At the heart of connecting with tomorrow’s customer is listening closely to be able to understand how and when to engage smarter, faster and with relevance /July 2015

**Connected Retail:**
Connecting with tomorrow’s customer... now

pwc.com.au/connectedretail
As a retailer you may just see a cup of coffee. But to survive and thrive your customers need to feel...

Loved and cared for through an authentic and personalised customer service experience

Delighted because their needs are anticipated and loyalty rewarded

Connected to a business and brand that they know and trust

Empowered with the choice to connect through whatever channel they want to use

Informed through rich information about products, services, purchases, shipments and post-purchase support

In the world of Connected Retail, extraordinary customer experience is essential.

‘Always on’ and connected: Understanding tomorrow’s customer

As highlighted in our report, ‘Connected and curated – Long live the store’, retailers are in a position to connect with customers through technology to offer a far superior experience – anticipating and surpassing their needs and expectations.

Connected Retail means connecting the customer seamlessly to personalised marketing, the physical space, the digital experience, supply chain, seamless payment options, and most importantly to deliver a branded customer experience.

In the world of Connected Retail, a retailer’s brand will only be as strong as the experiences it creates for its customers.

And as rapidly as technology is evolving, so to is the customer. It’s time to start thinking about tomorrow’s customer... today.

• Who is tomorrow’s customer?
• How do organisations need to adapt to keep pace with technological change and customer expectations?
• What capabilities are essential to deliver extraordinary customer experience in the world of Connected Retail?
• What do organisations need to do to influence at different stages of the customer journey?
• Where do organisations need to focus today to meet the needs of tomorrow’s customer?

We will explore what organisations need to do in order to keep pace with the always on and connected ever-evolving customer.

“Every fundamental assumption organisations have about customers is now being challenged. What’s changing for tomorrow’s customer is the power they have to make and break brands.”

Stuart Harker, PwC

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In the world of Connected Retail, extraordinary customer experience is essential.
Hyper-connected customers are changing attitudes and behaviours dramatically in response to the digital revolution.

Who is the customer of tomorrow?

Not limited to Generation Y or digital natives. It’s you, me, your parents and their parents too.

They are ready to ignore traditional boundaries and experiment.

They have dynamic personas and shift their tastes depending on the occasion.

They are passionate about brands they can engage with but disloyal in categories where they can’t.

They make more decisions, quicker.

Perspectives of business change

Disruption

Engagement

Digitisation

Trust

Tomorrow’s winning capabilities

Real-time Granular Targeting & Conversation

Dynamic Customer Engagement

Branded Customer Experience

Employees as Advocates

Customer Technology Enablement

Agile Service Delivery

Continuous Offering Innovation

The connected customer experience

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Today we often expect use of digital channels to be skewed towards millennials and Generation X. The ease of using mobiles and especially tablets however means that older generations are rapidly becoming digitally connected. Based on our research we know that baby boomers may tweet, blog and spend less through online channels today, but expect them to resemble digital natives very soon. According to ACMA research completed in December 2014, 43% of Australians aged 55-64 and 22% of 65+ were regular tablet users, compared to 56% of 18-24 year olds.¹

They are ready to ignore traditional boundaries and experiment

Tomorrow’s customer will be so used to experiencing innovation and the caution often seen by customers today will be less prevalent. Brands can capitalise on this new willingness to experiment by extending their touchpoints with consumers to help them discover additional roles for the brand in their lives.

They have dynamic personas and shift their tastes depending on the occasion

Traditional market segments don’t easily fit tomorrow’s customer. Customers have always been unpredictable, emotional and apparently irrational, but the daily stream of information customers now absorb means they will change their interests and routine more frequently. Tomorrow it will simply become too difficult to quickly understand customer behaviour without insight analytics.

They are passionate about brands they can engage with but disloyal in categories where they can’t

Tomorrow’s customer will reward brands who provide personalised service and will seek to engage with brands that are seen to have a purpose beyond just selling products. Conversely tomorrow’s customer will not want to invest energy in engaging with brands that simply provide functional products.

They make more decisions, quicker

Instant access to more information and choice has changed the rate at which customers are willing to make decisions. Successful brands are those that provide information and personalised engagement to help customers quickly through their purchase decision.

ConcessionVoodoo found revenue per visitor reduces by:

> 90% of today’s digital over-60s think that Australian companies are not listening to them, highlighting the engagement gap.²

> 74% of incumbent businesses take two years or more to react to disruption in their market.³

74% of today’s over-60s don’t think that Australian companies are listening to them, highlighting the engagement gap.²

Disruption

Rethink business from the customer, inward. What about the business makes little sense when viewed through a customer’s eyes? Organisations need to be prepared to cannibalise existing revenue streams, move fast and break existing silos.

Start with the view that self-disruption is necessary rather than optional. Businesses need to view customers as an ally and as an asset to refine and constantly challenge the relevance of their value proposition and customer culture.

Engagement

The application of logic and emotion to develop a one to one relationship with each customer is becoming paramount to engagement and interaction in the always on world. Collecting data and knowing facts about the customer is one challenge. Constantly finding ways to be relevant in their lives, appealing to their emotions and so being invited to interact is another.

Digitisation

Beyond just technological enhancement, digitisation is about radical simplification and the removal of friction in systems, to dramatically reduce the cost of a product or service through efficiency… as well as enable the creation of a flawless, seamless, easy and enhanced customer experience.

Trust

Having secure systems to manage customer data is just the start of inspiring trust with customers. Organisations also need to develop Emotional Intelligence (EQ) and learn to put the art of rapport building into data science.

Knowing when and when not to use data is needed to build trust and a meaningful relationship. Just because you can SMS a customer when the data says they fulfill logical criteria, doesn’t mean that you should. Customers are people and brands need to behave with the social respect that emotionally aware people display.
Understanding tomorrow’s winning capabilities

Real time granular targeting and conversion

Yesterday was scatter-fire. Today is hyper-targeted. And tomorrow’s customer is ready to convert – but only if you know what to do. Real time granular targeting and conversion represents the sharp end of engaging the customer of tomorrow, predicting their buying behaviours and shaping your real time and longer-term offers accordingly. By pulling together disconnected islands of information, utilising thousands of data fields and letting the maths do the work – will give businesses new clusters of value to target and convert. Aiming to dramatically deepen relationships with customers, it enables businesses to ‘give first’, humanise their brands, show personality, align with trends, be culturally and contextually relevant, share feelings and react with specifically timed interventions that change buying habits and behaviours.

Dynamic customer engagement

Where once sales messages were pushed out at great expense and with little hope, the new way to connect is with ideas, information and entertainment that facilitate the buying, not the selling cycle. Dynamic customer engagement is the real-time, data-driven way to connect your business with tomorrow’s customer by being continually ready to engage with them in a relevant way. This capability dissects and distills all available inputs so you know what existing and would-be customers are thinking, saying and sharing about you, your competitors, and your entire market.

Branded customer experience

Yesterday was talking the talk. Today is walking the walk. And tomorrow's customer will buy the brand whose actions speak louder than words. For tomorrow’s customer, a branded customer experience unifies your brand story and demonstrates your point of difference all in one. The aim of a branded customer experience is to make a customer feel something and leave an indelible, positive, emotional association with your brand – felt as a memorable moment, a sharable story, or a deep-seated connection that accumulates over time. The key to success is to remain totally customer focused, and that your values are seen to be consistent across every touch point and throughout the entire organisation.

From A to B and beyond...

Over the last decade,7 BrandZ found that the global brands with highest value growth were those in high engagement categories – food, beer, technology and apparel – where the brand could stand for a purpose beyond the function of its product. Cars were the lowest growth category with consumers increasingly seeing a car as only a means of getting from A to B, not an extension of their personality or lifestyle. Against that context, successful car brands and dealerships have been those that have reengineered their customer buying experience by:

- Providing leisure driving experiences (e.g. Land Rover off-road days)
- Pop-up retail outlets where people are (e.g. Tesla vehicles in shopping centres)
- Dealers that begin the dialogue long before a showroom visit, and maintain it long after purchase.

Connecting customers to hook a new market

To raise brand awareness in China, North Face created an online community linking amateur mountaineers to relevant clubs. This approach offered points for activity and club loyalty that could be redeemed for products. As a result the brand now has a database of over half a million customers that contains information on their lifestyle habits linked to consumption data.9

We're gonna make you sweat!

Virgin Active Classic Collection, an up-market health club brand was facing declining memberships. Research showed that customers wanted to be reminded that ‘exercise is hard and it should make you sweat’. This insight led them to redesign their changing rooms and install high pressure showers with extra-large showerheads. This element of customer experience became the one that was talked about, mentioned on social media and highlighted to would-be customers of the gym. Memberships started to grow and continued even when prices were increased.

Capabilities to prioritise today

Bringing it to life

Capabilities to prioritise tomorrow

Continuous offering innovation

Opening your organisation to sustainable ongoing innovation in customer-relevant products and services, by intimately involving your customers, internal and external talent in product and service refinement (or disruption) through digital and physical means.

Employees as advocates

Ensuring all employees understand how they can impact the customers’ experience, with culture, governance and processes aligned to empower a customer-centric organisation and empowering them to advocate for the company as a result of that, knowing that they will be recognised for their actions.

Customer technology enablement

With the rapid technological ascension, the challenge for business is not just being able to adapt, but to decide which new technologies to incorporate into their business transformation to accelerate their journey towards delivering greater customer centrality.

By challenging traditional methods of delivery, changes in technology can more easily be integrated into an overall transformation where the envisioned benefits can be tested and value realised much sooner.

Agile service delivery

To keep up with tomorrow’s customer, the voice of the customer needs to be pervasive through all functions and when it’s heard, decisions need to be made quickly about how to respond, resources activated and team structures and processes enthusiastically changed. The organisation that keeps up with tomorrow’s customer is alert, frequently morphs and is utterly focused on activities that delight or those that reduce pain.
Listening and engaging with tomorrow’s customer

With a veritable smorgasbord of data available to retailers, the need to embrace digital and data is now. However beyond just listening, it’s about being able to interpret and understanding the nuances of customer behaviour to be able to respond at the right time, as well as knowing the right moment to target and engage.

We first met Tess, in ‘Connected & Curated – Long Live The Store’. We catch up with her again on a typical day in the near future to find out how retail and consumer brands are listening and engaging with her. Along the journey we outline how organisations need to listen, interpret, respond and target to start to engage with tomorrow’s customer.

We join Tess again after a gym session. She’s on her way to The Shopping Centre to get her hair done and meet up for lunch with the girls!

Tess has The Shopping Centre’s app on her phone so as soon as she rushes through the doors, she recognises the familiar buzz of her phone as the centre recognises her.

The Shopping Centre knows a lot about Tess from her visit history, location tracking and even her mobile web browsing. Tess is comfortable they know because they use this information to help her out.

The Shopping Centre knows her size, has recently been browsing for summer dresses, and will go into the Sparkle Boutique store on around 10% of her visits. The Shopping Centre’s marketing engine gives Sparkle’s CRM the opportunity to contact Tess, charging Sparkle $3 ‘pay per visit’. Sparkle accepts, and sends Tess an offer encouraging her to enter the store.

Recognising an opportunity to leverage data to understand and enhance customer experience, a shopping centre operator installed anonymous Wi-Fi throughout its centres. The signals from mobile devices looking for their favourite Wi-Fi networks are tracked and the operator is able to identify repeat visitors, and even the primary reason for that visit. For example, it can determine the occasion that a mobile device and therefore its unknown owner are visiting for:
• Groceries (they park near the supermarket)
• To entertain the kids (they visit the playground area)
• For themselves (they spend longer browsing)

This use of technology has enabled the operator the ability to track and interpret visitor behaviour en masse and then convert these insights into targeted campaigns for its retailers.

In addition to this, the analysis of anonymous devices allows the landlord to plan staff rostering and long-term tenancy locations.

Tess hears a ping go off on her phone… “Hi Tess, Sparkle have a new range of summer dresses; Shall we get your size ready?” She checks her phone and for once she’s early… 20 minutes to spare. I’m going to treat myself to a little Sparkle… she thinks to herself – after all they always make me feel like I’m a pseudo celebrity!

After a slight diversion through Sparkle, bags in hand she rushes into the hairdresser. As she walks through the door, a beacon at The Hair Brand’s display is silently and invisibly triggered.

The Hair Brand has beacons at all its points of sale within retailers allowing it to monitor interaction with its products. As a regular user of their products, Tess has installed The Hair Brand’s app which helps her choose her hairstyle and the products to support it – giving the brand permission to collect her data.

PwC worked with a global luxury retailer to create a tool that enabled store associates to personalise the face to face service they gave to customers whose profile they knew.

Store associates would enter a customer identification into their iPads, and were then provided with insight into customer preferences, buying habits, product reviews and product availability.

The tool realised a 25% sales lift from promotional events after deployment to 100 stores.

PwC
The Hair Brand’s CRM recognises Tess bought its Full & Silky conditioner three weeks ago at another store. It recognises that she is likely not ready to buy another product and does not need a specialised offer, but instead makes a decision to follow her up about her feedback on the product.

While she’s getting her haircut, Tess is playing on her phone. She gets a text asking how she found the conditioner.

The Hair Brand’s unstructured text analysis recognises the negative sentiment despite the use of ‘great’ and:
- Adjusts their real-time advocacy score for that product
- Tags the comment for review by the product development team
- Sends Tess an offer for 40% off another hair care product of her choice.

Looking fabulous after her haircut, Tess heads to her favourite restaurant, Food, for lunch with the girls.

The venue’s WiFi recognises Tess’s phone through its device ID as she walks in. Tess also follows Food on Facebook, so the camera behind the bar recognises her as she walks up.

Melbourne-based business, StampMe operates Bluetooth beacon networks that enable brands to understand their customer’s physical journey and engage with them along the way. Customers are typically rewarded through product redemptions for collecting virtual stamps by visiting the various location where the brand has displays.

In essence this gives brands that may not have a physical store the opportunity to directly interact with customers that are browsing their products, building loyalty virtually.

Having matched Tess through image recognition, Food’s CRM displays Tess’ profile for the waiter and shows him that she’s booked on to table 16. He greets her by name, “Tess, right?”

It is still early in the day, so rather than offering her usual evening first drink, sparkling wine, he suggests a new, deliciously refreshing sparkling fruit drink that the system recommends. “I’ll put the drink on your tab, let me take you to your table.”

Tess’ friends also arrive and their phone device profiles are not recognised, so while seating them, the waiter suggests they also ‘like’ the venue’s Facebook page for a discount today.

The CRM notices the new ‘likes’ have come from the unknown devices. It also sees the devices are ‘sat’ at the same table and their owners are friends on Facebook. Facebook’s profile of two of them shows they have regular nights out so the CRM puts them in its ‘high value’ segment and sends them an invitation for their upcoming Spring Racing event.

Happily enjoying lunch and a chat, Tess and her friends phones all buzz with a new Facebook event notification!

“Spring Racing Carnival? Time to find a matching hat for my new Sparkle dress…” she thinks!

Rather than gain market traction in China by opening stores, TopShop took a mobile engagement first approach. The company partnered with ShangPin.com, a multi-brand fashion e-commerce site, to launch the ‘Mobile Adventure’ a pop-up event in a popular Beijing mall where shoppers scanned QR codes to virtually select outfits, share the looks on social media and order items for next-day delivery. TopShop was able to find and engage with new customers early in their purchase journey before having significant physical infrastructure in place.

Throughout Tess’ journey, it’s clear that the intersection between the physical and digital worlds is colliding to a point of being nonexistent.

It’s no longer a case of where one starts - the other finishes. Rather these channels are converging to form a cohesive experience that needs to be relevant, timely and content-rich.

To reach tomorrow’s customer and deliver a Connected Retail experience, it is critical that organisations listen, interpret, respond and target.
Focusing on tomorrow’s customer... now!

Building the capability to connect with tomorrow’s customer should be part of the strategic journey for any retail and consumer business. The gaps between today and tomorrow may appear daunting, but every journey starts with some basic steps:

1. Turn on social listening

Customers – yours and your competitors – talk. They talk about you and to you. They’re doing this on social media, via digital channels, apps and websites and via your call centre. Combining insights from these channels is the single most powerful way to place the voice of the customer front and centre in your business.

Customer Advocacy programs in particular can benefit, as the scale and frequency of customer contact from these channels often heavily outweighs survey driven programs.

There are many tools available to broaden a business’s listening capability, so this need not be expensive or complex.

PwC’s customer.mind is one tool, and offers the ability to measure real-time customer advocacy by analysing the sentiment expressed.

2. Understand today’s customer journeys

Do you truly understand the journey that your customers go through today and the occasions that trigger them? Focus on priority occasions and persons to begin with, and research the full end to end experience across physical and digital channels, not just where they interact with your brand.

For example, a supermarket trying to understand the end to end journey for a city based family doing their weekly grocery shop would need to start at meal planning and end at meal consumption, not just the part when the family is in their store.

Use this research to think more widely about the problems you can solve rather than the products you can push.

3. Develop your customer engagement strategy

In tomorrow’s world, loyalty is less about managing reward and recognition programs and more about building a relationship that each customer values.

What engagement do you need through your priority customer journeys to drive advocacy? These might be interactions that make their life easier, reinforce the emotional attributes of your brand, or requires them to invest time or energy in your brand.

- What listening, interpretation, response and targeting capabilities do you need to deliver that engagement vision?
- What changes are required in your business model to enable the strategy?
- What data and technology options are there for realising those capabilities?
- What is the roadmap to get you there?

Endnotes

Further information


Previously in this series:

Connected and curated – long live the store!

The final chapter in our Connected Retail series will be released in November 2015.

Connected Retail: Reshaping tomorrow’s operating model and metrics
Find out how you can engage tomorrow’s customer

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