

## GREAT EXPECTATIONS

Delivering the retail experience consumers want: online, mobile and in-store

A Qmatic Thought Leadership and Research Report

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# Executive summary

**It's the age of the customer and retailers are getting serious about how they implement and manage the customer experience.**

Today's consumers live multi dimensional, multi platform lives and their buying behaviours reflect the same complex dynamics. These days it's rare for a customer to be a 'purely online' or 'purely bricks and mortar' consumer; increasingly they expect their retailer of choice to provide convenience, choice and seamless interaction across all channels. All of this puts increasing pressure on retailers to deliver a consistent customer experience – and by implication, brand experience – whatever the channel.

Yet, providing a better in-store experience remains a top priority for retailers. Despite the inexorable rise of online shopping, research confirms that consumers want and crave the physical experience of shopping – and that includes the tech savvy younger consumer (the hyper connected Generation C). As a recent US survey of the shopping habits of 18-25 year olds reveals, just over two-thirds – 68% - prefer to shop in stores for clothing and shoes.

In response, retailers are planning more store openings. What's more, we're witnessing the emergence of a 'clicks to bricks' trend as 'online only' e-commerce businesses like Amazon invest in a High Street presence, opening physical stores to capitalise on the interaction opportunities afforded by a high-touch physical brand experience location.

In an increasingly complex retail environment the emphasis now is on allowing consumers to 'shop how they want' and brands that focus on delivering a strong customer service experience are the most likely to thrive and flourish.

In February 2014 Qmatic commissioned Vanson Bourne, a specialist technology market research company, to identify what's driving UK retailers to enhance the customer experience, their improvement priorities and the barriers that stand in the way when it comes to delivering a first class experience. The study was designed to identify disconnects between retailer perceptions of service delivery and actual consumer experience. It was also designed to help retailers gain a deeper understanding of the business case and framework for investing in in-store technologies to improve how they manage the physical shopping experience.

Conducting in-depth surveys with 100 UK retail decision makers in organisations with both online and offline channels and 500 consumers who shop online and offline, Vanson Bourne found that while 92% of retailers acknowledge customer experience is vital to their business, over a quarter (26%) have no company-wide improvement strategy for customer experience in place.

The research findings also reveal that two-thirds of retailers (63%) are being held back from improving queuing and waiting in-store to enhance the customer experience because they are unclear on the right strategy and/or technology direction to pursue.

<sup>1</sup> *Shopping Trends Among 18-25 Year Olds*, LIM College and the US National Retail Federation 2012.

enhance the customer experience because they are unclear on the right strategy and/or technology direction to pursue.

## Key findings

- **Improving the customer experience is becoming a key brand differentiator – but execution against plan is proving problematic.** Retailers view the delivery of good customer service as a strategic priority with increased sales, greater brand engagement and a higher spend per transaction identified among the top benefits. Yet a third (30%) of retailers surveyed with a company-wide strategy to improve customer experience already in place confirm it is not working as hoped.
- **Delivering a consistent customer experience across every touch point and at peak demand periods is proving challenging, but while retailers perceive they're performing well customers tell a different story.** Maintaining a consistent service across all touch points is a challenge retailers are aware they need to address as their omni-channel initiatives - such as reserve online, pickup in-store - become commonplace. Brand reputation – and revenue - stands and falls on how well retailers respond to periods of peak consumer demand and retailers believe they're performing well when it comes to meeting the challenge. But consumers beg to differ and will vote with their feet if expectations aren't met. In the last 12 months around one-third (31%) of consumers confirm they'd abandoned purchasing from a retailer because of a poor customer experience.
- **The in-store experience still matters in the digital age.** The ability to see, feel and try has significant appeal for consumers, with half (49%) confirming the option of being able to access a physical store to view and/or purchase items is important to them. In the next year 80% of retailers that offer click and collect predict demand for their click and collect service is set to increase by an average of 15%, which means the in-store engagement experience is set to become even more pivotal, yet 56% of retailers are struggling to identify which improvements they need to make to improve the in-store customer experience.
- **Technology investment is critical to enabling compelling customer service.** Retailers need to adopt technologies that enable a higher level of service across every touchpoint. But when it comes to delivering the perfect physical shopping experience and an environment in which customers feel valued and every sales opportunity is captured, retailers remain unclear as to how best to orchestrate their technology investments or marshal in-store customer behaviour intelligence to make improvements to the customer journey.

# Keeping customers satisfied

Retailers know that a good customer experience equates to increased sales and greater customer loyalty and understand that delivering a first-class experience means placing the customer at the heart of the business and responding to their specific needs at every purchase touch point.

With 89% of retailers confirming that companies stand and fall on the customer experience they deliver, 93% are actively striving to ensure customers experience a consistent level of support – whether they are shopping online or offline.

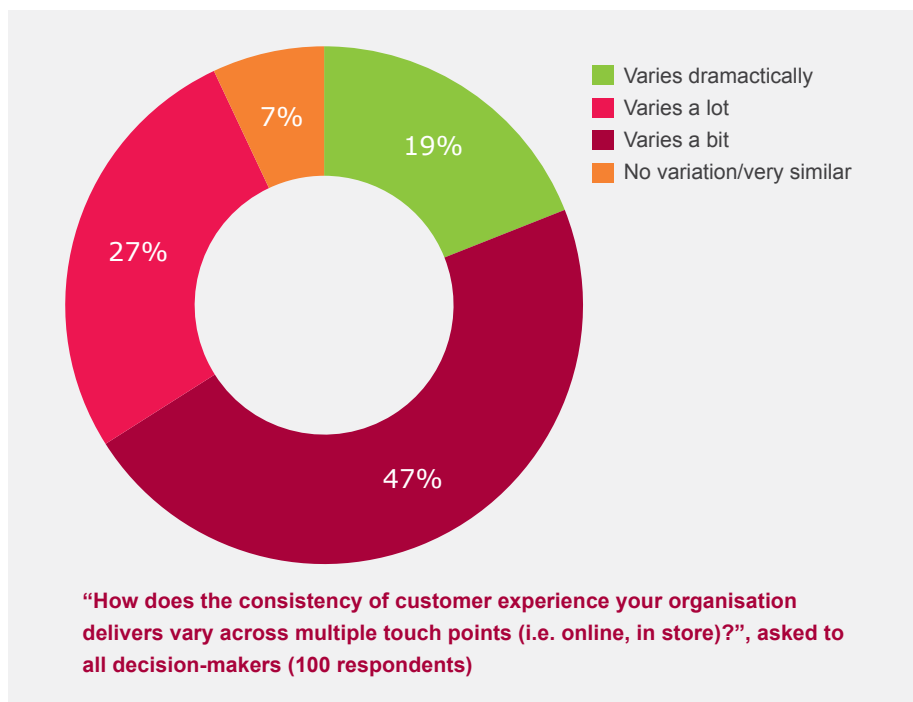
Despite the fact that providing a good customer experience is viewed as business critical by 92% of retailers and 53% confirm improving the customer experience is their number one priority, just over a quarter (26%) have no company-wide strategy in place to make this happen.

As the research shows, when retailers fail to deliver against expectations, customers walk. A good overall shopping experience was rated by 70% of consumers as an important factor when shopping online or offline and in the last year alone 31% confirm they've stopped purchasing from a retailer as a result of a bad customer experience.

## Consistency, not complacency, is the order of the day

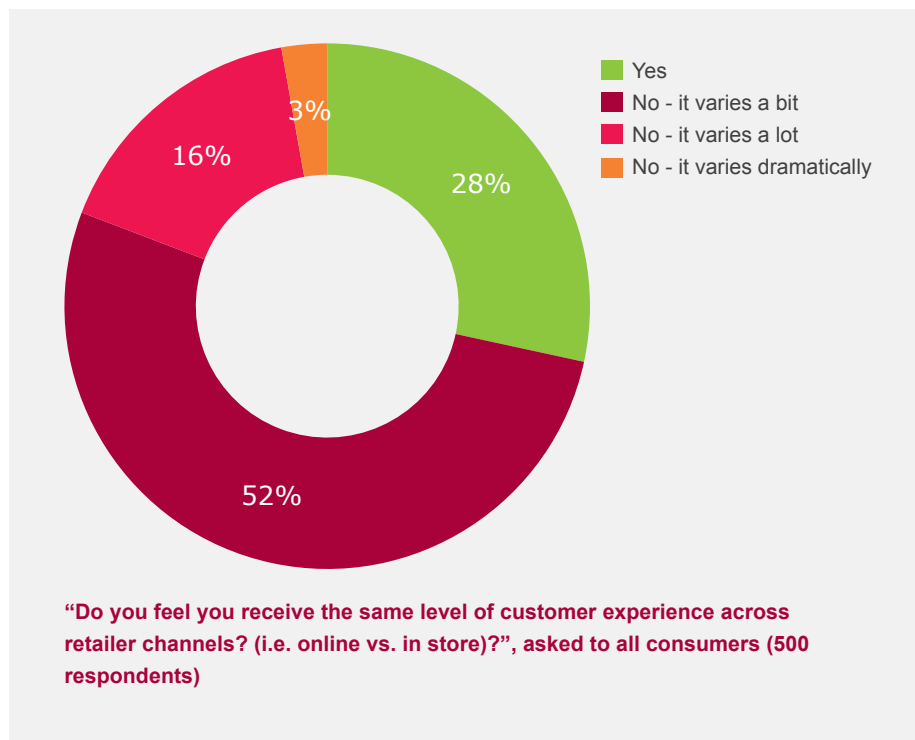
Retailers believe that overall they're performing well, with 82% stating their organisation provides a good or extremely good customer experience.

But when questioned about their ability to deliver a consistent experience that meets customer expectations across every channel and purchasing touch point they operate,



47% confirmed the experience customers encounter will vary a lot and almost one-fifth (19%) stated it varies dramatically.

Consumers confirm they're being let down when it comes to experiencing a consistent, positive and true to brand value experience across the multitude of channels available to them. 72% of consumers confirmed they've encountered inconsistencies in their customer experience when using a retailer's online and in-store channels.



Even when retailers ramp up the ability of their customer touch points to cope with anticipated seasonal high demand peaks - like Christmas and the January sales - the survey findings reveal a disconnect between how retailers rate their performance and customer perceptions of actual service delivery:

- Almost three quarters (72%) of retailers believe they delivered a better customer experience over the 2013/4 Christmas period compared to other times of the year, yet only 17% of consumers agreed
- 23% of consumers stated their in-store customer experience was worse over the Christmas period than at other times of the year, while a fifth (20%) found online services were slower or did not perform comparably to other times of the year
- Almost all (97%) of retailers rated the in-store customer experience during their January sales was the same or better than the Christmas period, but just 12% of consumers agreed and 10% felt it was worse.

## Customers demand a physical shopping experience

The research evidence suggests that the ability to see, feel and try before we buy is compelling, and the concept of a 'shopping spree' just doesn't have quite the same impact in the virtual world. While customers have the power to choose how and when they shop – online, mobile, call centre – half (49%) of consumers confirm the option of being able to visit a physical store to preview items and/or make a purchase is important to them.

- Physical stores continue to be core revenue generation engines; retailers report that over the 2013/14 Christmas/January sale period their revenue was equally split between online (48%) and in-store (47%) sales
- Just 18% of consumers reported visiting physical stores more frequently during the Christmas/New Year period compared to other times of the year

As retailers continue to integrate digital and mobile commerce strategies with bricks-and-mortar stores, the physical store is becoming a de facto brand showcase in which customers can check out physical goods, seek out advice and guidance to support purchasing decisions and spend personalised vouchers.

It is also generating opportunities for incremental revenue generation and better brand engagement as growing numbers of consumers opt to visit and 'collect in store' goods they've ordered online. Indeed, retailers that currently offer click and collect to their customers confirm they're projecting demand for their 'click and collect' services is set to grow by 15% in the coming 12 months.

Clearly customer experience in the physical store – whatever the reason for visiting – is becoming ever more pivotal to overall brand perceptions and purchasing behaviours. Getting it wrong risks contamination across all channels – and ultimately leads to less engaged and less loyal customers.

## What turns consumers off

Asked to evaluate what causes them the most frustration when shopping, 72% of consumers universally agree their top gripe is finding a product is out of stock, while items failing to be delivered on time was a further headache for 54% of consumers.

When it comes to taking the shine off their shopping experience, the greatest number of frustrations for consumers related to a less than satisfactory in-store experience:

- Six-in-ten (59%) rated long queues in store as one of their most annoying top shopping frustrations
- A fifth (21%) disliked unfair queuing scenarios – citing people pushing in and not getting served in turn as being typical aspects they encounter
- 18% found it frustrating not being able to find key service desks and points such as tills, returns, click and collect, when they arrive in-store.



**“Which three of the following cause you the most frustration when shopping?”, asked to all consumers (500 respondents)**



# Getting the in-store experience right counts

Today's retailers are having to deal with multiple channels – call centre, web, mobile and physical stores – but when it comes to customer experience, 56% agree the way forward is ensuring a seamless integration between all sales channels which makes it possible to execute an offline/digital crossover strategy that drives consumer footfall and increased purchasing in-store.

It's an important acknowledgement that consumers value the physical shopping experience and explains why 30% of retailers intend to maintain their physical estate at existing levels while over half (51%) have plans in place to increase the number of bricks-and-mortar stores they operate.

Retailers clearly recognise the power of the physical channel as a revenue generation engine, and to ensure they deliver a quality customer experience, 62% of retailers are investing in staff training to elevate service delivery both in-store and via the call centre while 58% are reviewing their hiring policies to maximise the expertise and capabilities of customer service agents.

They're also bridging the gap between digital and in-store, converging channels so customers gain a richer in-store shopping experience that's enhanced by being able to use the latest web and mobile-based innovations to access to special offers and exclusive deals while they're in-store.

In a bid to elevate the cross-channel brand experience, over half (52%) of retailers confirm they have implemented SMS text messaging and mobile initiatives to target customers when they're in-store and boost footfall and spend.

## **Retailers struggle to identify what improvements they need to make**

Clearly, the physical store remains a key aspect of the 'joined up' customer experience. But when it comes to rolling out the red carpet for customers arriving in-store, retailers confirm they are struggling to realise the anticipated benefits of their customer experience improvement programmes with almost one-third (30%) confirming their plans aren't working as hoped.

While 92% of retailers confirmed providing a good customer experience is crucial to their business, when it comes to the in-store customer experience, 56% confirm they're facing a major challenge when it comes to identifying the best improvements to make and 41% cited a lack of in-house specialist expertise is holding them back from actively pursuing innovations that set them apart from competitors.

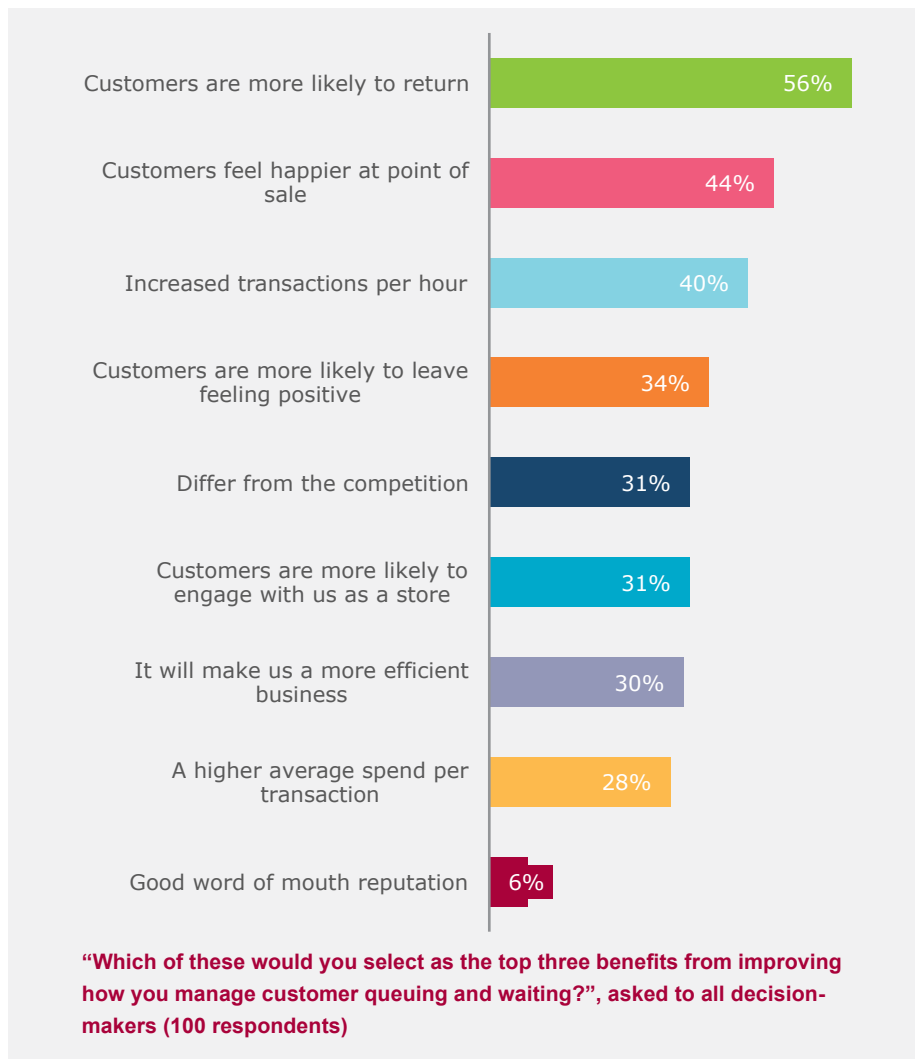
This lack of direction and specialist skills may also explain why 15% of retailers still have not commenced actual implementation of their customer experience improvement programme, despite having a plan in place.

## **Improving customer queuing and waiting is a prime concern**

Almost half the retailers (47%) surveyed confirm a primary objective of their customer experience improvement programme is the reduction of in-store queues through improved store layouts and the implementation of technologies to ensure a smooth physical journey at all times.

Identifying the top outcomes they'd gain from improving how they manage customer queuing and waiting in-store, retailers were clear on the benefits they'd reap:

- 56% said customers would be more likely to return and shop again in store
- 44% confirmed customers would feel happier at the point of sale
- 40% cited increased transactions per hour, equating to improved profits resulting from lower customer purchase abandonment and increased ability to capture incremental business
- 31% said it would differentiate them from competitors
- 30% confirmed it would boost business efficiency.



But when it comes to improving how they manage customer queuing and waiting in-store, two-thirds (63%) of the retailers surveyed cited difficulties identifying which technology solutions they should select and the best way to implement these to make headway with their plans. Meanwhile, just over half (54%) are struggling to apply potential technology solutions to achieve real innovation and differentiation and stand out from the crowd.

# Leveraging technology investments to deliver a better customer experience

Retailers confirm they're investing heavily in key technologies to execute their overall business and operational strategies. E-commerce, EDI and ERP systems alongside CRM, warehouse management, mobile commerce and demand planning software all figure on the investment landscape for 87% of retailers. New technology investments, like social commerce, are high on the planned investment agenda of 45% of retailers.

The appeal of getting involved with the most current social trend, because it's 'cool' or because competitors have done is understandable. However, leaving the customer out of the equation when it comes to ensuring that once in-store they encounter a superlative service experience at the tills or any other service point risks missing an important opportunity to capitalise on the cross-channel strategy investment. It also jeopardises brand reputation and future customer loyalty.

For example, when it comes to improving the management of queuing and waiting for customers shopping in-store, 62% of retailers do not have a buffered queuing solution in place and just 42% have invested in self-service kiosks to allow customers to identify themselves and their need and to self-check in. That's despite the fact that retailers acknowledge improving this aspect of customer service delivery would generate increased customer satisfaction and higher sales.

## **Boosting PoS performance and customer satisfaction**

When it comes to prioritising what operational issues would hit their business hard, 62% of retailers were clear that maintaining the continuous operation of staffed tills is a high priority and rates right alongside ensuring their website stays online and hitch free (68%).

To maximise operational efficiency and tackle customer dissatisfaction with in-store waiting times for service, just 38% of retailers are currently employing buffered queuing systems. These queue management systems filter customers to service points in time order, using a call forward technology.

To ensure orderly service delivery that eliminates the risk of 'queue jumping' and improve the overall wait experience, 35% of retailers have implemented 'cashier number three' style voice announcing technology, while 31% are employing virtual queue management systems. A virtual queue management system could be in the form of a service receipt (ticket) or a mobile app allowing customers to be placed in a virtual queue.

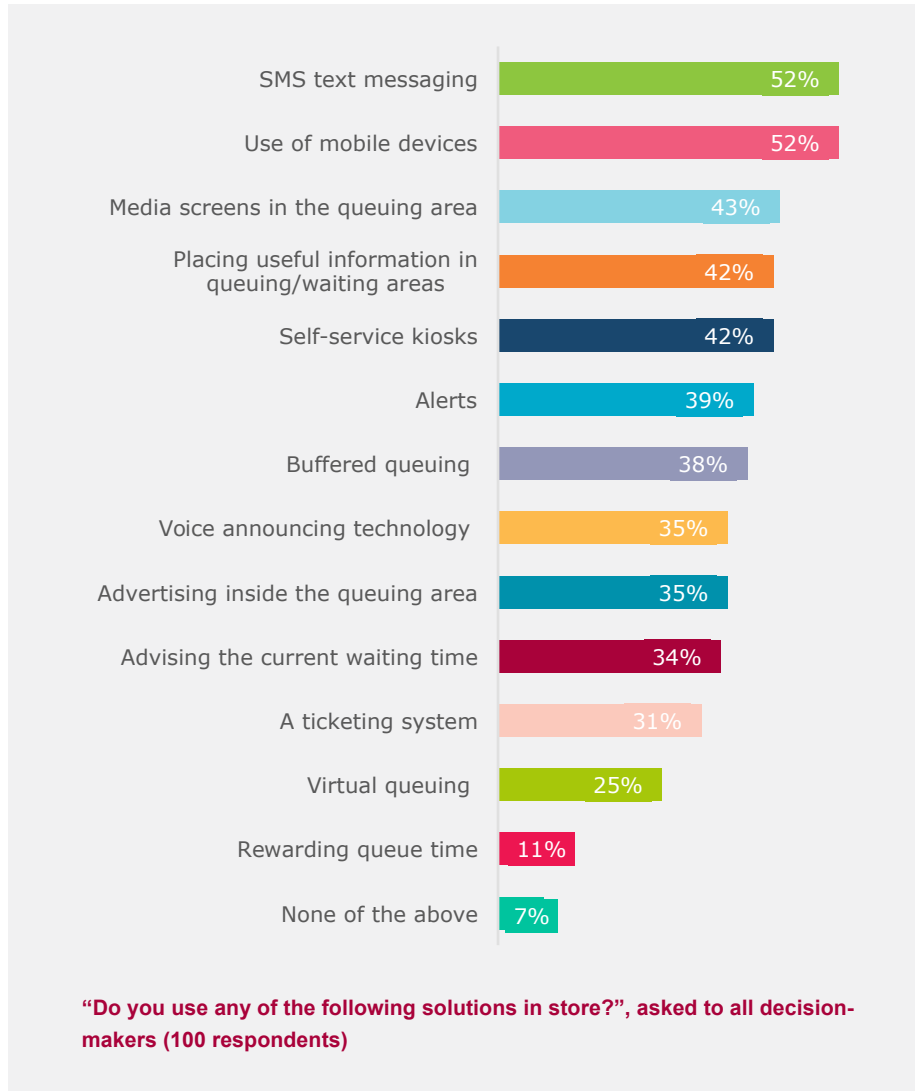
## **Keeping customers happy and engaged as they queue**

Virtual queuing technology solutions, including SMS alerts are gaining traction with retailers. A quarter of survey respondents (25%) have implemented holding areas for customers and are using a call forward system to direct them to the department or service point they need. A further 11% of retailers are working with technologies that compensate customers as they wait in line with rewards.

When it comes to keeping customers positively engaged as they queue and wait, 43% of retailers are utilising media screens to inform consumers of the current wait time or

communicate promotions and offers to enhance the wait experience. Meanwhile, 42% of retailers are using technology to actively deliver information useful to customers as they queue in waiting areas.

To generate incremental sales engagement opportunities and capture attention as customers queue, 35% of retailers are actively employing digital signage and media technologies to undertake advertising messaging in a bid to influence consumer buying behaviours and push up in-store dwell times.



### Utilising consumer behaviour analysis

Retailers are switching onto the advantages of using technology to track and analyse consumer behaviours while shopping in-store. Just over half of all decision-maker respondents (54%) confirm they have implemented technology that allows them to track customers within their stores, analyse this data and share their findings with colleagues.

Nine-out-of-10 respondents (91%) with this ability report they find this facility very or extremely useful and confirmed they have seen, or expect to see, significant benefits from their technology investment:

- 70% cite increased opportunities for sales
- 54% cite customers are more likely to engage with the brand/products
- 46% cite increased profits
- 50% cite a higher average spend per transaction and that customers are more likely to enjoy being in-store and will stay longer
- 24% cite it generates good word of mouth reputation.

Despite investing in behavioural tracking technologies, 25% of retailers report currently they are unable to undertake extract value from their data collection and are unable to generate the intelligence they need to achieve anticipated gains.

Furthermore, concerns about data privacy and a lack of clear direction as to how to use this data to achieve customer experience improvements is hampering 42% of retailers from maximising their current or anticipated investments in these technologies to prompt customers to leave their mobile phone number in a self-service kiosk, browse the store and await an SMS alert when a staff member becomes free.

As a result, retailers are missing a significant trick when it comes to understanding how high demand peaks affect the customer journey through their stores or identify PoS pressure points and are unable to gain the insights they need on customer arrival and in-store navigation to make improvements to departmental processes or upgrade floor space characteristics and layout.

Retailers that fail to connect their self-service kiosks with their CRM investments as also at a big disadvantage. Integrating the two, along with mobile solutions powers a personalised and seamless journey that the customers clearly desire.

Finally, they are also failing to capture incisive intelligence on customer demographics at individual locations which in turn would support enhanced and highly localised product merchandising.

# Concluding observations

Retailers are highly committed to keeping customers satisfied, acknowledging that a good overall customer experience equates to increased sales and great customer loyalty.

But ensuring that their customers experience remains consistent, positive and true to brand values across the multitude of channels they provide – from shop floor to mobile app – is proving a real challenge for retailers.

Getting it right counts, because while one-third (31%) of consumers said they'd stopped shopping with a retailer in the last year as a result of a bad experience over half (53%) confirmed it's the reason they've abandoned a retailer in the past. Customers expect slick execution whatever channel they use – and that's especially true of the physical store.

## Qmatic perspective

### Today's retailers need to empower consumers and staff to differentiate the in-store experience:

- Self-service kiosks offer customers the option to leave their mobile phone number and browse the store while awaiting an SMS alert their item is ready for collection/store assistant is available. The likelihood that they will exercise their right to leave due to long wait times then decreases and the customers that walk around in the store are more likely to buy more. Virtual queuing systems alert staff when customers are waiting and seeking help. This empowers customers with a feeling that they have not been forgotten; ensuring that they are known, valued and being treated fairly.
- Cross channel appointment services enable stores to balance customer access to staff experts at less busy times of the day.
- Implement 'Voice of the Customer' (VoC) technologies that allow customers to evaluate their experience while in-store (utilising touch screens or their own mobile device), generating valuable continuous feedback on customer satisfaction for operational store teams. It also empowers staff members to take decisions in real-time rather than waiting
- Match the best skilled staff resources to talk to the right customers at the right time to engender customer-service provider trust
- Map and optimise store workforce planning and development according to service level key performance indicators (KPIs).

If retailers want to ensure their digital/in-store crossover strategy yields anticipated brand and revenue traction, improving the way they manage customer queuing, waiting and in-store journeys is important. Even better, eliminating customer wait times and generating opportunities for more positive in-store interactions by orchestrating the customer journey should become a priority.

But while 47% of retailers acknowledge that improving the overall customer experience of their brand across every touch point is a top priority, retailers also confirm that a lack of knowledge (56%) and in-house skills (41%) means they're unable to implement the technology that would address the top queuing and waiting issues that frustrate customers when shopping in-store – extended wait times, unfair queuing behaviours, being unable to locate key service points on arrival in-store.

### Qmatic perspective

- Integrate the digital customer experience with the face-to-face experience; offer online appointment booking service, reserve 'order online collect in-store' pick up times that cut wait times
- Deploy mobile applications that make it easy for customers to locate and access stores at a time of their choosing
- Given that a majority of customers enter stores with only a rough idea what to buy, they are incredibly impressionable when they are in the store. In-store mobile check-in supports delivery of personalised offers, relevant to online purchasing behaviours/desires
- Context marketing via in-store digital signage can be tailored to customers, based on their service selections and individual journey through the store
- Combine innovative technologies like Apple iBeacons with a customer journey management system to give customers entering a retail location real-time information on current wait times, options to take a virtual ticket to a queue, select and request a service from departmental sales specialists as they arrive in-store, request staff help and receive alerts as staff member makes their way to the customer location.

As 91% of retailers who have successfully implemented customer behaviour tracking and analysis solutions demonstrate, an in-depth knowledge of how customers move through stores and their shopping preferences and in-store behaviours makes it possible to implement new store layout changes, improve stock localisation, initiate mobile vouchering and alleviate queuing pressure points. All of which generates increased in-store purchasing, enhanced customer satisfaction and greater return footfall.

Overall, when it comes to the retail experience, there seems to be disparity between what customers want and expect, and what retailers are delivering or expect to deliver.

### Qmatic perspective

- Implement business analysis of in-store performance against KPIs to fine tune operations, balance staffing deployments, deliver real-time updates to floor personnel and match staff expertise to customer needs
- In-store check-in enables retailers to convert store visits into incremental revenue opportunities with get staff in front of the right customer, with the right skills and right promotion
- Utilise Customer Journey Discovery or 'safari' tools to understand customer touch points and improve the customer experience; evaluate how customers interact in store and identify improvement opportunities.

Despite the fact that 82% of retailers believe they're doing well overall when it comes to delivering a good customer experience, 53% of consumers indicate that a poor experience in the past has resulted in them no longer shopping with a retailer. Asked to rank their top causes of shopping frustration, 59% of consumers rated waiting in long queues in stores as their second most significant annoyance. When it comes

to resolving the in-store frustrations of shoppers, retailers appear hamstrung by indecision and a lack of clarity identifying what their investment priorities should be when it comes to implementing solutions. As a first step, retailers need to put business intelligence capabilities into play to gain the insights and knowledge they need to better align the in-store customer experience with customer expectations.

### **Appendix 1: Methodology**

This Qmatic survey was conducted in February 2014 by Vanson Bourne, an independent, trusted and specialist technology market research provider. The company conducted online interviews with 100 retail decision-makers in organisations with 500 or more employees and which have both online and offline sales channels. Of those businesses 34% had 500-999 employees, 31% had between 1,000 and 3,000 and 35% had more than 3,000 employees. The interviews were conducted with 50 IT decision-makers and 50 business decision-makers.

In addition, online interviews were conducted with 500 consumers who shop using online and offline channels. Of those surveyed 18% were 18-24 years, 19% were 25-34 year-olds and 21% were 35-44 year-olds, 45-54 year-olds and 55 years and over. The demographic was evenly split between male and female respondents. 25 respondents were from the North-East of England, 45 from the North-West, 39 from Yorkshire and Humberside, 43 from the East Midlands, 39 from the West Midlands, 45 from the East of England, 78 from the South-West, 27 from Wales, 34 from Scotland and 10 from Northern Ireland.

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#### **About Qmatic**

Qmatic leads the way in maximising face-to-face customer touch point opportunities. Qmatic's solutions integrate the virtual/on-line and the real world, to help generate a seamless customer experience. To create the optimum Customer Experience Management (CEM) solution, based on the company's market leading software and hardware solutions, Qmatic has invented and uses our Customer Flow Management (CFM) methodology. From managing the customer journey to collecting insights from across a spectrum of customer interactions, Qmatic enables remarkable customer experiences resulting in brand loyalty and superior customer satisfaction. With leading positions in Finance, Retail, Healthcare and Public sectors, Qmatic offers a global footprint, operating in over 120 countries through subsidiaries and partner network.