

CLOSING THE GAP BETWEEN EXPECTATIONS AND EXPERIENCE

Four questions every retailer
should ask themselves.



INTRODUCTION

For many years, retailers have lamented the “Amazon effect”—the impact of e-commerce on the traditional brick and mortar business model due to shifting shopping patterns. What is often overlooked in that discussion is the power that Amazon and others, like Apple and Google, have had on boosting customer expectations.

“Amazon, Google, Apple, and Uber have dramatically elevated customer expectations in terms of what is relevant, engaging, and convenient,” explains Tim Tang, Director of Enterprise Solutions at Hughes Network Systems.

“Retailers are underpowered and overwhelmed by this need, and it’s become a set up for customer disappointment.”

Jeff Gorman, Vice President of Central Operations at Walmart agrees, “Walmart sees 160 million customers every week. When you get that many shoppers, the volume can overwhelm associates. They can tend to focus more on tasks than on spending time with customers. The question [for us] is how to strike the right balance and still keep prices low.”

Compound these issues with the fact that retailers face many of the same problems they always have, such as high turnover and low wages.

Yet, consumers of all ages still say going to physical stores to make purchases is their first choice. This includes 62% of Baby Boomers and 58% of Gen Zers, according to the Shopper-First Retailing report by Salesforce. Then how can retailers close—or minimize—the gap between customer expectations and the customer experience? Here we offer four critical questions you can ask yourself, based on advice from several industry experts, to help bridge that gap.

1. What's Your Customer's Journey?

Before you can meet customer expectations, you must first understand your customer's journey. It spans every touchpoint a person will have with your brand—and extends far beyond the hard edges of your store. Customers interact with your brand in many other ways besides the exact moment they make a purchase. From the minute they learn of your brand and become a potential customer, their journey begins. Your challenge is to map out these many touchpoints so you can begin to see where you might influence their expectations.

As you map out your own customer's journey, consider the basics:

- How are consumers learning about your brand? (Is it through word-of-mouth? Marketing and advertising? Social media influencers?)
- What are they learning about your brand? (Write down exactly what the consumer is being told—from the type of service you provide to the type of product quality and price they can expect.)
- What do your customers say about your brand, product quality, pricing, and their overall experience? (Look at online reviews for useful information, but also survey your customers.)
- What is the in-store experience like for your shoppers? (Do most engage with a sales associate? Or shop on their own? What is the typical wait-time at the point-of-sale?)
- How many of your shoppers are repeat customers? Do they tell their friends about you?

AWARENESS

Consumer becomes aware of and interested in your offerings.

RADIO/TV/PRINT **SOCIAL NETWORKS**
ONLINE ADS **WORD OF MOUTH**
PR **PPC**
EMAIL

CONSIDERATION

Consumer begins to consider making a purchase by potentially conducting research and gathering product-related information.

SOCIAL ADS **BLOGS** **DIRECT MAIL**
REVIEWS **MEDIA**

PURCHASE

Consumer becomes your customer, choosing to disregard your competition, visit your store, and buy at least one item.

STORE **WEBSITE**
ECOMMERCE

RETENTION

Offerings (products, pricing, customer service, store ambiance) align with your customer's expectations, prompting a high degree of satisfaction and repeat business.

COMMUNITY **FAQ KNOWLEDGE**
FORUM **BASE**

ADVOCACY

Customer becomes one of your greatest advocates by promoting your offerings and recommending your brand to their friends, family members, and social media circles.

PROMOTIONS **SOCIAL NETWORKS**
BLOG **NEWSLETTER**

2. What's Your Service Model?

Once you have a clearer sense of your customer's journey, you can assess your service model.

"The service model is a ladder. The bottom rung is low engagement with few customer touchpoints. At the top end are the high touch, high consultancy types of service models," Jason Kuckkan, Director of HRC, explains.

As an example, the retailer Payless Shoes offered a self-service environment, with its available inventory merchandised on shelving for customers to find their own styles and sizes. They required little to no engagement with a sales associate, except upon checkout. Contrast this with Nordstrom, which only has a display shoe representing their available styles, requiring a sales associate standing ready to help a shopper find the right size, offer product suggestions, and provide service.

"Your service model is directly linked to your brand strategy and your investments in staffing and operational systems," says Mr. Kuckkan. "Customers are fine with either service model as long as it is clear and consistent with their expectations, all of which ties to brand perception being a key driver to labor investment. In other words, where you need staff and what you need staff to do."

By comparing the basic information gathered about your customer's journey with your defined service model, you might begin to see gaps between expectations and experience.





The majority of consumers (80%) are more likely to purchase **from a company that offers personalized experiences**, says the global communications firm Edelman.

And the accounting firm of PwC notes that when customers have a great experience, **they're willing to pay up to a 16% price premium.**

3. What's Your In-store Experience?

Now you can analyze whether your locations have what they need to successfully create an in-store experience that is aligned with your customers' expectations—inspiring them to not only become repeat shoppers but also to promote your brand to their friends. Two operational areas that can have a dramatic impact on this equation are: the role of technology and the issue of employee engagement.

The Role of Technology

Many factors contribute to the in-store experience, including its layout, traffic flow, location, and merchandising. Yet today more than ever, retailers are investing in technology-based solutions to improve the in-store experience.

“Technology can augment the interaction between an associate and customer, especially when the associate is able to turn to their iPad or tablet as soon as the customer walks in the store. Right away they can know from the mobile app what that customer is looking for or interested in,” says Mr. Tang. “What it boils down to is real-time access to data and for the sales associate to understand, ‘I know what she’s looking for, even before she knows what she is looking for...’” In this way, in-store technology can enable the sales associate to replicate the approach pioneered by Amazon in terms of providing proactive and relevant product recommendations. Additionally, technology is ideal for training initiatives that focus on improving customer service and selling skills.



53% of Millennials think **store associates don't have the tools they need to provide great customer service**, such as mobile devices for looking up customer profiles and recommending products, finds Salesforce.

Retailers are also investing in radio frequency identification devices (RFID) on products to improve operational processes, inventory accuracy, and item location management. With handheld devices, sales associates can scan an item and track down inventory and details more efficiently. Even with lower-touch service models, tablets and mobile checkout options throughout the store can enhance the customer experience.

At the same time, with all of the automation and injection of technology, showing customers that you care about them can become infinitely harder to accomplish. The most important place to show them that you care is at the point-of-sale, which is typically their last face-to-face interaction along the customer journey.

“Ensuring that your point-of-sale process is fast, easy, and simple for the associate is critical. When you have lines, which everyone does, it’s a matter of managing those lines,” explains Mr. Kuckkan. “Do you have a process in place to reduce the wait-time? All customers understand that at some point they might encounter lines, but what they expect is that you’ll have a plan in place to mitigate the situation. That might be as simple as calling an associate up to the front of the store for backup or creating a process and workflow that makes removing hangers or bagging items faster. It can be related to how the POS station is set-up or where it’s located. For example, does the area even accommodate a growing line?”

Mr. Gorman echoes a similar notion. Several years ago when Walmart rolled out a blend of self-checkouts and manned cash registers, the retailer found that its cashiers were able to spend more time with customers.

“Now, because we have every lane open all the time, they are able to engage more fully with each customer,” he says. Viewing your customer’s journey within the context of your service model can help to identify ways to refine processes or deploy technology to support mundane tasks and free up sales associates to interact in new ways.

The Well-Informed Customer

Smartphones were used in more than one-third of U.S. retail sales in 2018, including everything from initial product research to making a purchase, according to Forrester’s Retail Wave report on US Mobile Web (Q4 2017).

Google’s research shows **82% of consumers** consult their phones while they’re in a store deciding what product to buy.

And one in 10 of those people end up buying a different product than they had planned.

Of course, tightly linked to that is the assumption that you have ample staff available in the store. Traffic counting systems placed at the entrance can provide data analytics on traffic patterns and conversion rates. Higher conversion rates mean higher sales, which may be a function of stock, pricing, and employee presence. Regardless, they are data points that can be considered when determining staffing levels or when using labor scheduling software applications.

One common mistake retailers make when creating the in-store experience, Mr. Kuckkan says, is to apply a one-size-fits-all model across all locations.

“While you want consistency in terms of processes and brand, you have to look at every store individually when it comes to staffing,” he says. A store in a rural location may not have much traffic during the week, while a location for that same retail brand in an urban area may have its highest volume on weekdays and be lighter on weekends. Having the right level of employee presence must be adjusted by location to fit their unique traffic patterns.



Issues of Employee Engagement

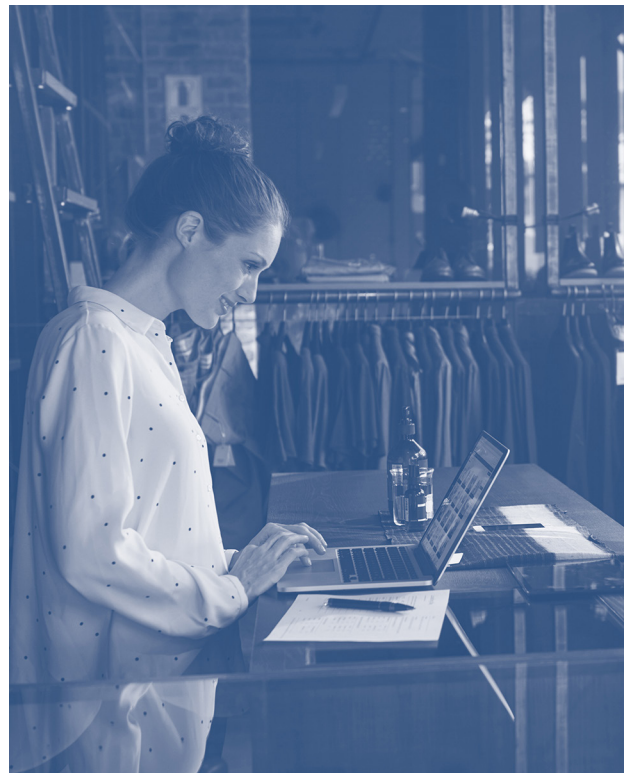
Once you free up your associates to interact more with customers and ensure adequate staffing to support store traffic patterns, evaluate whether employees are able to engage effectively. Mr. Kuckkan describes several situations which may affect a sales associate's abilities.

Using the footwear department analogy, he says, “Maybe the store doesn't have a great organizational system in their stock room. That leaves the associate searching for their inventory and takes longer to find the product. Or, perhaps the associates are so focused on cleaning or tidying up an area or unloading product from a shipment that they're walking past and ignoring customers. Such situations can be distractions to providing good customer service, but they are operational in nature.

Meaning, maybe they can be resolved through training or by finding the right time to do inventory tasks. Regardless, when a customer is nearby, they need to stop doing their task and engage the customer.”

Once they engage, sales associates also need to possess solid product knowledge. This is perhaps one of the greatest shifts resulting from the Amazon effect.

“Where Amazon is proactively recommending relevant products to consumers, retail employees often suffer from an incomplete understanding of basic product features. The consumer may have more knowledge of the product than the employee because they’ve seen reviews or listened to peers. When they visit the store and are standing in front of the sales associate, they want to engage in a competent discussion with an expert to finalize their purchase decision,” says Mr. Tang.



Research backs this up: Salesforce says that 87% of consumers begin their shopping journey with digital searches, a jump from 71% in 2017. Mapping your customer’s journey may reinforce these findings.

Yet the greatest differentiator that the brick and mortar store has from its online competitors are the people in the stores, says Mr. Tang, “You can have the greatest impact with the smallest investment when you focus on your people, and therefore impact the customer experience. You can always get better at dealing with your people. And making that connection with customers, person-to-person, is a key to closing the gap between the in-store and online experience.”

He says the relatively easy fix is to start with training.

“When I say training, I’m talking about a shift to high frequency exposure; to short form, video-based employee training that is engaging, effective, and entertaining. Think YouTube videos that are only 3 to 5 minutes long. But if you make them entertaining, associates will watch them repeatedly for hours and hours, even in their own free time. The goal is to transition from employees being required to watch video training to wanting to watch video training. This is the type of training that changes behavior.”

For many retailers, Mr. Gorman says, sales associates are key representatives for the company and the brand. “Yet for a lot of people, it’s their first job. They haven’t had any experience. So, you may need to train them on how to do the job, but also on how to show up on time, how to interact with customers and fellow associates. If you want to have great sales associates who give good customer service, you have to take care of them, listen to them, and give them the tools, training, and support they need.”



4. What Next?

It would be ideal to solidify the customer journey within the context of the service model and then just call it a day. But retailers often overlook one critical fact: their customer base is always changing.

“It’s important to stay in touch with your customer. To examine how they’re changing: How are their perceptions changing? Is the customer base getting older? Or younger?” says Mr. Kuckkan. Especially for large retailers with a multitude of stores, losing sight of the customer can happen very easily.

“You have to constantly refresh and reinvent yourself and modernize as you go,” he cautions. “If you don’t, you’ll get to a point where it’s too overwhelming and too large of an investment.”

He points to Target as a prime example of a retailer that has invested in refreshing their stores on a regular basis. The result is that Target is as relevant today as it was 10 years ago; and the company has demonstrated that it has evolved with its customer.

“Customers recognize that investment. Even if a retailer makes some mistakes along the way, they build credibility by making the effort,” Mr. Kuckkan says.

Mr. Gorman agrees, “The worst thing is not to try.” For Walmart, that has meant recognizing the role that convenience now plays in buying decisions.

“One of the biggest changes we see when the economy is good is that price doesn’t matter as much. But the issue of time—and convenience—is becoming part of the pricing model,” he says. As a result, Walmart has invested extensively in offering more convenient ways to shop, such as ordering groceries online and picking up in the store, while still providing the best price. In this way Walmart is staying true to its core brand, even as it evolves to meet shifting needs and expectations.

“Know your strategy and what you stand for. Then live it. Strategy drives the investment. You need to manage your expenses precisely, so you can spend the money where you need to,” he advises.

Driving much of the changes ahead will be artificial intelligence (AI). Where today, data analytics are influencing product recommendations, the buzz around AI is that it might be used to predict what a customer wants to buy—and have it delivered—even before he or she realizes they need it.

“AI will be pervasive,” says Mr. Tang, “Retailers, like Amazon, who have perfected quick and even same day delivery, are exploring how to predict what you want and get it to you before you realize you want it.”

For brick and mortar retailers to compete, they may need to devise other strategies. Rather than anticipating the customer’s needs before they leave home, they may need to elevate their service offerings to more closely match luxury brand offerings. Instead of simply focusing on shoe sales, a retailer may need to emphasize leather reconditioning and repair services.

Regardless of what’s on the horizon, asking the right questions about your customer journey, service model, in-store experience, and shoppers’ behaviors, will position you to close—or minimize—the gap between their expectations and their experience with your brand. Achieving that over time will lead to a loyal base of repeat customers who consistently sing your praises.

Artificial Intelligence (AI) on the Rise

The number of retailers using AI jumped from 4% in 2016 to **28% in 2018**, according to Capgemini.

When shoppers follow AI-powered product recommendations, their **average order value increases by 14%** says Salesforce.

And brand leaders plan to **hire 50%** more data scientists in the next 3 years.

Capgemini predicts that retailers are expected to **spend \$7.3 billion on AI** by 2022.

Gartner says that by 2020, **more than 40% of data analytics projects** will relate to customer experience.

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