



Customer Experience Analytics: action at the pace of the digital consumer

How to better use data to guide decision making across the customer journey

Executive summary



Analytics, which reached a peak of adoption with the rise of ecommerce, is undergoing a renaissance that is now more than just a simple measurement of on-site behaviour but something that should be at the very heart of a retailer's multichannel strategy.

Data analytics has moved on. Today it's redefined as customer experience analytics – that is the ability to understand the customer journey at every single touchpoint and across every device to truly understand what makes them tick and, more importantly, what might make them spend.

But it's no easy task and it seems retailers are struggling to cope. In this whitepaper, conducted in partnership with IBM, we found that 83% of retailers say that customer analytics is very important to their decision-making but nearly two-thirds of respondents were unhappy or indifferent about the customer analytics they had within their business.

Retailers know the rounded customer view it gives. 93% of those surveyed rated that a competitive advantage. But there's no doubt that it's tough. It requires an ability to not only get hold of your customer data, but also to understand its value. There is a need to properly organise and link data sources and understand that the person driving this – the customer – is changing all the time.

As always, our case studies show a very honest and real view of what retailers large and small are doing in this area and we also outline key actions you can take now, as well as looking at what you should be doing to embrace the new opportunity of customer experience analytics in the future too. And finally, we finish with a glossary of all the key terms you need to know.

Our research, drawn from expert analysis, retailer interviews and market best practise, is complemented by the views of respondents to a survey of attitudes that looked at what retailers are currently doing, the challenges they face and their satisfaction with current best practice.

If you are looking to better understand and keep ahead of what your customers want from you when it comes to the full customer experience, then read on.

ABOUT THE EDITOR

Liz Morrell is an experienced retail and business news and features journalist who has more than 15 years' experience of writing about the retail sector. She is a former features editor of Retail Week where she spent more than 9 years as a full-timer. She loves all things retail but just wishes her "research" (insert shopaholic tendencies here) didn't cost her quite so much.

Liz Morrell, research editor

Introduction



ifty years ago, a famous analyst called W. Edwards Deming wrote a whitepaper about customer analytics. In it he made a provocative statement,

“It’s not enough to do your best, you must know what to do and then do your best”.



Over the last fifty years, a lot has changed in the world of commerce and retail and brands have been doing their best to keep up. Attention spans have dropped from over forty seconds to less than five, consumers who used to be influenced by TV, radio, billboards or newspapers are now seeing over 5,000 branded messages each day, and companies who used to trade locally are now just one click away from reaching everyone on the planet. But in the face of all this change, the principles behind customer analytics has remained largely unchanged; to allow brands to understand the needs of their customers, in order to give them what they want, when they want it, and be there for them in case anything goes wrong.

In the past this was relatively easy for retailers who only had to worry about single channels of communication, but today retailers are expected to manage multiple channels of hugely complex customer journeys, for thousands of people, at the same time. Despite this, many retailers are still acting like it is business as usual, it’s just a bit faster than in previous years, but I believe that is not the case. Of course our customers’ attention spans are getting shorter, their purchasing journeys are getting longer and the amount of big data that we must manage is getting bigger, but customers are also adopting new technologies like VR faster than the industry anticipated. They are also shifting to messaging apps and away from social networks with some estimates suggesting that as much as 30% of all internet browsing will be done without a screen in as little as three years.

These shifts in consumer behaviour are having a huge impact on brands already. Customer expectations are getting higher and expected response times are lower than they have ever been, making customer analytics the most important foundation upon which any digital strategy should be built. This is why I believe that digital commerce is no longer about survival of the fittest but survival of the fastest. Success won’t belong to the brands that have access to the most data or the strongest analytics platform; it will belong to those which also have teams to make sense of that data and act upon it faster than their competitors.

I heard it said recently that “insights are things you don’t know, should know, but have the ability to change”, and that is the wonderful promise of customer analytics. It gives you the ability to change things. So no matter what stage your brand is at on its own journey of digital transformation, we hope that this white paper will inspire you ~ not just to ‘do your best’, but to understand exactly what you need to do in order to serve your customers faster.

Fiona Byrd, Watson Marketing business leader
IBM Watson Customer Engagement



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“ Insights are things you don’t know, should know, but have the ability to change ”



Why insight & analysis is more important than ever



There is no doubt customer analytics is increasingly being used to inform retailers as to what they need to do to boost customer spend and loyalty. Good retailers in this field not only understand the opportunity it offers but believe it is fundamental to delivering exceptional customer experiences, since the more they know about their customers the better they can understand and embrace their needs.

“As a business we’re committed to making decisions that are informed by facts and insight from our customer – not simply assumptions,” explains Nathan Ansell, director of customer insight and loyalty at Marks and Spencer.

In our survey, we found that 83% of those surveyed said that in their commercial activity the importance of customer analytics to decision making was very important. Retailers realise the key role it plays. The race is on to know the customer as well as – and perhaps even better – than they know themselves, and to deliver personalised, relevant content and experiences to them as a result.

But it’s moved on from simply analysing website behaviour. Today the retailer needs to understand and learn about the customer at all points of the journey. This means a single view of the customer and requires a connection of data at every point – from store to contact centre, website to email and processing.

As well as traditional performance measurement and reporting, retailers are now using customer analytics to identify trends and patterns across all channels as well as throughout the customer journey.

It allows them to understand key behaviours of all customers; discover new marketing and optimisation opportunities; identify areas of weakness such as customer struggle in completing a form or in the checkout process for example; to automating triggers for campaign execution and delivering multichannel personalisation.

The benefits are vast; from delivering improvements in ROI and driving marketing and business efficiencies, to growing customer engagement levels, conversions and ultimately increasing customer loyalty and lifetime value.

But despite realising its importance retailers aren’t happy. In our survey, nearly two-thirds of respondents (64%) admitted to being unhappy or indifferent with the customer analytics available within their business.

Our survey showed that people and the commercial model were retailers’ strongest assets when it comes to customer analytics but that many felt that processes, technology and data were their weakest points, suggesting more help is needed to maximise opportunities.

And, as a result retailers also lack confidence in their analysis. Although our survey found that half of those surveyed were happy with their ability to generate analysis that is relevant, accurate, timely insightful and actionable that still leaves the remaining half who were either indifferent or unhappy with their current capabilities.

Similarly, only just over a third of respondents (39%) felt they were better than the competition with half of respondents (51%) saying how they were doing was equivalent to competitors.

CONSIDERATIONS FOR ACTION:

- Understand the value of customer analytics in your business
- Invest in purpose built solutions to boost processes and technology to get the best from your data
- Make sure you ask the right questions
- Dedicate time and resources but also support staff with the right tools

“ Nearly two thirds of retailers are not satisfied with their customer analytics ”

Why the whole business needs to embrace customer analytics

“ Treating customer analytics as a separate business unit rather than adopting the insights within the entire company is a mistake made too often by retailers ”

CONSIDERATIONS FOR ACTION:

- Learn as much as you can about the customer – demographics and purchase history is no longer enough.
- Connect the dots across all departments in the business and all touchpoints with the customer and connect all sources of data rather than keeping it in silo
- Build a dedicated team – ideally mixing analysts and marketers
- Change the focus on customer analytics from simply reporting data to learning and actioning insights



As we have already seen the role of customer analytics has changed. What was once a nice-to-have in the marketing department now forms the crucial backbone of decision making across the business. As one retailer in our survey said: “It used to be a small number of people within the organisation. Now everyone is encouraged to capture customer information from any and all touch points.”

Without customer analytics and the ability to visualise the entire customer journey retailers simply can’t understand what their customers want or how they are behaving (which is further complicated by their multi-device shopping behaviour) and decide on their strategies for the future. They can’t identify where obstacles are on the customer journey and where opportunities for better conversion may be.

But data overload is also a very big problem, especially given the different sources it may be coming from. “Many retailers are restricted by their existing tools and resources, with fragmented data in various solutions and not enough bodies to make sense of it all,” says Neelam Kharay, IBM Customer Experience Analytics specialist.

Sometimes this can simply be due to the historic nature of setting up analytics as an isolated concern within a business, something that has to change if success is to be achieved. “Treating customer analytics as a separate business unit rather than adopting the insights within the entire company is a mistake made all too often by retailers. This becomes a big problem as the insight and actions aren’t shared – thus providing a disjointed experience for the end customer,” says Kharay.

Different departments such as sales, marketing, ecommerce and customer service have all previously each held their own separate data and analytics. But today businesses need not only to be able to get at their data but to do so quickly, allowing them to react at the right time to maximise sales opportunities when they present themselves.

Not only do they need to be able to see thorough and accurate information about individual customer interactions to better target them, but they also need to be able to collect that behaviour under groups to better anticipate what similar customers might do and want. Just understanding who they are and what they have bought simply isn’t relevant any longer.

And retailers need to have a full view of the customer journey too, which means linking up behaviour over time rather than just the immediate behaviour that ends in a sale on the site.

When retailers were asked how successful they viewed their organisation at working across teams to react to analytics, the results were generally low: 33% were indifferent about their ability to work together across different teams and 20% were unhappy or very unhappy at their ability in this area.

When asked separately about their mastery in this area nearly half (47%) thought there was room for improvement and only 14% felt they had mastered it.

Understanding the new demands of the customer

CONSIDERATIONS FOR ACTION:

- Use the data you collect to create something relevant and worthwhile for the customer – don't be as blatant as just selling
- Walk in your customers' shoes to understand why journeys may be failing or stalling as well as what it is that makes them a success
- Look at how activity in one channel may impact conversion to another
- Use customer data to understand the shortest path to conversion

“ Customer behaviour is more erratic and harder to predict ”



he customer is a fickle creature. They are, in some instances, becoming more hesitant about proactively sharing their data and yet expect a more personalised experience than ever.

This means that analysing the data you can gain from them is vital. “There is the expectation of contextual marketing,” says sheepskin products retailer Celtic & Co’s ecommerce

manager Chris Farrow, who is profiled in our case study section. “We find that certain channels are proving less effective than they were in the past. The reason for this is that customers are expecting to have marketing around them and their situation. Where we could use batch and blast in the past we are now having to tailor marketing activity towards specific customer segments or lifecycle moments,” he says.

M&S’s Ansell agrees: “Customers increasingly expect a more personalised experience when they shop and interact with a retailer. At M&S we have developed detailed customer segmentations that allow us to share carefully curated content with our different customer types – presenting them with editorial, products and offers that are relevant and valuable to them,” he says.

Despite their fickle behaviour across channels customers are expecting the same recognition no matter how they are interacting with the retailer. To them it doesn’t matter if they start a buying journey browsing on the web, speak to someone in the call centre for more information and complete the sale instore. If this disjoint in customer knowledge becomes obvious to the consumer (for instance they market to a customer who has already completed a sale) then the customer begins to question just how valued they really are.

And it’s the same across devices too, whether they are browsing on one device, adding it to their shopping cart on another and perhaps completing the sale on a third device. “Retail customers remain the most demanding,” says Kharay. “They are now more informed, less patient, more digitally savvy, less brand loyal and expect all retailers to deliver the best experience they’ve ever experienced,” she says.

Recognition extends to making life easier for the customer too - such as quicker checkouts if a customer has shopped before and displaying information such as local store or personalised offers and product recommendations only when appropriate.

Our survey showed that customer behaviour is changing the way that retailers collect and use customer analytics. But it’s no easy task. Retailers in our survey reported the challenge of customers browsing across different devices as well as the challenge of getting useful data out of their customers in the first place.

“Customer behaviour is more erratic and harder to predict,” said one retailer. Another retailer spoke of the need to wrench back power from the consumer. “Merchants are now focussed on big data as they struggle to get the power back from consumers,” said the retailer.

CARPHONE WAREHOUSE

Why customer analytics is a critical factor

www.carphonewarehouse.co.uk

At Carphone Warehouse Anthony Morris, director of strategy and analytics, says customer analytics is an analysis of customer need, preferences, expenditure and engagement. “It is a critical factor in our day-to-day trading decisions as well as our long-term plans,” he says.

The company uses customer analytics extensively throughout the business and it’s a growing area, according to Morris. The company has also created a centre of excellence for analytics which supports all areas of the business and ensures rapid adoption of new analytics tools and techniques, such as machine learning.

“Our ability to capture and interrogate data is rapidly expanding,” says Morris. “This is enabling us to tailor our proposition to the needs of different customers and to offer more personalised products and services,” he says.

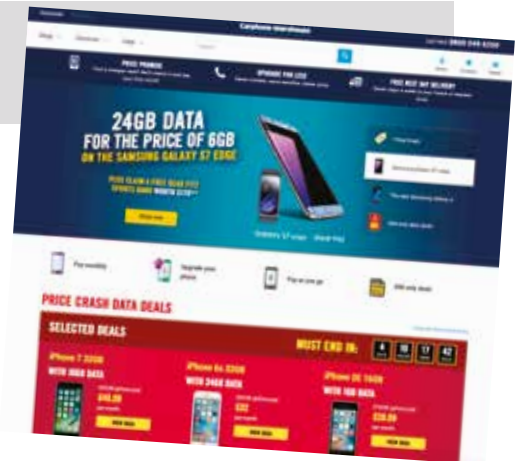
The company’s focus is on combining data from different touchpoints to get a better understanding of customer needs but Morris admits that the need to integrate legacy systems

can make this a tough challenge.

However, the benefits outweigh the difficulties.

“There are lots – happier customers (as seen by increasing NPS scores), increased loyalty and retention and a better ability to forecast demand,” he says.

This is especially important given that customers are demanding more value and immediacy, says Morris. However, he warns that retailers must keep control of their data. “The volume of customer data is rapidly increasing, especially online. As a result, good data governance is essential,” he says.



ERNSTING'S FAMILY

Responding to the changing needs of the customer

www.ernstings-family.de

German department store chain Ernsting’s Family is currently working on combining insights from everything from web analytics to customer surveys, purchasing behaviour and user testing to better optimise its web store and customer approach on its various channels. “We are permanently working on the optimisation of the linkage and evaluation of data sources,” says Andre Hoffschroer, manager content, conversion and analytics, ecommerce for Ernsting’s Family.

“Customer satisfaction and the fulfillment of customer expectations in relation to the user experience as well as product presentation and product selection is an elementary part of our business model,” he says.

And it’s crucial for success, he believes. “Only those who understand their customers and respond to their needs will be able to compete with their competitors on a long-term basis,” says Hoffschroer.

The company uses several different tools to measure

customers and their behaviour which includes IBM Digital Analytics for classic web analysis. “By doing so, we measure the visitor behaviour, segmented by the different types of users – based on the evaluation of the various marketing channels and touchpoints and the on-site customer journey, which are represented through various funnels.”

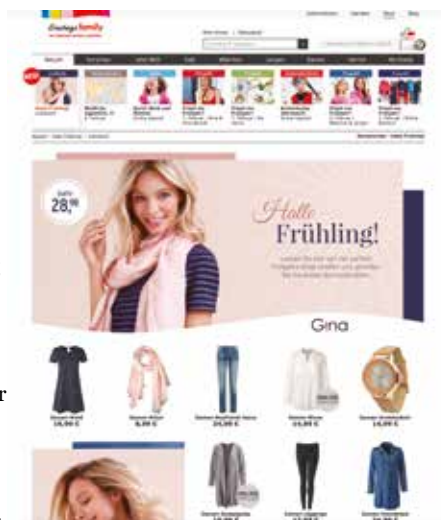
“This allows us to identify areas that can be optimised in the shop,” he says. Data flows, in a consolidated manner, into the company’s Business Information (BI) system to provide insights and a detailed overview of the customers’ behaviour patterns, which in turn are used to optimise the interaction with the customer later on.

“Our customers always want to be precisely addressed. In order to identify the relevant topics for the customer, we integrate the learned behaviour directly into the customer recall,” he says.

And learnings are coming as a result of such insight. “We notice the shopping behaviour is changing.

In the past most of the users got access to our webshop by desktop computers, nowadays they mostly use mobile devices. The analysis helps us to understand the cross-device usage and to optimise the customer experience on mobile devices.”

But like many Hoffschroer says the huge amounts of data can be hard. “The biggest challenge is the technical development and the enormous associated flood of data that we have to handle,” he says.



CELTIC & CO

Providing actionable insight and understanding

www.celticandco.com

Based in Cornwall, Celtic & Co offers a range of sheepskin products such as footwear and women's clothing. The company's ecommerce manager Chris Farrow says for him customer analytics is: "grouping together all available customer data points in order to provide actionable insight and understanding of how our customers want to engage with our business and how we can best serve them."

And he says it's crucial. "Underlying our entire business is the need to provide our customers with a service that they desire. To give customers this service we first need to understand their mindset – from their first engagement with the brand and then throughout their journey with us. We then need to understand that customer mindset and expectations change throughout a customer's journey with a brand and that we need to adapt with them," he says.

The company uses such insight across the business – from segmenting email, to driving marketing campaigns and through to personalising the customer experience within the call centre.

It is also using it to increasingly understand how to solve



problems in the business, such as customers' increasing propensity to return goods. "We are seeing return rates rise year on year and are looking at how we can use customer data to slow this – be it through the use of online fitting rooms, using data on customer size and fit to suggest what size they should buy through to understanding if certain customer or product segments are more likely to return and if we can accommodate this," he says.

MARKS AND SPENCER

The end product of customer analytics is what's most important

www.marksandspencer.co.uk

At Marks and Spencer Nathan Ansell, director of customer insight and loyalty, says that customer analytics is a process. "It's the interrogation of customer generated data through advanced programming and statistical techniques," he says.

But its product is what is most important he says. "The end result of that process is what really matters – ie delivering actionable insight for the business," he says.

Ansell says such data and insight allows the retailer to track a customer journey that spans decades as life stages and personal circumstances change. "Through a single customer view and best in class Enterprise Analytical Hub M&S is able to link behaviour back to an individual customer, be that instore behaviour, the promotional impact, website browsing or contact centre communications."

"This process helps us better understand our customer based in the context of deep level attitudinal and behavioural segmentations and is helping us to offer an increasingly rich and



more personalised experience for customers," he says.

All data is consolidated into a single source to ensure that: "only one version of the truth exists and despite breath and volume we can efficiently identify the relevant data for the projects we're working on," says Ansell.

The customer insight team at the retailer acts as a fully integrated growth partner across different business areas, providing such departments with in-depth knowledge of the customer. "Delivering what our customers want from us in the way they want it drives incremental interactions with M&S, increases loyalty and a longer-term relationship with the brand," he says.

The retailer is focusing on developing and rolling out a self-serve analytics model. "This utilises the power of the analytical systems to give the business more real-time customer analytics at its finger tips, enabling us to quickly react to differing customer behaviour with minimal analyst input," says Ansell.

"A move to more of a self-serve model frees customer analytics and data scientists to devote more time to exploratory customer analytics; looking at how we can answer business questions in innovative ways and give M&S competitive advantage," he says.

But this does bring its own challenges. "An education piece around self-service is going to be key – ensuring that employees across all levels of the business know how to access the customer analytics reports, but crucially understand the metrics and how to interpret the results," he says.

HALPA-HALLI

Making life easier for its customers

www.halpahalli.fi

Finnish retailer Halpa-Halli Oy operates 38 stores in Finland selling a range of products from groceries to fashion and homewares. The company's name translates literally as Bargain Hall.

The family-owned company, which is just turning 50, will relaunch online shortly. Business director Tuomo Simojoki says that for his business customer analytics will be key. "The understanding of our customer mindset/satisfaction is a key element to our business. Being in retail there are big changes to the industry and being able to survive is about understanding our customer and offering the right services and products," he says.



The retailer is currently setting up the necessary systems to better enable customer insight. "Within the next few months we should be able to do funnel all our customer information into a visible analysis," he says. "All the information we are gathering will help us to offer solutions that our customers feel are easy to use. By being able to make life easier for our customers, as well as give them the sense that we can treat them personally, we should be able to get better customer loyalty as well as more effective marketing," he says.

He says the systems revamp will enable all departments to use the data. "At the moment customer analytics is understood quite well in different departments but the biggest problem is perhaps the fact that we do not have the tools for all departments to reap the benefits," he says.

PERFORMANCE BICYCLE

Replicating the instore experience online with analytics

www.performancebike.com

For cycling enthusiasts, the instore experience is key. At US chain Performance Bicycle instore bike experts help to guide the shopper from browsing to sale but the retailer wasn't replicating the experience online. Cart abandonment was high with shoppers complaining that the site was difficult to navigate.

The company needed to understand what was going wrong and so used IBM Customer Experience Analytics software to analyse the customer journey onsite by examining the points at which online visitors were pausing or abandoning their carts.

Once the retailer had the data it needed it then made the next important step – using the single view it now had of its customer journeys across experiences and channels to inform its plans for a website redesign aimed at optimising



the online experience.

Today the website follows the same customer guidance journey as instore. A learning centre provides detailed information about products and repairs and has attracted greater numbers of customers because the content is customised with insights gained from visual paths of activity. Within four months of launch web traffic tripled, more than 40% of sales are now referred to direct online sales and visitors to its learning centre are 20% more

likely to make a purchase than customers referred from elsewhere. "We can deliver positive social experiences that convert casual visitors into committed customers," said Mike Starkey, VP of information systems at Performance Bicycle.

Why it's time to mobilise for action to enable success across the business

CONSIDERATIONS FOR ACTION:

- Use the data you collect to create something relevant and worthwhile for the customer – don't be as blatant as just selling
- Walk in your customers' shoes to understand why journeys may be failing or stalling and as well as what it is that makes them a success
- Look at how activity in one channel may impact conversion to another
- Use customer data to understand the shortest path to conversion

“ 44% said they could do more to mobilise around customer analytics ”



As we have seen in our case study section retailers are making huge use of customer analytics. But whilst retailers are getting better in their ability to collect data making valid use of it is a greater pressure and challenge, especially if the retailer hasn't decided first what they actually want to understand about the customer. “When a retailer focuses on customer analytics there is often a pressure within the business to action all the insights quickly and at once,” says Kharay.

“This can then create a negative effect so it's important for retailer to first prioritise the insights in terms of impact and business value and then plan the actions in a more manageable and realistic way. Customer analytics should also help quantify the business impact of a particular insight and not just reveal it,” she says.

Ensuring a business can move forward is vital but it's an area where retailers are currently lacking. In our survey 31% said they were indifferent about their ability to mobilise and put new insight into action and a similar number (28%) were unhappy.

But retailers can't afford to stand still, according to M&S' Ansell. “The rate of development in the industry is so rapid you have to strike a careful balance to ensure that you don't a) become distracted or b) get left behind,” he says. “Experimentation must not distract from the delivery of comprehensive customer analytics that inform strategy and answer business questions but equally you cannot simply just stick to the status quo and compromise future competitiveness,” he says.

Of course, another way to turn analytics into action – and therefore mobilise the whole business behind the value of this data – is with proof (or evidence) of ROI. Conversion and average order values came top of the list for KPIs used to make the business case in our survey but retailers cited other KPIs too such as customer satisfaction, customer experience and customer retention. This proves that retailers are taking the role of analytics and data more seriously within their business, not simply using them just to drive sales but to ensure the loyalty of the customer too.

The next steps hitlist

1

CONTEXTUALIZE THE CUSTOMER JOURNEY

Knowing the ‘typical customer journey’ is simply not enough. Retailers who truly deliver great customer experiences understand which journeys generated the most revenue, which drove the quickest conversions, which delivered a higher marketing ROI and which created a more valuable lifetime value.

2

IDENTIFY AND RECOVER LOST REVENUE

Many retailers are unaware of the struggles customers face online, in app and on mobile meaning regular audits are vital. Whether it’s signing up to join a newsletter, redeeming a promotional code, stock checking in a local store, creating an account or even adding a delivery address or payment method within the checkout process, customers are facing obstacles that result in reduced conversions, poor experiences and a significant loss in revenue.

3

TRACK EVERYTHING

Whether it is a display ad, search campaign or outdoor poster, retailers should track every marketing campaign to map marketing activity against customer behaviour which will help illustrate the impact and influence of messaging within the customer journey.

4

FOCUS ON YOUR BUSINESS PRIORITIES

With a wealth of information available, retailers can often get distracted by interesting insights that don’t actually impact the business. It is therefore useful always to assess the business value of the insight within customer analytics and add it to a priority list.

5

CHALLENGE YOUR SOLUTIONS

Customer analytics should present insights retailers can easily use in their day-to-day tasks such as automating responses, triggering events and personalising content. However, these tasks are made difficult or seen as ineffective due to limitations or a lack of investment in the retailer’s technology. By quantifying the opportunity of these tasks in line with business priorities, retailers are encouraged to challenge the solutions they have to meet their needs.

WHAT THE RETAILERS WE SPOKE TO ARE PLANNING NEXT:



Chris Farrow, ecommerce manager of Celtic & Co

“I would like to be pulling more customer data into our digital platforms and adapting their output to reflect our understanding of each customer. I would like to be able to use our understanding of a customer’s engagement with our brand to inform when and how we communicate with them so that we are engaging with customers on their terms and not flooding them with unwanted marketing.”



Tuomo Simojoki, business director, Halpa-Halli

“We will carry on enriching our customer portfolios and find new sources of information to build a more

comprehensive portfolio. We will use this in marketing and ecommerce ‘platforms’ as well as customer service. For quick wins and future strategies this means that we need to implement the new systems quickly and start making use of them so as to be amongst the forefront companies.”



Nathan Ansell, director of customer insight and loyalty at Marks & Spencer

“Putting the customer at the heart of our business will enable us to make a more successful, sustainable and profitable M&S. So for me – it’s always going to be geared towards getting to know the customer better – doing more of the same but bigger, better, more advanced, more visual and faster.”



Andre Hoffschroer, manager content, conversion and analytics, ecommerce for Ernsting’s Family

“We would like to merge the data even better and combine it with POS data. The more exact matching of the cross-device-data also is a great desire.”



Anthony Morris, director of strategy and analytics at Carphone Warehouse

“Using it to build stronger relationships with customers and providing a better understanding of customer needs across their lifetime not just at a particular moment in time.”

Conclusion and the future

“ The businesses that will gain true competitive advantage are those that successfully integrate the customer centric analytical platforms with their operational platforms ”



As we have seen data analytics has moved on hugely in recent years alone so the next five years are likely to bring huge further change in both the data that retailers can collect and their ability to use that data to make meaningful decisions about their business and prompt ever more immediate actions that persuade the customer to buy.

“The next five years will see more expectation and less tolerance by customers,” says Kharay. “Customers will expect every shopping experience to be personalised; whether it’s a customer who prefers be anonymous, is very low touch, knows what they want, buys online and prefers home delivery in the quickest most efficient way, or the customer who wants to be recognised, prefers longer consideration periods, who waits for appropriate offers, likes to collect options online but purchases offline. The same retailer is expected to deliver a tailored service that meets both expectations – and every other combination in between,” she says.

So where should retailers look next? Kharay advises that artificial intelligence and machine learning through cognitive computing should be next on retailers’ agendas. “This is a process of understanding, applying reason and learning to better engage and interact with customers. Propensity models such as likelihood to convert, likelihood to buy, next best offer and mindset analysis, as well as statistical modelling on impact of action will all be necessary for retailers to respond to customers’ ever demanding needs whilst continuing to strive for greater profits. Therefore, cognitive solutions in analytics will be critical in augmenting and assisting people to be more effective in their role – thus benefiting the retailer and their customers,” she says.

M&S’ Ansell sees huge change: “Analytics professionals will become even more effective at integrating the sheer volume of data available to us - from a big picture macro level right down to micro individual level. Our growing ability to manage the vast data sources will deliver even more comprehensive analytics. The businesses that will gain true competitive advantage are those that successfully integrate the customer centric analytical platforms with their operational platforms – enabling them to spot and respond emerging trends ahead of the competition,” he says.

The need-to-know terms

A curated glossary of the key terms that every CEO and others in the business should know when discussing or assessing customer analytics.

- ▶ **Customer experience analytics** – view the customer journey holistically, across all channels and touch points, gaining the insight you need to deliver the frictionless experiences your customers want
- ▶ **Customer journey** – the path taken by customers from initial contact to purchase and beyond
- ▶ **Single customer view** – an aggregated, consistent and holistic view of all the data known about a customer
- ▶ **Data fragmentation** – data held in silos and scattered in many places
- ▶ **Life cycle moments** – key milestones reached throughout the customer relationship from awareness to advocacy
- ▶ **Mindset analysis** – key stages that customers progress through as they interact with a brand
- ▶ **Cognitive solutions** – a solution that automatically understands and reasons with information, learns from subsequent actions and interacts with its users.

The current state of customer experience analytics in retail

Retailers see a rounded customer view as a competitive advantage

- **93%** of customers said a rounded customer view was very much a competitive advantage.

Customer behaviour is constantly evolving

- **75%** say customer behaviour changes all the time.

The importance of customer analytics to decision making

- **83%** of retailers say that customer analytics is very important to their decision making.

But retailers aren't happy with what they have when it comes to customer analytics

- Nearly two-thirds of respondents (**64%**) admitted to being unhappy with or indifferent to the customer analytics available within their business.
- **19%** were unhappy and **45%** said they were indifferent.
- Only just over a third (**35%**) said they were very happy.

	Strong	Better than competitors	In need of investment/behind competitors	Weak
People	34%	33%	30%	3%
Processes	15%	27%	43.53%	57%
Technology	16%	29%	44%	10%
Data	22%	28%	42%	8%
Commercial model	20%	35%	36%	8%

People are a retailer's biggest strength when it comes to customer analytics

- A third (**34%**) of respondents said they were strong when it comes to people and a similar amount (**33%**) saying they were better than competitors.
- Just under a third (**30%**) said they needed to invest or were behind their competitors in this area.

Commercial model second area of strength

- **20%** rated their commercial model as strong and **35%** said it was better than their competitors.

Processes are the biggest area of weakness

- More than half (**57%**) said they were behind competitors or in need of investment when it came to processes.
- Only **15%** said their processes were strong although **27%** did rate them as better than their competitors.

Technology and data are also areas that need improvement

- **One in ten** of respondents said their technology was weak.
- Only **16%** of respondents rated their technology as strong and for **44%** it was cited as being behind competitors or in need of investment
- Only one in five (**22%**) said that data was their strongest point with **42%** of respondents needing to invest more or saying it was behind the competition and a further **8%** saying it was weak.

Retailers lack confidence in what they are doing

- Half of respondents (**51%**) think they are on a level playing field with their competitors.
- Only just over a third (**39%**) say they are better than the competition.

	Very happy	Happy	Neither happy nor unhappy	Unhappy	Very unhappy
Generate analysis that is relevant, accurate, timely, insightful and actionable?	10%	41%	24%	24%	1%
Mobilise and put new insight into action	9%	32%	31%	27%	1%
Work together across different teams to react to findings of analytics	13%	33%	33%	18%	2%

Retailers are largely indifferent about their abilities to perform across analysis, mobilisation and cross channel action

- More than half (**51%**) are happiest with their ability to generate analysis that is relevant, accurate, timely, insightful and actionable
- They are less happy with their ability to mobilise and put new insight into action (**31%** indifferent and **28%** unhappy)
- A third (**33%**) are neither happy nor unhappy with their ability to work across teams to react to findings
- Mastery is low and the need for improvement is high
- Across the board retailers said their mastering of the various aspects of analytics was more
- Nearly half (**47%**) of those surveyed said there was room for improvement in their ability to work together across different teams to react to findings of analytics

	Mastered	Acceptable levels of performance	Still needs improvement
Generate analysis that is relevant, accurate, timely, insightful and actionable?	19%	48%	33%
Mobilise and put new insight into action	13%	43%	44%
Work together across different teams to react to findings of analytics	14%	39%	47%

- Only **14%** said that they had mastered working across teams
- Confidence was highest in their ability to analyse with nearly half (**48%**) reporting acceptable levels of performance and nearly one in five (**19%**) saying they had mastered it.
- Mastering was lowest in the ability to mobilise analysis results with only **13%** saying they had mastered it and **44%** reporting room for improvement

Retailers lack flexibility in their data gathering

- Nearly half (**47%**) of respondents rated their data gathering as inflexible

Retailers are limited in their ability to respond commercially in real time

- Only just over one in five (**23%**) of respondents are able to react in real time to customers during their interaction
- Just over one in four (**26%**) can't respond to customers at all
- More than half (**51.14%**) are limited in their ability to respond commercially in real time



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