

CUSTOMER SERVICE
CAN BE RETAILERS'
'SECRET WEAPON' IN

BUILDING CUSTOMER LOYALTY

retail
TouchPoints®

SPECIAL REPORT

SPONSORED BY

salesforce





INTRODUCTION

As befits a phenomenon as widespread and pervasive as COVID-19, the pandemic had multiple — and sometimes contradictory — effects on customer service, both from the perspective of retailers and their customers. Particularly early on, consumers were more forgiving about some of retailers' lapses than they would normally have been. Many people understood that a global supply chain slowdown meant that a retailer wasn't at fault if a product wasn't in stock or a delivery was delayed.

COVID-19 also pushed consumers further into using digital communication channels to get information or resolve problems. But just as the mass movement online put new pressures on fulfillment operations, the virus shone a harsh spotlight on just how vital good customer service — and the accurate, timely information needed to support it — has become.

Even prior to the pandemic, customer service was more than just a cost center for retailers: it was critical both to customer loyalty and increasing customer lifetime value (CLV). A 2019 **International Council of Shopping Centers (ICSC)** study found that **73%** of consumers said good customer service encouraged them to spend more money than they had originally planned. In addition, **57%** of respondents said they would pay more for an item or service if they knew they would receive **good customer service** during the shopper journey.

This Special Report will examine key trends in customer service and the broader area of customer experience, including:

- Retailers' need to increase deployments of **predictive analytics** technologies to provide more accurate information to customer service agents about shoppers' biggest pain points, out-of-stocks and delays;
- Exploring ancillary benefits of offering a strong service experience, **including gathering valuable customer and product data**;
- The growing importance of having a **C-level executive** with companywide responsibility for customer service/customer experience; and
- How retailers can use customer service to re-establish (or build from scratch) **customer loyalty**.



AVOIDING CUSTOMER PAIN POINTS WITH PROACTIVE USE OF ANALYTICS

To some extent, the best customer service interaction is the one that doesn't take place. If shoppers find everything that they need and complete their transaction seamlessly, they won't need to make a call, send a text or complain about lousy service on their social media feed.

That's why retailers need to address the most common causes of customer disappointment first. According to John Harmon, Senior Analyst at [Coresight Research](#), "When we surveyed to find out why consumers leave stores, products being out of stock is the number-one answer, at **41%**," he noted. "This almost defines customer service during COVID, because consumers want to make fewer, more targeted shopping trips."

Using prescriptive analytics — which not only identify issues but also provide direction about how to deal with them — in conjunction with AI is an effective way to maintain in-stock positions, all the way from the supply chain ecosystem down to the store shelf.

"Prescriptive analytics can constantly analyze sales data, and the automation aspect of AI keeps it running all the time," said Harmon in an interview with *Retail TouchPoints*. He gave the example of a store that sells an average of **five** tubes of toothpaste per hour. If that number drops to **zero**, the logical assumption is that toothpaste is out of stock. But what if the inventory system "knows" there are more tubes in the back room? "A message can then be sent to bring them out and put them on the shelf," said Harmon. "These types of changes can have a big impact on customer service."

On a more macro scale, increased use of supply chain analytics that provide better forecasting and visibility can translate into big customer service payoffs. Joshua Swartz, a Partner in the digital transformation practice at [Kearney](#), used the example of how some CPG and fast-moving consumer goods (FMCG) companies' investments in these solutions helped them pivot more quickly when COVID struck.

"At the beginning of the pandemic, people didn't know how long it would last or how big it would be; all they knew was that they were heavily dependent on China for supply, but shipments were delayed and production was shut down, leaving them with an inability to predict or to pivot," said Swartz in an interview with *Retail TouchPoints*. "But CPG and FMCG companies that had invested heavily in supply chain intelligence combined with analytics had the ability to have better forecasting and visibility. That means when weather or other events happen, they have a bit more foresight in terms of anticipating the impact. **They have a greater ability to change because they will have set up alternative distribution sites and networks.**"

Such advantages can improve the customer experience, because "even if [a retailer] doesn't have the product the shopper is looking for right now, they will have already made alternative arrangements to get it," Swartz noted. "Simply having information, **to be able to say with confidence when it will be back in stock, is helpful.**"

HOW DO YOU DEFINE GREAT CUSTOMER SERVICE?



"It's the kind of service you'd receive in a boutique, where they know your name, the colors you like, and they will call you when something you'd like is in-stock. Ideally, they would suggest products to you that you didn't know you needed yet."

John Harmon, Coresight Research





HOW CUSTOMER SERVICE CAN DOUBLE AS A DATA-GATHERING TOUCH POINT

Retailers are constantly trying to vacuum up as much data as they can from an increasing variety of touch points. One of the most valuable sources could be customer service interactions.

"The customer service interaction is a true opportunity to interact directly with the customer, and it's one of the few times the customer is doing the 'pushing,' — they've made the effort to chat or call," said Chris Ventry, VP in the Consumer and Retail practice of **SSA & Company** in an interview with *Retail TouchPoints*. He added that the overall move to digital commerce opens up new opportunities for gathering data, for example in the area of returns.

"If the initiation of the return authorization happens on mobile or online, the idea is to find out what the customer is telling you with his or her return," said Ventry. Collecting and aggregating data might indicate that a piece of apparel sized "medium" consistently gets returned because customers say that it's too small. Retailers can communicate this information to the item's manufacturer, and also add wording on the product detail page to help lower future returns. Additionally, the return interaction offers an opportunity to save the sale by offering a different size or product.

Retailers also should simplify, and if possible automate, the process of reporting an issue. For example, mobile apps should include prominent methods for customers to complain or ask questions, and the app also should provide confirmation to unhappy shoppers that their message has gone through, with the promise that action will be taken to respond to it.

A customer service interaction also provides marketplace sellers with a golden opportunity to communicate directly with end consumers — even if that communication is initiated because there's been some kind of hiccup.

"With the growth of marketplaces, the customer journey isn't fully owned by the brand," Ventry noted. "That's made it a bit more difficult to understand the pieces of the journey and handhold the customer throughout it."

HOW DO YOU DEFINE GREAT CUSTOMER SERVICE?



"It's the Norm Peterson [from *Cheers*] experience. When he walks in, everyone knows him, and before he gets to his chair there's a cold beer waiting for him. I want a retailer to know that I've spent a lot of money with them over the years, that I've chosen to spend time with your company, and you should value that by recognizing, acknowledging and rewarding that. The reward isn't necessarily financial; it could be a thank-you card, but it needs to acknowledge that you are a customer and not a number."

Joshua Swartz, Kearney



WHY CUSTOMER SERVICE NEEDS A C-LEVEL DECISION-MAKER

Technology is only part of the recipe for providing excellent customer service; retailers also need an organizational structure that supports and optimizes its processes. Customer service is already becoming more integrated with other key departments such as sales, marketing and ecommerce. The latest edition of the Salesforce [State of Service](#) report indicated that in 2020, **88%** of service teams shared common goals and metrics with sales teams, up from **81%** that did so in 2018.

Such coordination should reach all the way up to the organization's C-suite. "If a retailer doesn't have a Chief Customer Experience or Chief Customer Service officer, you'll see pockets around the company that say they own the customer experience," warned Kearney's Swartz. "With a retailer that's organized by geography or by brand, I could have very different customer service experiences depending on where I am or where I shop. Even if this is done by design, for example if one brand is luxury versus another that's value, **[this division] means the overall company is not scaling or pooling its resources effectively.**"

Dividing responsibilities for customer service also blocks a retailer's ability to continuously learn and replicate best practices. "The importance of having a Chief Experience Officer (CXO) is that it allows the best of the company to proliferate everywhere," said Swartz. "**Having a CXO will make that a reality, because it's recognized as a critical role that takes the customer seriously.** It's not often enough that a person responsible for the customer experience is at the level of reporting directly to the CEO, but more companies need to take a look at this."

HOW DO YOU DEFINE GREAT CUSTOMER SERVICE?



"It's when the customer hits the 'close chat' button or hangs up the phone, and knowing that you don't need to contact them again, that the issue is solved in one."

Chris Ventry, SSA & Co.



WITH LOYALTY UP FOR GRABS, CUSTOMER SERVICE MUST SHINE

The retail industry is only now beginning to reckon with COVID-19's impact on customer loyalty, both to retailers and to brands. "We had a 'customer is always right' economy, with **Amazon** Prime pushing one-day deliveries and people very used to getting what we want, when we want it and how we want it," said Ventry. "COVID caused changes due to necessity: you may have preferred purchasing Charmin at **Walmart**, but you were happy to get Quilted Northern at **Target** if it was available. These types of substitutions had a big impact on brand loyalty."

According to the just-released 2021 *Retail TouchPoints Customer Loyalty Benchmark Survey*, **45%** of retailers experienced difficulties retaining customers due to delivery and fulfillment challenges, and **37%** experienced challenges due to out-of-stocks.

Providing solid customer service is a business basic, but retailers can leverage excellent customer service to further strengthen customer loyalty. In the store environment, retailers that are able to rebuild their staffs — and provide them with the customer service tools they need — will have a head start. Walmart recently unveiled its **Me@Walmart** app for its associates, along with providing **740,000** workers with Samsung phones to access it. "Walmart is enabling its associates to spend more of their time talking to customers and less time in the back of the store," noted Coresight's Harmon. "**Physical retailers can win on service, if they want to.**"

For the increased number of digital shoppers, Swartz identified three pillars of enablement for good ecommerce customer service:

- **Combining CRM (customer relationship management) with marketing automation** to create a "customer nerve center" that connects the dots throughout an organization. Such a system can offer visibility into key data points, such as an individual shopper's transaction history during a customer service interaction;
- **Personalizing customer service on an omnichannel basis**, even down to the communication methods the retailer uses to contact each customer (e.g. text vs. phone vs. email) and the cadence of these communications; and
- **Using analytics** to make automated recommendations to customers that are relevant, helpful and lead to a sale, or simply drive a better experience, e.g. with a proactive notification about a late delivery.

Retailers should seek out solutions that “bring together merchandising, marketing, promotions, historical purchase data and more to truly understand a customer’s lifetime interaction with you,” said Ventry. “I believe **Neiman Marcus’ purchase of Stylyze** is meant to emulate a superior in-store experience, from clienteling to merchandising.”

Using AI-powered chatbots can help retailers up their customer service game, but these interactions must be both carefully designed and constantly monitored. “When there’s a glitch to an AI-driven hierarchy, that leads to very bad CX, threatening CLV and customer loyalty,” noted Ventry.

To avoid this outcome, retailers need to make strategic decisions about their allocation of customer service resources. “Just as there’s personalization in marketing and merchandising, there will probably need to be personalization with regard to customer service,” said Ventry. “Some form of service-level prioritization will be needed to handle, for example, a new purchase, or a new customer versus an existing customer, in terms of the hierarchies of how fast a call is answered and whether it’s directed to a human more quickly.”

Whatever path retailers take to improve customer service, it’s essential that they move quickly — and ideally in a way that’s coordinated throughout the enterprise. Retailers should look to create the position of a CX leader who can act as a customer advocate. “As we’ve seen with logistics, there’s a great importance in the parts of the business that aren’t strictly the ‘brick-and-mortar’ and ‘ecommerce’ divisions,” said Ventry. “Any areas that are touching that customer journey are proving to be terribly important.”



LEARN MORE...

salesforce

Salesforce has industry products and solutions, built by industry experts, designed for your company to go digital fast. Industry best practices, processes and data models are all part of industry products and solutions so that companies can get on the fastest path to digital transformation. Salesforce's Industry products and solutions are also all built on the Salesforce C360 platform, so you get the best of Salesforce purpose-built for your industry's needs.

info@salesforce.com



**retail
TouchPoints®**

Retail TouchPoints and *design:retail* give all members of the retail world access to a vibrant community that combines insights, inspiration and opportunities to interact with their peers. We sit at the intersection of the art and science of retail strategy, providing granular data, high-value commentary, and aspirational success stories to help readers optimize customer experiences across all channels. Touching all facets of the retail ecosystem, including store experience and design, workforce management, digital marketing and engagement, and omnichannel optimization, our editorial content, multi-media resources and events take timely news and trends and transform them into tactical takeaways that meet the unique needs and priorities of our executive readers.

201.257.8528

info@retailtouchpoints.com



ABOUT THE AUTHOR

Adam Blair, Editor

Avid theater-goer, intrepid journalist and grammar nag. There's always something new to learn about retail technology.