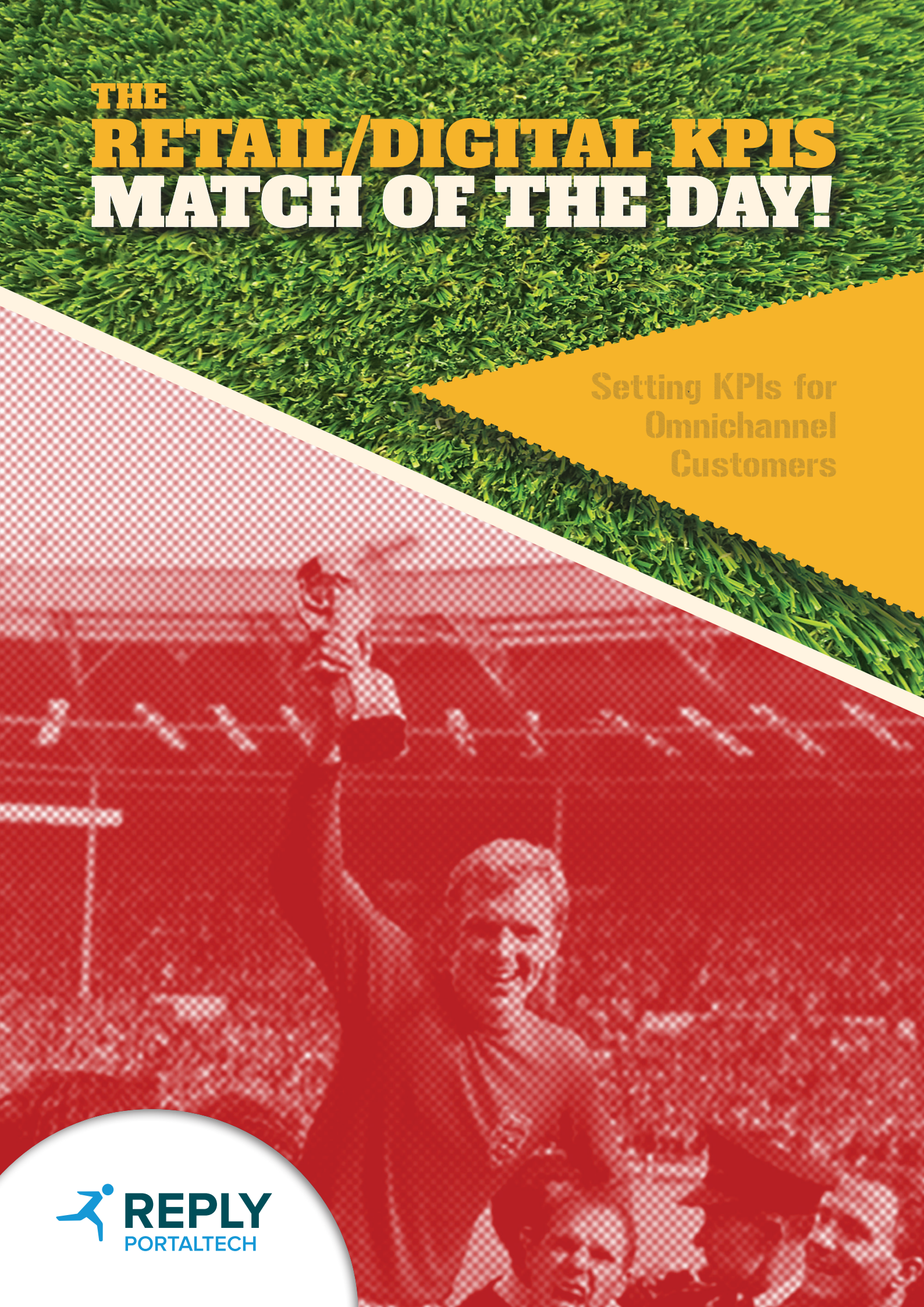
THE RETAIL/DIGITAL KPIS MATCH OF THE DAY!

Setting KPIs for Omnichannel Customers



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PORTALTECH

INTRODUCTION

Retailers that sell online as well as in bricks & mortars stores, are providing a poor experience for their Omnichannel customers, if the marketing chattering classes are to be believed. Whilst the majority of these Retailers' sales go through their shops, Omnichannel sales are larger than those in Online only, so delivering an optimal Customer experience across both is essential. And it's safe to say that it is becoming increasingly de rigeur to evangelise that Digital experience (and the KPIs that measure this) is the bedrock of future Retail growth. From mobile disruption through to personalisation and AI, the Digital Retail juggernaut is gaining pace. To counter this argument is like promoting on-premise infrastructure solutions at the expense of Cloud. One risks being seen as old-fashioned, or a laggard.

When it comes to developing a Customer Experience framework for this multi-channel opportunity, the general direction of travel in recent thinking has been to ditch Channel KPIs in favour of Customer-centric KPIs; everyone will be familiar after all with briefs that start with the mantra *'think Customer first, Channel second'*.

But we wanted to step back to challenge this thinking, and interrogate the KPIs that have been developed for Retail and Digital, to understand if 'traditional' Retail KPIs have really had their day, and if there is still some virtue in pursuing Channel-prejudiced, rather than Channel-agnostic, strategies for increasing sales across the Retail / Digital customer journey. After all, people behave very differently within certain environments, and we think that the psychology of this behaviour warrants further investigation. To use an analogy; many music lovers are 'Omnichannel'; they listen to music on the radio, CDs in their cars, and stream it on mobile. However would a singular 'Customer-centric' view of music have anticipated the rebirth of vinyl, within the context of a post-iPod world of consuming music on the go? A Channel-specific review would have revealed that music lovers were missing out on occasions when they could properly sit down and immerse themselves within the experience, a scenario the other 'Channels' could not fulfil as well.

In order to lift the lid on KPIs, we created a survey which forced respondents to make a choice between two corresponding Retail and Digital KPIs. Of course we knew this was a contentious exercise to some extent, as often both KPIs would be equally important to an Omnichannel Retailer. However by forcing respondents to make a choice, we were able to ultimately ascertain what really matters to an Omnichannel business, and also identify the Retail outlier KPIs that could teach Digital a thing or two about Customer needs and expectations.

The Portaltech Team

HOME vs AWAY

To provide some creative engagement around the task, we also devised a football match analogy for a shoot-out between Home (Retail) and Away (Digital) KPIs teams. We carried this over into a month-long competition held on Linkedin.

As any football fan will attest (sometimes wearily), we also have a Referee in the mix; some matches finished with a draw, which means we deferred to our Ref to make a final decision on the winning KPI; some of the match results were controversial, in that our Ref didn't like what he saw and decided to step in to award the game to the opposite team.

We have also made some suggestions as to how technology, and specifically the trading optimisation design and development skills of Portaltech Reply, could help deliver a more effective experience for your end Customers.

Finally, we also introduce our data analytics accelerator platform, Pulse, which can turbo-charge the learnings you get from measuring your KPIs at scale.

Match 01

Self-Service vs Speed to Checkout

Back of the net for Speed to Checkout according to our Survey results, with the Away team recording a comfortable win.

But wait, the ref has asked to see a replay.

Ref: *'I'm not entirely happy with this goal, given that 83% of Omnichannel sales come from instore purchases vs online. What's more, 70% of businesses surveyed in a recent report claimed that customers will wait 5 minutes or less before being served, before abandoning their purchase and leaving the store. I'll let this one go just this one time – however retailers must do more to minimise queue fatigue instore'.*

Recommendation

- Use self-service to increase impulse purchases: locate self-service check out at the penultimate (rather than exit) part of the retail journey, so extra purchases can be picked up before exiting
- Portaltech Reply has gone one step further and developed an instore mobile POS solution that does away completely with hardware… Scan, Review, Pay, Go. This allows Customers to look at product reviews before purchasing instore, and check out without queuing at a till

Match 02

Dwell Time vs Click Through Rate

HOME 1
(2nd goal late penalty)
AWAY 1

This was definitely a game of two halves. Dwell time drives dividends instore, where customers like to browse and 'be sold to'. However website behavior tends to be more focused, with customers moving swiftly between sites using search to find what they want. Our survey results were completely split by these KPIs.

Interestingly, some marketers are proposing that Dwell Time could be a more important metric in the long term:

- Retailers increasingly investing in instore experience, and platforms such as Booking Bug are booming
- Click and Collect takes advantage of both KPIs
- Attribution of Click Through Rates as a digital KPI being challenged, as well as influence of click bait algorithms

Ref: *'I don't think we've seen the last of Dwell Time. With Retailers focusing on short-term conversions at the expense of developing longer term relationships with their Customers, could Dwell Time become the more meaningful conversion KPI in future? I'm awarding a penalty'.*

Recommendation

- Single Customer View enabled by SAP Customer Data Cloud will allow Retailers to recognise different customers online (browsers vs buyers) and leverage both KPIs accordingly. Portaltech Reply can discuss this implementation with you

Match 03

Contactless vs One Tap Payment

HOME 0
AWAY 1

Comfortable win for the Away team.

We would view patronage of the Away KPI as being equally supportive of the Home KPI.

'Frictionless payment' is therefore a genuine Omnichannel KPI. However improvements can still be made to this experience.

Recommendation

- Further reduce friction instore at self-service check outs by personalising it, via mobile recognition (eg. Manage 'No bags', 'debit card-only' preferences etc.)
- As per Match One, Portaltech Reply has a check out solution that can be implemented without any hardware POS

Match 04

Average Basket Size vs Customer Lifetime Value

HOME 1
AWAY 2
(2nd goal in extra time)

Here our survey results were neck and neck for each KPI, despite Customer Lifetime Value enjoying more media airtime.

Hang on, looks like our Ref is stepping in again.

Ref: *'In the short term, it is wise that average basket size is an important KPI to measure instore, whilst it is difficult to identify and track customers compared to digital. However innovations in privacy and consent management, instore technology that can subsequently recognise customers, and the appeal of radically reduced marketing costs afforded by personalised marketing, will lead to an increase in importance for Customer Lifetime Value. I'm therefore giving this game to the Away team'.*

Recommendation

- Integrate SAP Customer Data Cloud to increase Single Customer View across all touchpoints, including Retail

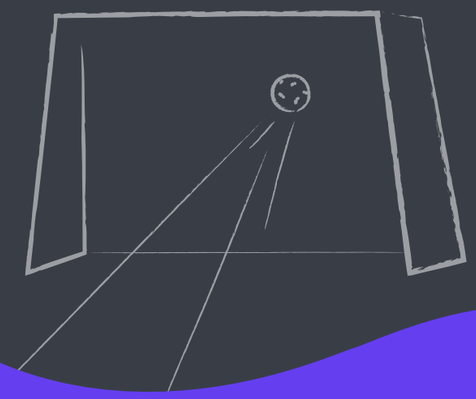
Match 05

Returns vs Cancellations

HOME 0
AWAY 1

Whilst Cancellations were chosen in our Survey, we would argue that Returns mustn't be ignored, as this represents a potentially poorer customer experience, so getting this right is important.

But as Returns become smoother, and retailers continue to remove contradictory Ts & Cs in each channel (eg. Proliferation of credit notes in-store, etc), and POS technology becomes more innovative, instore Cancellations may also become a reality which testifies to their ongoing importance as a KPI.



Recommendation

- Minimise cost of free returns with increased free delivery services, with discounts accrued against non-returns
  - Amazon has just launched a variation of this with its Personalised Fashion service

Match 06

Footfall vs Traffic

HOME 1
AWAY 1

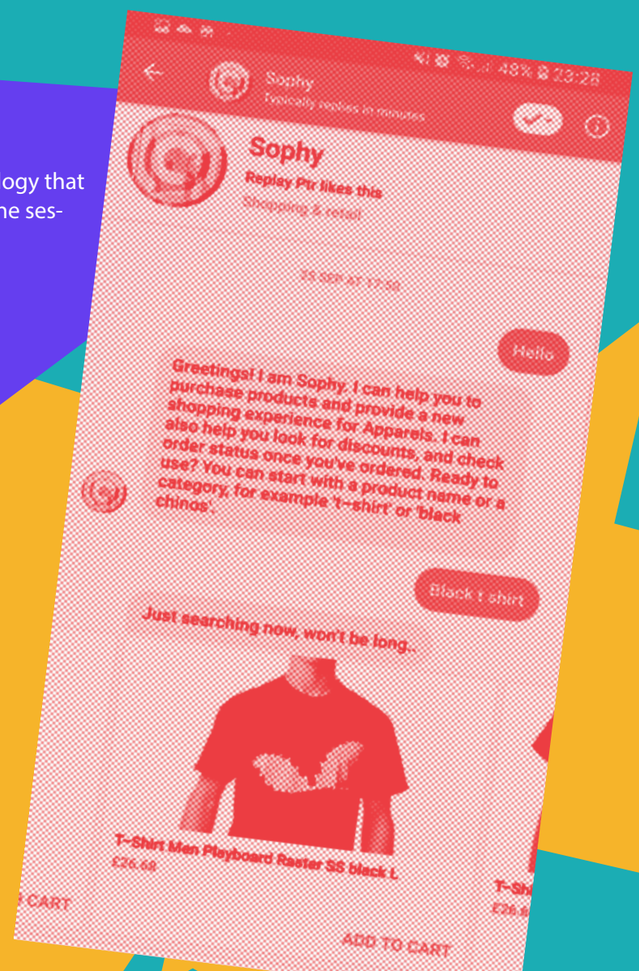
This match was a draw; respondents were divided by these KPIs, despite shops converting traffic better than stores (15% vs 3% as a general rule of thumb).

Given that shops do not currently provide a Personalised experience like websites, this higher conversion rate suggests that brand loyalty, customer service, browsing and serendipity are still very important drivers of conversion, and would benefit from being further built into the Digital experience.

Ref: *'I'm upholding the draw in this case; the sheer potential volume of digital traffic can't be ignored, even though Retail converts better. Some pure-play Retailers are using their web traffic to drive Customers into pop-ups and new permanent retail fixtures in some cases'.*

Recommendation

- Portaltech Reply has demo'd chatbot technology that mimics instore Customer Service during online sessions, thus improving conversion
- Retailers mustn't pursue a 100% personalised digital experience at the expense of serendipity



Match 07

Theft vs Fraud

HOME 0
AWAY 1

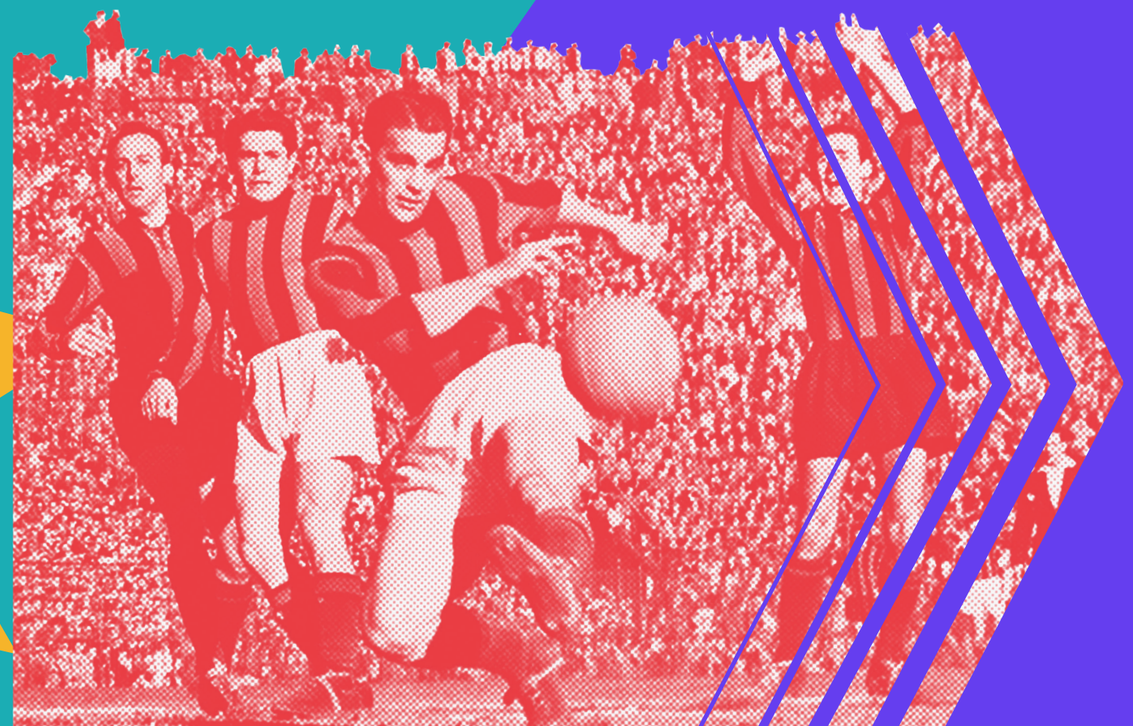
Unsurprisingly, Fraud is seen as more important than Theft, but not definitively (a third still put their support behind Theft).

Digital Fraud can be committed at scale vs Theft in retail (we're excluding rare smash-and-grabs) with serious financial implications. So we support the result of this match.

(Interestingly, as an aside, Theft can sometimes improve a brand's desirability, as anyone who remembers pinching Quaglino's ash trays in the 90s will confirm.)

Recommendation

- Ensure any infrastructure migration to the Cloud has robust governance baked into the delivery, to minimise threats to Security, Passwords etc; Reply has integration experts that specialise in this across AWS, Google and Azure Cloud services



Match 08

Mass Promotions vs Personalisation

Here Personalisation outperformed Mass Promotions, which is unsurprising given that Personalisation has become almost untouchable as a KPI.

Despite retailers only being on first names with a fraction of their Customers instore, and vast percentages of their revenues coming from anonymous Customers who aren't brand loyal, the Personalisation juggernaut shows no sign of abating.

Yet Mass Promotions (eg. Aldi's 'Special Buys', McDonald's meal deals etc) still drive huge traffic and sales every week.

Recommendation

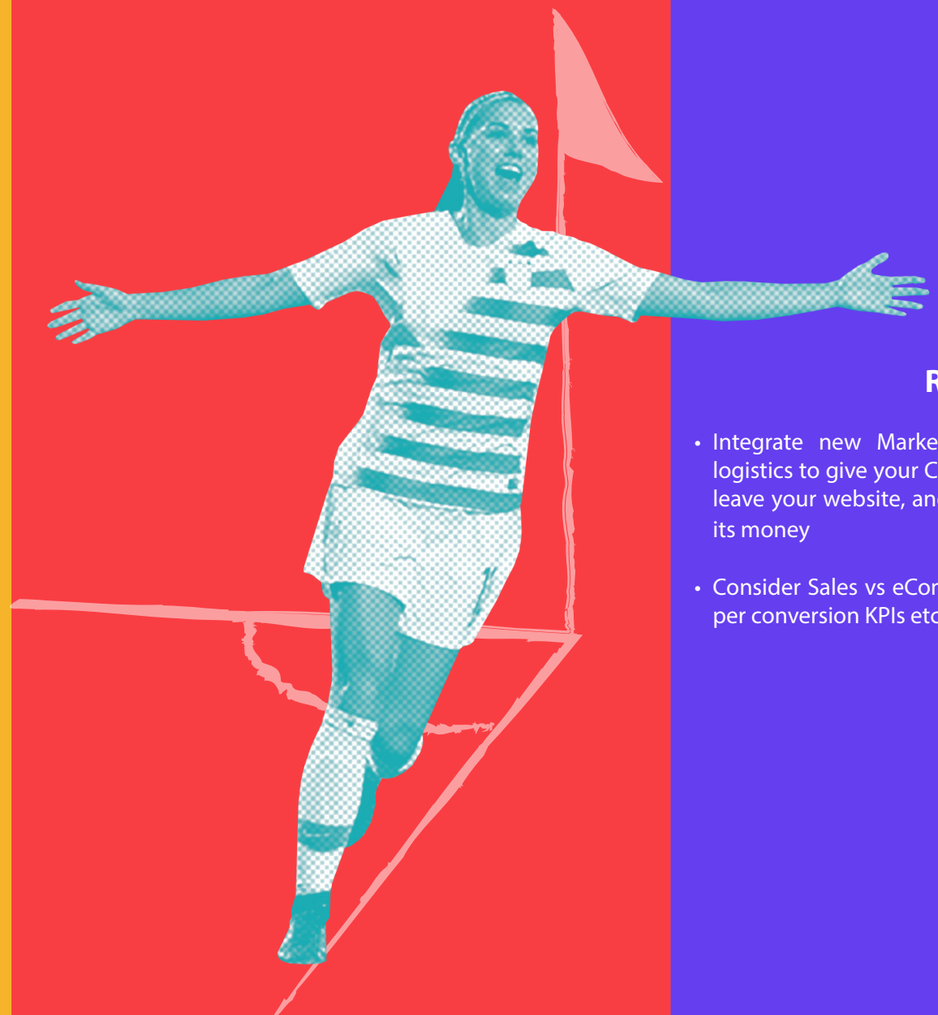
- Track adoption of mass promotions to tailor scarcity notifications via digital
- Reply's proprietary machine-learning powered marketing dashboard, Pulse, can make marketing/sales attribution predictions with 90% accuracy (see later)

Match 09

Sales Per Square foot vs Conversion

A clean match with no cards shown. Without conversion, there can be no metric for sales per square foot, for example.

However the current, limited view of Customer instore means that sales per square foot will be an attractive KPI for some time yet. However it remains that conversion online is much poorer than retail. Why is this? What lessons from retail can be applied to improve online conversion?



Recommendation

- Integrate new Marketplace technology and logistics to give your Customers less reasons to leave your website, and give Amazon a run for its money
- Consider Sales vs eCommerce and Mobile cost per conversion KPIs etc

Match 10

Brand vs User Experience

HOME 1
(2nd goal in extra time)
AWAY 1

According to our survey results, the Away team gave the Home team a bloody nose. But our Ref's not happy with this, and has awarded the Home team a consolation goal in extra time.

Ref: *'It's my view that focusing more on User Experience as a KPI will only accelerate the commoditisation of retail, and increase Amazon's dominant share of eCommerce.*
Retail represents an opportunity to build brand through experience in a way that websites can never achieve in the current model, with wireframes and parallax-design sourced from the same generic thinking. I would challenge marketers to view brand as a means of differentiating the end to end Customer Experience, rather than just a message in advertising'.

Recommendation

- Place brand more centrally in your website design process, to provide more 'stickiness', and create data points for measuring counterintuitive digital behaviours, eg. Increased dwell-time etc

Match 11

Store Layout vs Navigation

HOME 1
AWAY 1
(2nd goal late penalty)

A really fascinating result, with both sides tying, proving there is still life in this old Home team after all. Store Layouts can still be used to devastating effect in Retail (eg. 'Exit through the giftshop'-type strategies), to encourage customers to make unplanned impulse purchases. But can the 'controlled traffic' that store layouts afford, be better employed in website navigation?

Ref: *'I'm awarding this match to the Away team, because ultimately Navigation is being shaken up not only online, but also instore, too, with recent advances in mobile POS etc. Navigation is the KPI to follow in future'.*

Recommendation

- Use SAP Context Driven Services to incentivise customers to pursue pre-defined journeys on your website with a mixture of rewards and special features that can be unlocked, to improve conversion and increase basket size

- Use data-driven analytics to predict Customer 'mode' (eg. In a hurry, browsing etc.) to tailor promotions

Match 12

Shopping Mall vs Marketplace

HOME 1
AWAY 0

Another stunning result for this veteran Home team.

Respondents chose Shopping Mall, we believe, because of the role that retail brands play converting the casual buyer, vs the ruthless economics of digital market places.

However advances in Marketplace technologies means that Retailers can now take control of this customer experience and concede less business to Amazon.

We also believe that shopping malls offer so much more than just commerce, eg. Entertainment, food, sociability, etc, and this needs careful consideration for Digital.

Recommendation

- Bake more creative and entertaining content into your website that you can track to aid conversion; create innovative one-click 'buy' buttons in this content, so this content washes its face
- B2B Retailers now also privy to huge advancements in Marketplace functionalities, which must be taken advantage of

Match 13

Convenience vs Mobile

HOME 0
AWAY 1

Mobile won quite easily, but Convenience wasn't far behind, a development that might have been unthinkable five years ago.

We've witnessed the renaissance of Convenience in retail, as customers replace their weekly shop with daily purchases in built-up urban areas which blur the distinction between workplace and home.

With Mobile average basket size lagging behind desk top, is Mobile's assumed dominance within the shopping journey being reconsidered?

Recommendation

- Use data-driven insights to present mobile offers according to your Customer's lifestyle at any given point; find out when he or she is receptive to more considered purchases, and when smaller, more convenient purchases are more relevant

Match 14

Parking vs Delivery

Here Delivery trumped Parking, unsurprising given the convenience that mobile and eCommerce have brought to the retail market in recent years.

And also unsurprising given the increasing urbanisation of a younger workforce which is fast rejecting car ownership.

However some big retailers continue to thrive with mega stores which cannot survive without good parking access. But we don't anticipate this to be a growing trend and would agree with this match result.

Recommendation

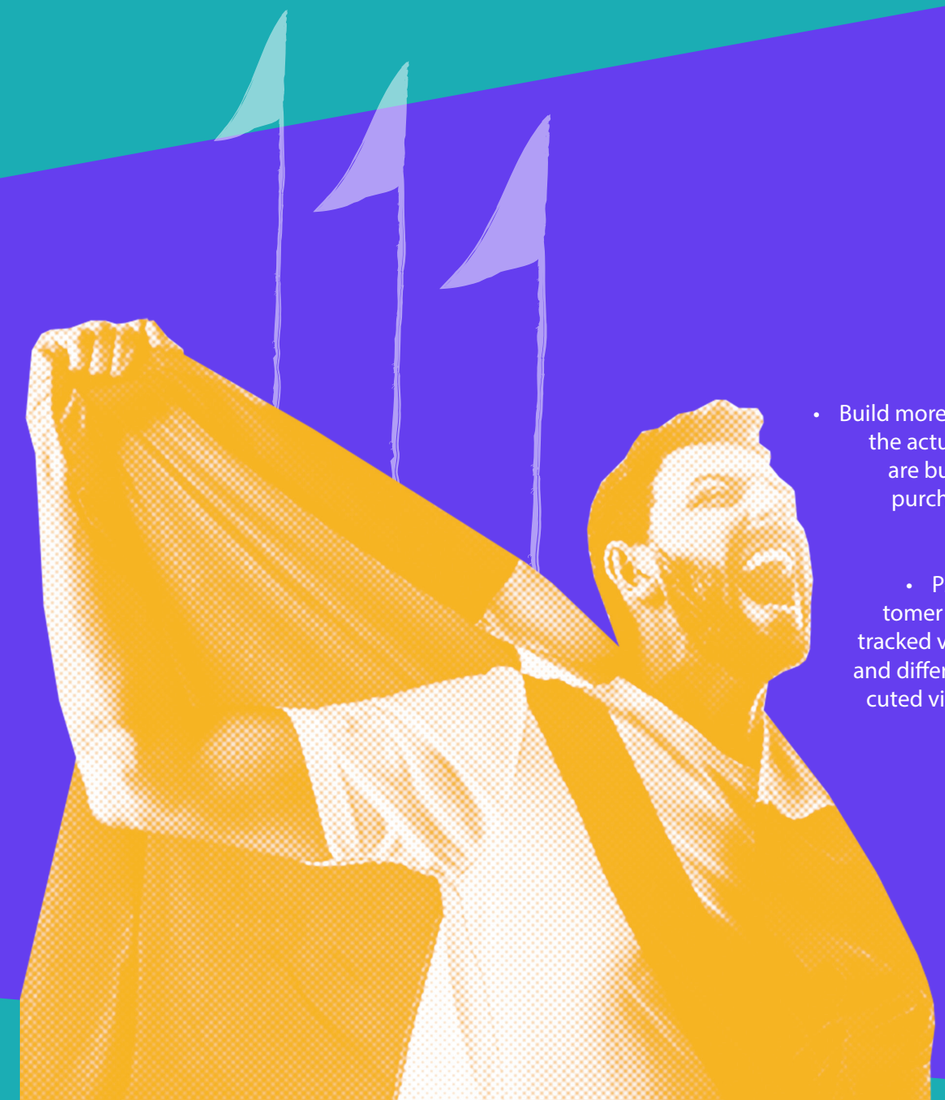
- More innovation within Delivery, with pick-up points expanded from Click & Collect retail points to schools, neighbours, bars etc
- Integrate Internet of Things technology implementations to spread ease of delivery execution across devices; Reply is expert in IoT delivery, both for established Retailers and start ups

Match 15

Exclusivity vs Trending

The results of this match proves that fear of missing out (FOMO) hasn't died a death in the face of Personalisation and relevant recommendations.

However with sophisticated retailers managing stock control better than ever, and using methods such as dropshipping and marketplaces to ensure the customer is never disappointed, is Exclusivity itself becoming a scarce asset?



Recommendation

- Build more personalised features into the actual product that Customers are buying, thereby imbuing the purchase with exclusivity, whilst maximising return
- Psychology of different Customer need states/modes can be tracked via Reply's Pulse dashboard and different tactics tested and executed via A/B testing etc (see later)

Match 16

Word Of Mouth vs Reviews

HOME 0
AWAY 1

Reviews, which have exploded across all forms of digital media, have beaten Word Of Mouth as a KPI.

However Reviews have still not been harnassed instore, leading to the phenomenon known as 'showrooming'. In the long term this trend will harm retail sales unless reviews can be integrated into retail experiences.

And we shouldn't forget Word Of Mouth; whilst harder to pin down, Word Of Mouth is what drives Net Promoter Score, a core KPI for many brands.

SCAN
REVIEW
PAY
GO

Recommendation

- Portaltech Reply has developed an app that harnesses reviews in the instore experience, with frictionless check-out to facilitate conversion

Match 17

Impulse vs Planned

HOME 1
AWAY 0

Surprisingly, Impulse beat Planned, which is perhaps reassuring in an age dominated by advances in AI and analytics.

We like to think that the future of Omnichannel retail will see retailers experiment more with both planned and impulse purchasing strategies.

Impulse and algorithms are currently mutually exclusive, but we will put money on the smartest retailers building serendipity into their tech.

Recommendation

- Program your algorithms to present random, low ticket 'treat' items during tracked sessions where the customer is repeatedly refusing to convert
- Use voice and facial recognition technology to guage your Customers' mood in-store, to promote impulse purchases accordingly, thus increasing basket size. Reply has delivered PoC implementations that drove incremental sales of FMCG and personal care products in-store

Match 18

Stock Out vs Cart Abandonment

Here Cart Abandonment nudged ahead of Stock Out, which puzzled our Ref.

With no pressure for customers to buy online during casual browsing sessions, Cart Abandonment won't hurt the bottom line in the same way that purposefully heading to a shelf in-store only to find it's empty, will. Plus it may also be true that Cart Abandonment, whether instore or online, may not be as negative an event as perceived; after all, the Customer is showing an initial intent to purchase, which is not as bad as choosing nothing at all.

Ref: *'Cart Abandonment online can be managed via sophisticated retargeting notifications. I would therefore caution Retailers to keep their eye on the ball with Stock Out, as this forces the Customer into making no choice at all – and therefore provides no data to the Retailer on which to act'.*

Recommendation

- Digital transformation is being felt most keenly within supply chain logistics, and Retailers must develop real-time flexibility and liquidity in their stock management
- Reply has expertise in proposing and delivering supply chain logistics innovation for Retailers

SUMMARY

We think the most profound insight from our duelling Home vs Away match fixtures, is that taking a purely Customer-centric view of KPIs underestimates the effect that different channels have on Customer behaviours. Whilst there are some KPIs which appear to be converging – self-service and speedy check-out; frictionless payments; footfall and traffic; sales per square foot and conversion, etc – other KPIs are more tricky and sometimes diverge across channels. For example, viewing Dwell Time as a potential barrier to conversion ignores the fact that shopping is still a major hobby for most Britons; put simply, we like to 'shop around' and take our time without being rushed. Clearly this is most keenly experienced in two of the Retail KPIs that outperformed Digital, namely Shopping Mall and Store Layout. It might appear at first glance an impossible task to harness this level of control on websites, where it is so much easier for the Customer to enter and exit at her will, but this underestimates the potential data-driven creativity that could be brought to bear on website design, to make browsing sessions 'stickier'.

We would support Personalisation, and the Customer Lifetime Value KPI that can measure this, as a growing trend within Customer Experience design. However the huge revenue gains that can be made by successfully targeting and converting promiscuous Customers who are not brand-loyal, mustn't be ignored. Likewise mass promotions are still stubbornly driving huge success for Retailers, at the expense of personalised promotions. However, with increases in Customer recognition and tracking being made not only during online click stream sessions, but instore too, this may change. Even in this regard though, rising concerns amongst Customers about privacy and the relentless algorithm-driven promotions that fill their screen time, is a factor that must be sensitively and responsibly navigated by Retailers.

Recommendation

- Think twice before applying a purely Customer-centric, digitally-dominant approach to Omnichannel KPIs
- Explore the psychology of your Customers' behaviour across different channels, and do not rush to eliminate 'friction' at the expense of meaningful long-term conversion and relationship building
- Implement a Single Customer View using SAP Customer Data Cloud, so that the different experiences you present the Customer across different channels can be measured, and you therefore learn from them
- Create a KPIs framework that is bespoke to your unique brand and its relationship with your Customers; don't rush to implement a one-size fits-all KPIs framework that might work for another Retailer, but not you

SETTING KPIS, MEASURING THEM, AND OPTIMISING YOUR CUSTOMER EXPERIENCE ACTIVITIES

So we've seen that whilst technology has empowered Customers to engage with Retailers anyhow, anytime, anyplace, the bricks & mortar Retail channel can still exert a powerful influence, especially in regard to Brand, Serendipity and Experience. Some of these 'friction' Retail KPIs need to be examined in regard to their effectiveness in aiding conversion, not just offline but online too, and a KPIs framework that employs these to the Retailer's advantage needs to be developed.

It's easy to view Customer Journeys as a series of 'touchpoints', but we would argue that the underlying psychology (or mode) that the Customer finds himself in at each of these is deeper than the classic measurement framework of 'awareness, consideration, purchase, fulfilment' etc might suggest.

In truth, Customer Journeys are chaotic, even more so when a Mobile phone is introduced to the mix. Retailers need to start wide when examining the different influences and modes that the Customer is exposed to / finds herself in, to begin the process of finding a KPIs framework that works for them.

We believe that it is critical for your Digital and Retail leaders to define what type of behaviours you would like to drive to meet your goals. For example, if you are optimising for sales per square foot, you might be missing opportunities to drive additional conversion in your digital channels. Creating a set of KPI s that align with your business strategy is fundamental in the first step.

INTRODUCING PULSE:

Turning big data into big insights

A new breed of data analytics accelerator has emerged in recent years, that takes the 'finger in the air' and manual grunt work out of KPI setting and measurement.

If Customer Experience is delivered at the apex of Interface, Brand, Marketing and Product, then algorithms powered by machine learning can be fine-tuned to unearth correlations between the different activities across each of these four levers, and those all-important sales. Trying to achieve this without technology has been nigh on impossible for years, with Retailers struggling to make sense of multiple silo'd reports landing each day with very little cross-referenced application or insight. Given the explosion of data available, trying to make sense of it all without technology to help, is like trying to slake one's thirst with a fire hydrant.

Reply owns the best of these dashboards, Pulse, which was developed by Berlin-based TD Reply. Pulse is used to great success by Clients globally such as Coca-Cola, L'Oreal, Adidas and Telefonica to name just four, to measure and predict the sales effectiveness of their marketing activities with up to 90% accuracy.

Because machine-learning takes the manual grunt work out, it is possible to literally throw everything at the algorithms before a picture emerges of which KPIs actually stick, and are most influential on sales.

We have found that in addition to crunching Retailers' own data from across their Customer Experience ecosystem, great value can be found by smashing external, unstructured data into their own to create unique insights and the KPIs to measure these on an ongoing basis. A great source of this data can be accessed via Google Trends (TD Reply has unique access to Google Trends data via its strong historical relationship with the search giant) and Social Media Verbatims).

So how do we loop back to the purpose of this document, namely to remind Retailers to stay open-minded about the drivers of conversion in their business, and how these (even the 'friction' ones) can be measured and employed to drive growth?

Of course everyone likes a short cut, and getting the most out of the Pulse platform requires more than just chucking a load of data at it and seeing what comes out at the other end.

We have found that Business Strategists working in tandem with Data Scientists are vital for the identification of an initial broad school of data points to be considered.

And this is where our Omnichannel learnings come in.

Our Business Strategists use their experience to look for triggers, both emotional and rational, that underpin a Customer's decision-making in regard to purchasing from a Brand or Retailer. Sourcing the data that can either prove or disprove these hypotheses is no mean feat, and requires working with Clients that can access this data freely and easily. Therefore, we believe that Retailers need to identify what they can track with existing capabilities as well as the capabilities they need to get to meet their business objectives. Start with a customer data framework that allows you to get insight on all the touchpoints, and develop an underlying architecture that allows you to readily analyse and interpret the data gathered.

The Business Strategist then works with the Data Scientist to write queries that examine the correlation between these data points, external data points and sales, and through a process of iterative learning, start to build a robust, measurable KPIs framework with a proven link to sales. This whole process can be up and running in 3 months, and ready to be implemented at scale after 6 months.

Through an ongoing, methodical and patient process, Reply is therefore able to help you identify the factors, triggers, activities and influences that drive conversion, and set up a measurement framework accordingly.

Finally, we recommend sharing a framework of unified KPIs across the entire business. This critical step allows Retailers to break away from silo'd channel reporting to take joint action on key objectives, such as identifying ways to optimise channel performance, promoting (and incentivising) cross-channel interactions, and defining an Omnichannel experience.

APPENDIX

Some facts and figures

73%
of consumers shop on more than one channel

50%
of Consumers expect to buy online and be able to pick up in-store

89% **33%**
Companies with Omnichannel customer engagement strategies retain on average 89% of their customers, compared to 33% for companies with weak Omnichannel customer engagement

71%
of in-store shoppers who use smartphones for research, say their device has become more important to their in-store experience

60%
of millennials expect consistent brand experiences, whether in-store, online or by phone

(Sources: Harvard Business Review; Business2Community.com; Aberdeen Group; Google; SDL)

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If you would like help optimising your Digital Trading across the whole Omnichannel experience, please get in touch

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