Moving beyond click and mortar.

Five ways to transform retail business into experience business.

2016
Digital transformation is about transforming experiences, not just channels.

The omnichannel reality.

Making every moment matter.

Making it real.

Easy does it.

Look boldly ahead.

There are no “digital customers.” There are only customers.
Digital transformation is about transforming experiences, not just CHANNELS.

It goes without saying that shopping extends beyond our basic human need for material goods. It’s intertwined with our identities, our traditions, our patriotism, and more recently, our ethics. It’s been called a pastime, a therapy, an art, and even an addiction. Plainly stated, there’s no shortage of shoppers, nor reasons they freely cite to justify their spending.

But since the dawn of e-commerce, retailers have been forced into a state of constant reinvention to keep customers coming back to their brands. From managing, monetizing, and optimizing new channels to outmaneuvering digital competitors, the learning curve has been steep, to say the least.

The lessons are certainly paying off. Today, e-commerce channels are earning more revenue for retailers than ever. Yet some of the world’s most recognizable brands are starting to close select storefronts—highlighting the fact that online gains aren’t enough to sustain even the most rock-solid retail giants.

This new reality is that all retail brands must undergo a complete transformation in order to bridge the gaping divide between their digital and physical entities. And that means moving away from channel-based initiatives toward an experience-first approach that keeps customers engaged as they move from device to store and back again.

Blending the best elements of digital—such as mobile and social channels and personalization—with those offered by physical spaces delivers huge opportunities for retailers to set themselves apart in a world full of so much virtual choice. But the transformation process can seem overwhelming. Retailers know they need to unify their channels into simple, frictionless experiences that answer every question, but most are struggling to do so.

Meeting the barest minimum of customer expectations—providing easy access to inventory on any device or the ability to pick up and return items in store, for example—is enough to get retailers on the playing field. But to win, they must go beyond the basics and use experience-first strategies that leave no open spaces between awareness and conversion.

The five best practices within this guide can help retailers to become experience-led businesses. That means not only blending digital and physical channels into a fully connected customer journey, but also building experiences around the customer in ways that put their needs and wants front and center.
1. Shift your mindset from channel first to customer first.

Every year, brands get better and better at driving online revenue. In 2015, for example, e-commerce sales increased 14.6 percent over 2014—an additional $43.4 billion—and totaled US$341.7 billion overall.¹

During the holiday season, online sales jumped 12.7 percent, US$10 billion over the previous year.² Black Friday weekend marked the first time e-commerce shoppers outnumbered brick-and-mortar customers on the biggest shopping days of the year.³

This snapshot may seem to lend credibility to the oft-repeated prediction that e-commerce will be the death of brick and mortar stores. But shoppers’ behaviors today show that prognosis to be quite untrue: 94 percent of all sales still happen in-store, and it’s projected that over the next four to five years, they won’t fall below 90 percent.⁴

Online sales soar, but most sales still happen in store.

Digital isn’t closing doors. A disconnected customer journey is.

It’s alarming then, when leading retailers begin to close their underperforming stores. Established retailers Radio Shack and American Apparel have both filed for bankruptcy and are still operating in 2016, but with fewer physical stores. Or there are Walmart, Kohl’s, Target, Sears, and Kmart, who have not filed for bankruptcy but are shuttering their underperforming locations. And Sports Authority, once the biggest sporting goods retailer in the United States, has now closed its doors for good.⁵
Omnichannel isn’t just a buzzword. It’s business critical.

Clearly, e-commerce growth is not enough to sustain brands if their in-store revenues decline. Today, retailers must take a different approach toward the shopping experiences they create for customers, moving away from channel-first marketing strategies toward ones that support the customer’s needs in every channel. Said another way, it means finally taking omnichannel seriously, but even more importantly, it means adopting a new mindset that puts the customer first and the marketing channels second.6

Combine and conquer.

More and more brands are realizing that an experience-first approach has to start at an executive level by bringing together disparate teams, technology, and processes into unified centers of excellence.

Neiman Marcus recognized the need for this early on and aligned their marketing and product teams in order to operate as an experience-driven, omnichannel brand. “These changes reflect how our customers are shopping today,” Karen Katz, CEO and president, said of the organizational restructuring. “Our customers do not differentiate between channels and now neither will we.”

In 2015

US$35 million spent on mobile websites and apps

US$977 million spent in-store, driven by mobile interactions
Most customer journeys start online, but end in-store.

Most customers blend online and offline channels, starting their journeys “digitally” from a mobile device, and ending them “physically” in a brick and mortar location. Although customers spent US$35 million on mobile devices in 2015, mobile engagement helped drive another US$977 million in sales taken by associates at registers.

Many retailers have recognized this channel interdependency and have turned their websites into digital showrooms designed to entice customers into their stores. However, many of their strategies are still too focused on the purchase as the main activity and don’t give enough attention to the activities along the path that lead shoppers to conversion.

Devices don’t buy products, people do.

Of course, understanding what the customer needs along the path isn’t easy. Because the average customer is using seven devices, nine times out of ten, marketers can’t connect the dots from a laptop visit in the afternoon to a mobile one later that night. Therefore they can’t get an accurate view of their customer or know what messaging will make an impact. And they resort to marketing to a device, not to a person.

But because devices don’t buy products, and people do, marketers need to shift from selling products toward selling experiences.
2. Connect micro-moments to create omnichannel experiences.

Mobile disrupted the customer journey in a way no one saw coming. This new behavior has turned the once predictable customer journey into a fragmented series of countless micro-moments—short duration, intent-driven brand interactions.

Understanding and harnessing each and every micro-moment is a crucial step toward influencing customers’ decisions and preferences. This means marketers need to understand what shoppers are looking for in these micro-moments within an omnichannel context, so they can help guide their customers toward conversion with every interaction.

Making real connections in real-time.

This kind of customer journey can all start with a simple browser search on a smartphone. Google automatically incorporates location data when scouring the Internet for the most relevant results. So when a customer searches for a retailer, they’re supplied with the retailer’s location closest to them, whether they’ve specified a region or not. Marketers can take advantage of this feature by adding the inventory of specific locations prominently within their search results, showing customers that their nearby stores have just what they’re looking for.

Or, it can begin when a customer experiences friction in the store. Beacon technology, although still in its early stages, can recognize when shoppers are stuck by reading signals from their mobile devices, and then trigger an event to help. For example, if a customer spends fifteen minutes in the store’s vacuum department, an alert could be triggered to send an associate to assist, or deliver an in-app review of the top selling brand.

Moving content across screens like magic.

In the future, customers will be able to “flick” content from a mobile device onto a retailer’s in-store display. This technology is currently on the drawing board, but when released, it will give customers a much more enjoyable way to instantly interact with rich media, like product or demo videos, on larger screens than their phones can offer.

These displays will also remove the limitations of a store’s footprint, allowing customers to see all of the color and style options of an available item, as well as detailed product information that static signage can’t logistically include and information that’s deeper or more expansive than in-store staff can deliver.

Making every moment **MATTER.**
Guiding customers to the shopping cart with micro-moments.

These are just a handful of ways marketers can be influential now and in the future, even through a fragmented decision-making process. It’s important to remember, however, that when hundreds, if not thousands, of moments make up a single or complex decision, it can be difficult to correlate these events to measure the long-term value of a customer over a lifetime of interactions.

Advances in multi-event optimization have already started helping some large brands do just that. While testing is certainly not a new concept, the tools and data science marketers have today allow them to create experiences that are much more personalized. Marketers can flag an event—like a discount offer attached to an abandoned cart email or a coupon in a seasonal direct mail catalog and then track that event over a series of interactions and determine whether it influenced the customer’s behavior.

Using today’s customer behavior to inform tomorrow’s touchpoints.

Let’s say a customer decides to take up the guitar and picks up a new Fender at a local music store. That customer may engage in a series of four to five conversions over the next year: maybe an amp, then a case, or new picks and strings. By understanding this progression through multi-event optimization, marketers can accelerate the process by reaching out at the right time with experiences that profoundly affect purchases two through five.

Connecting micro-moments to deliver content in a meaningful way all comes down to how well marketers can understand and anticipate their customer’s needs and interests and manage these new moments of truth by interacting when the customer is most receptive.12

Not all channels are created equal.

For example, a majority of customers—63 percent—prefer mobile web to mobile apps when interacting with retailers. So, before deciding on a mobile app strategy, a brand needs to understand what value their app can offer a customer and how to approach a design that will make the experience better.

Also, more often than not, mobile customers search for products on aggregator sites like Amazon or eBay (70 percent) rather than a retailer owned site (30 percent). And when using their phones to aid in the shopping experience, their main objectives are finding prices, store hours, and available inventory. Understanding how customers interact through digital channels can help retail marketers make their omnichannel to-do lists much more manageable.13
Making it REAL.

3. Be a storyteller first, a marketer second.

It’s not what you make—but what you make possible—that brings meaning to the customer experience. Because a global, digitally driven online economy has commoditized most products and services, sometimes the best way, or even the only way, for retail brands to differentiate themselves is by building a unique experience around a product, one that taps into the meaning behind their brand story.

Re-imagining a brand after a century of business.

Kellogg’s took this approach recently, when they opened their first restaurant in New York City’s Times Square. In honor of their 110th anniversary, the iconic brand wanted to go beyond traditional engagement that comes from television or the grocery store to connect with consumers in a way they’d never done before.

Kellogg’s NYC is a trendy café, reminiscent of an upscale coffee shop, but also nostalgic. In one notable wall décor piece, Toucan Sam utters his infamous tagline, “Follow your nose.” But Kellogg’s new customer experience venture didn’t stop at just leasing a physical location. They also gave their well-loved cereals a modern epicurean twist. For example, diners can now try chai-infused Crispix, or Rice Krispies flavored with green tea.

An experiment in brand experience.

The retailer Story built their entire business model around an experience-first approach. Located on 10th Avenue in Manhattan, Story was created to mirror the changing trends and issues at the forefront of their customers’ lives, much like a magazine does for its readers.

Part concept, part lab, part store with a revenue stream, Story swaps out everything—from store design to inventory—to match the theme of the month. Products that appear on their shelves are thoughtfully curated to match the themes, which have included “Made in America,” “Love,” and “Color,” just to name a few.
Selling goes well beyond the SKU.

At Orvis—the first mail-order outfitter and the longest continually operating fly-fishing business ever—they don’t just sell outdoor gear. They sell outdoor adventures. A customer can buy a fly fishing rod from countless department stores. But when they go to Orvis, they can learn to tie flies and how to cast, or they can participate in fly-fishing outings with experienced fishermen.

Recently, Orvis launched digital enhancements to improve their in-store customer experiences. And within three months, they met every single one of their year-end goals. Digital ordering increased by 12 percent, which meant millions of dollars in ROI. Additionally, their email capture was increased by four times.¹⁶

"Whenever you are innovating, whenever you are coming up with ideas, it’s human nature to stop and think, ‘I don’t have the funds for that,’ ‘how am I going to do that,’ or ‘how is this going to pay us back?’ All of these questions are super valuable, but they’re asked at the wrong time. You have to get the experience right first, before anything else. Getting the experience right tells you how you’re going to get paid back."¹⁷

DAVE FINNEGAN
CIO, Orvis
Turn sales associates into personal concierges for customers.

Obviously, it takes good front-line employees to deliver the most meaningful experiences. That’s not always easy from a hiring and retention standpoint, but empowering them with digital tools can go a long way toward turning sales associates into personal concierges for customers and turning good experiences into great ones. 18

Sport Chek, a large Canadian retailer, has made huge strides in differentiating their brand and customer experience by staffing their stores with knowledgeable experts who help accelerate the customer journey.

At their flagship store, all 225 members of the floor staff specialize in at least one particular sport, providing expertise that instills confidence in customers when making buying decisions. 19 And what staff members don’t know offhand is easily accessed on tablets loaded with vendor content that can also be shared with customers on larger screens throughout the store. 20

“You can order shoes from 150 retailers online, but [meeting with associates] brings advice and validation to the table,” says Paul Reid, VP of store operations at Sport Chek. 21

What do shoppers expect store associates to do for them with a mobile device?

- Look up product information: 60%
- Check additional store inventory: 59%
- Look up inventory at a nearby store: 55%
- Provide basic information such as return policy or warranty information: 47%
- Reserve products at a nearby store: 45%
- Perform checkout: 37%

Source: North American Consumer Technographics Retail Survey (US)
One of the inherent weaknesses of digital shopping is delayed fulfillment. It’s infinitely easier for customers to explore and find the item they want on a device. Actually getting and enjoying the item is another story. Addressing this bottleneck as well as the complexity of unlimited online choice is a critical step in delivering effortless omnichannel shopping experiences.

I know what I want and I want it now.

Argos, a leading UK retailer, figured out how to close this ‘gratification gap’ with accelerated fulfillment through their Fast Track and Argos Collect services.

Fast Track lets customers order and pay online, and then pick up at a dedicated collection counter in-store. Argos advertises that with Fast Track, customers are guaranteed a 60-second visit from arrival to exit.22

And using a hub and spoke distribution model, Argos Collect, which is a smaller version of the Argos store and is located at London Underground stations, gives customers convenient access to 20,000 products as they travel around the city.23 Online orders are picked up from regular nearby stores and delivered to Argos Collect by van, where customers can pick up their purchases at times when it’s most convenient for them.

This means a customer can literally order an item online while riding the train and then hop off and grab it on their way out of the station. As an added bonus of this distribution model, Argos can use the same vans to fulfill same-day delivery to customers’ homes at an inexpensive rate.24

Not to be outdone, Amazon, whose Prime members were among the first online shoppers to enjoy free two-day shipping, just announced it will now offer same-day shipping of over a million items in 27 U.S. cities.25

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Pure play digital retailers are now embracing physical experiences.

Amazon is also realizing that digital-only retailing has its limitations. In-store shopping offers something e-commerce just can’t, namely, the magic of discovery. In fact, publishing experts say physical store displays are still the number one driver of book discovery.

At Amazon’s first experimental store in Seattle, customers are not only invited to experience books, but they can also try electronics like Amazon Echo and the latest Kindle, giving them more confidence in products before buying online.26

And although the store obviously carries fewer titles than the website—about 5,000 as opposed to millions available online—merchandising and loyalty data collected online informs their in-store product selection strategy, letting them offer titles that will appeal most to Seattle area shoppers. “We’re taking the data we have and we’re creating physical spaces with it,” says Jennifer Cast, VP of Amazon Books.27

While making products more readily available makes shopping much easier, delivering effortless experiences isn’t just about connecting customers with their purchases. It’s also about simplifying their buying decisions.
The endless aisle can lead to decision paralysis.

One of the most amazing things about e-commerce is the notion of an endless aisle—the ability to offer customers any product they want, in any configuration they can imagine. But it’s been proven that too much choice makes decision-making more difficult for customers.

In a well-cited study, researchers asked food demonstrators to set up a table from which customers could sample 24 varieties of jam. Each customer who sampled the jam was given a US$1 coupon toward their purchase of a jar. On a different day, customers were offered samples from only six varieties and were again provided with the dollar-off coupon. Researchers found that the shoppers who were presented with only six options were more likely to follow through with a jam purchase.

Many online retailers with inventories that contain millions of products use data-driven product organization to present customers with items that are relevant to them in the moment. This approach allows customers to consider several items at once without feeling overwhelmed, adding to a truly effortless shopping experience. Conversely, even a small percentage of what other retailers display can derail the entire shopping experience.

Location. Location. Location.

Improper placement of products can impact sales in-store as well. Jewelry chain Alex and Ani uses Bluetooth sensors to track customer movement within physical stores, similar to heat mapping, so the merchandising team can see where customers are getting hung up and adjust the organization of their products to make shopping easier.

Within the 75,000 square feet of their flagship store, Sport Chek offers a blend of e-commerce, touchscreen tech, and in-store sales to ease shoppers through their journeys.

For instance, customers can swipe the RFID tag or bar code on one of the store’s 400 sneakers to quickly call up the product’s description, price, and availability. And once they’ve added an item to their physical cart, they have the option of completing the purchase through the checkout line or on their own mobile devices.

After extending these digital capabilities, along with several others, to their physical locations, Sport Chek saw a 20 percent boost in third-quarter profit, from US$172 million in 2014 to US$199.7 million in 2015.
Customer experience—not prices, products, or channels—is the new battleground for retailers. The only way for brands to stay ahead of the competition is to constantly look for and jump on new opportunities to differentiate their shopping experiences. Though not everything will work, fostering a fail-fast culture that embraces new and innovative technologies will accelerate the creation of retail experiences that attract and keep new customers.

To that end, iterative testing to measure experiences is something retail marketers are going to have to get very comfortable with. Leading brands continuously test multiple strategies and hypotheses to determine what works for their customers. Today, many brands are making their observations from physical innovation labs.

**Learning in a customer experience lab.**

At Target’s Open House innovation lab in San Francisco, customers can interact with connected devices offered by approximately 50 different vendors before buying them. Watching customers interact with smart appliances and wearables throughout the lab—which is designed to mirror a home, but is divided by clear walls—is teaching their marketers more effective ways of selling Internet of Things devices in their retail locations.

It also serves to help customers become more familiar with seemingly complex Internet of Things devices in their homes. Although more customers are warming to the idea of living in a “connected home,” learning hands-on how the devices work together can remove the fear of the unknown and lead to more confident purchases.32

**Taking it one innovation at a time.**

As they’re fine-tuning their 18-month strategies, marketers need to make allowances for continuous testing and piloting, so they’re always rolling out something new. Launching one big innovation each year—for example, a major site redesign—can go astray and upset loyal customers. But continuous improvement of different elements of the customer experience can offer greater long-term value.33

This year, Macy’s is rolling out a digital assistant to provide real-time information to their customers as they navigate the store. Customers can access the assistant, Macy’s On Call, from the web browser of their mobile device. In English or Spanish, customers can type questions like, “Where are the ties?” and the assistant will guide them to that area of the store. Macy’s On Call, which is currently being piloted in 10 Macy’s stores, was designed using the artificial intelligence of IBM’s supercomputer Watson, first made famous by its appearance on Jeopardy.34
Going virtual—the best of both worlds.

Two technologies that promise to impact the next wave of retail innovation are virtual reality (VR) and augmented reality (AR). As VR headsets become more affordable, and consumers get more exposure to augmented reality on the devices they already have, marketers are getting a whole new platform for delivering immersive shopping experiences.

"AR and VR are great examples of how consumer technology and adoption forces retail to adjust and adopt," says Gary Hawkins, CEO of the Center for Advancing Retail and Technology. "Retailers need to be watching very closely because when VR hits the market adoption tipping point, it’s going to go fast, and shoppers will be expecting to shop from home with an experience very akin to what they have in the store."

SapientNitro, in partnership with virtual reality studio Wevr and New York boutique The Apartment by The Line, created quite a buzz with their recent venture into the world of VR retail. Their demo shows how one day, shoppers will be able to have a brick-and-mortar experience without ever leaving home.

While they are in the experience, eye movement and focus control the view, allowing shoppers to move into adjoining rooms and turn 360 degrees to see all of the store’s displays and sale items. Focusing on an item prompts a pleasant female voice to relay product details, such as the maker, materials used, or even a brand story. From there, adding the item to the cart is as easy as tapping the headset.
At the end of the day, customers just want to shop. They don’t care, or even think, about channels or devices or the customer journey. They want to explore, find what they want, buy it, and start enjoying it as soon as possible. The only role of the retailer, as the customer sees it, is to provide shopping experiences that are as effortless and enjoyable as possible.

Putting shoppers at the center of everything with an experience-first strategy will place retailers in a position to win over and keep their customers, simply by giving them what they want—an amazing experience with unexpected value.

Adopting an experience-first approach means that retailers are no longer offering products in a vacuum, but creating story-driven, in-store contexts that emotionally resonate with customers and that help them visualize what products make possible.

Experience-first means making it possible for customers to continue their journeys from mobile device to in-store, extending digital channels into brick-and-mortar locations. And connecting real-time micro-moments along the way. It means leveraging beacon, RFID, and Bluetooth technologies that make it easy for customers to discover and purchase products, or even simply giving customers the ability to seamlessly order online and pick up in-store.

It means implementing the right in-store technologies that transform sales associates into knowledgeable and trusted experts who can help customers explore products more easily and streamline their path to purchase—while still connecting with them on a human level.

Retailers who adopt this approach will win. And those who don’t will start closing their doors for good.

There are no “digital customers.” There are only CUSTOMERS.
Adobe is here to HELP.

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