

Using
Digital
Solutions to
Enhance
the
Customer
Experience

LoyaltyOne®

CANADIAN
MARKETING
ASSOCIATION

CMA



In an increasingly omni-channel world, consumers crave information, and the digital technology that helps them make more informed purchase decisions. Now they expect their favourite brands to follow suit and adopt solutions that will deliver a more intimate, engaging shopping experience. Retailers have been slow to respond to this trend and by doing so are missing opportunities to engage with consumers earlier in their path to purchase.

Consumers expect the same level of interactive experiences in-store as they get online. Retailers that are bold enough to embrace new retail technologies – and leverage the incoming data required to relevantly engage their target audience – will be the big winners in the coming years.

The Customer Is Ready

An increasingly evolving omni-channel business model is changing the pace of retail in a number of ways. Besides breaking down the walls between traditional retail channels, and bringing digital influences down to store-level, omni-channel retailing is also creating a “connected shopper.” Driven by their reliance on digital solutions, these connected consumers depend on technology to streamline their path to purchase, and gain more control over their shopping experience.

Specifically, the industry’s constant journey toward the Holy Grail, a seamless “all-channel” shopping experience – one that can break down the walls between business channels and deliver a seamless, consistent, engaging enterprise-wide shopping experience – was driven by the consumer’s adoption of smart phones. Devices that enable shoppers to connect with their favourite brands directly from the palm of their hands, smart phones are the catalyst driving engagement in an

omni-channel world. And adoption shows no sign of slowing. In fact, 85% of shoppers currently own a smart phone or tablet device, and 62% have used their mobile device specifically to support their in store shopping experience, according to the Mobile Driven Shopper study conducted by LoyaltyOne in partnership with the CMA.

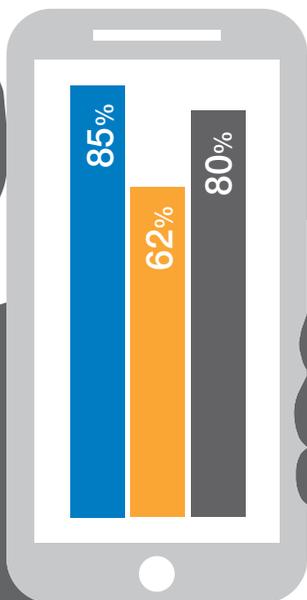
Shoppers are eager to use their personal smart devices to intimately connect with their favourite brands. If retailers are ready to exploit this technology, they will gain a plethora of new mobile-based avenues to personally interact with their most valued shoppers. From beacons and geo-fencing to dedicated apps and mobile payment options, retailers can not only intimately connect with shoppers, but also drive the omni-channel experience to the next level. And there is no doubt that consumers are reaching for these services through their smart devices.

The biggest priorities among shoppers include tailored offers based on their preferences and purchase history while near or in a retailer location (44% of survey respondents); rewards relevant to their location (62%); mobile alerts, such as notification of a sale, relevant to their location (56%) and product offers relevant to their location (53%), according to primary research data.

These mobile services are such strong influencers on conversion rates and purchase decisions that 45% of in-store mobile users were led to make an immediate in-store purchase. Meanwhile, 80% of all millennial smart phone or tablet owners have used their device to assist the shopping experience, according to primary research data.

Now it is up to the retailer to learn how to use these smart devices as a conduit to intimately connect with their most loyal shoppers to deliver personalized offers and relevant content, create a seamless experience across all channels, and build long-term relationships that drive revenue.

- Shoppers who currently own a smart phone or tablet device
- Shoppers who have used their mobile device specifically to support their in-store shopping experience
- Millennial smart phone or tablet owners who have used their device to assist the shopping experience



Shoppers Advance, While Retailers Remain Gun-Shy

As shoppers grow more empowered by digital technology, it is important to provide a seamless shopping experience throughout a shopper's myriad of paths to purchase. It's an issue that keeps retailers in the hot seat to embrace this digital catalyst, and deliver an elevated level of customer service and drive sales.

Thankfully, store technology budgets are on the upswing, growing from 23% of total IT budget in 2014 to 28% in 2017, according to the *State of the Industry Research Series Q4 2014: 2nd Annual Stores Benchmark* a report from Edgell Knowledge Network, putting retailers in a strong position to invest in the solutions needed to support customer engagement.

Even among rising resources and their spoken intentions, retailers industry-wide remain slow to execute digitally driven omni-channel retailing strategies. For example, only one quarter (25%) of North American retailers have implemented near-field

communications (NFC), which is a building block to supporting mobile payments, according to *RIS Retail Tech Study; Gartner – March/April 2015*.

Meanwhile, just under one-third (29%) of companies have implemented shopper-tracking capabilities via beacons and geo-fencing; and only 19% have added location-based marketing and communications, the study said.

Clearly, there are reasons for slow adoption. Some companies (62%) remain challenged by how to identify the right blend of customer engagement strategies or tools, according to a report from Boston Retail Partners. Meanwhile, other companies may be gun-shy due to the high initial investment of capital required to get in on the in-store customer intimacy game.

Regardless of their rationale, every day a brand “waits on the sidelines,” it is losing the chance to personally connect with its shoppers – a factor that can make or break a retailer in an increasingly high-touch marketplace. As the omni-channel business model expands, consumer intimacy is the key to a success – and consumers truly crave this intimacy.

To date, 78% of all base respondents agree that technology makes life better, primary research data revealed. Now it is time for retailers to respond. More to the point, it is time for retailers to create a game plan and learn how to leverage technology – and the new data sources they create – to connect with their most valuable shoppers.

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49%

have implemented digital signage displays (augmented reality)

29%

of companies have implemented shopper-tracking capabilities via beacons and geo-fencing

19%

of companies have added location-based marketing and communications



Turning the Tide

Retailers are evaluating the opportunities available by adopting digital solutions across their omni-channel strategies. As more companies validate a strong business case and return on investment (ROI) among these digital solutions, slowly but surely – such customer-facing digital solutions, such as next-generation point-of-sale (POS) systems that create an all-encompassing store-level omni-channel hub, Web-based touch-screen kiosks, and digital signage – are finding their way onto the sales floor. However, as Canadian retailers bear witness to their consumers' preference to connect with them through more mobile services, the writing is on the wall: retail brands must begin creating a mobile strategy to connect with their omni-channel shoppers.

Among the most-preferred mobile functionality shoppers crave are:

1. Customer-Facing Mobile Apps.

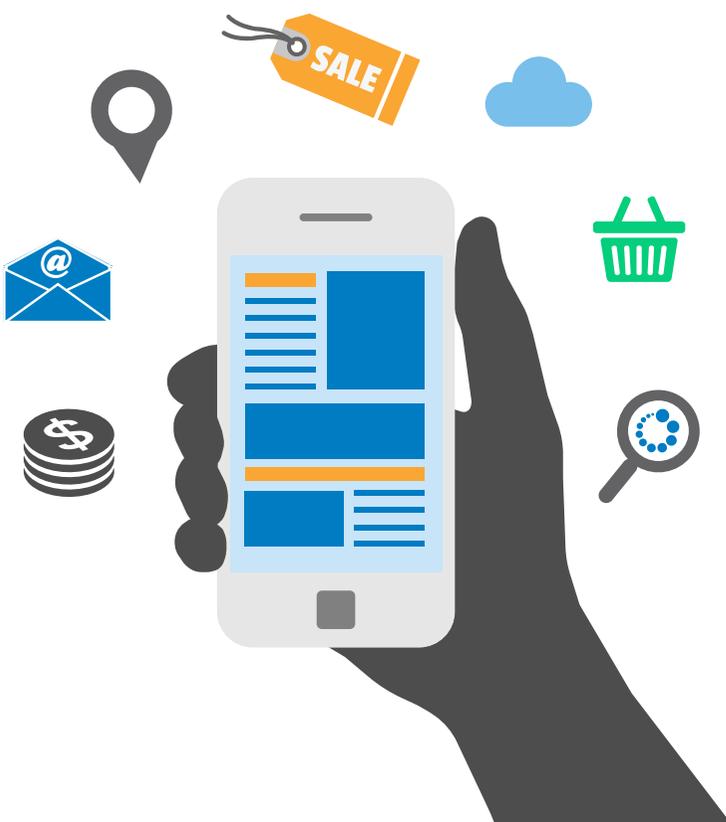
A smart device is only as effective as its functionality. As consumer devices become more flexible, shoppers

continually rely on their smart technology to research products, compare prices, complete purchases online, and pay for in-store purchases, as summarized in “Mobile Technology – Transforming the Customer Experience,” a report from Boston Retail Partners.

Now consumers are demanding that retailers follow suit and learn how to use these devices' functionality to drive value and customer engagement. Specifically, they want apps that deliver a plethora of opportunities to services, including the ability to place merchandise orders, locate stores, manage loyalty accounts, and receive and redeem personalized digital promotions.

In response, a number of brands are launching their own apps in hopes of standing out among the competition. For example, shoppers adopting the Loblaw's PC Plus App are gaining more value during shopping trips. Not only does it reward users based on their regular food purchases, it also provides the convenience of not having to carry physical credit cards; receiving, storing and using relevant offers based on purchase history; even recipes and shopping lists. It is one example of how to deliver value beyond supporting standard shopping transactions.

These types of services also illustrate how mobile apps can be a one-to-one communications tool that enables shoppers to communicate with their favourite brands in real-time, whether redeeming personalized discounts or collecting incentives based on personal shopping experiences. In 2014 alone, apps accounted for 42% of the year's mobile sales, according to *2015 State of Mobile Retailing Online*, a report from Shop.org and Forrester Research.





2. A Mobile-Driven Workforce.

With consumers entering a store with so much more knowledge than the store associate, brands are at a disadvantage when it comes to engaging a highly educated shopper, as well as converting this shopper into a long-term consumer. By arming associates with their own Web-based smart devices, store associates gain real-time access to customer profiles and loyalty data, without ever leaving the shopper's side. Overall, the technology is mission-critical in empowering the store associate, and enabling them to engage shoppers on an intimate level. This level of service can go a long way towards combating the negative effects of showrooming and lead to higher conversion rates at brick and mortar locations. More retailers are beginning to realize this, with 71% currently investing in mobile application strategies to support their workforces, according to a study from *RIS News*.

3. The Mobile Point-of-Sale (POS).

As customer engagement becomes a priority to drive loyalty, and thus revenue, mobile POS is becoming a key way to connect with the shopper throughout the store-level shopping experience. Augmenting a traditional POS experience, retailers are adopting mobile configurations that enable

associates to use smart phone or tablet devices to tender a transaction; process digital coupons; do assisted selling and clientele-ing, as well as help shoppers order out-of-stock merchandise. In fact, according to the *RIS Retail Tech Study*, 53% of retailers have invested or plan to invest in a mobile POS system.

Some retailers are even taking this one step further, putting devices into the hands of shoppers, enabling them to navigate their own shopping experience. Stop & Shop, a division of Ahold, for example, features its SCAN IT! handheld self-checkout system. Shoppers retrieve the proprietary device with the swipe of their loyalty card, and then use the device to scan item barcodes and immediately bag groceries as they are placed into the shopping cart. The device also delivers personalized offers based on the user's shopping history, and coordinates promotions as shoppers enter specific aisles.

4. Geo-Location and Beacon Technology.

The key to an omni-channel engagement strategy is to deliver individual personalized service. By leveraging smart devices' integrated geo-location technology, these personal connections are attainable. And as marketers know where consumers are and when they are at the store, they learn to get more specific with their outreach and better target messages.

By adopting geo-location services, retailers can track shoppers as they move throughout a specific store-level category, aisle or department. One of the keys to a geo-location strategy is the connection of beacon technology. Similar in functionality to a traditional global positioning system (GPS), beacons can streamline the delivery of targeted promotions and other guided-selling tools that can

direct shoppers to specific aisles, merchandise and discounts.

By the same token, however, consumers expect relevance if they are willing to share their specific location. For example, the customer data being collected by marketers must be utilized in an actionable way on behalf of the consumer. Sending them details about a product that is not in the vicinity or a discount out of context to their time and place will only be considered more noise in an already cluttered medium.

If shoppers are willing to connect with brands via smart phone, marketers must be mindful to keep notifications concise, relevant and actionable.

This is an important factor to keeping customers engaged. According to primary research, relevance is less of an issue than frequency – 23% of respondents have uninstalled or opted out of push notifications from a retailer's app due to the frequency of messaging, and 20% uninstalled/opted out due to lack of relevance. Sending messages purely for communications sake is a sure-fire way to kill customer loyalty and break a bond that may have been years in the making.

Boosting in-store sales with Beacons

iBeacon Case Study – AIR MILES® Pilot

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The Challenge/Opportunity

Two AIR MILES Partners were looking to improve the visibility and promotional effectiveness of mobile offers for Collectors. AIR MILES helped them bring to market a beacon-enabled customer experience in a manner that would allow for test and learn of offer construct effectiveness; impact of redemption was on the list but definitely not or even near the top of that list.



The Beacon Experience

1. When in sight of a beacon, the AIR MILES Collector is notified of in-store offers via push.
2. When the message or app is opened, the Collector is presented with a set of interactive and customizable cards.
3. These cards can be used to give mobile users exclusive and rich offers.
4. These cards can be expanded to display a Price Look Up code as well as Terms & Conditions.



Participant Reaction And Intent Is Strong

1. Over 80% of participants immediately understood the function of the offer cards.
2. Over 80% agreed they would increase their in-store spending to ensure eligibility for in-store offers.
3. 100% agreed they would be more inclined to purchase products with an in-store mobile offer attached.



What We Learned

1. Location adds the right level of context to mobile messaging and offers.
2. Interaction with beacon offers is strong.
3. 80–85% redemptions on spend and get offers.
4. 15–20% redemptions on product level offers.

5. Augmented Reality. In a world where customer engagement is king, savvy companies are learning how to bring their messages to life with the help of augmented reality. Some virtual reality configurations leverage a holographic technology to simulate product interactions, others employ interactive digital signs as promotional tools or information services. In fact, digital signage displays were noted by retailers as the top in-store technology investment for 2015.

AR is also becoming more commonplace inside shops themselves to provide customers with the sensory experience that they cannot get through mobile interactions. For example, Lego recently introduced a series of kiosks that, when a shopper would hold up a box, would display the completed model as if it were in their hands.

Regardless of the configuration, the name of the game is to merge sensory aspects – sight, sound, touch, scent and motion – to make a direct impact on the shopper.

All of this is to say that although there is a wide range of technologies available to support retailers in their quest to provide an exceptional customer experience, retailers need to be diligent about letting their business objectives and customer needs guide their investment.

Coming to Terms with Content

Each of the above options clearly addresses the consumers' clear preference for connecting with a retailer on their own terms, as well as enhancing their overall shopping experience throughout the entire omni-channel journey. But adding the right technology is only the first step.

First, data provides retailers with direct access to the consumer. It gives brands insight into where their audiences are at a given time, and the solutions they prefer to use when interacting with the brand. Meanwhile, by applying analytics to the data the devices collect, retailers can learn more about their behaviour, and gain the foundational information needed to intimately interact with shoppers in

real-time. It also helps brands create more customer segmentation, even social media campaigns.

To date however, too many brands still struggle with leveraging this data to deliver messages that truly benefit the shopper. And consumers notice which brands miss the mark. For example, 84% of consumers believe that retailers use collected data purely for their own benefit, according to LoyaltyOne's *2013 Customer Sentiment Study*.

Getting their house in order, so to speak, will help brands establish “the brick-and-mortar store” as the destination for customer service and personal interaction, two factors needed to drive purchase decisions and customer loyalty. And by applying technology at store-level, retailers can further up the ante. Whether using geo-location and beacons to drive traffic to the store, or leveraging augmented reality, mobile POS, or digitally enabling the staff to enhance the customer experience, retailers are primed to step up the quality and calibre of customer communications – in real-time.

Between consumers’ digital adoption and an increasingly competitive marketplace, the timing is ripe for retailers to begin adopting these digital solutions and leveraging the data they produce. The sooner retailers approach the customer experience as an investment rather than a cost, the sooner brands will be in a stronger position to connect with shoppers on a personal level. Of course, this requires companies to do some prep work and make a new commitment.

Shoppers want to know their favourite brands are mindful of their needs and will deliver an experience based on their preferences. If they are willing to communicate with retailers digitally, it is the responsibility of the brand to use the data they collect to deliver targeted messages, assortments, even one-to-one service at store-level. However, without insight into what their consumers want – from an inventory, assortment, fulfillment and price perspective – retailers are jeopardizing engagement opportunities, or worse, pushing loyal shoppers into the arms of competitors.



Technology Adoption: The Good, Bad and the Ugly

The more personalized the messages, the bigger the returns. By learning the specific ways customers want to be targeted, brands gain the critical variables needed to engage their most valuable shoppers.

Once retailers have gained customers' attention, and the right mixes of engagement and relevant offers are in place, an ROI is easier to realize. However, early gains are also the easiest way to make retailers cocky. Retailers must remember that technology and innovation alone will not guarantee success. Regardless of consumers' digital appetite, brands must remain selective when it comes to their technology program investments, and be cognizant in terms of determining how much value they provide.

The key is to remain focused on the solutions that not only deliver an ROI, but also deliver value and a benefit to the shoppers using them. For example, based on the shoppers that own a mobile device, 60% agree that location-based marketing is intrusive, according to data from primary research.

Another 60% also said they are more likely to engage in geo-marketing programs, such as beacons, if they could set timing preferences on when notifications are sent, the data revealed. Retailers that ignore these red flags are jeopardizing long-term customer relationships, and thus associated revenue.

After making significant investments in capital, labour and time when creating innovative and strategic engagement programs, retailer awareness must remain just as high when it comes to their chosen technology programs and anticipated benefits. More so, retailers need to be mindful about how they do or plan to use their customers' sensitive information – and access to preferred digital access points – to deliver value. This approach is mission-critical as consumers' willingness to share identity data for an improved experience, while growing, still remains low overall.

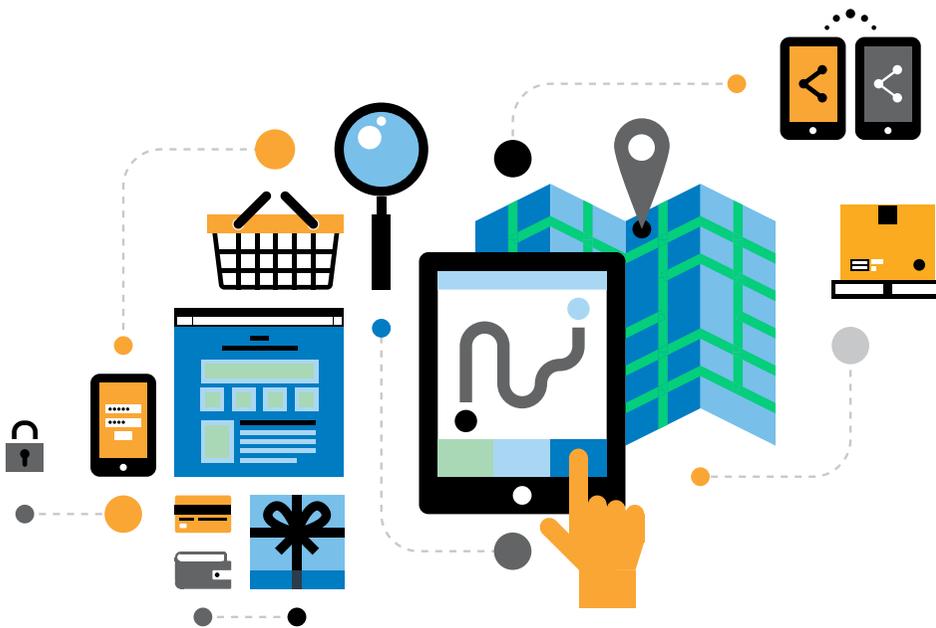
Another key pitfall in the quest for customer engagement is adding technology for technology's sake. Just because consumers are comfortable with digital solutions does not mean one size fits all. Instead, retailers must take a step back, evaluate their business objectives, and determine how they can use digital technologies to respond to a customer need, add value throughout the entire customer journey and how to implement for favourable ROI.



Conclusion

Retailers that are bold enough to embrace new retail technologies, especially those that can merge customer data with emerging digital customer-facing solutions, will create relevant, customer-centric connections with their target audience. Meanwhile, retail brands that can use this combination to increase engagement and deliver on customers' expectations will establish mission-critical shopper relationships, and carve a niche in the competitive marketplace for years to come.

Emerging technologies are providing retailers with the means to better understand customer needs and enhance the customer experience throughout the entire omni-channel journey. Awareness is high among Canadian consumers on the benefits of retail technology, but companies must determine what the right IT investment strategy is for their objectives and to add value for their market. The ball is in the retailers' court!!!



About the Study and Methodology: The Mobile Driven Shopper

The CMA/LoyaltyOne undertook a study of consumer awareness, interest, and adoption of location-based technology in their Mobile Driven Shopper study. LoyaltyOne surveyed a sample of its AIR MILES Collector base. 1,062 consumers (of which 61% were female and 39%

male) participated in the study and completed an online survey. The sample universe was weighted to be representative of the active AIR MILES Collector base by engagement segment, age, and region.

LoyaltyOne®

LoyaltyOne is a global leader in the design and implementation of coalition loyalty programs, customer analytics and loyalty services for Fortune 1000 clients around the world. LoyaltyOne's unparalleled track record delivering sustained business performance improvement for clients stems from its unique combination of hands-on practitioner experience and continuous thought leadership. LoyaltyOne has over 20 years history leveraging data-driven insights to develop and operate some of the world's most effective loyalty programs and customer-centric solutions. These include the AIR MILES Reward Program, North America's premier coalition loyalty program; a majority stake in European-based BrandLoyalty, one of the largest and most successful campaign-driven loyalty marketers outside of the Americas; and a working partnership with Latin America's leading coalition program, dotz. LoyaltyOne is also the owner of COLLOQUY, a group dedicated to research, publishing and education for the global loyalty industry.

LoyaltyOne is an Alliance Data company. For more information, visit loyalty.com.

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The Canadian Marketing Association was established in 1967. Its 800-plus corporate members embrace Canada's major business sectors and all facets of marketing. These organizations make a major contribution to the economy driving commerce, investments in media and new marketing technologies while providing employment for millions of Canadians. CMA is the leading provider of marketing education and the marketing community's principal advocate on key public policy issues affecting both consumer and business-to-business marketers. An elected Board of Directors nominated from the Association membership determines CMA policies. The Association is managed by a full-time professional staff headquartered in Toronto.