CLIENTELING GROWS UP:

HOW RETAILERS OF ALL KINDS ARE LEVERAGING TECH TO DELIVER ONE-TO-ONE PERSONALIZATION

retail
TouchPoints®

SPECIAL REPORT

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INTRODUCTION

Following the pandemic-fueled acceleration of ecommerce growth, consumers are back in stores; indeed, **80%** of shopping **still happens at physical retail**. But even if ecommerce remains far from becoming the dominant shopping channel, more than ever before **consumers are bringing their digital behaviors and expectations with them to stores**.

Now add in the growing diversity of channels through which consumers can communicate with brands (think social media, messaging apps, live video platforms and even gaming environments), and it's no wonder that many retailers are struggling to manage and maintain meaningful relationships with their customers.

"In the old days, you'd go to a [typically higher-end] store and they would know your name, your size, what you like, and they would call you if something came in that you might be interested in — that's the ideal," said John Harmon, Senior Analyst at **Coresight Research** in an interview with *Retail TouchPoints*. "There have been so many changes in retail with ecommerce, but **somehow no one knows you anymore, even though they have all this data**."

This kind of clienteling is now possible, some might even say necessary, for all retailers, not just those at the highest echelons. And retailers, particularly those with robust ecommerce operations, have loads of data about their customers to enable it — so why do so many shopper journeys remain resolutely un-personalized? And how can retailers use this valuable data not only for online interactions but also those happening in-store, especially as consumers become increasingly channel agnostic?

Luckily, advances in mobile technology, machine learning and artificial intelligence now make it possible for retailers to offer this kind of high-touch service at scale. Of course, the most powerful tool for this kind of one-to-one personalization is the store associate, especially when they are equipped with next-gen tech.

"There's just such a different experience shopping at a retailer where a week later or a day later you get a message from the actual person you talked to," said Ali Asaria, Founder and CEO of omnichannel customer experience solution **Tulip** in an interview with *Retail TouchPoints*. "And then six months later, when a follow-up message comes from that human being that you actually know, it's so different than an email from info@brand.com that ends up going in your spam folder. **The challenge is building that real human relationship at scale across potentially tens of thousands of associates**."

Retailers today are doing just that by:

- **Centralizing and then contextualizing consumer data** to turn those insights into tools to build customer connections;

- **Deploying new technologies intelligently** to deliver on the mantra of "right message, right channel, right time"; and

- **Arming associates with the tech and training they need** to not only deliver better customer experiences but improve their own experience.
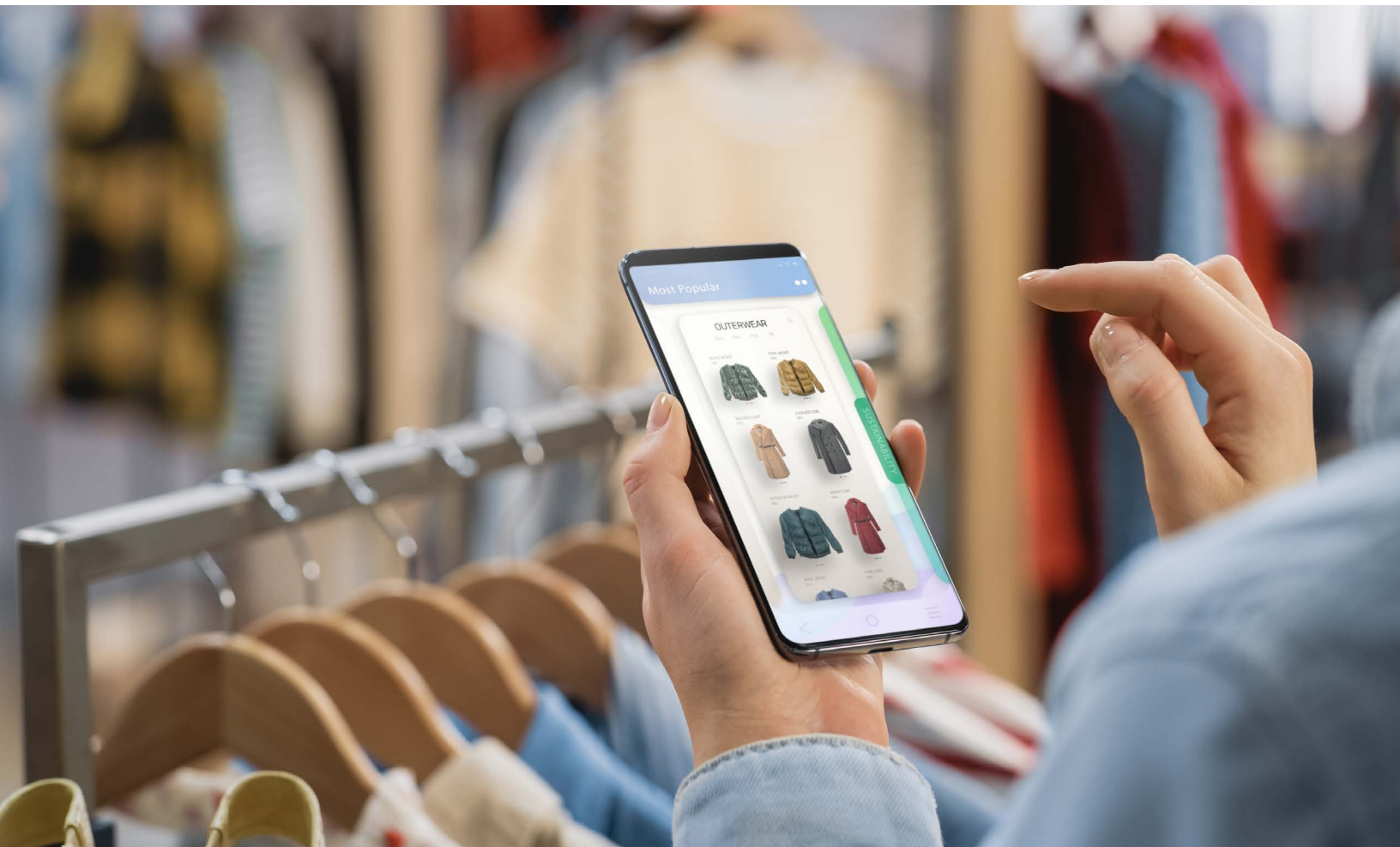
CENTRALIZING AND CONTEXTUALIZING ALL THAT CUSTOMER DATA

As with almost everything in retail these days, effective clienteling at scale is all about the data. The first foundational step is centralizing that data so it can be effectively analyzed and surfaced. That includes:

- Building **robust customer profiles** that bring together all interactions a shopper has with a brand, no matter the channel;

- Having a rich, **centralized source of product information** that can be easily accessed by associates; and

- Ensuring that **all levels of the retail organization have access to this data** so it can be used for a variety of interconnected business needs.

"The amount of data that brands have access to now is truly extraordinary," said Michael Prendergast, Managing Director at **Alvarez & Marsal's** Consumer Retail Group in an interview with *Retail TouchPoints*. "Clienteling is part of [what that empowers], but you can also go up-channel into your inventory and buying decisions, for example, based on what your customers are purchasing and the data that you're aggregating from them. And that all comes full circle, because **once you have the right inventory, you should have a robust way to then clientele your customers**."

Prendergast pointed to **Zara**, which uses a sophisticated **inventory management system** that allows store managers to communicate feedback on what customers are looking for, as well as what they like and dislike, to inform inventory and even product design decisions. While not one-to-one clienteling per se, "it's a smart way to gather customer feedback and have the right inventory in the right places at the right level," said Prendergast. "It's a step in the right direction of getting to clienteling [at scale]."

Connecting the dots of your data also enables employees to make customers feel known in a way that is critical to relationship building. "Let's say you're a **Best Buy** customer and you're having a problem with your device, so you've been on the phone with someone," said Harmon. "When you walk into the store and talk to an associate for something they can only do in the store, you kind of expect them to know about the conversation you had earlier."

"The best balance we've seen clients do is lean on the data behind the scenes to understand what they're selling, how they're selling it and where the inventory buckets are, and then they apply that to the front end with the softer, old-school person-to-person activities."

— Michael Prendergast, Alvarez & Marsal

Lamps Plus is building out just this kind of interconnectivity with continued expansion of its Pros business. The offering began online **20** years ago, with trade customers such as interior designers, builders, architects and contractors being assigned a dedicated Pro agent to help them with queries and orders. Now those **certified professional agents** can also be found in stores, **allowing high-value customers to seamlessly cross channels** if they decide to, for example, begin their shopping online but then go to a store to make final selections. Both consumer and professional customers also have **the ability to text stores directly via SMS** and receive responses to their questions from on-site associates.

"[The best tactic] is a blend of old school and new school," advised Prendergast. "Know your customers' preferences and choices by combing through as much data as you can, but then I think the old school tactics are very important. There's nothing like getting a message or a call from a salesperson saying, 'Hey, we're running a terrific sale' or 'I know you love our woven shirts, you should come in this weekend.' The best balance we've seen clients do is lean on the data behind the scenes to understand what they're selling, how they're selling it and where the inventory buckets are, and then they apply that to the front end with the softer, old-school person-to-person activities."

HOW TECHNOLOGY IS BRINGING HIGH-END RETAIL EXPERIENCES TO THE MASSES

Q&A with Ali Asaria, Founder and CEO, Tulip

Retail TouchPoints (RTP): **How would you characterize the impact the smartphone has had on retail?**

Ali Asaria: When we were developing Tulip we met with a bunch of retailers, and we kept hearing that the place where they had the biggest challenges was in their stores. They would show us things like how they looked up inventory, and it would be on a green screen terminal where you had to push F7 to get to this information and F4 to get to that screen. The majority of retailers' transactions happen inside these physical spaces, but the technology that drives the stores is often just completely archaic.

Another thing we heard a lot was that store associates knew less about the products than the customers, because the customer can take out their phone and pull up pricing and see inventory, but sales associates can't. Part of the pressure for adapting the store came from the fact that consumers were inside stores with this computer in their hands that was empowering them in a way the associates didn't have.

Sales associates are the largest job category in North America by headcount, but it's actually the last massive job category that doesn't have a computer as part of their jobs, because they're on the floor working away from a desk. But then folks saw Apple give all their employees a smartphone and let them walk around the store floor empowered by a computer. Other retailers started to ask, what things can that unlock?

RTP: **What is required for retailers to meet this new era, especially as new shopping channels continue to emerge?**

Asaria: When we started, we used the word "omnichannel" a lot, but baked into that word is the idea of facilitating transactions and customer experiences through different channels as if they are separate. So a lot of the customer journeys that retailers would build out, even though they were multichannel, would keep the customer inside a single channel.

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Now there's this realization that a customer's shopping journey actually crosses multiple touch points and channels, and those all have to be contextual based on where the customer comes from. So what we're thinking about at Tulip are all the ways that a customer might interact with a brand, and how to make sure all of those touch points connect so the customer feels like it's a single experience even if it's facilitated by multiple technologies.

RTP: **Why do you think more retailers aren't able to do this yet?**

Asaria: Many retailers are working in an environment where they're building on top of layers of technology and history that's really hard to unwind. I think the biggest challenge for retailers that have been around for a while is how to unlock these new experiences if you're working with technology that has been around for 30 or 40 years.

Because of that we see two categories of folks in this space. We see next-generation brands that often started on digital and are now building their first stores — they're refusing to inherit that legacy because they don't think that way. And then you have the legacy brands that have all this history, but want to unlock these things. It's two very separate situations.

A very common Tulip story used to be, for example, a fashion brand that's been around for a long time coming to us and saying, "We're finally ready to do clienteling. We ticked off a bunch of initiatives; we're mature enough now." But now these next-gen brands are coming to us saying, "We're opening our first store and we want to do clienteling and intimate messaging and build an entire customer experience right from scratch." It's really exciting to see these new brands coming in and wanting to execute the way the best brands in the world do on day one, rather than ticking things off the list in a certain order.

RTP: **Is this kind of high-touch customer experience something every brand should be doing, or are there some brands that can sit this out?**

Asaria: Our first customers at Tulip were literally the highest-end brands, companies like **Saks Fifth Avenue** and **Chanel**. Now, though, we talk more about clienteling being one tool within this larger customer experience platform. We have a wide range of customers now. One we just signed is a large postage company, so of course they're not using intimate text messages to say, "Hey, we have a new packing tape." But they use a lot of our other tools to allow customers to engage with the store through messaging and to record a customer's profile to see what they bought in the past.

We're starting to see Tulip and the broader idea of customer experience expand to something that is really important for every brand, and things like clienteling and intimate messages are just some of the many tactics they can use.

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DEPLOYING THE RIGHT TOOL, AT THE RIGHT TIME

Collecting and harnessing customer intelligence is only the beginning — the ways that retailers act on that information is what truly separates winners from losers in today's competitive market. Because clienteling activities can be time-intensive, the first step is to **focus those personalized efforts on the customers most interested in it — and most worth it**.

Asaria refers back to the 80-20 rule of retail, which says that typically approximately **80%** of revenue comes from **20%** of customers — and so that **20%** is where one-to-one personalization efforts should be focused.

"Part of this is just having the technology that says 'Here are your best customers, here are the ones you should be spending the most time in an intimate conversation with,'" said Asaria. "Then, when it comes to that customer engagement, harness technology to scale that outreach. **You're not going to send a personal message to everyone who transacts in the store, but if you can expand that audience and give that more intimate, personal experience to a larger base, that's huge**. With tools like automation, it's still a personal message, but maybe most of the text is recommended."

A **communication roadmap** can be a helpful tool to guide associates as to the best moments to reach out, as can records of **customers' preferred communication channels and times**. And while the telephone used the be the go-to for these kinds of interactions, followed by email, one of the newest ways for brands to do this is through **messaging channels** like SMS texts, social media direct messages and messaging apps.

"[**Messaging offers] a persistent thread between a person and a business**," explained Max Sharafi, VP of Marketing and Growth for Business Messaging at **Meta** at a recent event. "It's there when you need it for the business and the consumer to come back to again and again, to continue the customer relationship. The customer lifecycle always starts with discovery and awareness, but that's really only the first step in winning the customer and really driving lifetime value. It's this latter part where business messaging is becoming a really critical channel. **Messaging brings together the scale of technology and the personal touch of face-to-face communication**. Those two things together make it a very unique platform for business-to-consumer engagement."

Messaging platforms enable technology-enhanced clienteling in new ways. For example, Sharafi shared that **L'Oréal** leveraged the recent integration between Meta's **WhatsApp and Salesforce** to connect with customers who had left items in their shopping cart and send them coupons or promotions via the messaging app. And Estée Lauder's **Too Faced** beauty brand has rolled out a new "Pink Glove" SMS text messaging program to offer customers **personal beauty concierge services** for the holidays.

As with all customer communications, frequency matters, but this becomes even more important in intimate channels like SMS where consumers also engage with family and friends. "**The most effective clienteling programs are ones that are focused, relevant and very connected to the customer**," said Prendergast. "I have some brands that blanket me with texts, and it's really, really ineffective. Quite frankly, it's annoying. However, there are other brands [where the messages are] much more specific, more product- or promotion-driven and much less frequent. The result is that when [I get a message from those brands], I really pay attention and I'd say a good percentage of the time I actually click through and make a purchase."

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— Max Sharafi, Meta

The messaging platforms themselves are aware of marketers' tendency to over-send, said Asaria, and as a result many have put limitations on brands to avoid spamming. For example, **WeChat** only lets brands send **one** direct message to customers until they **respond and engage**. If they don't, the brand can no longer direct message that user.

ARMING ASSOCIATES WITH THE TOOLS AND SKILLS FOR SUCCESS

No matter how many technical resources you deploy, **employees are the key to effectively delivering contextual consumer engagements**. After all, tech is only as good as the person using it.

The challenge of appropriately equipping and training employees to offer next-level customer experiences is only compounded by today's tight labor market, which finds many retailers understaffed and facing high turnover. And while asking more of your employees might seem like a bad idea in this environment, it turns out that **empowering employees to play a more meaningful role in customer engagement can actually be an effective retention tactic**.

"**Walmart** and a few other retailers talk a lot about using technology so that associates aren't stuck in the back room," explained Harmon. "When you empower them by taking the grunt work off their plate, they can spend more time on the floor talking to customers."

Not only is this a more effective use of a retailer's human resources, but it also creates more engaging, fulfilling jobs for associates. One very common way that many companies have done this has been with **chatbots**; however, the overuse of that technology has turned off many, said Prendergast. Just as with everything else, chatbots should be relegated to a very specific place and time in the customer journey.

"Store employees are so busy; a lot of the retailers we work with might only have two people on the floor," said Asaria. "So **we do some work with a bot up front to filter out the questions that don't require a human being** — things like hours of operation or return policies — so that associates can focus on the more high-level questions."

But associates need the right tools to manage these new tasks. Every customer now comes into the store with a computer in their pocket, so it stands to reason employees should have one as well.

One of the most popular forms of associate-enabling hardware has been **mobile POS systems**, many of which allow employees to do much more than just check shoppers out anywhere in the store: "[With these systems] employees can check **inventory availability**, look up a customer's **purchase history**, and if you bring in AI, you can even make **smart recommendations** for the customer even if the associate doesn't know them personally," said Harmon.

Burton Snowboards did this across its **70** stores, equipping all associates with iPhones that give them access to omnichannel order management, endless aisle and clienteling capabilities, as well as mobile checkout.

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Training on these new systems is, of course, critical, as are employee incentives, said Asaria. "**Having an effective way to communicate with, train and motivate employees is a big part of what makes these things successful**," he said. "It doesn't necessarily need to be dollar commissions, although a lot of the retailers we work with do drive these initiatives based on actual dollars, but it can also be things like a culture of success. We're saying to associates, here's one more thing you have to do — there has to be a way to track if it's working, if customers are loving it, and also cheer on the stores that are doing well and train the ones that aren't."

Macy's, for example, recently reintroduced its **Style Crew**, a community of associates who are not only empowered to share their expertise through demos, tutorials and recommendations on their own social channels, but are also rewarded with commissions if that content leads to sales. The return of the Style Crew is part of the larger Own Your Style initiative across the Macy's website, app, social media and stores that also includes **sequenced storytelling, in-person expert advice** and **personalized, data-driven recommendations**.

"**All of this has to be supported with a quality labor force to be effective**," said Prendergast. "Everyone gets very focused on IT systems to solve problems, but one of the things we work with clients on a lot is what we call 'business systems' — it's all about merging people with new technology, because AI can't do it all."

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Tulip provides a suite of cloud-based solutions that power the modern store experience. Partnered with Apple and Salesforce, Tulip equips sophisticated retailers to build connections with customers, fulfill orders, checkout purchases, and optimize operations in order to create the end-to-end experience modern customers expect. Leading retailers like Mulberry, Saks Fifth Avenue, Indigo, Kate Spade, Purolator and Michael Kors use Tulip to elevate the shopping experience, increase sales and improve customer service across channels.

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