CX DECODED

How the UK's top multichannel retailers are investing to win consumer spend

RWRC BY ASCENTIAL

In association with arvato BERTELSMANN

AT A GLANCE

In 2020 the consumer changed forever, pressing retailers and brands alike into reducing their transformation strategies from years, to months, to mere weeks.

The retail industry, known for its agility, rose to the challenge.

But what does this new consumer look like? What makes them tick, what will drive them to spend, how can retailers win their loyalty in a largely subdued market and how will this shape the future of customer experience?

CX Decoded: How the UK's top multichannel retailers are investing to win consumer spend, a report produced by RWRC in association with Arvato, provides the answers.

This report looks beyond the initial changes in consumer mindset and behaviour generated by the coronavirus pandemic and instead focuses on the now prevailing longer-term trends that will come to define the market in the years that follow.

The report features five in-depth interviews with retailers that are innovating in customer experience – including Kingfisher, Hotel Chocolat, QVC, Waterstones and Seasalt – across pages five to nine.

They reveal how their customer experience strategies are changing, where they are investing and how they set KPIs and who drives them, as well as discussing the role of customer service agents in stores and contact centres, and the complementary role that automation will play in a world where the consumer has increased expectations on speed and become used to virtual customer service.

As part of this report, RWRC has also produced a ranking of the top 30 multichannel retailers in Chapter 5, compiled using data and analysis from our in-house expert analysts at Retail Week Prospect. However, the market is currently extremely changeable, so rather than the bulk of the report analysing the ranking and these retailers' performance based on financial results and the attributes they offer across each channel, this report takes learnings from the ranking but looks squarely to the future.

With retailers now ripping up the rule book to reimagine the customer journey, this report will provide a blueprint to help them develop a roadmap for true CX transformation.

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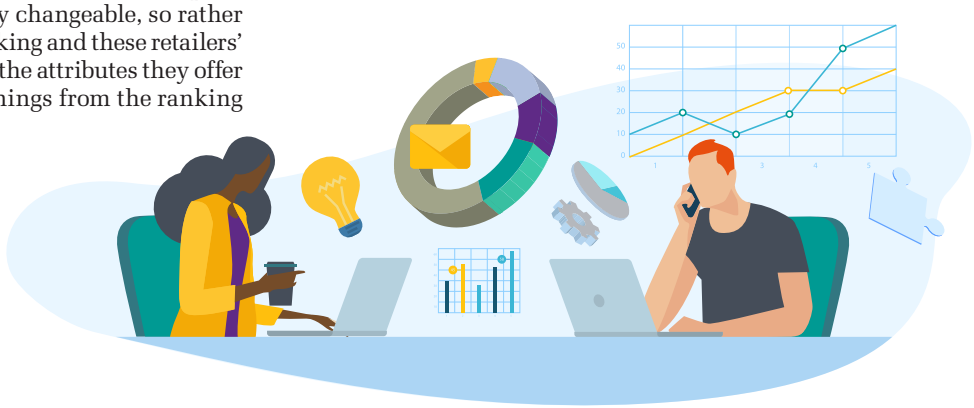

RWRC: CX DECODED

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Across the board, retailers have greater insight into customer data and therefore buying behaviours than ever before. An influx of smart technologies, including artificial intelligence (AI), and analytics, as well as multichannel engagement across apps and digitals channels such as web chat, social media and asynchronous messaging, have become enablers for retailers to collate information. This is on everything from purchasing habits to preferred store locations and favourite fashions in order to personalise the service offering. Think Amazon's ever-present 'Customers who bought this also bought…' and 'We think you might like…' prompts that never fail to draw us in.

Customer experience, positive brand engagement and, increasingly, brand loyalty have now taken on a new level of importance. The retail industry is going through a significant period of transformation. Online-only retailers have flourished and those with primarily bricks-and-mortar models have had to adapt to focus on digital sales. In May 2020, online purchases rocketed to a third of total retail sales, up from a fifth just three months before, according to the ONS.

As competition intensifies for consumer attention, customer experience has become a key differentiator. With face-to-face, in-store interactions unlikely to climb to the levels we saw at the beginning of 2020 in the short to medium term, leveraging the right data to provide a personalised, seamless, channel-agnostic experience is vital.

Platforms underpinned by data analytics and AI are already being used to collate and streamline this information. Generating a 360-degree view of every customer, as well as delivering detailed insight throughout the buying journey, this technology is helping the consumer towards a personalised, seamless buying experience. This data can be used to ensure staff can engage proactively with customers, with the required insight to deliver the right outcomes and tailored next best actions no matter where they are in their purchasing journey, whether that's seeking more detail on a product they are looking to buy or wanting to make a return.

This will reduce customer effort and help deliver increased sales conversions. AI-enabled automation underpinned by customer data can also be used to support the shift to self-serve, ensuring needs are fully addressed and reducing overall cost to serve.

This is a vital asset in delivering the outstanding, personalised customer experiences people now expect. And with consumers across every demographic seemingly set to stick with the digital ecommerce channels they have become familiar with, this presents a great opportunity to build and nurture new relationships.

This report brings together businesses from across the sector, from high-end fashion retailers to high street booksellers, to provide insight into how they are investing in attracting and retaining customers and what the future of customer experience will look like, both online and in-store. You will learn about where retailers are focusing their budgets and how you can develop a roadmap to transform your operations to provide outstanding customer experience.

I hope this report will help inform how you invest in winning more consumer spend.

> "PLATFORMS UNDERPINNED BY DATA ANALYTICS AND AI ARE ALREADY BEING USED"

ARVATO

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CHAPTER 1

THE FUTURE OF CUSTOMER EXPERIENCE

Retail Week speaks to five leaders in customer experience to find out what transformation looks like for them

In association with arvato BERTELSMANN

Sienne Veit
Group digital product & platform director, Kingfisher

Which channels are you most focused on to drive growth, and has that shifted?

Over the past few months, we have seen immense growth in our ecommerce sales as people make more of their home spaces to make them more comfortable for both living and working. So, our focus will be on ensuring that we scale our ecommerce businesses in line with our customers' preference for shopping online, and within this, on using their mobiles more and more.

However, we know our stores play an important part in our end-to-end customer journeys, especially where we offer convenient click-and-collect and deliveries from stores. Stores are at the heart of our ecommerce growth. We worked very quickly to enable safe shopping in our stores during Covid-19.

Who is driving your cross-channel CX strategy and how are they determining KPIs?

Our focus is on delivering seamless customer shopping experiences that leverage all our channels. The newly established Kingfisher customer and digital team, led by chief customer and digital officer JJ Van Oosten, is charged with coordinating and delivering activity and best practice across our distinct banners in France, the UK, Poland, Romania and Iberia.

Which technologies are you investing in to drive customer service and experience across your digital channels, and why?

Mobile is a key focus area for our ecommerce investment. Mobile is already the primary way our customers engage with us. It is the glue between online and our shops, and a key convenience driver. It is also key to how we empower our colleagues to be more efficient in our stores and to deliver great customer service, advice and help for our customers wherever they are in our stores.

What does the future of the in-store experience look like?

Because stores are at the heart of our ecommerce strategies, we are investing in both the digital and physical experience in our stores so that they can meet our customers' needs for convenience and speed, as well as inspiration, advice and service.

Our store concept team is focused on how we improve our fulfilment experience in stores by improving our Click & Collect areas, trialling parcel lockers and drive-thru collection, and improving customer self-service and access to our wider range of products from stores.

What do you see the role of the store associate or virtual customer service agent being now vs in the future, and how do you see these integrating together?

Our colleagues are the beating heart of our brands and bring these to life for our customers in our stores and contact centres. We know that our customers appreciate the expert advice and guidance, and services such as kitchen design. We see technology as an enabler to do certain tasks in a more efficient way and thus give our colleagues back time to spend with customers, so they can provide better services and experiences to them.

Looking ahead to the next five years, how do you envisage your online CX strategy changing? What kind of pressures are you already anticipating facing, and where do you see opportunities to meet those challenges and stay one step ahead?

The home improvement market has seen a huge boost in recent months and we expect our customers will be ever more demanding in their need for new and convenient products and services, speedy fulfilment and for their mobiles to be a key tool in helping inspire them and complete their DIY projects more successfully and enjoyably.

In the next five years I would expect us to be able to deliver change in an accelerated way, to use data to provide greater personalisation and for customers to be able to engage with us in new ways. That could be by voice or to more easily use their phones to 'see' products and projects in their homes and gardens – and to use advanced planning tools to calculate what they need, and video to show them how to do what they need to do step by step along the way.

We know the future is uncertain and that new ideas can come from anywhere, so it is key for us to have an agile ecommerce platform that enables us to easily integrate new capabilities and deliver change at pace.

Lysa Hardy
Board director and chief marketing officer, Hotel Chocolat

Which channels are you most focused on to drive growth, and has that shifted?

We are focused across all channels – nothing has shifted, but I would say we have accelerated our digital plan. We've seen a lot of customers shift to the channel. We were always planning on growing that channel, we're now just doing it faster. We are also still focused on growing our other channels too.

I think customers will gravitate back towards the high street, but where they were forced to 100% shop online, I don't think it will be anything like it was before. We saw this trend happening over time and this has just accelerated it by a few years. We do still believe the high street is really important as we are human beings and we want physical interaction.

Who is driving your cross-channel CX strategy and how are they determining KPIs?

That is myself and the board. We have a small leadership team, so I work closely with the CFO, the COO and the CEO, and we also set the business' KPIs. Our KPIs haven't really shifted, we are measuring the same things, but I think we are getting to a more granular level of detail, particularly in digital.

Our KPIs are a blend of sales performance, our customers' engagement with the brand, frequency of shopping, and if their baskets are bigger or smaller. We look at those within each channel, but I think the key piece is taking a macro-view across channels. So this year, for example, when our stores were closed, if we could see the same customers were instead shopping online then we were happy with that and that was a KPI.

Which technologies are you investing in to drive customer service and experience across your digital channels, and why?

We invested in a CRM system about 18 months ago and that allows us to really do that cross-multichannel piece and to look at customers rather than channel. So that was a significant investment in terms of technology and people. But we have also put in some additional investment into the ecommerce area – things like multi-variant testing and digital skills, so again not blue-skies technology but things that allow us to work to a much greater degree of granularity, and automation so we can move quicker.

What does the future of the in-store experience look like? Where will you be investing to drive CX in-store?

I believe there is still a very important role of interaction that stores play. I have seen some retailers go down the route of 'everything must be digital, even the high street', but actually I think human beings in person are vital. We've been slowly building out our drinks and ices proposition – that is something very differentiated that you can't get on our website. We are also currently remerchandising our stores to bring our brand story to life.

What do you see the role of the in-store associate or virtual customer service agent being now vs in the future, and how do you see these integrating together? To what extent do you see automation of these services coming to play a greater role?

Our employees are our brand ambassadors, but it's not a one-trick pony because if a customer wants something super-efficient, that is where automation can play a role. That can allow customers to self-serve really efficiently, so we have to offer those services. The danger is that retailers suddenly say automation is the way to do it, but the reality is that is not what every customer wants. So I think it's about the appropriate interaction at the appropriate time.

Looking ahead to the next five years, how do you envisage your online CX strategy changing?

We don't think the world is going to look completely different, just that the pace of change is going to get faster. The challenge will be how we keep pace with that and customer expectations and required skills.

Our challenge is that we have a consumable product with an expiry date on it – at Easter our Easter eggs were available in our stores rather than online where people needed them. So we need to be prepared for emerging patterns, and investment in back-end systems will be critical.

> **NOTHING HAS SHIFTED, BUT I WOULD SAY WE HAVE ACCELERATED OUR DIGITAL PLAN**

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James Keegan
VP customer service and experience, QVC International

Which channels are you most focused on to drive growth, and has that shifted?

TV is still a major focus, but digital is a huge growth channel through the website and app. Social is really strong from an engagement perspective, but increasingly that is becoming a revenue platform for us too.

Has QVC's exclusively digital/online offering shaped its CX experience and the tools and technologies you use?

Not necessarily the tools and technologies. We know we have the ability to build powerful relationships through TV. Our aspiration and challenge is to replicate those relationships that we've built through TV through our other digital platforms.

Ultimately video commerce is what we are. The more video content we can push out in those platforms, the more we connect with people through our hosts.

Who is driving your cross-channel CX strategy and how are they determining KPIs?

It goes right up to our president over in the US through to our market leader CEOs. It is now everyone's challenge, not just customer services', to be the champion of the consumer. Historically they would have been knocking down those barriers, but it is a different world now. The customer is now the centre of our guiding principles. That wouldn't have been the case five years ago.

Our KPIs are different across functions and levels. We have operational KPIs which look at contact rates, speed of answers, through to more holistic views of repeat purchase behaviour and advocacy measures.

Which technologies are you investing in to drive customer service and experience across your digital channels, and why?

Our investment is focused on self-build and our aspiration is to achieve the single view of the customer. Globally we are retiring existing and legacy platforms. We will buy [from third parties] where it makes sense, but our focus is on self-build. Those capabilities are coming on gradually. The work ongoing at this minute is about social and will be more of purchase than build.

> **THE CONTACT CENTRE FIVE YEARS AHEAD WILL BE VERY DIFFERENT. WE SHOULD BE FAR MORE PROACTIVE**

What do you see the role of the virtual customer service agent within your contact centres being now vs in the future? To what extent do you see automation of these services coming to play a greater role?

That [virtual customer service in contact centres] is definitely on the roadmap. The contact centre five years ahead will be very different. We should be far more proactive in reaching out at appropriate times. [The way to effect that] will be a contact centre that is very much around complexity and problem-solving. That is where we are tracking.

That is a very different skillset for a typical contact centre team member. However, while machine learning, AI and chatbots serve a purpose, there is a point in a journey where human-to-human contact is the best way to find resolution. So we don't believe we can automate everything, though there are some very simple transactional things that our customer would be completely comfortable in going through automation.

The legacy volume contact centre is moving away, and they will start to focus on quality rather than quantity, with all of the simple stuff [dealt with by] chatbots.

Looking ahead to the next five years, how do you envisage your online CX strategy changing? What kind of pressures are you already anticipating facing, and where do you see opportunities to meet those challenges and stay one step ahead?

It is very much about building out those digital capabilities to serve the customer what they want, when and where they want. However, if they want human-to-human contact, that will be easy too. Balancing that is the challenge. What do you serve up as self-service? Because from a cost-efficiency perspective, you want to serve up as much as you can, but you don't want to put friction in the way. Building loyalty and advocacy through customer service, we want to retain that human contact because it is more powerful than a chatbot interface.

Beccy Preece
Logistics director, Waterstones

Waterstones

Who is driving your cross-channel CX strategy and how are they determining KPIs?

Customers drive all of our CX strategies. We take insight from their feedback, which they give in a variety of ways, including social media, email and behaviours. We then use this to create our customer experience strategy, which is agreed at board level but remains high on the agendas of key departments for governance and implementation. That said, it is important to note that customer experience is driven by all departments in Waterstones.

The success of a cross-channel customer experience strategy is largely calculated by the amount of interactions we have with our customers. They determine KPIs such as the effectiveness of our marketing campaigns, website traffic, conversion rate and customer retention. Within the customer support department, we would typically look at resolution time, customer satisfaction scores and returns rates.

Which channels are you most focused on to drive growth, and has that shifted?

Specifically, for our online customers we are focusing on social channels, self-serve knowledge bases, email and live chat. The rapid shift was forced upon us to a degree as a result of Covid-19, with far more customers finding comfort in making contact via social media channels. Equally, it became clear customers were searching for answers which could have been resolved independently should we have had the right knowledge base in place. Therefore, social media and knowledge base moved up the priority list.

Looking ahead to the next five years, how do you envisage your online CX strategy changing? What kind of pressures are you already anticipating facing, and where do you see opportunities to meet those challenges and stay one step ahead?

In part, the next five years will be determined by the needs of our customers. Our strategy to date has not been to drive an omnichannel customer experience. However, I anticipate a greater need for this to become a part of our strategy, for the customer experience to become a fully seamless experience and with our shops able to provide answers to our online customers and vice versa.

Customers will continue to expect a high level of service, be that on email, message or a telephone call. However, I would also expect the market to become more competitive and those that do not take customer experience seriously will be left in a much poorer state.

What do you see the role of the virtual customer service agent at contact centres being now vs in the future?

The virtual role of customer agents is based on pre-determined factors based on the most frequently asked questions by customers. They can only do as they are programmed to do, so the answers meet some customer needs but you tend to end up in a looped scenario which can lead to frustration.

> “FUTURE VIRTUAL AGENTS SHOULD BE ABLE TO PROVIDE A MORE BESPOKE SERVICE”

Future virtual customer service agents should be able to provide a more bespoke service, for example telling the customer the status of their order. Thereby, linking up to intuitive systems to almost replicate what a live customer agent would be able to provide.

In delivery, how important is it for retailers to move towards a model whereby they have multiple partnerships to deliver on customer experience?

Customers expect delivery options unique to their circumstances and preferences. It is unlikely that a single carrier can offer all the variations, be cost-effective and best in class. While there are benefits from partnering with a single supplier, it does not come without risk.

Having a model that supports multiple carriers allows flexibility. With carriers sometimes imposing changes at the last minute, including delivery restrictions, increased rates and capacity constraints, having multiple carriers on board allows volume to be distributed differently without the risk of losing sales.

Which technologies are you investing in, or planning to invest in, to drive customer service and experience across your digital channels?

We are investing in our CRM, supply chain and internal systems.

CRM needs to provide insight, report trends, identify opportunities and monitor feedback. Supply chain processes are important – delivery delays, ordering and availability issues all impact the customer experience. Internal systems are often the areas that provide the most challenge as typically these are legacy systems built and adapted over many years.

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Will Charnley
Omnichannel director, Seasalt

SEASALT CORNWALL

Which channels are you most focused on to drive growth and has that shifted?

The rate of growth has shifted. We are more than 50% up year on year online, which is fantastic. For a clothing retailer to be in that situation, we are very fortunate.

Does that mean we have shifted focus on channels? No, because we still have a reliable store customer that wants to shop in shops. There are a group of customers that still haven't come back, so we are working out how we can engage with them even if they are not comfortable coming back.

The shop still plays an incredibly important role for us, our website is growing, we are starting to work with marketplaces – adding eBay for our outlet stock and Zalando for the European market to our existing partner Next – so the focus is meeting the customer where they are spending their time.

Who is driving your cross-channel CX strategy and how are they determining KPIs?

It is a real team sport, we have some great customer-focused leaders in the business. That includes everything from the way our product is curated and our brand point of difference, our marketing, content, customer experience, and in my world how it presents in channels.

We do have a customer experience director, Adam Cotgreave, and he knits all of that together and gives us a playback of what he is hearing from customer services through feedback. It is all of our responsibility to make sure it is thought about end-to-end.

For us the highest level KPIs with customer experience are how loyal are they and how often are they returning.

Which technologies are you investing in to drive customer service and experience across your digital channels?

It is a stressful time for everyone. A lot of people are working from home and have time pressures and a lot of people want personalised experience. So technologies where we can enable convenience and understanding where the customer is at on their journey and being able to serve up good content and relevant product recommendations are key. Things such as a really good search-and-merch tool, an easy way to pay with us, or a really clear route to fulfilment, those are the things we are focused on, and making sure our website is performing well and just really basic hygiene that allow customers to shop easily.

What does the future of the in-store experience look like?

First and foremost we believe in the store. For us, there are a couple of areas that really play well in a store. The first is communication of our brand Seasalt Cornwall, in terms of us being Cornish and the influences of Cornwall that drive us in our product and the way we present ourselves. So the way our store is set up is really important. The second is the ability to touch and feel products. When we evolve the store proposition it is about making sure it is really anchored around those points of difference.

We have been doing appointments, allowing customers to come in and have time where there is no one else on the shop floor, just them and a member of staff. Fitting rooms are shut at the moment but this allows them to use the fitting room. We are just trying to make sure the experience is safe and enjoyable. Beyond that it is starting to evolve that store experience in relation to any other footprint that customer has with us. So if we know they shopped on the website, we know the kinds of things that they liked, can we curate that experience around the product they gravitate to?

What do you see the role of the in-store associate or virtual customer service agent in contact centres being now versus the future?

Our customer likes a human voice and that sense that they are talking to Cornwall when they call. They will often ask us what the weather is doing or have we been to the beach. That level of interaction for our customer is extremely important. So when we talk about automation, I think that works for transactional enquiries such as someone who wants to ask where is my order or where my return is. But our nuance is around community and inclusivity and therefore we can't just automate a bunch of stuff.

We do have live chat that enables our customer service team to have that dialogue if that is how the customer wants to engage with us. We are layering more service propositions on to our business and the more we do that, the more qualified and dynamic our customer service agents have to be.

Looking ahead to the next five years, how do you envisage your online CX strategy changing?

For us it is international growth. How do we become relevant to local markets. We are launching our international site in October.

I think the other piece is convenience and the battleground around same-day delivery and speed to fulfillment.

Then I think having that seamless channel interplay whether the customer has seen you in social, whether they have seen you in an email, in-store, that we are serving them up with really good content and making it easy for them to shop with us.

CHAPTER 2

THE AGE OF ECOMMERCE

The coronavirus pandemic may one day be pinpointed as the period when ecommerce came of age. Online sales that were on a steady, albeit unspectacular, upward trajectory before the pandemic have surged further and faster than even the most bullish commentator could have thought possible.

The proportion of retail spending online hit a record high of 33.3% in May, according to the ONS, up from the 20% recorded in February – the month before the closure of non-essential retailers.

A recent PwC article on the return of retail noted: "The last recession saw a flight to value and buying clever. This time, we've seen online penetration increase in areas that historically had poor penetration, such as grocery and health and wellbeing."

KPMG's 2020 UK Customer Experience Excellence research found that 58% of people have changed their channel of interaction and become multimodal during the pandemic, with 80% intending to stay with the new channels they have become familiar with.

All of this evidence points to ecommerce remaining ascendant.

Fit for purpose

In this context, customer experience in the digital space will become even more critical to determining which retailers emerge from the pandemic fit for the future.

Data insights will play an integral role in painting a 360-degree view of the consumer, from who they are, to how they shop, when and across which channels and what they like to buy.

Innovations such as virtual selling, whereby a store associate appears via video call, mobile payments, contactless collection, augmented reality and delivery are all trends that will persist.

And retail contact centres are also transforming. Aided by advances in technology and particularly in automation

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in the form of artificial intelligence and chatbots to answer simple queries, and data analytics and insight to enable human customer service agents to do their job better, they provide retailers with the opportunity to really excel.

To do so, retailers must not only have that aforementioned 360-degree view of the customer, but also be able to serve them in a channel-agnostic fashion, with agents digitally enabled to carry the customer journey across multiple platforms from social channels through to the retail website, face to face and on the phone.

This does, however, mean more customers engaging with retailers in this way, so in-depth product and service training will be essential if customer service agents are to provide the immersive brand experiences that will help set them apart.

Meanwhile, AI-enabled chatbots and voicebots will drive efficiencies by allowing retailers to automate simple customer service requests, freeing human agents to spend their time on more valuable interactions. Behavioural analytics will be used to track customer behaviour online and provide targeted support on ecommerce platforms.

Rapid transformation

The implications of the migration online have been huge, with businesses having to fast-track structural changes that were already in motion before Covid-19. Retailers with legacy store estates have had to pivot at lightning speed to fulfil unprecedented levels of online demand.

Tesco sales grew 9% in the first quarter of 2020, driven by a 49% leap in online revenues, which hit a peak of 90% growth in the 13 weeks to May. In response, the supermarket invested in more than doubling the capacity of its online delivery service – from 600,000 to 1.3 million slots – over a five-week period.

Kingfisher's group digital product and platform director, Sienne Veit, reports seeing "immense growth in our ecommerce sales" (see Chapter 1) to support the increase in home DIY projects. Like many retailers, scaling its ecommerce operation, and in particular its mobile capabilities, is seen as integral to Kingfisher's strategy.

John Lewis now expects to generate 60% of its sales online, up from 40% before the pandemic, and forecasts that penetration of online sales at Waitrose will rise above 20%, from 5% currently. The retailer plans to double down on making shopping easier across both its brands by investing in availability in store and online, and improving usability and personalisation of its apps and websites, whereby a 360-degree view of its customers will enable tailoring of their experiences across channels and allow it to offer more relevant loyalty rewards.

It will also develop online personal services, such as virtual nursery appointments (through which expectant parents can discuss products and design with advisors virtually) and home design advice, and plans to extend convenient pick-up and delivery solutions. For example, Waitrose plans to open a third online fulfilment centre in Greenford, west London, to specifically service delivery slots for customers in the capital, while it has trebled the size of its Rapid two-hour service to specifically support deliveries for customers in the capital.

Dixons Carphone used the period to accelerate its digital operations and build its online market share, while also leveraging the strengths of its in-store expertise. Chief executive Alex Baldock told Retail Week: "We've done what we said we were going to do, which is to improve the range and make it easier to buy online, whether it's better search and recommendations, checkouts or site speed, as well as making it easier for [customers] to get a hold of their products once they've ordered."

Marks & Spencer chief executive Steve Rowe is another senior leader to acknowledge that the trend towards digital has been accelerated. M&S was already going through a series of structural changes to the basic infrastructure of the business, including closing 54 of its legacy stores. Moving forward, digital has moved to the forefront of planning and will be consolidated under a single transformation team, bringing together data, online development and technology.

RETAIL SPENDING ONLINE HIT A RECORD HIGH OF

In August, Argos announced the symbolic decision to stop printing its famous paper catalogue after 47 years as part of a definitive shift to online. In recent years, the retailer has emerged as a digital leader in customer experience, launching features such as voice and visual search and investing heavily in building capabilities that give customers more information on product availability and more control over delivery times to reduce customer effort.

CX front-and-centre

The determination among the top 30 retailers (see table, page 17) to make customer experience a major strategic focus shows how central they see it to future success. What has changed, however, is the shape of what a great experience looks like. While fundamentals such as price, product and service remain important, other factors such as safety, efficiency and integrity have come to the fore.

KPMG describes the rapid evolution of the customer that has occurred in a matter of months. "There has been a global psychological shift in values, beliefs and needs. Existing trends have been accelerated and new ones introduced. Customers feel more vulnerable, insecure and less in control than ever before." It adds that values have evolved, with consumers demanding brands put integrity and purpose before profit, and that this has become fundamental to businesses.

Retailers, as a consequence, are faced with two imperatives: to rapidly ramp up their ecommerce and multichannel capabilities, while delivering the kind of authentic, purposeful, seamless experience that helps sustain customers' trust in the brand.

CHAPTER 3

DELIVERING ON EXPERIENCE

Delivery has long been a key battleground in retail. Often it is the last touchpoint a consumer has with a retailer and one that makes, and leaves, the biggest impression.

During 2020 swathes of consumers who previously would have predominantly bought in-store were forced to shop online – Research from IGD found 13% of all shoppers had their first grocery ecommerce experience during the first half of the year, for example.

This new, digitally literate consumer base is likely to continue spending online in the future, so this means big things for the retail sector, delivery volumes and customer service expectations.

In its 2020 customer experience report, KPMG notes how Covid-19 reset how we view time. "Described by some as an infinite present, it means we are looking for an order today, receive today (ideally) but at a minimum, receive tomorrow," it stated.

While some retailers took the decision to temper delivery promises at the peak of lockdown – Asos, for instance, removed next-day delivery in order to manage operational capacity – others launched new delivery offensives. Amazon, most notably, introduced free grocery deliveries within a two-hour window for its Prime members on all Amazon Fresh orders over £40.

Retailers that lack Amazon's logistics infrastructure have sought to partner with third parties to offer customers speedier, more convenient delivery options. M&S launched grocery delivery on the Deliveroo app in late March, while in July, Asda unveiled a new trial home delivery partnership with Uber Eats that offers customers in Birmingham and Leeds delivery of a selection of grocery essentials in as little as 30 minutes.

This is part of a wider trend towards true partnerships, whereby retailers work alongside a diverse network of supporting partners to deliver on their customer experience promise. This can extend from carriers through to technology providers and customer support as retailers look to service an online customer base that is growing exponentially.

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13%

HAD THEIR FIRST GROCERY ECOMMERCE DELIVERY IN LOCKDOWN

However, the pressure will be on to ensure a seamless and effortless customer journey. So any widened network of partners will require investment in data to ensure each has the 360-degree view of the customer, and of what each other is doing, to deliver on expectations and reduce customer effort.

Investment in the future

Consumers are also now willing to embrace machine technology as a way of getting essential supplies delivered quickly to their doors. In June, the Co-op expanded its robot delivery service in and around Milton Keynes to meet increased customer demand. The retailer said the number of customers using hyper-local robot deliveries in Milton Keynes and Buckinghamshire had more than doubled since the start of the UK's coronavirus lockdown, and transaction values had increased four-fold. And with consumers becoming more familiar with this convenient and accessible way of delivery, it is likely we will see a great deal more of this in the UK market.

In addition to home delivery, 2020 also witnessed a rise in click-and-collect services as a way of providing consumers with a safe way of collecting goods that doesn't require them to stay in stores for too long.

In July, John Lewis announced it was extending its click-and-collect delivery and returns partnership with the Co-op to make the service available in more than 500 Co-op stores before the end of the summer. The retailer said the extension of the service was part of its plans "to invest in digital capabilities and collaborations which make the shopping experience even more convenient for customers".

Click-and-collect services were already popular, and growing accessibility will lead to an equally growing appetite among consumers. But retailers haven't stopped there, with innovations coming to the UK market.

Other retailers are looking to leverage underutilised store assets by offering drive-thru collection options. A Currys PC World initiative allows customers to drive to stores with dedicated parking and pay for and pick up the products they want to buy without having to leave their car. Kingfisher also says it is looking at drive-thru collection as well as trialling parcel lockers as part of a range of improvements to customer self-service.

The Entertainer, meanwhile, has launched a 'ready in 10' service, which enables queueing shoppers to make an order from their phone that can then be collected from the shop within 10 minutes.

The use of stores as local fulfilment centres is also set to increase. Prior to reopening some of its branches in late May 2020, Halfords turned 335 of its 446 shops into 'dark stores', allowing customers to place orders with staff at the entrance but prohibiting them from entering the store itself.

All these innovations require investment in technology, infrastructure and people to support their execution, or risk leaving customers disappointed with the experience.

Data will determine success

With network complexity set to increase, retailers will need to improve their analytical capabilities to ensure effective decision-making and strong execution. To this end, predictive technologies such as AI or machine learning can help deliver the real-time visibility of products, people and customer activity that will give retailers and their partners operational control.

Contactless collection and delivery is set to emerge as a key trend as retailers attempt to make their propositions ever-more convenient to customers.

Research by Retail Week found 19% of consumers would like to see more retailers offer contactless delivery as standard, with the figure rising to 21% for drop-off returns.

While leaving parcels unsigned-for on doorsteps increases the risk of error, future technologies such as biometric security – whereby a delivery driver can send a customer a unique digital ID and get them to confirm who they are using the app – promise to speed up the delivery process and provide convenience and traceability to customers.

Post-purchase communications, and even during the delivery process from the moment the customer checks out, are an arguably untapped opportunity area for retailers with varying degrees of success in achieving a truly on-brand experience.

As a result of the increase in online deliveries, this will become critical to service enquiries about delivery options, parcel tracking, returns and complaints. Customer contact centres will come to play an even more central role, where complex enquires are serviced by humans, who will be supported by AI customer service chatbots informed by 360-degree-view data that automate the volume of simpler transactional enquiries.

Getting these contacts right and making sure they are personalised to each customer is vital to reducing their effort and ensuring they have a positive experience – even if this means agents proactively reaching out when things don't go to plan.

CHAPTER 4

THE FUTURE OF THE IN-STORE EXPERIENCE

In 2020 the changes to the in-store experience have arguably been the most profound, and look likely to be in place for quite some time.

After years of investment in in-store theatre and services in order to increase dwell time and maintain relevance, retailers have been forced into reimagining the entire store experience to put safety – both of employees and customers – at its heart.

Two unifying themes have emerged: the desire to provide high-quality experiences within safety confines, and the leveraging of store assets, people and technologies in ways tailored to social distancing and lower footfall.

Virtual service to the fore

In particular, virtual services that replicate the in-store experience in a digital setting and make full use of the skills of store associates have been introduced by leading retailers.

In July, John Lewis launched a virtual personal shopping service using online conferencing tool Zoom. The service, available in its Southampton store and at Peter Jones in London, enables customers to book a free 30-minute appointment and be shown around departments on video by an in-store adviser.

Items can be ordered and sent to customers' homes, or picked up via click-and-collect. The aim is to utilise store space while making use of the specialist advice and standards of service the business is renowned for. Other virtual services on offer include home interiors and personal styling advice, and virtual classes such as wine tasting and skincare, as well as augmented reality to demonstrate products within the customer's home environment. Dulux, for example, has an app that allows shoppers to virtually try its colour ranges on their walls.

A similar concept has been launched by Dixons Carphone, whose ShopLive service allows Currys PC World customers to chat to staff in-store using a video link to get advice and see demonstrations of the products

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they are interested in from the comfort of their own homes. Initially launching with 30 participating colleagues, ShopLive was rapidly scaled up to have 280 experts on hand to talk to customers online, with plans for further growth in the future.

In fact, Currys PC World was already exploring live video chat before 2020. Last year, it partnered with tech supplier Go In Store and electricals supplier HP on a pilot, which gave shoppers browsing HP products on the Currys PC World website the option to start a one-way live video feed of a member of staff in-store, who could showcase the product they were researching and answer questions via a headset. This is in addition to the efforts by many retailers in recent years to offer the endless aisle, with in-store technology in the form of kiosks or iPads offering their full ecommerce range, along with digital assistants to provide support.

But this trend extends beyond virtual appointments with store associates, with contact centres also set to play a central role in this new world where remote service comes to the fore (see Chapter 2). These agents will be trained to provide the kind of immersive experience that customers have come to expect in stores, armed with a data-enabled, 360-degree view of the customer that allows them to provide a truly personalised service.

The role of mobile

Mobile technology in stores has also seen a step-change in adoption. Order and Pay apps are already becoming ubiquitous in pubs and restaurants, and their retail equivalents are rapidly gaining traction too.

Sainsbury's SmartShop tool, which allows shoppers to scan groceries as they go and then checkout through the app, comprised 37% of average store sales in the first quarter ending 27 June 2020, and exceeded 50% in some stores.

Trend forecaster WGSN has predicted more consumers will adopt the habit of using personal devices for making transactions. In July, M&S reported it had tripled its Mobile Pay Go network from 100 to 310 stores, meaning more customers across the UK can pay for groceries up to the value of £30 without visiting a till, using the M&S app on their smartphone.

Marks & Spencer is similarly putting mobile at the heart of its loyalty proposition. In July, the retailer announced the relaunch of Sparks as a digital-first loyalty scheme, offering a more personalised customer experience with instant rewards. The new scheme will be hosted through an updated M&S App with all the features of the relaunched scheme fully integrated online. New members can download their Sparks card via the app straight to their phone or stored to their M&S online account. M&S chief digital and data officer Jeremy Pee says a digital-first approach to loyalty "builds our relationship with customers through a more personalised experience".

37%

OF SAINSBURY'S STORE SALES WERE VIA SMARTSHOP SCANNING TOOL

"Through capturing and analysing data across the customer journey and touchpoints, retailers are able to proactively provide insight-led support and offers to reduce customer effort, and improve the customer experience and loyalty," says David Morton sales and solutions director, Arvato CRM Solutions UK.

Customer counting, which is necessary to limit the number of people in-store at any time, is another area where technology has the potential to carry out repetitive, mundane work and free up store associates to focus on more productive tasks. Tech firms such as Philips, xplace and Alphabird have developed AI sensors that detect the number of customers walking through a shop's doors and display that information on a digital sign outside. Using a traffic-light system, queueing customers will be able to see how many people are currently inside and make an informed decision about whether they would like to enter, or if they are permitted to.

Asda, meanwhile, has begun trialling a "virtual queueing" system where the customer joins a queue using their phone and remains in their car until it is their turn to shop.

CHAPTER 5

THE RETAIL WEEK PROSPECT VIEW: THE TOP 30 MULTICHANNEL RETAILERS

By Eleanor Smith, analyst, Retail Week Prospect – Retail Week's in-house expert retail analysis team

The UK retailers leading the pack will come as no surprise. Those who have soared in this ranking all have growth strategies underpinned by customer experience initiatives, which in turn are supported by comprehensive and seamless multichannel offerings.

But the appearances of the likes of Screwfix, Lakeland and JD Sports are arguably more unexpected. While not traditionally thought of as customer experience leaders, these retailers have worked tirelessly to improve the lives of their respective customer bases through measures such as channel-agnostic loyalty schemes and in-store technologies such as smartphone scan and pay.

The development of multichannel propositions, such as same-day collection, and a deep dive into its customer-facing procedures, have even seen Screwfix pick up three Retail Week Awards: Customer Experience Initiative of the Year for 2016, as well as Digital Pioneer and Best Retailer Over £250m in 2018. But while multichannel capabilities are vital, they are not the be-all and end-all.

Investing in customer experience, not merely for the sake of iterative improvements but to make drastic advances in usability for the end customer, is a willingness shared by the cream-of-the-crop retailers. And Dixons Carphone, which operates the Currys PC World and Carphone Warehouse brands in the UK, is one name that hasn't shied away from multichannel transformation. The electronics specialist released its first transactional app in late 2019, before fleshing it out with AI-powered recommendations, and has heavily promoted its Collect in Store product reservation service, which now accounts for 33% of its online sales. It also launched its ShopLive service for Currys PC World customers in April, virtually connecting them with in-store sales associates.

Topping the list is generalist and now former catalogue retailer Argos, with its stablemate grocer Sainsbury's at the lower end of the top 10. Having scooped up many accolades over the years, including at the Retail Week Awards, Argos is arguably paradigmatic of the ultimate multichannel retailer, having been at the forefront of this model since its merger with Sainsbury's in 2016.

Approximately 60% of all purchases are made online, and at least 90% of purchases made at Argos involve a store, a staggeringly high level that is no doubt due to the strength and awareness of its collect-in-store offering. The retailer's Fast Track service provides customers with near-instantaneous in-store collection or same-day delivery.

Alongside this, Argos has experimented with burgeoning technologies, such as voice shopping, made possible through the culture of innovation fostered at its UK tech hubs. And it wasted no time in seeking out synergies with Sainsbury's, leading to the opening of complementary small-format Argos Digital presences within the supermarkets.

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The UK's top 30 multichannel retailers

1	Argos
2	John Lewis
3	Dixons Carphone
4	Next
5	Screwfix
6	Marks & Spencer
7	Sainsbury's
8	Tesco
9	Asda
10	Lakeland
11	The White Company
12	Burberry
13	Kurt Geiger
14	Amazon
15	Jessops
16	JD Sports
17	Waitrose
18	The Entertainer
19	River Island
20	Halfords
21	Urban Outfitters
22	Ikea
23	Yours Clothing
24	Hobbs
25	Space NK
26	Boots
27	French Connection
28	Ted Baker
29	Reiss
30	Mint Velvet

METHODOLOGY

The analysis within this report has been compiled by Retail Week Prospect, an intelligence service offering insight and analysis on the UK retail scene.

Retail Week Prospect has developed a scoring system to determine the UK's top 30 multichannel retailers. The UK's top 200 retailers were under consideration.

Our calculations take into account the proportion of sales generated through the online channel, as well as a range of factors such as delivery, in-store and online services, and single view of stock.

The ranking is based on financial data from 2018, the last financial period all of the retailers featured have released accounts for, and propositional data up to December 2019.

CHAPTER 6

SUMMARY: WHAT THIS MEANS FOR YOU

Clearly, there have been profound changes to the way in which consumers live and shop. So what does this mean for the future of retail?

First, and most obviously, that experience is increasingly going to take place online. Alex Baldock told Retail Week that Dixons Carphone expects the shift online it has seen in many of its customers to continue. "We do think this forced digital-first immersion that many have felt, whether it's video conferencing or telemedicine or online shopping, will continue, and we expect these to all become enduring trends," he said.

In the same way that many people have turned to conferencing apps such as Zoom and Houseparty to stay connected during lockdown, features such as ShopLive promise to provide the kind of personal shopping experience that many customers will still crave while social-distancing requirements persist. In fact, this trend has highlighted the expertise of retail staff and customer service agents when it comes to product knowledge, and this is likely to develop over the coming years.

Events that previously attracted people into stores will also increasingly be recreated online. Innovative companies are investing in creating branded livestream shopping events to drive sales and generate a buzz around a brand. Social media platforms will be integral here, as retailers and brands look to leverage and grow their social communities and generate buzz around new launches and events.

Writing for Retail Week in May, Justin Sablich, editor at global innovation expert Springwise, highlighted how "live-streaming has allowed brands to shift sales online, promote new products and even host multi-day events". Sablich gave the examples of the Chinese phone manufacturer Xiaomi, which streamed a 72-hour product launch, and fashion brand Lanvin in Paris, which utilised virtual-reality (VR) and streaming technologies to put on a cloud fashion show.

Underpinning all of this will be technology investment, enabling retailers to deliver on this promise through greater data insight and automated processes that allow them to focus their human agents' efforts on the areas that drive the most value and require the most creative input.

Experience remains key

Experiential retail, which was so much a focus from the past five years, will not

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disappear but will need to evolve to maintain its relevance.

In July, Burberry and Chinese technology giant Tencent announced their collaboration on a new concept store in China, which is described as a "social retail" experience. A dedicated WeChat mini-program has been created to help customers experience the store's 10 unique rooms physically or digitally. Each room is designed to have its own personality and offer a different interactive experience. Shoppers can use the WeChat program to access features such as store tours and product information or to book in-store appointments, event tickets and tables at the in-store cafe.

The blurring of lines between physical and digital will also require retailers to display operational agility, flexibility and scalability.

Writing for Retail Week in August, B&Q owner Kingfisher's chief executive, Thierry Garnier, explained how the DIY group built at speed a new system that enabled store associates to pick online orders straight from B&Q shop shelves and offered drive-thru, installing hundreds of contactless click-and-collect sites. It also started to offer more home delivery direct from stores rather than using fulfilment centres. "In a matter of days, we reconfigured our model to meet online demand in a way that would simply not have been feasible a few weeks earlier," Garnier wrote.

Stores reimagined

A reduced need for store space, combined with growing demand for fast, flexible delivery means stores are set to play an increasingly key role in future fulfilment.

Rather than fulfil orders from centralised or regional distribution centres, some of the most nimble and progressive brands are using stores to provide hyper-local delivery options, in some cases opening new neighbourhood stores specifically for the purpose. Hema, the rapidly growing chain of grocery stores in China owned by Alibaba, has opened a series of 1,000 sq m stores that can process 10,000 orders a day, using hundreds of delivery mopeds that can deliver within 30 minutes of an order being placed.

And what of the store experience itself? For many multichannel retailers, stores remain a key part of their future customer proposition, albeit reimagined to meet the changing demands of shoppers. In May, Next revealed it had signed flexible leases on five stores that Debenhams is exiting for the launch of a new beauty store concept. Next chair Lord Wolfson explained the move as "bringing our online business to life through premium store environments in some of the UK's most important retail locations".

Significantly, Next said it intends to hire "experienced staff with proven premium beauty retail experience". This suggests that while technology, in the form of mobile payments, customer service chatbots and the like, is taking over certain functional aspects of the customer service proposition, human contact and expertise will remain central to the overall brand experience. The key for retailers will be to deliver a consistent experience across a range of contact channels and touchpoints that increasingly includes a variety of social media platforms and virtual AI assistants, such as Amazon's Alexa and Google Assistant.

"Through removing the simpler transaction queries through automation, and through providing a 360-degree view of the customer and insight-led next best actions, human customer service agents will be empowered to deliver a more proactive customer experience and reduced customer effort," says David Morton sales and solutions director, Arvato CRM Solutions UK.

In-store technology will, of course, continue to evolve, driven by pioneers such as Amazon. It was recently reported that the etail giant intends to launch as many as 30 Amazon Go cashierless convenience stores in the UK as it ramps up its multichannel capabilities. In California, meanwhile, Amazon plans to introduce a new trolley, known as a Dash Cart, which uses cameras and sensors to track goods, and charges for them when bags are removed, enabling customers to do a larger shop and then leave without queueing.

Ultimately, the future of customer experience is about being in the places people want to shop in a way that is safe, efficient and secure but that also excites and inspires.

Personalisation will also be critical across channels to help retailers stand out in a crowded market, with retailers aspiring for the single customer view, as detailed by QVC in Chapter 1.

Retailers now have the opportunity to reshape the entire customer experience they offer to be more suited to a digitally connected world.

By ensuring they have a transformation roadmap in place they can reap the benefits of increasing sales, loyalty and quality of service.

> **In a matter of days, we reconfigured our model to meet online demand in a way that would simply not have been feasible a few weeks earlier**
>
> **Thierry Garnier, B&Q owner Kingfisher's chief executive**

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