CONSUMER EXPERIENCE
IN THE RETAIL RENAISSANCE

HOW LEADING BRANDS **BUILD A BEDROCK WITH DATA**

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TABLE OF CONTENTS

Over the last few years, how many times have you heard a retail executive say: "We must put the customer in the center of everything we do"? It's a common goal, and while many brands have invested in what they believed would deliver an amazing consumer experience, their efforts haven't always hit the mark. In an era of increasing consumer expectations, technological innovation, and industry mega-disruption all converging simultaneously, it's time to dig deeper to find out what's really working and reflect on where brands still fall short on delivering relevant, contextual, and intimate consumer interactions.

This report is based on a survey of more than 500 traditional retail, pure play, consumer goods, and branded manufacturing leaders from around the world. It looks at the current business-to-consumer landscape to discover how organizations harness consumer data, experience, and technology strategies to deliver relevant and personal engagement across various and ever-changing touchpoints.

This cohort of business-to-consumer leaders is referenced as "brands" and "brand leaders" throughout the report. Their responses are enlightening for any organization that must engage hyper-connected and empowered consumers in new ways. Along the way, we shed light on what elite performers do best and how this suggests a model for success.

›› CHAPTER 1

IT'S A TIME OF RETAIL RENAISSANCE

Reports of the retail apocalypse are all around us. Every week, new headlines proclaim a highly distressed retail industry and another Chapter 11 casualty. The reality is that winners and losers have emerged. On one hand, disruptions in consumer behavior, technology, competition, and economics have transformed the retail market considerably, and many brands haven't risen to the challenge.

On the other hand, these disruptions have opened floodgates of opportunity for brands to grow their relationships with shoppers. The continued evolution of technology, particularly in the areas of artificial intelligence (AI), machine learning, and augmented and virtual reality, generates new opportunities for brands to personalize experiences and transform internal operations.

Today, we find ourselves not in the midst of a retail apocalypse, but a retail renaissance. This renaissance means that brands must rethink consumer experience — and how to invest in it — to thrive.

WE'RE NOT IN THE MIDST OF A RETAIL APOCALYPSE, BUT INSTEAD, A RETAIL RENAISSANCE.

> “There’s a lot more competition online than there was in the early days of our business, so it’s more important than ever that we build close connections with all of our customers. We need to customize every communication and interaction.”
>
> — BETHANY KEMP,
> SENIOR VICE PRESIDENT OF OPERATIONS,
> DESIGN WITHIN REACH

Addressing the Four Disruptions Behind the Renaissance

Need more proof that the retail apocalypse is exaggerated? Consider:[1]

- Retail spend has outperformed GDP and risen every year since 2009.
- In 2017, 44% of consumers reported spending more on retail than 2016. Only 14% said they spent less.
- Brick and mortar is predicted to grow by $36 billion by 2022, and ecommerce is predicted to grow by $50 billion in the same period.

There’s reason to be optimistic. However, brands must understand the four key disruptions behind the renaissance before they can address them.

1: CONSUMER DISRUPTION

Thanks to the proliferation of smartphones and connectivity, consumer expectations for speed and convenience have reached new heights. Ten years ago, a five-minute wait at a department store checkout line would’ve been easily overlooked. In the current climate of one-click ordering, that same wait could feel like forever.

2: TECHNOLOGICAL DISRUPTION

No facet of retail has gone untouched by technological revolution, from awareness to purchase and from brick-and-mortar to ecommerce. Thirty-four percent of shoppers say they’ve researched a product online using a mobile device while in a physical store,[2] and innovations such as AI allow brands to personalize across every consumer touchpoint.

[1] Deloitte, Great Retail Bifurcation
[2] Salesforce, 2017 Connected Shoppers Report

CUSTOMER VALUE PROPOSITION SPECTRUM

Figure 1

Source: Deloitte, Great Retail Bifurcation

3: COMPETITIVE DISRUPTION

The days of competing with a few other stores in your neighborhood are over. Today, brands race against literally thousands of competitors, including behemoth marketplaces, nimble pure plays, and new business models like subscription services. And don't forget about Amazon and Walmart's seemingly unlimited resources to attract and retain consumers across myriad categories.

4: ECONOMIC DISRUPTION

Income and expense pressures have driven a bifurcation in consumer behavior, where growth has occurred primarily with price-based and premier brands. Those in the middle have fallen behind. U.S. retailers, in particular, at either end of the spectrum have tended to perform better (Figure 1), forming the great retail bifurcation.

Thanks to these four disruptions, brands must understand what matters most for consumers they target and more deeply examine the changes in their shoppers' preferences — because no two brand's shoppers are alike — to determine what's driving their behavior and tailor experiences accordingly.

Of course, focusing on consumer experience isn't new. But it's now more important than ever for brands to rethink their approach and revolutionize their organizations from within.

Brands Over-Focus on Product and Minimize Consumer Experience

Consumers are enjoying limitless options in this renaissance. So brands must be laser-focused on the value proposition that matters most to their customers.

Nearly 60% of brand leaders surveyed said their company's unique value proposition is based on product quality or uniqueness — compared to 11% for price and 6% for convenience (Figure 2).

BRANDS' UNIQUE VALUE PROPOSITION, ACCORDING TO LEADERS

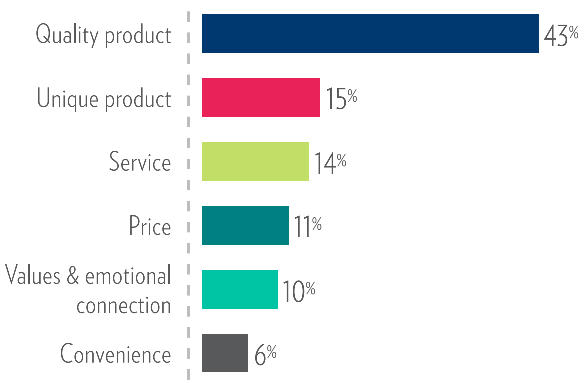


Figure 2

These numbers show that brands are stuck on product differentiation. This can be relevant when offering luxury goods, but for those feeling competitive pressure from online marketplaces, product commoditization, and new business models, it's time to add service and convenience into the equation — offering a more holistic consumer experience in the process.

Only 10% of surveyed brand leaders rated values and emotional connection as their unique value proposition. Brands may be missing this key opportunity to not only attract consumers, but sustain shopper satisfaction, loyalty, and advocacy.

Mediocre Experiences Won't Cut It

As they work toward success in the retail renaissance, brands must think beyond product as a differentiator and become more granular in how they identify and satisfy customer wants and needs. To stand out from the pack that offers mediocre experiences, brands must offer frictionless engagement across marketing, commerce, and service touchpoints, from the showroom (either online or physical) to the call center to how they operate their supply chain and fulfill orders.

Consumer experience involves the entire value chain — including the battleground of the last mile. That said, the ideal consumer experience differs for a discount apparel brand versus a luxury handbag brand. And that's the way it should be, provided brands deliver what consumers actually want.

NEARLY 60% OF BRAND LEADERS SAY THEIR UNIQUE VALUE PROPOSITION IS THEIR PRODUCT.

>> CHAPTER 2

THE CONSUMER EXPERIENCE IS DISCONNECTED

Global brands are attempting to get back to the basics and put consumers in the center of their business strategies. But look under the hood of most organizations and you'll discover:

- Functions and departments are too rigid and lack alignment.
- Information systems are neither agile nor properly governed throughout the enterprise.
- Performance metrics vary based on function or channel.
- Data is scattered throughout the enterprise — product and consumer data is largely independent and too cumbersome to synthesize into anything meaningful or actionable.

Despite the holy grail status placed on consumer experience, it's often overpromised and under delivered.

Challenges Loom at the Top of the Funnel

Consumer experience — the sum of all interactions that consumers have with a retailer's products, services, and brand across touchpoints — is especially disconnected at the top of the funnel (Figure 3).

Problems are prevalent throughout the shopping journey, but brands rated the biggest challenge as engagement and discovery (32%), followed by awareness and acquisition (24%). These two top-of-funnel areas collectively represent more than half of the areas that need the most improvement.

TOP CONSUMER EXPERIENCE IMPROVEMENT AND INVESTMENT AREAS

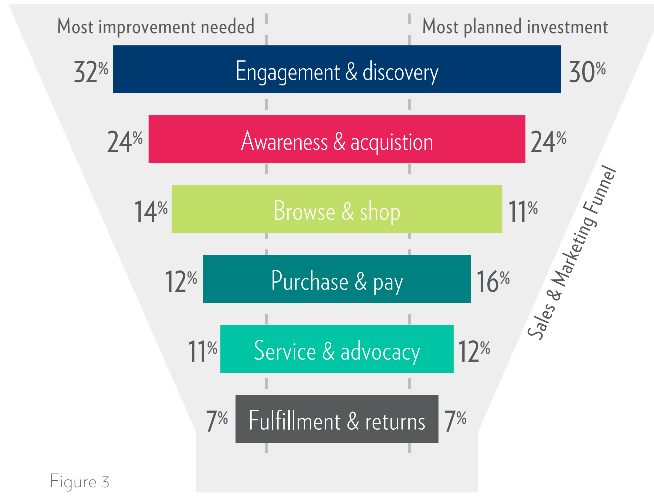


Figure 3

As brands look to attract and retain consumers in a hyper-competitive environment, the top of the funnel is a painful place to struggle. It's positive to see that brand leaders' planned areas for investment align with their biggest weaknesses (Figure 3) — suggesting a stronger focus on pulling consumers to their virtual and physical four walls, but also pushing their brands to destinations like messaging platforms, loyalty programs, social media, and marketplaces.

DESPITE THE HOLY GRAIL STATUS PLACED ON CONSUMER EXPERIENCE, IT'S OFTEN OVERPROMISED AND UNDER DELIVERED.

OWNERSHIP OF CONSUMER EXPERIENCE IS SCATTERED THROUGHOUT THE ENTERPRISE.

Brand Leaders Don't Agree on Consumer Experience Ownership

Despite the need for improvement, brand leaders don't have a common blueprint on who owns the consumer experience. According to respondents, there is no clear role or department within their organization that owns this strategy and execution. Results ranged from 34% for the CEO to 12% for customer care and service to 8% for analytics/data intelligence.

Perhaps unsurprisingly, results change significantly when C-level executives are asked who owns this responsibility: 72% of the C-suite say the CEO owns consumer experience strategy and execution. This is compared to 21% of SVPs and VPs and 7% of both senior directors and managers who point to the CEO's ownership. Consumer goods companies are 1.4x as likely as retailers to say the consumer experience responsibility belongs to the CEO (43% versus 31%).

Whether it's the CEO who's the ultimate owner or it's a collaboration among multiple stakeholders, consumer experience success relies on accountability, alignment, communication, and, just as important, data management. While various approaches to ownership exist, data governance is critical to break down silos and make data more accessible and actionable across the organization, as described in the next chapter.

OWNERSHIP OF CONSUMER EXPERIENCE WITHIN THE ORGANIZATION

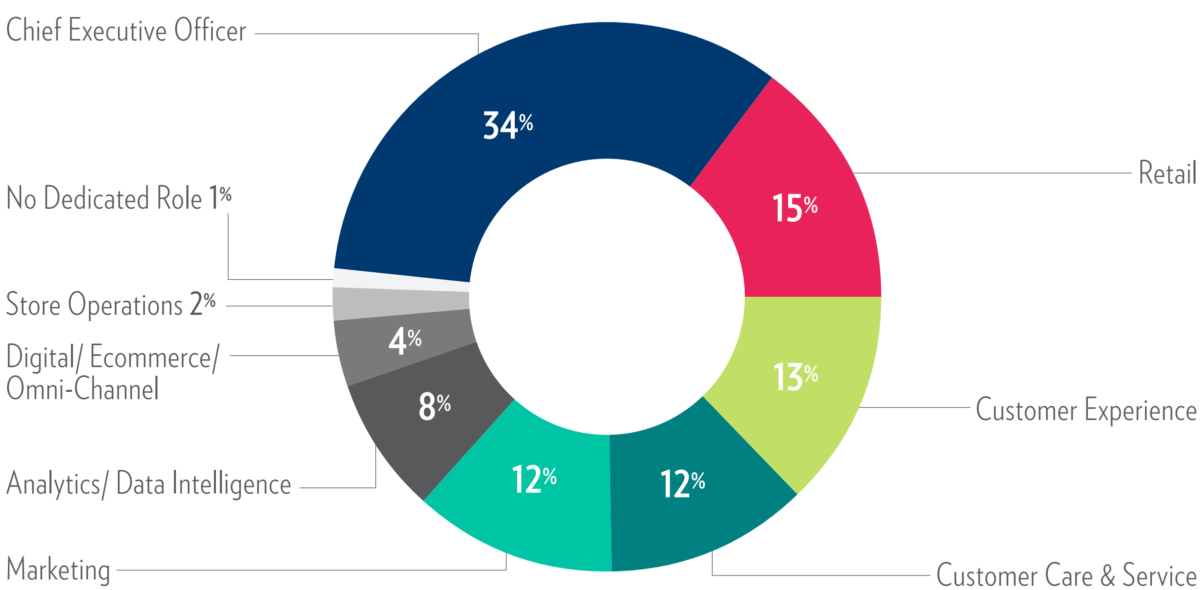


Figure 4

>> CHAPTER 3

DATA IS THE BEDROCK OF CONSUMER EXPERIENCE

There's a solution to consumer experience woes: unlocking data to know consumers and provide what they want — time and time again, journey after journey. It's time to put consumer data back into consumer experience. This data shouldn't be macro-level segments and driven by one-size-fits-all messaging, but should instead be informed by individual shopper preferences to tailor the most relevant journeys.

But data is both the solution and the problem. Survey results show that brands today aren't able to translate data into actionable insights, hinting that they won't be prepared to apply innovative capabilities such as AI in the years to come.

Digital Takes the Lead

Over half of brand leaders estimate that their organization's digital business is more than 25% of total retail or direct-to-consumer revenue (Figure 5).

Industry data reflects this shift to digital. During the 2017 winter holidays, ecommerce sales grew by 18% (Salesforce), compared to 5.5% for retail overall in the same period (NRF). Online revenue is largely propelled by mobile devices, with mobile orders growing by 45% in Q3 2017 compared to Q3 2016 (Salesforce). Mobile revenue will likely rise with the adoption of mobile wallets poised to reach new heights in 2018.

Similarly, mobile traffic to ecommerce sites now firmly outpaces desktop traffic, with 60% of traffic coming from mobile versus 33% from computers (Salesforce). Consumers leave a digital footprint with every click, search, and purchase — creating 2.5 quintillion bytes of data daily (IBM).

But despite ecommerce increasingly owning a bigger share of the revenue pie, most organizations haven't fully assimilated into the digital-first era. Survey results show that many brands aren't translating data into insight, much less action.

DIGITAL AS A PERCENT OF REVENUE

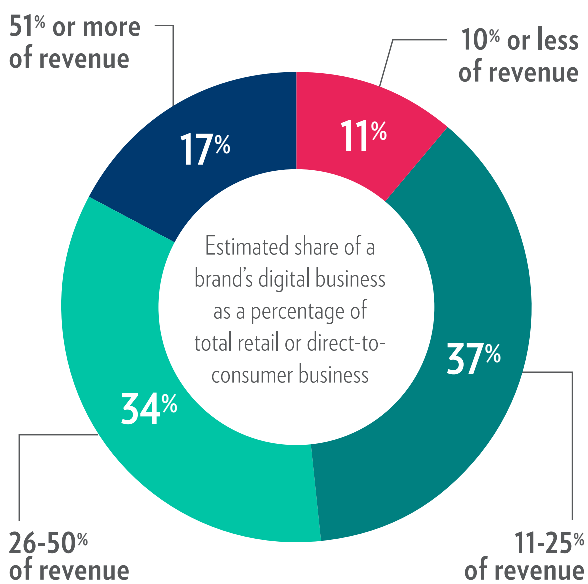


Figure 5

The Role of Data Is Supersized — But Not Prioritized

Elite performers — brand leaders who reported a revenue increase of at least 10% in the past fiscal year — focus on data at nearly 2x higher rates than underperformers across all areas, on average. While underperformers lag in all key areas of data management, the top three data deficiencies are (Figure 6):

- **Governance:** 68% don't have clearly defined roles and governance for managing consumer data.
- **Agility:** 63% don't respond to consumer demands and insights in an agile manner.
- **Security:** 54% don't have rigorous compliance and security to monitor and protect consumer data.

Actionable consumer data in the hands of headquarter and store personnel is nothing short of a brand's superpower, as it enables companies to know shoppers in the moment and grow intelligence with every step. Brand leaders must prioritize accessibility of consumer data and establish clearly defined roles for data management. These roles are critical to unlock data that lies dormant across the enterprise to leverage the potential of AI and further data-driven capabilities.

EXECUTION OF CONSUMER DATA STRATEGIES BY PERFORMANCE LEVEL

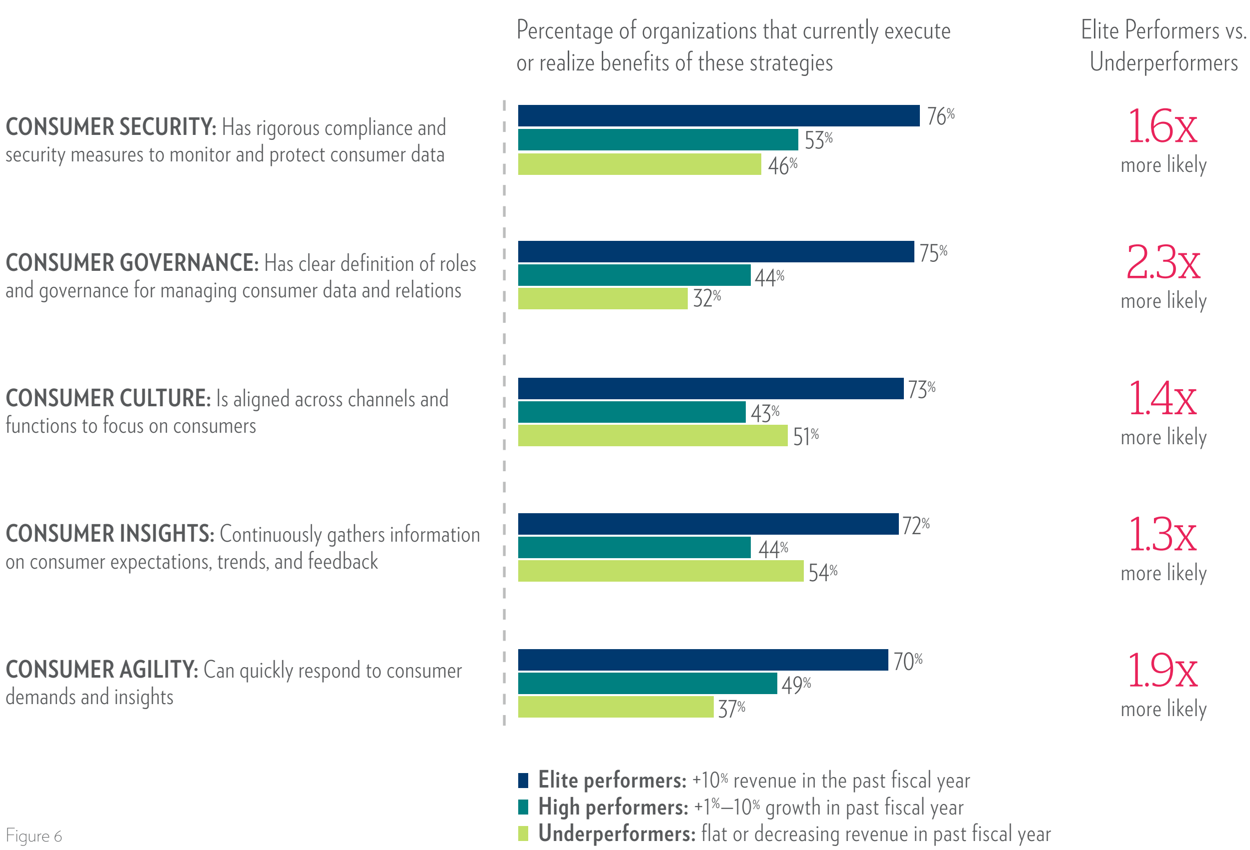


Figure 6

The Biggest AI Bets: Pricing, Promotions, and Search

The potential business impact of AI is massive, but adoption rates are still low. On average, just over one-third of brand leaders have adopted any given AI use case (Figure 7), with more popular applications in tailored pricing and promotions and relevant search results. Why isn't AI used more often? Adopting AI can be a major effort, especially when underlying data is messy. Brand leaders' investments in AI promise to pay off in big dividends in the future.

HOW BRANDS CURRENTLY USE AI TO PERSONALIZE THE CONSUMER EXPERIENCE

Among retailers that have adopted AI for at least one application

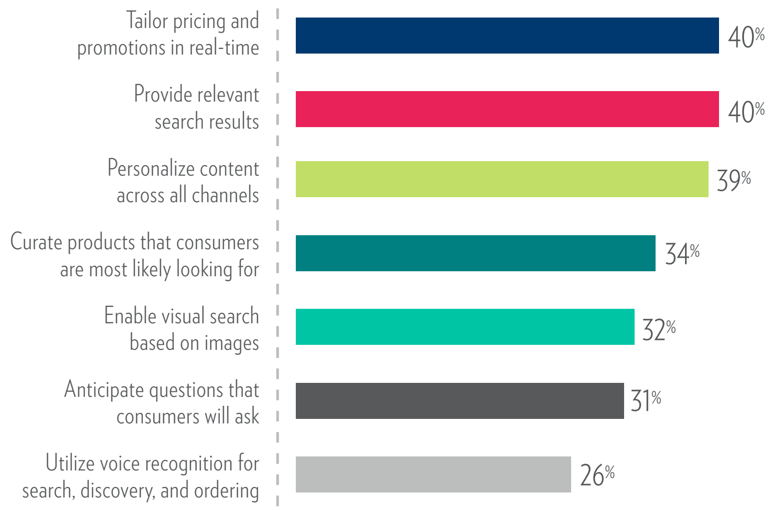


Figure 7

A Rise in Data Scientists – But Will Brands Support Them?

Brands are backing up investments in AI technology with investments in people. Anticipate headquarters bustling with a surge in data professionals soon, as surveyed brands plan to employ nearly 50% more data scientists over the next three years. Demand for talent is high — but brands shouldn't rush to hire an excess of data scientists without the infrastructure and processes to support their talents.

> **"Data empowers brands to go from impression to impact."**
>
> — KYLE PRETSCH, IT DIRECTOR, OMNICHANNEL & INTEGRATIONS LUCKY BRAND

If AI Is the Rocket Ship, Data Is the Rocket Fuel

Data empowers teams, individuals, and company culture. Yet for some business-to-consumer brands, especially branded manufacturers, lack of data access is a barrier to success: 65% of branded manufacturers can access none to a moderate amount of consumer data via indirect channels (i.e., marketplaces or wholesale channels).

Indirect data sources are increasingly key to building complete shopper profiles and informing a holistic customer journey, and the number of data intermediaries is only growing. To compete in this new world, where competition is fragmented among thousands of options that consumers can find at the tap of a phone, brands should focus on accessing first-, second-, and third-party data — the more granular the better to find relevant opportunities for action. This requires the right technology, as well as the right people and approach.

The promises of AI, data science, and machine learning loom large. But data alone won't save the day. Teams across marketing, commerce, and service must collaborate to build a unified consumer experience, eschewing disparate systems and departmental lines in the sand to rally around the customer's context and demands. Only then will adopting a unified engagement platform take collaboration to the next level.

ACCESS TO CONSUMER DATA FROM INDIRECT CHANNELS

Percentage of brands who say they have the following access and control of consumer data via indirect channels

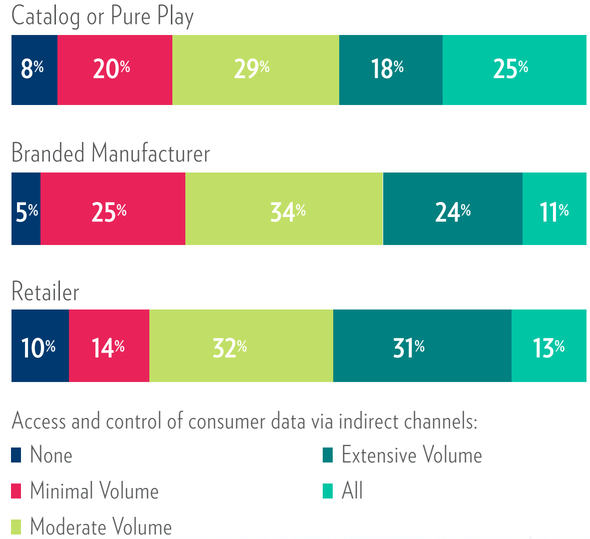


Figure 8

›› CHAPTER 4

PLATFORM INITIATIVES EXPAND FROM UNIFIED COMMERCE TO UNIFIED ENGAGEMENT

Unified commerce platforms have risen in importance over the past few years, given the disparate nature of the technology ecosystem. Unified commerce is an important part of the journey to unified consumer engagement. Moving forward, leaders will embrace unified engagement across the entire journey — finally. With unified commerce, goals were focused on inventory and transaction efficiency. Conversely, unified engagement centers on the consumer and interactions (Figure 9).

The United State of Engagement Platforms: Coming Soon

As brands have embraced digital and expanded shopping options, they've amassed an excess of technology platforms and systems to support specific capabilities by specific channel. Every team seems to be working from a different toolkit, depending where they sit in the company and whether the company operates domestically or globally — despite every employee serving the same consumer. No wonder the experience seems so disjointed from the consumer's perspective.

Surveyed brand leaders say they maintain an average of 39 disparate front-end systems to manage consumer engagement. This includes point-of-sale, mobile, call center, ecommerce, email marketing, social, and content management. That's a lot of open tabs and potential for crossed wires.

PLATFORMS EXPAND FROM UNIFIED COMMERCE TO UNIFIED ENGAGEMENT

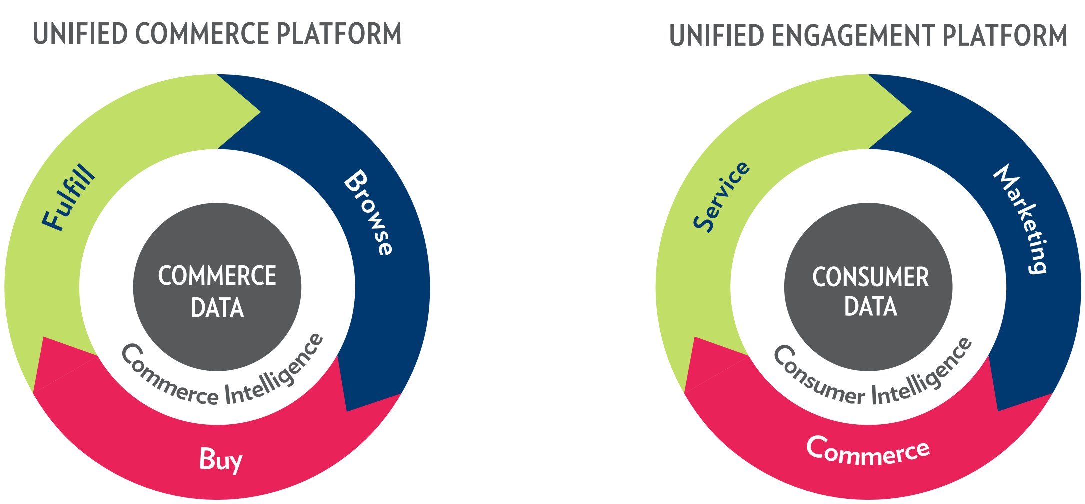


Figure 9

2/3 OF BRANDS

HAVE AN ACTIVE AND FUNDED UNIFIED ENGAGEMENT PLATFORM INITIATIVE IN PLAY.

Fortunately, a unified engagement platform is on the horizon. An overwhelming majority of brands lean toward this type of consolidated platform to better orchestrate and manage consumer marketing, commerce, and service data — all to make intelligence more actionable across touchpoints.

Two-thirds of survey respondents currently have an active and funded initiative in play. Specifically, 32% are creating a unified engagement platform strategy, 23% are executing this strategy, and 11% are realizing benefits from this strategy. Remarkably, only 1% say it's not a priority (Figure 10). These investments signal an understanding of the need to include commerce, marketing, and service together in a system of engagement in brands' unified platform strategies.

The C-Suite Wants to Make Haste

C-suite members are keen to adopt a unified platform now. 52% of C-level executives say they plan to replace existing systems of record with a single platform immediately, compared to 30% of SVPs and VPs, 20% of senior directors and directors, and 21% of senior managers and managers (Figure 10).

If you're not currently thinking about sunsetting disparate data silos in lieu of a unified platform, there's a good chance your boss (or boss's boss) is — and your competitors are, too.

UNIFIED CONSUMER ENGAGEMENT PLATFORM INVESTMENTS

Percentage of brand leaders who categorize their organization's maturity in adopting a single consumer engagement platform as:

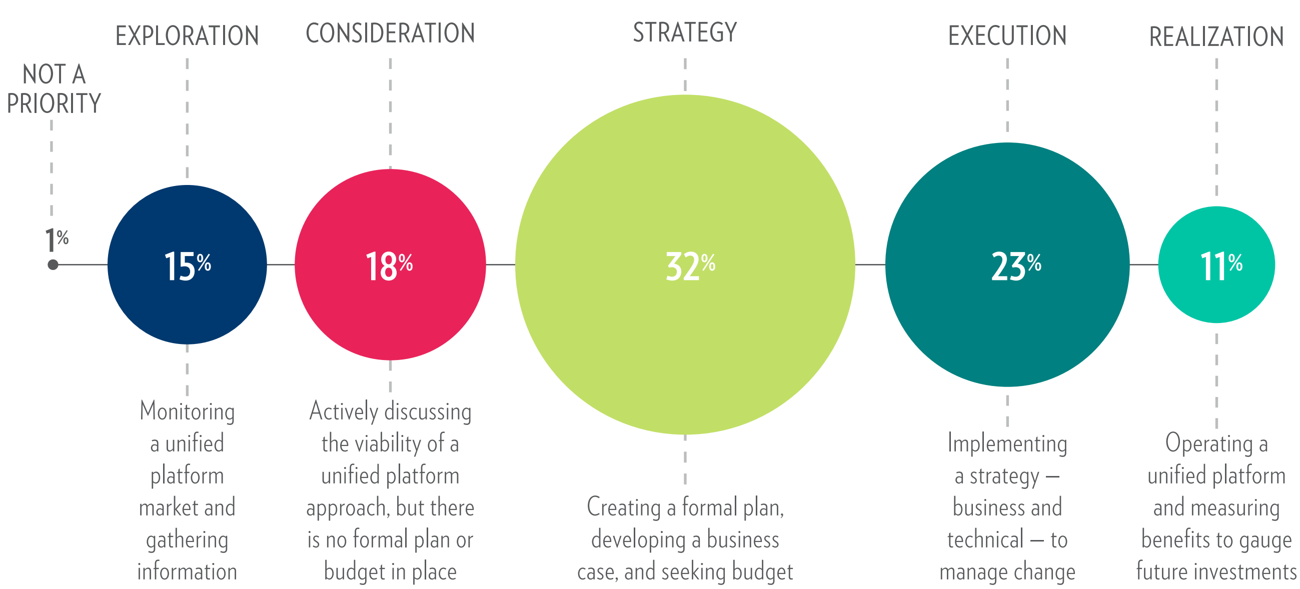


Figure 10

›› CONCLUSION

DATA IS THE CURRENCY AND BUILDING BLOCK

Expanding to a unified consumer engagement strategy helps address the biggest experience barriers in the modern era of shopping.

At this point, we've all seen the dire headlines; we know the dangers and disappointments. Brands must focus greater mindshare on where the real opportunities lie: **the intersection of consumer data and company unification.**

Data is the currency for the next generation of consumer experience initiatives. Winning brands will be those that transition from paying consumer experience lip service to putting in the real work—assembling building blocks of data to create stellar experiences from the inside out.

No expert can predict what channels we'll be talking about in a year, but it's very likely that data, technology, and cross-functional teamwork will be essential to personalize and generate value for consumers.

ELITE PERFORMERS FOCUS ON DATA AT NEARLY 2X HIGHER RATES THAN UNDERPERFORMERS.

EXECUTIVE SUMMARY:
THE ELITE PERFORMER'S ROADMAP

Want to join the ranks of elite-performing brands? Follow their roadmap to success.

The report defines elite performers as brands whose revenue increased more than 10% in the past fiscal year. High performers are those whose revenue increased 1%–10% in the past fiscal year, while underperformers' total revenue has stayed the same or decreased during the same period.

PHASE 1

EMBED DATA INTO ORGANIZATIONAL PRINCIPLES

Start here to emphasize robust, clean, and secure data throughout the enterprise. This data can be broken out into the core building blocks of your consumer experience strategy, but only if the organization understands and appreciates the value of consumer data. The goal is transforming data architecture and applications to be truly consumer-focused.

73% of elite performers are **ALIGNED ACROSS CHANNELS AND FUNCTIONS** to focus on consumers vs. 51% of underperformers.

75% of elite performers have a **CLEAR DEFINITION OF ROLES** and governance for managing consumer data and relations vs. 32% of underperformers.

76% of elite performers **HAVE RIGOROUS COMPLIANCE AND SECURITY** measures to monitor and protect consumer data vs. 46% of underperformers.

PHASE 2

TURN DATA INTO INTELLIGENCE

No data collection strategy is complete without a plan to use it. Emulate elite-performing brands by focusing on speed and agility as a gateway into hyper-segmented personalization that can be driven by AI.

70% of elite performers **ARE AGILE** enough to quickly respond to consumer demands and insights vs. 37% of underperformers.

72% of elite performers **CONTINUOUSLY GATHER INFORMATION** on consumer expectations, trends, and feedback vs. 54% of underperformers.

Brand leaders plan to employ **50%** **MORE DATA SCIENTISTS** in the next three years.

PHASE 3

ADOPT A UNIFIED CONSUMER ENGAGEMENT PLATFORM

Consolidate and simplify the systems that manage consumer interactions across service, commerce, and marketing. Data management platforms have emerged as effective applications to identify unknown shoppers at the top of the funnel and feed operational systems further down the funnel.

Elite performers are **3.2x MORE** likely than underperformers **TO BE EXECUTING A STRATEGY** for a single consumer engagement platform.

ONLY 1% **OF BRANDS SAY A UNIFIED PLATFORM** for consumer engagement isn't a priority.

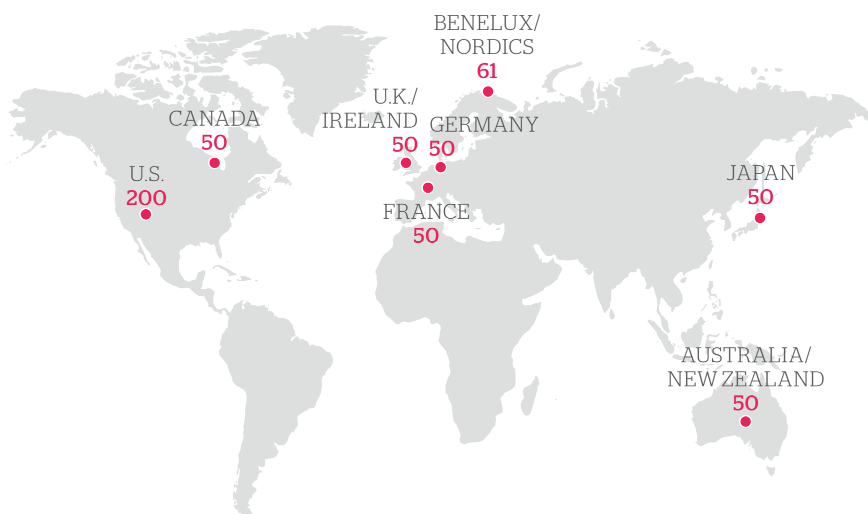
>> RESEARCH BACKGROUND

METHODOLOGY

This research was conducted online between December 20, 2017 – January 5, 2018, among retail practitioners in Australia/New Zealand (50), Benelux/Nordics (61), Canada (50), France (50), Germany (50), Japan (50), the U.K./Ireland (50), and the U.S. (200).

Due to rounding, not all percentage totals in this report equal 100%. All comparison calculations are made from total numbers (not rounded numbers).

Survey Demographics



NUMBER OF RESPONDENTS	561
Australia/New Zealand	9%
Benelux (Belgium, Netherlands, Luxembourg)	2%
Canada	9%
France	9%
Germany	9%
Japan	9%
Nordics (Denmark, Finland, Norway, Sweden)	9%
United Kingdom/Ireland	9%
United States	36%

ROLE	
Chief executive officer	32%
Retail, digital/ ecommerce, omni-channel, and/or store operations	24%
Marketing	8%
Customer experience	8%
Customer care and service	8%
IT	7%
Analytics/data intelligence	7%
Strategy	6%

SENIORITY	
Chief officer or head (e.g., CEO, CMO, CDO, CIO)	39%
Senior vice president (SVP)	3%
Vice president (VP)	6%
Senior director or equivalent	9%
Director or equivalent	11%
Senior manager or equivalent	13%
Manager or equivalent	18%

TOTAL GLOBAL REVENUE PAST YEAR	TOTAL	RETAIL	CONSUMER PRODUCTS
Number of respondents	561	409	152
\$25–\$99.9 million	22%	22%	22%
\$100–\$249.9 million	11%	11%	10%
\$250–\$999.9 million	30%	31%	27%
\$1 billion or more	37%	36%	41%

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