The CEO's new mandate: Own the customer experience

By Chris Donnelly and Oskar Ebbinghaus
Enabled by the digital revolution, shoppers have taken control across the purchasing journey. In response, retail CEOs need to take charge of delivering a compelling end-to-end customer experience.

Why retail excellence never goes out of style

The retail revolution has one clear winner so far: The customer, who has gained increasing control over when, where and how he or she makes a purchase.

And while many companies view the consumer’s growing influence as just another marketing challenge, we believe they should instead make it a key part of the CEO’s agenda, given the significant strategic damage that failure in this area could cause. This power shift has retailers scrambling to differentiate themselves on the traditional elements of the retail value proposition (e.g., product range, price, value and customer service). However, in addition to fortifying their traditional retail value propositions, we believe retail leaders must find ways to achieve a truly seamless customer experience across all physical and digital channels, and learn how to make money doing it. That means zeroing in on the levels of service consumers demand today, and working to understand what shoppers will want and how they would like to shop for it in the future.

While new digital disruptions seem to appear almost daily, at its core, the retail equation remains essentially the same: the bedrock ways that companies build successful value propositions have not changed. They include providing the right products and services, offering good value for the money, and focusing on convenience by offering flexible shopping hours, nearby stores and popular product assortments. Accenture’s Global Seamless Retail Study confirms that these key propositions remain true even in today’s connected world—digital technology should enhance the value proposition, not replace it.

But no retailer can simply rely on historic success formulas to win in the digital age. That’s a lesson a number of now-defunct retailers from Woolworths to Circuit City learned the hard way. In contrast, Walmart has successfully reinvented itself many times in the past and is attempting to do so now in response to digital retailing. To compete effectively with Amazon, it is making large investments in its website, apps and supply chain.
What's new: Developing a compelling customer experience

When transactional power shifts to shoppers, meeting their needs becomes more important than any other strategic priority, which is why we believe the CEO must “own” this job. However, store-based retailers usually have difficulties differentiating themselves based on the traditional value proposition alone. Take product range: online retailers have larger assortments than any brick and mortar store—Amazon has over 100 million products listed across all of its sites, while physical stores stock far fewer.

Consequently, successful retailers understand they have to differentiate themselves in the minds of their customers as reflected in the experiences that consumers associate with the brand. Research shows that a good shopping experience improves customer satisfaction, drives repeat purchases, builds customer loyalty, increases customer referrals, boosts revenues and builds stronger customer relationships. It also pays off at the bottom-line. Accenture’s analysis of Forrester’s US Customer Experience Index Q1, 2015 reveals a direct positive correlation between retailers 2014 rankings and their earnings before interest, taxes, depreciation and amortization (EBITDA).¹

Given the benefits, industry leaders are focusing strongly on customer experience:

- Sixty-three percent of companies expect to spend more on boosting customer experience in 2014 than they did in 2013, up from 54% in 2012 and 46% in 2011.²
- Over half of companies plan to expand their centralized customer experience teams in 2014, while only 3% will cut them.²

However, while many firms are investing heavily, very few are moving the customer experience needle. Take the retailer that spent big on store technology to boost customer experience. Because it sourced the technology from multiple vendors, it ended up creating overwhelming complexity instead of increasing customer satisfaction.

No silver-bullet solutions exist

Unfortunately, no single template for success in this area exists because customer experience represents a journey – not a single interaction – and customers assess retailers from a combination of perspectives. Viewed holistically, however, four parameters can help retailers produce a winning customer experience:

1. The context (the retail category and the retailer’s value proposition)
2. The type of customer
3. The shopping mission
4. The path to purchase over several touch-points

Accenture’s framework for a compelling customer experience (Figure 1) provides a structured way to address and define what this level of customer interaction looks like, given the right context, shopper profile and mission.

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¹ Forrester’s US Customer Experience Index Q1, 2015: https://www.forrester.com/The+US+Customer+Experience+Index+Q1+2015/fulltext/-/E-RES117482
Exploring the components of a compelling customer experience

Consumers typically take a series of steps when making a retail purchase, and companies need to understand how to surprise and delight them at each stage of this journey. The following example offers several recommended practice suggestions on what a compelling customer experience could look like when delivered via an integrated approach.

1. The context: The retailer is a grocery discount chain carrying a good selection of brands and private label products. Its value proposition offers customers ways to save money and time.

2. The type of customer: The middle-class family has three kids living in a suburb of a medium-sized city. The family seeks the lowest prices, ecologically friendly products and premium food at good prices.

3. The shopping mission: Mom typically shops bi-weekly after work to stock up on non-perishables, fresh food, and cleaning and hygiene products.

4. The path to purchase: Mom begins her purchasing journey on her personal computer the evening before, exploring options and planning the shopping list. During the day, she adds other items suggested by family members. She then places the order for in-store pick-up. At the store, she uses her mobile phone to explore and discover new products she also needs and adds them to the total. When done, she picks up the pre-ordered items and pays automatically by logging out.

These innovations can reduce customers’ shopping time and help them to save money by highlighting discounts, tracking the family budget in real time, and offering rewards. Retailers benefit as well, since these approaches can boost sales, strengthen the brand’s value proposition and prompt the recommendations of satisfied customers.

Recommended practices in a specific customer journey

- **Discover**: Offer a pre-populated digital shopping list based on the shopper’s purchase history, old shopping lists and added products the shopper likely needs.
- **Explore**: Provide a weekly menu planner with meal suggestions based on the customer’s profile and tastes, along with opportunities to personalise and add his or her own meals and new recipes.
- **Select and buy**: Based on his or her purchase history, give reminders of non-perishables and non-recurrent items that the shopper might soon need to purchase again.
- **Generate suggested alternative options, which feature equivalent products with lower prices or ones currently promoted by store.**
- **Coach assistants to approach shoppers who may be studying cereal ingredients lists—a probable sign they could use some help. The assistant can recommend the best choices for children with different allergies.**
- **Provide extended product information regarding origin, environmental footprint, and so on that shoppers can access by scanning goods on the shelf.**
- **Offer a smart shopping list that organises products according to the store layout and alerts the shopper who passes but does not scan a product on the list.**
- **Provide a summary of the total amount in the shopping bag versus the stated budget and amount of saved money.**
- **Ensure that staff pre-pack products on order so that shoppers can pick them up when they arrive at the store.**
- **Pack products in the store directly into the shopping cart after scanning instead of conducting the transaction at the cashier’s desk and then repacking them.**
- **Explore the possibility of offering refunds for damaged products discovered at home by having the shopper take a photo and submit it via smartphone.**
- **Make it easy for shoppers to recommend meals, recipes, product recommendations and share the shopping experience with other customers.**
- **Enable consumers to receive loyalty rewards from shopping, making recommendations or influencing other customers.**
- **Offer individual follow-ups on personal targets such as budget, share of ecological food, or calorie content.**
How it's done

A number of companies have found unique ways to combine traditional retail excellence with customer experience innovations to satisfy customers, achieve profitable growth, and set themselves apart from the competition. The following examples illustrate how two organizations made it happen.

ARGOS: Reinventing an outmoded channel

While catalogue retailers are largely outdated in the US, British company Argos has kept the format alive in the UK by reinventing it. Doing so required the firm to develop a three-part transformation plan. First, it repositioned key sales channels, replacing yesterday’s laminated catalogues with new digital shopping hubs. Second, it gave customers more choices faster by improving distribution and offering a wider array of fulfillment options. Third, it created greater universal customer appeal by focusing on key brands, building the company’s reputation and introducing competitive pricing.

Success required it to create a lean and flexible cost base driven by the ongoing reinvestment of catalogue-related savings as well as aggressive cost reduction programs. The retailer is experimenting with an increasing number of new shops where tablet computers replace its trademark laminated catalogues. The Internet currently generates 45% of Argos’ sales, roughly two-thirds of which (32% of its total sales) involve customers using the firm’s online “Check & Reserve” program for in-store collection.

Argos designed the new digital stores to separate its two core segments: Customers who want to browse, check product reviews and order using in-store iPads, and those who pre-order online or via mobile devices and then use the firm’s 60-second fast-track collection service.

DISNEY: Investing in the “MyMagic+” experience

Disney consistently delivers an amazing customer experience for millions of guests every year. However, about 6 years ago, the company began to change the way its amusement parks operate. With customer expectations changing and competition for entertainment dollars fierce, Disney took steps to boost guest engagement levels in order to increase spending. To that end, the company created the MyMagic+ experience.

The MyMagic+ experience begins as soon as consumers enter the amusement park. Guests touch their MagicBands on their wrists to enter the park—no more turnstiles, which makes entering the park up to 25% quicker. To buy something, visitors simply touch the MagicBand to pay, and the system immediately bills the amount to their rooms. A companion mobile app reports the length of the lines in real time for all rides and helps users plot the most efficient path through the park. Visitors can even reserve popular rides up to 60 days before they arrive. Personal touches abound – when a young girl spots Cinderella, she’s delighted when the character says hello to her by name. With permission, Disney characters have access to personalized guest data, which increases the realism of character interactions. Any photo taken by the Disney photographer automatically links to the subject’s account, as do ride videos, providing a key component of the “post trip” experience.

Disney has created a digital overlay for the entire experience, seamlessly weaving the digital and the physical together to make it larger than life. This represented a huge change for over 60,000 cast members and millions of guests at Disney’s theme parks, but the results are positive. Over 75% of Disney hotel guests use the system and the company has been able to increase park capacity by thousands, earning it better returns from its real estate investments.

Customer service and service design – Two sides of the same coin

Compelling customer experiences help generate real benefits for both customers and retailers, but even the most spectacular shopping session can quickly sour if the services or solutions making up the customer experience don’t deliver from the user’s perspective. If customer experience is all about understanding what specific shopper segments really noticed and valued during their purchasing journeys and using that insight for investment purposes, service design is all about designing and developing how the service and the associated solutions deliver that experience.

Research from Fjord, part of Accenture Interactive, shows that excellent design drives innovation and business growth. A 2014 Fjord analysis of the S&P 500 reveals that design-driven companies routinely see returns nearly 230% greater than those of their less design-focused peers when making other comparable investments.

Consumers will probably view a great customer experience without a similarly fantastic user experience as an offer that ultimately promises far more than it delivers. This is the larger opportunity, which can turn customers into collaborators and brand advocates over time. Service design takes a customer-centric perspective, and helps retailers design the customer experience in a complex digital world with multiple services and solutions across several touch-points. The goal is to design for seamless and genuinely personal experiences for each customer in real time.
Where to begin: Focus aggressively on customers and value

We believe that offering a compelling customer experience matters. It represents a critical way for retailers to set themselves apart in the minds of customers, providing them with a sustainable strategy for future profitable growth. Because retailers lack silver bullet solutions, the best way to start this journey is with CEO ownership of the Customer Experience and by asking the right questions. For example, what customer experience should we deliver, which "moments of truth" will make it happen, and how do we create value for customers (and ourselves)? The answers will reveal what the organization needs to do differently, and hence where to invest their limited funds.

It is important to note that the stance a retailer assumes in this pursuit turns out to be as important as the actions it takes: Companies that aggressively play to win usually do, while those that defensively try to avoid losing often fail.
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