



What Makes An Excellent Customer Experience? Customers And Retailers Weigh In

A 360 Degree Benchmark Report

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February 2023

Presented in partnership with:

IORMA

The Global Consumer Commerce Centre

Executive Summary

Key Findings

With competition seemingly everywhere and always just a click away, many retailers have identified that offering an **excellent customer experience** is the way in which they plan to differentiate their brand. But what is an “excellent customer experience”? We asked roughly 100 retailers – and 1,000 consumers – to find out. It turns out there are a lot of breaks between their perceptions of what is – *and what should be*:

- Virtually all retailers (98%) say that **building relationships with their existing customers** is key to success in today’s challenging economic times. Unfortunately, *only 39% say they can confidently even identify who their best shoppers are* – which is absolutely paramount to building any such relationship. At the same time, only 36% of retailers have assigned a single owner to oversee the overall customer experience, and customers feel that lack of accountability.
- **Less than 40% of shoppers** report that retailers know enough about them to identify the products they may like, make offers that might be relevant, or perhaps most telling: *make offers based on what they actually buy* – not what a retailer may want to sell. **Consumers strongly sense that retailers are still operating from a product-centric point of view.**
- Retailers have a *very clear view of what they think customers want*. They believe their biggest external challenge - out of a long list of options - is that consumers want more targeted and personalized offerings. They are only half correct.
- Consumers *do* want more targeted communications, but only if those communications provide access to the lowest price possible: **66% of shoppers rated “lowest price” more important than anything else** (a “consistent” experience – even from one store to another – was rated 2nd most valuable to achieving an excellent shopping experience).
- In good news, **shoppers do believe retailers are providing a consistent experience** - 55% say their favorite brands perform very well, and another 42% say they do it “somewhat well”. But according to shoppers, *retailers fall short in their abilities to deliver a great loyalty program, and in their ability to make relevant offers*. Fundamentally, retailers are not perceived as knowing enough about consumers to identify the ways people like to shop.
- Perhaps most importantly, customers believe that **even their favorite retailer** can provide the low price they want **only half of the time**. This puts 50% of their potential purchases up for grabs.
- As it relates to the technologies that can help them better meet all of these growing shopper demands, retailers identify solutions that integrate the physical and digital selling environments - integrated eCommerce, integrated POS, and customer order management - as **three of the top-five “very important” choices in their customer centric strategy**. Unfortunately, responses show that they are decidedly not yet satisfied with efforts to-date to implement a customer order management and fulfillment capability.

Based on our data, we also offer several in-depth and pragmatic suggestions on how retailers should proceed. These recommendations can be found in the **Bootstrap Recommendations** portion of the report.

We certainly hope you enjoy it,

Brian Kilcourse and Steve Rowen

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Research Overview

The Ever-Elusive ‘Customer Experience’

Today, at the beginning of 2023, shopping is objectively easier than at any other point in history. Consumers can buy *just about anything they want* (often-times from a multitude of sources) and take delivery of those products in any number of ways they deem most convenient to their personal needs.

For retailers, however, “easy” is no longer part of the internal lexicon. To sell successfully in the modern world, one must overcome competition from sources old and new, or as RSR so often points out, consumers will “just buy it on Amazon.com”. That has become the default-mode response by many consumers for an ever-growing host of shopping needs. Competition is seemingly everywhere at all times.

As a result, many retailers have identified that offering an **excellent customer experience** is the way to differentiate their brand. But what is an “excellent customer experience”? The answer to that can vary wildly from one category to another (luxury goods vs. mass merchandise, for example), one product sub-segment to another (specialty sporting goods vs specialty musical instruments), and even from one competitive brand to another *within the same sub-segment*. Consider just how differently seemingly similar retailers (REI and Backcountry.com, for example) approach their customer experience offering, despite selling nearly identical brands and products.

A retailer’s approach to customer centricity and offering a compelling customer experience is core to its brand. And for many, they are betting their future on it.

At the same time, the technologists that service the retail industry have promoted the idea that *personalization* holds the key to future success. Communications must be personalized. Product offerings must be personalized. Delivery methods, customer service, help center tactics, pricing... the list goes on and on.

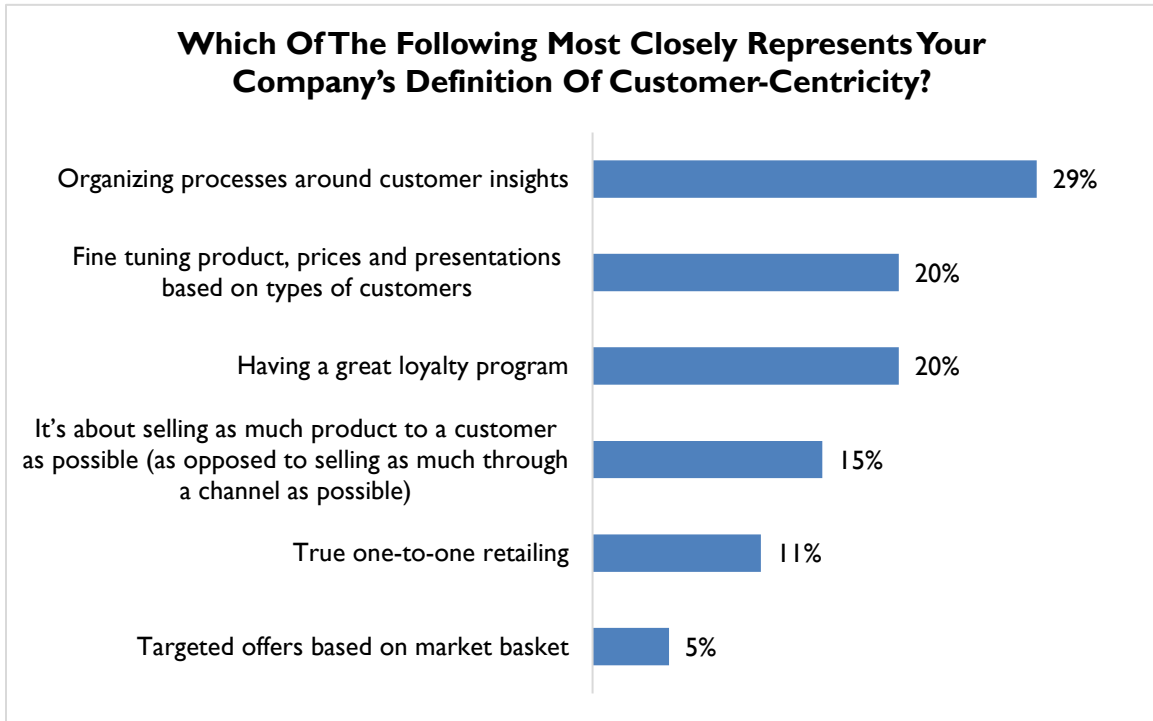
As this research shows, however, for retailers, *personalization* may well not be the right objective. Their sights are currently set on establishing **relevance**. In retailers’ view, customers don’t need a personalized price, but they certainly want a fair one. They may not need a true 1-to-1 communication from their favorite brand – but if that brand does try to reach out, then the communication (and the offer it holds within) must be **relevant**.

As it turns out, consumers tend to agree.

What makes this research unique is that not only did we survey roughly one hundred retailers about their vision for the customer experience, but we also surveyed over one thousand US-based shoppers (aged 18 and up) to gauge their sentiment as well.

The very first thing we wanted to know from our retail respondents is, “What does customer-centricity mean to you?” (Figure 1).

Figure 1: Customer-Centricity Takes Shape



Source: RSR Research, February 2023

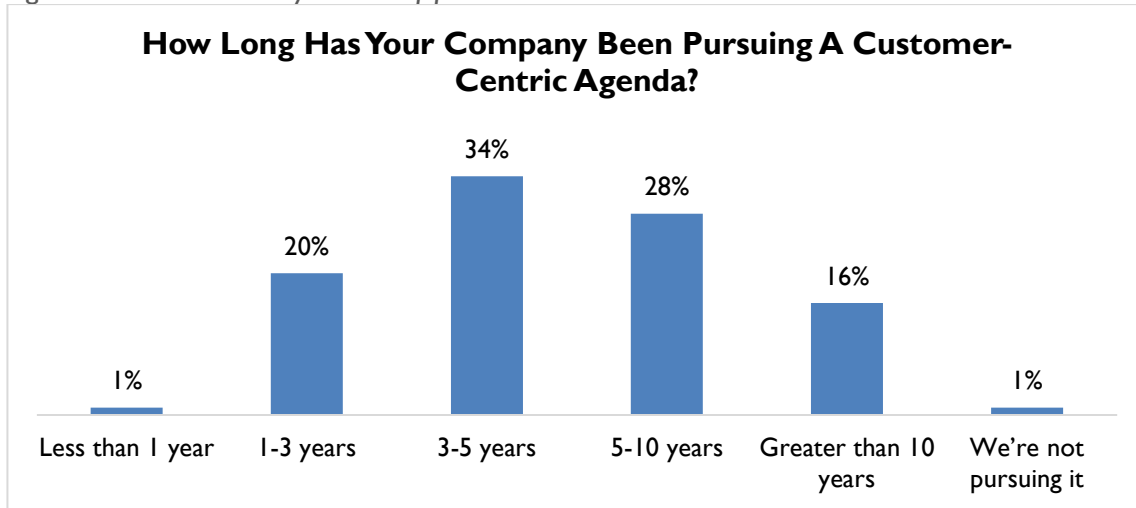
As Figure 1 shows, there isn't one answer – nor should there be. As this report will show, what a retailer is selling has a profound effect on what customer centricity means to the brand offering, as does the retailer's size, and their current sales performance.

This backdrop is important to keep in mind, as a less-than-uniform-definition can often lead to confusion in the industry. Thankfully, from a shopper perspective, no such gray area exists. Consumers just want relevance, and they give little thought to what a retailer must do behind the scenes to deliver it.

How Long Has This Been Going On?

We wanted to understand is just how long each member of our retailer response pool has been pursuing whatever its version of a customer centric agenda looks like. As Figure 2 shows, the majority of retailers (82%) find themselves in relatively new territory.

Figure 2: A Relatively New Approach



Source: RSR Research, February 2023

While five to ten years of pursuing a customer-centric agenda may seem like “forever” in the retail industry, it is important to keep in mind how much the available technologies have changed in that same span of time.

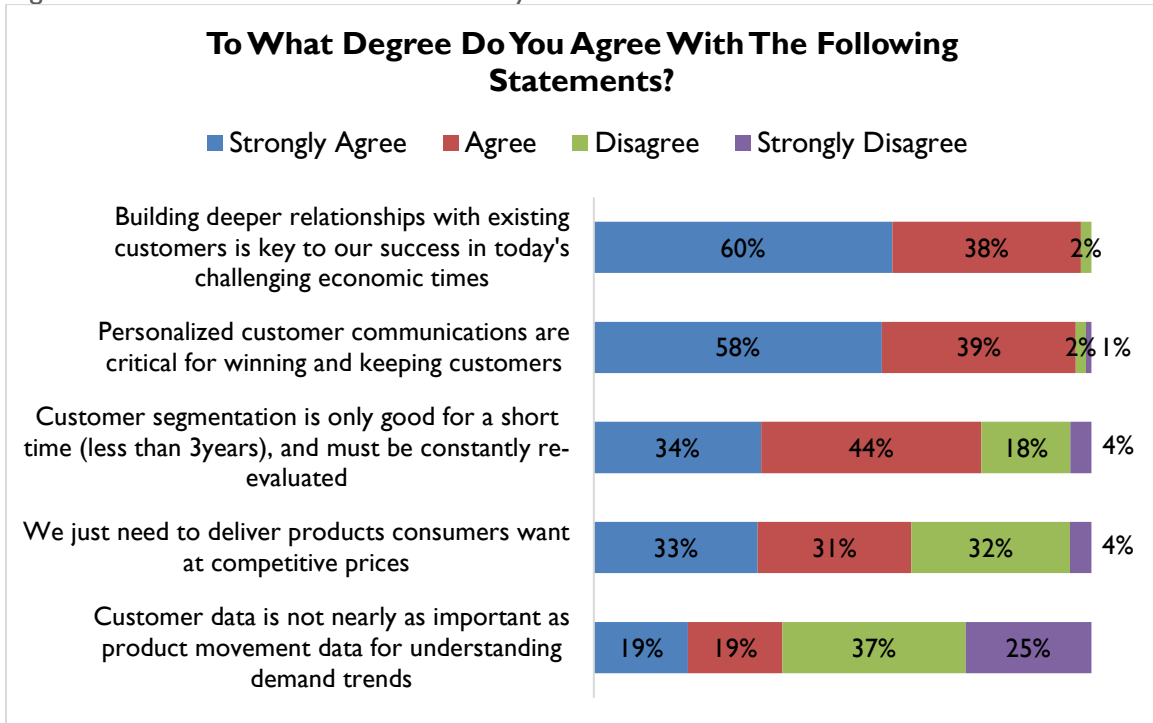
What Figure 2 confirms is that the vast majority of retailers (85%) may have been thinking a decade ago about their shoppers and catering to them in some number of ways, but they were not building their *entire go-to-market strategy* around them. Quite the contrary: most retailers were well rooted in a **product-centric strategy**. Retail was far more about what retailers wanted to sell than it was about what shoppers wanted to buy, or how they might want to buy it. The notion of “stack ‘em high and watch ‘em fly” was pervasive before the widespread adoption of smart mobile technologies by consumers some 10-15 years ago. A good product mix and good prices were considered enough to entice shoppers into the store – full stop.

Today, retailers know that a purely product-centric approach is no longer adequate. From one brand to another, whether they were leaders of the customer-centricity charge or were late adopters – nearly all have come to the same conclusion. Customers are calling the shots, and it’s up to retailers to react as best they can by offering an enticing – and far more nuanced – experience, both online *and* in stores.

What’s On Offer?

We wanted to understand better what our respondents think of some of the options they currently have to make the shopper experience more relevant. As Figure 3 shows, retailers’ self-identified biggest opportunities lie within establishing deeper relationships with their existing shopper base. This invariably leads to the methods by which such relationships are forged: more personalized communications.

Figure 3: Retailers Know What They Want



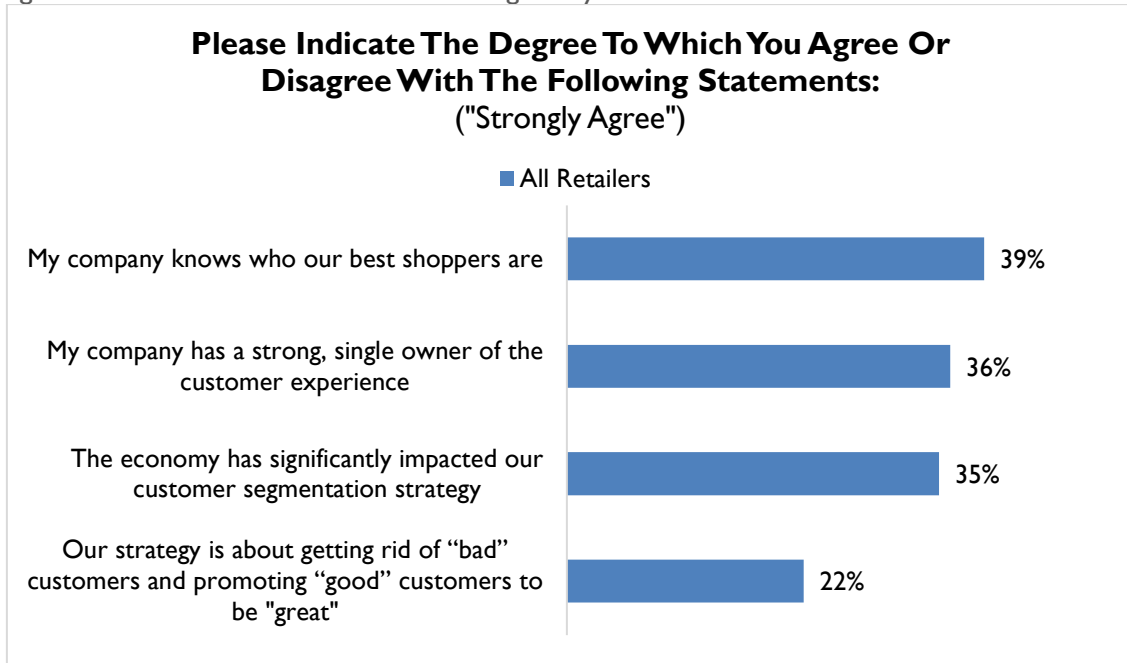
Source: RSR Research, February 2023

It is worth noting that while retailers of all types and sizes agree that they want to strengthen relationships with customers, they summarily reject the notion that customer data is not as important as product movement and demand trends (62% when 'disagree' and 'strongly disagree' responses are combined). As the findings of this report will show repeatedly: making sense of complex customer data is a lynchpin to establishing the relevance retailers seek to achieve, which, (as we'll see in just a moment), is the very same relevance that shoppers want.

But First, A Reality Check

Before we check in with shoppers, it's worth asking retailers where they currently stand in their efforts to date (Figure 4).

Figure 4: Retailers Still Have A Long Way To Go

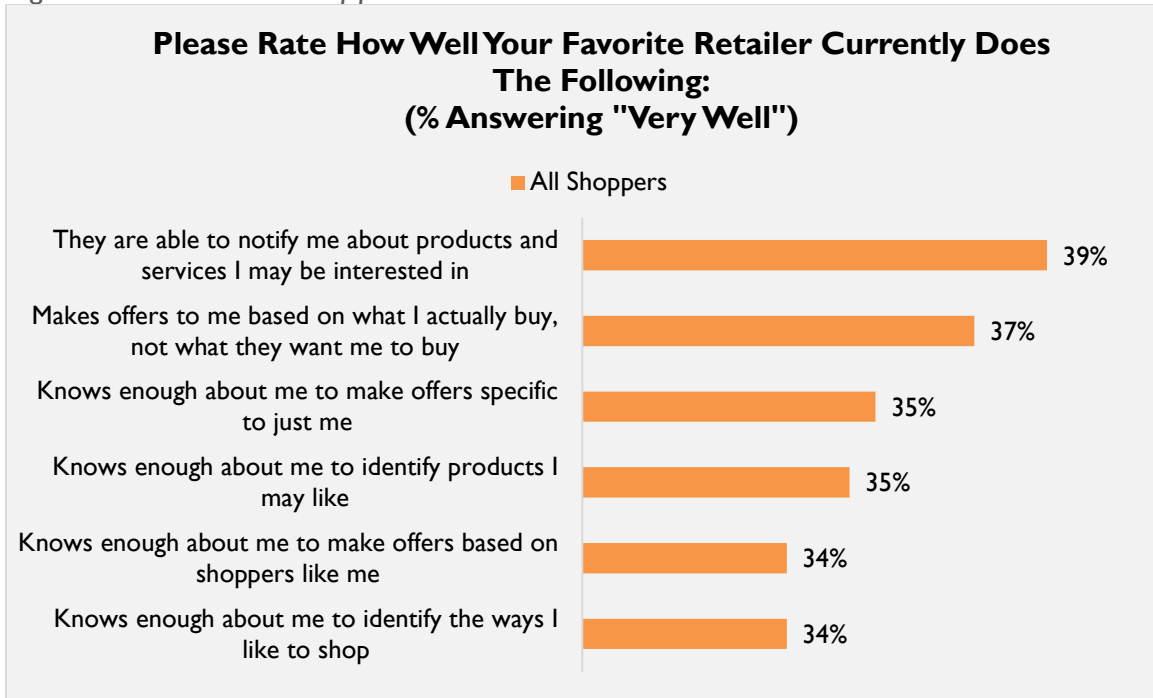


Source: RSR Research, February 2023

Fewer than half of the retailers who responded to our survey can confidently say that they (a) know who their best shoppers are and, (b) have assigned accountability to a single "owner" to oversee the overall customer experience. Given the importance that retailers assign to adopting a customer-centric policy, this finding is surprising.

When we ask shoppers to reality-check how good of a job *they* think retailers are doing at offering a relevant shopping experience, most aren't feeling particularly appreciated (Figure 5).

Figure 5: What Do Shoppers Think?



Source: RSR Research, February 2023

Less than 4 out of every 10 shoppers report that retailers know enough about them to identify the products they may like, make offers that might be relevant, or perhaps most telling: make offers based on what they actually buy – not what a retailer may want them to buy.

Quite simply, consumers feel that retailers are still operating from a product-centric point of view. The fact that so few retailers can confidently identify their best shoppers explains why. The retail industry as a whole clearly has a long way to go to be able to offer consumers a truly relevant customer experience.

Thankfully, certain retailers (Retail Winners) have lessons to share. A definition of what makes them Winners is now in order.

Retail Winners And Why They Win

In our benchmark reports, RSR quite frequently cites differences between retailer over-performers in year-over-year comparable sales and their competitors. We find that consistent sales performance is an outcome of a differentiating set of thought processes, strategies and tactics. We call sales over-performers “Retail Winners.”

RSR’s definition of these Winners is straightforward. Assuming industry average comparable store/channel sales growth of **7 percent**, we define those with sales above this hurdle as “Winners,” those at this sales growth rate as “average,” and those below this sales growth rate as “laggards” or “also-rans.”

One trend that will emerge throughout this report is that Retail Winners are approaching their customer-centricity agenda quite differently, and the first case in point relates to the data we’ve just seen. Winners are far more likely to have both an understanding of how their shoppers shop, and

an executive in charge of keeping their finger on the pulse of what that shopping experience ultimately looks and feels like (Figure 6).

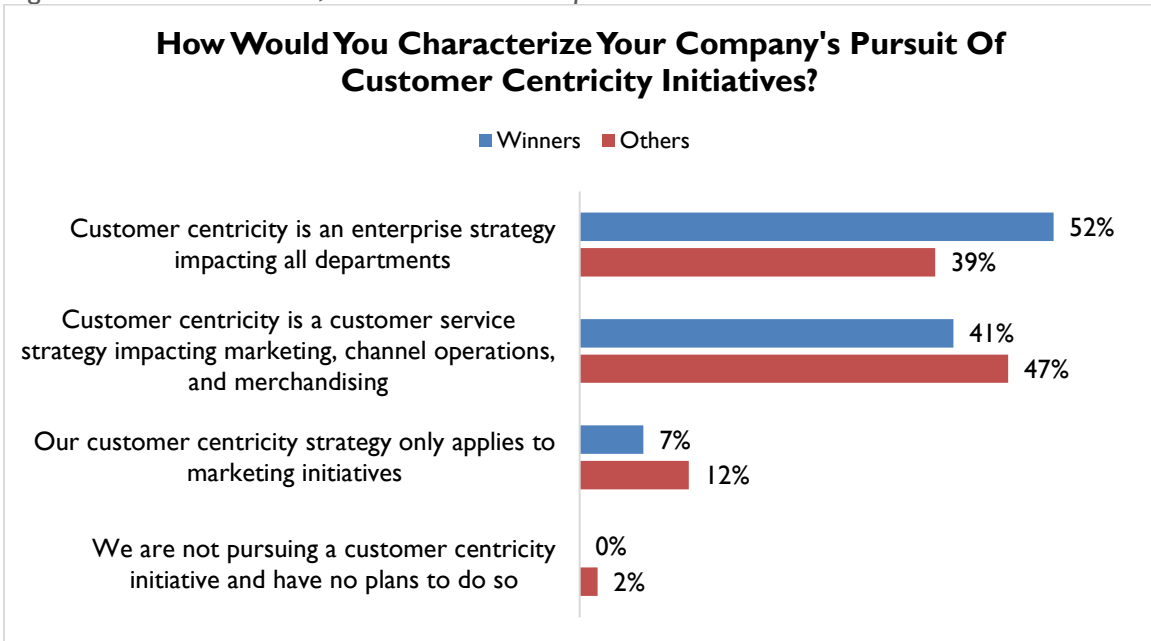
Figure 6: Winners Are In Better Shape



Source: RSR Research, February 2023

When asked to characterize how their company views its pursuit of customer centricity, more than half of Retail Winners say it is viewed as an *enterprise-wide strategy*, while average and under-performers are most likely to typify it as a customer service-driven agenda (Figure 7).

Figure 7: For Winners, This Is An Enterprise-Sized Issue



Source: RSR Research, February 2023

Methodology

RSR uses its own model, called The BOOT Methodology[®] to analyze Retail Industry issues. We build this model with our survey instruments. See [Appendix A](#) for a full explanation.

In our surveys, we continue to find the kinds of differences in thought processes, actions, and decisions cited above. The BOOT helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics

RSR conducted an online survey in late 2022 and received answers from 95 qualified retail respondents. Respondent demographics are as follows:

- **2021 Revenue (US\$ Equivalent)**

| | |
|-------------------------------|-----|
| Less than \$50 million | 6% |
| \$51 million - \$249 million | 4% |
| \$250 million - \$499 million | 12% |
| \$500 million - \$999 million | 38% |
| \$1Billion to \$5 Billion | 25% |
| Over \$5 Billion | 15% |
- **Products sold:**

| | |
|-----------------------------------|-----|
| Fast moving consumer goods | 38% |
| Apparel, footwear and accessories | 23% |
| Hard goods | 17% |
| General merchandise | 17% |
| Brand manufacturers | 5% |
- **Headquarters/Retail Presence:**

| | <u>Retail Presence</u> |
|----------------------|------------------------|
| USA | 99% |
| Canada | 44% |
| Latin America | 21% |
| UK | 23% |
| Europe | 24% |
| Middle East & Africa | 4% |
| Asia/Pacific | 14% |
- **Year-Over-Year Sales Growth Rates** (assume average growth of 7%):

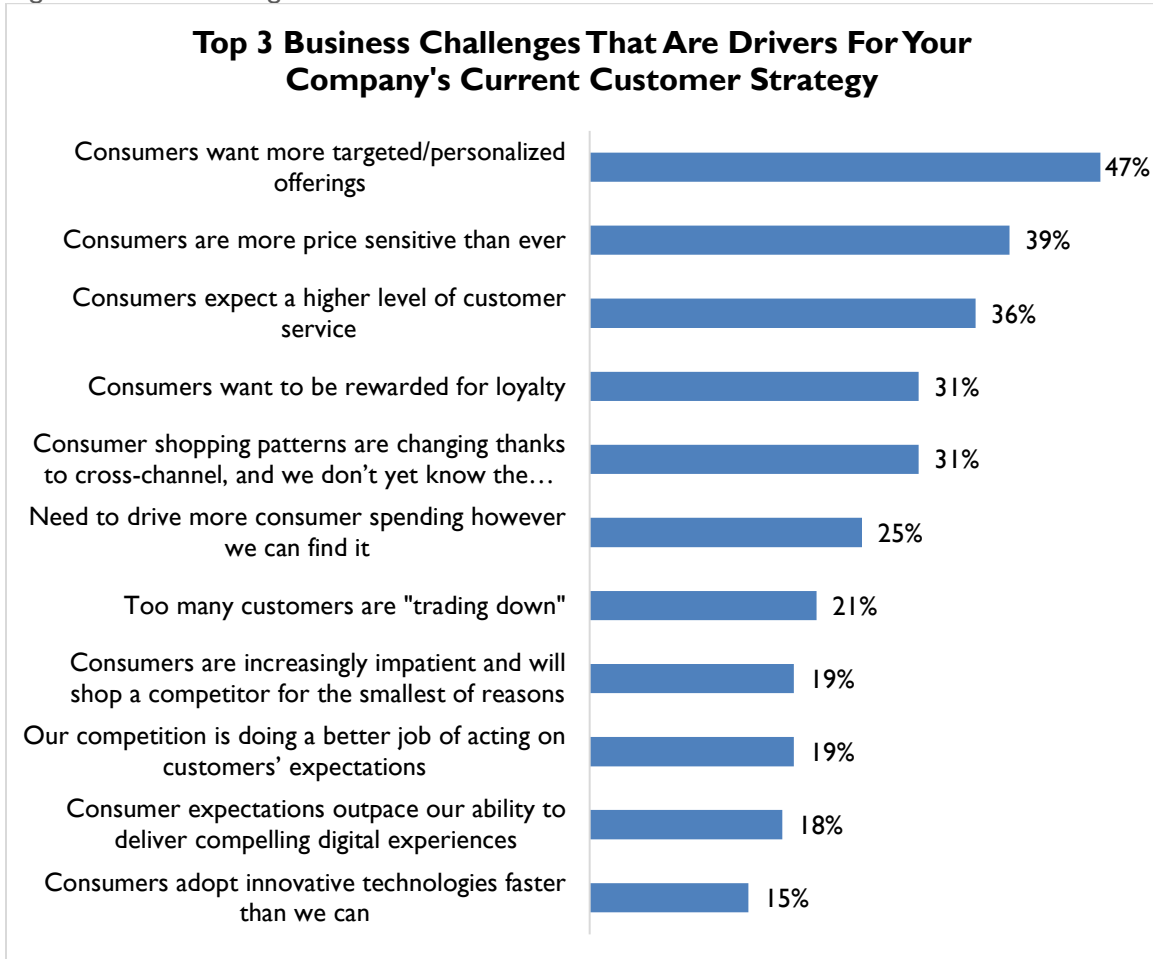
| | |
|--|-----|
| Worse than average (“Laggards”) | 9% |
| Average | 42% |
| Better than average (“Retail Winners”) | 48% |

Business Challenges

A Tale Of Two Cities

As always, retailers have two distinct types of challenges: those they have control over (internal challenges), and those pressing in on them from the outside world. While retailers have little control over these external challenges, we can see from Figure 8 that they have a *very clear view of what they think customers want* – and in which order they believe customers want them.

Figure 8: According To Retailers...



Source: RSR Research, February 2023

The problem is that retailers are only half correct in their assumptions about what consumers desire. Do shoppers want more targeted offerings? Yes. But only if those communications provide access to the lowest price possible. In the consumer survey RSR conducted as part of this study, 66% of the over 1000 consumers we surveyed rated “lowest price” even over a “consistent experience” (Figure 9).

Figure 9: Meanwhile... According To Shoppers

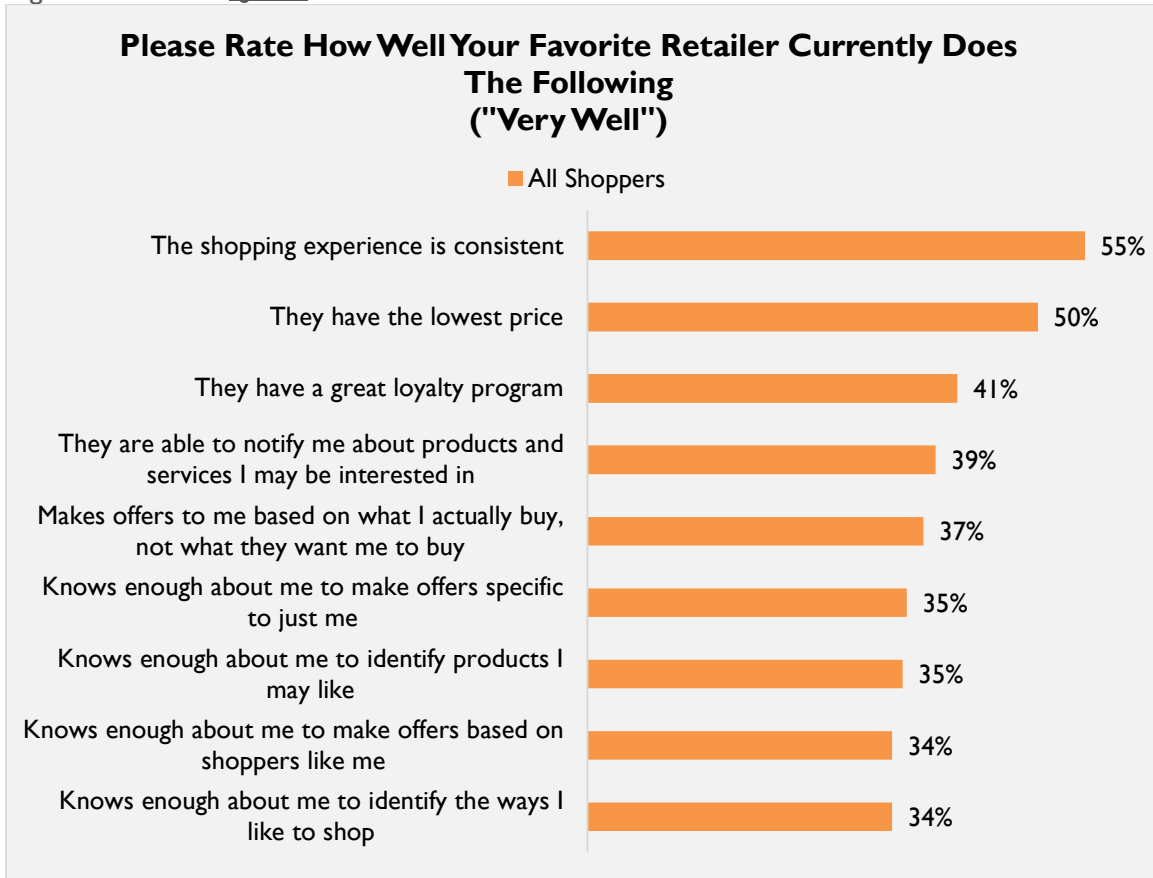


Source: RSR Research, February 2023

But shoppers *do want* a consistent experience, and **not just across channels**. While they tell us they have a moderate interest in localized products later in our line of inquiry, they are much more bullish on being able to navigate a store (or website) with *ease* – even when visiting a store that’s not their “home store”. They also want offers made to them on the products they actually buy, not on what a retailer may want to sell (86% “very” or “somewhat important”). And more than a third say it is very important for retailers to notify them about products and services that they may not yet be aware of. **However, as responses so clearly show, a retailer’s ability to offer the lowest price trumps all.**

The bad news? When asked how well retailers can fulfill these expectations – even when thinking specifically about their favorite retailer – consumers say brands are falling short (Figure 10).

Figure 10: Not Quite There



Source: RSR Research, February 2023

The good news from Figure 10 is that shoppers *do* believe retailers are providing a consistent experience - 55% say their favorite brands perform very well, and another 42% (not pictured) say they do it “somewhat well”. But according to shoppers, retailers fall short in their abilities to deliver a great loyalty program, or in their ability to make relevant offers. And at their core, retailers are not perceived as knowing enough about consumers to identify the ways people like to shop. There is a lot of room for improvement here.

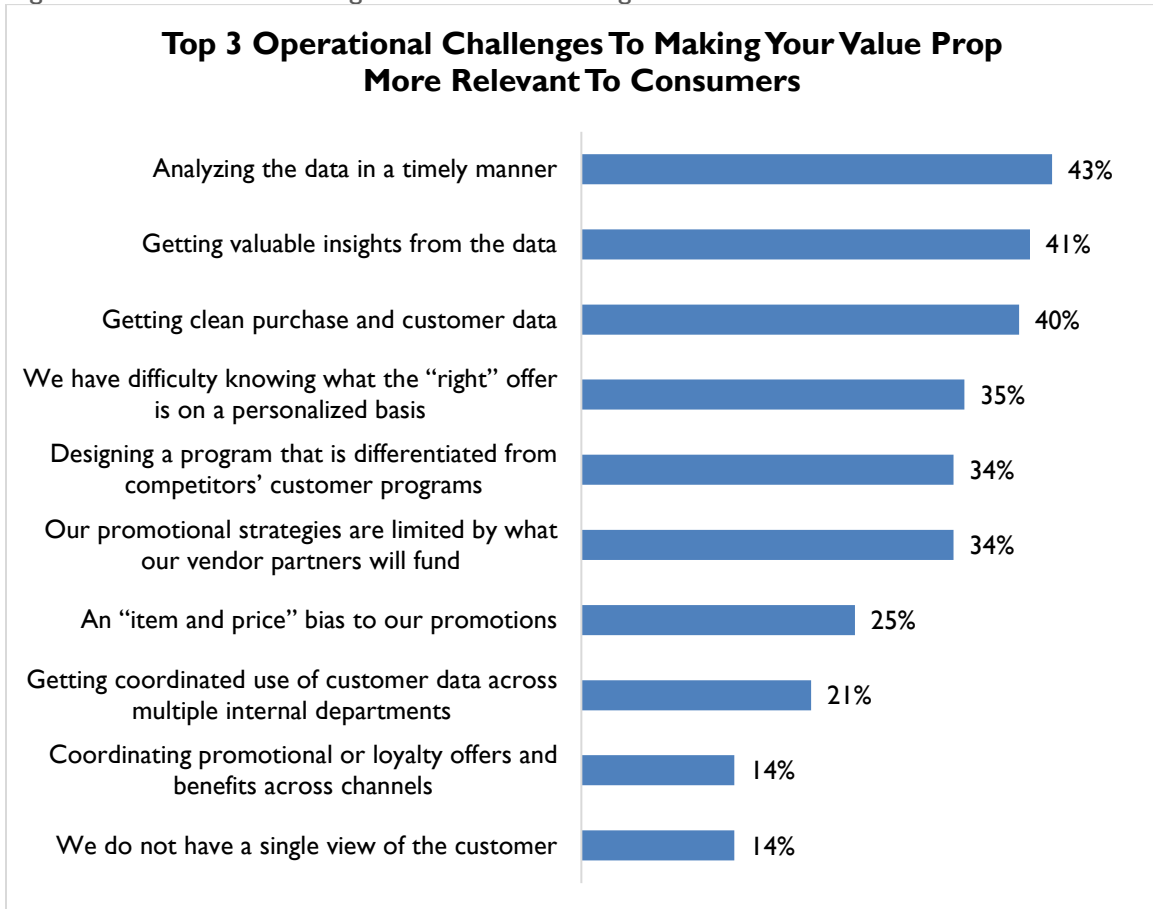
Perhaps the most telling data in Figure 10, however, is that only 50% of customers believe even their favorite retailer can provide the low prices customers want. This puts 50% of their potential purchases up for grabs.

If price is that important to shoppers (and as we’ll soon see – it is), retailers have a 50/50 shot of keeping their shoppers from shifting loyalty to whomever has the lowest price. These – to put it mildly - are not great odds.

Shifting Gears

When we shift gears to focus on the challenges retailers *do* have more control over – namely their internal, or Operational Challenges - we see the real culprit behind why retailers have yet been able to meet customer needs better: data (Figure 11).

Figure 11: The Recurring Data Issue Emerges



Source: RSR Research, February 2023

Retailers collect oceans of data about consumers; demographic information, location information, data about the products they buy and the affinities between them – there is seemingly no end to what they can (and do) collect. But the ability to make sense of that data, to create actionable intelligence, continues to elude. Nearly every one of the challenges listed in the lower half of Figure 11 is an outcome brought about by the top three: data can’t be analyzed quickly enough, it is difficult to derive “next best actions” from that which is collected, and underneath it all – verifying that the data is even pure to begin with is difficult. Everything is made more difficult by these top operational challenges.

The Data Game

What’s more, when we view the same data by product being sold, an even clearer picture comes into focus (Figure 12).

Figure 12: Challenges Vary By Product Segment



Source: RSR Research, February 2023

Perhaps the most interesting way of looking at the results in Figure 12 is to take note of the top challenge each product segment identifies:

- **Grocers** have the hardest time getting valuable insights from the data they collect. This can be viewed a multitude of ways: as avid and early adopters of loyalty programs, what are FMCG retailers doing with the information they've been able to collect? Loyal shoppers may be in their stores weekly – or even multiple times a week. Yet with all those SKUs on offer, even with the highest level of repeat purchases of any product segment, FMCG retailers struggle to gain real insights from their current data tools.
- **General merchants** are most challenged to know what the right offer is from one customer to another. This also makes perfect sense, as the vast assortment of products they sell may propensity to buy for any given consumer more difficult than for any other type of retailer. Finding the right value message is as much science as art for GM retailers.

- **Hardgoods** retailers say they can't analyze the data they collect in a timely manner. This may be a function of the product mix with which they must contend; consumer electronics are practically out of date before they are sold, and lead times for many of the products sold in this category (furniture, housewares) are quite long. Either way, hard goods retailers are most focused on speeding things up.
- And **fashion retailers** are equally challenged to both (a) make sense of what the data they are collecting is telling them and (b) to analyze it quickly enough to identify trends. When their entire business is predicated on knowing what will be hot next season, this only makes sense.

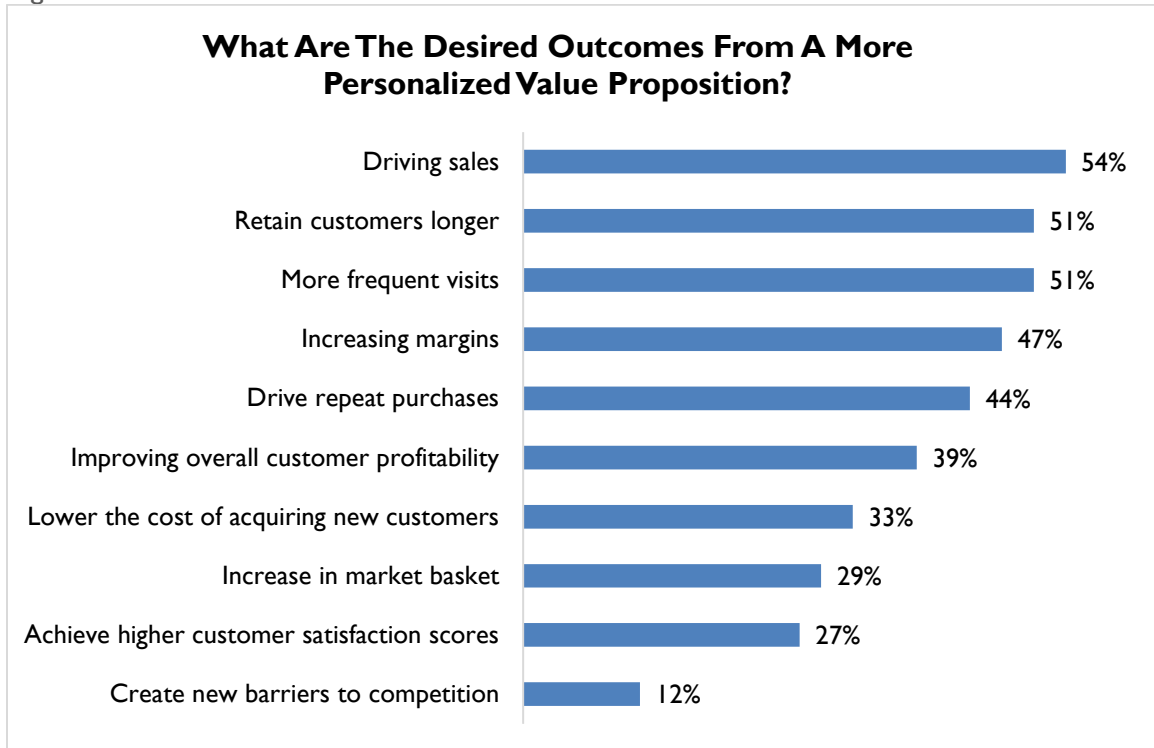
All retailers are in a bit of a data-induced bind. How they plan to get out of it – is highly determinant on what they sell. It's now time to find out what some of those opportunities are.

Opportunities

The Road To Relevance

When asked why they are so eager to get past all of the challenges we’ve just identified, our retailers couldn’t be clearer: the objective is to drive sales (Figure 13).

Figure 13: Relevance = Sales

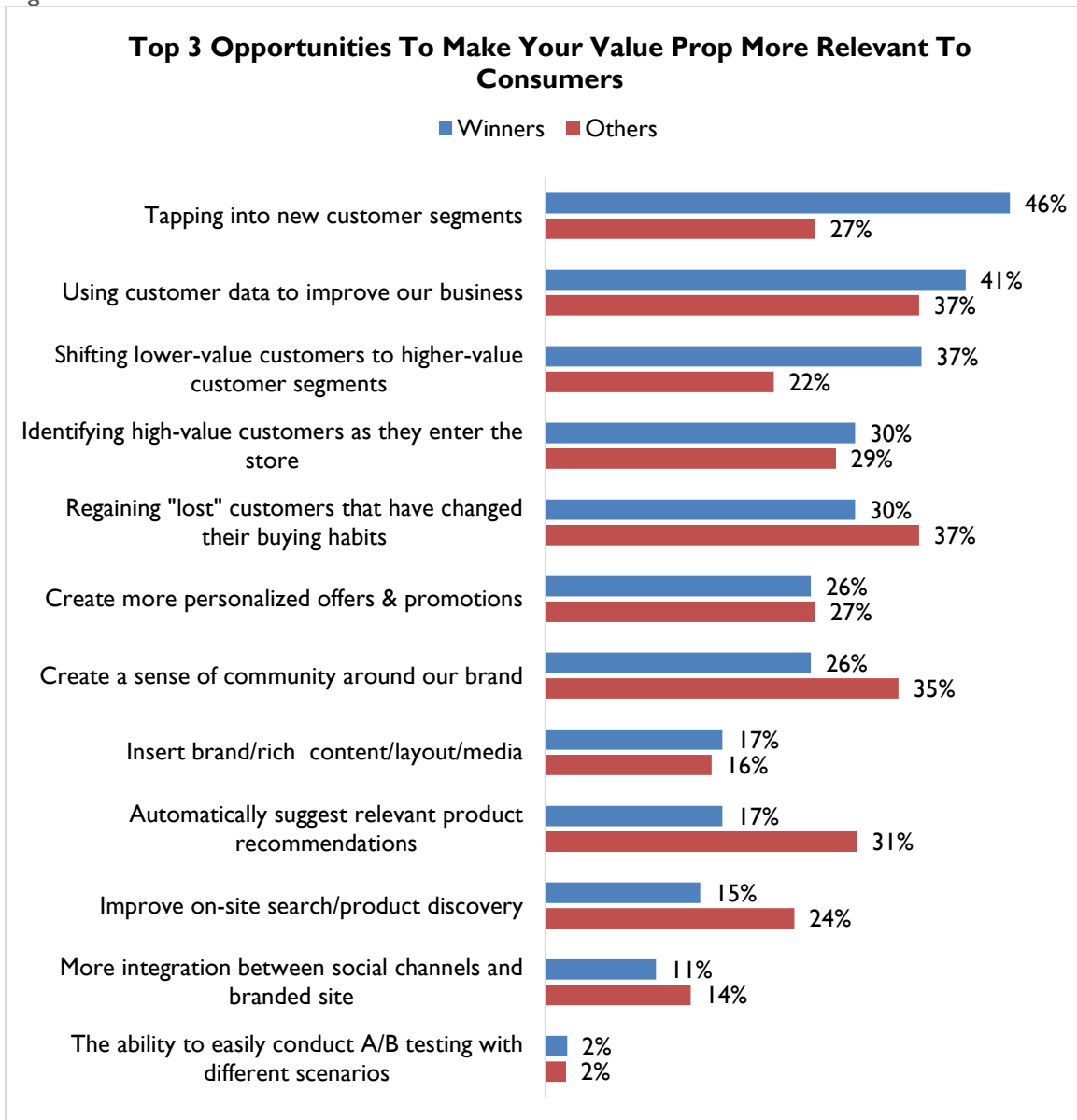


Source: RSR Research, February 2023

Everything listed in the chart above is a boon for a brand – increased customer retention, upping the number of visits-per-shopper, higher market basket and lowered cost associated with “winning” a new customer – each is a goodness. But it should come as small surprise that more *sales are the primary association that retailers make in their minds when they hear the words “personalization” and “relevance.”*

What is far more interesting, however, is what higher performers believe will come when it is **the shopper** who makes the mental association (consciously or otherwise) between **relevancy and their unique brand** (Figure 14).

Figure 14: Winners Want ‘Net New’



Source: RSR Research, February 2023

Retail Winners know that if they can increase the number of times shoppers think of them as the favored brand to help solve whatever shopping problem they are trying to solve, then a whole world opens up – a world of **net-new customer segments**.

Retailers have long had a love/hate relationship with advertising. The old adage “*I waste half of my money on advertising – I just don’t know which half,*” can always bring a chuckle in a room full of retail execs. Winners, however, are looking beyond this long-held attitude. In their eyes, if they can leverage technology to create a value proposition that is more relevant to consumers according to a number of metrics (demographic, product affinity, etc.), **then promotions can be more effective than in the past**. They don’t yet believe that they are able to promote highly personalized offers to consumers, but they can promote a *relevant* product to a more targeted segment of both new and

existing customers. This is not about 1:1 marketing, for Winners, *but it is about both not wasting money and being more relevant.*

Average and lagging retailers still demonstrate a measure of “magic bullet” syndrome when thinking about the possibilities new tools can bring. They are far more likely to note the loyalty-building opportunities that can result from more personalized communications, as well as the ability to lure back customers that have turned their back on the brand.

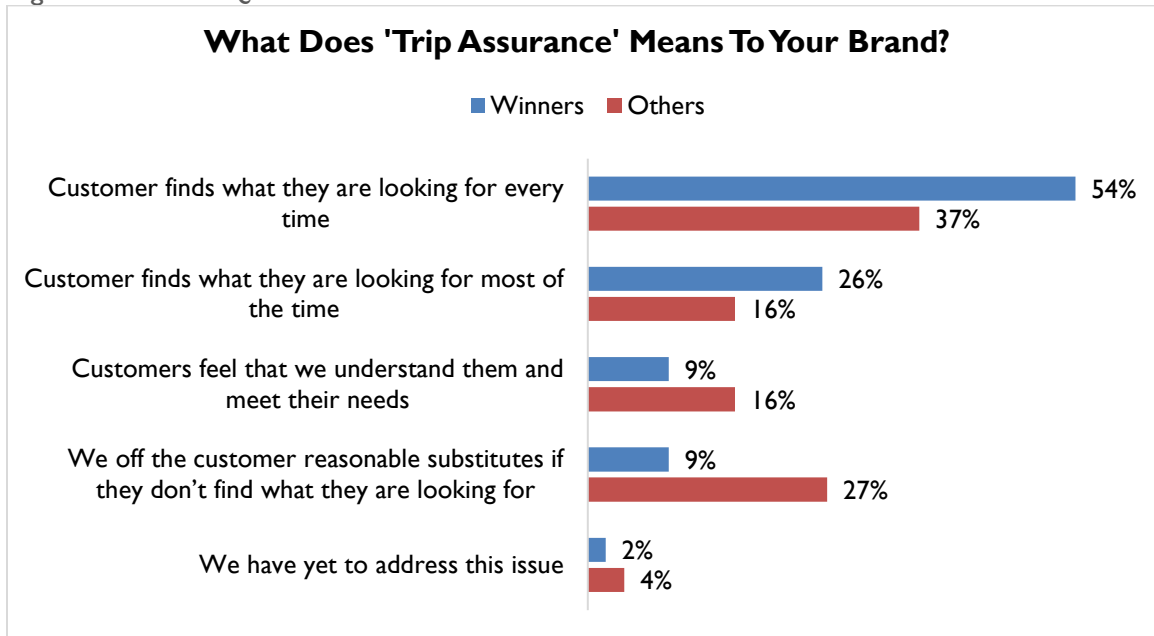
This is somewhat wishful thinking. Winners are being far more pragmatic and recognize that just having the ability to offer a relevant product in the modern era is a logical place to start. As shoppers, virtually all of us already have anecdotal stories to tell about retailers who inundate us with offers that have little (and often hilariously little) to do with our actual needs.

Shifting Gears Again: Just The Store Folks This Time

The *in-store customer experience* incorporates a lot of facets, but one of the most fundamental components is basic: can you provide what you say you can?

A retailer’s answer to that question has a lot to do with their definition of ‘trip assurance’ in the modern era; and that very definition varies – *quite a bit* – by current sales performance.

Figure 15: The Question Is: Can Retailers Deliver?

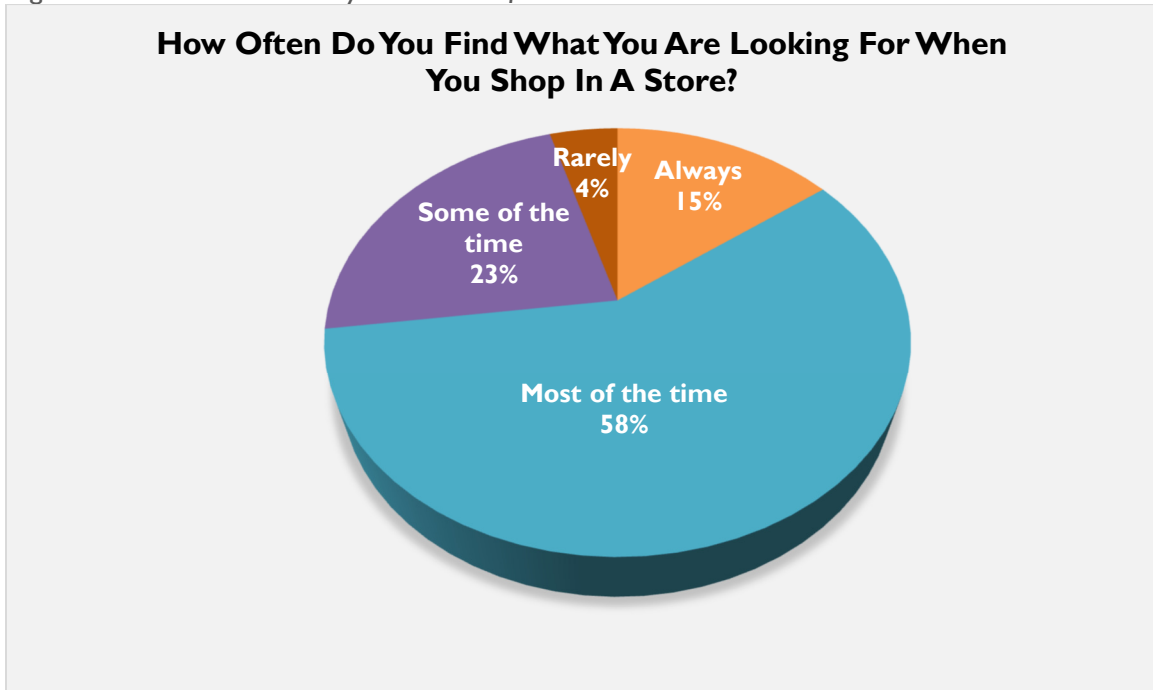


Source: RSR Research, February 2023

How can only half of Winners (and barely more than a third of average and underperformers), rest easy knowing that trip assurance means “we’ll always have what you’re looking for – every time” to their company’s brand offering?

The answer can be found in our shopper’s responses; retailers have a rose-tinted version of reality (Figure 16).

Figure 16: Customer Say... Kind Of



Source: RSR Research, February 2023

Nearly 6 out every 10 shoppers say they find what they are looking for in stores “most of the time.” And retailers – even the best performers, have seemingly set their sights no higher than this.

Only 15% of shoppers say they always find what they are looking for (a far cry from the 54% of Winners who identify this as their target.) But if customers are still willing to brave traffic, find parking, and resist the urge to simply order everything online, retailers should reward their effort with at least upping *the definition* of what ‘trip assurance’ is for their brands. Retailers may not hit their numbers, but more should be aiming higher.

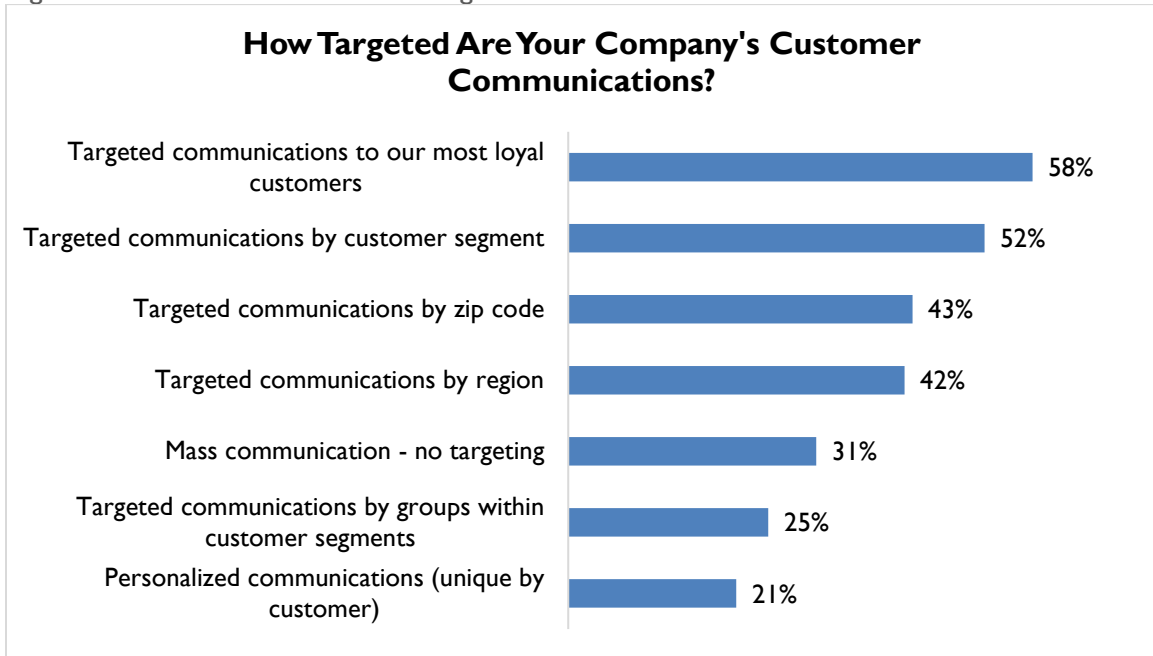
Communications In Question

Targeted communications have been in play for years now. But three questions continue to nag:

1. Who to target?
2. How often?
3. And with what?

As for the first question, retailers (for now, at least) have focused on one group above all others: their most loyal customers (Figure 17).

Figure 17: Who Should We Target?



Source: RSR Research, February 2023

There are a number of contradictions suggested by these findings. Firstly, retailers tell us that they don't know who their best customers are. They know who is in their loyalty program, but that is hardly the same thing. Are there tiers to the loyalty program? Are there ways of knowing who is "most loyal"? Who speaks highly of the brand on social media? Who returns the least number of products that they buy?

At the same time, customers have already told us in this report (in Figure 5) that they don't believe retailers know enough about them to identify products they may like or even identify the ways they like to shop.

So, it should come as little surprise that when we asked them the value of targeted messages, consumers' replies were unenthusiastic (Figure 18).

Figure 18: Customers Aren't Buying The Hype



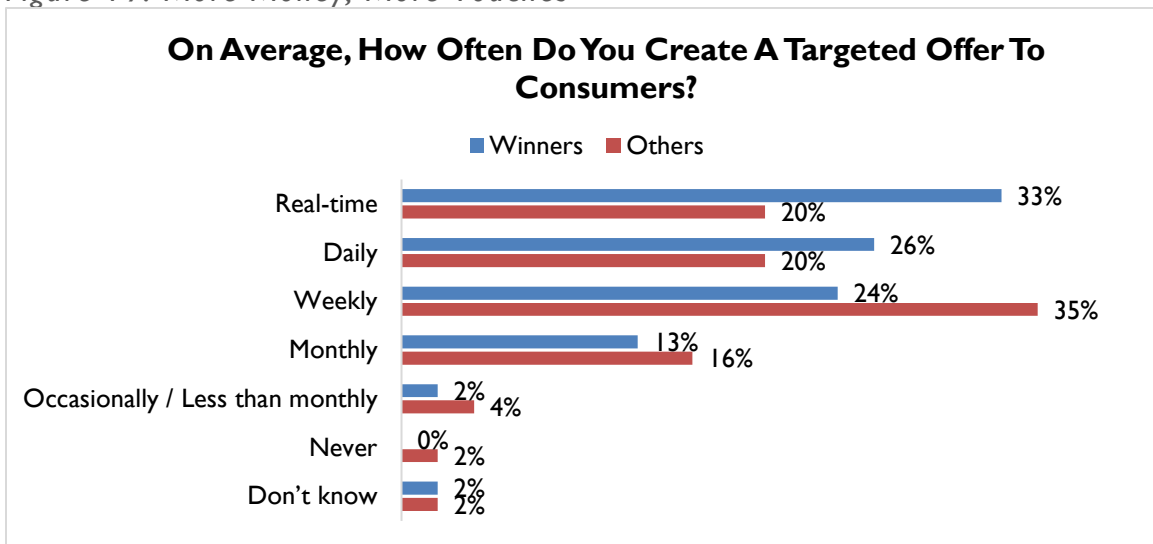
Source: RSR Research, February 2023

As a result, our answer to the question “who to target” is that retailers currently target members of their loyalty programs, then start using demographics like zip code – but still engage in mass communications. Customers would be more interested if these communications were targeted based on their **actual shopping habits**. But they aren't confident that retailers know enough about them to do that.

How Often?

The second question is, “How often should we be sending targeted communications?” As Figure 19 shows, the better a retailer's sales, the more frequently they are to be reaching out.

Figure 19: More Money, More Touches



Source: RSR Research, February 2023

As marketers often say, “if you don’t feed it, it dies.” Winners subscribe to this notion wholeheartedly, and 83% are reaching out at a minimum on a weekly basis, with more than one quarter indicating that they are touching their shoppers on a daily basis. This is an aggressive tactic, which (based on sales) appears to be working for them. The largest segment of average and under-performers, by comparison, is content with weekly offers.

This is an enormously instructive insight.

With What?

The last of our 3 nagging questions about targeted communications is – by far – the easiest to answer: “What should these communications include?” The shoppers to our line of inquiry have been crystal clear: they want offers. Do they care about their loyalty being rewarded? Yes, and they also want a shopping experience that seamlessly moves between the digital world and the physical world. But what they really want – more than anything else – is the **lowest price possible**.

Figure 20: Above All: Price



Source: RSR Research, February 2023

Now let’s find out what internal roadblocks stand in retailers’ way.

Organizational Inhibitors

Hope Is Not A Strategy

Earlier in the **Research Overview** of this report, we put some parameters around what the term “customer-centric” means to most retailers based on the feedback from our survey. For context, it’s important to remember that before retailers started to inform their business processes with customer insights, a good product mix and good prices were considered enough to entice shoppers into the store. But we pointed out that today’s information-savvy consumers are *“calling the shots, and it’s up to retailers to react ... by offering an enticing – and far more nuanced – experience, both online and in stores.”*

Now for most retailers, to be “customer centric” means to be able to offer more **relevant experiences** to consumers, as opposed to either of the other extremes, “one size fits all” or true “1-to-1” retailing (Figure 1). Plans to achieve this objective span tactics like new customer segmentation schemes, assortment localization, more personalized coupons, personalized digital presentations based on customers’ online searches, and even making a determination of a shopper’s “intent” based on online search activity and social media “likes”.

To achieve greater *relevance*, over 60% of the retailers who responded to our survey place a high value on using customer data and insights to improve their processes. That data includes *market basket, average order size and frequency, customer lifetime value, online search history, customer satisfaction scores, and even “sentiment” indicators derived from social media.*

We wanted to get some validation to the finding that retailers put a “high value” on customer data and insights. To that end, we asked survey respondents to agree or disagree with a null hypothesis statement, that customer data is *not* as important as product movement for understanding demand trends. Retailers across verticals *disagreed* with that statement by varying degrees (Figure 21):

Figure 21: Validation

| <i>“Customer data is not nearly as important as product movement data for understanding demand trends”</i> | FMCG | GM | Fashion/ Specialty/ Brand | Hardgoods |
|--|-------------|------------|----------------------------------|------------------|
| Disagree/Strongly Disagree | 58% | 50% | 70% | 69% |

“FMCG”: Fast Moving Consumer Goods / “GM”: General Merchandise

Source: RSR Research, February 2023

That is good news! But despite the value that retailers put on customer data and insights, retailers fear that their efforts to date to use customer data to fine tune the value proposition aren’t delivering the promised outcomes. When we asked respondents to identify the top three things that stand in the way of making the value proposition more relevant to consumers, the # 1 roadblock identified was that it is *“difficult to prove that customer programs deliver results”* (Figure 22).

Figure 22: Risk Averse

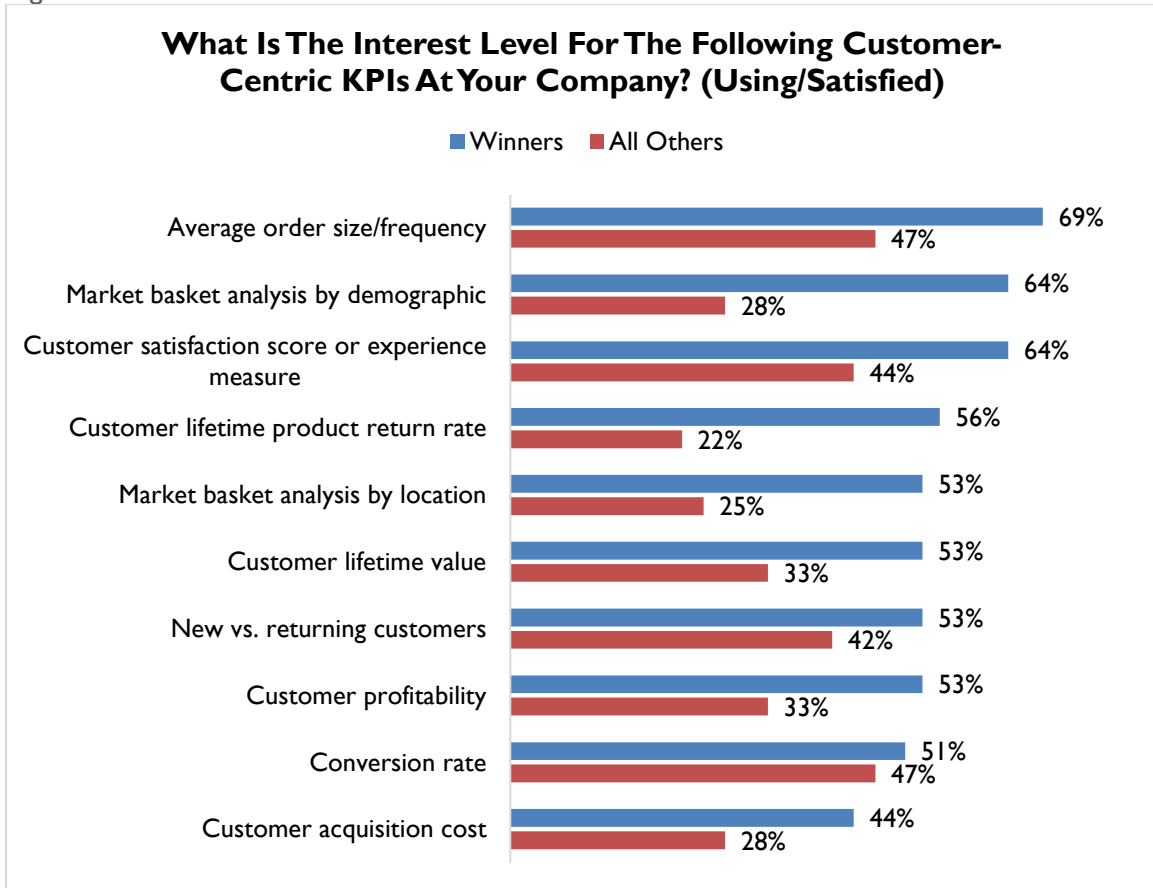


Source: RSR Research, February 2023

Surprisingly, that result is driven by over-performing Retail Winners (48%) more than average and under-performers (36%). But in a 2022 RSR benchmark on new KPIs in retail¹, the majority of Winners revealed that they are in fact measuring “the customer experience” very carefully (Figure 23):

¹ [How Retailers Are Operationalizing Analytics With New KPIs](#), RSR benchmark, June 2022

Figure 23: What Gets Measured Gets Done



Source: RSR Research, June 2022

Nonetheless, Winners worry. But average and under-performers' top concern is that experimentation with the "digital experience" could alienate consumers (43% compared to 37% of Winners).

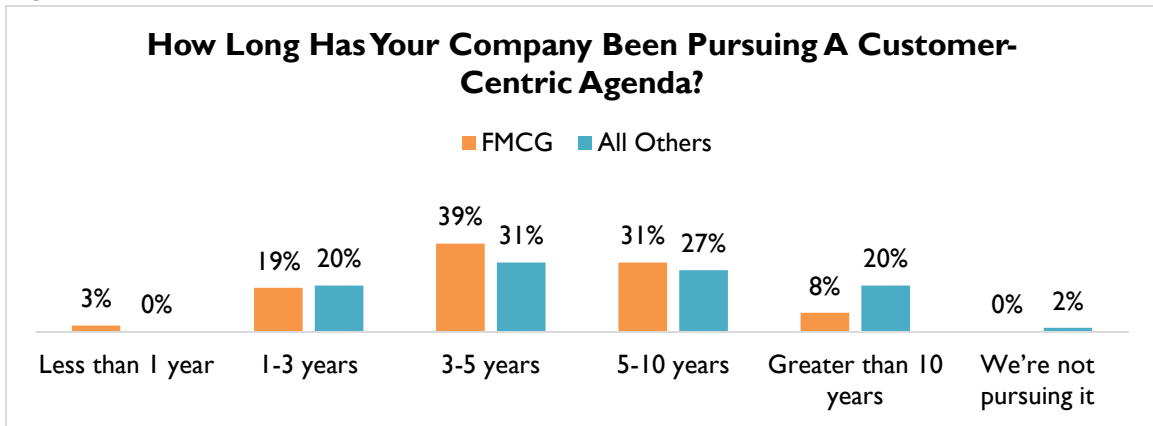
Beyond their concern that "difficult to prove that customer programs deliver results" (Figure 22), winning retailers are more worried about not having the right resources in-house to lead an innovation agenda (43% compared to 35% of average and under-performers). Average and under-performers fall back on a tried-and-true bogeyman, that an ROI is hard to prove. The RSR team has seen this issue come up consistently over the years and across all of our research. As figure 20 hints, the antidote for that problem is to implement measures. Winners understand this.

Throwing Caution To The Wind

Looking again at the top inhibitors by retail vertical, it becomes apparent that FMCG and GM retailers are the most concerned that the value of customer-centric programs is difficult to measure (47% and 44%, respectively).

The concern expressed by FMCG'ers is fascinating, since that vertical is a late entry in the race to win at customer-centricity (Figure 24).

Figure 24: Late To the Game



Source: RSR Research, February 2023

FMCG retailers – grocery stores and supermarkets, drug stores, convenience and “dollar” stores, enjoyed big gains to their top line results during 2021 (at the height of the global pandemic), but to realize those gains they had to move very quickly to implement “buy-online-pickup-instore” (BOPIS) and related customer service options. Customers demanded these new service options much more quickly than had been predicted before the pandemic lockdowns in 2020-21, and FMCG’ers were forced to respond.

For their part, “big box” general merchants are a few years ahead of FMCG’ers in implementing new omnichannel service options, and that foresight served them very well during the pandemic lockdown in 2021-21. All that new activity yielded an ocean of new customer data for high-volume retailers to use to fine-tune the value proposition to consumers. But they (like Retail Winners) are most concerned that the value of customer-centric programs is hard to prove.

In the end, those concerns may not matter. Consumers have quickly adopted new services and aren’t likely to give them up, and today they expect retailers to present more focused value offerings to them. In the consumer survey RSR conducted as part of this study, 68% of the over 1000 consumers we surveyed complained that “brands that I love don’t know enough about my shopping habits to identify me as one of their best consumers”. But a big percentage of the same consumers rate the following customer-centric capabilities as “very important” (Figure 24).

Figure 25: All About Me

| “Very Important” | |
|---|-----|
| They are able to notify me about products and services I may be interested in | 43% |
| Knows enough about me to identify products I may like | 43% |
| Knows enough about me to identify the ways I like to shop | 37% |
| Knows enough about me to make offers based on shoppers like me | 44% |
| Knows enough about me to make offers specific to just me | 45% |
| Makes offers to me based on what I actually buy, not what they want me to buy | 43% |

Source: RSR Research, February 2023

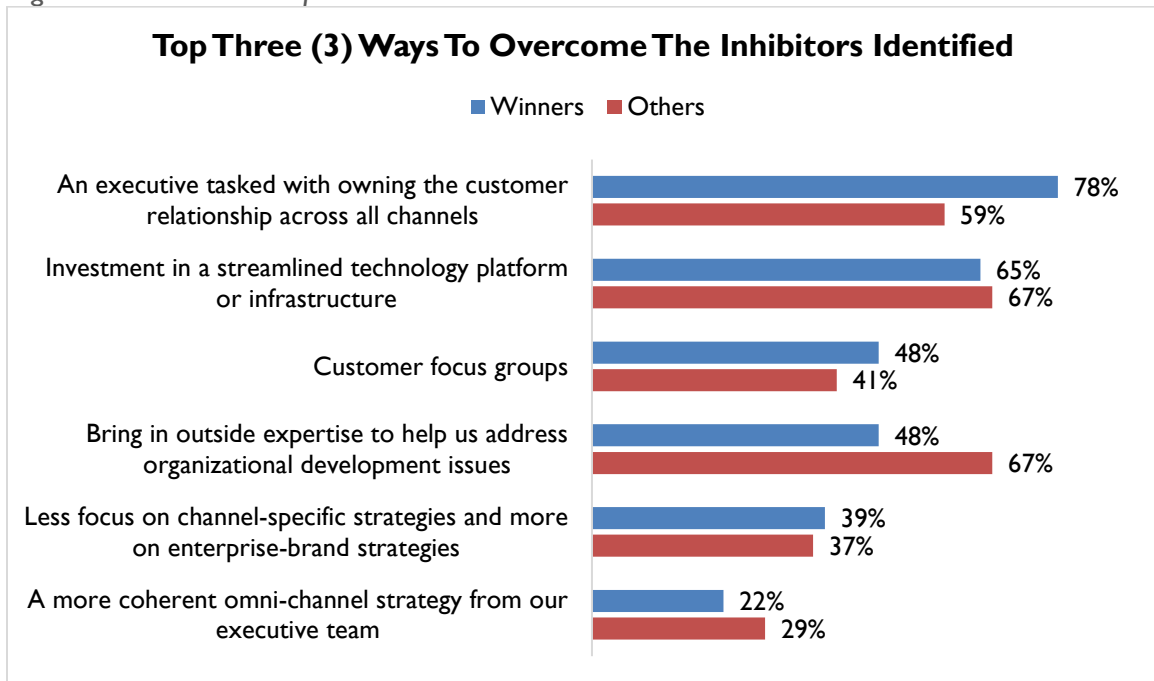
In short, regardless of the perceived roadblocks, **retailers are becoming more customer-centric because that’s what an increasing number of shoppers want.**

Getting On With It

There are good reasons to pursue a customer-centric strategy: a well-designed program is differentiating, it can optimize inventory investments, and improve sell-through. But it does add complexity across operations on the supply chain side of the business, in the selling environment, in merchandising, marketing, and in the IT organization. Consumer expectations are the primary driving force: **relevance** is now a customer expectation.

Retailers generally accept the fact that they need to “get on with it”, and to that end agree that the most effective way to overcome the inhibitors identified is to have an executive focus on the agenda. Perhaps unsurprisingly, Winners particularly favor this approach (Figure 26). But most average and under-performers also are looking for some outside help – even more than tasking an executive to “own” customer relationships.

Figure 26: Leadership Matters



Source: RSR Research, February 2023

Right behind that, two-thirds of our survey respondents call for investment in a technology portfolio that is built to use the customer information entity to inform business processes and improve the customer experience. Customer centricity is essentially a data driven concept, and retailers understand that the purely product-centric solutions of the past aren't well suited to the new requirements that a customer centricity agenda brings with it.

That brings us to a discussion of the technology enablers for a customer-centric strategy – in the next section of this report!

Technology Enablers

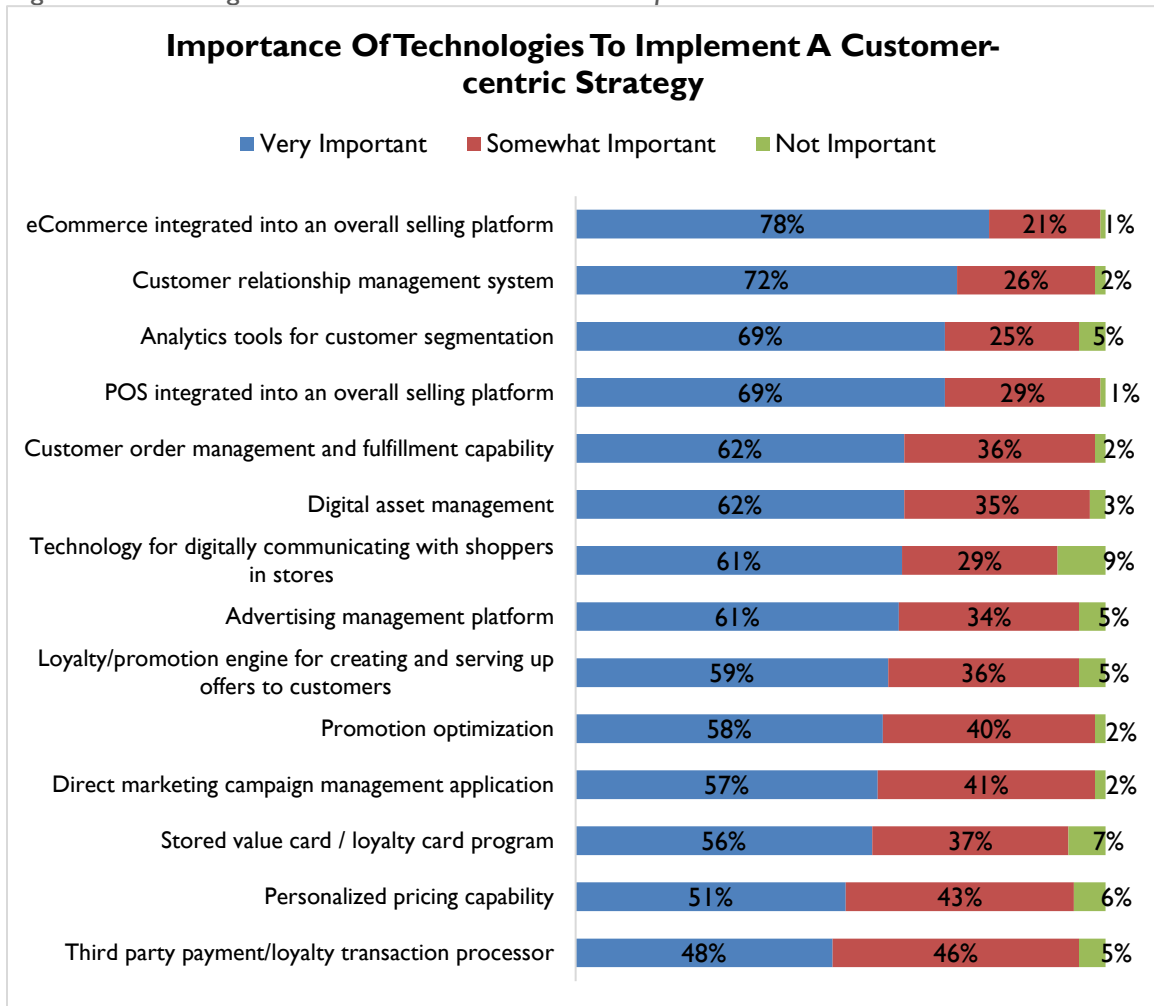
Consistency Comes First

Much has been made in the last ten years about the need for a consistent shopping experience that spans both the digital and physical selling environments. For example, in RSR’s 2012 benchmark on the state of eCommerce², we wrote:

“This year, <we> find ...more integration across all channels... consumers don't see channels independently. They see a brand, and have an objective, and will use whatever the brand offers to reach their objective - including going outside the brand to get what they want if they have to. Dangerous territory for a retailer.”

Now in 2022, retailers identify technologies that integrate the physical and digital selling environments (integrated eCommerce, integrated POS, and customer order management) as three of the top-five “very important” choices in the context of a customer centric strategy (Figure 27).

Figure 27: Being Consistent Across All Touchpoints



Source: RSR Research, February 2023

² [eCommerce 2012: Back to the Future](#), RSR Benchmark Report, June 2012

That context – *consistency* – is being driven by consumer expectations. In the consumer survey RSR conducted as part of this study, 90% of the over 1000 consumers agreed with the statement that “*I want the online shopping experience and in-store shopping experience to be seamless*” (only behind “price” in importance to consumers). Not surprisingly, retailers clearly recognize the importance of integrating customer order management, integrated POS in the store, and integrated eCommerce.

Interestingly, while there is general agreement among all retailers about the importance of all the technologies we listed, there are two standouts: Winners’ most highly valued technology choice is to **integrate POS with the overall selling environment** (83% compared to 57% of others), while non-Winners’ top valued choice is to **integrate eCommerce to the overall selling environment** (86% compared to 70% of Winners). The reasons behind these choices point to strategic choices: Winners in most cases have already achieved integration between instore POS and eCommerce (Figure 29, below), where’s more non-Winners haven’t achieved integration between digital and physical selling environments.

The other two of the top-five “very important” technology choices for retailers relate to customer information; CRM systems are followed closely by analytics to assist with customer segmentation. While Winners and others generally give these capabilities equal weight, there are some differences by retail vertical that are worthy of note (Figure 28).

Figure 28: Personalized, To a Point

| “Very Important” | FMCG | GM | Fashion/ Specialty/ Brand | Hardgoods |
|---|------|-----|---------------------------------|-----------|
| Customer relationship management system | 64% | 63% | 81% | 81% |
| Analytics tools for customer segmentation | 67% | 63% | 67% | 88% |

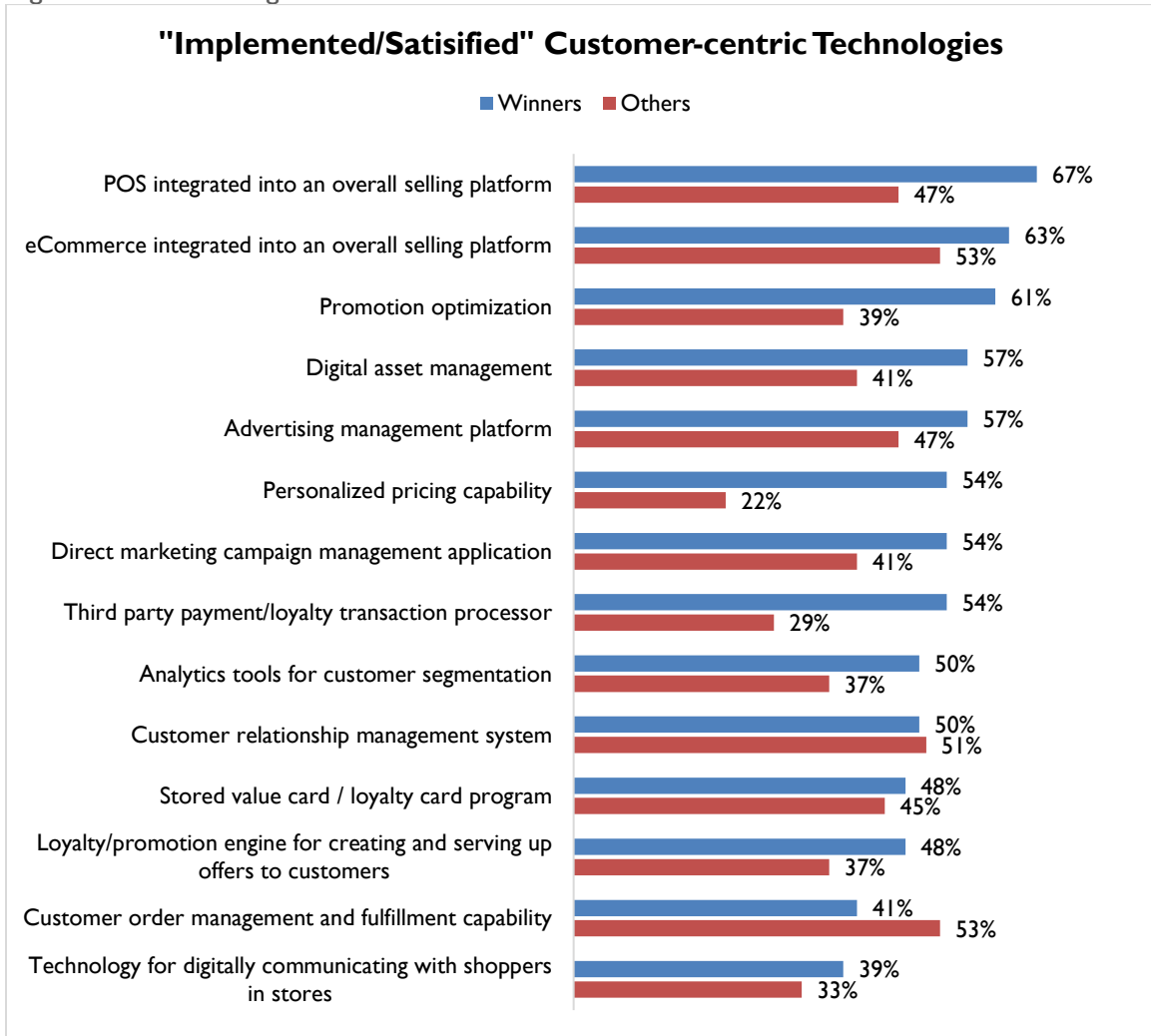
Source: RSR Research, February 2023

FMCG and GM retailers like Target or Kroger feature large assortments of everyday but “low differentiation” products, while fashion/specialty and hardgoods retailers like Nordstrom or Williams-Sonoma offer feature branded or even bespoke items. **The product mix clearly affects the focus of customer-centered programs.**

Getting It Done

When we asked our retailers to identify the progress they’ve made towards successfully implementing the technologies identified, integration of the digital and physical selling environments tops the list – for both Winners and non-winners alike (Figure 29).

Figure 29: Winning Hand



Source: RSR Research, February 2023

But responses show that retailers are decidedly not satisfied with efforts to-date to implement a customer order management and fulfillment capability. Even though the data shows that retailers did *something* in response to consumers' pandemic-era adoption of omnichannel shopping, they were responding to an immediate challenge: either enable the company to fulfill an online order for pickup in the store or lose customers. But now, a big percentage of retailers believe that they need to re-address those capabilities, and that attitude is surprisingly consistent across all the retail verticals (Figure 30).

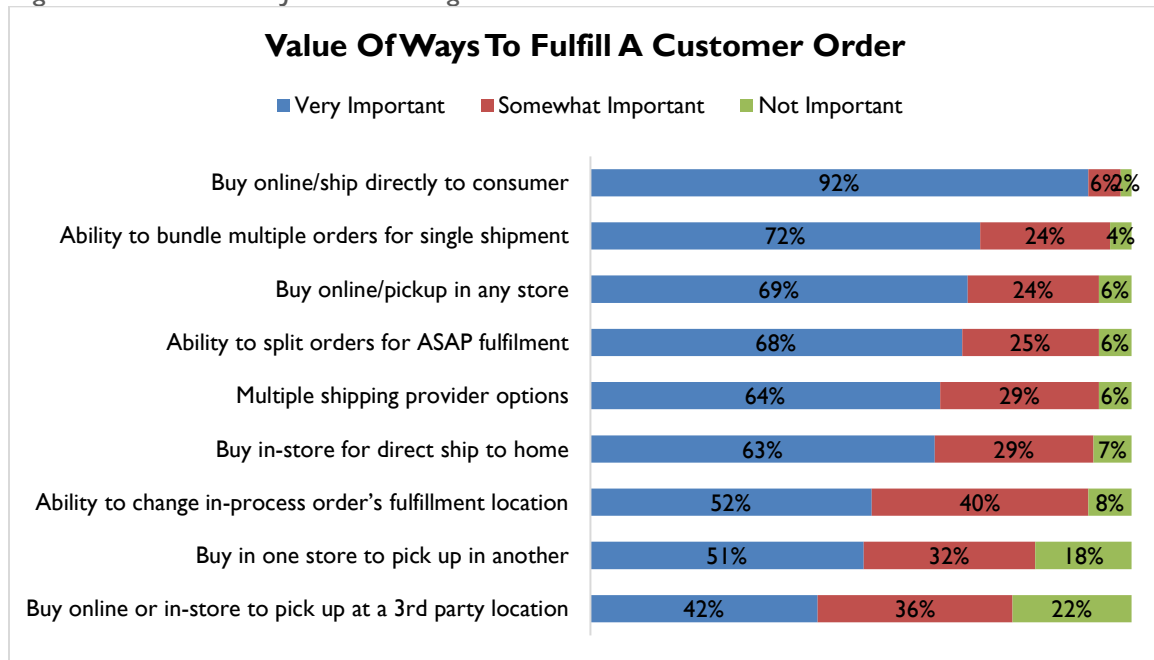
Figure 30: Not Satisfied

| "Implemented/ Planning A Change" | FMCG | GM | Fashion/ Specialty/ Brand | Hardgoods |
|--|------|-----|---------------------------------|-----------|
| Customer order management and fulfillment capability | 36% | 38% | 33% | 38% |

Source: RSR Research, February 2023

So, what capabilities would an effective order fulfillment capability include? We asked, and while “buy online/ship direct” and buy online/pickup instore” are highly valued, other more complex capabilities are also in retailers’ sights, like the ability to bundle multiple order in a single shipment, the ability to split orders into multiple shipments, and the ability to change an in-process order’s fulfillment location (Figure 31).

Figure 31: On-The-Job Learnings



Source: RSR Research, February 2023

Clearly, retailers have learned a lot about what works for consumers and want to address those needs.

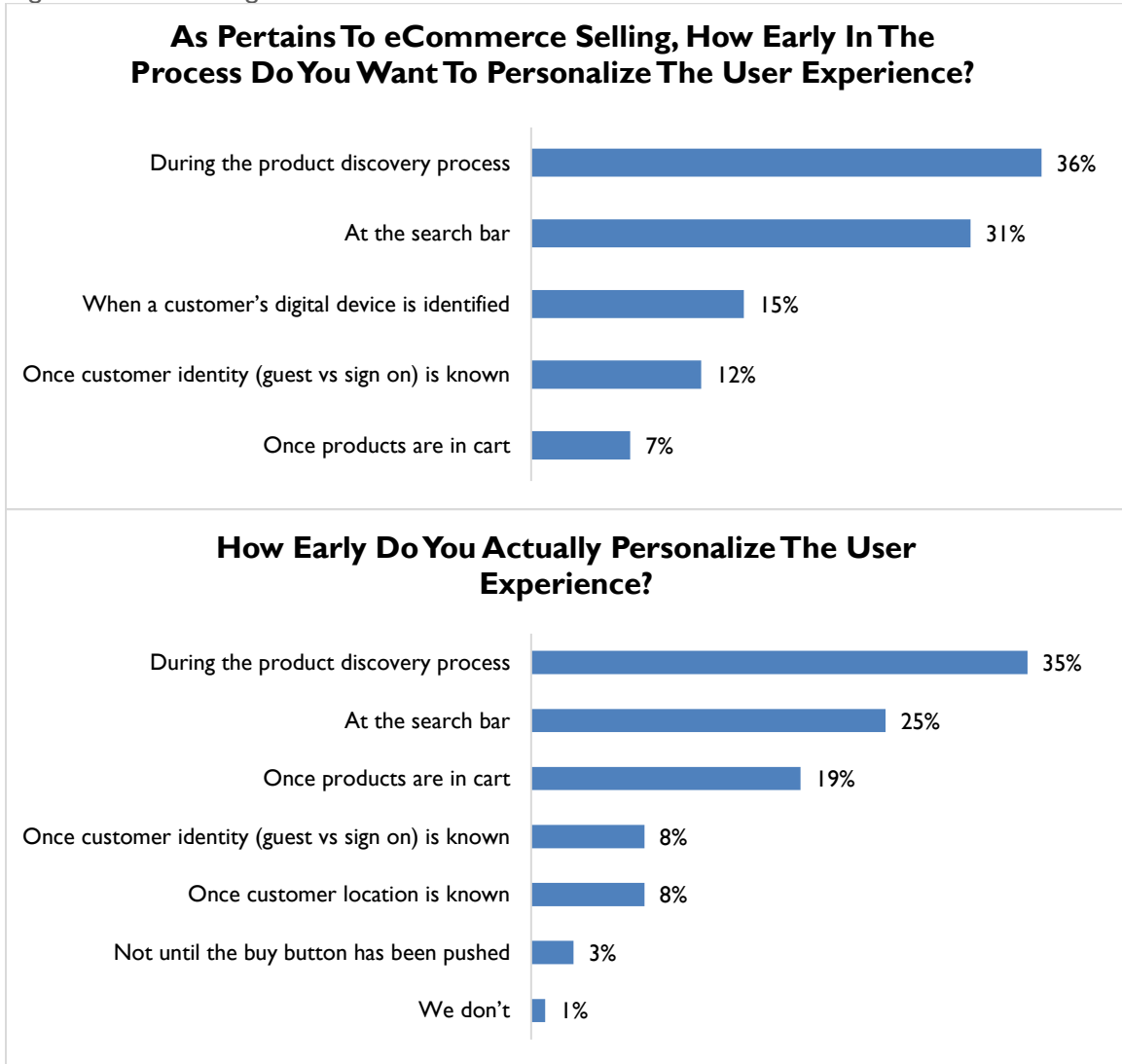
Wait A Minute! What About Personalization?

The story so far is that for most retailers, an **excellent customer experience is one that is consistent**. But as we stated in the **Research Overview** section of this report, “*the technologists that service the retail industry have promoted the idea that personalization holds the key to future success. Communications must be personalized. Product offerings must be personalized. Delivery methods, customer service, help center tactics, pricing... the list goes on and on.*”

The technologies that retailers identify as “very important” include capabilities to analyze customer data, segment customers, to offer personalized value to consumers via loyalty systems and even to personalize pricing (presumably via highly targeted discounts). But how desirable is the ability to personalize the digital shopping experience in real time?

In the consumer survey RSR conducted as part of this study, 74% of the over 1000 consumers we surveyed told us that “*I prefer to remain anonymous: I don’t want retailers tracking my shopping habits*”. What do retailers think (Figure 32)?

Figure 32: Getting Personal



Source: RSR Research, February 2023

While some retailers indicate that they start tuning the eCommerce experience based on projecting a customer's *intent* at the search bar, the biggest group only start tuning the value presentation only when customers reveal their intent as they search the site. This is a practical perspective, but hardly “bleeding edge”.

We can only conclude from these results that extreme (or true one-to-one) personalization has been oversold by technology providers. We don't see evidence in this study that consumers want it, or that retailers think it's necessary.

The message is clear: **consistency trumps personalization** when it comes to defining a good customer experience.

BOOTstrap Recommendations

In RSR's February 2022 benchmark study on the state of eCommerce³, we observed that retailers identified *more personalized offers and promotions* as a top opportunity to improve the shopping experience. While this observation was consistent with other benchmark findings, it raised the question, "How personalized should a personalized experience be?" The purpose of this benchmark was to find the answer to that question.

What both retailers and consumers alike indicate is that true one-to-one personalization of the value proposition isn't really what retailers are trying to achieve or what consumers even want – although that varies somewhat based on the vertical that a retailer operates in (*fast moving consumers goods vs. fashion & specialty*, etc.). Retailers know that the customer experience is synonymous with the retailer's brand, and as a result most retailers want that experience to be "excellent".

As is almost always the case, over-performing Retail Winners demonstrate what an excellent customer experience is and how it can be achieved – and those observations form the basis for our recommendations.

Before Anything Else

As baseball great Yogi Berra famously said, "*You've got to be very careful if you don't know where you are going, because you might not get there.*" Retailers don't often review their *raison d'être* (other than the obvious, to make money), but they should - by asking themselves this question: "*What compelling value does our brand deliver to consumers?*" Based on the answer to that question, retailers can then look at the customer experience to objectively rate how effective it really is.

This is an important exercise that should be undertaken before any other tactic is pursued.

Know Your Best Customers And Be Accountable To Them

For over one-half of Winners, "customer centricity" is an enterprise strategy that affects all departments, and they organize internal processes around customer insights. An almost identical number of over-performers indicate that they know who their best customers are and have a single owner of the customer experience. Winners clearly understand that the biggest opportunities lie within establishing deeper relationships with their existing shopper base.

In other words, Winners are committed to the approach. Other retailers should take note.

Be Consistent

Consumers value only "low price" more than "consistency". But no matter how the consumer shops (via the digital domain, visiting a store, or through an omnichannel digital+physical experience), it is critical to get consistency right. To that end, Winners are far ahead in integrating the physical (eg. instore point-of-sale systems) and digital (eCommerce) into a unified selling environment.

Curiously, fewer than one-half of retailers are satisfied with their existing order management (OMS) and fulfillment capabilities – but that may be a sign of the times; most retailers had to rush OMS capabilities into position in 2019-20 to meet the extraordinary rise in omnichannel customer orders.

³ **Winning At Customer Acquisition In The Digital Shopping Age**, RSR Benchmark Study, January 2022

Successful integration of these three capabilities (POS, eCommerce, OMS) are “the three legs” of a successful unified selling platform.

Winners are also far ahead in implementing product content management capabilities like DAM (digital asset management) – an important capability for ensuring that no matter where or how product information is presented to consumers, it is consistent.

These are all prerequisites to delivering an excellent customer experience.

Be As Personal As The Brand Value Dictates

While one-to-one personalization may not be a true objective, **relevance** is. While an equal number of Winners and others (50%) tout the success of their CRM (customer relationship management) systems, Winners are far ahead in using analytics for customer segmentation and in implementing loyalty/promotion “engines” to serve up offers to customers. Making sense of complex customer data is a lynchpin to establishing the relevance retailers seek to achieve.

And Winners clearly aren’t merely throwing money at consumers; they are far ahead of average and under-performers in implementing promotion optimization solutions, personalized pricing capabilities, and direct marketing campaign management applications.

More Winners than average and under-performers are able to segment customers to the level needed to deliver a relevant brand value, and then can deliver value in the form of prices and promotions to build loyalty. But there is clearly more work to be done; while 76% of consumers tell us that their favorite retailer can notify them about products that they *might* be interested in, only 37% say that their favorite retailer can make offers based on what they *actually* buy.

Communicate Value

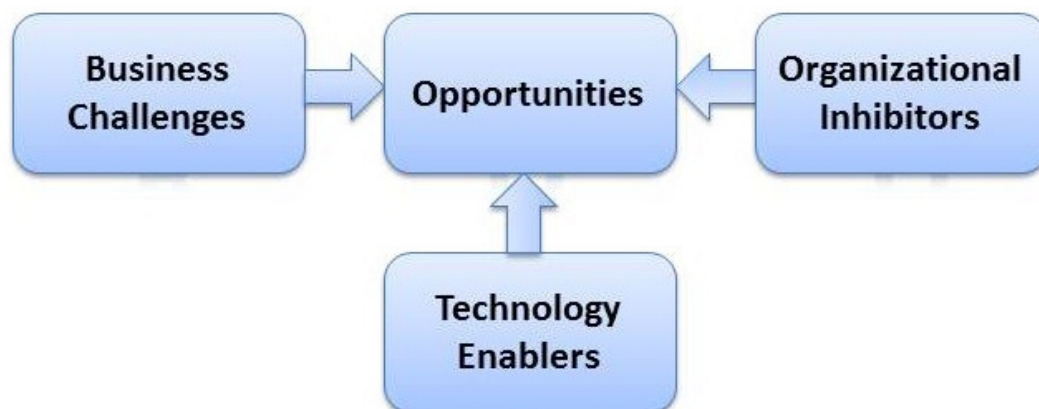
Almost 60% of Retail Winners push targeted offers to consumers either daily or in real-time. While this may seem like an aggressive tactic, it appears to be working for them. On the other hand, over 50% of average and under-performers are content to communicate value to shoppers weekly or monthly. The results speak for themselves.

Appendix A: The BOOT Methodology[®]

The BOOT Methodology[®] is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and “also-rans.”** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors, it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT Methodology[®] follows:



Appendix B: About Our Partner



The Global Consumer Commerce Centre

IORMA (the International Omni Research Markets Association) is a Foresight Research Organisation concerned with future trends in Global Consumer Commerce and the impacts of evolving disruptive technologies.

IORMA provides a range of services to assist organizations, businesses, governments and academia in preparing for the future (and avoiding surprises). It is a “beacon of future positive hope”, identifying the accelerating and evolutionary future fusion of global advanced technology with global humanity - and all the positive hope that brings to humanity for a progressively better New World. To learn more, visit <https://iorma.com/>.

Appendix C: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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