Customer Loyalty

How can **digital transformation** improve and increase retail **Customer Loyalty?**

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The future of the retail industry will be defined by the loyalty of its customers. That is why in our report entitled "Retail Redefined: How understanding the digital divide between Baby Boomers and Generation Z can shape the industry's future", we set out to look at what dictates, defines and retains consumer loyalty in 21st century retail.

Through an online survey carried out by YouGov, we questioned a total sample of more than 2,000 over-55s and 16-20s taking their pulse on a variety of issues, from customer loyalty and engagement to data collection or in-store experience and their hopes for the virtual high street of tomorrow.

However, when it comes to customer loyalty, we know so many factors can influence it; price, brand name, emotional connection, familiarity with a product or service, a recommendation by a friend or social influencer, the ease of the status quo and a simple fear of change.

Is new technology enough to create loyalty?

Every brand in every industry is now grappling with the question of retaining loyalty as it begins to digitally transform operations online and, where appropriate, within bricks and mortar stores. Thanks to the advance of technology, there is now a major piece of work to be done on keeping an existing customer base engaged while growing a whole new audience among the younger, more technologically-savvy generations.

This can only happen when customer satisfaction with a business is at a high and during our Retail Redefined research, we discovered 7 in 10 (69%) of respondents surveyed agreed retail took customers' loyalty for granted. That is a stark warning to industry CEOs, CTOs and boards, especially given digital technology's ability to rapidly disrupt traditional marketplaces and models; making purchasing easier and delivery faster while unravelling the tight traditional loyalty bonds built up over generations.

Customer loyalty is only as strong as customer service. For example, in our survey, much comment was made around negative experiences in-store, with rudeness (23% overall), being ignored (14%), taking too long to answer a question or complete a purchase (20%) and lack of knowledge of product ranges (50%) were all cited as the most recent problem experienced.

Each of these could, and likely would, be reason enough alone for a customer to switch to another retail store or to a rival brand, especially when technology makes it so easy to do so. However, all of these gripes could easily be solved by introducing simple technological changes within retail infrastructure or digital apps. For example, placing interactive terminals in-store for the self-service of queries.

Technology alone will not be the magic pill

All retailers understand, however, that technology as a standalone automated solution remains only one answer. This is exemplified by our Retail Redefined research on a granular level. In one example, it can be seen that there is a belief among customers of the need to equip employees with better knowledge and training to use tablets more effectively to take payments, log orders or give advice.

It is crucial to note that this does not, and should not, replace the human touch. Retail Redefined showed 57% of Baby Boomers and a third of Gen Z questioned found frustration with not finding a staff member on hand when they needed help. Therefore, using technology more effectively to speed up payments at the till could be one simple way to free up employees to offer more personalised services and advice on the frontline. This could prove a simple short-term solution to boosting loyalty among consumers in traditional bricks and mortar environments.

Another key problem identified during our Retail Redefined research was how more than half in both generations who had a frustrating in-store experience (55% Gen Z and 52% Baby Boomers) cited items being out of stock as a reason for this. What would solve this issue most easily?

Should we rely on technology or humans?

The answer lies somewhere in the middle of the humans vs machines puzzle but starts with a clear and formalised understanding of how to implement technology effectively throughout the retail business. Only then can it increase loyalty through the influence on, and augmentation of, the human interaction in-store; with its effectiveness resting on the empowerment and training of people on the ground.

To work successfully, a future-proofed infrastructure should be based on a hybrid IT approach, hosted in the cloud to connect everything together. For example, order and warehouse management systems that work in-sync ensure it is easy for customers to order out of stock sizes in-store and have these products delivered directly to their home. This will gain their trust and loyalty in the same way as joined-up technology that makes it simple for them to visit a third-party nearer to their home to collect an order at their own convenience or return an item for an immediate refund as soon it is dropped off at a collection point and scanned for pick-up.

Another way in which our Retail Redefined report points to a method of improving customer loyalty is in a more insightful use of data collection. In our research, 34% of Gen Z and 1 in 5 (18%) Baby Boomers believed a more personalised experience could improve customer experience. Developing rewards-based schemes that offer deeper, granular levels of personalised discounts based on customers' shopping habits and preferences should ensure they return to the same shop or brand, whether online or in-store, time after time.

Coffee chains are one example of this succeeding with loyalty points collected on hot drinks bought daily or apps that allow customers to order their drink en-route to be ready for them. Supermarkets and furniture retailers also encourage people in-store by tempting them with a free drink, cookies, a newspaper or personalised offers featuring prices that are not available online.

IT implemented right can drive loyalty through data

At CenturyLink, we know none of this can be successful without first ensuring a business has its data stored securely and not operating in its own silo. Customer loyalty demands cooperation between sales, marketing and product development. When used right, it can provide a competitive advantage in a crowded marketplace.

With the advent of the new General Data Protection Regulation (GDPR) rules coming into force in May 2018, it is therefore crucial that retailers see this as a milestone for their work with customer data and loyalty.

Working with a partner who can securely host and safely analyse this data is paramount; protecting it from a breach by cyber criminals intent on stealing it, which could prove costly due to the high potential fines for a data security breach under GDPR.

As identified at the outset of this essay, customer loyalty cannot be taken for granted. By seamlessly integrating technology across a retail business, a retailer can underpin the ways in which it boosts trust between its brands and the consumer. By focusing on how technology - whether automated or used by people - can improve customer experience, retailers can continue to create strong and long-lasting loyalty connections with consumers.

At CenturyLink, we power some of the world's largest companies in sectors such as retail, telecoms, media and travel to digitally transform their businesses through apps and websites alongside secure data storage and safe online transactions. Our close working relationships with industry-leading companies like Amazon Web Services, Microsoft, VMware and SAP put us in a unique position to help businesses identify the best execution venue for their business-critical applications and systems through our advisory and consultancy services. With ever-increasing numbers of cyber-attacks being reported, our managed security services can help customers to better secure their valuable client data; providing tools and expertise to detect breaches faster and to swiftly manage and respond to incidents. We know and fully understand the path to digital transformation can be a complicated one. But we also recognise it is a road any business wanting to survive and thrive in the 21st century must start walking. What is so apparent from our cross-generational survey is that both age groups appreciate technology will become more ingrained in their retail experience. They recognise it will make for a more exciting, more useful and an even speedier shopping trip, whether in-store or online. However, it is clear from our results that successful retail digital transformation only succeeds when both young and older consumers are considered. New ways of operating will only be successful once their everyday problems and gripes have been solved, either by humans or the simplest forms of technology. They can then be educated and supported to embrace automation and technology, seeing it as a benefit and not something that ultimately detracts from, or ruins, their overall retail experience. By working hard to understand these differing generational mindsets, retailers can move positively into a future that heralds huge opportunities. Whether it is for growth or large-scale experiential change, one of the most adaptable of British industries now has the chance to lead the way in the benefits of automation.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2016 adults, of which 1004 were aged 16-20 (Generation Z) and 1012 were aged 55+ (Baby Boomers). Fieldwork was undertaken between 26th and 29th June 2017. The survey was carried out online.

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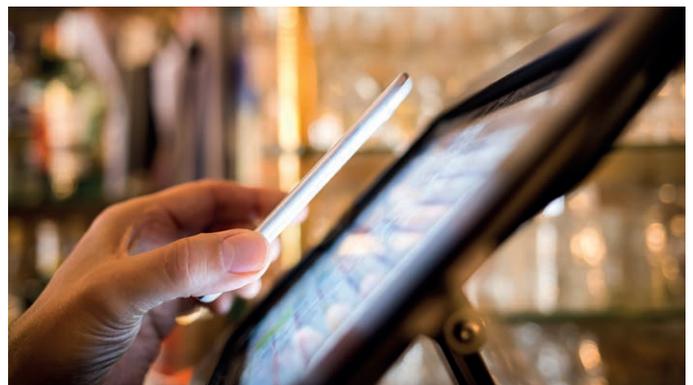
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