

# THE RESPONSIVE RETAILER

Boosting Sales by  
Providing Store  
Customers with  
the Information  
and Experience  
They Expect

An industry whitepaper  
commissioned by

**AVAYA**



## CUSTOMERS WANT TO COMMUNICATE WITH YOU!

For hundreds of years, retail success has been built on one basic concept: merchandise in the right place, at the right time, at the right price. But customers want to add a killer element to that list of success factors – communication, and two-way communication at that. Customers want to buy from you – and they want to communicate with you as they buy. Brilliant retailers understand societal changes in the way people interact and transact and they are embedding communications into the fabric of their business.

Do you have the communications tools to engage your best customers? Can you leverage your business processes to enhance sales?

This paper examines opportunities to drive strategic change through intelligent communications – leveraging communications enabled business processes (CEBP) and unified communications to create a more responsive organization and reach the ‘wow’ customer experience.

With advanced communications solutions, retailers provide customers inside the store and elsewhere easy access to effective sources of information. By examining business practices and deploying new tools that incorporate voice, email, Web, fax, and more, you can provide the always-on information stream customers want and provide an in-store self service experience that customers value so much when they are on the Web.

Retailers are concentrating more than ever on their mission, and their brand. In his seminal business book *Good to Great*<sup>1</sup>, Jim Collins asserts that every great company needs to be the best in the world at its core competency. Great retailers are examining what they are selling, to whom, and when. It’s all about “how” retailers sell – delivering personalized, relevant and responsive shopping experiences.

<sup>1</sup> Collins, Jim, *Good to Great*, Harper Collins Publishers, 2001.

### Customer Engagement – the hot topic for 2007

In a recent article called *Seven Brand and Marketing Trends for 2007*, Robert Passikoff, Ph.D. of the marketing and predictive loyalty metrics firm Brand Keys, suggests that **the top trend in marketing this year is an ongoing emphasis on “engagement,”** an emphasis on better dialogue with customers. “Engagement” is enhanced communication with the customer where the marketing plan results in a seamless and continuous conversation between the brand and the target audiences...The new engagement will use technology to better communicate with customer expectations.

Passikoff notes that consumer expectations in all categories will continue to grow. But smart marketers will exceed expectations via such values as “convenience” and “customization.” Passikoff cites JPMorgan Chase and Bank of America, which rely upon Web sites and high-tech capabilities to accommodate these values and differentiate them from the competition.

Author Roger Blackwell says “the twenty-first century represents a shift of power in the supply chain – with the consumer acting as the ultimate master.<sup>2</sup>”

Being the best is the only option these days. Customers are more sophisticated than ever, and are ready to exercise their power to choose where they shop. The Web enables customers to find Indian-themed clothing – and it enables customers to find it in India and have it shipped to Indiana. The good news for retailers is that channel options can increase sales. Report after report has found that multichannel customers spend considerably more than single channel customers.

Ironically, an enhanced shopping experience mimics the intimate experience that retailers had with customers before mass merchandising took off and the store became depersonalized. Being the best is all about generating seamlessly thoughtful, personal and helpful interactions that encourage customer loyalty and are so much more satisfying for the consumer.

The Wharton School of Business released a December 2006 publication called *Retail Execution: An Empirical Study*,<sup>3</sup> which noted the stakes involved in improving communications with customers. The subject, a retailer, had 93% in-stocks. But exit surveys at retail stores showed that customers actually perceived in-stocks at only 76%. When asked about why they thought in-stocks were so low, customers said one in four items they could 1) not find at all, or, 2) could not find anyone to help get something from behind a counter or from a top shelf. Additionally, respondents said the person they went to find to help them could not find the product. Greg Buzek, president of IHL Consulting Group, a global research and advisory firm that serves retailers and retail technology vendors, notes that this means that for every \$10 product sale, the retailer is losing \$2.40 in potential sales for every customer that walks in the door. Taken to its next logical conclusion, this means that the retail industry would be almost a trillion dollars a year bigger if customers could get the right kind of assistance from store associates.

*Imagine if store environments enabled customers to easily find what they came in to purchase, and more, each time they visited. Imagine if customers interacted with informed retail professionals who could answer all their questions and help them with transactions.*

<sup>2</sup> Blackwell, Roger D. and Stephan, Kristina, *Customers Rule! Why the E-commerce honeymoon is over and where winning businesses go from here.* Copyright 2001, Crown Business, New York ISBN 0-609-60865-7

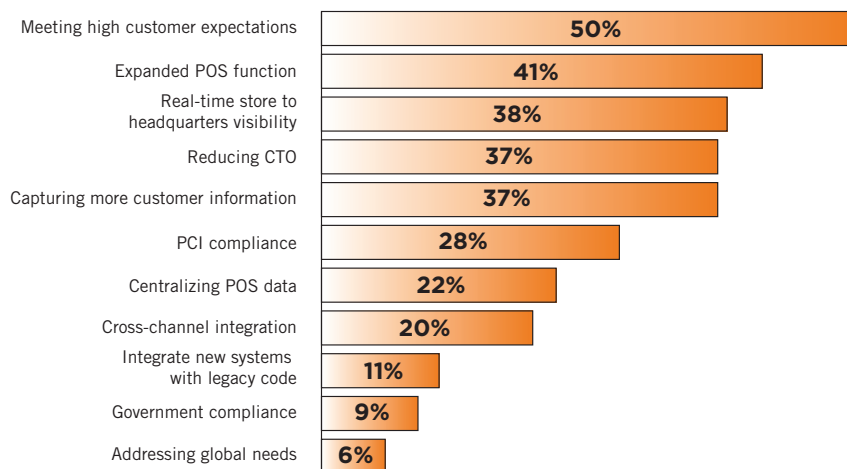
<sup>3</sup> Fisher, Marshall, Krishnan, Jayanth, and Netessine, Serguie, Wharton School of Business, December 2006.



## RETAIL IT SPENDING FOCUSES ON THE CUSTOMER EXPERIENCE

Retailers know that technology can help. Retail investment in IT and communications technologies worldwide is expected to be at least \$120 billion U.S. dollars this year, according to Retail WorldView, a new IT sizing service offered by IHL Consulting Group. “Retailers individually spend well below other industries...[but] what retailers lack in spending percentage of revenue they clearly make up in sheer volume, due to their high revenues. Retail is a huge market for IT that is growing at just over 9 percent a year.”

### WHAT ARE YOUR TOP STORE CHALLENGES FOR THE NEXT THREE YEARS



The graph shows why. The 2007 RIS News and Gartner Consulting Retail Technology Study found that “it is all about the customer.” After having concentrated on supply chain activities, “... Retailers realize the only way to differentiate against the big box retailers is to focus on customer service and to improve their knowledge of their customers...bringing the customer to the forefront of store strategy, as well as making it the central point of IT strategy, is the key to future growth” says the Gartner and RIS News study.

The top trend in IT in-store spending is high bandwidth to stores. “While nearly 50% say they have high bandwidth already deployed in stores, another 17% report that they will start to upgrade this year, 11% will do it when they next upgrade systems, and 7% say that they will start to upgrade within two years.”

Those numbers suggest that retailers have heard the stories that enthusiastic early-adopters have told of advanced capabilities in store – better communications with store associates, digital signs, better associate training, and email. And now those technologies are poised to assist the ultimate consumer – the customer who is purchasing merchandise.

The decision to deploy advanced telecommunications will get high marks from store managers. 82% of store managers polled told *Integrated Solutions for*

Retailers magazine that they wanted more technology tools to assist with customer relationships, and 92% of tech-savvy store managers agree that technology helps them do their job better.<sup>4</sup>

## RESPONSIVE RETAILERS ENABLE SALES ASSOCIATES TO COMMUNICATE BETTER WITH CUSTOMERS, WHEREVER THEY ARE

Retailers are looking to integrate communications technologies with routine retail business processes to become customer-driven. Here are some examples.

**Old business processes** recommended the closest associate answered the customer's question. That assumed that the customer could find an associate, and that he/she would know the answer to the question.

**New solutions** such as call buttons, help phones, and kiosks enable the in-store consumer to quickly find the right person to address their needs, whether that person is in the store, the distribution center, or elsewhere; resulting in increased purchases for each store visit.

**Old business processes** assumed it would be OK to assist multiple customers in the store, and, at the same time, assist customers on the phone.

**New solutions** enable store associates to keep the focus on the customer in the store, and ensure they have the tools needed to stay focused on helping that customer, whether she is looking for additional information or trying to check out. Questions from callers or online customers can be answered more efficiently

through a centralized support group.



**Old processes** rewarded loyalty when the customer showed a loyalty card.

### Communications Enabled Business Processes Defined!

Communications Enabled Business Processes (CEBP) can help your business transform the way it detects and responds to critical events by minimizing delay and creating a more agile, responsive organization. CEBP continuously analyzes information from a wide range of sources, detects important events, and manages the organizational response by selecting the appropriate people and tools based on expertise and availability.

<sup>4</sup> The State of the Store Manager 2007, IHL Consulting Group and Integrated Solutions for Retailers magazine.



**New processes** can reward customers in a variety of ways, without annoying plastic key ring hangers. Mobile-enabled loyalty programs are real and growing, and lots of retailers are talking about PDA-enabled loyalty, enhanced with SMS messaging aimed at younger customers; younger customers think that more technology is better technology.

**Old processes** used to route unstructured customer email into a general mailbox in the marketing department, or worse – routed to nowhere. Answering that email was generally not a priority.

**New processes** recognize that e-mail has become essential. New technologies like workforce management packages and ERP products now enable email messages to be routed to the right associates who can quickly address the customer's issues, with additional insight based on past customer interactions and transactions with the retailer.

Two-way communications are critically important because customers ask store managers and sales associates questions all day. They will ask anyone they can find – even the maintenance people who polish your floors get questions from customers.

- ***Does this blouse come in navy blue?*** What if you could communicate with the buyer who knows?
- ***Can I connect my camera to my TV to show my pictures?*** What if you could contact the right electronics person and get that question answered right away?
- ***Will this grass seed work well in an acidic soil?*** What if you could sell that seed by putting the customer in touch with the gardening expert at another local store?
- ***When will my refrigerator be delivered?*** What if you could get an exact answer right away, so that the customer would not have to hold a whole 8-hour window?



How well do retail companies answer these questions today? Not that well. The closest sales associate may not be the **right** sales associate. The sales associate may be new or under trained. A 2005 study by IHL Consulting Group noted that “turnover in some segments among front-end employees now approaches 200-300% a year Consumers are spoiled by sub-second answers they can find on the Web. And finally, many stores are now “media free”. It focuses the customer on the product, but provides little to no access to extra information.

## NEW WAYS TO ANSWER CUSTOMERS' QUESTIONS:

**Create customer touch points throughout the store.** All indications are that many customers love self-service. New customer touch points are going to be everywhere – call boxes, kiosks, handsets of all sizes – that know where the customer is, and help connect him or her to the sales associate that has the right information. If a customer makes a call from the sporting goods section, the system will automatically connect him to a sporting goods expert. The 2007 Store Manager report from *Integrated Solutions for Retailers* magazine suggests that the installed base of customer-facing kiosks will continue to grow at a pace of 20% a year for the next four years.



**Leverage store investment by enabling wireless voice mobility for sales associates in new ways.** In some stores, the old overhead paging system is still the way associates ask for price checks or other information. In-store wireless voice connections over simple mobile devices now allow sales associates to connect with each other regardless of where they are in the store. Why's that important? Sales associates are always moving. So are customers.

**Connect a customer who has a special need – a language issue, a product availability issue, or a technical question – with the most qualified person the retailer can offer.** That person may be in a contact center; online retailer Tiger Direct integrated all its contact centers into one platform, sharing key customer information, and load-balancing calls. Or, that person could be anywhere in the retailer's enterprise; ERP capabilities that keep central stores of information about associates – language skills, location, product knowledge, and processes – can be integrated with new process-oriented communication tools that can automatically connect customers with the right sales associate.

**Use unified communications to talk with customers in all the channels they expect.** Internet, fax, phone, email, chat – they want it all. They want you to have it all. Retail companies with the right applications will be able to provide a seamless customer service experience.

*Integrate communications into your business processes and move inquiries automatically to the right channel, store, web, contact center, and make sure those messages are delivered and responses initiated.*

Call Box





## NEW CAPABILITIES BRING LOW TCO AND GREAT ROI

Technology and process make a powerful combination. AMR Research published a 2007 paper<sup>5</sup> noting the need for demand-driven retailers to use technologies and processes to capture consumer behavior at each point of interaction. AMR

says that “becoming demand-driven requires a fundamental change in how a retailer does business, and with 90% of the work related to organizational or process change, a pure technology choice will fall short.” The key is to leverage new technologies to augment the business processes you already have to achieve great results.

Retail IT shops, which have been champions of change, are increasingly turning to communications implementations because they are cost-effective and highly transformative.

**New communication systems can reduce costs and boost centralization.** Many retailers are stuck with legacy phone systems that rely on antiquated technologies that cost too much to maintain. Retailers who have moved up to newer systems report outstanding results, cost savings, and unanticipated benefits. Retailers who have ditched legacy technologies bring back success stories that highlight the huge advantages of centralized support, rules-based triggers, and media-rich content for stores. Retailers who have taken the plunge say that they have found huge benefits from having customers who call directly to stores, routed to a centralized call center where they can be more efficiently handled.

**New technologies can solve the device proliferation problem.** One key benefit to retailers is the potential to solve the handheld-proliferation problem. Store associates, store managers, and district supervisors

### Santa Rosa Auto Parts supplies new service levels with Avaya IP Telephony.

Santa Rosa Auto Parts needed a new phone system. The company's multiple units each had their own bank of phone numbers. That meant that there was no central way for customers to get information; and to reach one another, store associates had to phone a store. It was time to change.

“We looked at VOIP, and one system made real economic sense. And our people, who aren't tech-savvy, enjoyed the ease of transition,” says Ken Thengvall, Santa Rosa's controller. “We shared our data lines with voice calls, and dropped a ton of phone numbers. It paid for itself very quickly.”

After the deployment of the new Avaya system, everyone in the company has access to voicemail. Auto-attendants guide customers; there's custom music on hold. And business is up, because there are no more busy signals. And Santa Rosa's business rules ensure that calls are handled by the right agents.

“It has meant better service for customers, and better sales for us. We're very happy” says Santa Rosa's Thengvall.

<sup>5</sup> AMR Research, Want To Be a Demand-Driven Retailer? Five Organizational Must Haves  
Tuesday, April 10, 2007 by Mike Griswold



have, in recent years, carried telephones, PDAs, laptops, scanners, and other functional devices. Retailers note that purchasing new IP-enabled mobility solutions can eliminate the need to equip people with multiple devices.

**New IP telephony deployments fit right in with existing infrastructure and applications in the store, the warehouse and the distribution center.** IDG Research Services notes that VoIP technology is seen as an effective method to ease upgrades and migrations, eliminate the need for separate communication paths, and ensures employees have the desired communications experience, regardless of location.

- Retailers want to leverage existing technology and processes as they migrate to new ones. The scale, timing and cost of migration should be matched to the retailer's business requirements.
- Forward-thinking retailers are considering communications upgrades based on the idea of an extensible IP platform.
- Open platforms allow retailers to continue using existing applications and layer on best-in-class industry-specific applications. This approach can dramatically increase the speed of deployment and relevancy of the solutions.

**Servicing the Solutions - a potential TCO "gotcha."**

Quite often, the cost and complexity of operating an IP-based suite of solutions is not considered at time of initial purchase. Headquarters and individual stores often do not have the level of dedicated support seen in other industries. For this reason, retailers are looking at "centrally-based" applications that are simply and affordably deployed over the network at the "edges" - the individual stores. Consideration should also be given to supplementing internal IT resources with third party assistance for service continuity. 24 X 7 global support and simple, predictable pricing plans for upgrades and maintenance can improve TCO. This reduces the retailer's need for expensive support staff and ensures that the retail solution performs optimally and evolves as promised.

Expert assistance can also keep networks secure; one large data breach started with a simple unsecured wireless installation.

**Know more!**

When retailers imbed communications applications into their business processes, productivity increases. For instance, intelligent communications applications can help retailers track progress of complex projects.



- Project events become automated voice or text messages sent to project team managers informing them of status or confirming that projects are complete, or enabling on-the-fly conference calls if they are not.
- Project managers will know if messages are delivered, read and acted upon.
- Requests can be automatically escalated if necessary; if a store manager has not responded, there can be an escalation to district or regional managers.

### Sell More

How can imbedded communications applications impact sales? The Wharton study shows how staggeringly expensive out-of-stocks are. Retailers are using telephony-based event processing capabilities that can dramatically improve in-stock levels. For instance, retailers who rely on Sunday FSI's can set up rules-based communications triggers to take action if advertised items cannot reach certain stores. Triggers can alert supply chains to ship more or less product according to demand. Or, as simple as this - if an ice storm is coming, store managers can be alerted to stock up on salt.

**Senior leaders can grasp the concept behind telephony projects.** Everyone uses voice communications. The best way to get these projects off the ground is with an executive sponsor who understands the bigger picture. Today's tech-savvy CEOs understand the benefits; they want to use these technologies, and they will see the benefits immediately. The benefits retailers anticipate can be exceeded by the results they achieve.

## BETTER COMMUNICATIONS MAKE FOR BETTER RETAIL

The quest for differentiation has never been fiercer than it is right now. Customers will rate their store experience based on your ability to relate to them and their desires as they spend time in your store. As retailers focus more attention on the store, they are finding new ways



Motorola  
phone

### For more information....

If you are interested in learning more about the case studies presented here or how you can drive strategic change with intelligent communications, visit [www.avaya.com](http://www.avaya.com).

that better communications can assist store associates and customers. Key to being the best and wowing the customer is a communications strategy that allows you to communicate more effectively and efficiently, thereby transforming your business and your customer's experience. Conversations with retailers indicate a strong interest in dramatically improving dialogue and providing always-on information.

**About Avaya**

Avaya delivers Intelligent Communications solutions that help companies transform their businesses to achieve market-place advantage. More than 1 million businesses worldwide, including 90 percent of the Fortune 500®, use Avaya solutions for IP Telephony, Unified Communications, Contact Centers and Communications Enabled Business Processes. Avaya Global Services provides comprehensive service and support for companies, small to large. For more information, visit the Avaya Web site: [www.avaya.com](http://www.avaya.com)

**About Cathy Hotka & Associates**

Cathy Hotka manages Cathy Hotka & Associates, a consulting firm that connects people with retail technology leaders. She has directed the IT committees for the American Petroleum Institute, National Retail Federation, and Retail Industry Leaders Association, and is in charge of the biggest CIO event in the industry, the Retail Insiders Party.