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RETAIL **MASTERY** SERIES

Challenging the Customer Experience Status Quo

Organizational strategies for a seamless customer experience

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“ **Customers demand more efficient touch points at every step of their purchase.** ”

Why Read This Report?

Digital disruption is here to stay. How can retailers more effectively leverage to enhance the customer experience? For the most part, the disruption denotes an increase in mobile device use that shifts the way businesses deliver content and product to customers. While it's true that mobile use has been a significant part of the conversation, it's only a fraction of the story. Retailers now realize that they need to look beyond mobile use in order to impact the overall customer experience both on and offline.

As technology becomes more mobile and more ubiquitous, the disruption morphs into a shape that challenges businesses to keep up. Long gone are the days of a single device in a consumer's bag (think three!). Customers worldwide are becoming more comfortable with the digital world through increased use of technologies such as smartphones, laptops, and wearables. As a result, they are demanding more efficient touch points along every step of their purchase decisions.

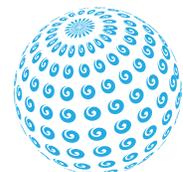
How to achieve a better customer experience has become somewhat of an industry catch-22. In order to create efficiency, the right technology platforms need to be in place, but digital leaders can't create buy-ins for these solutions without internal agreement as to what channel strategies make sense for their brands.

The Breakdown

This report breaks down challenges into five key areas that will assist retail digital brand leaders in understanding what will directly impact the customer experience:

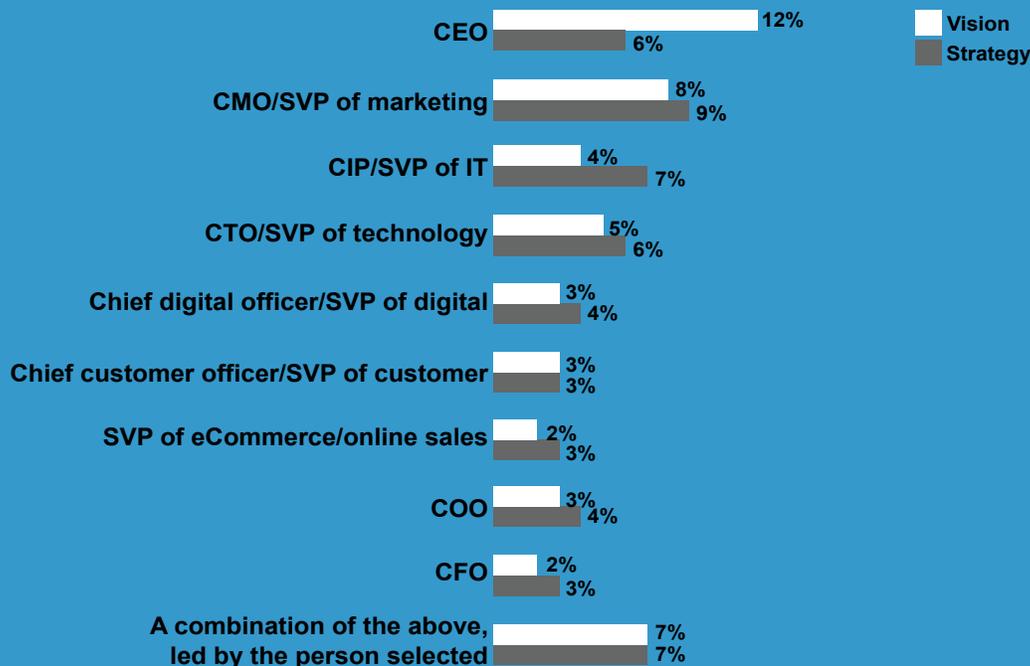
- Organizational Ecosystems
- Roadmap for Improved Customer Experience
- Consumer Emotional Intelligence
- Going Global
- Technology Transformation

In conclusion, the experts discuss the future of the consumer experience. Think of it as food for thought as you craft your short- and long-term plans.



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“Who is accountable for the digital vision and strategy at your company?”



Base: 1,624 executives in companies with 250 or more employees

Source: Forrester/Odgers Berndston Q3 2015 Global Digital Business Online Survey

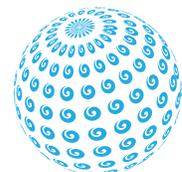
A New Wave of Organizational Ecosystems

Over the last decade, retailers have operated their businesses in silos with each unit creating and implementing a separate set of strategies. In this organizational structure, business units have worked to solve challenges within their own teams, but offered little or no support to the collective challenges of the business.

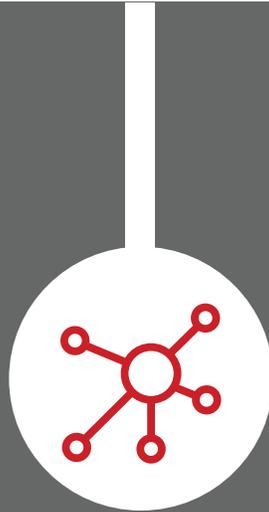
The increase in digital innovations has caused a shift in both revenue streams and locations, making this siloed approach a deterrent for growth. Siloed thinking has also perpetuated political, power-oriented behavior among managers. In order to build revenue channels, business units are now tasked with opening the lines of communication and sharing their

business goals. A new customer service model is quickly developing that requires all areas of an organization to work collaboratively to get internal commitments and processes needed for success.

What does the new organizational ecosystem look like? Who comprises the team and what are their skills? According to Forrester, companies should not be quick to create new roles such as digital officers or data officers but rethink all of the existing roles within the organization to determine how they interact with each other, partners, suppliers, and customers; and how these roles will work together to create a better customer experience. It is also imperative to have support from the top level, including the CEO, to



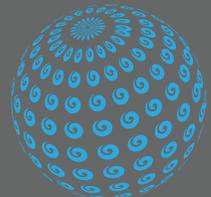
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The customer experience is going to be live customer engagement coupled with a web and mobile combo while the internet of things will connect the dots.

Kelly Stickel

Founder and CEO, Remodista



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chair the initiative. Both the CIO, who supports the technical infrastructure, and the CMO, who supports the brand strategy, are key stakeholders within this digital structure.

Digital strategies are a c-suite topic. A recent online survey of over 1,600 executives reflects the changing ecosystem.

The answer, however, is not in combining departments like marketing and technology. Each department should collaborate by providing visibility into each other's process, and ultimately understand their specific tasks, be accountable for specific KPIs, and consolidate data and into better outcomes for customers.

A Roadmap for Improved Customer Experience

Buying should be a positive experience for customers. A collaborative internal ecosystem is the first step in the process for creating this experience. Beyond the ecosystem, it's important for digital leaders to embed their strategies into the brand.

A clear digital strategy is vital to the process, and data is an integral part of this strategy. How do you interpret data to better engage with customers' needs and where and how they will transact? Are there ways to leverage existing data to build new revenue streams? To understand the customer experience, assess your current technology platforms and what technologies can be integrated into the mix. For example, can in-store technologies like beacons create more efficiency in the data collection process?

The external ecosystem of technology partners can be used to drive efficiency. By leveraging discussions with existing partners (to engage new partners), retailers can create flexibility within their platforms. Flexibility and efficiency in platforms are important themes in digital business success for retailers. Businesses that have closed ecosystems will lose customers to

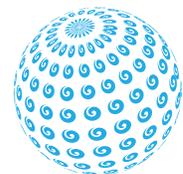
more open competitors.

Emotional Intelligence

Whether the customer is in the store, online or reading about your brand in a magazine, all touch points should create a seamless positive experience. Retailers need to think about how to make their strategies more proactive (versus reactive) and ways to promote transactions across all channels. Taking a proactive lead involves leveraging technology and data to lead the customer into the buying decision rather than having them lead you. It's a practice of understanding the emotional intelligence of the customer.

The science of understanding emotional intelligence has become a key component in creating highly connected and motivated buyers. It is possible to strategically measure emotional motivators to better gauge a customer's future value to a brand, including brand awareness and customer satisfaction. As a customer's connection with a brand increases, this can increase purchase behaviors. According to a recent Harvard Business Review study, a nationwide apparel retailer reoriented its merchandising efforts to its emotionally connected customer segments and sales growth accelerated more than three-fold.

Retailers have many options available to gather emotional intelligence. Online surveys can be used to qualify motivators and collect initial data points. More advanced strategies leverage big data analytics and/or consultants for qualifying motivators, multi-channel experiences and maximizing opportunities for increased revenue.



Going Global

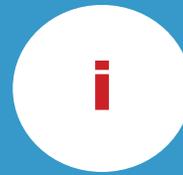
The ability to globally support a brand is a complex challenge and one that involves not only an understanding of the unique customer segments within regions, but also the technologies needed to effectively execute. A customer's experience and expectations in the US are vastly different from those in Asia or Europe. Multiple nuances need to be accounted for within the strategy. Brands will explore several means to support global expansion, including physical stores, local e-commerce websites, international shipment, licensing to local operators, and leveraging social media networks such as Facebook and Twitter to create brand awareness.

Whichever channels become part of the strategy, localization will be required in order to build a global presence and create revenue opportunities. Some of the immediate challenges facing brands will be local competition and the near-term investments needed to enter the market.

Technology Transformations

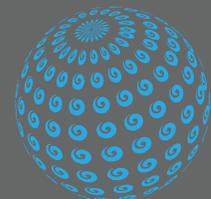
Technology predictions for 2016 are clear. This is the year that legacy applications and systems will reach a breaking point. Digital advances are requiring businesses to "tame the legacy beast" and make investments in automation, cloud and open source solutions. Retailers can't build for growth or innovation with outdated systems, especially with the ecosystem shifts that will be required to better serve customer expectations.

Cloud management does not fit into traditional siloed technology organizations. Why? The need for infrastructure resource management will become less of a priority and the goals of the ecosystem will lean towards service and customer management. A shift in the focus has added cost-saving benefits, which allows the team to save budgets on operations and keep up with client demands.



ABOUT EMOTIONAL MOTIVATORS

For digital brands, understanding the emotional connections that attract and retain customers will become an integral part of the strategy, traversing product development, distribution, marketing and sales.



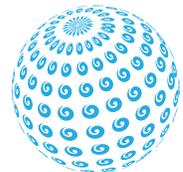


Outsourcing technology into the cloud and selecting the right channel partnerships to manage this technology an integral part of the strategy. It puts the burden of testing, recalibrating, and updating the solutions on the vendor instead of the retailer.

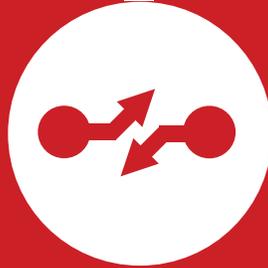
The role of the retailer within the new ecosystem will be to embrace the digital disruption and leverage these technology transformations to support an architecture focused on collecting customer insights and turn them into business actions.

The Future of the Customer Experience

A digital revolution is under way. Retailers understand that they will need to become a digital business to create value for their customers and improve their overall brand experience. This digital experience has evolved beyond mobile applications, including a broader scope of internet-based strategies that impact everything from merchandising and stock fulfillment to delivery to payment systems.



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Whether or not the customer is in the store, online or reading about your brand in a magazine, all touch points should create a seamless positive experience.

Colleen Hemmings

VP of Business Development, Optaros



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Personalization

Interactions will become very personalized. Recommendations on websites, for example, were an early phase of this trend. Personalization software and social networks like Facebook have created profiles of a shoppers' browse and purchase behavior with the output being recommendations for similar goods. Phase two of the recommendation feature will allow retailers to predict customers' interests and provide recommendations before typing begins.

Retailer Rebecca Minkoff has taken the idea of personalization a bit further, blending personalization with in-store engagement and valuable touch points. All customer behaviors from walking around the store, trying on items, selecting sizes, and ordering refreshments, are captured in internet-enabled customer profiles and logged for future interactions and recommendations for the customer. It's a live customer engagement coupled with internet, web and personalization—all connecting the dots for a more engaging customer experience.

Online Marketplaces

Online marketplaces like eBay and Amazon have had success throughout the years and have given way to more robust and diverse marketplaces for goods and services. Grubhub, for example, has provided small restaurant businesses with lower-cost marketing opportunities and broader reach. Uber has revolutionized the transportation industry with increased mobility and a flexible service model. These new distribution models benefit both businesses and consumers with more cost-effective and fast-servicing models.

Distribution

Retailers are making channel investments in in-store pick up and shipping goods direct from manufacturers to gain visibility into manufacturing and supply chain partners while providing a broad

range of goods available to customers.

Amazon is testing drone delivery for fast service to customers placing orders within a half hour. The company has recently announced plans for a crowdsourced distribution model using contract delivery providers such as Uber and Instacart to provide same-day delivery.

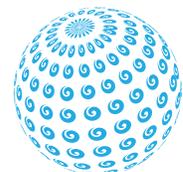
3D Printing

3D printing allows retailers to create any product on demand and ultimately disrupts the distribution process. For example, if a customer wants a pair of running shoes not available in their size, the retailer can use 3D imaging and printing to create the desired product in real-time. This level of service is a longer-term opportunity, but companies like Nike are currently using 3D printing to create specialized products and samples.

Payment

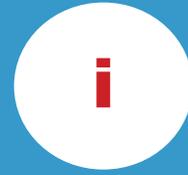
Applications like Google Wallet and Apple Pay have changed the payment process. Customers can store their credit cards on their devices and pay with a simple touch. The popularity of wearables, like the iWatch, is taking this concept a step further and will begin the shift in the purchase process altogether. Customers will eventually be able to complete purchases with their rings, earrings and bracelets.

The next wave in the payment process will be the use of biometrics, which uses customer fingerprints, iris scans, and facial recognition to authenticate payment rather than a physical device.



Key Takeaways

- **Retailers must work towards organizational alignment with a collaborative ecosystem.** The CEO, CIO and CMO all need to be engaged in open communications to create a seamless customer service model.
- **The science of emotional intelligence leads to understanding** both customer motivations and level of connection to brands in order to increase revenues.
- **Legacy systems and outdated technologies will give way to the cloud** and outsourced, flexible solutions—allowing retailers to shift from an infrastructure management to a customer service model.
- **The customer digital experience is moving beyond mobile applications.** Internet-based technologies are leveraged in-store and online to create enhanced levels of engagement.



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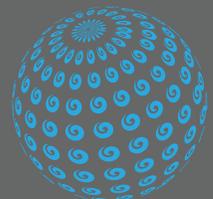
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Digital Commerce Innovation

Optaros (Op·tar·os) is derived from the Latin word “Optare”, meaning to choose. We help companies choose and implement digital commerce services, solutions, and disruptive technologies.

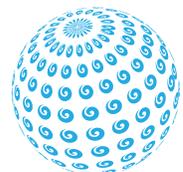
Optaros is a tight-knit group of system integrators, interactive designers, and consumer experience innovators. Together, we’re a unified team of digital commerce drivers on a relentless pursuit to help clients achieve and maintain eCommerce excellence.

Our suite of innovative service offerings span the full ecosystem, and are designed to accelerate digital sales and reduce costs. We utilize next-generation technology, software, and tools to create, host, and maintain engaging and profitable online shopping experiences.

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Retail Customer Experience



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