I ♥ Customers

How Customer-Centricity Drives Bottom Line Benefits

Microsoft

Microsoft Dynamics AX

Contents

I ♥ Customers: How Customer-Centricity Drives Bottom Line Benefits

For Love or Money

Perhaps no other industry has been as impacted by rapid advancements in technology as the retail industry. The Internet has opened up new markets to you – and your competitors. A proliferation of devices has changed the way consumers shop, in-store and online. Retailers now have access to data about consumers and markets that they couldn't even dream of ten years ago.

In retail, an all-out battle is being waged for the heart of the customer. Some retailers are approaching it piecemeal, making improvements here and there. Other retailers, like Eason, a 125-year-old book retailer in Ireland, are using technology to completely redesign the customer's shopping experience.

But is it worth it? Already plagued by thin margins, that's the question many retailers are asking themselves.

Throughout this eBook, we'll take a closer look at the trends impacting the retail industry. We'll also look at strategies for leveraging these trends to drive profitability by putting customers at the heart of your business.

Hang on tight. The industry is changing quickly, and this promises to be a rollercoaster ride. But we believe the rapid advancement in technology can help retailers become more than just transactional businesses. With the right technologies combined with a solid plan, retailers can build long-term, satisfying relationships with customers, connecting to them on a personal level and making them feel like part of the brand.

For some shopping is about the destination, for others the journey, yet for some customers – it's simply about the experience! And when that experience is golden – people want to come back for more.

Omni-Channel Retailing: How Do I Love Thee?

When it comes to reaching your customers, location is everything. That's as true in the digital age today, as it was thirty years ago. Customers want to be able to shop where they want, when they want, and how they want - whether that's in a physical store or online. However, omni-channel retailing is about more than putting up a website and slapping a shopping cart on it. Your customer doesn't care about omni-channel, they care about having one consistent and seamless experience with your brand, regardless of channel.

Let Me Count the Ways

How do you create an omni-channel shopping experience that puts customers at the heart of your business?

#1 Be consistently excellent...

According to Paula Rosenblum, Managing Partner at Retail Systems Research, "Customers are hyper sensitive these days. To support your brand's promise, their experience needs to be excellent and consistent whether they're shopping online or in-store."

#2 across multiple devices...

PC, smartphone, tablet, television, even wearable technology...there's no telling what sort of device future consumers will use to access information about you. Your retail infrastructure must be open to these future devices, serving up information in a way that leverages the unique strengths of the device without requiring extensive development and the associated cost.

#3 and mixed channels...

"Today's consumers want to use their devices in-store, too," says Karen Garrette, Global Retail Director, Microsoft. "If they see something interesting, they want to scan it with their smartphone and bring up the specs. In fact this is sometimes much easier than trying to track down a sales associate."

#4 but don't forget the social sites!

Almost half of all consumers research purchases and engage with retailers on social media. Some social platforms like Facebook are becoming virtual storefronts. These tools are as easy to use as a website for most consumers, and they encourage deeper engagement. Customers look for peer reviews and recommendations on products just as much as they look to see how you respond to complaints or kudos from customers. Social lets you have a conversation and further build your brand!
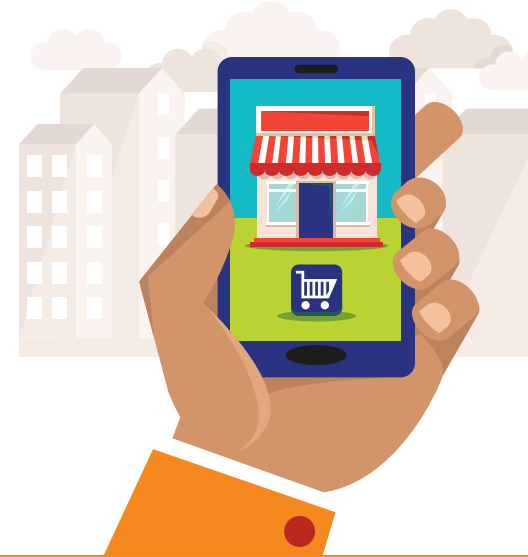
Watch: The Impact of Omni-Channel on Retail Operations

Are Your Customers Worth It?

Research shows that cross-channel shoppers are more profitable for retailers, and there are ways to maximize that profitability. According to Garrette, "An intelligent recommendation engine that shows customers additional items based on their search or purchase history can result in as much as a **39%** increase in purchases on a single invoice ."

The Internet of Things:
New Ways to Love Customers

The Internet of Things (IoT) has the potential to dramatically change the way retailers interact with customers. However, the wide diversity of opinions expressed about what the IoT actually is has left many retailers a little confused about what it means to the future of retailing.

"We encourage retailers to think about the Internet of Things as an Internet of their things," says Karen Garrette, Global Retail Director at Microsoft. "What can you do with the technology you have right now to improve customer connections? And with a little technology applied in innovative ways, how can you make the shopping experience even more remarkable for the customer and more profitable for you?"

Endless Possibilities

Everyone has probably heard of the Internet-enabled refrigerator that will tell the homeowner when they need to restock eggs, milk and other consumables. Naturally, many retailers are also excited about the idea of connected shelves that will alert store personnel when items are getting low and either need to be restocked or reordered, with the Internet of Things and a little imagination, the sky's the limit.

For example, Coca-Cola Amatil's customers were already interacting with their vending machine. The company upgraded their machines with new technology, an interactive multimedia experience, to create an amazing customer experience that also drove sales.

Read more about how Coca-Cola Amatil has transformed their coolers and boosted beverage sales by 12%.

The Internet of Things:
New Ways to Love Customers

The Shopping Experience is Evolving

Another way to identify how the IoT can transform retailing is to think about how technology can be used to make the customer's shopping experience smoother and easier.

One of the most frustrating shopping experiences is the dressing room. "Customers are all alone in the dressing room," says Brendan O'Meara, Microsoft's Managing Director, World-Wide Retail. "Yet, this is where most buying decisions are made."

To transform the shopping experience, Microsoft worked with Accenture to create a concept they call the connected dressing room. When a customer steps into the dressing room, their items are automatically scanned using RFID and are displayed on a screen along with recommendations based on the customer's selections.

Wrong fit? Wrong color? Wrong style? No problem. From the touchscreen, the customer can request a different color, size or item while still in the dressing room. An alert is sent to a sales associate's smartphone so the new selections can be brought to the shopper.

"The more you eliminate the hassles from the shopping experience, the more likely the customer is going to leave happy and having purchased something," says O'Meara.

See the Connected Fitting Room in Action

Click here to learn about FaceCake's innovative technology

Retailing and Big Data: Getting to Know You

It used to be that retailers had to engage in expensive research in order to study market trends. Now data comes from everywhere: websites, social sites, mobile devices, wearable technology, appliances. It seems there is no end to the sources of new data.

Making Big Data Work for You

Making this data work for you is really a two-step process.

First, retailers must accept that the amount of data is only going to increase as the number and types of devices connected to the Internet increase. They need systems that can collect the data, consolidate it and make sense of it as we enter the era of what Satya Nadella, Microsoft's CEO, has called ambient intelligence.

Second, the days of limiting data access to a small group of business analysts are over. Retailers need to develop a data culture where information is accessible and useable by everyone in the organization.

> "[A data culture] isn't just about deploying technology alone, it's about changing culture so that every organization, every team and every individual is empowered to do great things because of the data at their fingertips."
>
> *Satya Nadella, Microsoft CEO*

Retailing and Big Data: Getting to Know You

New Belgium Brewing Taps Big Data

New Belgium Brewing is one company that takes their data seriously. For legal reasons, this craft brewer must sell its products through distributors. That makes it a little harder for the company to take the pulse of the consumer, but that doesn't stop New Belgium.

To better understand the market for their craft brews, New Belgium Brewing uses social media and their website to engage consumers, and they use Microsoft Dynamics AX and CRM to collect and analyze the data. But data analysis at New Belgium is a two-way street. Not only do they analyze the data at the corporate office in Fort Collins, Colorado, they also make it

accessible to their sales team. Leveraging sales, manufacturing and marketing data, this sales team, better known as the "Beer Rangers," can advise distributors on what they should be stocking to maximize sales.

Watch: New Belgium Brewing Story: The Craft of Growing a Complex Business

"When a primary goal of a company is to become an omni-channel retailer, it's imperative that it accesses one set of data on customers, products and orders. Retailers continue to report lack of visibility into orders, customers and inventory as a top-three inhibitor to cross-channel consistency and execution."

Retail Systems Research,
The CIO: Emerging or Submerging

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Digital Merchandising: Show Them How Much You Care

The advent of new technologies and new ways to shop has shaped the way customers buy. Many studies show that a majority of customers would still rather shop in-store than online. However, a growing majority of customers are researching products online before they step foot in a store.

Another growing trend is for customers to research products online, visit the store to touch/feel/see the product, and then go back home to buy online, or even make the purchase from another retailer right then and there through their mobile phone. The industry has dubbed this "showrooming."

What Can You Do?

For years, brick and mortar retailers despised showrooming. Maintaining a physical storefront is expensive. Furthermore, how do you compensate sales associates when they do the work, but the customer leaves to buy the product they just looked at in the store, online? These retailers fought against showrooming in a variety of ways such as stocking certain items in-store only, selling others only online, or offering discounts unique to the channel.

But is that a wise thing to do?

Paula Rosenblum, Managing Partner at Retail Systems Research, advises against it. Marketing spends a lot of money establishing a brand promise through their advertising and marketing messages. "Any place where that promise is broken creates a real trauma for retailers," says Rosenblum. "Doing a channel-specific promotion breaks that omni-channel promise, and once that happens, it can be tough to regain a customer's trust."

Digital Merchandising: Show Them How Much You Care

People Really Are Your #1 Asset

So how can you show your customers how much you love them? Gallup's 2014 report, The State of the American Consumer, suggests an intriguing answer: empowered, engaged employees.

Gallup research has found that… companies that engage both their employees and their customers gain a 240% boost in performance-related business outcomes.

Translation: when customers and employees are engaged, customers buy stuff.

The Gallup research gives some of the strongest evidence yet for the value of equipping employees and customers with digital technologies. "Mobile devices give employees access to more detailed product information than ever before," says Karen Garrette, Global Retail Director, Microsoft. "If the store doesn't have what the customer is looking for, they can instantly see who does. Access to customer shopping and browsing history can even help them suggest alternatives or additional items the customer might like."
The research suggest that this level of employee/customer engagement can more than compensate for a lower price the customer might be able to find elsewhere. "Furthermore, when a customer feels loved and feels special, they want to return and they want to share that experience," adds Garrette.

Social Media: Are You Listening to Me?

Social and mobile have changed the way people communicate. Today's consumers are more informed and getting their information in new ways from new sources. Look at these amazing statistics:

56% of consumers said they research a brand on Facebook before purchasing.[1]
71% said they go online first whenever they have a problem with a product.[2]
90% of consumers regularly research products online before buying.[3]

It has become important more than ever for you to stay on top of what people are saying about your brand, your products, or your promotions. Having the right social tools in place to help you analyze this social data can help you provide better customer service and help you stay ahead of the competition.

3 Types of Customers

For the retail industry, there are three types of customers in the social realm:

1. Brand advocates. These social-media savvy customers love your products and your company. They are brand-loyal, frequent shoppers and are eager to share their experiences with others. Smart retailers do not turn their backs on these customers. They find ways to court their continued influence with special offers, exclusive shopping events and other perks. These customers can serve as evangelists for your brand.

2. Brand detractors. Brand detractors are the mirror opposite of your advocates. According to the White House Office of Consumer Affairs, a dissatisfied customer will tell between 9 and 15 people about their experience, and 13% of dissatisfied customers will tell more than 20 people. When a detractor shares a negative comment on social media, the impact expands exponentially. Smart retailers stay ahead of the negative posts by monitoring social conversations as they happen. Addressing concerns in an appropriate and thoughtful way can turn detractors into the organization's most vocal supporters.

3. Everyone else. These are the customers who might make a comment, positive, negative or neutral, from time to time. Individually they don't have a huge impact on your reputation, but collectively they are strong indicators of brand sentiment.

Download the eBook: WOW Service – A Social Intelligence Guide for Customer Service.

Keeping an Ear to the Market

Listening to customers has always been crucial, and social media has made it easier than ever. With the right social listening tools, you can easily take the pulse of your market, court active fans and address potential trouble spots.

Watch: Microsoft Social Listening Puts You in the Conversation
Watch: Microsoft Social Listening – Understanding Sentiment

[1] Retail TouchPoints, 2012 and Integrated Retailer.com, 2012
[2] WebPro News: Twitter, Facebook Becoming Popular Tools for Customer Service May 2012
[3] Retail TouchPoints, 2012 and Integrated Retailer.com, 2012

1:1 Retailing and Customer Loyalty: The Perfect Date

The perfect shopping experience is kind of like the perfect date. The specifics are different for everyone, but in general, the perfect date is free of hassles and unpleasant surprises. Whether shopping online, in-store or a combination of the two, that's the kind of experience retailers should be aiming to provide. It's one that your customers will remember long after they leave your store. And, it's one that will leave them eager to return.

Owning the Experience

"Retailers need to take ownership of the customer experience, but too many retailers take a disjointed approach," says Karen Garrett. In fact, research conducted by Kurt Salmon, a global management consulting firm with a focus on retail and consumer products, shows that 68% of retail organizations surveyed had no single owner of the customer experience across channels and functions.

The 5th P: Personalization

The 4Ps of marketing: Product, Price, Place and Promotion, were first introduced in the 1960s. Today's retailers would be wise to add a 5th P: Personalization.

"It's somewhat easier to personalize the customer's experience when they are shopping online," says Garrette. "Systems can track a customer's search and purchase history and offer suggestions. But in-store experiences need to be personalized as well."

According to Kurt Salmon, 30-60% of shoppers leave the store without ever having engaged with a sales associate. They might have been just browsing, or they might have been looking for something specific. The retailer will never know.

With digital engagement throughout the store, retailers are able to create a much more personalized experience with fewer hassles for the customer and greater opportunities, such as cross-selling, for the retailer. With in-store digital engagement, Kurt Salmon has found that in-store traffic improves by as much as 10–30%, and conversion rates can increase by 30–50%.

Watch: The Future of In-Store Retailing

> **"… a customer who is fully engaged represents an average 23% premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer."**
>
> *Gallup 2014 State of the American Consumer Report*

The More Things Change...

For all we make of the massive revolution in shopping habits brought about by technology, change has always been a constant in the retail industry. Even if it didn't happen as quickly, the advent of the department store at the turn of the 19th century was as disruptive to the industry as the dot.com boom at the turn of the 21st. But regardless of the level and speed of change, the direction has always been the same – in favor of the consumer.

It's Still About the Customer

More choices. More flexibility. Fewer hassles. The core tenets of fostering a relationship between the customer and your brand have not changed. It's all about the experience. Whether ordering a soda at the drug store counter in 1944 or buying a soda from an interactive vending machine in 2014, the experience is what keeps customers coming back for more.

But the Internet has upped the ante. In our mobile society, consumers aren't limited to stores within walking or driving distance. Now, consumers can buy products from a store half way around the world and have their order fulfilled by associates who don't even speak the same language. The competition for share of wallet is far fiercer than it's ever been before.

Be Ready for What's Next

At Microsoft, we've made it our mission to help retailers keep up with the pace of change and drive long-lasting, profitable relationships with customers. We invest over $10B annually in technologies such as:

Microsoft Dynamics for Retail, an ERP end to end application for retailing that covers retail's unique needs such as POS, merchandising, supply chain management, customer relationship management and social media management.

Supporting technologies including SharePoint, Microsoft Office, Windows, Microsoft SQL Server, Microsoft Tag and others, all designed to work seamlessly together to support the connected shopping experience.

Mobile Devices, such as Windows Mobile, Surface, Kinect and Windows Tablets, that can be put into the hands of sales associates to help them better serve your customers in new and innovative ways.

Microsoft Services, a team of retail specialists who can help you pull everything together to become the Dynamic Retailer you were meant to be.

But it's not about technology for technology's sake. It's about the customer—your customer. We design our retail products and services to help you create an omni-channel shopping experience that will delight your customers and help you be ready for whatever the future holds.

Learn more at retail.dynamics.com.

Microsoft Retail Stores have utilized Microsoft Dynamics AX and Microsoft Dynamics CRM since their original launch. By implementing the latest release of Microsoft Dynamics AX 2012 R3 and Microsoft Dynamics CRM Online we enhance our ability to be agile and meet the growing demands of our retail stores. Deploying in store technologies enables us to deliver on these core priorities:

- Providing amazing, seamless, relevant customer experiences, allowing in-store team members and corporate staff to focus on building a relationship and loyalty with customers.

- Empowering in-store team members with a modern Point of Sale (POS) device so they never have to leave the customers side.

Reducing deployment, IT support and management costs through retail-specific feature improvements and seamless integration with existing enterprise resource planning (ERP) systems...

Read the entire case study

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