

ICREON

WHITEPAPER

**PREPARE
YOURSELF NOW
FOR THE**
POST PANDEMIC CUSTOMER
EXPERIENCE



OMNICHANNEL AND DIGITAL BECOME THE FOUNDATION NEEDED TO SATISFY CONSUMERS IN THE NEXT NEW NORMAL

The Covid pandemic had a seismic impact on retailers. Traditional sales and service processes were instantly uprooted, and businesses struggled – and many failed -- to adapt. As the virus ebbs, dramatic changes again loom on the horizon. To prepare for the next New Normal, retailers must extend their omnichannel interactions; break down barriers between their digital and brick-and-mortar operations; and deliver fully integrated customer experiences. The Covid virus swept through and ravaged the retail industry, One day, stores were open; the next, they were closed. With consumers staying home, traditional sales processes were shaken to their core.

→ In fact, 46% percent of chief sales officers saw softening demand, and near-term forecasts varied by as much as 50% from their baselines, according to Gartner Inc.

→ By the second week of March, U.S. retail traffic was down more than 30% year-over-year, according to Cowen.

→ Foot traffic to U.S. stores fell 58.4% in the third week of March, per ShopperTrak.

The ripple effects were swift and clear. Close to 25,000 stores were expected to close up shop by year end 2020, compared to 9,500 in 2019. For instance, Best Buy Co. Inc. shuttered more than 20 stores and laid off 5,000 workers.



SEPARATE WINNERS FROM LOSERS

Yet, some businesses thrived during the devastation. Target Inc.'s sales jumped 20% last year, including \$9 billion in sales taken from competitors.

What was the difference between the winners and losers? Technology. Store front property, engaging personnel, and low prices were keys to success in the Old School retail market; digital experiences and omnichannel marketing, sales, and customer service became the foundation to success during the pandemic, for many reasons.

E-COMMERCE GAINS TRACTION

The rapid change from business as usual to lockdowns resulted in traditional stores going dark overnight. In response, ecommerce orders surged. An analysis of the shopping activity of more than 1 billion consumers worldwide underscored ecommerce's growing adoption in 2020. ecommerce revenue increased 75% year over year in the second quarter and 55% in the third quarter.

To support these online users, vendors needed to revamp their marketing, sales, and customer care departments and provide a similar level of personalized attention online as they received in store. Most embraced (73%) live chat or video as a necessary step in their omnichannel evolution, and a majority (58%) tried new approaches, such as running virtual events on platforms like Instagram Live.

CLIENTELING

How consumers shop shifted. Purchases have become much more complex than simply looking at a product design and its prices. Consumers demand information and search for trusted sources for information and guidance. The store associate becomes a key element in the transaction, and must data and technology at their fingertips to build truly meaningful and personal relationships.

AI POWERED, OMNICHANNEL RECOMMENDATIONS

Retailers collect a tremendous volume of information about consumers and their buying patterns. Artificial intelligence and machine learning help them correlate that information and provide consumers with information and upsell other related items. Amazon was one of the pioneers in this area and other retailers followed suit.



STORES' ROLE CHANGES

As technology altered traditional sales and support, stores have taken on new roles. In addition, consumers gain more control over the process and select from a number of different ordering, delivery, and servicing options. These new options have the potential to reduce retailers' reliance on their last-mile delivery network, transform stores in multi-functional assets, streamline product delivery, reduce inventory, and engage with customers in new ways.

BOPIS

BOPIS (Buy Online, Pick up In-Store) allows consumers to shop and place orders online and then pick up their purchases in the brick-and-mortar store, often on the same day. With BOPIS, the client must enter the store and therefore could be tempted to purchase additional items. The pickup location has to be clearly identified, stocked, and manned. BOPIS, sometimes referred to as 'click-and-collect,' underscores the larger multichannel shopping trend that has been gaining ground and merges previously autonomous online, in-store, and digital and mobile channels to create new customer experiences.

Customers embraced this option. In the third quarter of 2020, US retailers that had a BOPIS option experienced 76% growth compared to the prior year while those with no BOPIS option grew 47%.

CURBSIDE PICKUP

A variation on the BOPIS theme, here the consumer orders the goods online but drives to the store to receive them. Curbside pickup gained momentum when pandemic social distancing rules were put into place.

This approach requires that retail staff work outside as well inside the store. In some cases, they deliver the goods to a client's car.

ENDLESS AISLE

New sales options, such as Endless Aisle, emerged. In this case, in store customers virtually browse and order from a wide range of products that are either out of stock or not sold at this location. The items are then delivered to the store or their home for pickup.

Moving forward, retail brands will continue to feel cost pressure up and down the value chain. In-store inventory that turns over too slowly and requires expensive square-footage to hold needs to be enhanced. Endless aisle allows retailers to stock fewer sizes and color variations, while ensuring full-price sell-through. For this approach to succeed, retailers need an accurate real-time view of inventory. If customers know what is available across the enterprise, they maximize their sales opportunities.



MOBILE INTERACTIONS AND PAYMENTS

The smartphone has become a primary way that consumers not only find desired items but also pay for them.



Mobile payments are expected to increase from \$1.48 trillion in 2019 to \$12.06 trillion in 2027, according to Allied Market Research.



Traditionally, mobile wallets were used for online ordering, but increasingly, they facilitate contactless payment in stores. More than half of retailers offered contactless and low-contact choices at their store locations before the pandemic, while most others have implemented them this year. Throughout the summer of 2020, 38% of consumers reported using contactless payment methods more than before the pandemic.

WHAT HAPPENED?

When purchasing, consumers expect to interact with one cohesive entity, but retail business systems evolved in the opposite manner, autonomously. Applications were deployed for specific department functions, say a CRM system to handle customer support. Barriers among departments and inconsistencies among applications created data and system silos, leading to friction in the customer experience.

Consequently, omnichannel sales, fulfillment, and customer service represent a significant technological challenge. Legacy models created distinct fiefdoms, so retailers lacked a cohesive view of the customer during the buying process. What is needed now and moving forward are solutions that break down these walls, so transactions flow cohesively through retail systems.

Some retailers were well prepared for the changes. In 2016, Target pushed “All-In” on building omnichannel systems and added 12 million new omnichannel customers in one year. As a result, they became one of the leading ecommerce players, implemented click-and-collect same-day services, and received Net Promoter Scores over 80%, despite record demand.

Companies that were behind the curve are adopting the technology. Best Buy plans to retool its traditional brick and mortar to omnichannel fulfillment centers.



WHAT NEXT?

Movement to break down traditional system barriers was evident before the pandemic and more use of it is expected post pandemic. For instance, Notovatum forecasts that up to 50% of retail sales will be generated on e-commerce platforms within the next two years.

In addition, the role of the store is rapidly changing. By 2024, 92 million square feet of warehousing space will be needed to meet ecommerce demand. Target is well on its way to repurposing its retailspace as part of its omnichannel plans. The 1,900 stores are within 10 miles of the vast majority of the US consumers and are evolving into digital fulfillment centers. By incorporating store inventory into web assortment and fulfilling it out of stores, retailers are better able to satisfy customer's desire for fast order fulfillment and convenient shipment options. Retailers also move products and avoid aging in store inventory.



WHAT IS NEEDED NOW

To be successful, retailers must leverage rapidly evolving technology for competitive advantage. Most management teams are experts in their market niche and not in technology. Consequently, they need help sifting through their technology options and picking systems that maximize their existing systems' value.

When looking for a partner, they should seek a company with the following capabilities:

- ✔ A full-service, omnichannel business model.
- ✔ Developer of innovative rather than legacy solutions.
- ✔ Able to connect the customer, product, transaction, and service data at every touchpoint in the shopper's journey.
- ✔ Find, fulfill and service transactions based on the location of either the customer or the product.
- ✔ Integrate customer experiences and corporate data into a single seamless experience for the shopper.
- ✔ Create agile fulfillment operations capable of moving items quickly and supporting multiple pickup and delivery options.

The pandemic drove change through the retail industry in an unprecedented manner. Success today is much different than it was a year ago. In the next year, the market will dramatically morph once again. Those retailers able to deliver an integrated digital, omnichannel experience will thrive during these turbulent times.



ABOUT ICREON

Founded in 2000, Icreon has been collaborating with businesses of all sizes to make a new meaningful impact in a new age of digital maturity, resulting in more efficient and powerful brands. We help businesses define the future of their customer experiences and then develop personalized solutions for them by merging technology engineering solutions and the power of digital. These digital-first solutions not only result in commerce transactions, but also enrich our ongoing relationships with our clients.

Headquartered in New York City, Icreon's global capabilities expand across North America, Europe, and Asia. With a dedicated team of over 400 technology specialists across the globe, our team supports clients at companies such as GSK, Novartis, Jazz Pharmaceuticals, New York Road Runners, and Lincoln among others. We blend the art of digital transformation and engineering solutions to generate ROI for brands for "what comes next."

Let's Get Started