

# Retails Path to Connected Customer Experiences

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An Ovum white paper for Adobe

## Summary

### In brief

Digital and omnichannel engagement is having a major impact on the retail industry. One of the emerging trends impacting retailers' business and organizational strategies is connected experiences. Achieving end-to-end system integrations to enable coherent transitions between channels and devices is no easy feat. Retailers must balance growing market disruptors with increasing customer expectations. They must do this while addressing a myriad of internal challenges that stall the digital advancement necessary to create the framework for technology that enables unified commerce, personalization, workplace connectivity, and unified customer data – the critical elements enabling connected experiences.

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## Ovum view

The connected customer wants to be able to navigate the numerous retail channels they engage with, connect with brands from any device, and have a seamless experience, receiving the same offers whether they shop online or in physical stores.

The ability of retailers to deliver a consistent service to "connected" consumers depends on the capability of their underlying IT infrastructure to share information among the multiple systems within their physical and digital estates. Yet according to Ovum's *ICT Enterprise Insights 2018/19 – ICT Drivers and Technology* research, making these connections doesn't appear very highly on the list of priorities.

A unified approach to existing and prospective customers must be enabled by processes designed from the customer's perspective and supported by technology that allows for fluid and intelligent orchestration of the customer experience. While most retailers recognize the importance of delivering connected customer experiences, executing end-to-end seamless experiences is proving to be extremely challenging. Of all the digital initiatives identified in Ovum's *ICT Enterprise Insights* research, developing omnichannel customer engagement capabilities is progressing the slowest.

This survey is part of a series of reports commissioned by Adobe. The reports provide an understanding of the driving forces behind investments in digital marketing platforms and explores how retailers address the competitive threats. Marketers, IT, and sales professionals from 300 retail businesses were interviewed by telephone in August 2018 and were asked about digital marketing, the competitive landscape, and their investment strategies.

## Key messages

- Retailers must balance market disruptors with increasing customer expectations.
- Integrating data to achieve a unified 360-degree customer profile remains challenging.
- Building the technology foundation for unified commerce is a priority.
- Retailers must reorganize employees around the customer.
- Personalization is the differentiator.
- Retailers must build connected experiences through a strategic framework.

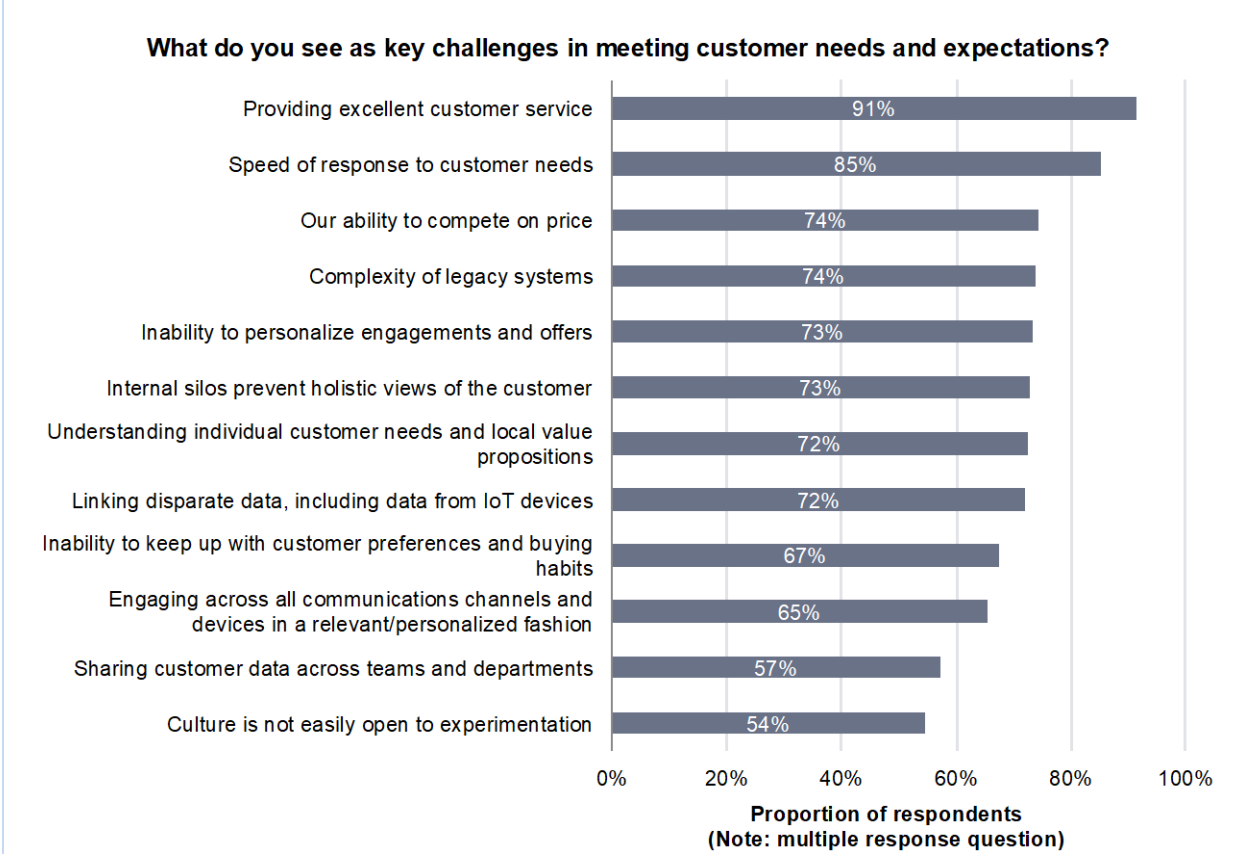
## The road to connected customer pathways

### Retailers must balance growing market disruptors with increasing customer expectations

Managing growing market disruptors, including price sensitivity, margin pressure, lack of customer loyalty, and global competitors, and their resulting effects with customers' escalating demands can prove a delicate balancing act for many retailers. One thing is abundantly clear: no matter how advanced an organization's digital transformation, the power has shifted to customers, and they are increasingly willing to exercise that power if their experiences with brands fail to meet their expectations.

The survey indicated that wavering consumer loyalty is a main concern for retailers. A lack of customer loyalty ranked high among respondents' top anticipated market disruptors contributing to competition in the retail industry. Added to that, retailers must balance growing competitive threats with escalating customer expectations. Respondents to the survey cite a wide range of challenges in meeting customers' expectations, from providing excellent customer service to maintaining a culture that resists experimentation (see Figure 1).

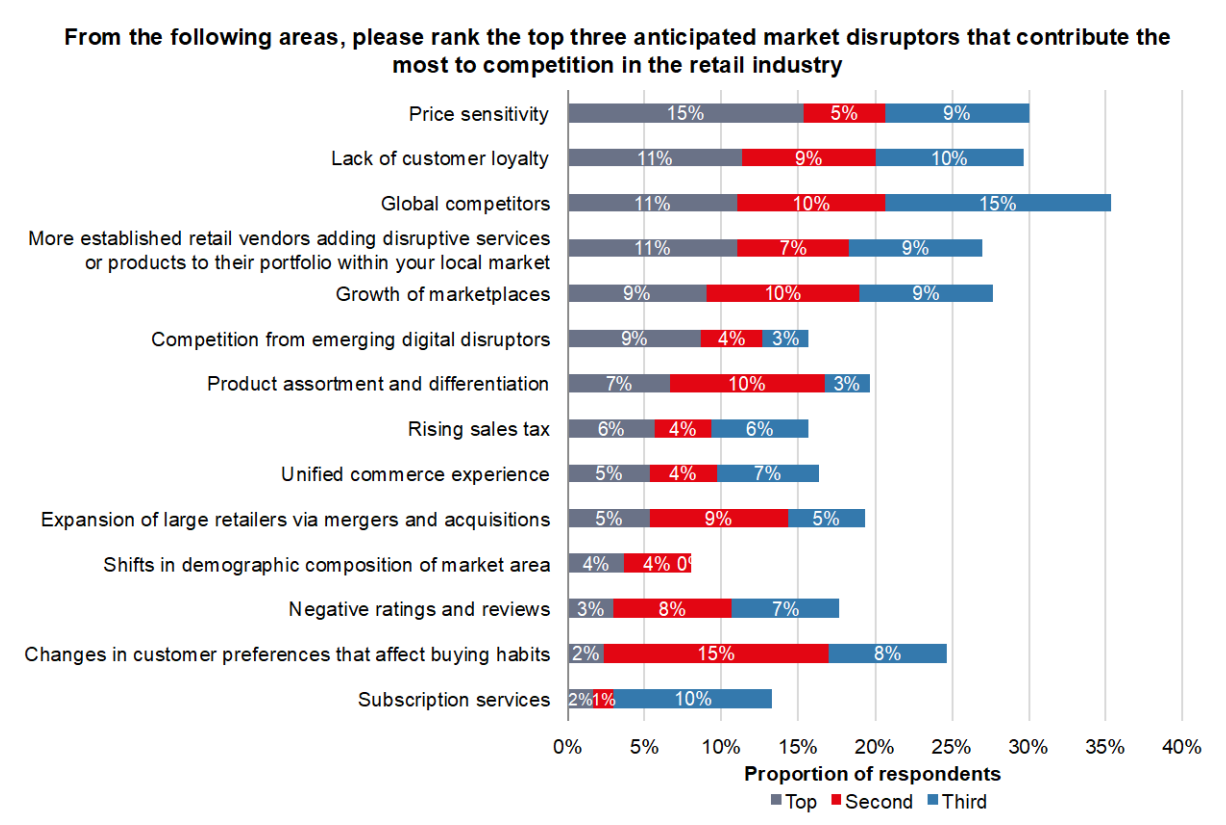
**Figure 1: The key challenges in meeting customer needs and expectations**



Source: Ovum and Adobe

In addition to price sensitivity and loyalty, mounting competitive threats that add to the complexity of enabling a connected customer experience are more established retail vendors realizing the need to add disruptive services and consider local tastes and preferences (11%), and the growth of marketplaces which continue to attract consumers and challenges retailers to partner with potential competitors (9%) (see Figure 2).

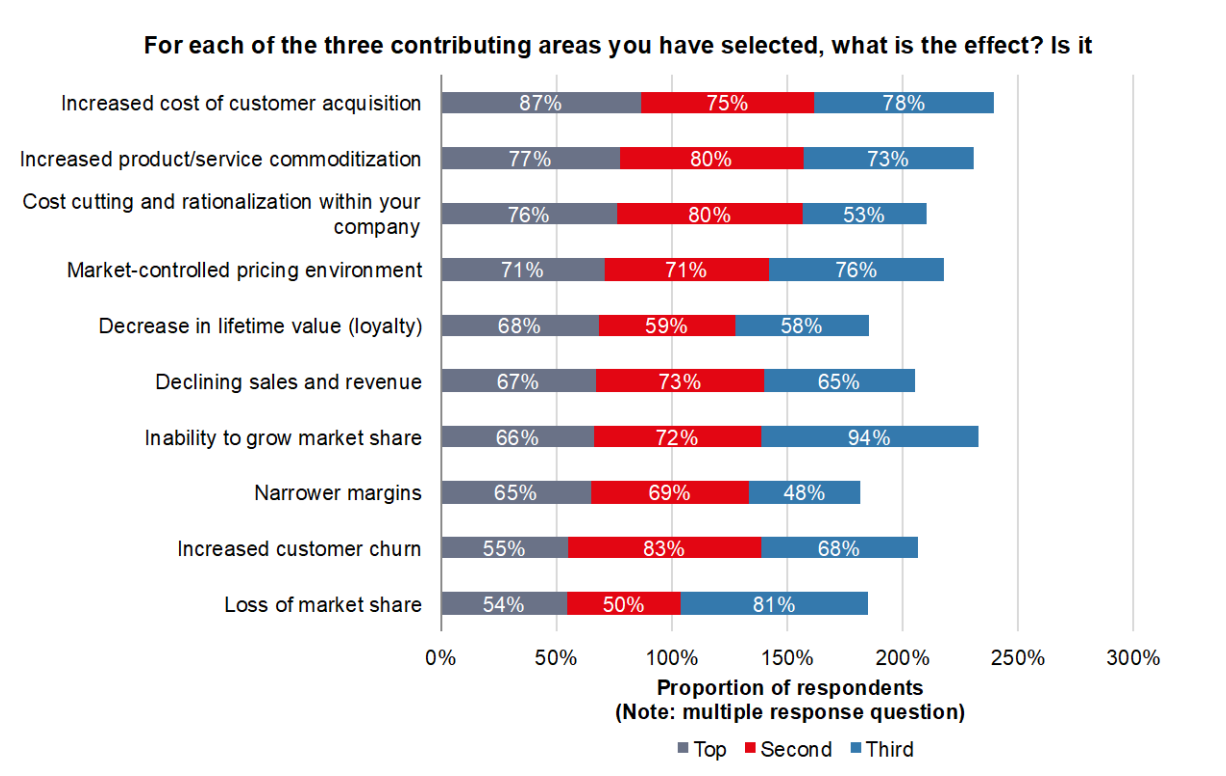
**Figure 2: The top market disruptors in retail**



Source: Ovum and Adobe

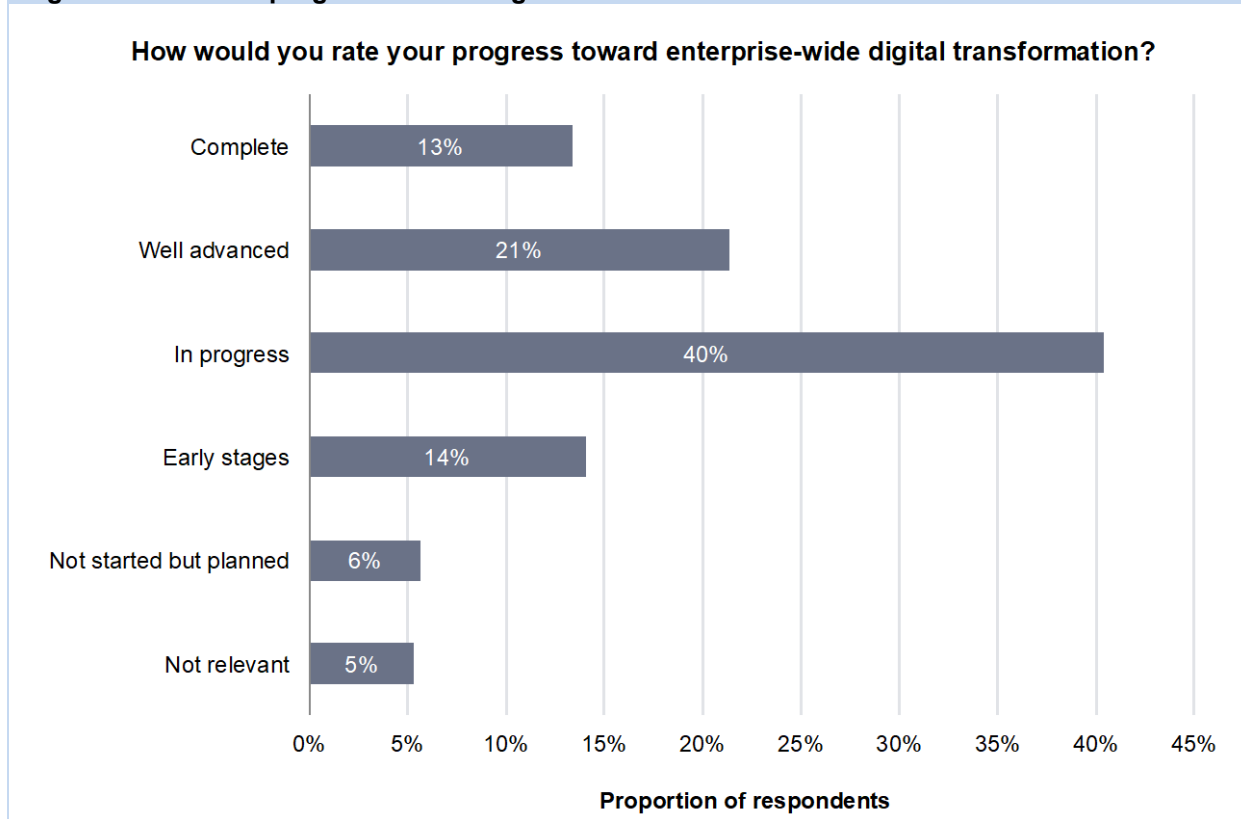
Such threats have far-reaching effects, including increased customer acquisition costs (87%), product commoditization (77%), cost cutting (76%), a market-controlled pricing environment (71%), and decreased lifetime value (68%) (see Figure 3). All results point to both the vital roles acquisition and retention have for business, and how striking the right balance between the two can lead to long-term business benefits.

**Figure 3: The far-reaching effects of market disruptors**



Source: Ovum and Adobe

An inability to meet customers' needs is forcing a paradigm shift in the systems, processes, and skill sets required for enterprises to compete and stay relevant. Advancement hinges on a combination of organizational strategy, customer data unification, and technology deployment to enable personalized and proactive engagement. Respondents to the survey demonstrate clear signs of improvement: 40% said their digital transformation efforts are in progress, 21% said they are well advanced, and 13% said they are complete (see Figure 4), although digital transformation is a continuous evolution as customers' expectations progress.

**Figure 4: Retailers' progress in their digital transformation efforts**

Source: Ovum and Adobe

Despite reported progress in digital deployment, organizational challenges exist that prevent enterprises from delivering a coherent and consistent retail experience that enables proactive personalization at every step of the customer journey. In fact, 89% of respondents reported a lack of organizational alignment. Other top responses point out the challenges of legacy systems (76%), executive understanding and commitment ((68%) as well as the absence of an omnichannel strategy (68) (see Figure 5).

**Figure 5: The organizational challenges preventing unified commerce**

Source: Ovum and Adobe

## Integrating data for unified customer profiles poses challenges

### Proactively engaging with customers requires holistic data

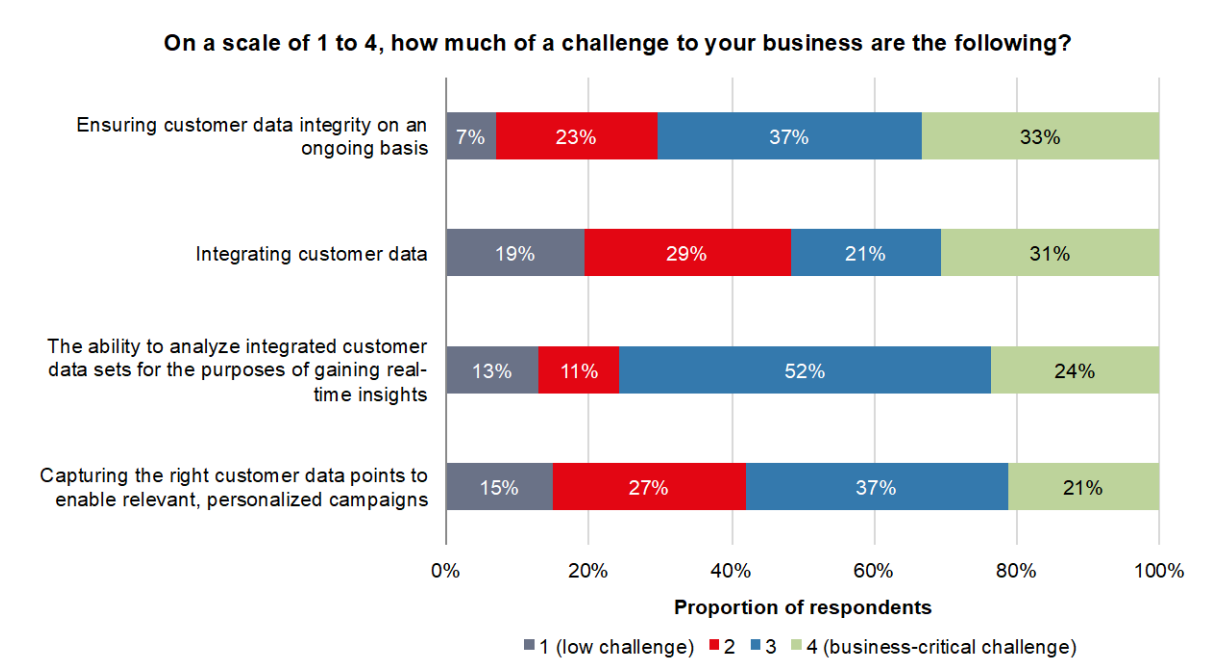
In an increasingly connected world, retailers must unify customers' online and offline customer experiences on an individual level to help them engage contextually in real time. However, tracking consumers' online and offline journeys is no easy feat. The rising number of potential customer touchpoints and the complexity of following customers as they move between devices and channels prevent retailers from understanding which digital campaigns or messaging drive offline behavior and which offline campaigns drive online behavior.

Proactively delivering customer experiences across the enterprise and through any channel demands a level of intelligent orchestration that draws on both historical, behavioral, and transactional data. Those insights are often locked away in customer relationship management (CRM) and finance systems, as well as commerce applications. Data from a single consumer can come from traditional laptops and PCs, mobile devices, Internet of Things (IoT) and sensor devices, and countless different applications. Many retailers are confronted with the challenge of not only tracking these journeys but also creating unified profiles. When companies fail to capture the granular details of what a customer

bought, for instance, they also give up the ability to understand key information such as if the same customer visits a store and then makes a purchase on the website.

Many retailers, however, remain hampered by hurdles such as data and organizational silos, complexities in sharing personally identifiable information (PII), and failure to track customer activities across devices or channels. In fact, business-critical challenges include ensuring customer data integrity on an ongoing basis (33%), integrating customer data (31%), the ability to analyze integrated customer data sets to gain real-time insights (24%), and capturing the right customer data points to enable personalization (21%) (see Figure 6).

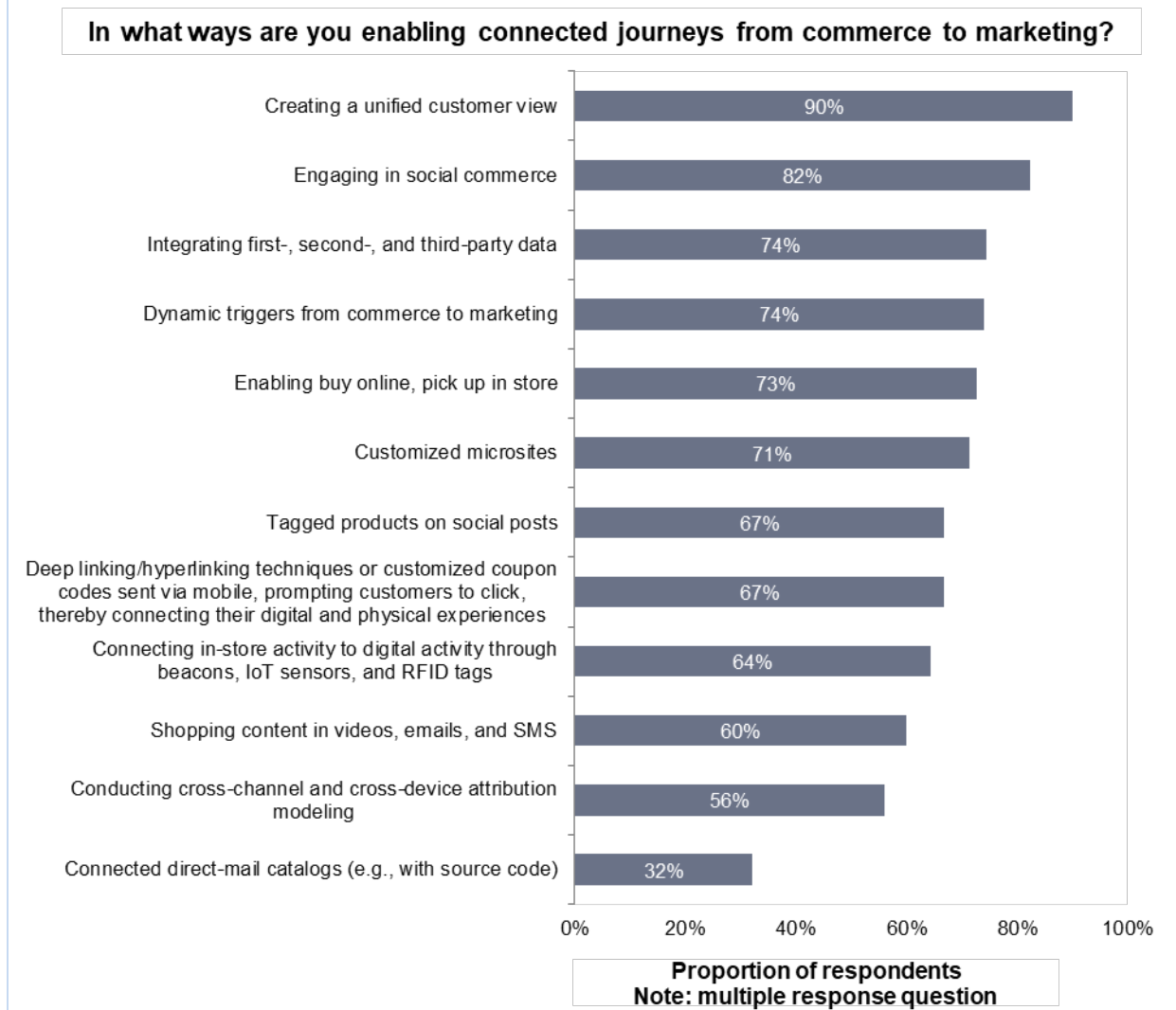
**Figure 6: Retailers' top business challenges**



Source: Ovum and Adobe

Despite the challenges, many are putting the tools in place to unify customer data and act on an integrated customer data set. In fact, 74% are integrating first-, second-, and third-party data, 67% are relying on deep linking and hyperlinking techniques to connect online and offline data, and 56% are conducting cross-channel and cross-device attribution modeling (see Figure 7). Looking ahead to 2019, 33% said they plan to establish cross-functional data standards to inform marketing planning and decision-making.



**Figure 7: Strategies for creating unified customer views**

Source: Ovum and Adobe

## Building the technology foundation for unified commerce is a priority

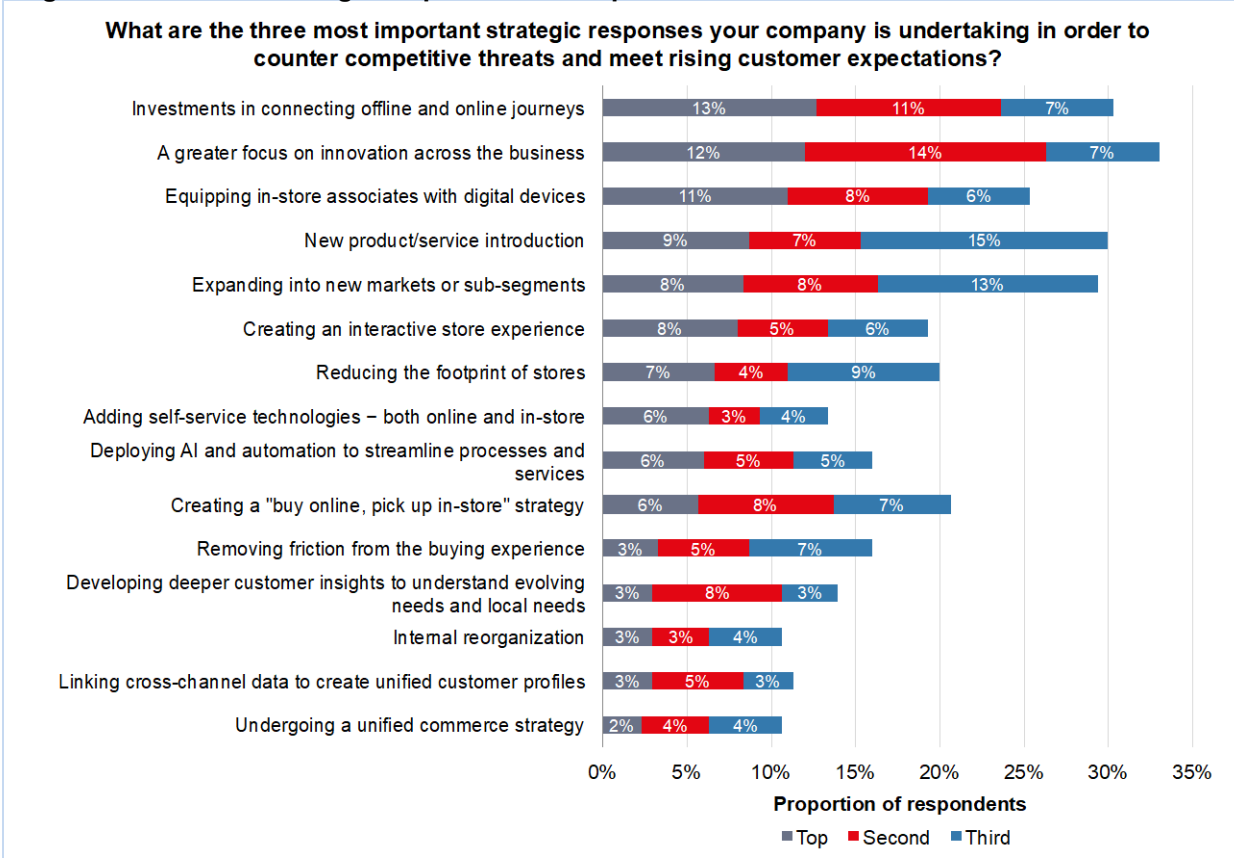
### Integrated architecture creates a seamless flow of engagement

Unified commerce is becoming the holy grail for retailers that operate both online and physical stores, as they embark on the next generation of seamlessly blending in-store and e-commerce customer experiences. The level of connectivity that creates a path for the seamless flow of engagement is largely achieved through a unified e-commerce platform on the back end. On the consumer side, endless aisles, big screens, digitally equipped associates, virtual point of sale (POS), and enhanced mobile capabilities help to further connect the customer experience and blend the digital and physical worlds.

Unified commerce refers to the full integration of systems and data through a single platform as the means to deliver connected, omnichannel experiences. Instead of having multiple interfaces, retailers should seek to achieve unified commerce through a single centralized platform, which manages all customer communications by combining in-store, mobile, e-commerce, POS, clienteling, and related functions throughout the enterprise; it should also allow the fluid and intelligent orchestration of the customer experience. This more easily creates a consistent look and feel and combines messaging across all channels and devices.

The outlook for unified commerce and an omnichannel customer experience looks positive. In fact, 13% of respondents cited connecting customer journeys as their top priority in countering competitive threats and meeting rising customer expectations (see Figure 8). Other top strategic responses include placing a greater focus on innovation and equipping in-store associates with digital devices.

**Figure 8: Retailers' strategic responses to competition**



Source: Ovum and Adobe

Other signs point to strategic and technology investments in unified commerce: 73% of respondents are creating a "buy online, pick up in store" strategy and 64% are connecting in-store activity to digital activity through beacons, IoT sensors, and RFID tags (see Figure 7), while 11% cite equipping in-store associates with digital devices as a top priority (see Figure 8).

## Retailers show progress in organizing employees around the customer

### A single framework manages and orchestrates content

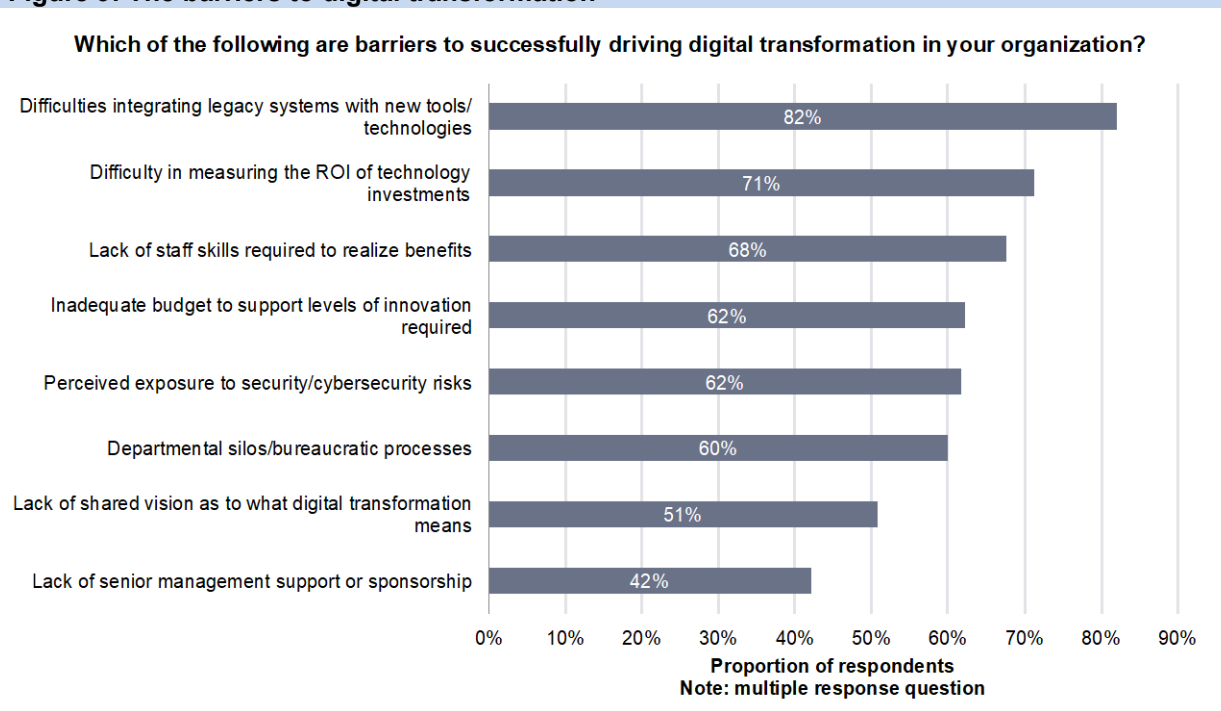
To create connected, personalized, and proactive customer experiences, retailers require end-to-end engagement supported by a connected infrastructure.

Forward-thinking retailers understand the need for agility if they want to stay relevant to their customers; they must develop an action-oriented, intelligent, and adaptive enterprise architecture. These connected, digital organizations forge a new path that treat employee interactions as a lifecycle. They give a more consistent experience across the tools that employees use to collaborate. They anticipate employees' needs and provide insights in real time so that retailers can better track how employees are connecting and drive certain behaviors or adopting processes to help them become more engaged or productive when necessary.

To enable connected experiences, employees must communicate and collaborate through a framework that manages content and orchestrates processes. Respondents to the survey demonstrate advancement in efforts to unite employees around customer data to enable connected experiences. In fact, 90% said they are working with other departments to create a unified approach to digital.

Despite progress toward enterprise collaboration, barriers to advancement stall progress: 71% said they have difficulty measuring return on investment (ROI), 68% reported a lack of staff skills, 62% said they do not have adequate budgets, 62% have perceived security risks, 60% reported departmental silos, 51% lack a shared vision, and 42% lack senior management support (see Figure 9).

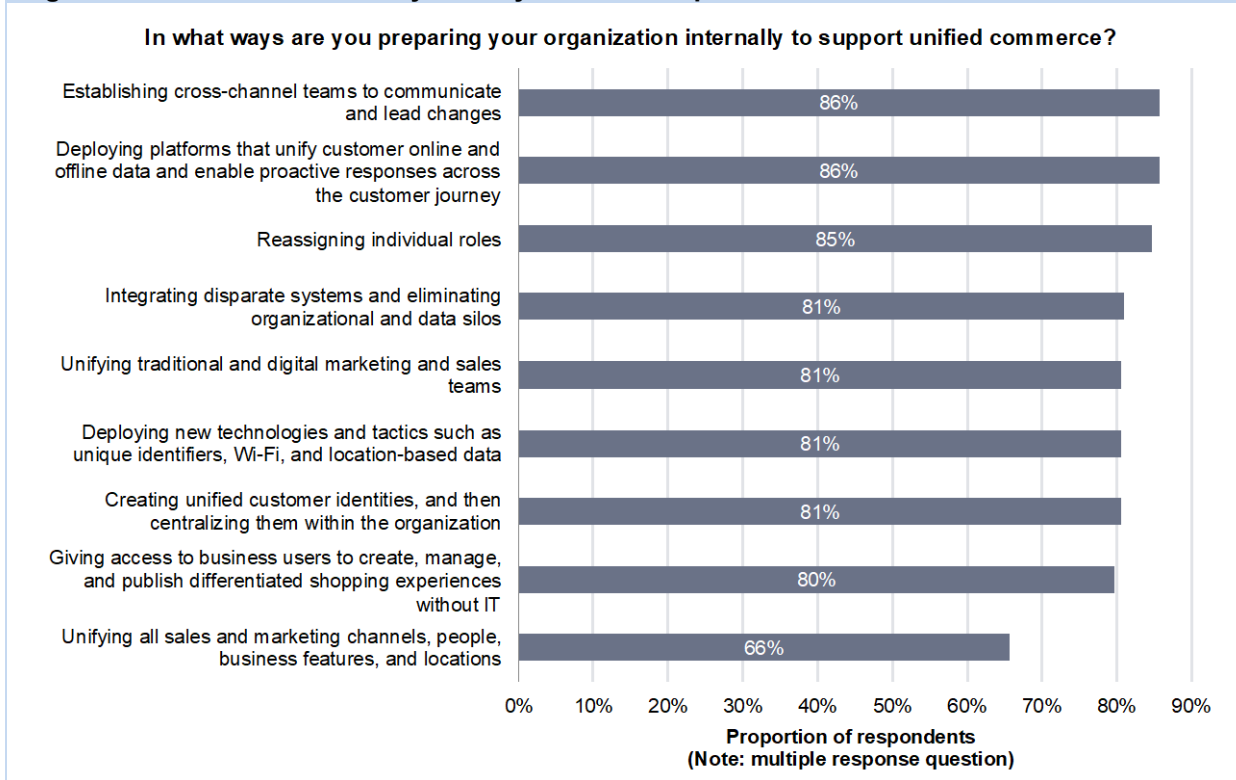
**Figure 9: The barriers to digital transformation**



Source: Ovum and Adobe

In addition to improving team and departmental collaboration, many are laying the foundation to develop action-oriented, intelligent, and adaptive decision-making with the purpose of enabling connected experiences across all touchpoints and devices. In fact, 86% are creating cross-channel teams to communicate changes, 86% are deploying platforms that unify online and offline customer data, 85% are reassigning individual roles, 81% are integrating traditional and digital marketing teams, and 66% are unifying all sales and marketing channels, business features, and locations (see Figure 10). The survey results reveal that 86% have deployed data unification platforms, 81% have integrated disparate systems, and 81% are using new technologies such as unique identifiers, Wi-Fi, and location-based technologies.

**Figure 10: The efforts underway to unify customer experiences**



Source: Ovum and Adobe

## Marketers anticipate greater personalization from connected journeys

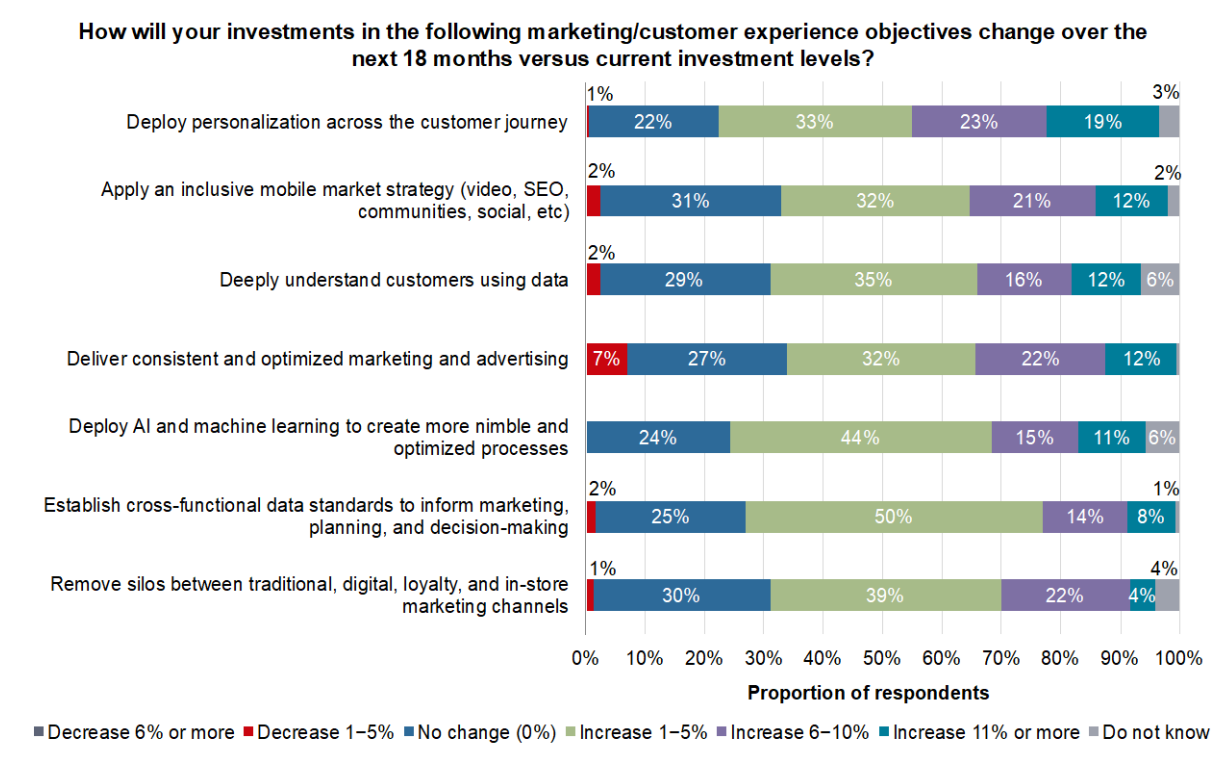
### Integrated journeys enable real-time and personalized interactions

Investments in data integration, technology that unifies commerce, and employee reorganization around the customer can deliver seamless customer experiences. Investments made today will enable retailers to engage consumers throughout the entire buying journey by delivering frictionless and personalized product recommendations and customized offers across all channels.

According to the survey, 88% of respondents expect to see personalized, real-time, and contextualized product recommendations across channels, 87% anticipate online content will be bridged to offline experiences, 82% anticipate intelligent and centralized workflows, 80% want consistent brand experiences across digital and traditional channels, 76% expect to get real-time unified customer insights, and 75% anticipate their efforts will lead to a holistic and consolidated view of customers.

Such hopeful returns will lead to increased investments over the next 18 months. According to the survey, 72% will increase their efforts to establish cross-functional data standards, 70% will increase artificial intelligence (AI) and machine learning, 65% will increase efforts to remove silos between traditional, digital, loyalty, and in-store marketing channels, 63% will increase efforts to deeply understand customers using data, and 75% will increase investments to deploy personalization across the customer journey (see Figure 11).

**Figure 11: Retailers' investment plans to enable connected experiences in 2019**



Source: Ovum and Adobe

## Conclusion

### A strategic framework to build connected experiences

The process for laying the groundwork to enable connected experiences is complex and ongoing, involving the entire retail enterprise. Embarking on this long and winding journey can be daunting to executives and management, who may be required to experiment and take risks. Those who move quickly to transform their culture, processes, and technology will end up the clear winners in the long

run. Here are five recommendations for creating transparency and accountability for a connected retail experience.

### **Develop and articulate a digital strategy**

Establishing a digital strategy and clearly articulating it is at the heart of any truly digital-oriented organization. It guarantees that the customers and employees remain at the center of all significant decisions. Yet, according to Ovum's *ICT Enterprise Insights 2018/19 – ICT Drivers and Technology*, only 12% of respondents have established and articulated a digital strategy, while for 23% this is in progress.

The digital transformation strategy must also incorporate a workplace strategy. This includes how employees will use the new technologies and devices, as well as how to organize the teams around them. Digital adoption not only propels an enterprise's customer engagement efforts forward, but also removes the internal barriers that often prevent teams and individual employees from collaborating. Tactical workplace strategies can help to break down the internal silos that keep key stakeholders in the customer journey from proactively interacting with one another. Additionally, a coherent workplace strategy will help to achieve buy-in from senior executives.

### **Deploy platforms that orient the organization around the customer**

Retailers that treat customer engagement as a channel, with individual business units interacting with customers through separate streams via email, the web, social media, or the contact center, only perpetuate the ubiquitous enterprise challenge of fragmented customer experiences. To succeed, enterprises must be supported by complete information on the customer so that employees can recognize and respond to individuals and collaborate in real time across enterprise functions.

Uniting employees along a single workstream around the customer is one of the most critical elements to enabling a connected enterprise that is focused on the customer's behavior and journey. It is important for retailers to create compelling customer experiences because there has been a fundamental shift in power to consumers, who want quick and frictionless experiences personalized to their needs.

Customer engagement platforms (CEPs) address the challenge of connecting and enabling customer engagement across the enterprise and in any channel that a customer chooses to use. This process requires a systematic and holistic re-orchestration of people, processes, and technology. It includes determining the business processes and technology that align with the demands of customers. It also means breaking down traditional silos and devising new ways of working, in terms of roles, processes, and systems. Finally, it entails bringing together content from other apps into one centralized workstream and creating portals where users receive persistent messaging, alerts and notifications, activity streams, and content-sharing functionalities.

### **Invest in emerging technologies such as AI and conversational interfaces**

AI is well positioned to transform retail. Early adopters are reporting significant ROI, which will work to accelerate adoption. AI opens the way for massive disruption, as both established retailers and new entrants drive innovation and develop new business models based on the potential to understand customer behavior and anticipate and respond to customers' individual needs, with unprecedented foresight.

Many retailers are taking some small steps toward investing in the development and integration of AI. Retailers that can quickly deploy AI capabilities will realize numerous benefits in the way they interact with customers, such as proactive and real-time marketing and engagement, personalized customer service, and smarter supply chains. Also, AI-powered, voice-activated chatbot technology that answers customers' questions in their preferred way allows for tailored interactions.

Despite some progress, many barriers to entry exist. While many of the AI investment hurdles involve the human factor – resistance to adopting new technology and a lack of the required skills – another primary factor in the delay is not understanding where to start. Retailers must evaluate their IT infrastructures, the business processes that will be affected by AI, and most importantly, where AI will be able to help their business the most.

### **Create unified customer profiles that integrate online and offline data**

Enterprises face numerous hurdles in linking online and offline customer attribution. Consequently, there are various solutions to help connect customers' online and offline behaviors. They include building a customer graph, using Wi-Fi and location-based data to track customers, connecting first-, second-, and third-party data, building a customer data preference center, creating unique identifiers, applying machine learning, and aggregating data from IoT-enabled devices.

While integrating traditional and digital data sources is critical to understanding customer identity, enacting the necessary strategies and processes has many technical and operational implications. Success hinges on building integrated capabilities, making the right data accessible, and simplifying processes.

Ovum recognizes that the processes for determining how digital behaviors influence in-store purchases continue to challenge enterprises. There is a great need for technologies to help connect the dots. Through a combination of customer journey analytics and customer ID creation, data cleansing, partnering with the right vendors, and applying sophisticated analytics and machine learning, enterprises will be well on the way to successfully linking online and offline customer attribution. They will reach a granular level of insight that will help them understand how customers' offline behaviors lead to their online purchases and how online behaviors lead to offline purchases.

### **Create a data-driven enterprise**

At their core, insights-driven enterprises focus on closing the knowledge gaps that exist in their organizations. This begins by understanding the key strategic and operational questions that require answering and to which, in the current state, answers simply do not exist. In insights-driven organizations, IT collaborates with nontechnical key decision-makers to ensure that they have the capabilities and access to data to make knowledge-based decisions anytime and anywhere.

According to Ovum's *ICT Enterprise Insights 2018/19 – ICT Drivers and Technology*, 13% of respondents have already completed a process for exploiting the value of data across the business, while for 27% this is in progress. Although this percentage appears low, it points to progress toward enabling data democratization through self-service business intelligence, which is the process of providing data access to large swaths of nontechnical employees to interpret, share, and act on data-driven insights. Data democratization empowers employees to act on behalf of the customer, by seamlessly incorporating sharing and collaboration features to enable large groups of employees to examine data in real time through visual interfaces and respond at critical moments throughout the customer journey.

These tools and subsequent processes are turning employees across the enterprise into data analysts and creating a seamless flow of data across business units. This enables the sharing of actionable insights that address mission-critical business imperatives. Front-line employees can easily access and act on data, share best practices with teams, and create tasks based on the analysis. As a result, enterprises are unified by data and working toward common goals rather than competing for business.

## Appendix

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### Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at [consulting@ovum.com](mailto:consulting@ovum.com).

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