Cisco ServicePresence™

Transforming Retailers into Successful Sellers of High-Margin Services

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December 2009

Cisco Internet Business Solutions Group (IBSG)

Cisco ServicePresence^{TM}

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Executive Summary

Retailers' business results have long been challenged by the economics of the industry itself—low margins require high sales volumes to generate profits. This, combined with today's difficult economic conditions, has encouraged retailers to explore new areas for growth. As a result, many retailers are now selling services. Leading examples include Wal-Mart offering financial services, Best Buy creating the Geek Squad for home IT support, and Tesco becoming the market leader in grocery home delivery.

While these efforts have helped create new, more-profitable revenue streams, most services have been limited to remote, self-service interactions delivered over the Internet or through contact centers. Retailers that have ventured into selling services in stores to improve customer interactions have struggled with the high cost of floor space and the challenge of developing and maintaining staff expertise. Unsupported self-service kiosks and store-based web and phone services have also experienced limited success.

Now, however, with recent technology advances, a better understanding of self-service design approaches, and consumers' increased comfort level with technology, retailers have a window of opportunity to transform how they deliver services. Enter Cisco ServicePresence, a virtual, real-life service concept that allows customers to conduct face-to-face discussions with experts who may be thousands of miles away.

The new solution combines advanced, yet proven technologies such as Cisco TelePresence™ [1] touch screens, card readers, and printers with transactional elements to create a reliable, affordable, life-like customer experience platform. From this platform, shoppers can interact virtually with experts to buy a wide range of services including vacation travel, legal advice, insurance policies, telco services, and even home mortgages. Cisco ServicePresence creates opportunities for retailers to fundamentally change their operating models, take customer experience to a new level, and accelerate sales of highly profitable services.

Cisco's Internet Business Solutions Group (IBSG) estimates that retailers that deploy Cisco ServicePresence can provide "personal," service-related experiences for 40 percent less than having people located in stores. For the first time, retailers can expand their service delivery models without having to use significant floor space or employ, train, and maintain a large number of in-store experts.

Window of Opportunity

Three trends are converging to create a window of opportunity for retailers to deliver services in stores:

1. Advances in virtual and self-service technology, especially telepresence

2. Consumers' increased level of comfort with technology

3. Higher-margin services that are helping retailers become more profitable

Trend 1: Advances in Virtual and Self-Service Technologies

Technology and usability have advanced dramatically in the past two years. This is especially true in the area of virtual interactions using telepresence, where users feel as though they are talking face-to-face with people seated across the table—even though those people might actually be on the other side of the world. In fact, recent testing has shown that consumers quickly forget the telepresence technology and act as if they are having normal face-to-face conversations.[2]

While telepresence is relatively new, it has already proven reliable and cost effective. In fact, Cisco TelePresence, introduced in October 2006, is used by 30 of the Global Fortune 100 companies.[3] This rapid adoption has been driven by a dramatic increase in affordable and accessible bandwidth in many countries around the world.

In addition, the retail industry has learned how to create compelling, valuable, and intuitive customer experiences by integrating prevalent technologies such as touch screens, digital cameras, and payment solutions. Open standards and simpler integration protocols have also made technology integration easier and less expensive.

Trend 2: Consumers Are Embracing Technology

Today's consumers are comfortable using technology in retail environments, particularly if it makes shopping easier. One of the best examples of this trend is the rapid adoption of self-service checkout stands, which are now the norm at some retailers.[4] Consumers like the self-service approach because they don't have to wait in line, can complete their purchases faster, and are in control of the checkout process.

Consumers are also adept at using technology to seek advice. Click-to-chat, texting, social networks, web reviews, discussion forums, and online searches have all become important tools for making buying decisions.

Trend 3: Higher-Margin Services Are Helping Retailers Become More Profitable

Retailers have been aggressively working to increase profits and grow overall revenues by selling higher-margin services. This is of particular importance for retailers operating in mature, saturated markets where overall sales growth is in the low single digits, and double-digit growth can be achieved only by entering new markets.

Because service selling is in its nascent stages, retailers have experienced mixed results, with some firms having to step back from their initial efforts. This is due in large part to the approach retailers have taken to deliver services to their customers. To date, most solutions have focused on remote, self-service interactions delivered over the Internet or through contact centers. In addition, retailers that have ventured into selling services in stores to

improve customer interactions have struggled with prohibitive costs and the difficulty of training and maintaining qualified staff. "Selling and delivering services in our stores creates significant challenges for us," explained a services executive from a major European-based retailer. "We need to become more creative and find better answers to solve this problem."

For retailers with low-cost business models, or that operate under brands that promise convenience rather than a rich customer experience, delivering services in person has not been viable due to prohibitive costs. With Cisco ServicePresence, these retailers now have a cost-effective way to sell services or provide customers with expert, on-demand advice for more complicated or higher-price purchases like consumer electronics.

Cisco HealthPresence Proves "Presence" Concept Works

Cisco HealthPresence is a transformative patient care-delivery concept that combines Cisco TelePresence with Cisco IP Call Center technologies and physiological information from diagnostic devices to create a live, "face-to-face visit" experience for patients and clinicians.

Cisco HealthPresence breaks the boundaries of geography and eases pressure from the increasing demand for expert services in any healthcare system—regionally, nationally, or globally. A clinical expert on the HealthPresence network can connect to any location where HealthPresence is available—even if it's hundreds or even thousands of miles away. This represents an enormous opportunity to optimize the use of scarce expert resources while containing costs and offering a live, "face-to-face visit" experience.

In healthcare, Cisco HealthPresence has already proven that the "presence" concept works and is quickly being embraced by patients and consumers alike. In fact, Cisco HealthPresence pilot results from Aberdeen, Scotland and San Jose, California show that more than 95 percent of patients were satisfied with a remote care experience.[5]

Just as Cisco HealthPresence is transforming new delivery models in healthcare, Cisco ServicePresence now makes it possible for retailers to sell high-margin services to their customers.

Cisco ServicePresence: Bringing "In-Person" Experiences to Retail

Cisco ServicePresence is a service delivery concept that combines advanced, market-ready technologies (including Cisco TelePresence) and transactional elements to create a real-life, virtual experience for customers (see Figure 1). It allows retailers to sell multiple types of services to customers—from travel packages to legal advice. Cisco ServicePresence puts the "person" back into the service experience at a cost that is acceptable to retailers. In the future, Cisco ServicePresence will allow retailers to connect with customers in their homes as Cisco TelePresence technology becomes available to the consumer market.

Figure 1.   Customer Sitting Down to Use Cisco ServicePresence

Source: Cisco IBSG, 2009

Cisco ServicePresence works by putting customers in touch with contact centers that are staffed by experts in various services. Within the contact center, Cisco ServicePresence uses a camera embedded inside a teleprompter screen to maximize eye contact with customers (see Figure 2). Cisco ServicePresence also incorporates standard customer service applications and contact center platforms for easy integration into existing setups.

Figure 2.   Service Agent Using Cisco ServicePresence at a Call Center

Source: Cisco IBSG, 2009

Benefits: Driving Profits by Selling New Services

High-quality, in-person services, while good for customers, usually generate greater costs for retailers. These costs come mainly from the ongoing challenge of finding, training, and retaining well-qualified services staff in an industry where turnover regularly reaches 35 percent annually.[6] Conversely, scaled-down services reduce costs for retailers, but typically deliver lower-quality interactions for customers and limit sales for retailers.

Cisco ServicePresence solves this dilemma by changing the dynamics of service delivery. Using Cisco ServicePresence, retailers can provide high-touch service experiences to customers at 40 percent less than the cost of delivering the same services using traditional methods such as in-store branches.

The solution also provides an efficient and cost-effective platform to deliver a wide range of services. This enables retailers to offer the services customers want without having to allocate valuable floor space and manage additional employees. Instead, all of this can be accomplished with just one Cisco ServicePresence unit.

Because customers won't be constrained by regular hours of operation or a limited number of locations, Cisco ServicePresence will offer services to a greater number and wider range of customers. This creates a "halo" effect that increases sales of regular items as people walk past shelves when they approach Cisco Service Presence units to purchase services.

Cisco ServicePresence can also provide online-service access to people who are not technology-proficient or don't have the proper equipment to use the Internet. This is particularly relevant for older customers. In fact, Cisco IBSG research shows that these older shoppers are very comfortable using Cisco ServicePresence.[7]

Cisco ServicePresence delivers the right service . . . at the right time . . . in the right location. By providing high-quality customer interactions in stores and at locations where previously it would have been uneconomical to do so, Cisco ServicePresence creates numerous opportunities for retailers to significantly increase both the level and types of services they offer.

How It Works

To start using Cisco ServicePresence, a customer simply touches the screen and selects the desired service. Intelligent call routing then connects him or her to the first available expert in the service area requested. While the service is connecting, the customer is asked to scan the retailer's loyalty card or to input information (such as the customer's address) onto the touch screen to provide the service agent with important information prior to the first interaction.

As soon as the agent appears onscreen, the customer and agent can converse as if they were in the same room. The interaction is enriched by the use of text, images, and videos displayed on the touch screen. The customers' identity, personal information, and signatures can be captured from a camera scanner, signature pad, and bar-code scanner.

Once the service transaction has been agreed to by the customer, the agent can use the touch screen to confirm the transaction and answer any questions. Finally, the customer can pay using the integrated PIN device and collect a confirmation slip or receipt (which includes related coupons to encourage cross-selling) from the printer. The session is

closed with a customer survey on the touch screen and a personal "thank you" from the service agent.

Customer Experience

Cisco ServicePresence differs from today's self-service or "ask-an-expert" kiosks by providing life-like interactions, as well as making it possible for customers to complete transactions—often in the range of US$5,000 to $10,000. When customers spend this amount of money, they expect to interact with experienced professionals with whom they can develop a high level of trust in a short period of time. Customers buy more and commit faster when they believe and trust the person advising them. In fact, Cisco IBSG believes that the Cisco ServicePresence concept can be even more powerful than having service employees in the same space as consumers because the eye-to-eye contact brings a new level of customer intimacy to the shopping experience.

Cisco ServicePresence Usage Example No. 1

Carmen (30) and Arni (31) are planning their honeymoon. They would like to find a good deal, but also want personalized service since they will be spending a significant amount of money. On their way home from work, the couple meets at the local supermarket to buy groceries and visit the store's new Cisco ServicePresence service.

After selecting "vacations" from the list of available services, Carmen and Arni are put in touch with Amy, a Caribbean vacation specialist who shows videos of hotels complete with customer reviews. Based on the couple's feedback, Amy puts together a honeymoon package that includes many of the extras they wanted while fitting within their budget.

Both Carmen and Arni are thrilled with their purchase. They comment that Amy was very experienced and it was great to speak with a real person. In addition to a great honeymoon, the couple received points on their supermarket's loyalty card. As they leave the store, Carmen notices a coupon on the back of the confirmation slip for a free bottle of champagne, which the couple decides to pick up on their next visit.

Cisco ServicePresence Usage Example No. 2

Jane Williams, a widower in her early 60s, needs to renew her homeowner insurance. During a visit to a local shopping mall, she notices a Cisco ServicePresence booth advertising personal help to select insurance and other financial products. She thinks back to the time when her bank manager stopped helping with these types of decisions and how her son keeps "nagging" her to get a better deal on the web.

Jane enters the Cisco ServicePresence area, where she is greeted by a helpful representative. After determining the service Jane needs, the representative guides her to an open booth. Almost immediately, a helpful representative, Ben, appears on the telepresence screen. Jane is surprised at how lifelike Ben appears, especially the eye contact.

Ben asks Jane about her requirements and discusses her concerns. He helps Jane find a policy that offers an emergency call-out service as well as adequate coverage—features that really matter to her. Jane thinks to herself that she never would have felt comfortable doing this on the Internet. Better still, the policy costs less than her current plan. Ben asks Jane to scan her loyalty card and uses this information to help complete the necessary

forms. He shows Jane the details on the touch screen and asks her to sign the forms using the electronic signature pad. Jane then pays and receives a receipt for the insurance policy, together with a confirmation of her additional loyalty points. Her documents arrive in the mail three days later.

Global Grocer Leads the Way

A well-known international grocery and general merchandising chain based in Europe is looking for ways to triple profits from services over the coming years. This retailer's experience has clearly shown that expert advice can increase sales of services and complex products by 10 to 15 percent. The company has also demonstrated that adding human interaction to self-service kiosks can more than double sales.[8] From a pure retail service perspective, internal modeling indicates that Cisco ServicePresence could add an additional £150 million of profit to the company's services division over the next five years.

Because of these findings, the retailer has been at the forefront of the Cisco ServicePresence initiative to achieve its ambitious financial goals. The company was the first retailer to test Cisco ServicePresence and has plans to deploy it across its largest stores and into other locations across Europe. If successful, the global grocer will roll out Cisco ServicePresence internationally.

"Telepresence is a rapidly growing business tool, but no one has capitalized yet on the consumer opportunity. Cisco ServicePresence is our attempt at grasping the opportunity to accelerate our services growth."

Business Development Director, Global Grocer

Initially, the company plans to employ Cisco ServicePresence for offering telecom, financial, and travel services, as well as for allowing customers to order from the company's online catalog and redeem points from its highly successful loyalty card program. The retailer also sees a huge opportunity to quickly test and assess customer feedback on new services and product ideas. Cisco ServicePresence will allow the grocer to run these tests in days rather than the months it takes using standard methods. By offering these types of services and receiving almost instant feedback from customers, the retailer can continue to position itself as one of the world's most innovative companies.

Next Steps

Although Cisco ServicePresence is in the pilot stage of development, it is not too early to begin preparing your organization to take advantage of this innovative concept. Retailers wanting to deploy Cisco ServicePresence should begin with three steps.

Step 1: Assess Relevant Services and Business Models
The flexibility of Cisco ServicePresence makes it possible to sell literally hundreds of services virtually. Because of this, retailers need to assess which services and business models are most relevant for their specific customer segments and business goals.

The most attractive business model for services exists where the cost of the needed expert is relatively high or the specific skills required are relatively scarce in a desired store location. It is also important to develop an understanding of the types of services and experiences that will drive viral consumer adoption. Cisco IBSG believes that social business models, such as those used by eBay and Facebook, could be highly influential in encouraging consumer adoption.

Step 2: Take a Customer-Centric View and Design Relevant Services

Retailers should start by evaluating their existing service sales processes to understand why customers buy from them. The next step is to integrate the Cisco ServicePresence touchpoints into the overall customer journey. This will help ensure customers enjoy and receive value from Cisco Service Presence, which will encourage repeat usage and "word-of-mouth" recommendations.

Step 3: Evaluate and Prepare the Network Infrastructure

Cisco ServicePresence is a highly interactive experience that requires high bandwidth and throughput. Retailers who have not yet upgraded their networks to adequately handle multimedia applications will want to evaluate their current network capabilities, determine where upgrades are needed, and create an implementation plan that fits within current business parameters.

By taking these steps, retailers will be ready to sell high-margin services with Cisco ServicePresence.

For more information, please contact Lisa Fretwell, Senior Retail Director for Cisco IBSG, at lfretwel@cisco.com.

Endnotes

1. Cisco TelePresence combines innovative video, audio, and interactive elements (both hardware and software) to create a unique, virtual presence over the network.

2. Source: Brandface, 2008.

3. Source: Cisco, 2009.

4. Source: "Self-Service Checkouts: How the Next Generation of Self-Service Changes Retailing," Planet Retail, 2009.

5. Cisco, 2009.

6. Source: United States Department of Labor, 2006.

7. Source: Cisco IBSG, 2009.

8. Source: "Lessons from Your Leavers," *Retail Week*, June 2008.

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.

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