

UNDERSTANDING THE NEW CUSTOMER JOURNEY

FITCH



“I’m just popping to the shops”

FROM SIMPLE TO SPLINTERED TO SEAMLESS

In the beginning, there were shops. Places we visited to have a look round, chat with an assistant, and buy stuff from the rows and racks of stock vying for our attention, we knew what we needed and a shop was the place to get it. This model worked pretty well for centuries, and was still the relevant scenario less than 20 years ago when everybody – retailers, manufacturers and shoppers – seemed to know where they fitted in. Life was SIMPLE.

THE INTERNET IS BORN

Time moves fast and Y2K seems like yesterday – our computers didn’t crash but the dotcom bubble did burst. In 1991, Tim Berners Lee made the first internet software available, by ‘95 Amazon and eBay were launched, BOO.com came and went in a matter of 18 months (along with \$135m of investment) and by 2004, nine years after its humble beginning, Amazon made its first full year of profit. During this time we were finding that shopping was also a pastime practised while sitting at home with a PC, and popping to the shops was a mere click away.



For retailers and brands, the sands were clearly shifting as they worked out how to operate within this internet-enhanced world. When Amazon launched, less than 1% of the world was using the internet; [16 years later that has risen to 30% ^{\(1\)}](#).

A MULTI-CHANNEL WORLD



So the world got a little less SIMPLE, but a whole lot more fun.

Now conventional wisdom suggests that these are competing forces – that the more we shop online, the less we'll buy in store. Not so, according to the statistics. While the global e-commerce market is predicted to grow by [19% this year to \\$680bn and to \\$930bn by 2013 ^{\(2\)}](#), since the internet arrived, the total amount of retail sales space has increased over [200% from 40m² \(2002\) to 130m² today ^{\(3\)}](#). Granted, the bulk of new retail real estate is in emerging markets whilst the fastest growth in internet sales is in developed markets, but there is sufficient overlap to suggest a contradiction. So is this a supreme act of defiance from the 'build it and they will come' developers, or are perhaps the internet and online channels more complementary than we've been led to believe? More on this later.

Now – more game changing still – shoppers can buy things while sitting on a bus. Mobile internet and the emergence of the 'always on' consumer means the way shoppers think about, validate and act on their purchasing decisions has become SPLINTERED.

Analysts estimate that by 2015 almost all mobile devices sold will be smart. Juniper Research estimates that by 2016 over 1-billion devices will be sold per year with the emergence of budget models like the Orange Monte Carlo and the Motorola Fire bringing Angry Birds to the emerging markets as well.

What was SIMPLE – "I'm just popping to the shops..." is now SPLINTERED – "... shopping is anywhere and everywhere."

SPOILT FOR CHOICE

Why has the shopping scenario become so SPLINTERED? I can now buy in a shop, on a website, via an app on a laptop or smart phone, through my games console. Alongside traditional and still powerful catalogues and direct mail, I can now get deals and promotions via QR codes and see an augmented world through my phone's camera, placing exciting products in my path or simply pointing out where the nearest bar selling Stella Artois in a strange city is. I am poked and prodded by friends on social network sites where I can also start buying virtual products with new internet-based currencies. Facebook Credits (F-Commerce) is a virtual currency you can use to buy virtual goods.



You can now even earn Facebook credits when shopping in the real world through multi retailer reward programme Shopkick. We are happy to take a recommendation to buy something from someone we have never met and who lives 5000 miles away. I can price check on the go via RedLaser and I can get location based deals from Foursquare by becoming a Mayor, or I can join a collective buying group to get discounts on just about anything (Groupon). Shops now pop up and pop off, convenience stores are more convenient as they become an event or viral installation, and if all this wasn't enough I can actually stream my products for a day as 21st century consumption may no longer be about ownership (Netflix) – phew!



To some this SPLINTERED shopping journey is exciting and liberating because the options available to the regular 'man on the street', or 'on the bus', or 'sitting at home' equate to variety, choice and value. Whereas to others these SPLINTERS are a sharp reminder that the retail world is moving on at pace.

It's too simplistic to say that the retail landscape is now divided into on-line and in-store purchases. The dynamics of the customer journey are more multifaceted than that, with shoppers confidently jumping between 'traditional' and 'new' paths to purchase.

So back to the competitive or complementary question: Smart brands and retailers are not grabbing all of these shards at once – trying to implement a 360 degree strategy in this SPLINTERED world could leave you badly cut. The options appropriate for a traditional bricks & mortar retailer may be quite different to that of a brand that has grown up in the manufacturing, wholesale or online world. The key is to understand that consumers do not see a on- and offline world; they respond to and are embracing In-Line experiences, which may mean brands and retailers choosing to do five things in- and out-of-store really well, (in-line) rather than 10 in a sporadic or siloed way.

So the idea that online and in-store channels are competing is more to do with internal structures and supply chain economics than any mass migration from bricks to clicks.

As the shopping experience moves from being SIMPLE to SPLINTERED, we should try to understand what affect the variety of shopping methods, choice and value has had on today's consumers. In doing so we can further understand how to respond and create a SEAMLESS customer journey that taps into emerging mind states and the growing acceptance and enjoyment of in-line experiences. The way we think about and select products is changing, whether we are a typical Generation Y, a Young Family or a thrusting Oldie who is experiencing a midlife release rather than a sports car-fuelled crisis.



“Shopping in the mind”

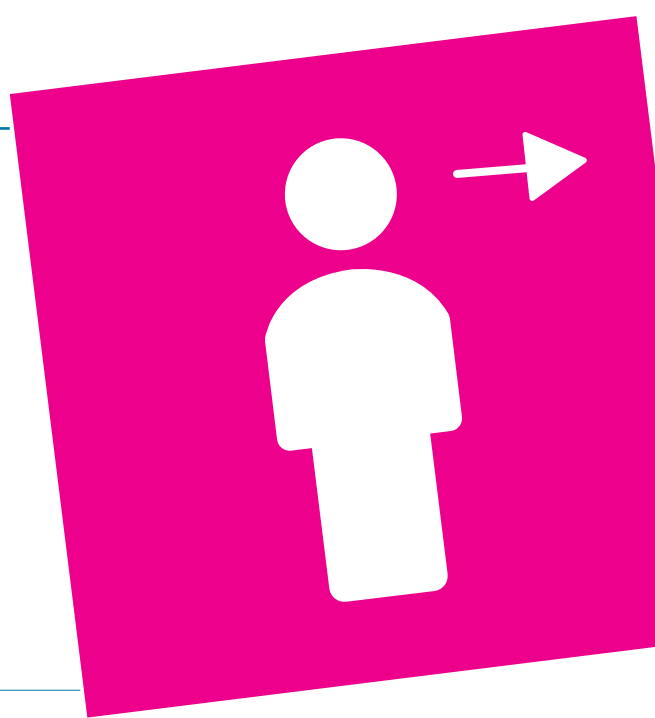
DREAMING, EXPLORING & LOCATING

So leaving typologies and segmentation aside we believe that the process of simply finding something you need, today or fantasising about a purchase over several months, is governed by three universal 21st century mind states.

LOCATING

In this mind state, the consumer is looking for a specific brand, product or service. They have a short attention span, are often replenishing their usual stock, or already know the specific product/model they are looking for. As consumers we have done this for years but now have a few more online tools to hand to help the process.

In truth most retailers see this as their comfort zone and have built and evolved their stores around this **Locating** mind state: avoid putting up too many barriers, make sure the signage is at the right height and keep the aisles clear, quite rightly making the shopping journey easy and pain free. All as it should be. But it doesn't have to be just that, it can achieve more.



Case 1 - M local (Morrisons UK)

Convenience store chains have spent decades conditioning shoppers to expect dark, dirty, cluttered, poorly stocked shops completely lacking anything fresh.

Average spend is only about £5.30 per trip – journeys are short: grab some milk, a snack and get out. The only way to increase spend is to help customers do more of their weekly top-up shop there. Importantly, we needed to satisfy the Locating mindset before the shopper would be even willing to consider exploring, say, a meal idea.

In the M local example, by reducing SKUs, keeping communications to a minimum, pushing fresh to the front and focusing on creating simple meal solutions, FITCH's design aimed to change the way shoppers approach this journey.

The result is a real departure from conventional small formats that validates the shoppers' questions over fresh, helps them locate essential products easily and then encourages them to explore tempting meal ideas.

Less advanced in most of today's retail, but more pressing, is the response to Exploring and Dreaming mind states that have come to the fore in recent years.



EXPLORING

Here, the consumer is open-minded but has category-specific purchase intent. They have a longer attention span, may have a few options in mind but are open to suggestions and want to be inspired and informed in equal measure. The internet can quickly grow loyalty in this area as the ability to compare and contrast a wide range of products is easy. However a key component of the **Exploring** mindset is trial and being able to touch, feel and test drive products.



Case 2 - Tesco Apps



The Groceries App allows users to shop on the go by searching for or scanning products in-store, but also in a restaurant or at a picnic, using the barcode, and adding them into their online basket. Effectively they are trialling the products but saving the purchase until later. They can then, as you'd expect, book a delivery slot and amend orders later on, all of which is synced seamlessly with their online order. The app's 'Favourites' feature remembers all online purchases, as well as any recent in-store purchases in the payment section.

In addition, the new Tesco Recipes iPad app is aimed at people exploring new ideas for their kitchen, from speedy mid-week suppers to sweet treats. In a few clicks, users can add all the ingredients to their basket and have them delivered to their door, or use it as a shopping list in-store.

DREAMING

In this mind state, consumers are actively looking for new ideas and inspiration. They have undefined needs and wants, and are skipping between categories and brands to find inspiration and the fulfilment of desires.

Whether daydreaming at your desk or on the bus one can be 'shopping in the mind' and have that desire or interest satiated in many ways. I have never considered camping, but a friend updated their Facebook with photos of their recent holiday. And since that popped up on my mobile all I can think about is a 4-man tent and all the accessories. Wouldn't it be great if we could all go to the lake next weekend... must start looking at the options... What will we need?

Sixty-five seconds of **Dreaming** started by a simple Facebook update, followed by 20 minutes of 3G surfing on the internet finding places to go and products you might need. As a retailer, how do you compete when your store is screaming 'In stock – tents over here', not 'how about and what if...?'. Or more importantly, instead of competing, how do you join in?



Case 3 - REI

REI in the US makes you want to climb mountains by putting full height climbing walls in the store. And whilst it is a huge barrier to sight lines through the sales floor they would much rather satisfy people who are Dreaming or Exploring with a real heart thumping experience, knowing those Locating are already loyal to this experience retailer anyway and know where to go to get what they need.

“Popping to the shops in the 21st century”

SEAMLESS CUSTOMER JOURNEYS

The new SEAMLESS customer journey should acknowledge that any individual can exhibit these different mind states at any given moment, often switching from one to another in an instant, depending on their particular shopping mission.

The trick is to both understand how best to serve these mind states, as well as the triggers which migrate between them.

Traditional shopping journeys used to be predominantly location based, from leaving home to crossing a threshold to leaving a store with a bag in hand, whereas the new SEAMLESS journey is often marked more by time and triggers than physical steps: a camping update on Facebook, an interactive window display, a QR code in a magazine and time spent daydreaming or shopping in the mind.

The three mind states have major implications for a store’s design, layout and communication. And just as importantly, they have implications for how retailers think about the entire customer journey and that prize: the purchase.

So brands and retailers don’t have as much ownership as they’ve been accustomed to over this SPLINTERED journey to purchase.

In this section we’ve explored the shopping journeys of four leading brands and retailers who are turning this collision of in-store, online and out of store to their advantage. They’re cleverly creating a SEAMLESS customer journey knitting together a wide range of traditional and emerging touch points.

IKEA

Started in 1947 by a 17-yr old Ingvar Kamprad, IKEA now employs 127,000 staff in 41 countries. A recent Mintel report estimated that one in 10 babies born in Europe had been conceived in an IKEA bed. 175-million copies of the IKEA catalogue are printed annually, three times more than the Bible, and 2/3rds more British families choose to go to IKEA than go to Church...and there are only 18 stores in the UK. Many customers in China visit IKEA for a day out to imagine the possibilities of their new homes, or simply read a book lying on one of the beds. "Welcome to IKEA Beijing where the atmosphere is more theme park than store." (LA Times)

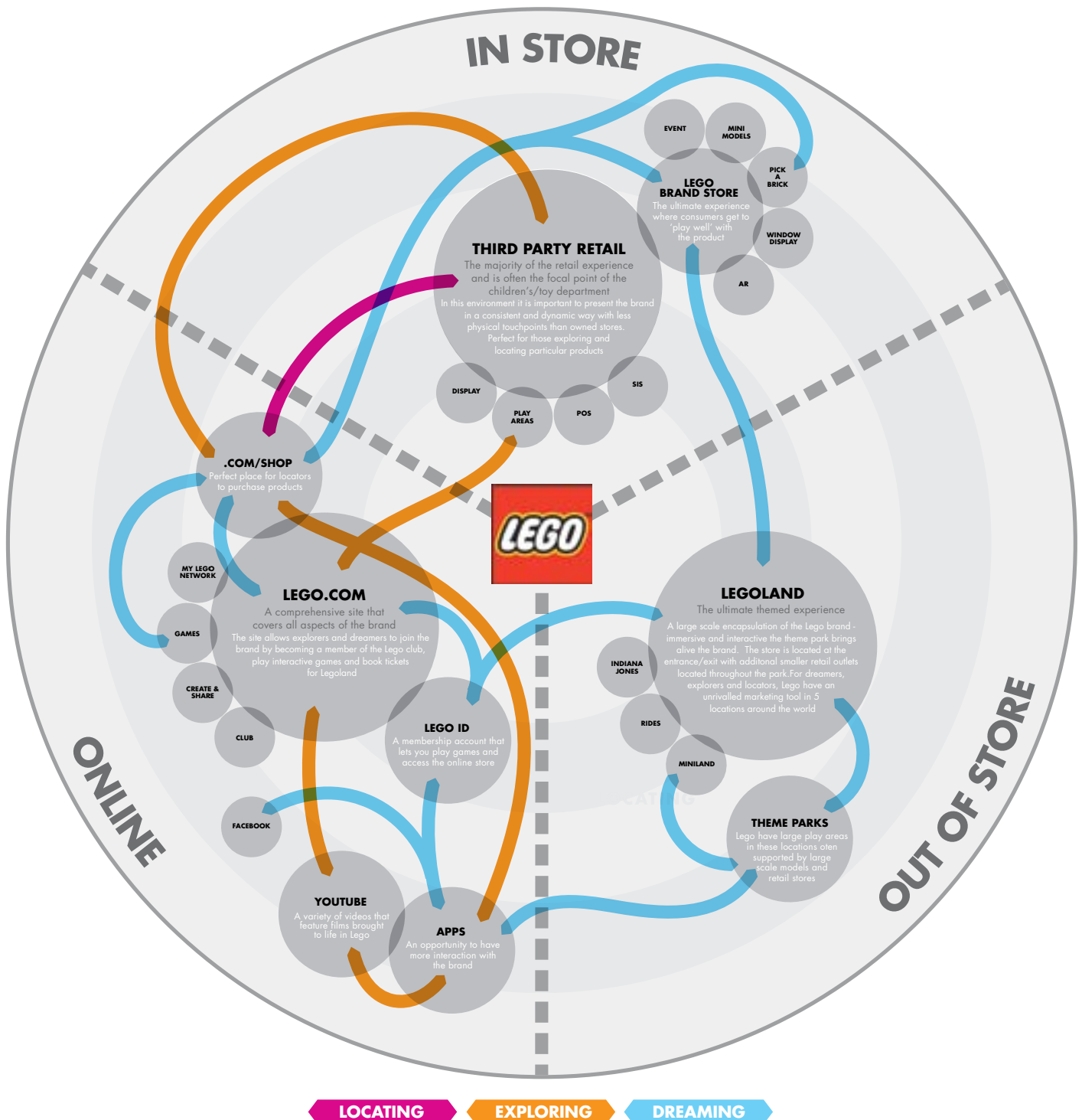


LOCATING EXPLORING DREAMING

LEGO

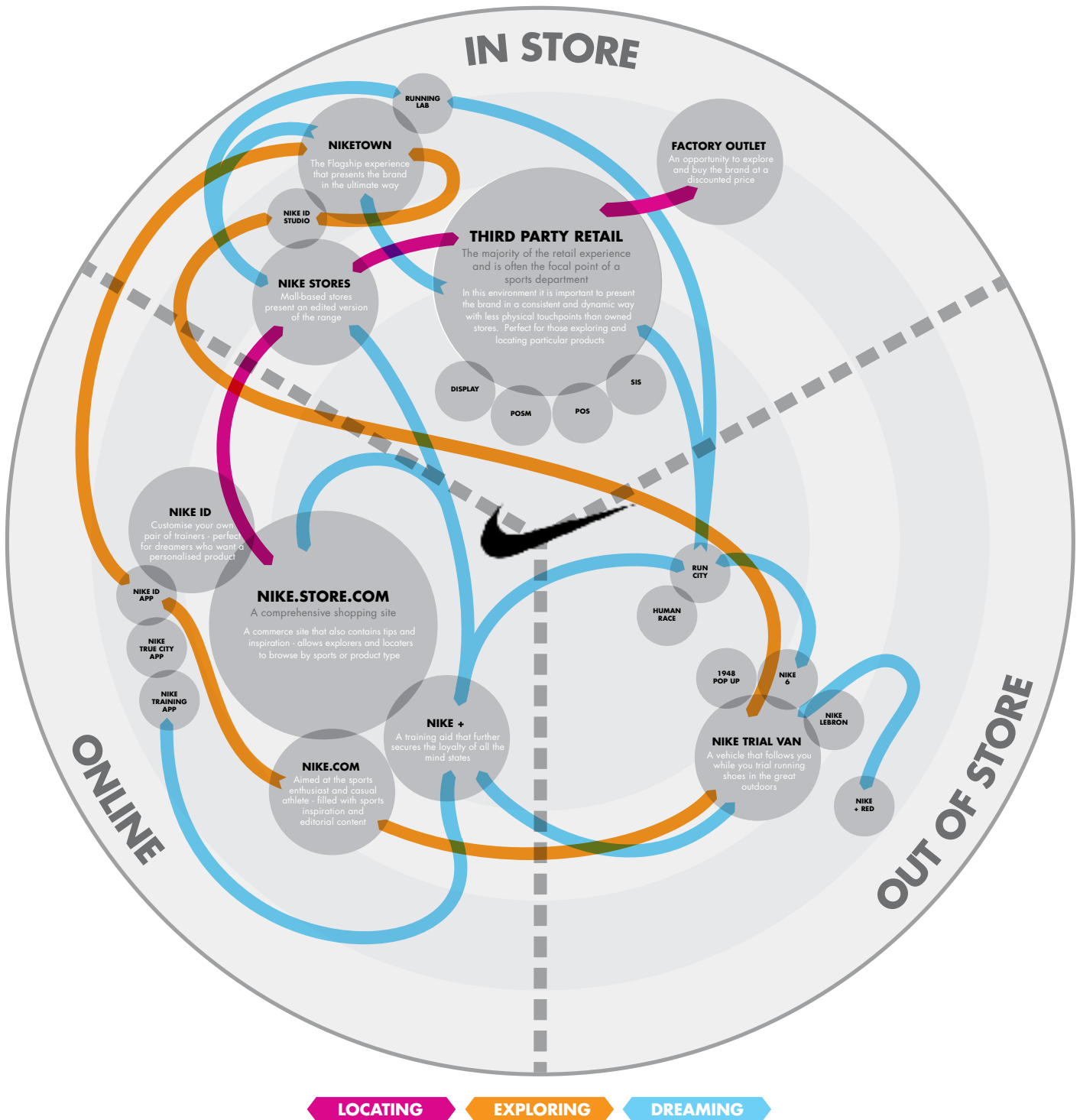
The name Lego comes from the Danish phrase *Leg Godt*, which means 'Play Well'. Incidentally it also means 'I assemble' in Latin. Ole Kirk Kristiansen began making wooden toys in 1932 and expanded into plastic bricks in 1949. At the time it was felt that plastic toys would never replace wooden ones. In 2000, Lego was voted *Toy of the Century* by *Fortune* magazine. There are five Legoland theme parks and currently 46 retail stores including one in the Disney theme park.

The Lego website had an average of 11-million individual visitors a month, with an average dwell time of approx 22 minutes ⁽⁴⁾. The Lego club has 3.5-million members worldwide. On average there are 62 Lego bricks for every person on Earth and approximately seven Lego sets are sold each second. There are 915,000,000 ways to combine six Lego bricks.



NIKE

Founded in 1964 as Blue Ribbon Sports by Bill Bowerman and Phil Knight, the business eventually became Nike Inc in 1978 – Nike was the Greek goddess of Victory. The famous Nike ‘swoosh’ was created by Carolyn Davidson for a fee of \$35 and Phil Knight is believed to have said of the initial sketch “I don’t love it but it will grow on me”. In 1998 Dan Wieden of Wieden & Kennedy famously said, “...you Nike guys... you just do it”, and the rest is history. What started nearly 50 years ago as a trackside business selling Onitsuka Tiger shoes, now Asics, out of a car, is now a multichannel brand worth \$67-billion.

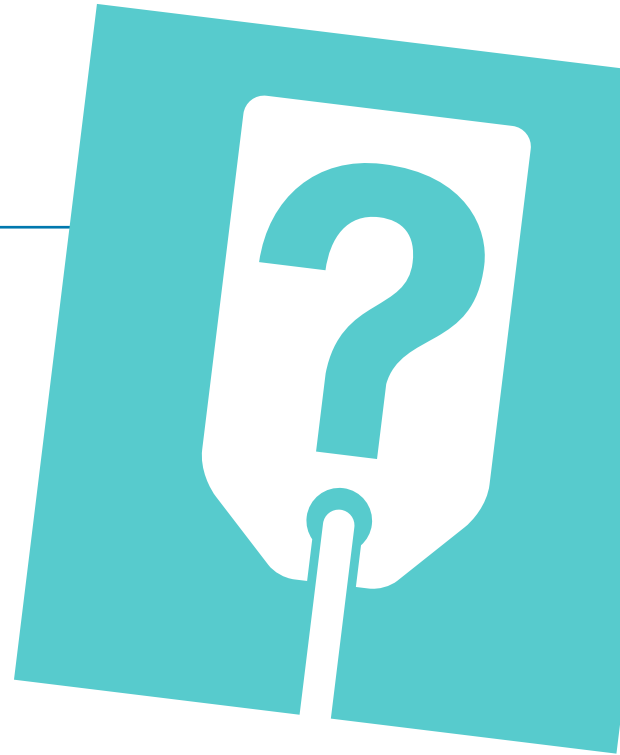


WHAT DOES SEAMLESS RETAIL MEAN?

EXPERIENCE STORES

As online shopping grows, it's the replenishment purchases made in Locating mode that will continue to move off the high street and away from the malls. The best retailers will respond to this by building strong and seamless links between their shops and their online experience. Recently the CEO of Uniqlo announced that their next major Flagship opening would be their website.

The future of bricks & mortar lies in shifting the attention towards people in the Exploring and Dreaming mind states. By setting stores up to encourage Exploring and Dreaming, the retailer can then look to build customer loyalty all the way through the journey to purchase by truly inspiring their desires and aspirations.



HIGHER VALUE PURCHASES

This is good news for retailers, because there's the potential here to get more value out of their customers. By redefining the customer journey in this way, confident decisions can be made about how to up-sell and cross-sell shoppers moving them from relatively low value purchases to a higher value Exploring and Dreaming-driven spend.

Clever retailers like Morrisons, Tesco and REI are already working out how to help someone in Locating mode evolve into Exploring or Dreaming thereby creating loyalty, whether that be Physical Commerce, E-Commerce, M-Commerce or F-Commerce.

SALES PER SQ...?

Once retailers are brave enough to let go of the idea that their stores are solely places of transaction, they can focus on giving customers a rewarding experience.

These shoppers will then show their loyalty – perhaps online or perhaps on another occasion in-store. If they do let go of this convention then the need for vast stock rooms reduces and then there are implications for real estate strategy. But why so brave? Well, how is inspiration in-store credited against a sale online? The tried and trusted 'sales per square foot or per square metre' may no longer be the absolute measure as 'SEAMLESS retail' is much less tangible. In fact, the whole economic structure of the supply chain comes into question.



Staples is the second largest business in the Internet Retailer Top 500, right behind Amazon, with the web accounting for 42% of overall sales. In light of the growth and contribution of the 'net to their customer journey, Staples has reduced its prototypical store size from 24,000 sqft to 20,000 sqft. This proactive move has seen benefits in terms of reduced rent, lower utility costs and fewer fixtures. The in-store offer has become more targeted. As a result Staples has seen an increase in higher value business customer traffic during the week. The reduction in space and stock previously needed to accommodate promotional/seasonal spikes in demand resulted in more room for [improved service in-store and a much improved checkout experience](#) ⁽⁵⁾.



NEW WAYS OF WORKING

Of course, there are major implications here for retailers and brand owners. We are gradually seeing a movement from the department silos (Marketing, Retail, Digital, Buying) to the integrated approach – yes we've heard it before but now it's really happening. This is the way SPLINTERED will become SEAMLESS. Smart organisations have already picked up on this and are aligning themselves around the customer point of view. To do this, they're turning 90 degrees, making sure their marketing, retail and real estate teams work together rather than in isolation, or worse still, in competition.

Many of the examples we have discussed took decades to reach their potential and embrace all aspects of the seamless customer journey – today we are seeing new business models emerging everyday. Some leading brands like Groupon, eBay and Facebook were only conceived a few years ago yet have caught the imagination of brands and consumers alike. Can a business afford to be flat-footed and wait a decade for success? Or will it be rapidly overtaken by more fleet-footed brands that embrace many channels in a seamless way seeing dot com, Apps, YouTube, Twitter, Pop Up and a physical store network as all part of the new experience?

HOW FITCH CAN HELP

- AUDIT ENTIRE JOURNEY
 - ANALYSIS OF GAP AND OPPORTUNITIES
 - STORE DESIGN FRAMED IN A NEW AND INTEGRATED WAY
 - IDEAS ON TOUCHPOINTS
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Traditionally known for creating innovative 'bricks & mortar' customer experiences, FITCH has also had to rapidly adjust our approach. Translating a brand into a compelling consumer experience now requires a much more diverse skill base, a refined process and the ability to orchestrate a much broader range of touch points than ever before.

The new methodology still follows FITCH's proprietary 4D process of Discover, Define, Design and Deliver, but begins with a new approach to researching and modelling the current splintered customer purchase journey.

From this foundation, FITCH then audit the entire journey to identify weaknesses, missing links and key opportunities for development. The 'Locating, Exploring and Dreaming' perspective drives the unifying 'big idea' that sits at the core of the new seamless experience. It also drives idea generation across in-store, mobile and in-line channels and touch points.

FITCH's broad range of creative skills is then orchestrated to bring the experience to life through the evolving design phases of work. Finally, the Deliver stage takes the seamless in-line experience into the heads, hearts and hands of the target customer whoever and wherever they may be.

(1) InternetWorldStats
(2) JP Morgan
(3) A.T. Kearney
(4) Google Adplanner
(5) BNET