

Impact of the "Human Factor" in Retail CEM

How It works for Digital Retail, Multi-channel Retail and Traditional Retail

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What is more important in Retail CEM - being a reference for sophisticated customer-centric processes and technology, or offering a sound customer experience via trained professionals? As usual, the answer is "it depends"...

Having a retail business has got the advantage that no production of goods and materials is pushing for aggressive price policies in downturn economies, no need exists for the relocation of production plants, and negotiating with labor unions to prevent strikes is a rather unusual scenario.

On the other hand, being in retail means having a constant and continuous contact with customers, leading to the fact that every interaction and customer experience is being tracked. And also evaluated and shared with friends, business partners and family. Delivering a sound customer experience is not only a challenge for each retail business, it is also something that customers are demanding "with no mercy". What does this now mean for the different retail business models? What is it that leaves an impact on customer experience - being a professional business with absolutely no failures in "remembering", knowing and treating the customer according to his history and preferences? Or being a polite, well educated and customer-loving community that catches the customers' sympathy and compassion, and where failures in processes and systems are "forgiven"?

To be able to give some practical advice on this question, let's look at the different business models in the retail sector:

- 1) **"digital" retail**: sales and customer interactions purely exist online and no physical presence (shops, outlets, points of sale) is required. The best example for this model is Amazon.com - THE retailer selling millions of books and electronic devices via Internet
- 2) **"multi-channel" retail**: the brick and click scenario where traditional retail channels are combined with new technology channels. Here we can consider the big retailers like Walmart, Tesco, Carrefour as example.
- 3) **"traditional" retail**: sales and customer interactions are lived personally at the point of sale. These kind of businesses decrease with the progress of technological revolution, but some still exist in the world of globalization and multi-national operations - for example car dealerships all over the world.

For **digital retail** the importance of sophisticated and highly developed customer-centric processes and sales infrastructure is crucial for delivering an excellent customer experience: the online shopper wants fast sales operations, comfortable online paying mechanisms, and incident-free delivery, and all with the highest quality standards. Communication between persons does not exist, but a pure exchange of data and information between PCs and servers. Customer experience takes place without human interaction, and depends on how good the company has defined automated processes supported by modern technology.

For **multi-channel** retail businesses high investments in both - processes/technology and human skill set - are required. Huge amounts of customer purchase behavior data are processed and analyzed within complex loyalty card programs, and customers want to be treated in a professional and nice way when visiting the "offline" shop. Tesco for example is not only known for its capacity in personalized direct marketing campaigns for its Tesco Card customers, it is also known for its well recruited and



trained personnel in the Tesco shops. They perfectly understood to implement CEM standards and activities in their business.

The third model - **traditional retail** - highly depends on the human factor: is the sales representative really listening to me to serve me better or does he just want to sell me something that doesn't fit my needs? Is the customer officer really trying to solve my problem or does he just want to get rid of me with some inappropriate excuse? Car dealerships suffer currently from the fact that process and system integration between them and the manufacturing brands is demanded by customers (or taken for granted), and customer-oriented behavior is claimed for being a standard.

The graph below shows in a comparison the different retail business models and the impact of "the human factor" in its CEM:



- The more "online" orientated a retail business is, the less investment in human skillset is required, and the more development of sophisticated processes and system support is demanded.
- The more "traditional" a retail business, the more it depends on an appropriate HR policy (recruiting, training, staff performance evaluation, compensation, etc.)

All logical and common sense so far. What about the complexity of truly being customer-centric within these three different retail business models? What is easier to fulfill towards a consistently positive customer experience - customer centric processes and systems or a customer oriented mindset and skill set of retail staff? Considering my experience in CEM consulting in the past decade, I can confirm that everything that has to do with cultural change towards a customer-centric organization in the mindset is quite more complex and difficult to implement than optimizing processes and system infrastructure. A well defined, longterm change management program is necessary to ensure that people dealing with customers represent the company's CEM strategy.

I want to share with you the findings of a recent consulting assignment that I started with a client whose retail business model is traditional - sales are only done in about 500 certified dealerships in Spain. The company's CEM strategy is based on high product quality combined with a unique aftersales service for motor saws. A detailed dealer enabling program, starting with marketing support for CRM campaigns and concluding in the joint definition of dealer business development, is implemented for about 80 top dealerships (ranking according to sales volume). Every dealership receives the same training and infrastructure to fulfill the company's CEM strategy towards its Spanish customers, and results across dealerships differ significantly. There is the group of dealers who consider that customer experience is directly linked to product experience and focus on "just selling" motor saws without considering a longterm relation to its customers. Then there is the group of dealers who organize

product training sessions for their customers in order to ensure that the motor saw is being used correctly and efficiently, and that customers can exploit the product according to their needs. What differs between the two groups is the passion for "doing it right" and living a customer culture in its bones. The only differentiation criteria is how I interact with my customers, because the online ordering tool, pricing and product guarantee is the same for all dealers. It is clear that the company depends on how dealers fulfill the CEM strategy in its day-to-day business.

So what should the company do to ensure a minimum standard in CEM for all dealers? Basically we are talking about 4 steps:

- 1) **Enabling**: training and coaching of the required skills in all customer facing staff at dealerships (product training and "soft skills" regarding communication, marketing, service oriented customer interactions,...)
- 2) **Monitoring**: tracking of dealer performance in CEM by mystery shopping, customer feedback inquiries, and fulfillment grad of sales objectives
- 3) **Optimizing**: using the results of dealer performance to improve the detected weaknesses, and give the dealers the opportunity to learn to "do it right"
- 4) **Incentivating**: perform a "bonus-malus" approach to compensate high performing dealers and penalize low performing dealers - in the long term only those measures will be improved whose non-fulfillment hurts in business results.

To put it into a nutshell: if passion for customers lacks in customer facing retail staff, it is very difficult to ensure a consistent CEM fulfillment towards customers. Every interaction is lived individually and isolated from an integrated concept.

If we look at Amazon that we previously characterized as example for digital retail, we have a completely different CEM scenario: each registered customer receives personalized recommendations for cross-selling according to his purchase history, all customers receive the same communication standards, payment procedures, and pricing and delivery conditions, etc. There is absolutely no difference in CEM fulfillment online - as long as my processes work correctly and systems are not down, there is no risk of delivering a negative customer experience. By the way, Amazon is known for its "the best service is no service" strategy: make processes and systems work excellently in order to avoid incidents that cause post-sales customer interactions and complaints.

Coming back to the question at the beginning: what is more important in Retail CEM - being a reference for sophisticated customer-centric processes and technology, or offering a sound customer experience via trained professionals? The answer is clear now: sophisticated customer centric processes and technology for digital retail business models, and passionate customer oriented personnel for traditional retail business models.