

Unlocking Exponential Value in the Age of New Consumerism

Abstract

Designing and delivering customer experiences in the age of new consumerism demands fresh thinking, new behaviors, and new capabilities. Leaders must be clear that customer centricity should not be perceived as a project to increase sales and profit margins. This article discusses how retailers can thrive in an experience driven economy.

Why Responding to Shifting Customer Expectations Matters?

In the age of new consumerism driven by experience and transformed by technology, consumers are constantly reassessing their priorities and increasingly gravitating toward the propositions of 'experience' and 'value' (see Figure 1).



Figure 1: The Ten Commandments of Consumer Experience

Today, consumers expect organizations to help them achieve their personal goals versus facilitating a transaction. This requires retailers to discover, reposition, and respond to the shifting realities of an increasingly polarized market (see Figure 2).

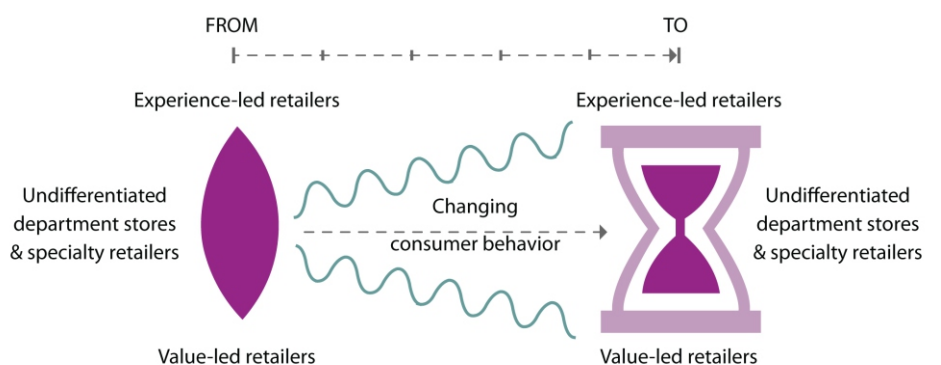


Figure 2: Polarizing Consumption Behaviour and the Retail Market

The choices an organization makes to align with the propositions of premium experience or value for money decides its destiny. The retailers that have not only survived the changing consumption patterns but flourished as well are the experience-led or premium brand retailers; the most impacted is the middle layer characterised by the department stores that try to be everything for everyone with no clear proposition, and the undifferentiated specialty retailers.

Alluding to this narrative are some classic stories that have shaped up in recent years:

- **The experienced led:** Home Depot's interconnected digital retail and DIY solutions; Best Buy's in-store experience and connected home solutions; Sephora's mobile app beauty solutions; Amazon's Prime subscription service, Nike's health club; and CVS and Walgreens' transition from a pharmacy to health and wellness destinations
- **The value for money led:** Primark, WalMart, ALDI, LIDL, Costco, TJX
- **The impacted middle layer:** Macy's, Maplin, Toys R Us, House of Fraser, Marks & Spencer

To sustain their leadership position, born digitals are increasingly turning physical as well to deliver brilliant experiences as demonstrated by Amazon's expansion of its private label categories and acquisition of Whole Foods¹, the launch of Echo devices and Amazon Go, Uber's investment in 20K+ driverless cars², and Facebook's and Netflix's plans to create their own content.³

The not born digitals such as Home Depot, Best Buy, and Staples chose to 'Amazon-proof' their business by reinventing themselves and playing to their strengths. On the other hand, Toys R Us ignored an opportunity to transform to an inspirational and engaging shopping destination. We now see new players such as Story, Bulletin, and Goop introducing fresh and theme-based product presentations and experience-led shopping models.

Design and Delivery of Digital Customer Experiences

Designing and delivering customer experiences demand fresh thinking, new behaviors, and new capabilities. Fresh thinking inspires new behaviors and gives the power to build new capabilities and a virtuous synergy to deliver the desired outcomes (see Figure 3).

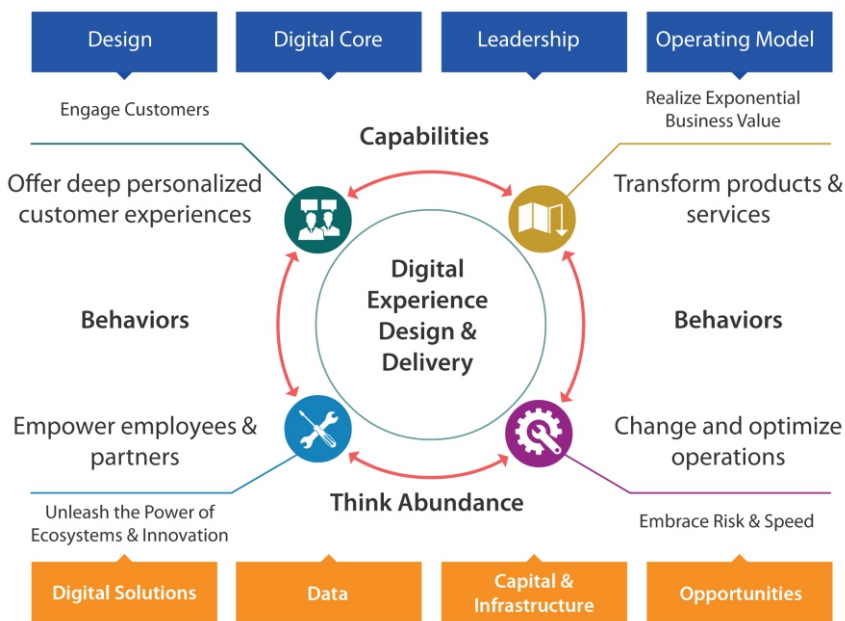


Figure 3: New Age Customer Experiences Delivery Framework

Think Abundance: Digital unfolds and delivers 'abundance'—opportunities, data, digital solutions, partners, and access to capital and infrastructure. 'Pro forma' business performance stories such as 'had we predicted the trends and forecasted right, had we closed 100 stores last year, had we maintained 90% inventory available to promise, if our website were two seconds faster, and if our mobile search experience were better, we would have increased conversion rate by over 28% and made more than £700m more in profits' are no longer relevant in the world of abundance. JP Morgan Bank serves as a good reference for retail to shift to an abundance mindset and accelerate growth.⁴

Demonstrate New Age Behaviors: Marks & Spencer, after struggling for a decade, has now clearly resolved to be a Digital First retailer by 2022 with 33% as digital revenue⁵ and has initiated new behaviors and capabilities development toward this goal. The core behaviours required to thrive in the new age of consumerism are:

- A fiery passion to provide simple, personalized, and fulfilling customer experiences
- The urge to restore the basics of retail by reviewing, reimagining, redesigning products, services and value proposition
- The willingness to empower staff and partners to innovate, change faster, and maximize their potential
- The readiness to embrace risk and change the ways of working with technology-enabled execution for better use of resources, to be faster, and be more decisive and responsive

Build New Age Capabilities: To perform effectively in the new age, organizations need a good blend of capabilities that include:

- Being designed for experiences and value
- Being a technology powerhouse
- Having a visionary and passionate leadership, and a
- Refreshed culture to get things done

These capabilities have strong interdependencies; they should be woven into the fabric of an enterprise to realize desired outcomes.

Design: Design must build, deliver, and improve the brand promise. It must challenge established knowledge patterns and conditioned thinking in order to offer functional utility, aesthetics, and an emotional connection with the customer.

Design can be as simple as The Home Depot adding a new mobile app feature in response to a common query from customers in stores about the location of the restroom. Or, as sophisticated as personalized styling and subscription services such as Stitch Fix, Trunk Club, and Try Tuesday that design and deliver a wardrobe curated by machines and humans. The growing maturity in AI and in the design of products and services would positively influence each other to democratize intelligence, transforming the shopping interface from a screen to a speaker in customers' homes.

Digital Core: Retail technology has undergone massive transformation from legacy to monolithic to microservices and API based technology architecture that is cloud enabled, intelligent, automated, and underpinned by a unified data architecture. A future-ready enterprise is designed for the unknowns with a robust and flexible digital architecture. Amazon, Target, Alibaba, Marks & Spencer, Home Depot, Staples, and Best Buy attribute their ability to adapt, scale faster, and be resilient to changes to their 'digital DNA'.

The Digital Core serves as the foundation for artificial intelligence to unleash the promise and potential of 'abundance' of the digital economy and deliver experiences and exponential business value at speed and scale in a sustainable way. For example, Digital Core helps deliver value enabling features such as visual product discovery, 1-click checkout, IoT based supply chain optimization, personalized outfit recommendations, chatbots-based customer service, digital assistant enabled shopping, and more.

Leadership: Every story of a failed and battling for life retail organization in the US and UK can be clearly attributed to a lack of strong leadership. Retail leadership must forgo regressive traits and instead:

- Be passionate about customer service and customer experience
- Show an appreciation for digital technologies
- Have a sense of urgency to be a digital first business
- Fuel enthusiasm to plan and execute a strategy through a cohesive organization structure
- Embrace change rather than be held by fear of losing power or jobs to technology
- Welcome changes in the role and newer ways of working

Leaders must be clear that customer centricity should not be perceived as a project to increase sales and profit margin; the design and delivery of a brilliant customer centric organisation must be at the intersection of humanity, technology, and capitalism.

Operating Model: Changing the ways of working is about empowering people and accountability; embracing risks; being highly efficient and faster; and being responsive to your employees, customers, and partners. These can be achieved by:

- **Being a 100% agile organization.** Organizations must espouse 100% agility and DevOps rather than pursue it as a piece-meal patch-work program. Being effectively agile also requires a higher degree of intelligent automation of operations. Target and Home Depot have transformed to this model in a record time of 1.5 to 2 years and many retailers are onto this transformation journey. Being agile and customer-centric must see a shift from measuring defects and velocity to business and customer value delivered in a sprint and quarter.
- **Restructuring and accountability.** Leaders are now driving execution toward a customer-centric model that cuts through business units and functions with tighter accountability. The absence of a simpler organization structure and well-defined ownership accountable for clear KPIs often thwart progress. Fancy roles such as Head of Customer Experience without the power to draft a customer agenda or lead an initiative is a futile attempt compared to a Head of Digital with clear authority and responsibilities for digital strategy and delivery.

- **Building and taking advantage of the partner ecosystem.** To scale up innovation at speed, it makes sense to make use of the abundance from the partner ecosystem and their capabilities such as machine learning, conversational commerce, cloud solutions, and domain expertise. Walmart, John Lewis and Marks & Spencer have set up innovation incubation hubs, and accelerators to leverage best-in-class capabilities at speed. Sometimes, apparent competitors can become partners as shown by the Best Buy-Amazon announcement to be exclusive sales channels for each other's products. Changing behavior within and across the ecosystem needs people to be incentivized to deliver a customer-focused culture.

Conclusion

It's not a random walk. Customer experience is no longer about a transaction or a channel; it is about solving a problem or fulfilling a need. The focus must be on being brilliant at basics, delivering a personalized and fulfilling experience to customers, and creating sustained exponential business value.

Customer strategy and capabilities are driven by logic; design is creative; experience is emotional; and business results are commercial. As a leader, you have to strike a fine balance among these conflicting interests. The new age of consumerism demands new thinking, behaviors, and capabilities to design, deliver, and thrive. Either you are digital-first and customer-centric or not. There is no fuzzy state. If you are, you are set to win. If you are not, the grim reaper is waiting.

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