selection. And retailers like Home Depot had to create detailed store layouts to support product locators across its many stores.

6. **Operationalize experience delivery across functions and enterprise platforms**. Several organizations, including American Airlines – are creating functional responsibility for the customer experience so it can be optimized across the enterprise for the customer experience, rather than in one touch point or interaction. As Jennie Blumenthal, a Partner in PwC's Hospitality & Leisure Practice points out - "Everyone is focused on the next generation customer experience - what will it look like and feel like, and what will stand out? The reality is that long before and beyond that defining moment, tight orchestration needs to happen between setting a strategy, linking your operations and functions, making personalized data available, and embedding the need to collaborate across steps in the customer journey just a normal part of the culture."

7. **Experiment by blending media, merchandise, education, and technology at the point of sale in new ways.** Progressive marketers like STORY are delivering memorable experiences by constantly experimenting with different mixes of media, merchandise, education, sensory marketing, and technology at the point of customer engagement. Technology and utility alone will not delight customers. To differentiate their brand, marketers will need to break functional conventions to achieve the optimal experience by trying different combinations of marketing, media, content, technology and merchandising.

8. **Establish a new scorecard for success that blends marketing, loyalty, branding and behavioral outcomes**. Rethink the scorecard for success based on the experience that delivers your business competitive advantage and the best potential for profit growth. For example, the marketers in the CMO.com poll want their customer experience to yield happier and more loyal customers as a first priority – relative to more sales oriented goals such as spending more time shopping, paying higher prices, and building share of wallet.[5] As Rachel Shechtman of STORY puts it "We really focus on experience per a square foot – looking at how each moment and part of the store experience can be engaging and provide surprise and delight!"

9. **Use a "mobile-first" strategy as the core of your approach.** Mobile devices are at the center of almost every stage of the customer journey. Currently, in the travel and tourism industry, data shows that more than 50% of flight and hotel searches are done via cell phone.[33] Last year, ecommerce software developer Shopify announced that more e-commerce traffic came from mobile than desktop computers for the first time ever. Walmart.com reported that cyber-Monday, the Monday after Thanksgiving, saw 70 percent of its traffic from mobile devices. And the biggest fashion retailer in the very mobile-friendly market of India, Myntra, announced it was shutting down its desktop website altogether to become an app-only platform.[31] According to Daniel Cardoso, the Head of e-business at the South American Airline LATAM "our area should be called "mobile," not "digital." We understand that nowadays, many times, both in the corporate and travel sectors, the decision starts on mobile devices. Most probably, the customer's first interaction with the brand is through the cell phone. Everything starts on a mobile screen. Nowadays, an airline that is not mobile still needs to understand who its customers are and how they are moving around in the market. We are seeing an exponential growth, not only for searches but also for mobile services. The technologies we use allow for not only offering a mobile unique experience but also customized ones. "[33]

10. **Focus customer-centric design on human behavior, emotion, and purpose as well as needs and preferences**. "Customer experience has become the focus as marketing leaders are looking for another gear to differentiate their customer experience", according to Minsoo Pak, Chief Creative Officer for Sparks Grove, the Experience Design division of North Highland. "The real differentiator is superior designed human experience for the customer - factoring in cause, emotion and purpose rather than price and product. Digitally enabled millennial customers want to feel something. They care about what you stand for."

ABOUT THIS BEST PRACTICES RESEARCH

About the Author

This research initiative was led by Stephen Diorio is an established authority in advanced sales, marketing and channel strategies that take advantage of technology. He has twenty-five years of experience executing innovative go-to-market strategies for over one hundred leading sales organizations—including Merrill Lynch, Intuit, American Express, Ameriprise, Wells Fargo, CBS, SunTrust Bank, DuPont, Staples, UPS, US Bank, and IBM. Mr. Diorio is an expert on how technology can improve sales effectiveness, and author of Beyond e: 12 Ways Technology Will Transform Sales & Marketing Strategy (McGraw-Hill). Mr. Diorio is Vice President of Digital Surgeons in Charge of Digital Transformation and a Director of the Brand Publishing Institute, which provides marketing executives with education, advice, and solutions to optimize how they manage and distribute marketing content at scale. Prior to Digital Surgeons, Mr. Diorio founded Profitable Channels a go-to-market innovation business, built MarketBridge into a leading go-to-market strategy, and was a Venture Partner at Trident Capital – a private equity firm that specializes in advanced marketing services and solutions. Mr. Diorio holds an MBA in Marketing from the University of Chicago and a B.S. in Engineering from Bucknell University.

To create this report, his team conducted extensive research to uncover best practices to provide marketing executives a holistic methodology for defining, designing and transforming the customer experience. To develop a complete picture of how customer experience is evolving out team undertook three parallel sets of original primary research. These included:

1. Interviews with marketing executives and subject matter experts in the retail, travel and hospitality industry;
2. An analysis of over 100 customer experience programs of over 100 leading hotel, travel, retail and restaurant brands;
3. Extensive secondary research to validate the marketing best practices including, success stories, benchmarks, and documented business impact results.

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ABOUT DIGITAL SURGEONS

Digital Surgeons is a digital design and innovation agency that help marketing and sales leaders unlock the growth potential of their business with brand connections, differentiated experiences, and measurable sales outcomes. Our Digital Transformation practice designs and executes high growth marketing, product, and channel strategies that leverage advances in digital, mobile, social and analytics technologies– from strategy to development to execution and tracking. Our services include:

- **Digital Transformation** – Modern digital, mobile, social, and Direct-to-Customer models that directly engage customers to accelerate growth and enhance the customer experience;
- **Customer Experience Design** – Developing the digital, content, and platforms needed to support personalized experiences and value selling in digital marketing and face-to-face selling channels;
- **Connected Sales and Marketing** – Demand generation and sales enablement programs that drive deep into the funnel and directly support the sales process to generate measurable sales outcomes;
- **Brand Publishing** – Strategic marketing content planning, creation, management systems, and programs to support value selling and digital marketing channels.

Our team has delivered over 100 growth programs to our clients, who include: Armstrong, Arcoss Golf, Barneys, CBS, Camelbak, EMC, Janus, Lego, Ricoh, SunTrust Bank, US Bank and the US Open.

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