

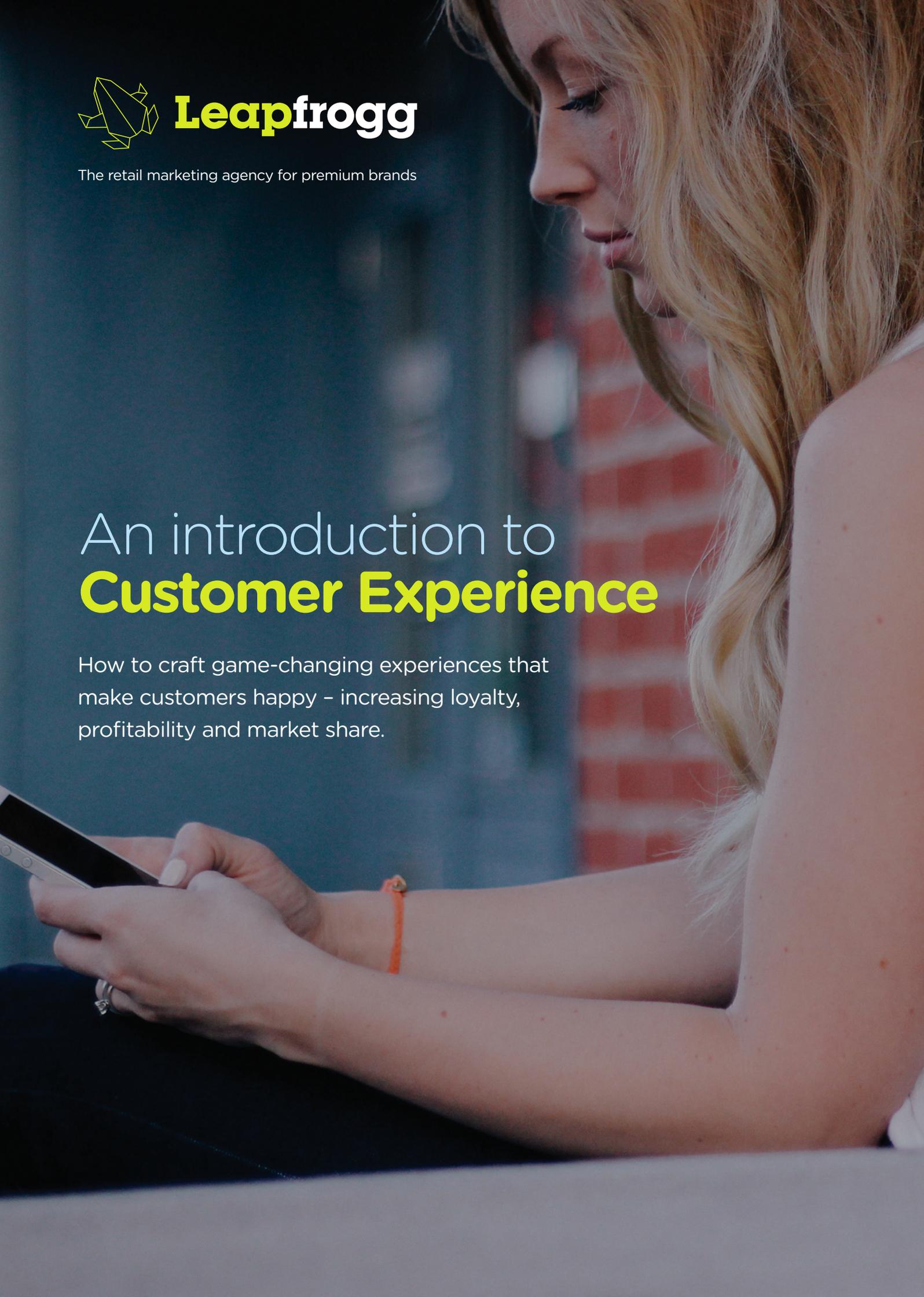


Leapfrog

The retail marketing agency for premium brands

An introduction to **Customer Experience**

How to craft game-changing experiences that make customers happy – increasing loyalty, profitability and market share.



Another report ?

Why should I carry on reading?

Retailers face huge challenges in meeting the needs and expectations of their customers. We don't claim that this report has all of the answers. However, it acts to highlight those challenges and the steps that we recommend retailers take in order to address them.

This report is aimed at anyone within a retail organisation looking to increase customer acquisition, retention and loyalty, including Managing Directors, Marketing Directors, Ecommerce Directors and Customer Service Managers. It will prove particularly useful to those who have heard about the importance of customer experience, but are perhaps wondering where to start.

So take a bit of time out, make yourself a cup of tea and let's get going.

So, why all the buzz around Customer Experience?

In the fast-moving world of retail, there are numerous channels through which a consumer can research, consider, buy and evaluate a purchase: store, online, mobile and catalogue to name a few. Within each of those channels a multitude of touch-points exist. Think about the online space, for example: websites, social networks, email, affiliate sites, blogs and forums all have a role to play in influencing a consumer to make a purchase.

Consumers do not approach these channels and touch-points in isolation. Their research might take place on a mobile, the purchase via a desktop, the product collected in-store but returned by post. Research by retail analysts, Conlumino, supports this - they found that in 2013, almost half of consumers

used three or more channels to do their shopping.

Consumers simply want the most convenient and cost effective way to transact, with the expectation that they can move between these channels effortlessly.

In today's complex, consumer-led world, **retailers who truly understand the needs and expectations of their customers** and are able to deliver a relevant, joined-up and increasingly personalised experience, will ultimately prosper. The ability to connect with customers on an emotional level at each stage of the journey is key to profitable growth.

A customer experience strategy is therefore not 'a nice to have'. It's a necessity.

Sources

1. Conlumino - <http://conlumino.com/>

2. Almost two thirds of retailers now operate four or more customer touch points: http://www.theretailbulletin.com/news/almost_two_thirds_of_retailers_now_operate_four_or_more_customer_touch_points_new_survey_27-03-14/

Hold on there, I'm not convinced. Hit me with some numbers.

80%

of UK consumers are less likely to buy again after one bad experience.

56%

of respondents would never use a company again after a bad customer experience.

For years, it was assumed that price was the best way to beat the competition. However, that is not a sustainable strategy for the vast majority of retailers, especially those at the higher-end of the market. A survey from Oracle highlighted how **customer experience is of greater importance to consumers than price**, with 90% of UK respondents saying they would be willing to spend more with a retailer if they improved the overall customer experience.

Another study by EPiServer added weight to this argument with **57% of respondents stating that they prefer to buy from their favourite online retailers, even if they don't offer the best price**. A positive experience was cited as driving this behaviour. Furthermore, following a positive customer experience, 74% said they would be more loyal to a company (NewVoiceMedia 2013). But what happens when the experience doesn't meet expectations? According to a McKinsey/Nielsen study, in 2012, a staggering 80% of UK consumers

are less likely to buy again after one bad experience. A more recent poll by customer service specialist KANA Software found that poor experience is eroding consumer loyalty and confidence in retail brands. 30% of those surveyed had become less loyal to retailers in the past five years due to poor customer service.

So what can we conclude from this? Happy customers spend more and remain loyal if a retailer is able to deliver an experience that meets or exceeds their expectations. But get it wrong and a customer will be only too happy to take their business elsewhere.

With the massive growth in smartphone and tablet adoption, your competition is available anywhere, 24/7. The consumer doesn't have to work very hard to find a company offering a better experience, be that more detailed product information, inspiring content or better delivery terms. Maintaining loyalty is a huge challenge with so much choice on offer.

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Sources

1. UK online shoppers put loyalty before price: <https://econsultancy.com/blog/11322-uk-online-shoppers-put-loyalty-before-price-report>
2. 40% of shoppers would spend more if offered a better customer experience: <https://econsultancy.com/blog/11299-40-of-shoppers-would-spend-more-if-offered-a-better-customer-experience>
3. UK businesses lose £12 billion a year through poor customer experience: http://www.theretailbulletin.com/news/uk_businesses_lose_12_billion_a_year_through_poor_customer_experience_new_study_24-05-13/
4. Poor service is eroding loyalty to retail brands: http://www.theretailbulletin.com/news/new_study_poor_service_is_eroding_loyalty_to_retail_brands_18-08-14/

OK, got it, delivering a great experience is important.

What's standing in my way?

Consumers buy things to satisfy a need, be that practical or emotional. They might feel a whole range of different emotions whilst researching, considering, purchasing and evaluating a purchase. The experience they feel is the sum of all of those interactions. If the retailer gets it wrong at any stage, the whole experience can be tarnished. Will that customer come back? Maybe not.

We are already in a position where most retailers can't keep pace with the changing habits and expectations of their customers. As consumers become conditioned to in-store consoles, delivery on their own terms and a more personalised shopping experience (to give just three examples), they will more readily question those retailers not offering the same. In short, consumers won't put up with average when exceptional becomes the norm.

So how do these seismic shifts in technology and consumer behaviour manifest themselves in terms of the day to day challenges faced by retailers?

In our view, you will fail to meet customer expectations for the following reasons:

1. You don't know enough about your customers.

Being empathetic to your customers' needs and expectations is essential if you are to deliver a relevant and meaningful experience. This means understanding your customers...REALLY understanding them. Focusing on the right data and involving your customers in the planning process are therefore essential. Yet data is often fragmented by channel and customer insight extends only as far as fairly basic demographic profiling.

2. You don't know what to do with the data and insight once you have it.

Retailers are faced with a myriad of customer experience initiatives, marketing channels and tactics. There are literally hundreds of different ways in which budget could be spent. Yet, very few retailers have a bottomless pit of money. **Making sense of data and attitudinal insight, assessing where the gaps and opportunities lie and prioritising actions based on how they improve your interaction with the customer,** are essential to reducing waste and increasing return on investment.

3. You are unable to action change even if you want to.

Many retailers still operate in departmental silos with internal teams (and external suppliers) that don't play nicely together. Back-end technology, stock systems and processes aren't up to the job. Or perhaps there isn't a budget or team dedicated to customer experience. These are just a few of the issues retailers face in actually being able to implement customer experience initiatives. **It is one thing to identify what needs to change but quite another to have the infrastructure, processes, systems and impetus to do so.**

Do any of these challenges sound familiar? Let's now explore how to go about addressing them.

Introducing the four steps to customer happiness.

Before doing anything, you need to start with the end goal in mind, namely that your customers are met with an engaging, joined up experience; one that captures their imagination and encourages them into a desired action, relevant to the stage of their journey (for example to sign up to a newsletter, request a catalogue or make a purchase).

It is therefore about promoting a philosophy; one of putting the customer at the heart of your business. The steps that we outline on the next few pages will not

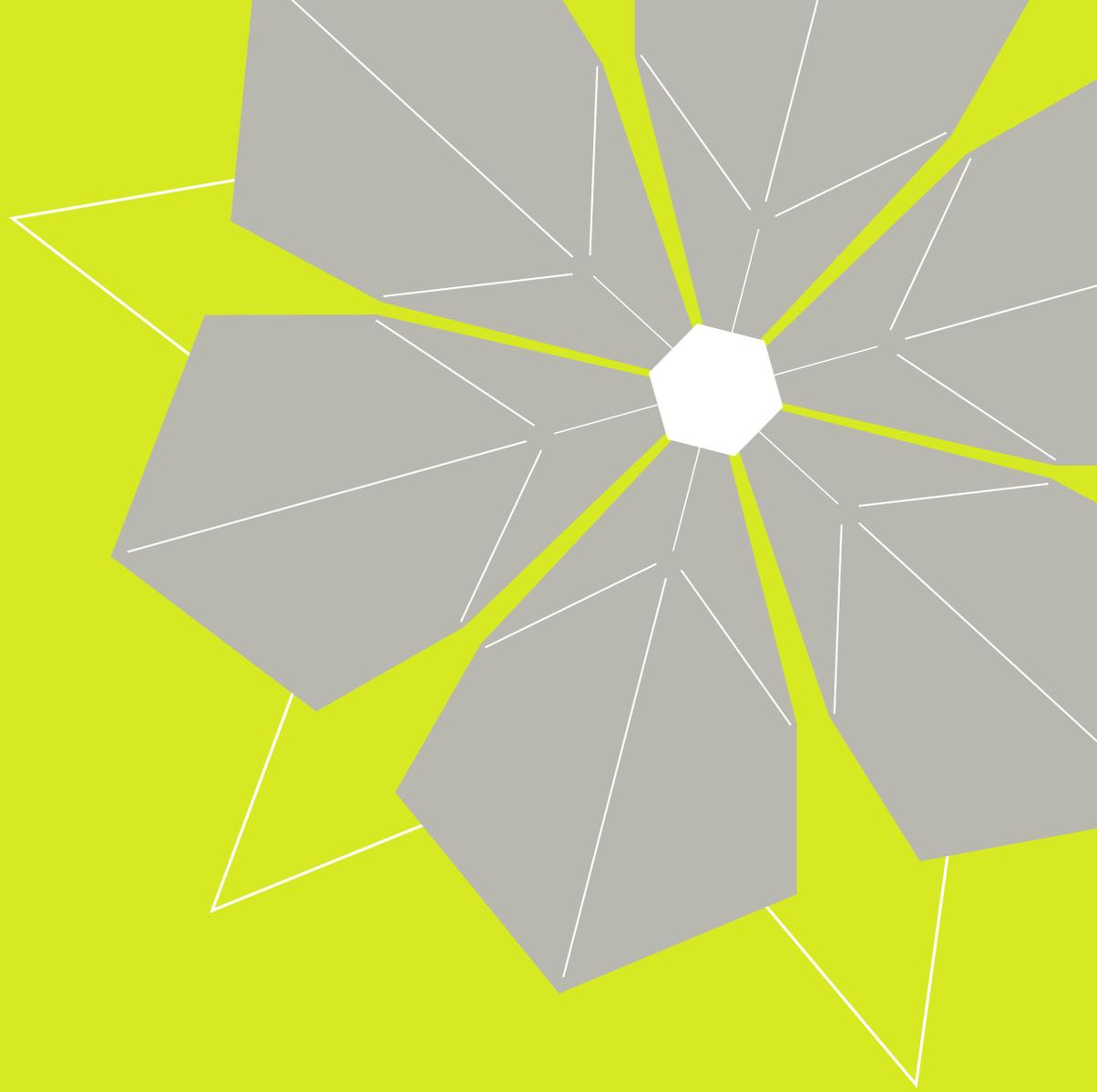
deliver value unless you get into this 'customer first' mind set. We talk a bit more about this later on. There are of course various methodologies when it comes to approaching customer experience strategy. Our approach is focused on putting in place the necessary process, structure and framework to action change.

It is broadly broken down into four steps; insight, design, strategy and deliver.

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Insight.

Understand who your customers are and what they actually want.

This first and most critical stage is to build an understanding of the present state of your customer experience. Critically, this must be from the perspective of your customers, genuinely understanding their point of view, how they behave and what they want. Leave all of your assumptions at the door.

There are a number of steps we recommend working through to get to this point:

1. Build an understanding of your most important (or potentially most important) customer segments according to transactional value, using RFM (revenue, frequency, monetary) modelling. Analysing your customer database, based on financial value, allows you to hone your customer experience strategy according to the segments with the greatest revenue and profit potential.
2. Establish the behaviours, habits, values and lifestyle traits for the most important (or potentially most important) customer segments through attitudinal research. Broad demographic profiling has its place when it comes to uncovering lifestyle traits, but it doesn't dig deep enough into the mind set of your customers and the way in which they want to engage with you. Surveys, focus groups and interviews are therefore essential.
3. Merge your insight. The key to establishing an effective customer experience strategy is to overlay the transactional customer segments with attitudinal insight thus creating highly detailed customer personas. For example, you may find the type of person who buys from you regularly at full price has very different traits (and therefore expectations) compared to the 'sale only' customer. In turn, this will influence the experience strategy you employ.
4. Create revenue models to demonstrate the financial impact of investing in a strategy to improve the customer experience for your most important segments, thus informing financial planning and budgeting.

The insight stage lays the foundation for the customer experience strategy. It is vital to get this right before moving onto the 'design' stage.

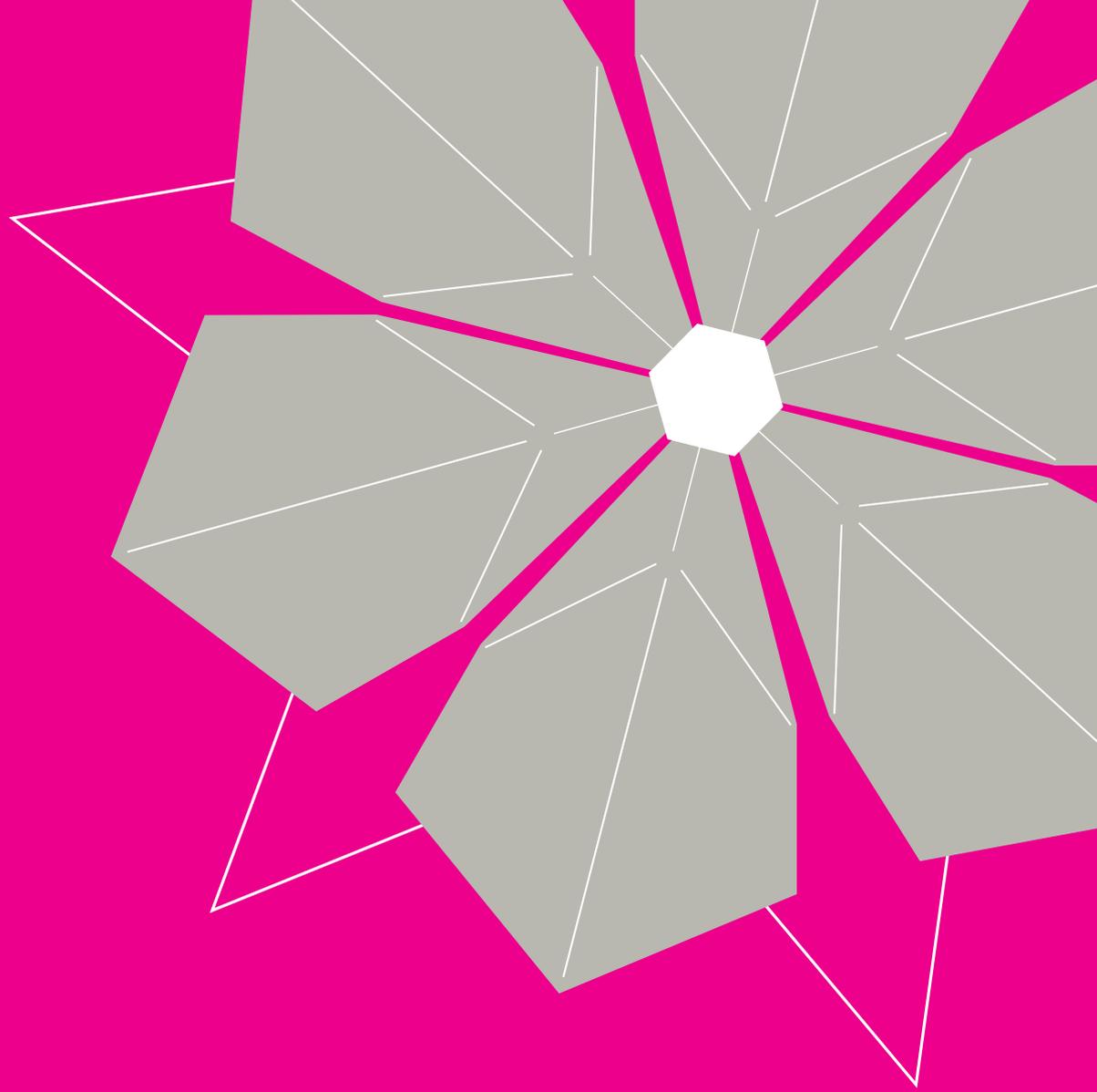
Case study

Insight for a fashion brand found that a high proportion of 'sale only' customers live in the US. Why? Because import duty meant US customers were waiting until sale time to order. Understanding the behaviour of this small and seemingly less valuable segment allowed the retailer to develop specific strategies to target them.

For another fashion brand, we found credit card purchases from a young, female demographic were registered to males who had owned a home for more than 15 years. Eh? By overlaying transactional data with qualitative insight, we were able to determine that the father's credit card was being used by the daughter. The end customer wasn't who they appeared to be on the surface.

Further reading

1. Finding your best customers with the RFM matrix:
<https://econsultancy.com/blog/64481-finding-your-best-customers-with-the-rfm-matrix>
2. Getting to know the 1% who generate up to 40% of retail website turnover:
<http://internetretailing.net/2013/10/getting-to-know-the-1-who-generate-up-to-40-of-retail-website-turnover-study>
3. Five things you can learn about customers just by asking:
<https://econsultancy.com/blog/64847-five-things-you-can-learn-about-customers-just-by-asking>
4. 20 things a retailer really should know about their customers:
<https://econsultancy.com/blog/64960-20-things-a-retailer-really-should-know-about-their-customers>



Design.

Map and audit the ‘perfect’ shopping journey and experience.

The insight stage will help you identify your most important customer segments, revealing who those people actually are, what they expect of you and the revenue potential they present. The next stage involves a long, hard look in the mirror. It might be a little painful along the way but the outputs, in the shape of a prioritised action plan, will be worth it.

Using the insight gathered, you should be looking to:

- Create a map of the 'perfect' shopping journey and experience for the most important customer segments according to the insight gathered. This is a visualisation of the relevant channels and touch-points at each stage of the buying journey, along with the experience each must offer.

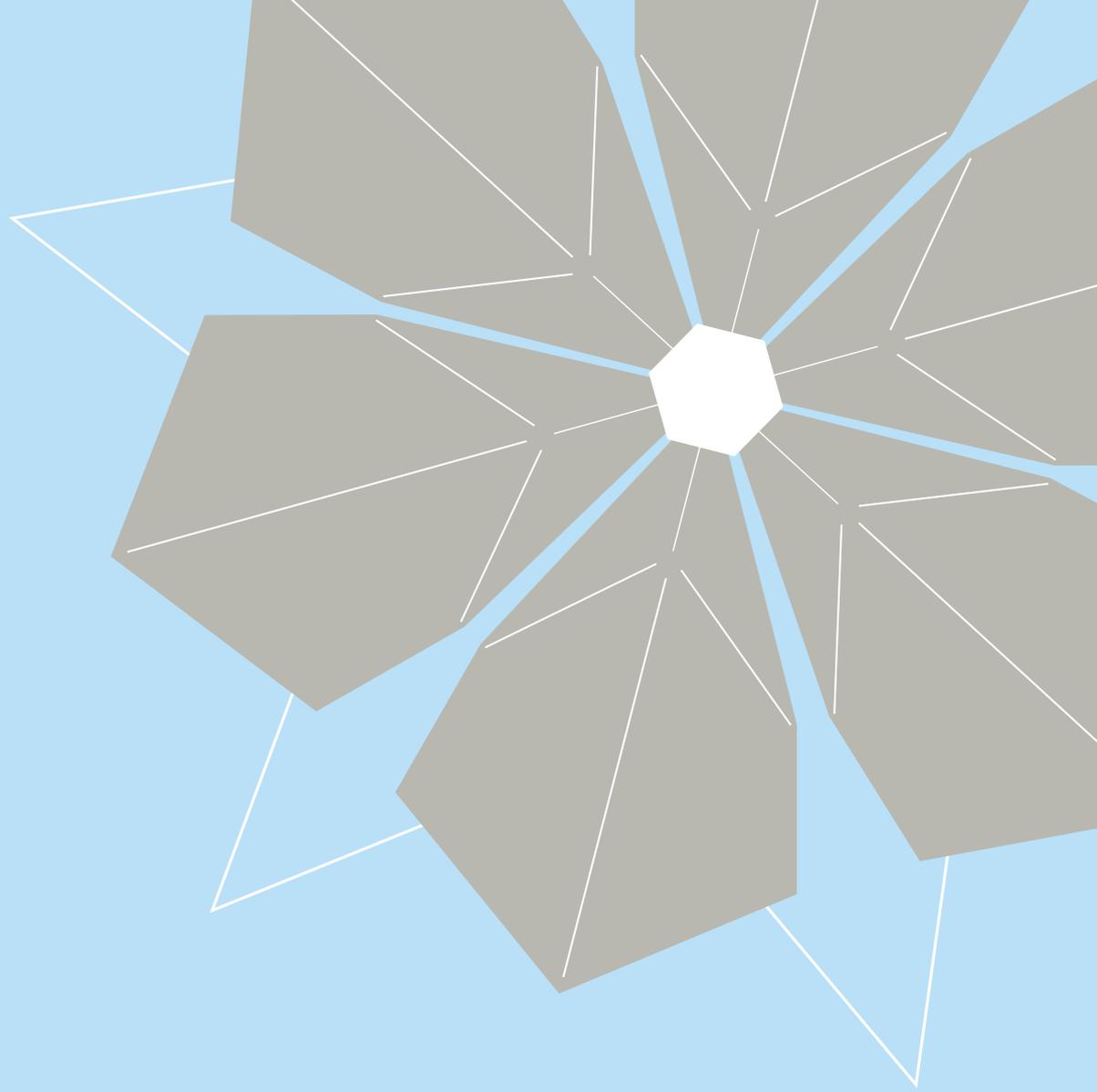
These maps will differ greatly between retailers, depending on the products they sell and the type of customer in each segment. For example, a retailer selling high-end furniture may find their customers research online, order a catalogue but prefer a tactile, in-store purchase. An online fashion retailer may find the journey to be more straightforward, but require aspirational and fashion-focused, editorial content and product videos to drive conversions.

- Audit your current offering against the 'perfect' journey and experience you have mapped. In short, this is a gap analysis to determine where you are failing to meet customer expectations.

This stage addresses one of the key challenges highlighted earlier – the myriad of customer experience initiatives, marketing channels and tactics on offer. Discovering what actually matters to your key customer segments and then auditing your current offering against this insight will allow you to prioritise change accordingly. It's all about clarity.

Case study

Insight for a health and beauty retailer revealed that a major barrier to conversion was a relatively high delivery charge on a low average order value. By offering free delivery, they increased online revenue by 20% within eight weeks. They quickly found the cost of offering free delivery more than paid for itself due to the increase in conversion rate, orders and revenue.



Strategy.

Shape the customer experience and marketing plan.

By this point you have built up a huge amount of knowledge when it comes to your customers. You've identified the gaps in the experience you deliver vs. what your customers expect of you.

Now you need to prioritise closing the gaps and grasping the opportunities, both short and long term, based on factors such as expertise, resource, technical and logistical capabilities and of course budget.

Being realistic is the key. For example, just because your customers want next day delivery, it doesn't mean you can fulfil it immediately.

Teams from different departments with different objectives and priorities will need to come together to formulate a realistic plan of action. By no means do we profess this to be an easy process. The larger the organisation and the more entrenched in legacy systems and processes, the more difficult it will be to action change. Small steps may be easier at first.

This is where SME's may have an advantage. The ability to be nimble and to action things quickly will stand you in good stead against your larger counterparts.

The key to success is a formalised plan of action broken down by customer segment, channel and buying stage. It doesn't need to be pretty. Excel spreadsheets can do the job.

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There should be three main streams to the plan:

1. The activities that are designed to **create the preferred emotional response and action at each stage of the buying journey** and across each relevant channel and touch-point. Such activities may include brand content and message, incentives, website features and functionality, the look and feel of the catalogue, customer service initiatives, personalisation and delivery/returns.
2. **Highly informed and optimised marketing programs.** Dependent on the outputs of the transactional modelling, the main focus of the strategy may be to acquire more of the 'right' kind of customers. **Understanding the type of person you are looking to acquire will allow you to allocate budget to the right marketing strategies and tactics.**

Taking search marketing as just one example, transactional data should filter down to inform the strategy. If the primary goal is customer acquisition, then the search strategy is likely to focus predominantly on non-brand terms to increase awareness at the earlier stages of the buying journey, thereby driving visitors who may not have been previously familiar with your brand.

Don't underestimate the role that marketing activities, such as search, play in delivering a positive customer experience. Search engines remain the number one method by which prospects begin their discovery of a new product or brand. Therefore, the first impression a prospect may have of your brand will come as a result of how you present yourself (or fail to present yourself) in search engine listings.

3. **Forecasting and establishing the key performance indicators (KPIs)** and tools to measure success. Typical KPIs will cover revenue, profitability and market share but should also include specific customer experience measures, such as 'customer effort score', 'net promoter score' (NPS) and 'customer satisfaction score'.

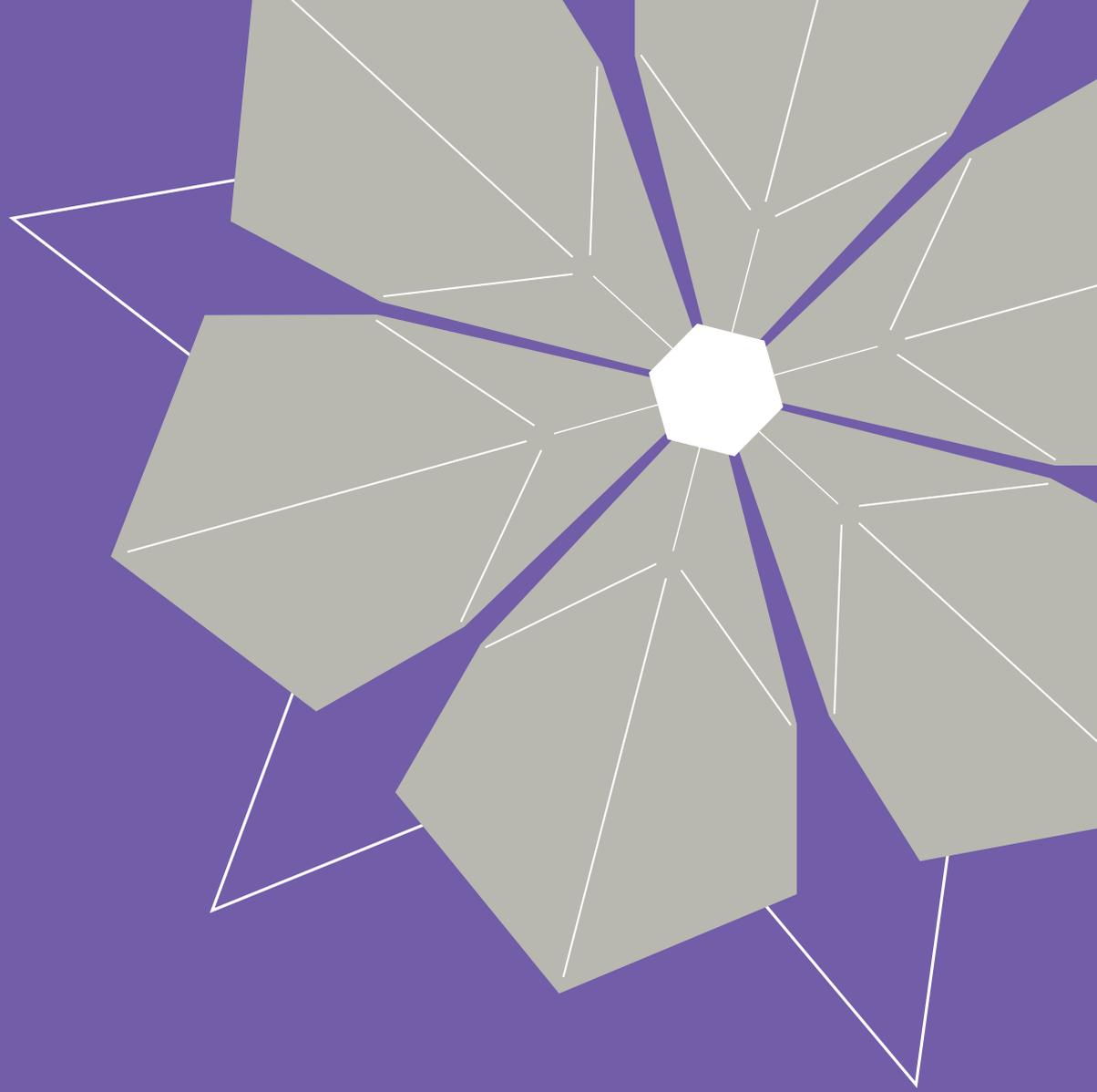
Case study

Insight for a fashion brand revealed that customers would be incentivised to spend more with the offer of next day delivery, sale previews and unique offers rather than the heavy discounting they were pushing. In fact, the latter was felt to devalue the brand. Reworking their loyalty program resulted in a 24% increase in repeat sales over 12 months.

Case study

Insight for a high-end garden retailer found that their more 'mature' audience preferred email communication to social media. By re-allocating budget and resource accordingly, they saw a 224% increase in revenue via email within three months.

If your insight and analysis is accurate then you should be able to prioritise all actions in your strategy against resource and budget but also according to where the greatest opportunity lies. Close the largest 'experience gaps' for your most important customers first, where possible.



Deliver.

Start taking action.

You've established the strategy and created a tactical plan. Now it's time to start executing against it and measuring the impact. There are a number of factors essential to the successful deployment of the customer experience strategy. Broadly, they are as follows:

Culture

As highlighted earlier, putting the customer first (actually doing this rather than just saying it) may require a significant cultural shift. This has to come from above. **If the board don't live and breathe customer experience, how can they expect those 'on the front line' to do the same?**

On a practical level, it is about ensuring that every decision begins and ends with the customer.

It is about ignoring the latest 'fad', copying the competition or buying a 'solution' that you don't really need. Instead, the question, **'will this make our customers happy?'** should be rubberstamped in the mind of every employee.

Collaboration and accountability

Stakeholders from each part of the business must take accountability for their part in delivering the customer experience strategy. **Silos are the enemy to great customer experience.** Teams must work together with shared objectives and common key performance indicators.

Up-skilling

The range of skills required to deliver a successful customer experience strategy is vast.

It's time for another look in that mirror. Do you have the necessary skills needed within your current team? Are there people with outdated views of the world blocking your path? Do you need outside help? These are just a few of the questions that need to be posed both during the strategy phase and on an ongoing basis.

Technology

Meeting customer expectations will require investment in new hardware, software, systems and processes.

For example, the ability to create a single view of customers by tracking their behaviour across channels will only be possible with a centralised CRM system.

Collecting customer data in-store to feed into that CRM system will only be possible with the right EPOS technology in place.

A personalised website experience, where products are presented based on past behaviour, is only achievable with the right software. You get the picture.

Budget

In a recent Econsultancy customer experience survey, just 10% of companies had a single dedicated budget for customer experience. As customer experience touches on so many areas of the business, this is perhaps no great surprise.

This may mean a major change to how budget is allocated across the business. It may mean the creation of new roles, such as Head of Customer Experience, which again require investment.

It may mean the business needs to take small steps and invest in lower cost initiatives that deliver incremental improvements in customer satisfaction, in a relatively short timeframe. In turn, this builds the business case for the longer-term projects that require greater investment.

Let's look at that last point in a bit more detail.

What can I do right now?

In the many conversations we have had with retailers, budget tends to be the biggest barrier to developing a customer experience strategy and all of the actions (and therefore investments) that fall out of it. With this challenge in mind, we have helped a number of retailers get started with a simple, five step process that can deliver tangible results, whilst also building that all-important business case for further investment.

1. Send a simple online survey to your current mailing list, asking one key question:

"How likely are you to buy from us again based on your last experience?" Please score us between 1 and 10, where 1 is not likely at all and 10 is extremely likely.

Ask all respondents the reason why.

2. Ensure all responses can be matched to each customer via a unique customer ID.

This will require you to have carried out the transactional analysis we refer to earlier.

This can be done relatively cheaply.

3. Sort all of your survey answers into basic segments according to transactional value.

	High Frequency	Low Frequency
High Spender	Scores & Reasons	Scores & Reasons
Low Spender	Scores & Reasons	Scores & Reasons

4. Prioritise the responses according to two of those customer segments.

We recommend picking the segment that currently delivers the most revenue or profit, for example high frequency/high spend and the lowest value segment.

	High Frequency	Low Frequency
High Spender	Scores & Reasons 	Scores & Reasons
Low Spender	Scores & Reasons	Scores & Reasons 

5. Take action!

Analyse the responses of the top 20% of customers in the high frequency/high spend segment. What are common reasons they buy from you again and again? How might you apply those things to your broader customer base? For example, if they love the exclusive, new season previews they are invited to as loyal customers, can you offer a lower value segment a sneak preview too? Or, if you find your high value customers are those that are sent your catalogue, then run a test campaign and send it to lower value customers (with a similar profile) who would not normally receive it,

At the same time, analyse the responses of the bottom 20% of customers in the lower value segment. Are there some glaring quick-fixes? For example, your lapsed customers' state they'd be unlikely to shop with you again as the lower price point they bought at meant paying for delivery. Can you test the impact of a free delivery promotion?

The key to this of course, is to ensure you measure the impact of smaller scale initiatives both in terms of revenue and customer satisfaction. **Nothing is more powerful than the voice of your customer in helping to build the business case for a broader customer experience project.**

We've reached the end.

Customer experience is a huge topic. We have really only scratched the surface here with our view on the challenges faced by retailers and how to go about addressing them.

One thing is certain. **The winners and losers in retail will ultimately be defined by their ability to meet the ever-evolving needs and expectations of their customers.** We have

already seen some major retailers disappear from our high streets in recent years. It is too simplistic to blame this on the economy or 'tough trading conditions'. In many cases, these casualties came about because their proposition became irrelevant in the eyes of their customers.

It became irrelevant because they didn't put the customer first.

Want to find out more?

Why not get in touch or connect with us socially?

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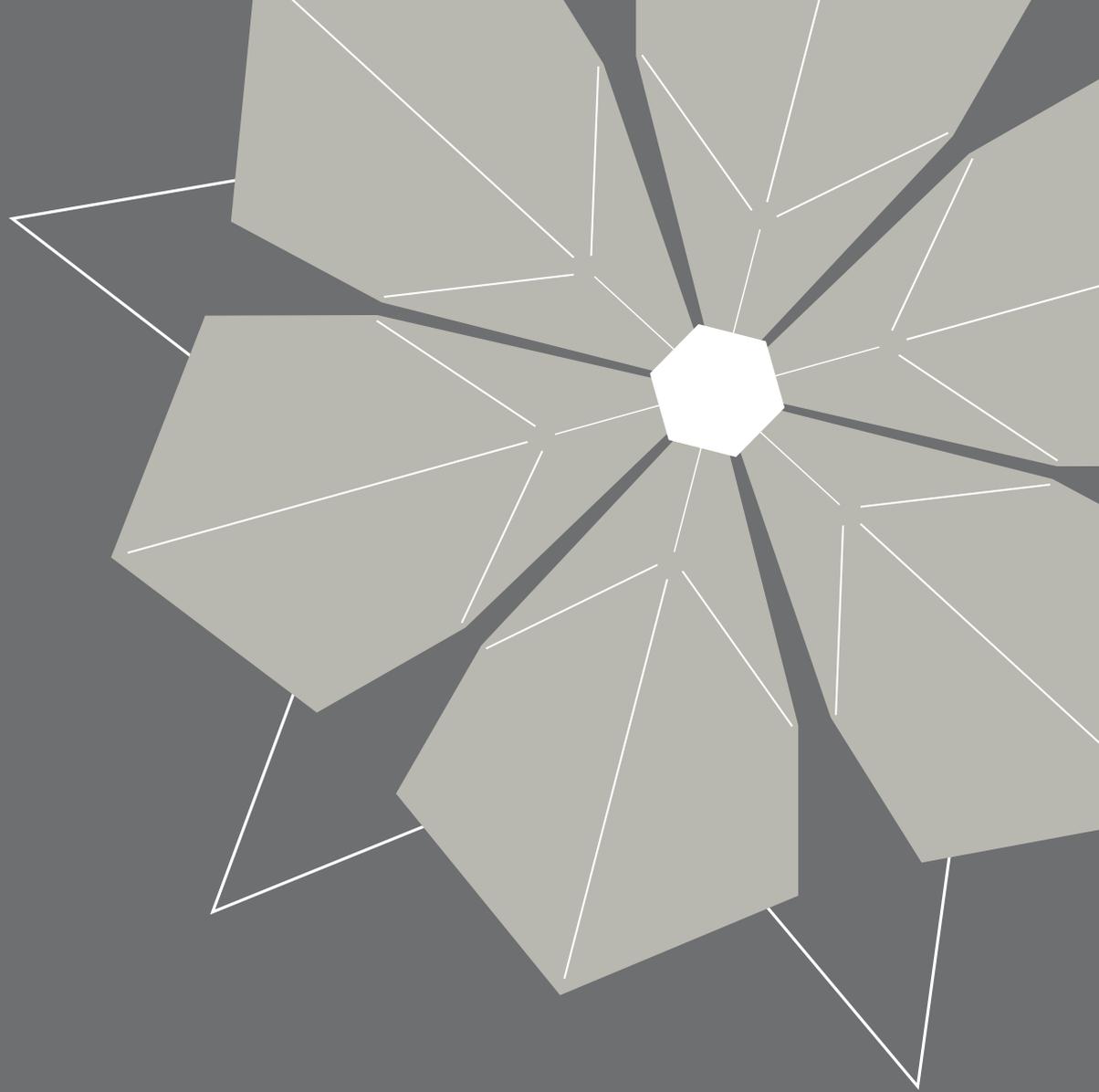
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About Leapfrogg

Leapfrogg is an award-winning, retail marketing agency specialising in the premium and luxury sector.

We help our clients craft game-changing digital experiences; the kind of experiences that make customers happy – increasing loyalty, profitability and market share in today's consumer-led world.

Combining expertise in customer insight, experience design, retail strategy and digital marketing, we have worked with some of the leading names in fashion, homeware and beauty.



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