

# Tesco Launches Innovative Pilot To Drive the In-Store Digital Experience

## Executive Summary

### CUSTOMER

Tesco plc, F&F Online

### INDUSTRY

Retail

### CHALLENGES

- Increase awareness and engagement in the company's extended multichannel offer
- Develop new approaches for in-store digital content creation and management

### SOLUTIONS

- Four-phase strategy to implement five in-store digital concepts
- Digital experience pilot in three stores
- In-store infrastructure upgrade, including Cisco LAN switches, routers, and Cisco Interactive Services platform

### RESULTS

- Digital concepts drove 40 to 50 separate customer interactions per day, per device
- "Order Point" conversion rates increased more than 6 percent
- 1 in 4 passing customers actively engaged with the Kid's Magical Mirror—on average, children tried on seven-plus items virtually
- Awareness of multichannel offer increased from 16 percent to 65 percent in one of the trial stores
- Project payback period is forecast at less than 12 months

## Background

Tesco plc dates back to 1919, when Jack Cohen founded the company from a group of market stalls in East London. Today, it is a British multinational grocery and general merchandise retailer based in Cheshunt Hertfordshire, England. Since the early 1990s, Tesco has increasingly diversified geographically and into areas such as the retailing of books, clothing, electronics, furniture, petrol, and software; financial services; telecoms and Internet services; DVD rental; and music downloads. The 1990s saw Tesco reposition itself for a wider customer base, from its Tesco Value to its Tesco Finest ranges. This strategy enabled the chain to grow from 500 stores in the mid-1990s to 2,500 stores 15 years later. Tesco currently employs more than 500,000 people and serves tens of millions of customers every week.

## Challenges

Tesco is the third-largest retailer in the world,<sup>1</sup> with stores in 14 countries and a growing range of merchandise to complement its core offerings in groceries and household products. Recently, the U.K.-based chain sought to increase the in-store digital presence of its F&F clothing line to drive awareness of F&F's multichannel offer and experience.

Tesco believed that it had a great opportunity to further engage those in-store F&F customers who had never shopped F&F online. Tesco's goal was to interest customers digitally in-store, while offering them the opportunity to see and engage with the greater range of products available online. Based on its research and numerous prior engagements with retailers, Cisco® Consulting Services underscored to Tesco that such multichannel customers would prove loyal and highly profitable.

Initially, Emily Shamma, director of F&F Online, was skeptical. "I wasn't convinced that in-store technology would really make a difference," she said, "but I was prepared to trial different elements and allow myself to be proved wrong."

Moving forward, Cisco Consulting Services engaged with F&F as it sought to enhance the F&F customer experience. The overarching vision

was to develop and pilot an in-store digital trial for F&F that would deliver a multi-channel experience; increase awareness of the in-store and multichannel propositions, including the “Click and Collect” option; enable customers to browse and buy online products in-store; and make recommendations to customers while gauging their adoption of new technology.

## Strategy

To facilitate the in-store digital transformation of F&F, Cisco Consulting Services recommended a four-phase strategy:

1. **Insights and Recommendations**—The initial goal was to understand the customer journey by identifying the kinds of experiences they were interested in accessing, along with those that did not catch their attention. From there, a list of key strategy recommendations focused on the concepts and experiences that Tesco could realistically implement in-store to drive expanded customer awareness and engagement with the F&F multichannel offer.
2. **Digital Concept Development**—In the second phase, Cisco Consulting Services worked with two partners, Retec Interface and C-Instore, to transform some of the theoretical concepts developed during the previous phase into engaging, usable, and scalable in-store experiences. Each potential experience was carefully considered from customers' perspective, to determine how it would work, look, and feel under real conditions.
3. **Pilot**—In this phase, various combinations of the in-store experiences were tested in selected stores in Coventry, Woolwich, and Pitsea for a period of six months, while carefully studying customer engagement, use and behavior, and technical robustness. In short, the purpose of this phase was to prove the customer and business impact of the experiences.
4. **Rollout**—Once the concepts were proven, the goal was to further implement the successful in-store experiences across a wider expanse of retail-store settings.

Overall, the strategy sought to prove that in-store digital technology could engage customers, expand their knowledge of F&F's range of products, and encourage them to explore multichannel shopping. In the end, Cisco Consulting Services recommended the development of five integrated and linked digital concepts:

1. **Order Point**—transactional touchscreen kiosk that enables a shopper to browse and buy from the extended online range
2. **Kids' Magical Mirror**—life-sized screen that allows kids to try on different outfits and interact with animations virtually
3. **Inspire Me Screen**—large touchscreen display that enables shoppers to browse key trends and build their own personal wish list
4. **Digital Signage**—play-out video screen that showcases best of the product range and the F&F multichannel offering

## 5. Digital Mannequin—shows video of models wearing the latest fashions to attract shoppers' attention

Cisco Consulting Services and Tesco F&F also explored options for the next-generation technical infrastructure that would enable all of these new experiences.

The creation of digital experiences, however, often demands new skill sets and a rethinking of previously successful strategies. For example, while print content has a longer shelf life, digital content must change constantly; digital content also requires higher levels of visual quality. Even experiences gained in developing e-commerce sites do not always translate to in-store digital experiences. A large interactive in-store touchscreen, for instance, is quite different from a webpage, and customers have unique ways of interacting with it. For Tesco, this meant developing new skills within the project team.

The creation, delivery, and ongoing management of digital experiences also create challenges around decision making and governance of the user experience and the capabilities that the concepts offered customers. The in-store digital services represented a new paradigm, and new decision-making approaches needed to be adopted.

From a technical perspective, the next-generation digital experiences demanded a new level of architecture and infrastructure to cope with the demands of interactive, high-quality, and constantly changing content.

The initial engagement process revealed the importance of doing proper, robust trials. As Shamma commented, “The length of the trial, the relevant measurement and metrics assessment, and the clear view of what 'good' looks like really helped guide the engagement. We could have been easily tripped up by the process, but the project really showed how it can work successfully.”

## Solutions

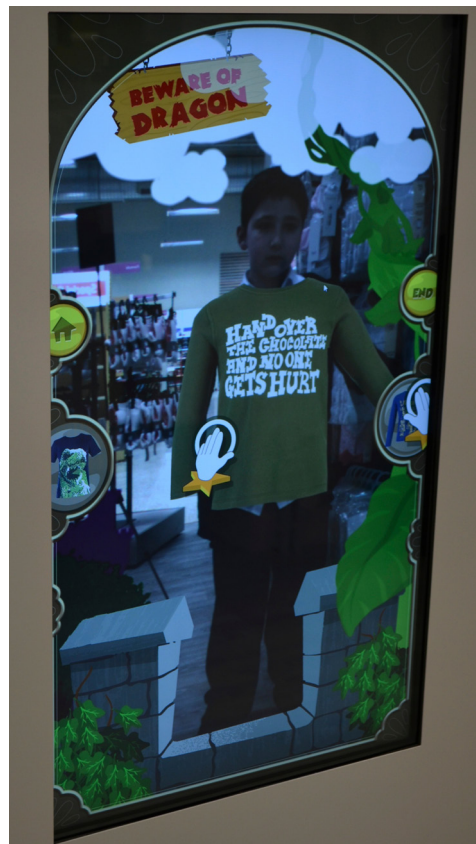
Again, Cisco Consulting Services centered its engagement on five basic solutions. Of the five, only Order Point and Digital Signage were tested in all three pilot stores, but all were designed to link up and present an integrated, coordinated experience for the customer. Here is a breakdown of each of the concepts:

- **Order Point** is a transactional kiosk that enables customers to browse and buy from the multichannel F&F offer—a much-extended range of products. It provides customer access to even more styles, along with online exclusives and sizes that they may not find in-store. Once they identify a purchase, shoppers can arrange for home delivery or free, next-day delivery to the nearest retail location (“Click and Collect”). The kiosks offer secure “Chip and PIN”<sup>2</sup> payments with smartcards and debit cards, and the product can be browsed by trend, subcategory, or more specific criteria. The in-store customer can also scan a product bar code to access more information or to purchase a specific size if it is not available at that location. Order Point integrates with Tesco F&F's e-commerce platform provided by Venda.

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Director  
F&F Online

- **Digital Signage** was designed to draw customers to the F&F section of Tesco by featuring vivid, engaging imagery on a large 46-inch digital screen. Positioned both on and off the clothing area of the store, the digital signs also drive interest in products that might not be stocked in-store but are easily available for “Click and Collect” delivery via the online touchpoints.
- **The Kids’ Magical Mirror** offers a unique blend of interactivity, game-like presentations, and movement-sensing technology, enabling children to try on outfits virtually. The options include categories such as “Fancy Dress,” “Character” (based on animated Disney characters), and “Football.” Children can also interact with animations through their own movements, for example, by kicking a ball, spinning a disco ball, or awakening a dragon.
- **The Inspire Me Screen** is a large, touchscreen display that encourages customers to explore trends, view detailed product information, and build a wish list. The wish list can then be printed in color and scanned at the Order Point; used for purchases on mobile devices via QR codes; or accessed on the website. It can also be emailed and accessed later for online shopping at home.
- **Digital Mannequin** features videos of models showcasing F&F styles. This screen was placed near an escalator to drive foot traffic upstairs to the F&F site.



Left—The Kids’ Magical Mirror encourages children to try on clothing virtually. Right—F&F’s in-store shoppers use the Order Point kiosk to browse or purchase items from the retailer’s expanded online inventory.

The foundation for all of these digital offerings was an upgraded in-store infrastructure, including refreshed Cisco LAN switches, routers with an embedded server, and signage/screen browsers running off the Cisco Interactive Services platform.

Cisco, Retec Interface, and C-Instore also worked with Tesco to develop the appropriate content-management processes while architecting solutions for central, remote, and virtualized management.

## Results

Cisco Consulting Services ensured that the in-store experiences were successfully created and delivered for the pilot. Overall, the offerings met with strong customer engagement and popularity along with high success ratings from Tesco executives and store colleagues. The pilot was particularly successful in increasing awareness of F&F's multichannel proposition. In-store customers who also shop online are viewed as more loyal to the brand and much more open to new marketing initiatives.

During the six-month pilot phase, Shamma's perception shifted: "I have really changed my mind," she emphasized. "The thoroughness of the pilot really showed me that we couldn't spend our money better, other than on these types of technology that convert our store customers into multichannel shoppers. We have really delivered a richer shopping experience and have now engaged many more loyal store customers online. The experience and the outcome are great. We have a good blend of inspiration, theater, and fun—and combined with data and insight to prove that it delivers business impact."

Following are some of the metrics that reveal the market-leading usage and much-increased customer engagement driven by F&F's in-store digital pilot:

- Overall, the digital concepts have driven 40 to 50 separate customer interactions with each digital device per day. This is higher than the industry benchmark of 20 to 30 per day.<sup>3</sup>
- Order Point conversion rates have been more than 6 percent in an industry where the "best-in-class" benchmark is around 5 percent.<sup>4</sup>
- Awareness of the online proposition increased from 16 percent to 65 percent in the trial store where impact was baselined and assessed.
- Store colleagues have had a very positive reaction to the new offerings—many applaud that they can now direct customers to the Order Point kiosk, rather than see them leave the store disappointed when their desired products are not available.
- A "Press Day" presentation for the media drove more than 15 individual write-ups of the pilot phase; many journalists raved about eye-catching engagements and ease of use, while citing Tesco as a new leader in the digital-experience arena.
- Project payback period is forecast at less than 12 months.

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Director  
F&F Online



## Next Steps

Tesco views F&F's in-store digital pilot as a significant first step in its overall, ongoing innovation journey. The company plans to roll out some of the experiences across a new generation of refreshed stores, while continuing to measure the business impact of in-store digital experiences and the rate of customer engagement.

"We learned a lot throughout the engagement," said Shamma. "Most important, we learned how to just get on with it—to try new things rather than be paralyzed by gaining everyone's agreement and trying to design perfection. We spent a bit to learn a lot. And, we will be continuing that approach going forward."

Looking further, Cisco Consulting Services and Tesco are already discussing the next level of innovation, which could include mobile experiences, personalization, and the integration of radio frequency identification (RFID). Tesco F&F is already piloting some of these capabilities.

"It's been very good working with Cisco Consulting Services," Shamma concluded. "It's been a well-structured project, and Cisco Consulting took away a lot of my concerns by taking responsibility for the program, guiding the development of the concepts and coordinating the two innovation partners—Retec Interface and C-Instore—together with the extended Tesco team of the clothing business, IT, property, and store operations."

So far, however, the overarching initial goals for Tesco's F&F in-store digital pilot experiences—to drive greater customer engagement and awareness of the online proposition—have been well established.

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## Endnotes

1. "Tesco To Outpace Growth at Global Rivals Study, Reuters, February 16, 2011, <http://www.reuters.com/article/2011/02/17/tesco-igd-idUSLDE-71F1LR20110217>
2. "Chip and PIN"—a brand name adopted by the banking industry in the United Kingdom and Ireland—is a smartcard payment system for credit, debit, and ATM cards. "Chip" refers to a computer chip embedded in the smartcard; "PIN" refers to a personal identification number, which must be supplied by the customer.
3. Cisco Internet Business Solutions Group (IBSG) industry benchmark, 2012.
4. Ibid.



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**Americas Headquarters**  
Cisco Systems, Inc.  
San Jose, CA

**Asia Pacific Headquarters**  
Cisco Systems (USA) Pte. Ltd.  
Singapore

**Europe Headquarters**  
Cisco Systems International BV Amsterdam,  
The Netherlands

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