

# LOVE YOUR CUSTOMERS TO *WIN* THEIR HEARTS AND WALLETS

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## Digital Innovation Playbook: Love Your Customers To Win Their Hearts And Wallets

Retailers know that business success hinges on the ability to understand their digitally empowered customers on multiple levels. Knowledge and insights into what makes customers tick — what motivates them to buy, or what keeps them from buying — have become truly high-value commodities.

Retailers use three main lenses to view customer data: **transactional**, **behavioral** and **emotional**, according to Ed King, Principal Consultant for Retail Customer Experience at the HighStreet Collective. But while transactional and behavioral measurements are still important pieces of the customer puzzle, the emotional element is perhaps the most critical today. “If you’re talking about an experience strategy, you can’t do it without creating positive emotions,” said Laura Davis-Taylor, Principal Consultant for Retail Experience Strategy at HighStreet Collective.

This e-Book is based on presentations from **HighStreet Collective’s 2018 Digital Experience Forum** at the **Digital Signage Expo**. Created and curated based upon the firm’s view on the most pressing topics to solve within brick and mortar, it provides a playbook for the ways retailers can use digital innovation to understand and influence shoppers’ emotional journey through the store. Readers will learn how:

- Creating a **love affair with shoppers** can overcome the GAFA (Google/Apple/Facebook/Amazon) effect;
- Understanding the **neuroscience of the brain** can elicit positive emotions from customers;
- Focusing on a **marketing-centered approach to technology and measurement** helps **b8ta** provide shoppers with a holistic experience in both the digital and physical realms;
- **Boosting relevancy and using one-on-one interactions** improved the customer experience for **Office Depot**; and
- **Using digital signage and video intelligence** can help retailers improve their ability to measure emotional impacts.

By raising their own emotional intelligence level and leveraging digital innovation, retailers can communicate love for their customers while building long-term loyalty and measurable financial benefits.

“The GAFA companies have superpowers and the reason is not that they have sensors in the store. It’s not that they have clean databases with data they can easily access. What’s giving them superpowers is what is in the roots — the people.”

— Stéphane Nasser, Strategy and Development Manager, Fabernovel



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## Creating A Love Affair With Shoppers To Overcome The GAFA Effect

The **GAFA (Google/Apple/Facebook/Amazon)** companies have altered retail culture, habits and business, leaving all other businesses with one challenge — fight against them or work with them. In the session titled: **Creating A Love Affair With Shoppers To Overcome The GAFA Effect**, Stéphane Nasser, Strategy and Development Manager at Fabernovel, explained that the four tech powerhouses have established a new world order and identified the three types of players that have emerged in retail.

Nasser compared today’s retailers using the “Gorilla-Chimp-Monkey” framework, developed by Geoffrey A. Moore in the ‘90s:

- **The Gorilla** – New market leader that sets industry standards through innovation (**Amazon**);
- **Chimps** – Companies that were on the cusp of being the market leader but missed the opportunity at some point. The chimps follow what the gorilla does to keep up in the space (**Walmart, Target, Costco, Kroger** and other major traditional brands); and
- **Monkeys** – Agile retailers that can see things the gorilla can’t see, enter a niche that hasn’t been filled and continue to thrive in that position (**Stitch Fix, Casper, Etsy, Warby Parker, Instacart**).

Nasser expects Google to make significant waves in retail in the next few years, if the search giant is serious about growing in the industry. On **Google Shopping**, shoppers can access the inventory of 70+ partner retailers and shop all of them in one universal cart. Retailers such as **Ulta, Costco, Target, The Home Depot, and Bed Bath and Beyond** all have a presence on the platform, and Google takes a cut out of each sale.

“Google has strategically positioned itself as a stepping stone for traditional retailers,” Nasser noted, adding: “It is key to understand that no traditional retailer today — except for Walmart — is big enough to take on Amazon alone. What Google offers is the badly needed platform that allows retailers to ‘join forces’ to a certain extent, using a world-class technology layer.”

## Three Steps To Getting GAFA 'Superpowers'

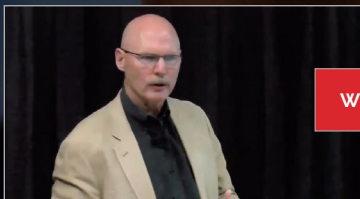
With the GAFA companies forcing the hand of the retail industry, Nasser recommended three steps retailers should take to thrive in a world dominated by the online giants.

- 1. Find your positioning within/against the GAFAs** in one of four ways: plug in, compete head-on (harshest option), partner or differentiate;
- 2. Acquire talent, retrain existing staff**, promote risk-taking and reinvest to lead digital transformation. "You need to hire differently. You need to hire different profiles of people, which means different incentives and compensation plans...Trigger the mindset change at the executive community level."; and
- 3. Love the customer.** "I think that the future of retail is transactions with love." It's about becoming a brand the consumer falls in love with. Nasser highlighted a photo at an Apple store in which a shopper just bought two brand new iPhone X devices, who had a big smile on his face even after likely spending more than \$2,000.

"When you ship a product to a customer, it's not love, it's a transaction," Nasser said. "But when the customer receives the shipment one day earlier, that's love. When you charge a customer on their credit card, that's not love, but when you use technology like an Amazon Go to make it seamless, that's love."

“We’re all shoppers. We all buy things, and we have a tendency to assume a lot of times that the decision-making process is conscious. We think we’re making lots and lots of conscious decisions. We’re not.”

— Dr. Neale Martin, CEO,  
Sublime Behavior Marketing



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## An Emotional Breakdown: Deconstructing Dopamine For Dollars

Experiences are driven by one key litmus test — emotional currency. By understanding the neuroscience of the brain, retailers can learn how to embrace sensory engagements to drive dopamine, delight, digital opportunity and dollars.

In the session titled, *An Emotional Breakdown: Deconstructing Dopamine For Dollars*, Dr. Neale Martin, CEO of Sublime Behavior Marketing, examined why companies often unintentionally work against the way their customers’ brains work. Martin explained:

- Why retailers need to capitalize on the fact that emotion is and always will be part of the decision-making process; and
- The difference between dopamine-driven pleasure and serotonin-driven happiness.

Martin identified many shopper experiences as “abusive,” saying: “We are in bad relationships with retail.” He cited a **Toys ‘R’ Us** experience that wasn’t “fun” because the products were too heavily promoted, there wasn’t enough product selection and there was nowhere to play with the toys. This retailer, he said, didn’t prioritize customer experiences. Forging emotional connections must be a significant part of the in-store journey.

Martin argued that while it is common for people to make rational decisions over emotional decisions, shoppers need emotion to make purchase decisions. “If you do not make an emotional connection, you will not be remembered,” Martin said. “Think about the classes you took that had good teachers, the ones that had an effect on your life. Did they not make an emotional connection between the information and you?”

A woman with long brown hair, smiling and looking to her right, wearing a grey cable-knit sweater. She is in a retail environment with clothing racks visible in the background.

## Defining The Value Of Dopamine-Vs. Serotonin-Driven Experiences

Martin cited a significant distinction between pleasure and happiness, indicating that retailers often try to create a “**dopamine-driven**” experience so consumers can experience pleasure and continue to seek more of it. On the other hand, a “**serotonin-driven**” experience is likely to elicit a feeling of overall satisfaction within the store without needing to overindulge or continue to shop.

The dopamine-driven strategy often undermines the ultimate, long-term business goals by focusing on shorter-term revenue, such as a business that jumps too quickly to discounting. These types of retailers tend to only generate significant traffic when products are on sale.

Martin suggested that retailers must find a balance between catering to the consumer’s dopamine-driven pleasure and serotonin-driven happiness. Retailers must identify what kind of experience they’re trying to create and play to each emotion.

“Do you want people to come in to your environment and say ‘This feels good. I just like being here.’?” Martin said. “Or do you want to feel like you’re feeding that energy and excitement, and keep giving you that dose of dopamine? It’s important for us to think about this from a strategic perspective, because this is about how we create an overall coherent experience for people.”

“Physical retail is transforming, and our role is to create an environment and experience that meets the needs of the end consumer.”

— Phillip Raub, Founder and President, b8ta



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## Meet Your New Client: The CMO

Dramatic changes in the ways consumers shop — including the reasons why they visit a physical store — are reshaping relationships among solution providers, product manufacturers and retailers. To achieve business goals and succeed along the multi-part, digitally influenced shopper journey, today's retailers must **apply a marketing lens to the customer experience**.

“Physical retail is transforming, and our role is to create an environment and experience that meets the needs of the end consumer,” said Phillip Raub, Founder and President of **b8ta**. “The retail space is no longer just a sales channel; it's now also about marketing, discovery and education. And because the means of commerce are changing, people need to be talking to the CMO and understanding the language of the marketer.”

In his keynote presentation titled, *Meet Your New Client: The CMO*, Raub explained how in-store technologies used at the nine b8ta stores provide product manufacturers with the same types of benefits from customer-specific data that are available to online retailers, facilitated by:

- Custom-made displays linked to RetailNext technology track shopper movement from product to product, with the ability to **measure dwell times** if the shopper stops for five seconds or more;
- **Qualitative and quantitative feedback** when a store associate demonstrates a product;
- Digital signage to test **different marketing messages**, in the same way a brand would run an A/B test online; and
- The ability to **change prices based on customer dwell times or facial recognition**, for example offering a lower price if the technology “recognizes” the same shopper returning to look at an item.



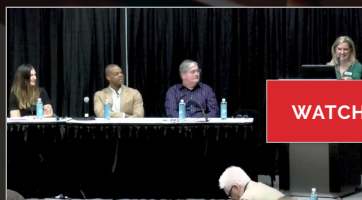
Some of the most significant opportunities involve **leveraging well-trained store associates** who can “ascertain data because they’re asking a lot of questions that are woven into the conversation,” said Raub. “They can ask customers ‘Is this your first time in the store?’ ‘Do you know about this product?’ ‘Do you know about this new feature?’ Additionally, if the product manufacturer has a specific question they want answered, they can reach out to the associates via the handheld devices they carry.” Digital signage provides another channel to communicate with both associates and shoppers, Raub added.

Making stores a more data-rich environment is critical for retailers, particularly those that began as online pureplays. “Statistics for **Bonobos** indicate that customers who buy first in one of their stores spend **2X more** and have **half the return rate**,” said Raub. “They also spend **30%** more online over the next 12 months after visiting a store. These retailers see stores as an investment in the long tail, a way to get customers into the ecosystem of their products and brand.”

Retail technology is increasingly the purview of the CMO because the “definition of a shopper is changing so much,” said Raub. “The store isn’t necessarily a purely sales channel, and what happens there is as much about awareness as it is about sales.”

“A lot of it still has to do with a culture change: we built a pretty store, but we still have an old warehouse mentality for things.”

— Brett Snyder, Communications Consultant,  
Office Depot



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## The Age Of Experience: Winning In A New World Order

At its core, experiential retailing is about culture: the overall consumer culture that determines what shoppers demand from a store, and the internal business cultures that determine how each company meets those needs. Smartphones and e-Commerce have led to a cultural revolution, and brick-and-mortar retailers need to think differently in order to keep up.

The panelists in the session, titled *The Age of Experience: Winning In A New World Order*, highlighted different ways retailers can grow their businesses with a more consumer-centric model:

- **Question your own complacency** - Malcolm Venable, Senior Editor at **TVGuide.com**;
- **Focus on relevancy** - Shannan Coghill, Director of Experience Design at **Michael Kors**; and
- **Re-define customer bases** - Brett Snyder, Communications Consultant at **Office Depot**.

Retailers must **question their own complacency**, according to Venable. The digital revolution has empowered consumers, and retailers that fail to adapt can become irrelevant in a matter of months. Modern shoppers can purchase whatever they want, whenever they want it, so retailers need to give them a reason to leave the house and visit their stores.

**Relevancy is really important for a brand**, noted Coghill, who suggested that retailers must put the user first and focus on understanding their emotions, wants and needs. Stores should be designed with every possible shopper in mind, giving consumers a chance to explore and build a relationship with the brand in their unique way.



Snyder pointed out that successful companies **no longer rely on the “tried and true” customer bases** that they cultivated in decades past. Company CEO Gerry Smith has embraced this philosophy through the company’s rollout of “BizBox” services, which put an emphasis on meeting the needs of small businesses.

Office Depot stores will now put an emphasis on one-on-one consultations, which are a key component of the remodeled shopping experience that has launched in 14 Austin, Texas stores, Snyder explained. The transition to a more intimate, personalized customer experience creates a stickier relationship that builds stronger loyalty than a simple transaction-based experience.

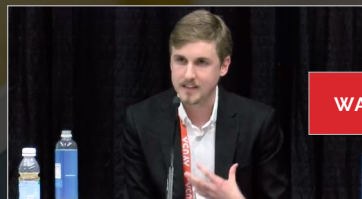
“Not long ago, that was the model for success: the person bought the binder, they spent \$3.29, and away they go,” said Snyder. “In the world of **Amazon** and things like that, this has to change.”

Customers who visited Office Depot’s older stores during focus group testing found the experience acceptable, but the stores failed to engage with them emotionally. The difference when they visited one of the updated locations was stark: participants told Snyder they were “blown away” by the improvements that had been made to the experience, from simpler navigation to improved cleanliness.

Office Depot’s new model will eventually roll out to all 1,400 locations across the U.S.

“If I see a screen and nothing really happens, just a static flip-through, the ROI of that screen immediately becomes zero for me.”

— Mike Neel, CMO, AdMobilize



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## Attribution And Measurement: Unlocking The Assets Of In-Store Digital

Digital signage isn't just an upgrade from its analog ancestor: it opens an entirely new set of marketing possibilities, and retailers are just beginning to harness the benefits. While traditional signage can only perform a limited number of static functions, digital signage offers new compelling options, such as in-store search, customer data tracking (via an opt-in app) and interactive product marketing.

In a session titled **Attribution And Measurement: Unlocking The Assets Of In-Store Digital**, Andrew Gaffney, President and Founder of *Retail TouchPoints*, moderated a panel discussion covering the ways digital signage can exceed basic Return On Investment (ROI) measurements. Key takeaways include:

- **Digital signage offers a better ROI than static signage** — Joé Lloyd, VP Global Marketing of NanoLumens; and
- **Digital signage sensors deliver advanced shopper metrics** — Mike Neel, CMO of AdMobilize.

Digital signage is opening up new avenues for direct attribution and measurement data. Cameras located within displays help retailers more clearly understand specific in-store metrics, such as shopper demographics and the emotions customers express as they walk through the store. While this type of data collection is anonymized, and does not require customer opt-in, it is detailed enough to deliver analytics that help personalize content.

Video intelligence sensors help digital signage deliver the right data to the right shoppers at the right time: they enable displays to react to different interactions, including voice, touch and gestures. Sensors also can track anonymized data related to how shoppers interact with a particular display by delivering insights on age, gender, dwell time, views, etc.



Digital signage should be considered a powerful tool for building a compelling shopper experience, Lloyd added. A modern display is “more than just a TV that you’re throwing on the wall,” she noted, and should be empowered to become a reason for shoppers to spend time in the store.

With static signage, customers lose interest because they’re looking at the same graphics and information every time they walk by. “If I walk into anywhere and I see a screen, and nothing really happens, just a static flip-through, the ROI of that screen immediately becomes zero for me, and I kind of just move on,” said Neel. “I think that’s becoming more and more true as more screens get installed in stores. People expect that engagement, and they want it as well.”

While the initial investment can be imposing, Lloyd noted, digital signage offers a significantly better long-term ROI compared to static signage. Regularly creating new digital content that matches seasons or specific promotions is less expensive than having completely new signage designed, produced and shipped.



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