

The Value, Role and Performance of the Physical Retail Channel for Communications Service Companies

A North American Perspective

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the 1990s, the number of people in the world who are under 15 years of age is expected to increase from 1.1 billion to 1.5 billion.

There are a number of reasons why the number of children in the world is increasing. One of the main reasons is that the number of children who are surviving to the age of 15 is increasing. This is due to a number of factors, including improved medical care, better nutrition, and a decrease in child mortality.

Another reason why the number of children in the world is increasing is that the number of children who are being born is increasing. This is due to a number of factors, including a decrease in the age at which women are having children, and an increase in the number of children who are being born to women who are already having children.

There are a number of other factors that are contributing to the increase in the number of children in the world. These include a decrease in the number of children who are being adopted, and an increase in the number of children who are being born to women who are already having children.

The increase in the number of children in the world is a cause for concern. This is because the number of children who are living in poverty is increasing, and the number of children who are being abused is increasing. It is important that we take action to address these issues.

There are a number of ways in which we can address these issues. One of the most important ways is to improve the quality of education for children. This will help to ensure that children are able to reach their full potential, and that they are able to contribute to their communities.

Another important way to address these issues is to improve the quality of health care for children. This will help to ensure that children are able to survive and thrive, and that they are able to reach their full potential.

There are a number of other ways in which we can address these issues. These include providing support for women who are already having children, and providing support for children who are being abused.

The increase in the number of children in the world is a challenge that we must face. It is important that we take action to address these issues, and that we ensure that all children are able to reach their full potential.

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Introduction

Accenture recently conducted a comprehensive research program focused on the future role of the physical retail channel for consumers and providers of communications products and services. This global study involved more than 3,000 consumers (810 in North America) and 50 senior executives at the world's largest communications providers. The research explored the extent to which consumers value the physical retail channel, how well providers meet consumer expectations, the most critical characteristics of the store experience, and providers' goals for their retail stores.

Our research revealed that while the physical retail channel is important and will remain so to both consumers and providers, there are several major shortcomings providers must overcome to differentiate themselves and lay the groundwork for high performance. In the following pages, we explore these themes in detail.

Accenture recently conducted a comprehensive research program to tackle this topic head on. Our global study, which involved more than 3,000 consumers of communications products and services and 50 senior executives at the world's largest communications providers, explored the following key issues:

- The extent to which consumers globally value a physical retail presence when purchasing communications-related products and services and seeking technical and usage assistance
- Consumers' opinions on how well their communications providers' stores currently meet their expectations across a number of key dimensions
- The characteristics of a store experience that are most critical to attracting consumers and strengthening customer loyalty

- How effectively executives of communications providers believe their companies are leveraging the physical retail channel to build and strengthen customer loyalty and drive sales profitably
- How well providers' stores fare on a variety of critical dimensions of retail performance
- Providers' strengths and weaknesses in key retail capabilities
- Providers' plans for their company-owned stores in the next two years

Broadly speaking, our research revealed the following:

Consumers and providers agree on the importance of the physical retail channel. Nearly nine in ten providers said a strong physical retail channel is important to their growth strategy today,

and about the same proportion expect retail stores to remain important in two years. Three out of four consumers said they want a retail store to visit when purchasing communications products or services, about two-thirds said the store is their preferred channel for making purchases, and more than three-fourths said the quality of a communications provider's store experience is a factor in their decision to do business with that company. Furthermore, more than three-fourths of consumers said that in two years, physical retail stores will be as important as or more important than providers' online stores. Preferences varied widely among distinct consumer segments, with many even more strongly valuing physical stores.

Consumers' Perspectives

In today's world of "everything digital," do consumers care whether a communications provider has a physical store? And if so, what must a store have to make their visit worthwhile? And how do their providers' stores perform in these areas?

Our research confirms that consumers still value physical retail stores and likely will do so for the next few years. However, consumers also indicated their providers' stores are not performing well, especially in the aspects they consider most important. It follows that providers need to focus on upgrading their physical retail presence to meet the needs of today's consumers.

Indeed, in North America and around the world, customer satisfaction with communications services is alarmingly low—and consistent with what we have seen in research findings from other firms.

Depending on the communications service in question, as much as 41 percent of North Americans and 43 percent of global

respondents gave a rating of three or lower on a five point scale—essentially saying that service was acceptable and no better (Figure 1).

Our research also revealed that an integrated, smooth and consistent multi-channel experience is critical. Globally, 97 percent of consumers said it is important to receive consistent access to the same products, services and assistance in a store, by phone or via the website (Figure 2). Likewise, in North America 96 percent of consumers said cross-channel consistency is important.

Stores are important: 68 percent of North Americans said they want a retail store to visit when purchasing communications products or services, as did 75 percent of global respondents (Figure 3). However, having a retail store is not enough: The quality of a communications provider's store experience is a factor in the purchase decision for 77 percent of global consumers, and for 66 percent of North Americans. What is "quality?"

On a global basis, product availability and knowledgeable staff are the most important attributes for consumers (Figure 4).

However, our research shows that stores have significant opportunities to improve. Indeed, just 37 percent or less of global and North American respondents said that their providers' stores perform extremely well in 12 measured attributes, including staff availability and attitude, service speed, and the ease of finding products (Figure 5).

Looking ahead, retail stores will continue to be a critical channel for consumers. Indeed, our survey findings illustrate not only that stores are important today, but also that the need for a physical retail store will persist for years to come. Seventy-seven percent of all consumers surveyed and 80 percent of North Americans said that in two years, physical retail stores will be as important as or more important than providers' online stores (Figure 6).

Figure 1. Level of satisfaction with communications services

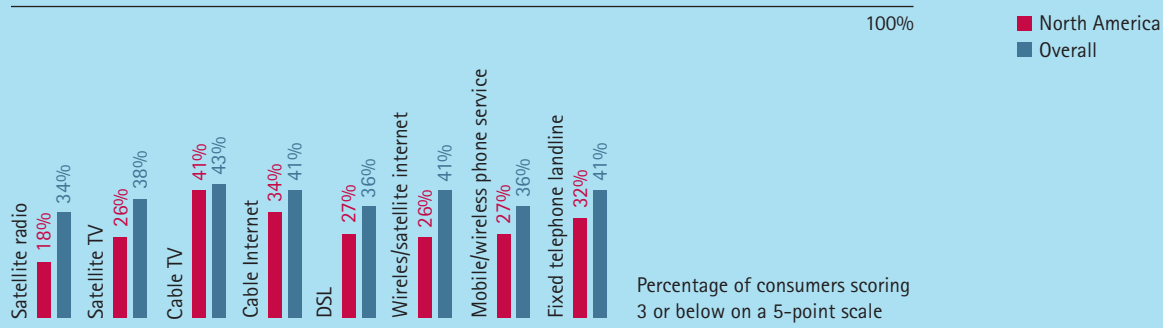


Figure 2. Importance of cross-channel consistency

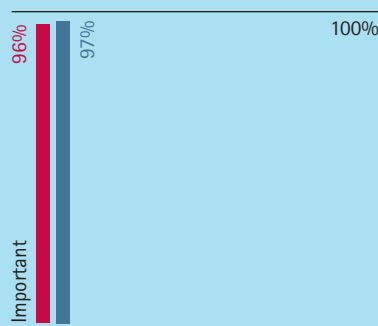


Figure 3. Importance of having a physical retail store

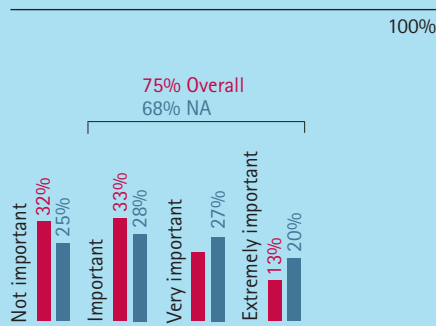


Figure 4. Importance of key store attributes (Percentage choosing each as most important)

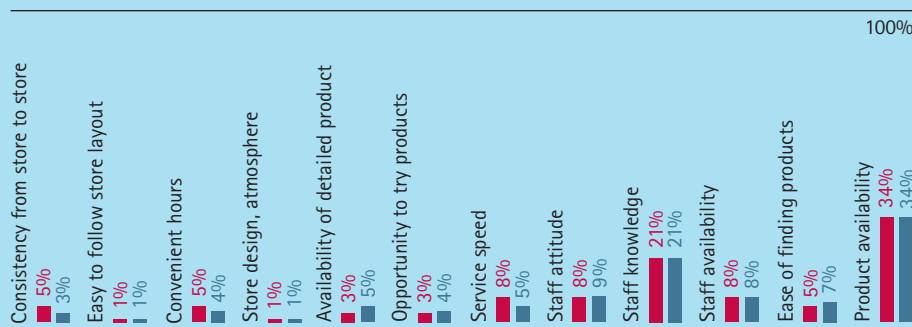


Figure 5. Percentage of consumers saying stores performed extremely well on each attribute

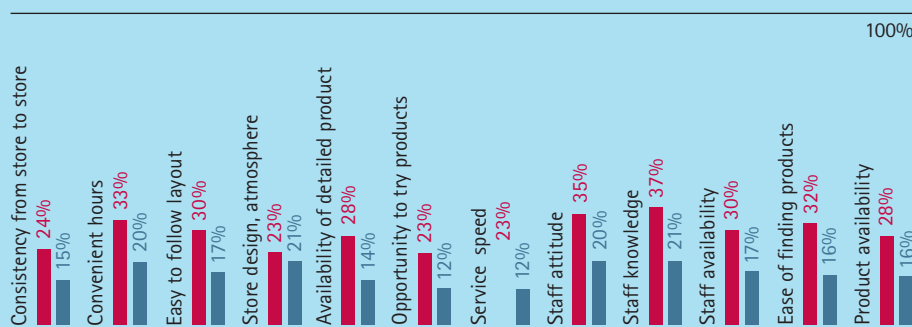
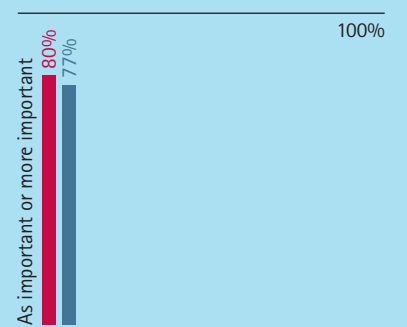


Figure 6. Importance of physical stores versus online channel in two years





Providers' Perspectives

Given the importance of physical retail stores to consumers, it is no surprise that the majority of executives believe stores are critical to attracting and retaining customers, or that most plan to expand their physical retail presence in the next two years. However, the research also revealed some shortcomings, which, left unaddressed, could keep providers from achieving profitable growth, reducing costs and improving customer satisfaction.

To begin with, more than 80 percent of providers rated a strong physical retail channel as either important or extremely important to the company's growth strategy today and in two years. A majority of respondents also indicated they used a variety of physical retail formats, with relationships with third-party retailers and company-owned retail stores being the most popular (both 76 percent), followed by franchises/dealers (71 percent). About half said they sell through a "store within a store" and customer service/payment centers model. In the next two years, more than three-quarters of respondents (76 percent) said they plan to increase the total number of store-fronts through which they sell. As they expand their physical retail presence in the next two years, providers increasingly will use the channel to target business customers, especially those in the small office/home office and small business segments. Providers also expect

that such expansion will increase the percentage of their overall revenue that is generated by the physical retail channel, and by company-owned stores in particular.

Our study shows that providers will need to improve multiple aspects of their stores if they are to achieve these growth goals in the next two years. In particular, less than half of respondents said they were performing well or extremely well in terms of understanding the needs and behaviors of customers in each store's geographic area, creating differentiated assortments, promotions and events, and integrating sustainability into store operations.

There also appears to be ample opportunity for providers to improve key retail capabilities. Only one capability was described by a majority of respondents as mature: having standardized business processes across all stores.

The remaining capabilities were deemed immature by more than half of respondents. These included talent management, information systems, performance metrics and supply chain. The area in which providers appear to need the most help is analytics: Only 30 percent of respondents said they had mature tools that enable them to perform advanced analytics such as customer segmentation and market basket analysis.

Perhaps the biggest issue revealed by our research is a misalignment between providers' chief objective for the retail channel—sales—and the ways in which store employees spend their time. Respondents estimate that the employees in their company-owned stores spend only 41 percent of their time selling products and services, while dedicating 51 percent of their time on support-related activities—customer service (21 percent), educating customers (17 percent) and technical support (13 percent).



Some communications providers are further along than others

In analyzing our survey data, we identified a group of 10 providers (which we deemed "leaders") that indicated they had the most mature retail capabilities across the six we covered in our survey—scoring a total rating of 24 or above out of a possible 30 in six key retail capabilities. Their responses in the survey differed in many ways from providers with weaker capabilities (which we denoted as "laggards").

For example, leaders were more likely than laggards to believe a strong physical retail presence is critical to their growth strategy. Leaders also are more likely than laggards to incorporate all major types of outlets in their physical retail presence—including

company-owned stores (90 percent versus 73 percent), third-party retail relationships (80 percent versus 76 percent), "store within a store" (70 percent versus 51 percent), and franchises/dealers (90 percent versus 51 percent). Leaders also are more likely than laggards to cite stronger performance of their stores in all 10 areas covered by our survey—even those considered much more complex and difficult to do. Similarly, leaders are more likely than laggards to describe their stores as effective or very effective in driving sales and incremental profit, supporting the company's brand, providing a differentiated customer experience, and delivering education and technical assistance to customers.

Most importantly, this strong performance by leaders in their stores appears to translate into financial results. Leaders said their store sales accounted for 38 percent of their total sales revenue, compared with just 23 percent among laggards. This finding is all the more impressive when one considers the fact that laggards on average have about 55 percent more such stores than leaders, suggesting leaders' stores are more likely to provide the kind of experience that encourages customers to buy. This trend appears poised to continue, as leaders also are more likely than laggards to expect the percentage of total revenue they generate via their own stores to increase in two years (42 percent versus 26 percent).

Recommendations

As our research revealed, communications companies believe stores are key to their growth and have ambitious plans to expand their physical retail presence. As they do so, they should consider a number of actions to make the retail channel a powerful customer relationship-building tool.

Set the strategy

Providers must develop and regularly refine a retail strategy that includes all the physical retail channels that customers value and that are most appropriate for certain types of products and services. For example, an operator might choose to sell its more complex and higher-margin offerings in its own stores (where the company could provide a more high-touch, service-oriented experience) and sell simpler, lower-margin offerings through a third party (which could deliver more customer traffic and generate a greater volume of sales).

Integrate the channels

A growing portion of consumers demand a cross-channel experience encompassing the Web, call centers, catalogs, mobile phones, kiosks and franchises. Such cross-channel shoppers are significantly more valuable than single-channel customers, buying more often and spending more than others. Thus, building and maintaining the technologies, processes and organization that provide cohesive integration across customer channels is critical to communications providers' success.



Create the experience

Communications providers must create a store design, layout, product assortment and staffing strategy that makes it easy for consumers to purchase new products and services—and, thus, substantially increase customer conversion rates. Providers also should determine how to free up their store employees' time so they can dedicate more time to selling, while still delivering technical, educational and usage assistance. Consider, for example, new stores developed by Cox Communications, which feature personalized concierge service and a "learning lounge" where customers can sit through short classes on a variety of topics (such as how to get the most out of their Cox service or installing hardware components such as video game players).¹

Attend to in-stocks and talent

Consumers clearly believe communications providers' stores can perform better, especially in critical areas such as product availability and knowledgeable store staff. As such, providers should assess their supply chain and HR/training capabilities for improvement opportunities and identify ways to leverage these areas to differentiate themselves from competitors. For instance, advanced forecasting and replenishment planning capabilities can improve in-stocks, while defining a company's talent needs in the context of its business strategy and tapping the best sources of that talent (which, for communications companies, could include leading companies in other retail segments) can help ensure the right skills are in place to provide a superior customer experience.

Understand the customer

When seeking expansion into new geographic or demographic segments, communications providers must deliver tailored offers that meet each group's specific needs. However, doing so is highly dependent on strong analytics—which most participants in our survey said they lack. Therefore, communications companies should adopt capabilities to conduct customer segmentation and profiling, thereby gaining a deeper understanding of their customers' needs and preferences.

¹ "Cox Solutions Stores Offer Unique Retail Experience," *Strictly Business*, <http://www.strictlybusinessomaha.com/24/112.1457/cox-communications.aspx>

Conclusion

Importantly, improving the retail channel is not about simply “making the store pretty.” Rather, it is about reorienting the channel to deliver the company’s strategic intent and achieve its desired business outcomes—which, of course, will differ from company to company. Regardless of where a communications provider sits on the retail maturity spectrum, however, our research suggests that a robust physical retail channel that is tightly integrated with other customer channels can be a powerful driver of growth, differentiation, and high performance.

About the Research

The preceding report is the result of extensive Accenture research conducted between December 2009 and March 2010. This research included an online survey of 3,148 consumers in 18 countries, as well as a phone survey of 51 executives at communications companies with annual revenues of at least US\$500 million.

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Contact Us

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