FORTUNE® Knowledge Group™

The Tie That Binds

How Technology Will Bring Enterprises Closer to Their Customers

In collaboration with

COMCAST BUSINESS B4B™

"We're now at an awkward point between the two eras," Goodwin says. "Eventually, technology and digital will become everyone's role and there won't be any departments in charge of them, and e-CRM and CRM will be arranged around people, not departments and channels."

Tom Goodwin, Senior Vice President of Strategy and Innovation at Havas Media

The conclusion is counterintuitive, and for that reason, all the more compelling: the more advanced customer-facing technology becomes, the less important the technology may be to a sale.

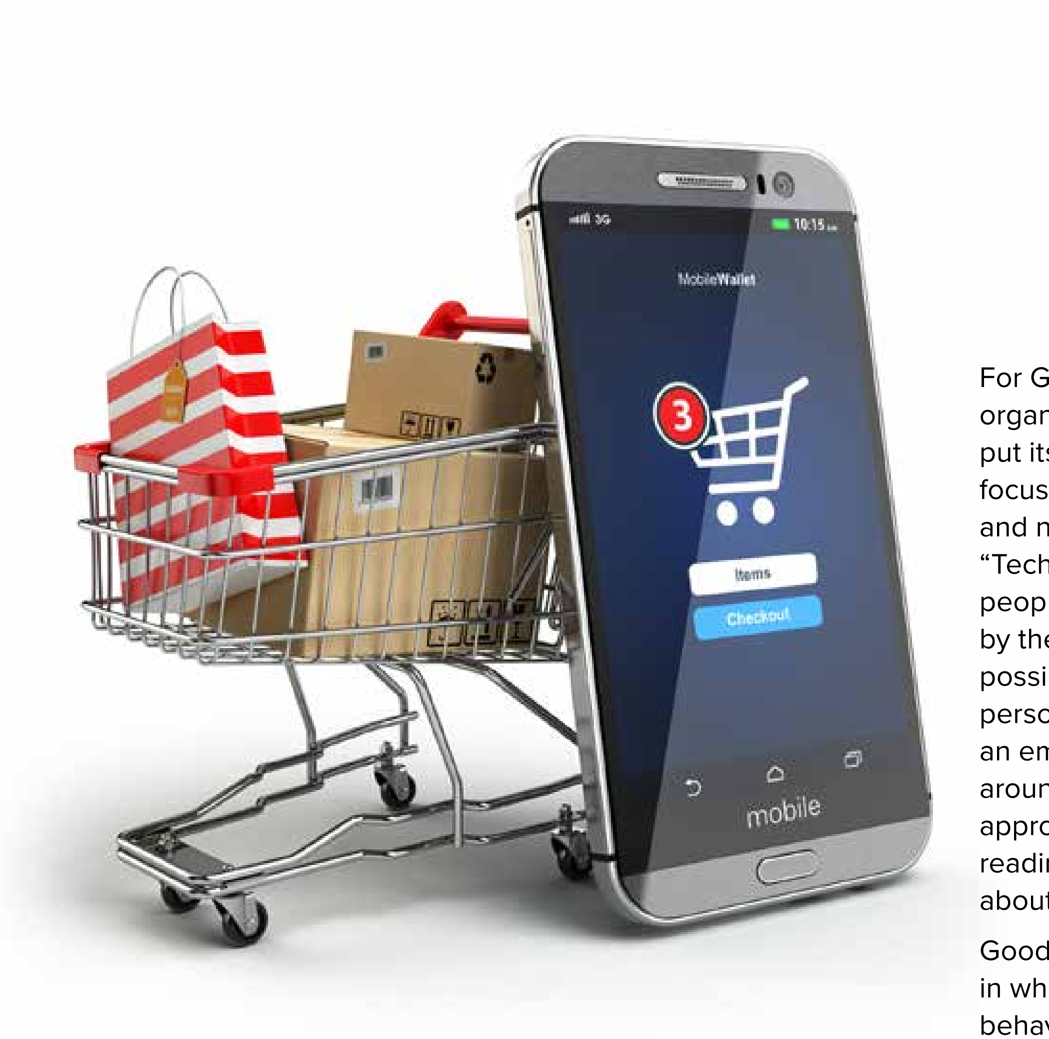
The role of technology in enhancing the customer experience can't be overstated. It's vital now, and it's going to be essential for years to come, experts say. Online commerce isn't going away, for example. But that's just the point. The sheer ubiquity of technology in commerce is likely to make it less of a differentiator. The success of a transaction will instead increasingly depend on how the technology facilitates the human interaction between the seller and the buyer.

Tom Goodwin, Senior Vice President of Strategy and Innovation at Havas Media in New York, sees history as a guide to the future. "Remember the pre-digital age, with TV screens and typewriters and analog technology, and the consumer behaviors that resulted from this? You didn't have 'CRM,' you simply remembered things about your favorite customers. Well, going forward, just as corporations now no longer have a 'Head of Electricity' staff position, digital will go into the background, while still being highly transformational.

"We're now at an awkward point between the two eras," Goodwin says. "Eventually, technology and digital will become everyone's role and there won't be any departments in charge of them, and e-CRM and CRM will be arranged around people, not departments and channels."

In order to reach this point, however, corporate America will have to shift focus away from its needs toward the consumer's, making the customer a much bigger part of the sales equation, Goodwin says.

That's the value proposition for most retail enterprises other than the big-box retailers, which compete on the depth and breadth of their inventory, and on being a low-cost provider, says Bryan Amaral, head of Atlanta-based retail-industry consultancy Clientricity. "Know the customer, know your product, be relevant, and solve what they are looking for. You need sales associates who are savvy. Most retailers have to provide a higher level of engagement, or they won't survive," he says.



Emphasis on Empathy

For Goodwin, the smartest thing a sales organization of any type can do is to put itself in its customers' shoes. "We focus way too much on technology and not enough on empathy," he says. "Technology is our amazing toolkit, but people and their needs, not pushed by the technology, are what makes it possible. It's cheap to use a 10-million-person mailing list, so you can send an email out every day. But if we work around people – for example, what's the appropriate frequency, where are they reading those emails – we would go about things a very different way."

Goodwin is a keen observer of the way in which technology influences customer behavior, and unfortunately, he says, the impact is not always positive, although struggles can become teaching moments. "A company will send you an email from a 'no-reply' email address; that's not a one-to-one conversation," he notes. "It's kind of odd that they don't want to hear back from people, and it is completely unacceptable corporate behavior in the modern age. Technology should allow the customer to feel closer to the brand. There should be communication with the brand. Build experiences around people."

Pity the poor credit-card customer whose piece of plastic or number is stolen, he says. “Reporting the theft and replacing your card should be one-stop shopping. Instead, you start with the fraud department, get transferred to the billing department, and eventually, the new-card department. You, the customer, have to work around their structure.”

Jim Wexler, a gamification expert and president of New York-based Experiences Unlimited, a gamification consultancy, says the ultimate example of customer frustration with technology is when a website’s or app’s interface is substandard, and the customer cashes out emotionally.

“The medium is the message,” he says, quoting Marshall McLuhan, the communications theorist. “The interface reflects the worthwhileness of the experience and the quality of the provider. If it’s lousy, not only will I not interact with it, I might end up calling the company, which ultimately costs them money for personnel, or I will cancel the transaction. Either way, I harbor ill feelings toward the brand.”

Wexler likes to tell the story of an app he was redesigning for a client. “I took the old version and showed it to my teenage daughter. The app was for a younger audience. Before even engaging, she said, ‘Dad, no one would use that.’ The design of the interface was reject-able. She had walked away; the interface wasn’t worth engaging with.”

“The interface reflects the worthwhileness of the experience and the quality of the provider. If it’s lousy, not only will I not interact with it, I might end up calling the company, which ultimately costs them money for personnel, or I will cancel the transaction. Either way, I harbor ill feelings toward the brand.”

Jim Wexler, President of Experiences Unlimited

Retail's Value Prop

Amaral has spent his career advising retailers on how to use technology to shepherd customers from an entry point with a brand to a completed transaction (including returns). He believes that retailers need to take absolute responsibility for their customers' satisfaction throughout the entire want-it, buy-it, use-it experience. He says it's instructive for companies planning ahead to look back at the history of retailer-customer interactions. It's "back to the future in many ways," he says.

In the early days, the neighborhood retailer knew his customers by name, knew what they wanted and knew how to merchandise accordingly. In the late 1970s and early '80s, there was a lot of consolidation in retail, creating department-store mega-retailers. The bar code came along, making it a lot easier for a retailer to understand product movements, he recalls. Companies could more closely monitor what customers desired and plan inventory assortment and replenishment more effectively. Amaral calls this the Ivory Tower approach. "Neighborhood retailing was on the way out," he says, "and the thought was that sales could be controlled back at HQ from the dashboard. Better merchandising, promotion, and the

designer revolution, all had the vendors taking a role of driving traffic into stores. If you had the right brands, underlying transaction and merchandising systems could well manage your stores."

But back then, the axiom retail enterprises relied on – location, location, location – came into question with the beginning of what would eventually become online commerce, he says. And with digital, retailers could reach a customer in any geography. As commerce shifted toward the latest technology, and a universe of products became one click away, "it became clear that to survive, certain segments of retailing just couldn't commoditize. They needed to do a better job of servicing customers. Retailers began to realize that store sales clerks needed to become 'knowledge workers,' and begin to really understand customers' needs to give them a reason to walk into a store. You had to provide this value. And by the early 2000s, the cast was set and the customer experience had become king."

For the past 10 years, Amaral says, customer expectations have become increasingly demanding and the pace of retail transformation has been accelerating to meet that value proposition. Going forward, he says, companies need to ask: "How do I make sure that I am an integral part of a customer's decision-making process? How do I become the 'destination of choice' when a customer wants a product in my category?"

Amaral says that in the end, it's going to come down to how effectively an enterprise can use technology to demonstrate a commitment to the best interests of the customer, not the enterprise. "It's no longer about owning a portfolio of products and finding customers who want them. Now, it's about having a portfolio of customers and looking for high-value products and services that meet their needs."

'Clientelling' is an example: A sales associate with a deep, deep knowledge of a department store's stock and individual preferences takes the initiative to call a customer who has a store credit card and a history of, say, cosmetics transactions there, to alert the customer to a terrific new skin-care product or in-store service. The customer may or may not be interested in the new product or service, but the store-initiated contact can lead to other sales and a deeper, more profitable relationship between the store/associate and the customer.

"Customers expect sales associates to have complete visibility into all the inventory throughout your enterprise, including the warehouse. It's all about empowering the sales associate," he says.

Furthermore, Amaral says, stores should recognize the way in which Big Data and online engagement combine to fit into a wider sales philosophy. "The majority of transactions are in some way influenced by online. It's part of the buying journey. Customers start their search for a product online, get an idea of the possibilities, and look at product reviews. They then go into a store thinking they can find what they need. And when they go in, you have up-sell opportunities to really build that ticket by getting to know more and more about the customer. But it starts by adopting their perspective."

Mobile technology should make the process easier, Amaral says. "Five years from now, there will be a lot more personalization," he says. "Enterprises will collect more information, know better what to do with it, be more efficient storing it and analyzing it, and modeling around it. Take beacon and other types of location-based technology. A store can know you are nearby, or in a specific department, and they know about other people just like you, what you and they have bought, what you've clicked on their website," and they can then tailor a proactive mobile message appropriately.

Go out at least 10 years from now, Amaral says, "every sales associate will have a mobile device in hand, will know their customer, offering a higher level of service, all tying back to the technology infrastructure. Operating systems may eventually be so context-aware that they will only show us the stuff we really need to know; our mobile device will be able to personalize the experience for us."

He continues: "The logical extension of today's personalization trends is mass-customization of the products we buy. We are already starting to see new uses of technology in fitting rooms. Imagine that a customer goes into one and just interacts directly with the technology in there. Today, retailers are experimenting with devices on the wall that can give product recommendations and look up alternatives and coordinate recommendations. By pressing a button, an associate is alerted to retrieve those items and bring them to the customer. But eventually, consumers will see and try on new clothes virtually, using various physical gestures to interact with the technology. The logical end game? Get it made and delivered to the customer in just a few days."

"Customers expect sales associates to have complete visibility into all the inventory throughout your enterprise, including the warehouse. It's all about empowering the sales associate."

Bryan Amaral, head of retail-industry consultancy Clientricity

Streamlining in Services

Retailers aren't the only ones who will be using technology to enhance the customer experience. Service providers are swimming in the same lane. Take Fifth Third Private Bank in Cincinnati, Ohio. There, Phil McHugh, the private bank's President, is leading wealth management into the digital age with a holistic approach called Life360, which integrates investment management, trust and charitable goal planning with wealth planning, in one digital place.

Life360, he says, really allows the private bank's wealth advisors to zero in on their clients' needs. "It's not a quantitative approach," he says, "it's a qualitative approach to building a better relationship with our clients."

Life360 offers Fifth Third Private Bank's clients one-stop shopping, in effect. For example, a client can see all of his or her investments at one time, with their values updated daily, even money held at institutions other than Fifth Third Private Bank. Clients can know their net worth – assets minus liabilities – every evening if that's what they want. Life360's digital nature (there's also a mobile app) has another advantage: a secure, cloud-based repository into which clients can "deposit" key documents, such as passports and wills. And Life360 allows the private bank to streamline its communications to the client, which has pleased users tremendously, McHugh says.

"Many clients use us for numerous products and services, such as mortgages, credit cards, checking accounts, and investments," McHugh says, "and all of these have statements. Those statements were being sent to the client at various times during the month. We wanted to know, could we be more efficient? Could we have a single source providing the totality of the relationship at one site, in a timely manner? It's really important when managing money for other people to provide timely information."

McHugh says that private bank's goal is "to put the customer at the core of everything we do. Digital is a big driver because that's how our clients want to interact with us. So you'll be seeing a lot more of that in the future."

Where We Go From Here

For Goodwin, that future is going to come fast and furious. To extend the clothing example, Goodwin notes that with technology, four seasons of clothing could become, say, 15. He urges enterprises to plan for a geometrical, not a linear, progression, especially in factoring in how mobile-phone technology is used to enhance the customer experience.

"Companies always plan by looking backward," he says. "You look at the last year, you look at historical sales, and make some slight changes to your plans. But data capture we're hearing about now could be a few years old. All the data on mobile phones is two years old, but now they are being used in an entirely different fashion."

Wexler notes that while digital interfaces have been around for quite a while, "we are becoming more and more and more dependent on, and swayed by, and are interacting seamlessly with them. But now, there are protocols that need to be met -- similar to the role of grammar in English -- that govern our expectations for how we interact with content."

As the analog generation passes out of the picture, the stakes will rise, Wexler says, and companies really need to get their technology right. "If it's an entire generation, if you don't provide them with an attractive user experience, you lose. That's it, that's the whole thing."

"Companies always plan by looking backward. You look at the last year, you look at historical sales, and make some slight changes to your plans. But data capture we're hearing about now could be a few years old. All the data on mobile phones is two years old, but now they are being used in an entirely different fashion."

Tom Goodwin, Senior Vice President of Strategy and Innovation at Havas Media

FORTUNE®
Knowledge
Group™

The FORTUNE Knowledge Group (FKG) is a custom business intelligence division of Time Inc., publisher of FORTUNE. FKG develops proprietary research and analysis on a range of issues, such as management, regulatory compliance, innovation and strategy. The views expressed by FKG do not necessarily reflect the views of FORTUNE editors.

In collaboration with

COMCAST
BUSINESS
B4B™