

# Deciphering the Customer's Buying Journey

Customer Insights Driven Store Retailing



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Research Partner



# Introduction

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Retailers must focus their store transformation efforts on strengthening operational and unified commerce capabilities (e.g. in-stock, store fulfillment of online orders, enterprise inventory visibility, omnichannel transaction & order management) and related data insights. This in turn improves their understanding of customer buying journeys or path-to-purchase decisions<sup>1</sup>. However, two-thirds of retailers only possess intermediate capabilities to capture and use store buyer journey insights<sup>2</sup> from different in-store devices, products and systems which impedes their ability to understand such journeys and deliver great customer experience. With connected devices and sensors collecting, presenting and using real-time information in meaningful, actionable ways, retailers can have all the information and insights they seek readily available. Retailers need to have in-depth knowledge of customers' buying behavior across devices, stores, products and shopping sites in order to improve customer experience through personalization.

## Retailers are not Fully Aware of a Customer's Store Journey

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A customer's shopping journey in the store does not always start when he/she enters the four walls but when he/she starts browsing the products, pricing and in-store product availability on various digital channels and devices. Digital channels influence almost 48% of in-store sales<sup>3</sup>, so retailers must keep themselves fully apprised of customer's brick and click behavior before, during and after the buying experience.



Digital channels influence almost **48%** of in-store sales

<sup>1</sup> Defined as the series of decisions that a customer makes in purchasing a product or service from a retailer

<sup>2</sup> EKN Digital & Omnichannel Survey, 2016

<sup>3</sup> Deloitte Navigating the New Digital Divide Report

As bricks and clicks continue to converge, stores are experiencing new operational and customer experience challenges. Though customers have been quick to adopt the digital revolution, retailers are still struggling to catch up with the omnichannel shopper in the store. Lack of customer insights is the top pain point related to store operations<sup>4</sup>, due to which 1 in 2 retailers are unable to predict customer traffic. Further, retailers fail to identify half of their in-store customers in terms of key demographics and psychographics<sup>5</sup>. This impairs their ability to tailor stores' varied operational capabilities in the areas of inventory availability, dynamic pricing, assortment-mix, promotions and staffing with customer engagement needs.



<sup>4</sup> EKN Merchandising Study, 2015

<sup>5</sup> EKN Customer Context Power - A Success Imperative for Every Retailer, 2015

Though integrating store systems and digital processes is difficult, retailers have prioritized investments for integrating customer insights with store operations.

**1 in 2**

retailers rank customer insights as the top area for investment for improving merchandising across channels<sup>6</sup>



**Effective use of customer insights can results in**



**8.3%** improvement in average basket size



**7.4%** improvement in customer's wallet share<sup>8</sup>

Use of customer insights is not limited to back-end operations but also useful in interaction between customers and store associates. Retailers consider improving customer engagement as the top driver of their employee engagement strategy<sup>7</sup>. With knowledge of customer insights (such as customer traffic, product preferences, shopping history and buying habits), store associates can offer a continuity that is severely lacking in most retailers' customer experience. They can personalize recommendations and build stronger relationships with their most loyal customers.

<sup>6</sup> EKN Merchandising Study, 2015

<sup>7</sup> EKN Associate Empowerment Study, 2015

<sup>8</sup> EKN Analytics in Retail, 2015

# Retailers Have Too Much Information, But Lack Actionable Insights

Over the past few years, retailers have started collecting data from various customer touchpoints in the store besides traditional point-of-sale (POS) systems. Due to lack of analytics maturity, retailers rely on historical POS transaction data when making business decisions which tend to misalign with customers' wants & desires.

While touchpoints like kiosk, mobile, Wi-Fi, beacons and eCommerce give a lot of information to retailers, many are still struggling to make sense out of the unstructured data related to store customer prospective product purchase affinity, preferences and buyer journeys.

## Top challenges which retailers face due to failure to leverage analytics in store decisions



Inability to integrate data from multiple sources



Inability to deliver insights to the right resource at the right time

## Currently, there are 4 types of data that support the store initiatives:

- **Social media data:** This refers to all forms of data captured on social media platforms. This generally relates to the characteristics of an individual and his demographics, opinions, attitude and preferences that are tracked using product reviews, loyalty information and other types of identifiable customer data.
- **Transactional data:** These are primarily originating from the point of commerce such as POS, kiosks, endless aisle, etc. Traditionally, this transaction log data has been conveniently available to the retailers for their analytics engine.
- **Operational data:** The data originating from the core business operations such as inventory management, merchandising planning and execution, pricing, and promotions forms the basis of the operational data to build the process maturity aspect in the data ecosystem.
- **Textual data:** This is the most complex and the most challenging piece of data that needs to be tapped by retailers. Such data is unstructured in composition and usually originates from customer survey data, customer feedback data, word of mouth reviews, etc.



Social Media  
Data



Transactional  
Data



Operational  
Data



Textual  
Data

Effective utilization of unstructured data into actionable customer insights can help retailers in improving store performance in various areas such as dynamic pricing management, promotion management, inventory planning, order fulfillment, customer traffic visibility, among others. For instance, 1 in 2 retailers contend that the use of store-based machine, sensor and web log data can help them improve inventory availability and 4 in 10 retailers say that such data can help them design and send location-based promotions<sup>9</sup>. The benefits of having actionable insights are encouraging retailers to invest in various technologies that support collection and provision of insights from such data to store teams. The retailers' rated top ten business/customer intelligence areas needed to best support customer service and operational performance in the store are highlighted in the illustration on next page.<sup>10</sup>



## Value Derived by Using Store-based Machine, Sensor & Web Log Data

**53%**



Improve  
inventory  
availability

**52%**



Offer  
differentiated  
pricing

**38%**



Design and send  
location-based  
promotions

**32%**



Improve  
omnichannel  
execution

**30%**



Acquire  
new  
customers

From an operational perspective, inventory accuracy and quick insight into item by location are keys to efficient omnichannel fulfillment and ensuring customer satisfaction. Such improvements improve store inventory search capabilities and real-time agile response leading to more reliable product availability information for customers. Inventory accuracy also positively impacts store pick accuracy, customer inventory reserve, customer inventory pickup and other last mile fulfillment methods.

## Top Ten Business/Customer Intelligence Areas



**50%**

Inventory  
availability



**40%**

Promotions



**37%**

Sales  
trends



**37%**

Loyalty  
management



**35%**

Merchandise  
placement



**35%**

Order  
management



**35%**

Online/mobile  
channel



**35%**

Store space  
or floor plan



**33%**

Loss  
prevention



**32%**

Customer  
traffic

Customer insights are not only vital for having one view of customer across channels but also, effective use of customer insights across the enterprise operations can help to improve sales by 8.3%.



## Conclusion

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With customers integrating more and more with digital devices and channels into their lives, retailers will need to work towards achieving deeper insights into customer's buying journey in the store. With their limited budgets and other operational execution challenges in the adoption of new technologies, retailers will be facing difficult choices. Successful retailers will be the ones who are able to integrate one view of customer & one view of product aggregated from various digital and physical channels. Such a strategy can assist them in selecting critical technological investments which will have the maximum impact on key store performance KPIs.

<sup>11</sup> EKN Analytics in Retail Study, 2015

# Recommendations

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**ST** Short Term (0-6 months)

**MT** Medium Term (6-12 months)

**LT** Long Term (1-2 years)



## Store Culture

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**ST**

**MT**

Combine customers' in-store location and behavior intelligence with store operations programs that optimize inventory, pricing, replenishment, staffing or promotions, to drive meaningful and contextual customer interaction.



## Customer Experience/Journeys

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**ST**

Create store and digital buyer journey profiles. Map such profiles to price, promotion and merchandise affinity for each customer segment and provide access to such insights to HQ and store managers.

**MT**

Do Proof-of-Concepts (POC) to test whether proximity-based technologies like Bluetooth beacons, RFID, Wi-Fi, IR sensors and ambient noise have a play in your store. Focus the POCs on context-based promotions, inventory optimization, dynamic pricing, associate engagement, among other operational improvements.



## Performance Management

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ST

Use customer insights from foot traffic, inventory movement/flow, merchandise displays in addition to sales trends to identify why and where in the journey of customers does the store process workflow break-down and outline actions to address each gap.

MT

Define and adopt a mix of metrics/KPIs that align well with your organization's customer engagement strategy and measure the efficiency of the strategy.



## Knowledge or Data Management

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ST

Leverage customer and product/inventory data from 'all' channels to enhance store localization. Share customer and inventory data before, during and after purchase with stores to improve customer engagement.

MT

Form a think-tank that provides strategic direction and mapping of all customer engagement and experience initiatives (both business and technology-related).

- The think-tank must include eCommerce, stores, omnichannel, customer research, merchandising, IT, supply chain and marketing stakeholders.

- The team should also be accountable for laying out the journey for omnichannel customer satisfaction, future of retailing and channel transformation objectives that foster long-term customer value and operations.

MT

Introduce process and tool based internal and external collaboration between merchandising, marketing, IT, sourcing, product development and supply chain to create a knowledge center of free and open information exchange - a type of intranet to flag issues and create new ideas.



## Enabling technologies

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ST

Elevate change management resolution or the ability to manage new technology or program introduction as part of every clustered or integrated omnichannel systems transformation approach involving a single or multiple point applications or a platform.

ST

Assign a task force that combines both data-rich and sensor-based technologies and align business change management best practices with the roll out of such technologies.

ST

MT

As part of the transformation approach include unified inventory, order management, customer information and consistent pricing and promotions.

MT

Evaluate whether your current store network and wireless infrastructure can handle the technology roll-outs and pilots that you have planned over the next 24 months. If not, look at strategic upgrades of capacity in the medium-term even as you plan for a broader strategic overhaul.

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