

# DIGITAL STORE: THE CUSTOMER EXPERIENCE



“ Technology and other priorities are hampering retailers’ vision for digital in store ”

## INSIDE

- Amazon
- Debenhams
- Dixons Carphone

[www.internetretailing.net/iruk](http://www.internetretailing.net/iruk)  
[research@internetretailing.net](mailto:research@internetretailing.net)

## INTRODUCTION

# STANDING ON THE THRESHOLD OF THE DIGITAL STORE

Giving the customer a personalised experience, with the right context in real time and at an appropriate time on the right device, has been made possible online by technology. However, expanding that single view of an online customer into the bricks-and-mortar retail space and giving them a personalised experience in store requires more than the right data feeds.

It is something that retail is moving towards though as retailers try to get a better understanding of the customer across all channels and use the learnings from the online channel in the store environment.

As Sir Terry Leahy, former CEO of Tesco and pioneer of the Clubcard loyalty scheme explained, if you learn about individual people and what matters to them, you have something to say when you engage with them and they then listen to you. If you go on to offer them something different about your business or an experience that suits them better you have the beginning of a loyal relationship.

It is this loyalty and difference that retailers are trying to bring to the store environment. These are being enabled by the operational underpinnings of the order, the product, staff training and physical environment that were discussed in the first whitepaper 'Optimising the store estate for omnichannel retailing'.

In this whitepaper we move 'through' the store and look at the impact these have on the customer: How do back-end capabilities enable retailers to be personal (rather than mass personalised); how can personal promotions be delivered in a way that's commercially effective; how can retailers create an experience out of technology, people and process capability?

We also highlight how retailers, including Amazon, Debenhams, Dixons Carphone, Farfetch, Browns and shopping centre landlord Hammerson are changing things in store.

While these retailers may be among the leaders in terms of using digital to give personal experiences in store, others are seeing their ambitions hampered by technology, data, staff and other priorities taking precedence. Only 18% of respondents to our survey say that they are very happy with how the store experience offered to customers reflects the brand values.

For many, understanding each individual customer and collecting data from their offline behaviour in stores would help them not only to get a better picture of customers but go some way to being able to provide a better and personalised experience to that top tier of customers in store. And that's when the full extent of digital screens, robots, personal messaging or simply staff service come into best effect. ■

## CONTENTS

- 3 SPONSOR'S INTRODUCTION
- 4 PERSONAL
- 6 PROMOTION
- 8 EXPERIENCE
- 10 CASE STUDIES
- 14 SURVEY RESULTS

# REINVENTION WITH DATA AT ITS HEART

We are moving into a new era in retail. One where traditional lines of engagement, service and fulfilment are blurred.

Today, retail is increasingly relying on digital capability to meet rising consumer expectations for personalisation, choice, speed and quality. This next evolutionary phase will see offline and online retail converge into a single, seamless experience. Retailers of all sizes will have to rethink the way their channels work together to stay one step ahead of their customers' needs and their competitors' next round of innovations.

This may all sound a bit abstract, but it is happening now. Take, for example, the investment Alibaba is making in innovating its retail business. Simply entitled 'New Retail', this bold vision for the future is based on creating a retail business fit for the digital era without the geographic, functional or technological limitations many retailers today find restrictive and inflexible. Retailers' success will require a digital and cultural transformation that places data and Artificial Intelligence (AI) at the core of business and we've identified some of the key trends retailers can act on now.

**PERSONALISE THE STOREFRONT FOR EVERY CUSTOMER:** AI-powered retail spaces recognise shoppers and adapt in-store product displays, pricing and service to reflect customer profiles, loyalty accounts or unlocked rewards and promotions—creating a personalised shopping experience for each visitor, at scale.

**GUIDE DISCOVERY BASED ON THE SHOPPER'S NEEDS AND PREFERENCES:** As customers seek to build confidence in a purchase decision, automated assistants can help narrow down the selection by recommending products based on shoppers' desired outcomes, needs, preferences and fit.

**RESPOND TO SHOPPERS' EMOTIONS:** By recognising and interpreting facial, biometric and audial cues, AI interfaces can identify shoppers' in-the-moment emotions, reactions or mindset and deliver appropriate products, recommendations or support—ensuring that a retail engagement doesn't miss its mark.

**EXTEND DYNAMIC CONSUMER OUTREACH BASED ON REAL-TIME INFORMATION:** Advanced CRM and marketing systems learn a consumer's behaviours and preferences, through repeated interactions, to develop a detailed shopper profile and utilise this information to deliver proactive and personalised outbound marketing—including tailored recommendations, rewards or content.

**RESPOND TO CUSTOMER FEEDBACK WITH R&D:** Deep learning algorithms collect and interpret customer feedback and sentiment, as well as purchasing data, to support product and service designs that better satisfy customer preference or fulfil unmet needs in the marketplace.

**COMPETING WITH THE INSTANT CRAVING:** Online retailers make it easy for shoppers to instantly satisfy their craving at the touch of a screen and receive the goods without delay. Traditional retail cannot hope to compete on this new playing field without rethinking how to deliver a relevant experience in their stores.

To succeed, they must focus on what they can offer that online alone cannot – a great experience with a human face. Embracing the opportunity to reinvent their business with data at the heart will enable retailers to deliver the personalised in-store experiences that will delight customers and cultivate long-term brand loyalty. ■



Artificial intelligence translates the personalised convenience of online shopping to physical retail, instantaneously refining product recommendations and rewarding customer loyalty. The result is a comprehensive view of shopper behaviour for retailers and a seamless experience for customers, regardless of the retail channel.



**DIANA PARKER**

Sector Director - Retail,  
Consumer Goods, Travel &  
Transport, Microsoft UK

## PERSONAL

# COLLECTING THE DATA

Where once customers were expected to visit stores at the time convenient to the business – which not that long ago saw many small businesses close for lunch or a half-day – now retailers are trying to change the store experience to fit the customer.

In order to do this though, they need to know who the customer is, when and where they want to visit a physical store and how they want to interact with the brand be that through self-service, a fully immersive sales experience with a member of staff or somewhere in between – and that interaction may be different each time they visit.

The customer may know what they want to buy and prefer a quick ‘grab and dash’ visit or they may have a more considered purchase in mind.

Data therefore is key to how the brand not only engages with the customer but how they interact on all levels from store locations and opening times to one-to-one communications. Data has become the cornerstone of the industry as retailers try to put the customer at the heart of their business and truly understand who they are individually and as a customer-type or cohort into which they fit for marketing purposes.

The rise of online retailing has led to a huge increase in the amount of explicit and implied data that retailers are able to gather about each shopper. The majority of respondents to our survey aggregate and use web purchase, customer service, email and digital market profiles and abandoned basket items when putting together a single view of the customer. Half of the respondents use browse behaviour from mobile with location data being used by almost half. Offline purchase history is being used too. However, only 44% of respondents are able to do so with notes on interactions incorporated by only 34%.

To be of any use though the disparate data feeds need to be passed to a single database or to be accessible by systems to provide actionable insight or a single view of the customer on demand. “The single view of the customer database compiles a view of the customer from store, online and from direct channels into a single database and allows us to tag and identify customers, whether they are known customers or are a new customer, along with their buying habits,” says Stuart Ramage, Ecommerce Director, Dixons Carphone.

The majority of transactions across the Dixons Carphone brands take place in store and are untagged as the shopper paid either with cash or didn’t give consent for their data to be stored.

Some retailers are trying to link their offline customers with their online actions by offering e-receipts, with the customer’s email address collected at the point-of-sale in store so that a receipt can be added to their online account or sent directly to them. This means that even customers paying with cash are no longer anonymous. Some of this can happen when items are returned too with the shopper’s name and postcode collected.

It also means that not all of the customer data is being collected by the retail organisation. As Robin Phillips, former-Omnichannel Director at Boots explains, the IT Director has a big role to play in integrating in-house data systems with those from third party suppliers collecting data from systems such as in-store receipting and payments systems. Phillips believes that there is an opportunity for much of the data collection and amalgamation of single views to be provided by third party suppliers rather than enabled by retailers in-house.

## IN APPROACHING A PERSONAL VIEW OF THE CUSTOMER, WHICH OF THESE SOURCES ARE YOU ABLE TO AGGREGATE AND USE?

- 84% Web purchases
- 60% Customer service
- 52% Email and digital marketing profile
- 52% Abandoned basket items
- 50% Browse behaviour on mobile
- 48% Location data
- 44% Offline purchase history
- 34% Notes on interactions

Sainsbury's though has recently purchased the Nectar loyalty scheme of which it has been a member for many years in a bid to know its customers "better than anyone else".

It is no wonder then that the high street is so full of loyalty schemes and shoppers' wallets full of plastic cards as retailers have tried to get a closer understanding of the customer. "Loyalty schemes are one tool that retailers can use to better understand customer purchasing behaviour but they can be expensive to operate," says Robin Phillips. Waitrose, for example, cut back on its free coffee to all loyalty cardholders regardless of whether or not they bought something.

Even with a loyalty scheme, it is no simple matter to obtain a single view of the customer, especially when an organisation gathers a large amount of data that sits in silos, explains Charlotte Briscall, Head Of Digital Experience, Sainsbury's. "It's difficult to gain a single view of the customer, but we're working on gathering this as quickly as we can," she says.

Once the data has been amalgamated into a single view though it can be used across the business to engage customers in more meaningful ways, it can be made available to store staff to help in how they interact with the customer or the customer's own data can be made visible to them so that they can self-serve or re-order items easily themselves. The Amazon account is a prime example of this online since customers can see their interactions with the brand back through the years as well as change delivery addresses, payment cards and update preferences.

Dixons Carphone is another retail group enabling customers to view and amend their data online. Other retailers are enabling some of this functionality through chatbots using either pre-programmed questions or allowing customers to use natural language to ask questions such as where is their order.

How retailers handle customers' data has become even more important with the introduction of GDPR. Retailers must now have active consent for how every piece of information on a potential customer is used as well as knowing where data sits across their organisation. The regulation has also given retailers an opportunity to clean up databases and interact in a transparent way with customers asking them if they want to continue to engage with their brand and their preference for types of communication as well as topics. Those customers and potential customers who give their permission for communication to continue after the 25 May deadline will be shoppers who have consciously chosen to interact and engage still with the brand and are thus more likely to be loyal.

Alessandra Di Lorenzo of lastminute.com group believes that GDPR is "positive news" and will increase the relevance of communication between retailers and their customers. "You need to be transparent and enable people to manage their data," she says.

It's something that retailers have been trying to do for some time regardless of the changes in regulations since having a database of engaged potential customers opens up opportunities for future engagement. The right offers being communicated through the correct channel at the best time is a win:win all round. ■

“Loyalty schemes are one tool that retailers can use to better understand customer purchasing behaviour but they can be expensive to operate.”

Robin Phillips, former-Omnichannel Director, Boots

## PROMOTION

# OFFERING A PERSONALISED EXPERIENCE

Speaking at an event about personalisation at the end of 2017, Sir Terry Leahy, former CEO of Tesco and pioneer of the Clubcard loyalty scheme, explained that if you learn about individual people and what matters to them, you have something to say when you engage with them and they then listen to you. If you go on to offer them something different about your business or an experience that suits them better you have the beginning of a loyal relationship. "Loyalty is incredibly valuable, incredibly profitable, by orders of magnitude," he said, adding: "It is more relevant today than ever before."

Not all loyalty is built on the basis of a card scheme though as consumers are happy to continue shopping with a favourite brand that delivers on its promises whether they are implied by brand messaging or specifically written as an offer or email. Would Amazon have as many repeat customers if it wasn't consistently good at what it promises?

Amazon knows who you are, what you have bought from the platform in the past and it was the first to suggest products that you might also like to buy. Personalisation of the online experience is now an industry norm with figures in the tens of per cent quoted for how effective it can be. Waitrose, for example, received a 20% uplift in conversion against the control group when MyWaitrose loyalty cardholders who hadn't yet bought their turkey for Christmas dinner were targeted with an offer.

In this scenario though Waitrose had information from its loyalty scheme as well as from the shopper being logged in online, something that's harder to translate into the store environment.

Dixons Carphone though is using beacons in 80% of its stores to help it understand the effectiveness of digital marketing campaigns at driving footfall. If a customer has interacted with a campaign on their mobile phone promoting cameras to shoppers who haven't bought one in the past 4 years this can be picked up by the beacon in store. The information collected is anonymous though so doesn't allow for further promotion. "There's interesting information in there but not much actionable data at the moment," says Stuart Ramage.

Bacons can, with the shopper's consent, enable push notifications to be sent to a customer's mobile phone when they arrive in store or walk within a certain geofenced area. The message could be an offer on something they've been looking at online, linked to the weather with a discount on an umbrella or simply a welcome message.

Shopping centre landlord Hammerson has been testing beacons to great effect sending real-time, location-based messages to shoppers as they pass specific beacons in their shopping centres. Shoppers receiving the exclusive offers from retailers within the centre are already loyal to some extent since they need to have downloaded Hammerson's Plus app and agreed to be sent notifications in order to receive the offers. "Location-based relevance really influences behaviour," says Kathryn Malloch, Head of Customer Experience, Hammerson.

In one of the push notification pilots it ran, Hammerson found that not only did offer redemption increase by 130% for the individual retailer taking part in the trial but it also increased subsequent visits to the centre by 39%.

## STORE PROMOTIONS USED BY RESPONDENTS:

"We were quite pleased with our receipt competition to garner more email addresses from our store customers but we could do much better."

"Leveraging the loyalty card to offer personalised events and experiences within store."

"Beacon based proximity marketing for frequent customers."

Time, money and skills were mentioned as reasons why other respondents were not running the promotions they'd like to be able to do. One respondent commented: "We would need to link up to mobile device or scan membership for those who wish to remain paperless which could remove the novelty of the in store experience"

## PROMOTION

It's not always necessary to know who the customer is in order to give a more personalised experience though. CCTV and video screens can be used to show relevant promotions to a passerby based on gender or age. The incorporation of RFID tags into clothing can also trigger relevant content to be played on a screen to the person removing the item from its rack.

And that's not forgetting the importance and expertise of the store staff. Dixons Carphone has been putting mobile tablets into the hands of staff so that they have access to information that will help them interact with customers. As well as product information and stock levels, store colleagues can see a customer's wishlist to view what they have been researching online before coming into store. This saves the customer having to go over which televisions are on their shortlist for example. The company has already found that the NPS doubles in stores in which shoppers have interacted with a member of staff with access to additional data on a tablet device, according to Stuart Ramage.

The next phase is further iterations with more customer data. As Ramage says, "There will be elements we want to surface but there's a far greater level of richness that we can bring to that experience, more than just wishlists and order history."

He continues: "The golden egg is for a customer to be recognised when they walk into store because they are holding a loyalty card of some description. This is scanned on a device and the colleague instantly recognises not just the value of the customer but any contact we've had with them previously, including complaints."

The ability to collect data in store was mentioned by many of our survey respondents and seen as a key component to obtaining a 360-degree view of the customer. As one respondent commented: "We only collect a small percentage of in-store purchase data. Collecting a higher proportion of transactions would help give a better picture of our better customers."

And it is these high value customers that other survey respondents said they'd ideally like to target, highlighting the importance of this customer segment and them being communicated with on an individual basis.

And here lies the key to customer data and one-to-one promotions – customer lifetime value. Retailers need to look at the potential lifetime value of the customer rather than simply looking at the ROI of a single customer view on a single transaction basis. As Robin Phillips comments: "By having a view of profitable customers across all channels, they can then interact with these top customers in a different way giving them a one-to-one experience, for example. Retailers can make more of their store staff and retail theatre to provide special experiences for this top tier."

The wealth of data available and the ways in which it can be utilised is enabling retailers to engage with shoppers in meaningful ways, opening up the opportunities to become truly relevant to each and every customer, to reach them with the right message, in the right channel at the right time, and to give them the right assistance. Having all this data, though, the retailer needs to ensure that it is used in a way that doesn't upset customers, either through changing how a loyalty scheme or app works or in the level of 'creepiness' factored into the personalised experience. ■

## EXPERIENCE

# ENHANCING THE EXPERIENCE

From simple but effective measures such as queue busting with mobile payment terminals or people being sent a message when it's their turn to be seen for a shoe fitting or being able to book a time slot online for a demonstration in store, technology continues to enhance the store experience for shoppers.

QR codes and RFID are being used in stores to show rich content and to open up videos on the customer's smartphone giving access to further details about that item. Shelf-edge labels showing online product reviews is something that Amazon does effectively in its book shops in the US, while also curating the actual books on display based on what is being bought online in the area. This is something that online subscription beauty box pioneer Birchbox is doing in its pop up stores too.

Debenhams is incorporating gyms and Blow beauty bars – whose services can be booked via smartphone – into a number of stores as part of shaking up its beauty halls and giving customers further reasons to visit. It's also taking the beauty services out to customers' homes.

The retailer's Click, Try and Buy service is enhancing click and collect and enabling a customer who has placed an order online to collect their items in store, take them to a changing room – which they have booked – and be helped by a personal shopper. "It's all about the best use of time," says Ross Clemmow, and getting the right combination of product, service and experience. When this mix is right, customers visit more often, he says, adding "We do well and the customer is happy, too."

Robin Phillips has a similar view, explaining that a unified view of the customer can be used to enhance the experience in store. A different experience can be achieved if after viewing shoes online a customer goes to a store to browse further or to try them on. "If the staff know that you are coming into store and can recognise you when you come in they can have the shoes ready as well as a couple of other pairs to show you," he says.

When its flagship store in Westfield Stratford City in London was closed for refurbishment and expansion, fashion retailer Zara opened a pop-up store dedicated to click and collect. The store also included technology to help recommend items to customers with information screens embedded into mirrors triggered by RFID. Staff were equipped with mobile devices to assist customers. Pablo Isa, Chairman and CEO of Inditex, said that this and other concepts marked "another milestone in our strategy of integrating our stores with the online world, which defines our identity as a business".

NFC is another technology being used by retailers to trigger further information when the shopper's phone is tapped onto a product in store. Combined with electronic shelf-edge labels, NFC can be used to display product information or promotions to the customer when they tap their phone. It can also be used outside of the store environment. Nike incorporated NFC tags into clothing sold to NBA fans in the US. When the clothing is tapped with a smartphone, the customer can see information on their phone about the player whose shirt they were wearing as well as other content, playlists, offers and exclusive experiences. The NFC tags also provide authentication that the item is genuine.

Fashion chain Mango is taking tagging one step further with the digital mirrors it is developing for the changing rooms in its flagship stores. As well as being able to scan the tags on clothes in the fitting room, shoppers can contact

## HOW MUCH OF AN OBSTACLE TO REALISING YOUR VISION ARE THE FOLLOWING?

26% of respondents say that technology is an obstacle. This includes 2.5% who say that technology is a "total blocker" to their ambitions.

21% say that data is an obstacle. This includes 2.5% who say that data is a "total blocker" to their ambitions.

24% say that business management or leadership's ability to deliver the necessary changes is an obstacle to realising their vision for the store experience. This includes 8% who say that it is "total blocker" to their ambitions.



shop floor staff directly from the mirror, through a digital watch, to request different sizes or colours. The mirror will also suggest additional clothes to complement the original choice. "This is a really exciting project for Mango. We see the future of retailing as a blend of the online and the offline. These new fitting rooms are another step in the digital transformation of our stores to create a whole new experience for our customers," says Mango's Chief Client Officer, Guillermo Corominas.

Over recent years, digital mirrors have been tested by other retailers with different technologies showing the shopper a 360-degree view of what they look like in the garment they are trying on as well as giving views of what they would look like wearing the product in other variants.

This idea of virtual and augmented reality (VR and AR) to show shoppers what they look like extends to them being able to see furniture, such as a sofa, in different fabrics as well as what it would look like in their own home. Ikea's Ikea Place app enables shoppers to virtually place any of 2,000 Ikea products in their home, for example. Customers can then purchase the products directly through the Ikea website or in the app. Michael Valdsgaard, Leader Digital Transformation, Inter Ikea Systems, believes that AR and VR will be a "game changer for retail in the same way as the internet. Only this time, much faster." He says that it's the retailers mission "to create a better everyday life for everyone, everywhere and now that technology has caught up with our ambition, through AR, we will redefine the customer experience in the furniture retail space once more."

Supermarkets too have used AR to help shoppers find the items on their shopping list. This could be extended to displaying promotions.

Virtual reality, which requires the viewer to don a headset for a fully immersive experience, is being used at Westfield London with visitors entering the world of Star Wars and acting as stormtroopers. The Void attraction has been very popular with visitors at both the Shepherds Bush and Stratford shopping centres. Travel agent Thomas Cook is using VR in a more product-focused setting. Headsets are in use in a number of stores so that shoppers can 'view' potential destinations or excursions. Competitor TUI meanwhile is testing technology which measures the customer's reaction to a series of rapidly changing holiday images, from beach scenes to adrenalin-pumping activities. While viewing the images, the customer's facial expressions are being scanned in a bid to understand their subconscious thoughts to determine the perfect holiday.

Online has changed the concept of retail and shopping. Millennials have grown up with the internet and smartphones and wonder why a feature that's available online – such as reviews – isn't also shown in the physical bricks-and-mortar store. Brands have shown what could be possible with concept stores linking the customer, the brand and individual product in ways that show the benefits of owning the item. Games, entertainment, robots, community-building and social connection are all being used to enhance the experience, making a visit to a store more engaging and personal for the shopper. Some brand concept stores are just about the experience and not actually selling any products.

However, doing something in a concept store is one thing but expanding it across an entire store estate is prohibitively expensive. Where Amazon is innovating with technology to enable cashier-less shopping with customers picking up items and just leaving the store, others are using more available off-the-shelf technology to test aspects that will make the lives of their own customers easier. At the end of the day, it is the customer that matters and how technology is used should enhance their shopping mission. ■

## RETAILER CASE STUDIES

## AMAZON



Amazon has been moving increasingly into bricks and mortar and omnichannel retailing in recent years. It opened the first of 13 books stores in the US in 2015 and this year opened the innovative Amazon Go store. The Amazon Go grocery store in Seattle enables shoppers to pick up items and put them into their shopping basket and walk out without going via a cashier. All they need to do is use the Amazon Go app with their Amazon account details to enter the store. Everything they do from then on is monitored so that when they leave the store their Amazon account is debited with the cost of the goods they walk out with. Amazon has since announced that it will be opening 2 more Amazon Go stores.

While Amazon Go shows what can be done with the right technology and a lot of investment, it is Amazon's purchase of Whole Foods Market that sheds light on its current activities. Amazon

has been working on its integration with Whole Foods Market since the \$13.7bn (£10.7bn) acquisition of the US supermarket chain in 2017. Along with cutting prices to lure customers from other supermarkets, Whole Foods has also been running promotions which are only available to members of Amazon Prime. By integrating Prime into the offline stores' point-of-sale terminals, Amazon is turning the membership scheme into a rewards system for Whole Foods' customers.

The two companies also intend to "invest in additional areas over time, including in merchandising and logistics, to enable lower prices for Whole Foods Market customers," says Amazon.

Many own-label Whole Foods goods have been made available for shoppers to buy online on Amazon and the company announced in February that it is combining Whole Foods Groceries with Prime Now so that Prime members can have their groceries delivered for free in two hours – or in one hour at a cost.

Prime subscriptions are on the increase and the move at Whole Foods to make Prime a rewards programme is just the start of innovations across channels as Amazon gets to grips with the offline side of retailing.

## DEBENHAMS



Debenhams is moving 2,000 members of staff from back-end operations into customer-facing roles as it transforms its stores into destinations for its shoppers. More than 30% of online transactions are picked up in store, with 20% of customers who use click and collect making a further purchase when they collect their parcel. Debenhams, therefore, is trialling a number of new ideas for maximising these visits and further connecting online and offline.

The first of these is Click, Try & Buy, which enables a customer to book a changing room so that they can try on their online purchase or book an appointment with a personal shopper to coincide with when they are collecting their order. The personal shopper can view the customer's current order and history and have accessories ready for the shopper to view when

## RETAILER CASE STUDIES

they try on what they have purchased online. They are able to instantly issue refunds for any return items too. The benefits for the customer are a good changing room environment, a personalised fitting service and an instant refund on the items they don't want. It's win: win both for the customer and Debenhams, which gets products back on sale quickly, explains Ross Clemmow, Managing Director – Retail, Digital, Food & Events, Debenhams.

Another way that Debenhams is differentiating its store experience is through its investment in mobile on-demand beauty pioneer Blow. This beauty services disruptor uses a highly responsive two-way app to connect customers to expertly trained beauty professionals who will visit clients in their home, office or hotel. Customers can order beauty and wellbeing services – blow dry, makeup, nails, massage, waxing, yoga and pilates – from 7am until late, seven days a week.

The partnership with Blow is almost a hub and spoke service with the operation setting up in Debenhams stores and a mobile service operating throughout the catchment area from these.

Debenhams promises a “more aggressive” approach to digital marketing, especially focused on improving store visits with push notifications mentioned as one of the ways that will support its ambition to drive faster digital growth as well as to personalise customer relationships.

However, as Clemmow warns, push notification is “a very invasive medium”, so the retailer is treading carefully in how it applies beacon technology. One of the areas in which it is looking at using push notifications is with communications to the 1.3 million engaged members of its Beauty Club. This would be as part of the pre-Christmas launch of its “Beauty Hall of the future” concept, which will include interactive and digital elements as well as services and events.

## DIXONS CARPHONE



Dixons Carphone is currently trialling tablet devices in its Currys PC World stores for staff use, giving them access to the consumer-facing website as well as to a shopper's wishlist. This enables staff to talk to a shopper about the products they are interested in, such as the televisions they have added to a shortlist after browsing through the different lines available online.

Being able to see what the customer has self-selected enables store colleagues to have a better quality conversation with customers around the 3 or 4 products that they are really interested in. “It saves the colleague time and increases efficiency in the store,” says Stuart Ramage, Ecommerce Director, Dixons Carphone.

The tablets show a store-mode of the consumer-facing website redesigned in a way that's more intuitive for colleagues to use with customers. This brings together FAQs and buyers' guides in one place rather than having them scattered around the site and many images are excluded so that the site runs faster for colleagues at the shelf edge, explains Ramage.

The tablets are proving to be a great asset for staff and customers with the business reporting that the NPS doubles in stores in which shoppers have interacted with a member of staff with access to additional data on a tablet device. The tablets will have been rolled out across the store estate by the end of August.

The next phase will be further iterations of customer data. As Ramage says, “There will be elements we want to surface but there's a far greater level of richness that we can bring to that experience, more than just wishlists and order history.”

He continues: “The golden egg is for the store to recognise the customer when they walk in because they are holding a loyalty card of some description. This is scanned on a device and the colleague instantly recognises not just the value of the customer but any contact we've had with the customer previously, including complaints.”

## RETAILER CASE STUDIES

## FARFETCH &amp; BROWNS



Online luxury fashion platform Farfetch has developed a Store of the Future technology platform to support the physical stores of the independent, luxury clothing boutiques that it partners with online. The modular platform integrates with customer data, omnichannel fulfilment options as well as product analytics such as connected rails which show when products have been lifted off clothes rails and add themselves to the shopper's online wishlist. The technology extends to the changing room where interactive mirrors allow a customer to communicate with a sales assistant if they want to try an item of clothing in a different size or colour. Payment is via a mobile device so there's no need to go to a till point.

The first store to test the omnichannel technology is Browns East, the London boutique which Farfetch owns. The store has "new elements that are tied to

emotion and identity – it's truly a sensory experience," says Holli Rogers, CEO, Browns. She continues: "The moment you walk in you will feel something – through the people, the product, the design, the areas within the space, and the events that will take place. Coupled with this, we are innovating with technology which will make the shopping experience in Browns more personal and convenient for our customers."

The store also features an event space for workshops and gatherings and an area that allows for product to continually change with capsule collections and collaborations.

"In this amazing new retail space, our engineers will work alongside the sales associates to really get to know the Browns East customer, and to see how they are interacting with the products and services," says Sandrine Deveaux, Managing Director, Store of The Future, Farfetch. "Insights will be constantly gathered by our team to adjust the technology. This iterative approach will allow us to shape the connected store retail experience, where we believe technology is there to enhance and to augment the customer experience in subtle, magical ways."

## HAMMERSON



Shopping centre landlord Hammerson is utilising a number of different technologies to get a better understanding of its customers, to form a closer relationship and increase customer loyalty. Much of it is enabled by its smartphone app, with customers giving consent to be contacted with exclusive offers and discounts from the retailers and brands within the shopping centre they visit.

Using beacon technology to engage with a customer in real time when they are at a certain location within a shopping centre, Hammerson is proving the effectiveness of real-time, location-based offers. One offer saw an increase in redemption of 130% when it was sent to shoppers' smartphones in this way.

"Location-based relevance really influences behaviour," says Kathryn Malloch, Head of Customer

## RETAILER CASE STUDIES

Experience, Hammerson. That influence continues after the offer has been redeemed since subsequent visits to the centre were up by 39%.

As well as driving footfall to the centre, Hammerson is also giving shoppers reason to visit stores they wouldn't normally enter. 92% of shoppers are usually 'on rails' and tend to visit the same 4 or 5 retailers, explains Malloch. Its StyleSeeker app enables shoppers to take a photograph of an item of clothing that they like and find the same, or something similar, from amongst the retailers in the centre. The AI-powered visual search tool is just one of the different ways in which it is adding value to the app and driving loyalty, according to Malloch.

Hammerson is also testing a natural-language, AI-powered chatbot on its website for the Bullring shopping centre. "60% of the questions are free language but there's also a guided route," says Malloch. The chatbot was asked 23,000 questions in the first few months of operation. These ranged from questions about parking to where to buy boys' shoes from. "Its ability to handle questions has increased," says Malloch, sharing one of the advantages of using artificial intelligence.

## MACY'S



US department store chain Macy's has enhanced its website with a virtual agent based on the Microsoft Dynamics 365 AI solution for customer service. With deep connections to back-end systems, the virtual agent can take action to solve customer issues and transfer customers seamlessly to a live agent if necessary.

Within just a month of being deployed, the virtual agent is already answering more than one quarter of customer enquiries in its current implementation, freeing up call centre agents to handle more difficult questions. Macy's plans to expand it to additional shopping channels too.

"We looked at various AI tools," explains Joe Timem, Vice President, Call Center and Credit Systems, Macy's. "We chose the Microsoft Dynamics 365 AI solution for customer service because we felt that it is the best, most flexible, and most scalable platform out of the box. It

allows us to be nimble and quick to market."

It's also a way for Macy's to give its increasing number of customers whose primary shopping touch point is mobile or online a satisfying, frictionless and personalised experience.

The virtual agent provides a conversational, multiturn, text-based interface that connects to Macy's internal system APIs to access information about merchandise and orders, offering customers real-time responses to common enquiries. The maturity of Macy's existing API and its highly scalable services for core ecommerce functions around search, catalogue, bag, order and customer service helped to accelerate the development process. Since there was no reworking required on the back end, the team has been able to focus on developing the best-in-class customer experience.

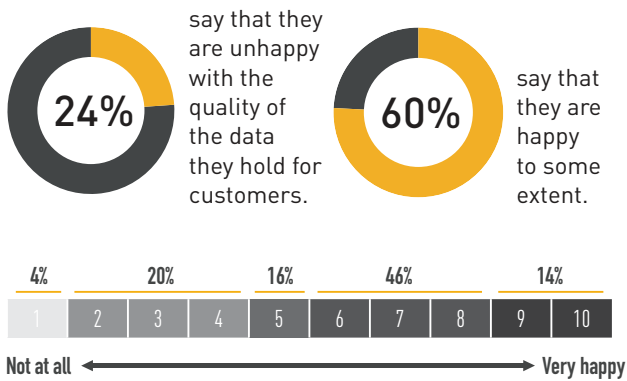
As a result of the deep API integration, the virtual agent can do more than just answer questions – it can take action to solve customer problems. "When a customer asks, 'Where is my order?', the virtual agent can provide a customised response including the exact status," says Robert Michaels, Director of Information Technology at Macy's.

"If the customer is looking for a coupon, the virtual agent knows what is already in her shopping bag and applies any relevant discount offers. If the customer has selected an item that may take a few extra days to arrive, the virtual agent can query the inventory of local stores and see if it is available for immediate pickup. It can also provide merchandise recommendations and look up a customer's reward points."

## SURVEY RESULTS

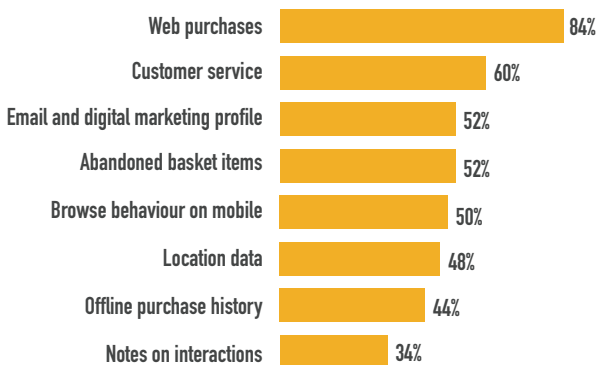
### CUSTOMER DATA:

How happy are you with the quality (detail, accuracy, recency) of the data you hold for your customers?



### DATA SOURCES:

In approaching a personal view of the customer, which of these sources are you able to aggregate and use? (respondents were asked to tick all that apply)



Other sources mentioned by respondents include: Direct feedback - Website and email; Live customer testing, surveying, segmentation, propensity to purchase etc; Social media usage; Web chat transcripts.

### PERSONALISED PROMOTION IN STORE:

Store promotions used by respondents:

“We were quite pleased with our receipt competition to garner more email addresses from our store customers but we could do much better.”

“Leveraging the loyalty card to offer personalised events and experiences within store.”

“Beacon-based proximity marketing for frequent customers.”

### WHAT DATA DO YOU NOT HAVE ACCESS TO TODAY THAT WOULD IMPROVE THE EXPERIENCE YOU CAN PROVIDE?

Of the data that respondents said that they do not access today but would improve the experience they provide, many of the people responding to this question mentioned offline data. Data from stores is seen as a key component in obtaining a 360-degree view of the customer. One respondent commented: “We only collect a small percentage of in-store purchase data. Collecting a higher proportion of transactions would help give a better picture of our better customers.”

### WHAT'S STOPPING YOU:



One respondent commented: “Applications to support the channels are disparate and not connected; integration of data into a data analysis tool is crazy hard.”



Another said that “cost; integration woes; till programming; till queues; implementing the right martech stack” were all factors stopping them from gathering the data.



Another cited store staff not being confident enough to ask customers for personal data at the tills as well as them not being incentivised to go through the interaction.

“Store staff have to ask at the till and are not sufficiently confident / incentivised to go through the interaction.”

### IN AN IDEAL WORLD, WHAT TYPE OF PROMOTION WOULD YOU LIKE TO DELIVER THAT YOU CAN'T OR DON'T TODAY?

Respondents said that they would like to be able to take a more targeted approach to promotions with “personal preference plus location base” quoted.

Another respondent said: “Immediate in-store interaction alongside a personalised offering for our best customers with a member of staff.”

The timeliness of communications was mentioned by respondents. They also raised the issue of serving promotions that meet the needs of key customers and the ability to target high value customers, highlighting the importance of this customer segment and communicating with them on an individual basis.

### WHAT'S STOPPING YOU:



Time



Money



Skills



Technology

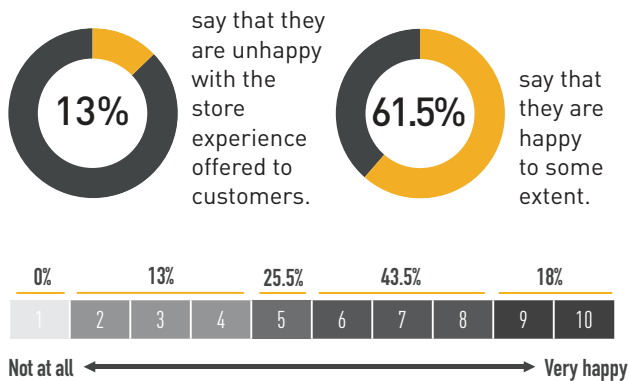
## SURVEY RESULTS

### HOW MUCH DO YOU AUTOMATE ACTIONS FROM YOUR DATA INSIGHTS, FOR EXAMPLE, AUTOMATED PROCUREMENT FROM FORECAST TRENDS?

The majority of respondents said that “very little” was automated or they responded “not as much as we should”.

One respondent commented: “We do this via stock control systems in store but not to the point we should. Generally in peak we have this in place for online. However to match competitors’ offers is more of a manual process.”

### HOW SATISFIED ARE YOU THAT THE STORE EXPERIENCE YOU OFFER CUSTOMERS REFLECTS YOUR BRAND VALUES?



### WHERE DO YOU ASSESS YOUR STORE EXPERIENCE COMPARED TO THE MARKET LEADERS?

- 8% Very behind
- 18% Behind
- 33% Average
- 26% Good
- 15% Leading

### BOARD DISCUSSIONS:

Respondents to the survey were asked what the persuasive business reasons are that gain commitment to investing/ changing from the board?

As well as ROI, which was mentioned by the majority of respondents, other comments included:

“The shape of things to come, today’s megatrends and the direction of digital evolution and present state example of diffusion of digital and market performance status of digital innovators and early adopters versus laggards.”

“The idea and success of experimentation in store. How can we adapt all stores to follow this pattern and act as an in-store experience hub.”

### HOW MUCH OF AN OBSTACLE TO REALISING YOUR VISION ARE THE FOLLOWING?

#### TECHNOLOGY:

41% of respondents say technology is not an obstacle to realising their vision for the store experience.

26% say that technology is an obstacle. This includes 2.5% who say that technology is a “total blocker” to their ambitions.

#### DATA:

41% of respondents say data is not an obstacle to realising their vision for the store experience.

21% say that technology is an obstacle. This includes 2.5% who say that data is a “total blocker” to their ambitions.

#### DEVELOPING THE CONCEPTS:

44% of respondents say developing the concepts, narratives, experience and ideas are not an obstacle to realising their vision for the store experience.

15% say that developing the concepts is an obstacle.

#### STAFF CAPABILITIES

38% of respondents say staff capabilities are not an obstacle to realising their vision for the store experience.

23% say that staff capabilities are an obstacle. This includes 5% who say that they are a “total blocker” to their ambitions.

#### PRIORITISATION:

26% of respondents say prioritisation with other developments coming first is not an obstacle to realising their vision for the store experience.

28% say that other developments coming first is an obstacle. This includes 8% who say that it is “total blocker” to their ambitions.

#### CAPABILITY:

52% of respondents say management capability is not an obstacle to realising their vision for the store experience.

24% say that business management or leadership’s ability to deliver the necessary changes is an obstacle to realising their vision for the store experience. This includes 8% who say that it is “total blocker” to their ambitions.

## IN CONCLUSION

# DELIVERING THE FUTURE

Retailers have been drowning under mountains of data. There's information about products and about customers, not just online or in stores but across channels too. Online teams are able to track customers, how they came to a site, where they went afterwards, which devices they used when and how they interacted with every aspect of a site or marketing communication, however small. Fashion pureplay Asos, for example, is able to pre-populate the online basket with items it believes the customer will want to buy.

It's not so simple to understand how customers are behaving between online and the physical store environment. CCTV, monitoring, mapping and beacons give an idea of how people are interacting with the store, dwell time in different areas, products that are picked up but not very often bought, but they do not identify the individual shopper. Mobile phones, in-store wifi, retail apps, e-receipts, beacons and loyalty schemes are helping with this and giving shoppers reasons to interact with the store or digital content when they visit.

Insight can then be gained from the growing single-view customer file with retailers able to understand customer behaviour in the physical store as well as they can follow them online and this includes why they are doing something as well as what they are doing. Marks and Spencer, for example, which launched its Sparks loyalty scheme in 2015, has recently appointed the data scientists behind Tesco's Clubcard success to gain an understanding of the 'why' behind customers' purchases and to map out customer passions in order to predict future buying behaviour.

Wherever data is used though it has to be in a format that is usable across trading teams, store staff, by customers, digital technologies and machines. It also has to be consistent. Within the retail organisation, AI and machine learning is enabling decisions to be made and actioned, in many cases automatically and in real time, about the content that customers are served or where product is located.

Product data will show what is selling and what's not, but the why can only come from the customer. As Chris Conway, Head of Digital - Retail, Co-op, explains, an increase in sales of prawn flavour crisps could mean either that customers want more of them or it could be that the cheese and onion flavour they wanted to buy was out of stock.

The endless aisle of online retailing – and the reach of Amazon – has increased what can be stocked in stores; online behaviour and purchasing patterns can also guide what's stocked in any one store – or even what's stocked on any one day.

When it opened a pop-up store on London's Carnaby Street, pureplay beauty product retailer Birchbox curated the products available in store, only showing the 100 best-selling items from the Birchbox UK website. Rather than being arranged by brand, products in the Birchbox pop-up are displayed by product type, which is more akin to how people browse online categories.

Savannah Sachs, Managing Director, Birchbox UK, explains that when buying an eyeliner, for example, an online shopper clicks on



## IN CONCLUSION

makeup, eyes, eyeliner and then browses through the products. The same principle has been applied to the physical shop. “We’re taking that digital navigation experience and bringing it into the offline store. That sounds simple but it’s disruptive,” she says.

Debenhams is also testing product curation based on online behaviours. Its new store in Stevenage, which opened in August 2017, is being used as a testing ground for many of its new ideas, including layout and merchandising. Its product range is based on the brand profile defined by online demand in its catchment area, and it has a cheaper and more flexible operating model than that used by other stores in the group. The store has already produced good results, consistently ranking in the top 20 for sales, with Womenswear and Home particularly strong. The performance of the Stevenage store’s Home offer matches Debenhams’ top outlets, even though it accounts for half of the typical space with 35% fewer SKUs. The store is also delivering positive customer metrics. “It was expected to rank 75th amongst Debenhams’ 175 stores,” says Ross Clemmow.

Data is key therefore to bringing product and customer together – with technology enabling the insight and subsequent action to be carried out. While online is bringing a faster, more personalised experience to the customer, offline can add another dimension. Speed of service and personalisation can be introduced, with the value-add of further services or experiences. Store staff can enhance the experience as a personal shopper or product expert, product and processes mean that the products can be ordered online and collected in store, individual promotions and messages can be sent to shoppers with offers personalised to what they are predicted to want to buy. How about a message to remind you to buy shampoo as you walk away from the aisle in the supermarket because the retailer knows the usual frequency of your purchases? The message could be displayed on the customer’s phone, a screen at the end of the aisle or be delivered by a robot who is also holding the correct bottle of shampoo.

Cashier-less shopping is speeding up the ‘grab and go’ of self-service shopping. Amazon’s Go store not only lets customers walk out without queuing, payment is automatically taken from their account and everything that they touch, pick up or put back onto the shelves in store is monitored.

Bringing together the people, processes and product – as discussed in the whitepaper on ‘Optimising the store estate for omnichannel retailing’ – with data, promotion and experience, is leading to new experiences in store. Where once click and collect was the pinnacle of omnichannel experience in store, data insights are bringing everything together with new KPIs and analytics fit for the next step change in retail.

Scaling the new model of technology, data, people, product and process capabilities across the store estate and not just in a few flagship stores is something that retailers are going to have to learn quickly and act upon before Amazon changes everyone’s expectations. ■



[www.internetretailing.net](http://www.internetretailing.net)  
Download at: <http://etail.li/79aa7>

With thanks to



InternetRetailing whitepaper in conjunction with Microsoft | May 2018

**Editor:** Emma Herod  
**Editor-in-Chief:** Ian Jindal  
**Design:** Marzena Zychowicz  
**Publishing Director:** Chris Cooke  
**Commercial Director:** Andy James  
[andy@retailx.net](mailto:andy@retailx.net)  
**Group Creative Solutions Director:**  
Marvin Roberts  
[marvin@retailx.net](mailto:marvin@retailx.net)  
Tel: 020 7933 8999

InternetRetailing Media Services  
52-54 Gracechurch Street  
London, EC3V 0EH  
ISSN 1759-0582

For circulation enquiries contact:  
Internet Retailing Media Services Ltd,  
PO Box 6009  
Thatcham, Berkshire, RG19 4TT  
Tel: 01635 879361  
Fax: 01635 868594  
[internetretailing@circdata.com](mailto:internetretailing@circdata.com)

No part of this circulation may be reproduced, stored in a retrieval system or transmitted by any means without the publisher's permission. The editorial content does not necessarily reflect the views of the publisher. The publisher accepts no responsibility for any errors contained within the publication. Published globally by InternetRetailing Media Services Limited.

[www.internetretailing.net](http://www.internetretailing.net)

