

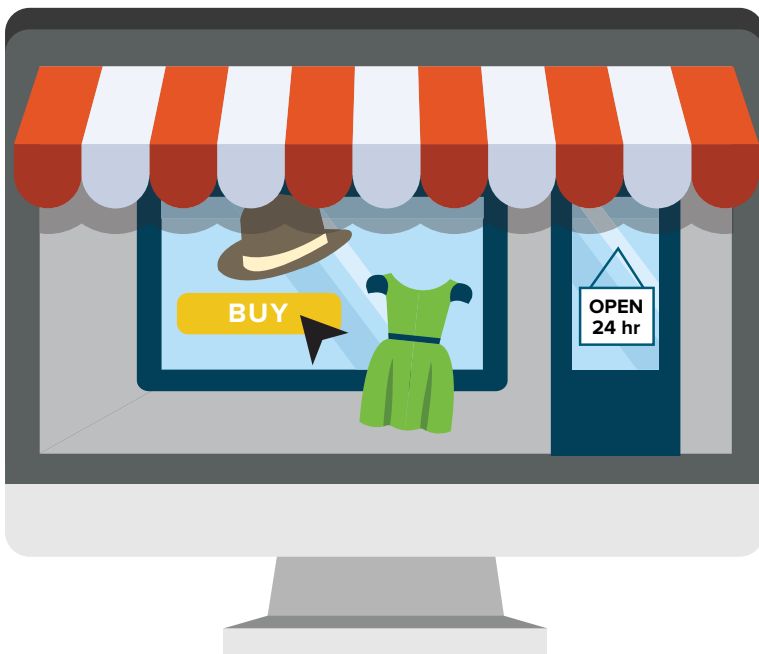
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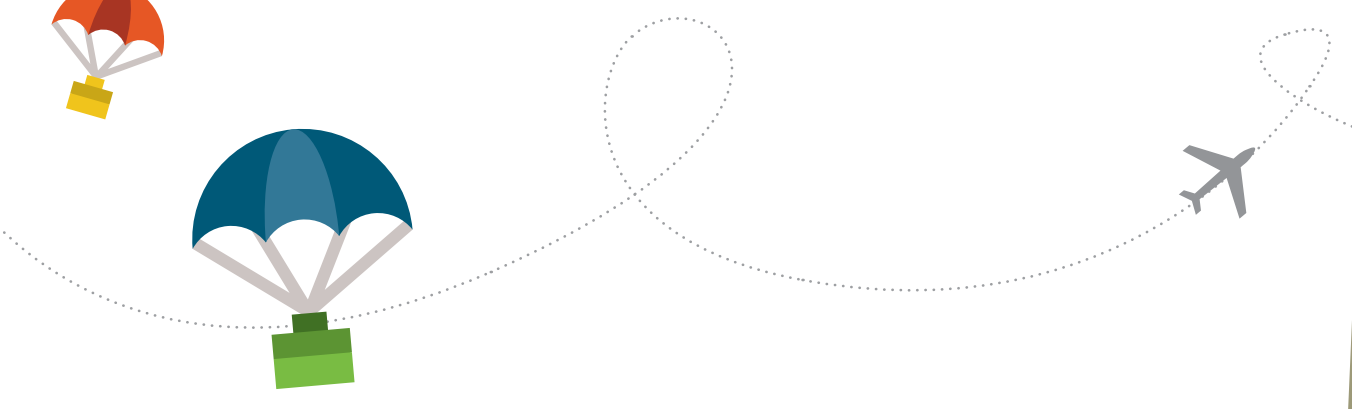
# Amazon Isn't Killing Your Brick & Mortar Stores – You Are



As a retail professional, you may want to believe that e-commerce Goliaths like Amazon are taking your customers. After all, e-commerce plays a major role in how consumers choose to purchase products, and with customer engagement at the forefront of sales, it may seem easy to blame companies like Amazon for lack of performance in the physical retail space. However, whether you want to admit it or not, Amazon isn't making your brick and mortar store irrelevant – you are.



65% of online shoppers actually prefer buying from physical outlets if given a choice.

An illustration at the top of the page shows a dotted line path. It starts with a small yellow package falling from a red parachute in the top left. The path then curves to show a larger blue and white parachute carrying a green package. Finally, the path ends with a small grey airplane flying towards the right.

The US Department of Commerce reported that online shopping boomed in April 2017, climbing 11.9 percent year-over-year, proving that the added convenience of shopping online is continuing to win over consumers' shopping habits. What used to be the tradeoff for this convenience was the loss of instant gratification – the customer would have to wait for their package to be delivered, instead of walking out of the store with their new item in hand. But with Amazon Prime's '2-day' shipping, and other retailers now offering a range of expedited shipping options, the convenience equation is now near equal.

<sup>1</sup> U.S. Department of Commerce [https://www.census.gov/retail/marts/www/marts\\_current.pdf](https://www.census.gov/retail/marts/www/marts_current.pdf)





However, the in-store shopping experience doesn't have to lose out to online competition. Consumers are drawn to compelling shopping experiences that can't be provided online. As suggested by a study conducted by the Pew Research Center, with 65 percent of online shoppers indicating they prefer buying from physical outlets if given a choice<sup>2</sup>, retailers must step up their game and take advantage of this obvious opportunity to provide a relevant in-store customer experience. Your challenge is to make your stores relevant – for your company's sake!

<sup>2</sup> Pew Research Center, "Online Shopping and Ecommerce", Dec. 2016  
<http://www.pewinternet.org/2016/12/19/online-shopping-and-e-commerce>

“Consumers are drawn to compelling shopping experiences that can't be provided online.”



## Your In-Store Shopping Experience is Paramount

It's a given that consumers visit stores to fulfill basic, functional needs, but this is changing fast. For example, consumers prefer to visit a grocery store to purchase their groceries; according to the US Commerce Department, 89% of grocery shoppers still choose to visit a traditional store. But, traditional grocery is starting to feel the shift. Sales at non-store retailers represented 11 percent of total US food and retail sales in April 2017, and annual growth in the sector has topped 10 percent for 12 consecutive months.<sup>3</sup> And now that Amazon has broken into the grocery business, this industry shift could be of seismic proportion.


Similarly, the Commerce Department cites that sales at US department stores in April 2017 fell 3.7 percent year-on-year, marking a two-year run of annual declines.<sup>4</sup> The shift to online is accelerating in the department store sector also.



# 89%

of grocery shoppers choose  
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<sup>3,4</sup> U.S. Department of Commerce / United States Census Bureau "Monthly and Annual Retail Trade" <https://www.census.gov/retail/index.html>



With these types of trends for brick and mortar stores, retail professionals should ask themselves, what sustains the consumer's desire to visit a store? Why do consumers take time out of their busy day to deal with crowds and traffic when they could stay home and shop online instead? When it comes to the decision to visit a physical store to make the purchase, the customer is driven by one motivator: **a compelling in-store experience.**

## If You Aren't Leading, You're Lagging Behind

Many retailers are not aware of how they can improve their in-store customer experience through currently available engagement capabilities. According to the 2017 Customer Experience Index Study conducted by IBM, only 21 percent of North American companies meet expectations in offering a satisfactory in-store experience. The study also showed that companies which lead in customer experience outperform laggards by the largest amounts in the areas that are the most differentiating to customers. These categories include store experience (5.5 times), personalization (5.2 times), physical/digital integration (6.1 times), and digital experience (5.7 times).<sup>5</sup>

**Retail is about transitions.** Right now, the retailers that are delivering great in-store experiences are winning the shopper!

Companies that lead in customer experience outperform laggards by the largest amounts in the areas that are the most differentiating to customers:

5.5x  
IN-STORE  
EXPERIENCE



5.2x  
PERSONALIZATION

6.1x  
PHYSICAL/DIGITAL  
INTEGRATION



5.7x  
DIGITAL  
EXPERIENCE

<sup>5</sup> IBM 2017 Customer Experience Index Study <https://www-935.ibm.com/services/us/gbs/thoughtleadership/cxindex2017/>



The IBM study also recommends that retailers should prioritize the in-store experience to improve their overall customer experience. Retail stores can implement a variety of strategies to create a long-lasting, positive consumer experience. Companies like Apple, Bass Pro Shops, and Sephora are known as leaders in providing exceptional customer experiences.

## Apple

Apple, for example, provides free in-store resources that can help customers with more than just buying a product. Apple Store customers can take free hardware and software training courses, get face-to-face technical support, and talk to specialists that are dedicated to advising them on using Apple technology for business needs.

Also, their associates carry technology that enables their engagement with the customer; knowing what they have purchased previously, recommending services that may help them get the most out of their product and really making a connection with them.







## Bass Pro Shops

Voted the #1 outdoor gear retailer by *Sporting Goods Magazine*, Bass Pro Shops offer their customers connectivity to several areas in the outdoor sporting community. From events to group tours to live fishing tackle demos, customers can find many resources beyond just the product in the retail store. Also, customers are offered access to a meeting room for hunting, fishing, camping, and other outdoor organizations.

## Sephora

Cosmetic retail giant Sephora offers customers a variety of personalized experiences in their brick and mortar stores. Customers can book several premium services, including a custom makeover or mini facial. Beauty classes are offered on a variety of topics, from skin care to the latest makeup trends. If customers still want more from the Sephora retail experience, they can attend educational store events.



## Build Your Connection

Retailers like Apple, Bass Pro Shops, and Sephora aren't the only ones that have the power to create a great in-store experience. The best in-store environments have one thing in common – they build a connection with the customer. Those who truly deliver exceptional in-store experiences focus on creating an affinity for the product, delivering a relevant experience, and being able to surprise and delight their customers.

“Personalization helps build your connection with your customer.”

According to a 2016 Accenture report, 75 percent of consumers are more likely to buy from a retailer that recognizes them by name, recommends options based on past purchases, or knows their purchase history.<sup>6</sup> What does this mean for retailers like you? That personalization helps build your connection with your customer.



75%

of consumers are more likely to buy from a retailer that recognizes them by name, recommends options based on past purchases, or knows their purchase history.

<sup>6</sup> 2016 Accenture. "A Personalization Pulse Check." [https://www.accenture.com/t20161121T011402\\_\\_w\\_\\_/us-en/\\_acnmedia/PDF-37/Accenture-Personalization-Pulse-Check-Infographic.pdf](https://www.accenture.com/t20161121T011402__w__/us-en/_acnmedia/PDF-37/Accenture-Personalization-Pulse-Check-Infographic.pdf)

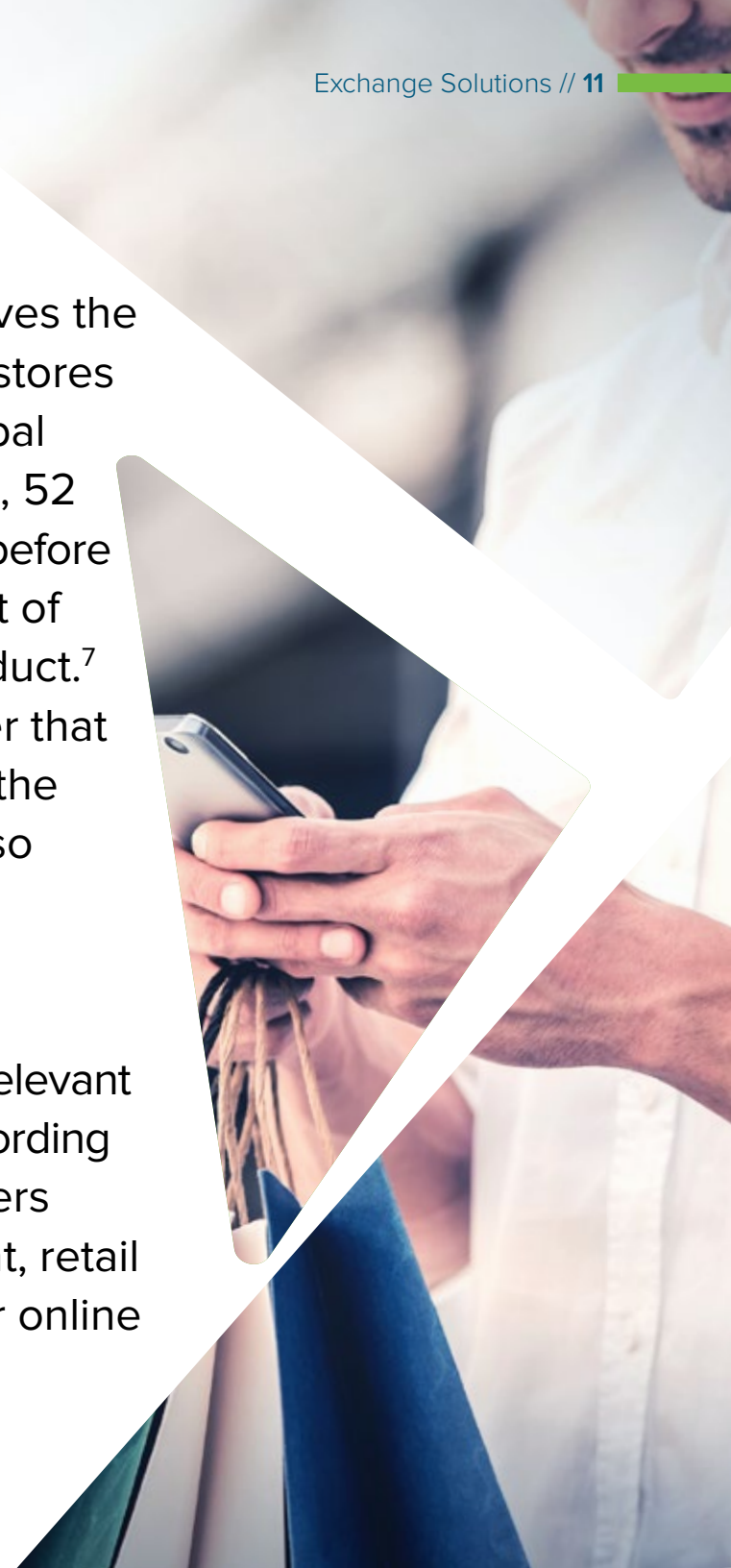
## Affinity for Brand

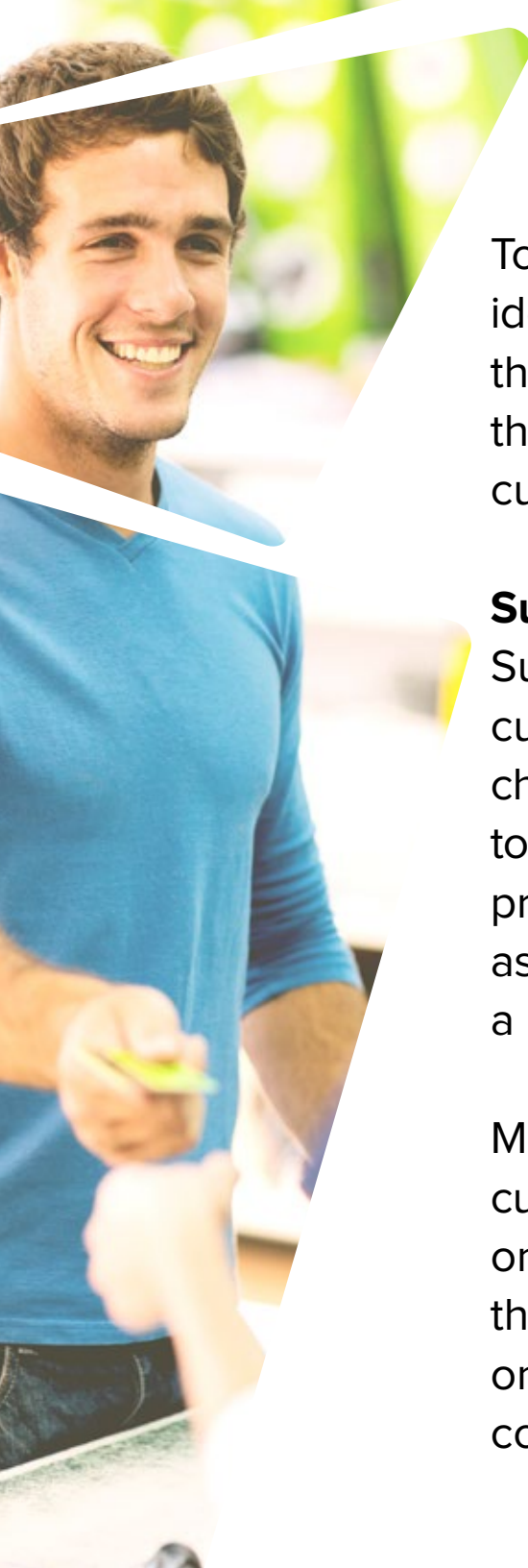
While many retailers may assume that online shopping drives the affinity for their brand, studies show that brick and mortar stores are still critical to brand affinity. According to the 2017 Global Online Consumer Report published by KPMG International, 52 percent of consumers saw the product in an offline channel before purchasing it. To research a product of interest, 32 percent of consumers visited physical stores to see, try, or fit the product.<sup>7</sup> This research should lead the retail store brand to consider that providing a great customer experience could not only set the groundwork for driving customer lifetime value; it could also generate near term sales.

## Relevancy

A key challenge that retailers face is being able to deliver a relevant experience to all customers on a true one-on-one basis. According to the previously cited IBM study, only 30 percent of retailers personalize the customer experience. To help stay relevant, retail stores can use personalization as a way to rise above their online competition.

<sup>7</sup> KPMG International 2017 Global Online Consumer Report <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/01/the-truth-about-online-consumers.pdf>





To help achieve this end, look for customer engagement products that identify individual customer's behavior gaps – which are the behaviors the customer is not performing – use advanced analytics to determine the desired customer outcome and deliver a unique message to that customer... all in real time... all in store!

### **Surprise and Delight**

Surprising and delighting customers by going above and beyond with customer engagement is key to driving customer lifetime value. The challenge for many retail stores is finding a way to implement strategies to engage the customer effectively. Look for your customer engagement product to recognize every customer touchpoint across every channel as an opportunity to engage with and delight the customer, influencing a returning high value shopper.

Make sure you can provide unique individualized incentives to each customer, which gives shoppers the unique experience of being treated on a one-on-one basis. This focus gives you the power to personalize the customer experience. When customers are happy, they will not only value their retail store experience but also develop an emotional connection that will encourage them to remain loyal to your brand.



## About Exchange Solutions: ES Engage

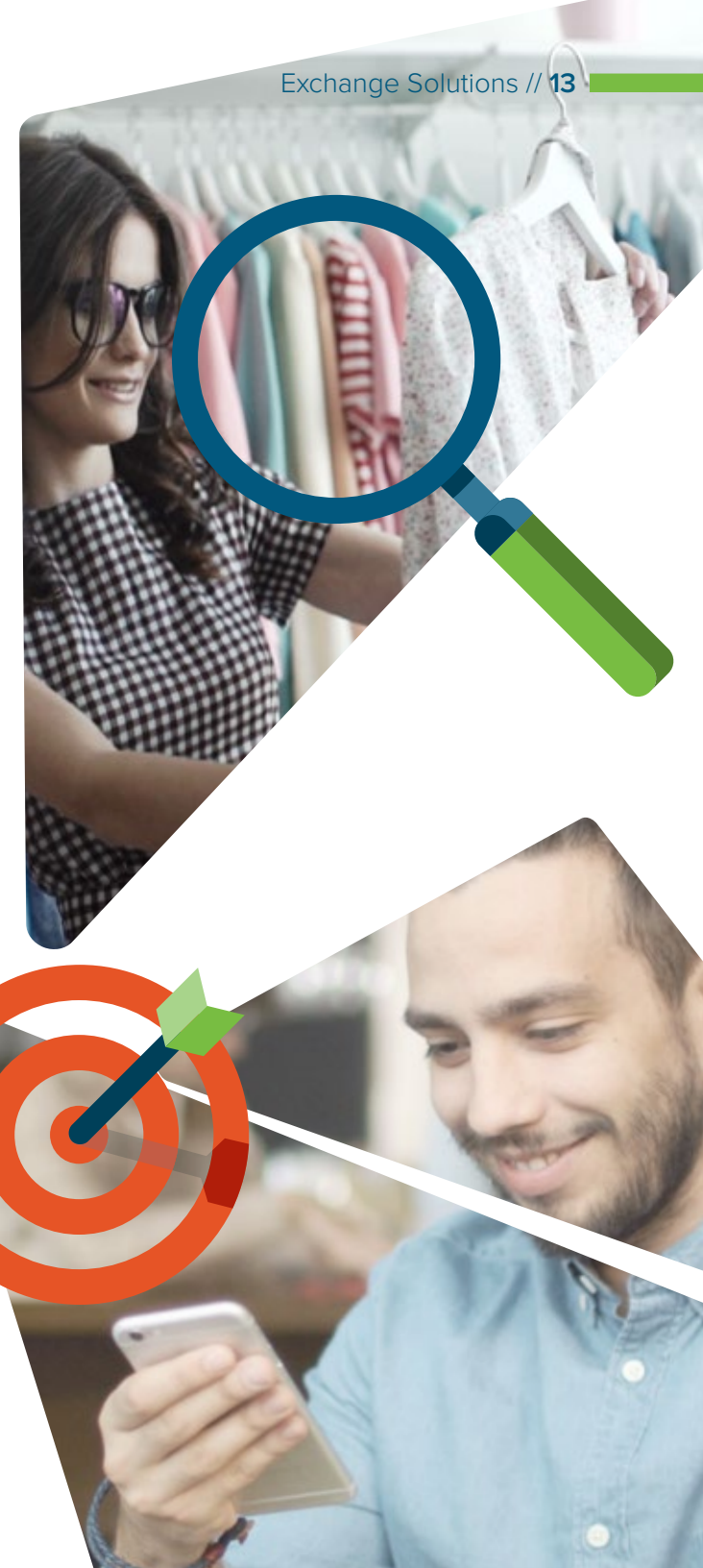
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### Identify

Exchange Solutions' ES Engage product is an omni-channel customer engagement product focused on driving the elements of customer lifetime value, including basket size, purchase frequency, and customer longevity, while lowering the cost of incentives. ES Engage “listens” to real-time data and combines it with customer history (if available) to understand your customers' behavior – and behavior gaps – at an individual customer level. Uniquely, ES Engage gathers this information in-store and across all channels and delivers unique offers that get your customers to buy, buy more and buy more often.

### Target

ES Engage gives you the edge by giving you the ability to leverage its AI machine learning platform. This advanced platform has been tuned by many retailers across all key retail segments. This platform



is used to create custom rules tied to your specific business needs and involves three key steps: behavior mapping, behavior economics, and propensity modeling. To help you get the most out of ES Engage, we have a team of experts to get you going and to help you achieve true advancements in your business. These experts monitor customer activity constantly and look for ways to improve the rules and reduce incentive payout cost – which gives you the tools you need to maximize profitability.

## Engage

Using advanced data analytics, ES Engage delivers individualized, one-to-one offers in real time to each of your customers, deepening engagement and driving the most profitable incremental behavior change.

## Individually

Your customers will be treated to a truly individualized offer... creating a surprise and delight experience leaving them looking for more and telling their friends.



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Call us or visit [exchangesolutions.com](http://exchangesolutions.com) to learn more about ES Engage and how we have helped many retailers like you maximize customer lifetime value while reducing promotional spend.

### For More Information

To find out how Exchange Solutions can help you improve your conversion rates, maximize customer lifetime value and reduce churn, all while increasing profitability, please contact:

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