Point of View

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The Future of Retail Touchpoints Extending Your Reach in the Consumer Shopping Journey

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January 2010



Cisco Internet Business Solutions Group (IBSG)

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A customer's journey—from first hearing about a product to purchasing it—involves a vast and growing array of encounters with a product or brand. In fact, consumers "touch" your brand an average of 56 times between inspiration and transaction.¹ Many of these "touchpoints" involve standard retail channels—walking by the storefront, going online to a branded e-commerce website, viewing a TV ad, or hearing a radio spot promoting a local sale. But more and more, new media touchpoints such as social networking, blogs, communities, video, and location-based services are becoming an integral part of the consumer shopping journey.

Touchpoint

Any product, service, transaction, venue, or experience through which a customer receives a significant impression of your brand. And it doesn't stop there. The development of new and engaging touchpoint opportunities is being accelerated by technologies such as augmented reality (AR), Near Field Communication (NFC), IPTV, and "SixthSense" technology. These new interaction technologies are evolving with stunning speed, making it a challenge for retailers to sort through, understand, and respond to the touchpoint opportunities they represent.

One challenge is that retailers and consumer packaged goods (CPG) companies do not own most of the new media channels or control the messages that proliferate through them. As a result, these companies need to understand not only what is currently available or coming down the pipeline, but also which touchpoints offer the best opportunity to influence perceptions about their brands. They are asking: How should we approach social networking? Do we need to respond to bloggers? Do we require a new media strategy, and if so, what should be included?

Technology and consumer behavior are at a major transition point. Leading retailers and CPG companies that want to break out of the "Great Recession" will need to start by gaining market share in a low-growth retail environment. They must find ways to differentiate their brands amidst a myriad of consumer touchpoints. These market leaders are using touchpoints to listen to their customers, and are working hard to provide new services that help them earn ownership of the customer experience. These successful brands seem to be converging on broadly similar touchpoints through a unified, multi-touchpoint strategy. They use social media to listen, offer services to engage, interact through forums to enhance the brand experience, recommend based on behavior to drive personal transactions, and support and reward customers post-sale to keep them coming back.

New technology-enabled touchpoints are evolving faster than ever, with many new touchpoints already embraced by mainstream consumers. Cisco's Internet Business Solutions Group (IBSG) believes that consumer companies should begin piloting new touchpoints today, so that they will be ready to deploy on a large scale tomorrow. By piloting now, retailers and CPG companies will learn to respond to messages and issues they may never have anticipated otherwise. In this Point of View, Cisco IBSG offers several ideas on how to begin.

¹ Ed Thompson, Gartner, at the Gartner Symposium ITxpo in Cannes, 2007.

Touchpoints Are the Building Blocks of the Customer Experience

Retailers sell products and services to their customers. Perceptions of these offerings, however, depend on the overall customer experience: the product, its usability, additional services or features, quality, brand, price, and value—plus the quality and nature of every encounter or interaction between the customer and the brand. Traditionally, retailers and manufacturers have communicated their product and brand attributes through channels they control, including the store, the call center, kiosks, events, and their branded e-commerce website. In recent years, however, a shift toward new touchpoints has emerged, completely independent of the retailer: social networking sites, blogs, online communities, mobile applications, video, Twitter, location-based services, and many more.

The acceleration of the number and types of touchpoints has been catalyzed by anywhereanytime access to the mobile web, through devices such as the iPhone, BlackBerry, and other smartphones. These mobile devices run on platforms that allow easy development, sharing, and use of consumer-generated applications and content. Many of these applications draw upon data provided by retailers on their own websites, including price, availability, SKU descriptions, and store locations. This data can easily be combined with information from other sources, such as social networks and GPS devices, to enable entirely new capabilities.





Source: Cisco IBSG, 2009

Various new touchpoints with exciting and engaging features will continue to evolve, enabled by many new and emerging technologies. We will explore some examples later in this paper.

Deriving Value from Touchpoints

For consumers, touchpoint value comes from the capabilities offered, such as making it easier to find product information, automating a household chore (creating a shopping list, for example), or facilitating decision making by consulting family or friends. For retailers and consumer product companies, value comes from information about personal preferences, where and when a particular need may arise, and the ability to use this knowledge to lock in customers.

The ability to respond in a timely and appropriate way will be a key differentiator. Touchpoints with high volumes of customer interactions and those that can elicit potentially strong emotions in customers (for example, e-commerce sites or customer service departments) tend to have the largest impact on customers' brand perceptions.

Understanding the value drivers—especially by customer segment—will help you target where to begin improving value for customers. Questions to consider include: What do my customers value in an experience? Which service will enhance our customers' lives *and* reinforce our brand? Which experiences are improving my relationships with customers? How do these experiences differ by customer segment?

Technology Has Turned Customers into Moving Targets—Literally

Throughout much of the 20th century, government or corporate technology applications "trickled down" to touch the lives of consumers. Today, that dynamic has flipped. Early adopters will immediately try anything that looks as though it could improve their lives. What seemed new yesterday is seamlessly integrated into their daily routines today—and the corporate world is scrambling to catch up.

Consumers now assume that their smartphone will come with a built-in camera, GPS, and an Internet browser. Combine these functions in a "mashup" and a completely new locationbased user experience is created. One consumer-created application, for example, displays customer comments and opinions over the live camera view of a store location.

Leading consumer product companies are also testing the business value of mobile mashups. "Urbanspoon" displays a periscope view of the user's location, showing the popularity of nearby restaurants; select a location with the cross-hairs and see the restaurant name, distance, pricing, and cuisine category. With "Bionic Eye," the user points the iPhone camera at a building, and the screen displays which stores are inside. This application also includes virtual signposts with directions to nearby points of interest or the nearest Starbucks coffee shop—a powerful capability enabling consumers to select their destination based on brand (see Figure 2).



Figure 2. Location-Based Mashups Offer Opinions, Directions, Local Services

Urbanspoon (left) displays popularity and other information about nearby restaurants. Bionic Eye (right) enables customers to search for favorite brands nearby.

In augmented-reality (AR) solutions, content interacts with layers of information provided by the real world. For example, by holding up a specially coded box or label to a webcamequipped computer, a user can see an augmented, 3-D image of the product, or a graphic display of other additional information. In another AR application, nearby homes for sale are overlaid on the live camera image of a neighborhood; by simply touching one of the identified locations, potential home buyers can see photos and details about the home (see Figure 3).





Figure 3. Augmented-Reality Applications Provide Visual Details About Products or Services

Lego in-store display shows 3-D image of assembled product.

Funda displays nearby homes for sale.

These AR applications typically focus on information about content not found on the packaging. The global standards organization GS1 is working on a standard for mobile solutions to make this sort of "beyond the package" information available to consumers anywhere, anytime.

Many of these developments are eroding the retailer's traditional advisory role; merely "telling" consumers about great products or brands no longer drives sustainable competitive advantage for retailers.

A new touchpoint proving this contention is "ShopSavvy" from the Texas-based company Big in Japan. Using an iPhone or Android-based mobile phone (Windows Mobile and BlackBerry apps are soon to follow), consumers can look up any product that has a bar code; read online reviews; check price, location and local availability; order online; notify a friend; create a wish list; and automatically cache searches. As of mid-November 2009, more than 3 million users were performing an average of 26 product scans per month, 91 percent of which were in-store. About 10 million wish lists had also been created, and more than 30,000 new users were being added each day.²

Which Touchpoints Are Important in Your Customers' Shopping Journeys?

With the current proliferation of touchpoints, much of the shopping journey has moved outside the walls—both physical and virtual—of retail stores, and into the social networks where people share their experiences and often gain their insights. Many retailers are trying to figure out their approach to social media: embrace it and risk failure, or stay out and lose out? Do they need presence on a mobile platform? What will happen now that IPTV and gaming consoles are on their way to bringing shopping to the living room sofa? The questions seem more abundant than success stories as retailers struggle to understand the strategic implications of this fast-changing technology landscape.

The relatively linear shopping journey of yesterday has morphed into a more complex, roundabout process that could be different for every purchase (see Figure 4).



Figure 4. Shopping Journey for Buying a Camera: Touchpoints Before, During, and After the Transaction

Source: Cisco IBSG, 2009

² Andrew Mitchell, 4G Trends, November 18, 2009 (http://4gtrends.com/?p=2060).

Touchpoints Provide Opportunities To Listen

If most of the shopping journey has moved outside the store, and outside the retailer's control, then what is the opportunity for retailers? Touchpoints offer retailers and CPG companies the opportunity to listen and better understand consumer needs. Whether they know it or not, consumers are leaving fingerprints on many touchpoints—when they seek information on a particular product, or visit a specific location, or both. With the technology and applications available today, companies can predict future choices of individual consumers with unparalleled precision. Who has not been surprised about the old friend or colleague who popped up as "someone you may know" in LinkedIn or Facebook? Today's applications are capable of predicting someone's personal preferences based on touchpoint inference without the actual data ever having been entered.

This presents two opportunities: The first is to know what a consumer is going to look for even before the actual need has materialized, and to be the first to offer it to him or her. The second is the opportunity to increase the relevance of a retailer's brand by making life better and easier for the consumer.

Thirty to 40 years ago, predicting a consumer's needs was based on the infallible knowledge of a store buyer. Then, with the advent of digital cash registers, retailers were able to analyze baskets using direct product profitability (DPP) tools and began seeing correlations between categories and SKUs for the first time. The elusive goal of knowing what was on the consumer's shopping list, however, remained unattainable. So, retailers developed loyalty schemes as a way to gather more personalized information about each customer. Better basket analysis and targeted discounting became possible, but the ability to predict consumer behavior remained imperfect. Then Amazon took a great leap forward when it started using a social-filter-based recommendation engine, from which it now derives 35 percent of sales.³

The next step will be to understand customer needs through social networking. Clever retailers have already incorporated applications like Twitter as part of the shopping experience. They allow their customers to share their ideas, questions, and suggestions, as well as frustrations, as they shop. Retailers' ability to make this a positive customer experience hinges on being able to respond quickly and appropriately (see Figure 5).

³ "The Migration of Web Techniques to In-Store Retail Practices," Hutch Carpenter, January 14, 2009.



Figure 5. Improving the "Crystal Ball": The Evolution in Understanding Customer Behavior

Source: Cisco IBSG, 2009

Knowing What Is Relevant

Applications like Twitter will generate a lot of noise, so how do you know what is relevant? Cisco IBSG believes behavioral emulation engines will help retailers and CPG companies know more about their customers than ever before. Behavioral emulation engines use pattern recognition and artificial intelligence technologies alongside statistical tools to identify and scrutinize granular data. There is already a growing list of engines that process the data and patterns gathered at touchpoints to predict a consumer's future favorites. In the next two to five years, newly emerging technologies such as retail behavioral recommendation engines and real-time offer engines will enable these behavioral emulation technologies to deliver significant benefits if correctly tied to shopper behavior.⁴

"You don't need IT to Tweet, but you sure will be buying an awful lot of software in 2011 that will analyze all this unstructured information. Imagine a year down the road when I can go into a retailer and start tagging my likes and dislikes on any given product. It is just mind boggling...."

Jeff Roster, Gartner Group October 2009

An example of the power of measuring touchpoints is Biz360, which correctly predicted the outcome of *American Idol 2009* before the show aired. The Biz360 tool, which was developed in partnership with Stanford University, is typically used to determine how brands, products, and services are being perceived.

⁴ "ICT Marketing Strategy: Retail and Logistics Sub-sector," Gartner, U.K. Trade & Investment, March 2009.

Cisco IBSG recommends that retailers start using these new tools to start gaining experience now. The ability to "listen" to the conversation and know what to do with the messages will be a powerful competitive differentiator tomorrow.

Successful Brands Converging Toward Similar Touchpoints

Leading retailers and CPG companies are already listening carefully to their customers and working hard to provide new services and "earn the ownership of the experience." These successful brands seem to be converging around broadly similar touchpoints to listen, engage, enhance the brand experience, create personalized transactions, and lock in customers (see Figure 6).





For example: Best Buy and Dell both use Twitter to listen to and communicate with their customers. Albert Heijn offers its customers a convenient mobile application containing a cookbook with over 7,000 recipes that can be used to create shopping lists and more. Adidas recently gave away an iPhone app that enables users to discover and learn about Berlin street art. NikePlus and the Nespresso Club program allow these brands to interact with their target groups and better understand their needs and wants. Tesco and Amazon both use advanced recommendation engines. Nikon is doing a good job locking in its customers through online services such as Picturetown. Heineken has launched a cobranded rewards card that offers members special services such as guaranteed access to concerts.

In addition to their unified multichannel, multi-touchpoint strategies, leading brands are usually also good at quickly spotting a potential negative experience and turning it into a positive. Customers of Orange in the United Kingdom who are having problems with their broadband connections can now visit www.orangeproblems.co.uk to find out how to solve them. This forum started as a complaints platform, but was quickly embraced by Orange to help its customers.

Tomorrow's Touchpoints Are Being Tested Today

Many of the developments currently under way will transform the ways in which consumers touch retailers and CPG companies. Here are a few examples:

• IKEA won the 2009 Future Lions award for its augmented-reality application advertisement. In the ad, IKEA demonstrates how consumers can try a new product, virtually, in their own homes using their mobile phones. Consumers can choose colors, styles, and sizes, and try them in the comfort of their own living rooms before visiting

Source: Cisco IBSG, 2009

the store. An almost identical application called "portable interior planner" was used successfully to launch IKEA's new "PS" product line in summer 2009 (see Figure 7).

IKEA's Award-Winning Ad Inspires Augmented-Reality Application

 Ad places virtual sofa in customer's room.

Figure 7.



Actual app shows virtual clock in customer's room.

- FoodTracer is an augmented-reality mobile application that shows information about the origin, production, and distribution of food. The application's aim is to provide easy access to information about food, and to review grocery shopping behaviors (see Figure 8).
- Companies such as Nokia and Microvision (see Figure 8) have created see-through color eyewear to enhance the value of the information consumers are receiving via their mobile phones. To overcome the limitations of the mobile screen size, the eyewear overlays reality with high-definition images and information controlled either by the mobile device or through gestures. Imagine viewing user-generated comments, or privately checking the online price of a product while you are viewing it on the shelf.



Figure 8. FoodTracer and Microvision Offer New Ways To Interact

FoodTracer shows where food comes from and how it gets to the grocery store.

Microvision offers an informed view of the world.

SixthSense technology, one of the most exciting new touchpoint possibilities, is still in the development stage at MIT Media Lab's Fluid Interfaces Group. SixthSense is "a wearable gestural interface that augments the physical world around us with digital information, and

lets us use natural hand gestures to interact with that information." ⁵ This technology will make the retail environment interactive, and product packages will become integral parts of the brand and shopping experience (see Figure 9).

Figure 9. SixthSense Technology Displays User-Selected Product Information on Product Packages



Developer Pranav Mistry demonstrates the SixthSense prototype, which scans the bar code on a package of toilet paper and gives it a "green light" based on environmental criteria.

Test Touchpoints Now for Quick Deployment Later

Cisco IBSG encourages retailers and CPG companies to adopt a simple strategy for testing touchpoints. Deploy multiple, small-scale, time-boxed pilots to learn the effects and dynamics of new media and tools. Here are some ideas for low-threshold pilots:

- Rediscover the shopping journey: Start listening to the conversation on social media. Learn about the data available on the Internet. A service such as Observed Media could be an easy start for gaining insights about listening and metrics. Observed Media provides industry trends and identifies the top 10 influential bloggers and tweeters in a category. It crawls many online sources and targets specific issues, such as the launch of a new product line for a particular brand.⁶
- Offer a service or mashup application. Start an experiment with a context- or location-aware tool such as Placecast and learn about using context-aware, personalized mobile marketing as a service. Placecast enables brands to deliver relevant messages in context (tied to place and time) to their customers based on an opt-in program.
- In the United States, try a pilot with Neighborhood America's MOVO Mobile service to learn about the power of reaching consumers with exclusive alerts and promotions combined with mobile social networking. Adidas has worked with MOVO and converted online conversations to offline sales.
- Invite your customers to interact. Encourage customers to use Twitter to comment on their store experiences. Create a few "hothouse" stores where the pilot will run for a limited time. Evaluate the results, then redesign and adjust the objectives of the pilot and test again in a different location. Make sure the pilot is part of the daily routine and embedded in the appropriate business process. Educate and involve both staff and

⁵ MIT Media Lab (www.pranavmistry.com/projects/sixthsense/), 2009.

⁶ http://www.observedmedia.com/

consumers throughout the pilot. Try to anticipate potential results and be prepared to take action. (How do you respond when several hundred customers suddenly start sending you tweets requiring action?). Don't be afraid of what you will hear when you listen; instead, think about how you will respond.

Figure 10. Pilots Provide Valuable Experience with New Touchpoints



• Start interpreting the data avalanche. While we are still waiting for the new generation of behavioral recommendation engines to mature, consider experimenting with solutions like Aggregate Knowledge for automated behavioral recommendations or find out how ThinkAnalytics can add analytics to your customer relationship management system.

There are numerous benefits from carrying out these small pilots. Consumers notice and will generally view them positively. The pilots should be used primarily as part of an overall consumer strategy. Early experience with new touchpoints will enable you to respond and execute quickly and efficiently whenever the time is right, or when a trend goes mainstream.

Conclusions

Technology and consumer behavior are changing at a dizzying pace. Retailers and CPG companies that wait for others to drive touchpoint adoption will be left behind. In the post-recession world, there are no fast-growing new markets. Growth will come at the expense of the competition. To survive and grow, retailers must continually look for the competitive advantage that will help them differentiate their brand.

Focusing on key touchpoints ensures that customers have an experience that reinforces your brand promise. Listen to customers at these touchpoints and you will almost certainly hear things you didn't know. Providing information consumers want—when, where, and how they want it—will attract new shoppers and increase conversion. Listening to consumers and responding to their needs will help keep those customers and build brand loyalty.

It is true that not all consumers are eager to embrace a new media shopping experience. Early adopters and the new "millennial" generation, however, will tilt the playing field toward a multi-touchpoint strategy and away from the retailer's control. Retailers should take action today to:

- Identify their core target shoppers
- Understand how they interact with media-today and tomorrow
- Develop a multi-touchpoint strategy that fits the brand and matches shopper behavior
- Listen to consumers' voices in these touchpoints, and respond appropriately
- Offer a one-brand experience everywhere

If managed well, this strategy offers the opportunity to reduce the cost of acquiring, serving, and maintaining customer relationships.

For more information about developing a unified, multichannel, multi-touchpoint strategy, contact:

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More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps CXOs and public sector leaders transform their organizations—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that address key CXO concerns.

For further information about IBSG, visit http://www.cisco.com/go/ibsg.



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