Let's stay together

How retailers can drive customer retention for the long term

Today's retailers are grappling with a large increase in digital customers as a result of new shopping habits brought on by the pandemic. This is creating challenges but also huge opportunities for retailers to rethink their customer retention strategies.

The pandemic accelerated key trends that were already well under way, such as the use of digital channels by customers who rarely or never shopped online before the pandemic and the extension of digital shopping to new brands. In fact, our research suggests there is a 169% increase in ecommerce purchases from new or low-frequency online shoppers,[1] and more than 80% of consumers who have increased their digital usage in a variety of channels during the pandemic expect to continue with these.[2]

Now the question becomes, how do retailers keep these new digital customers over the long term?

In this new climate, retailers need to think more openly about evolving customer expectations and adapt their ways of working to deliver personalized interactions that lead to sticky, lasting relationships with these more digitally focused customers.

And while there are other factors that influence loyalty, such as compelling experiences, exceptional customer service and fulfilled needs, developing a differentiated customer engagement strategy will be critical for retailers to maintain brand relevance and cultivate stronger loyalty with these new customers, through 2021 and beyond.

Adapt to a new definition of customer value

Previously, retailers created value—and, in turn, earned loyalty—through factors such as store proximity, competitive pricing, convenience and wide assortments in store.

But today, consumers increasingly define value as a personal connection between themselves and a retailer or brand, often founded in shared purpose or values, and nurtured by reliability, service and trust.

When many retailers think about customer retention, it's generally in the form of one-size-fits-all communications and promotions regardless of whether customers are new or old. By working with many retailers, we've found that most are failing to provide personalized marketing and site experiences and are offering only a minimal incentive for new customers to return and continue their relationship with the brand.

This is distinctly different from the experience customers receive in a best-practice digital channel, where new customers get plugged into "welcome campaigns" via CRM and begin to receive personalized messages acknowledging their status and nudging them to engage or shop again.

Retailers that don't follow suit are blowing a golden opportunity to retain these new customers by turning insights into action and providing an experience that recognizes their value. Worse still, more digitally native brands are chasing hard after the existing, often highly profitable, customer base of traditional retailers.

# Three waves of retail customer engagement

So, how are retailers performing when it comes to not only gaining deep insights into customers, but acting on those insights at scale to generate more value for and from customers over the long term?

In our experience, retailers are spread across the customer engagement maturity curve, which has three distinct waves.

Wave 1
Know thy customer

In this wave, retailers are just starting their digital journey, with a primary focus on understanding the customer. The majority of retailers are still in this initial wave. These retailers:
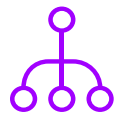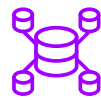
Utilize basic segmentation methods to target customers with minimal customization of content

Assess current capabilities (people, process, and technology) and identify gaps that prevent the retailer from gaining visibility into customer data and deriving insights

Set the customer strategy by aligning on the right growth objectives and strategic goals with the rest of the organization, along with measurable and controllable KPIs

Begin to determine the relative value of their customers by applying analytics to behaviors, journeys and purchases

Most retailers in Wave 1 have access to customer data and may have small teams that perform customer analytics to support ad hoc operational decisions or reporting, but often they lack the understanding, skills and ability to inform deliberate action to engage customers.

Wave 2
Begin to take action

In this wave, retailers are deliberately structuring their data and insights engines to fuel personalized action.

They have broken down the organizational silos that can stymie action on insights, and created cross-functional teams that are incentivized by and measured on broader KPIs—for instance, customer lifetime value instead of sales. These retailers:

Typically summarize insights into key themes and outline specific actions that different business teams can own and act upon, e.g., harvesting data from social channels and leveraging browsing data to inform marketing creative and email copy

Employ advanced techniques, such as multi-dimensional segmentation, customer profit clusters, and behavior analytics to automatically personalize their messages

Establish clear governance and ownership across the business so incentives are in place to drive action

Most retailers in Wave 2 experience operational drawbacks that prohibit personalization at scale, and while they have the data and analytics prowess, these retailers find it very expensive and labor intensive to progress further in their personalization ambitions.

On the road to wave three

One retailer's journey

Even retailers that know their customers well and create a high degree of intimacy with them on an individual level often struggle to do that at scale. For example, one leading department store chain does a great job of understanding and building relationships with customers through personal conversations in store, invitations to relevant events, and specific campaigns or communications, but has recognized that scaling this highly tailored engagement to all valued customers requires automating upwards of 90% of interactions and communications. The retailer is in the process of exploring what the journey to that exciting new future looks like and the capabilities and ways of working they will need to put in place to make it happen.

Wave 3

Provide full personalization for each customer

In this wave, retailers deploy one-to-one personalized journeys in a seamless and automated way at scale, usually with the help of artificial intelligence and machine learning, often running on cloud-based systems. These retailers:

Have made a deliberate and significant investment in their business model, technology, and workforce, and have complete alignment within the organization that customer strategy is the core priority for the business

Pair analytics and augmented third party data with AI to understand the tastes, wants, and behaviors of individual shoppers—not just demographic and behavioral cohorts— and take predictive actions at the individual customer level at exactly the right time during digital engagement

Adopt cutting-edge personalization— with unique content, messages, and treatment—as a core part of their customer engagement strategy

With all these capabilities in place, retailers in Wave 3 are best positioned to create long-term loyalty and customer value over time.

Making it personal

Asian retailer uses data to create unique experiences for each shopper

Despite collecting data on millions of shoppers, one Asian retailer was unable to push out targeted marketing campaigns. Everyone, regardless of their purchases, received similar offers and content.

Accenture and the retailer commenced a three-phase project, starting with a roadmapping exercise that defined the post-transformation customer experience. The second phase was aimed at delivering on that vision by implementing and configuring a multilayered, cloud-based system. It included advanced marketing technology and a new loyalty engine, so the client's marketing team could provide appropriate offers and content to the right customers. Lastly, Accenture helped the retailer adopt agile ways of working—Accenture employees sat alongside the CMO and CPO, and so on down the line, so the customer journey could be developed as a collaborative, methodical evolution.

Now, the marketing team can run targeted campaigns so that experiences and offers go to the right customers, at the right times. Data—and the power to leverage it for the customer's benefit—is now at the core of the retailer's activities, across all its business units, and it's driving results.

Business of Experience

Customer-centricity throughout an organization is what Accenture calls the Business of Experience (BX). It's a holistic approach that allows organizations to become customer-obsessed and is a hallmark of retailers in Wave 3. On average, we see BX leaders outperforming their peers by 6.5 times of profitable growth in year one.[4]

Make the move today from retention to value

In the past year, retailers have experienced shuttered stores, huge surges in the use of digital channels and omni-channel services, and wild swings in consumer demand. Keeping pace with these changes has been challenging—even for the best-run retailers.

The crisis has forced retailers to enact dramatic changes across their business in response to how consumers are now interacting and shopping. One big change all retailers need to make is reorienting their business to deliver what today's consumers now value: personalized service, tailored recommendations, and seamless experiences at scale—the very definition of Wave 3.

How can retailers achieve this?

Here are five steps to set retailers on the path to Wave 3:

01
Understand where you are today

Start by answering some fundamental questions: What percent of your customer communication is personalized? How are you activating personalization across multiple levers using customer data? Are you adapting to consumer behavior using analytics and making data-informed decisions?

02
Align on customer strategy and gather the right customer insights

Put in place the right KPIs and analytics to measure truly customer-centric and retention-focused behaviors and activities.

03
Assess your current technology and partner strategy

Determine current gaps in the technical architecture and how best to close these, such as using partners for speed to value where appropriate.

04
Turn insights into action, at scale

Summarize insights into key themes and outline specific actions that different business teams can own and act upon.

05
Establish clear governance

Assign clear ownership and incentives to equip your organization to deliver on the customer strategy.

The transformation required to sustain customer loyalty is substantial. But retailers that master individually personalized interactions at scale will be best positioned to create value for, and hold on to, their new digital customers gained from the pandemic, as well as the existing ones who are shopping online more than ever.

Now is the time for retailers to rethink their customer retention strategies and configure their organizations for success, capturing the hearts and minds of consumers for sustained growth.

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