

IT'S NOT YOU,
IT'S ME.

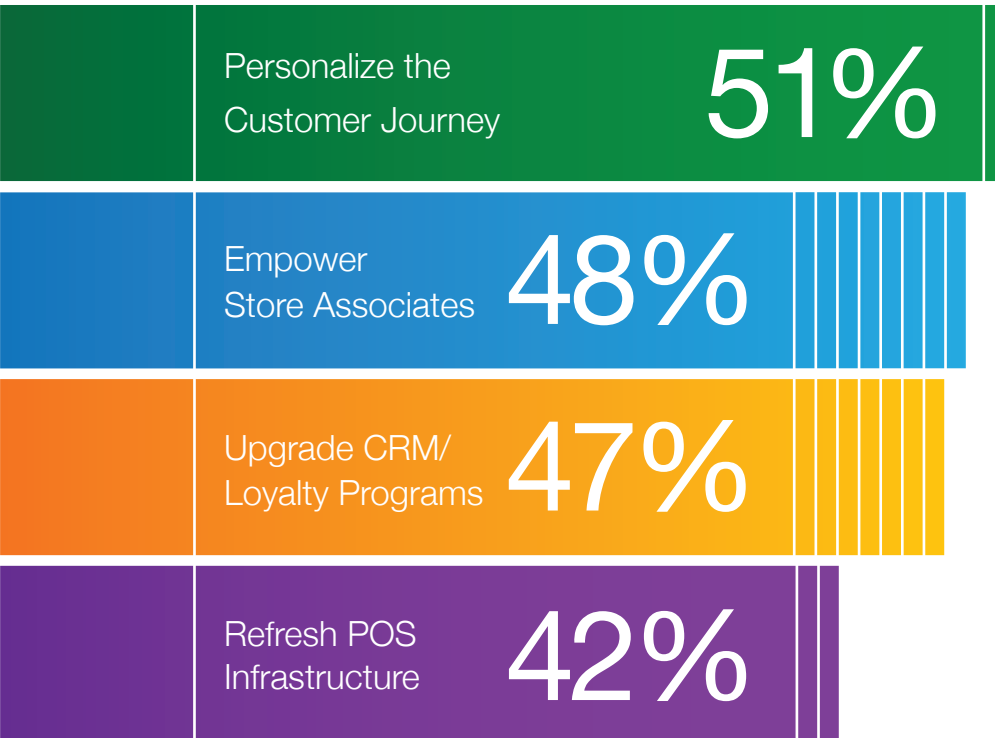
Why Personalizing the Customer Journey
Returns Extreme Results



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TOP PRIORITIES FOR 2019



Source: IHL Group - *Stored Advantage: Why Retailers Are Doubling Down on Stores*

PERSONALIZING THE CUSTOMER JOURNEY

Every adult has heard this line in a breakup, “It’s not you, it’s me.”

As painful as that is in a personal relationship, the same words hold great promise for retailers who wish to thrive in a world of multichannel consumers.

For while all too often retailers look to sell or entice consumers with the offerings their merchants want to sell, the consumer only cares if the experience is about them. In their mind they are an audience of ONE. The attitude of the consumer is, “You have been collecting all of this data on me for years. Do you care enough to make your store about me or is the only point of the loyalty card that I get the same discount everyone gets, but won’t get without it?”

“It’s not about you, Mr. Retailer, it’s about me!”

In IHL’s recent study *Stored Advantage: Why Leaders are Doubling Down on Stores*, “Personalizing the Customer Journey” was listed as the top priority for 2019.

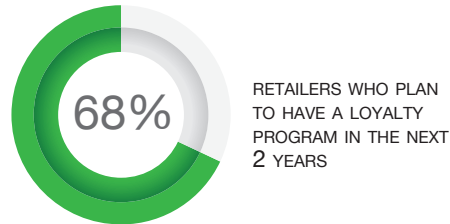
This is a priority not just for one part of retail, but in nearly every retail segment.

Those who have already implemented a strategy for personalizing the journey are seeing results. For Food/Drug/Mass Merchant retailers who are already personalizing the journey for consumers experienced 2018 sales growth that was 55% higher and than their competitors.

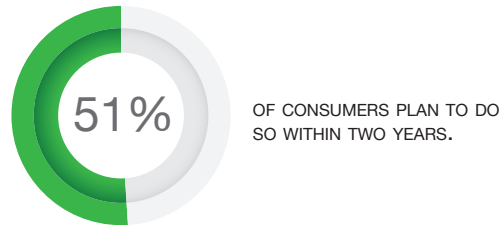
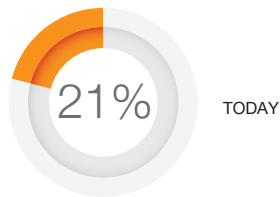
For Specialty and Departments Stores, those who have implemented a personalized experience are **expecting Store Sales Growth for 2019 that is 73% higher than average.**

When looking at personalization of the consumer journey, the first area most think about is how do retailers identify or track customers to provide the personalization?

The most popular way that retailers track consumers today is through a loyalty program.



Heat mapping and traffic counting is the second most popular.



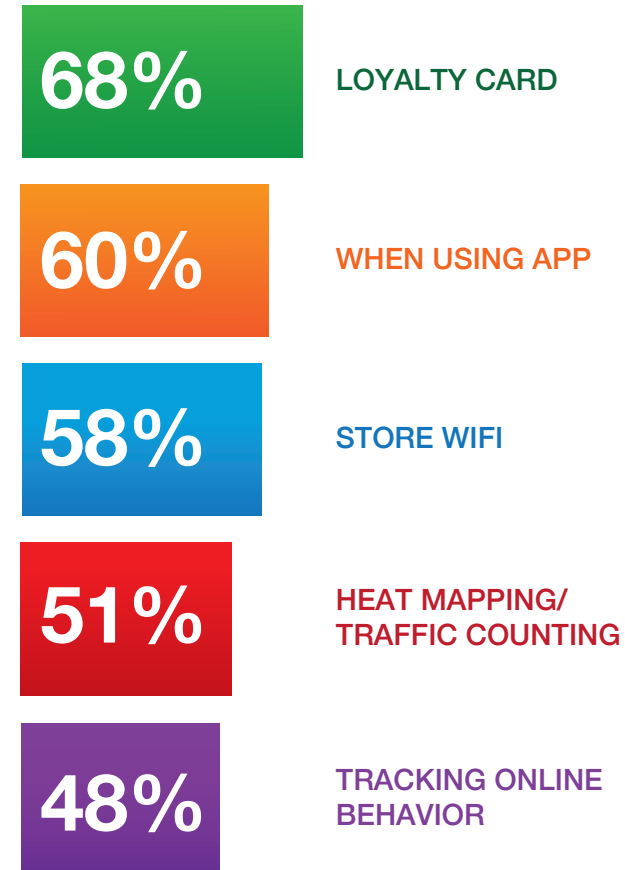
Source: IHL Group

The methods in which retailers are planning the greatest growth are **tracking online behavior outside of the store** (13% today and **48% within 2 years**). And while only 13% of retailers **track users for personalizing through their own app** today, **60% plan to** personalize through their app in the next two years.

TOOLS FOR TRACKING

Within the next two years, the percent of retailers who will be using the following tools to track and provide personalized experience:

Source: IHL Group



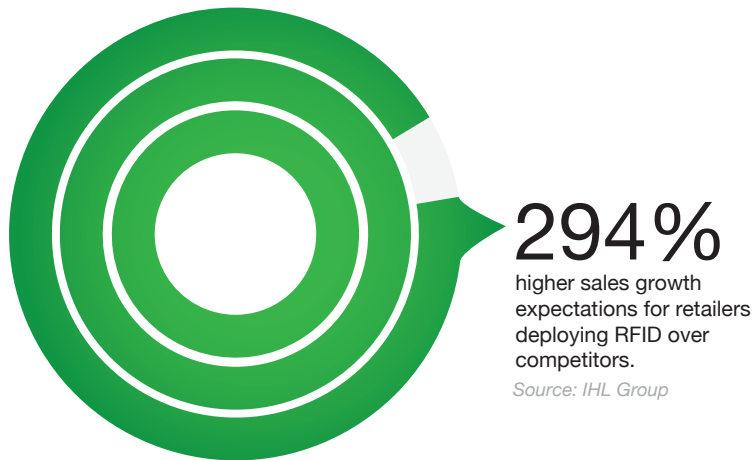
Go from SWIMMING IN DATA to GAINING REAL INSIGHT

No doubt, having tracking technologies in place is a big part of the personalization process, but having the proper analytics in place is also key. Retailers are swimming in data. Turning that data into real insight for specific offers is the goal.

But before you can really do this effectively there are two foundational things all retailers must do first to get the full benefits of personalization.

First, you must have a single data repository for all your customer data so that you have an accurate view of your customers across all the channels.

Gone are the days where retailers can survive with one set of customer data for online purchases and a second data set for in-store behavior. This must be a single data set.



And the second thing retailers must do is get to a single and accurate view of their inventory across channels.

At this point, more than half of retailers in IHL's surveys now have a single version of the truth on their inventory. For these companies a great deal of work has been completed in getting to a single system on inventory.

Where things break down, however, is the level of actual inventory accuracy. It would seem obvious, but consumers come to stores to buy because they expect the product to be in-stock.

The **reality** is that for most retailers **physical inventory accuracy is less than 75%** accurate compared to system totals. But technologies such as RFID and computer vision can **raise this accuracy to 98% when deployed.**

Source: IHL Group



Further, this problem has only been exacerbated with the growth of Buy Online Pickup in Stores (BOPIS) and Click and Collect at retailers. In fact, consumers rate that upwards of 10-15% of their orders have an out-of-stock or inventory issue with at least one item.

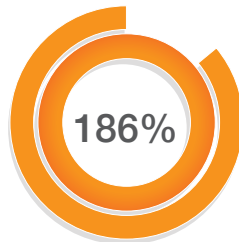
How big of an impact does that accurate inventory have? IHL research shows that retailers who are deploying RFID are expecting sales growth increases that are 294% higher than those who are not this year.

So having in stock what the customer actually wants to buy, an accurate view of that inventory, and a single data view of the customer are the foundations then from which personalizing can be done effectively and profitably.

OFFERS THAT REALLY REV RESULTS

Once you have that single version of data on your customers and the proper analytics and tracking tools in place, then it comes down to specific offers. This is where the real fruit of personalization comes into play.

IHL research has seen that retailers who provide simple offers for complementary items online after a store sale or an inducement to shop the local store after an online purchase see sales increases that are 186% higher than those who do not. *Source: IHL Group*



Those retailers personalizing the experience with offers through their own app experienced 33% higher sales growth in 2018

and are expecting total sales growth for 2019 that is 12% higher overall and 10% higher specifically at the store level.

Source: IHL Group

**33%
HIGHER**

Retailers already using online behavior for personalization at the store level are expecting overall sales growth for 2019 of 7.7% higher and 10.4% higher at the store level. Through personalization retailers can create impulse buys that are most likely to be chosen by this specific consumer.

But we are really just getting started with what can be done. With new advances in artificial intelligence (AI) and machine learning (ML), these

technologies can now really begin to play a major role in making truly personalized offers beyond just the current market basket to provide:

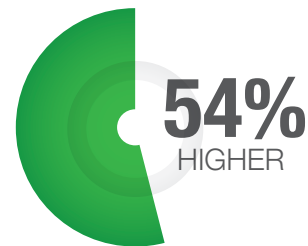
- REAL INCENTIVES THAT ARE PERSONALIZED ONLINE
- CUSTOMIZED STORE LAYOUTS
- TARGETED ADS IN STORE VISITS OR EVEN ON SOCIAL MEDIA

so that while your customers shop your stores, your brand is represented in all of the ways the customer interacts with you.

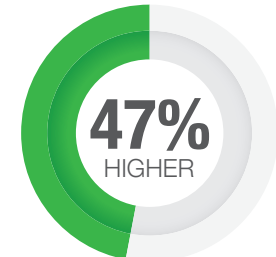
In fact, retailers that are already using AI/ML as part of their customer facing experience achieved sales growth in 2018 that was 54% higher than those that did not.

USING AI/ML FOR CUSTOMER FACING APPLICATIONS

2018 SALES GROWTH



2019 SALES EXPECTATIONS



Source: IHL Group

Further, for 2019 they are expecting sales growth that is 47% higher. So those personalizing are not only already ahead in growing sales, they are increasing their lead against their competitors who are not investing in AI/ML technologies.

PROXIMITY/LOCATION-BASED MARKETING INITIATIVES

Proximity/location-based marketing initiatives are also playing a much higher role in personalization in 2019 than in previous years. In fact, 58% of retailers are increasing their investments in proximity/location-based marketing this year, higher than any other emerging technology in 2019. Retailers in all segments are expecting it to drive increased sales through personalized offers using the technology.

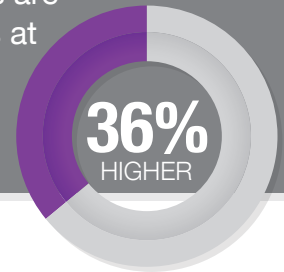
58%

of retailers are increasing their investments in proximity/location-based marketing for 2019

Source: IHL Group

Most notably, for Food/Drug/Mass Merchant customers the interest is to drive consumers to their stores specifically.

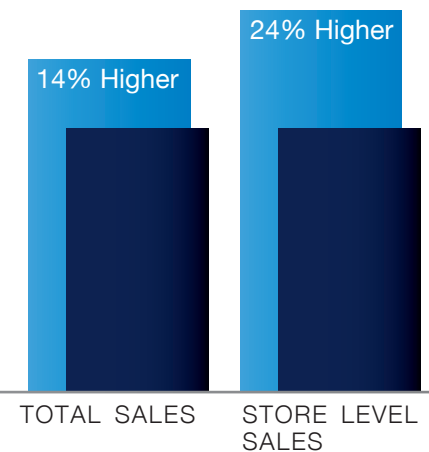
Those growing their investment in location/proximity-based marketing solutions are expecting sales growth percentages at the store level for 2019 to be 36% higher than those who are not investing in these tools.



For **specialty and department stores**, the expectation is that these investments in proximity/location-based marketing solutions will drive both online and store sales growth higher. For instance, retailers in these segments are expecting total sales percentage sales growth to increase 14% higher and their store level sales growth 24% higher than their customers who are not investing in this technology.

LOCATION-BASED MARKETING

Source: IHL Group



EMPOWERING THE ASSOCIATES

But personalizing the experience with offers is only one part of the journey. We have already shared how having the consumer interact with your own mobile app is a huge plus for the average. However, there is another opportunity for personalization involving the store associate's engagement with the customer at the store level.

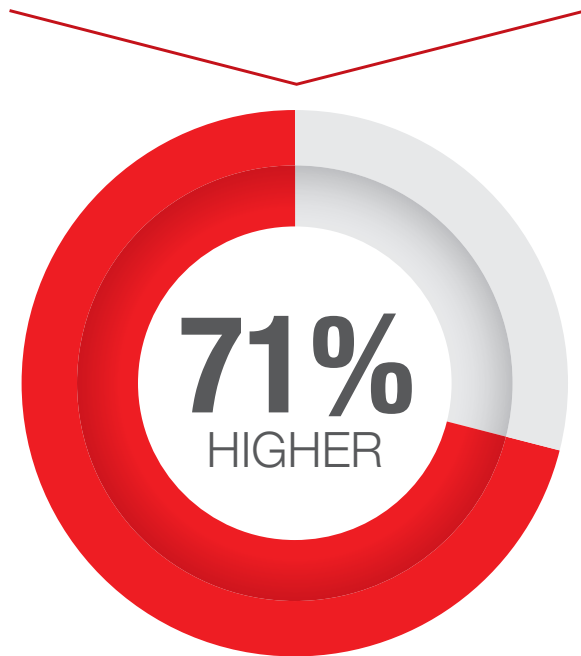
Consumers indicate the two primary reasons they are **choosing to shop in stores rather than online** are because they:

1. NEED THE PRODUCT RIGHT NOW
2. NEED SPECIFIC EXPERTISE

This comes down to having the right training and tools consistently available across your stores. To do that, many retailers are deploying tablets in the hands of associates. Further, retail leaders are looking to leverage the customer tracking technologies once that customer hits the store and alert their associates or pre-fetch relevant expert content based on that customer's behavior online. This allows the associate to be ready with the right knowledge when the customer hits their department, thus providing an expert in what the customer wants at every turn.

Empowering the associates is where leading retailers are separating themselves from average retailers. In fact, retailers that grew their sales 10% in 2018 are investing in better training and tools at a rate 71% higher than average retailers to help better serve their customers and employees.

Retailers that grew their sales 10% in 2018, are investing in **better training and tools** at a 71% higher rate than average retailers **to help better serve their customers and employees.** Source: IHL Group



COMPLETING THE PROCESS

In the end there are many functions that need to come together to deliver a complete and personalized customer experience. And it doesn't just involve the product or services and the shopping experience, but also the completion of the sales transaction. Often retailers forget this part of the process and look at their POS and payment experience as just a commodity. No matter where the customer is, this completion of the payment process is an important aspect of the experience to the consumer.

Are you able to provide a checkout experience that is personalized, quick and secure? Are there ways of streamlining the process to make the experience quicker in your environment while maintaining the personal touch?

Leading retailers are deploying payment options that engage the customer where, when and how they want to shop their brand. Completing this process is key to rounding out the experience.

It is critical that you are delivering a consistent personal customer experience across ALL TOUCHPOINTS: at the counter, in aisle, online, on mobile, and unattended transactions.

Personalizing the customer journey for each of your consumers is certainly not easy. It requires having your systems and your company strategies aligned and focused specifically on letting the consumer interact and purchase from you in the way they want to experience your brand.

But the data shows the rewards are certainly worth it for those retailers willing to make the investment with sales growth that is as much as 3x your competitors.

With 55% of US households now having Amazon Prime, consumers who used to HAVE to shop now must WANT to shop. They want to shop where they are known and where the retailers have what they want to buy. “

Those companies who are already personalizing that journey are seeing significantly higher sales increases and are racing ahead of their competitors and thriving while others struggle to survive.



Retailers who
personalize the
experience can see
sales growth up to

3x

the growth rate
of competitors.

Source: IHL Group

“Making sure the customer knows it is about them, and not you as the retailer, is the mantra for those who will succeed in this new age of retailing.”

Source: IHL Group