

# Relevant Retailing: Findings from the IBM 2016 Global Customer Experience Index

Notable highlights from the Customer Experience Index include:

- On average, retailers achieve an overall performance score of 40 percent when measured against customer expectation criteria
- Retailers assessed on four core competencies: consistency, content, convenience and context
- Retailers in the study from around the world spanned pure play, bricks-and-clicks, and multiple different retail segments, with leading practices demonstrated by companies in both mature and emerging markets

## Overview and Methodology

Consumer expectations of retailers have steadily risen while competitors have replicated shopping experiences, making it difficult for retailers to differentiate themselves in the eyes of their customers. To find out specifically where retailers are hitting—and missing—the mark on meeting these expectations, the IBM® 2016 Global Customer Experience Index (CEI) evaluated 550 brick-and-mortar and pure play retailers spanning eight different retail segments in 23 countries across the globe. This study revealed that the industry achieved an overall performance score of 40 percent—a failing grade—when measured against customer satisfaction criteria.

The IBM 2016 CEI study endeavors to determine how retailers should focus their efforts and investments on meeting consumers' most critical demands. The study is rooted in a differentiated methodology, evaluating retailers on 49 unique criteria, assessing every aspect of a modern retail operation. The criteria are grouped into four core competencies: consistency, content, convenience and context.

The breadth and depth of the findings deliver significant value to retailers, providing global metrics on core competencies as well as results by geography, segment, business model and individual retailer. CEI experts are prepared to deliver the 2016 CEI findings tailored to meet any specific retail organization's business goals.

## Creating a Differentiated Experience

How do you persuade a shopper to engage, shop and spend with your brand? In a crowded market with a slow economy, this task becomes an even more daunting challenge as your brand's growth will rely on your ability to attract and convert customers from your competitors—either locally or in new markets. Through a mystery shopper approach conducted by IBM's retail industry leaders, the CEI study uncovers the highlights and pain points of retail interactions, shedding light on what retailers can do to exceed consumers' expectations, improve customer engagement and offer differentiated shopping experiences.

The 2016 CEI found that expectations are not being met in terms of a digital-to-physical shopping experience. In fact, the research discovered that retailers achieved a mere 40 percent customer satisfaction rating and are failing at providing customers with what they expect out of a modern shopping experience. Leaders and Laggards exist in every category and vary across every region. Industry segment performance was ultimately affected by multiple variables such as business model, shopping purpose and targeted consumers, and as such, each individual retailer faces unique challenges that ultimately affect customer satisfaction. However, the results were abundantly clear—innovation and disruption are happening in every region and segment across the globe for both pure play and bricks-and-clicks retailers.

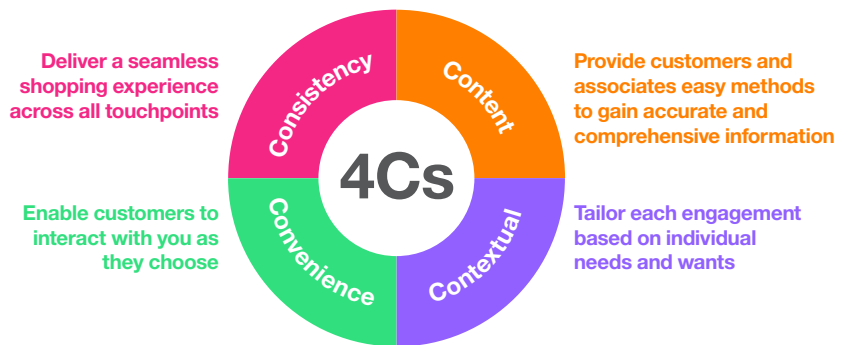
On the whole, retailers are faced with challenges spanning every aspect of the retail experience. Consistent store execution and empowerment of associates to meet customer expectations remains a substantial challenge for most retailers, and all retailers regardless of location or retail sector are at risk of geo-expanders, innovators and disruptors. By identifying and delivering against the most important shopping expectations for targeted customers, retailers can ultimately enable customers to become brand advocates and advisors.

The 2016 CEI study identifies opportunities where retailers should invest to improve customer shopping experience and garner competitive success. Through real transactions and observations, the study has uncovered which retailers are meeting customer expectations and how they are meeting these expectations.

## Grading Engagement with Modern Core Competencies

Consumers want consistency across all touchpoints, meaningful content on which to make decisions, flexible interactions and personally relevant dialogue. For the 2016 CEI, IBM created and classified the 49 survey criteria along four core competencies—how are retailers meeting expectations in regards to consistency, content, convenience and context? For years, traditional retailers attempted to compete in the

market based off of the classic 4 Ps of marketing—product, price, place and promotion—and focused largely on having low prices, but with the rise of technology and digital disruption, certain pure play retailers can now promise the lowest prices and the most tailored fulfillment possible. Retailers must now differentiate themselves through providing exceptional customer experiences by shifting focus from the 4 Ps to the 4 Cs—consistency, content, contextual, and convenience.



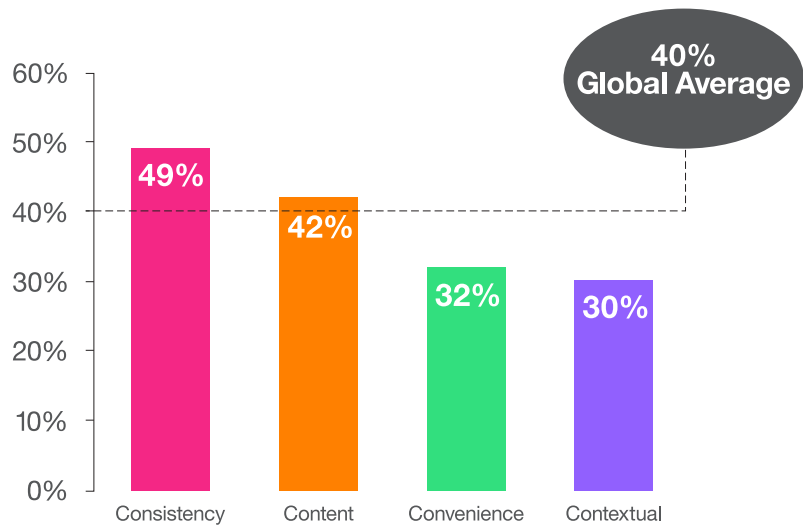
Across each of the 4 Cs, traditional retailers are encountering difficulties. Consistency is often hindered by the human element in retail stores and call centers. The quality and availability of content for decision making is lacking for both customers and associates. Convenience's poor score makes retailers ripe for disruption where innovative retailers can partner with or emulate external industry innovations, as Uber has done in the transportation industry. And even though retailers are gathering more and more information about customers, they are not demonstrating the ability to generate applied insights for more personalized contextual interactions.

For all retailers, there is room for improvement across each of the 4 Cs. Consistency had the highest score, with 49 percent consumer satisfaction. Retailers are generally more effective at providing visibility into online product availability than in-store product availability, although retailers scored relatively poorly in both—52 percent of retailers provide online product availability in three or more channels, and only 38 percent provide store-level product availability in three or more channels.

Retailers are missing the mark on delivering engaging content, especially via mobile. Most retailers offer basic in-store mobile services but miss an opportunity to support customers' in-store decision making. While 80 percent of retailers offer in-store mobile services for smartphones, 55 percent do not offer additional product information via a digital device while in the store, and 71 percent do not offer product comparisons on their websites.

Convenience is critical for busy consumers. While 55 percent of retailers allow customers to “click & collect” — or buy online and pick up locally from a store — the experience is generally poor and often takes more than 48 hours to complete. A mere 27 percent of these retailers provided a good or very good in-store collection experience.

Also, retailers are failing at delivering offerings that fit into specific contexts. While retailers are now encouraging customers to provide more personal information, few are leveraging the available data to recognize and acknowledge customer preferences and turn these insights into actions. In fact, retailers scored lowest on these contextual criteria, and only 17 percent of retailers surveyed provide personalized name, product content and marketing messages in at least one digital touchpoint.



### Tailored Findings for Retailers

Because of the breadth and depth of the study, IBM can help individual retailers focus on relevant findings based off of their own competitive markets, market segments, peer results, business models and goals. The CEI study has highlighted that retailers don't have to be great at every possible capability, but must be relevant, responsive and agile in satisfying their targeted customers' expectations. The CEI can help retailers identify the specific areas where change will be most appropriate and impactful, which will ultimately drive improvements in customer satisfaction, sales and market share.

In a world wrought with disruption and constant innovation, retailers must gain insight on how they score on customer engagement and must find relevant ways to increase customer satisfaction, lest they fall behind competition. For any retailers that fall underneath the 40 percent average, this becomes even more of an imperative. CEI consultants are fully prepared to partner with retailers in improving their CEI score by determining where and how to invest based on their own specific business goals.

## Conclusion

With a sharp increase in use of customer touchpoints and the subsequent digital disruption that has moved to the forefront, consumers are continuously raising the bar on what they expect when buying from their favorite brands. Retailers must be aware of opportunities around them to improve customer engagement in a world where the last best experience drives the minimum expectation for the next. Moving forward, success will come from having an agile and flexible strategic response to changing trends and expectations.

## How can IBM help?

IBM offers the greatest breadth and depth of capabilities that help retailers

Inspire relevant engagement by predicting consumers' current lifestyle wants, needs and aspirations at any point in time.

Assist in providing differentiated offerings that can create unique retail brands with hyper-local products, services and experiences that consumers demand.

Give agility and innovation to quickly implement new business models, digital capabilities and ecosystem partners to drive profitable growth.

For a deeper dive into how the findings from the 2016 CEI impact your specific retail operation, contact your IBM sales representative or visit [ibm.com/retail](http://ibm.com/retail)

## IBM CONSUMER INDUSTRY Executive Summary

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## Statement of Qualifications

Since the early 20th century, IBM has been driving global innovation across a wide variety of industry segments. Today, IBM Retail solutions enable 14 of the world's top 15 retailers to act with agility, engage with consumers and differentiate from competition. IBM Retail clients include the world's top supermarket chain, specialty electronics retailer and discount department store.

For over 22 years, IBM has topped the US patent list and will continue to enable organizations to succeed, especially with the emergence of cognitive technology that helps companies turn vast amounts of structured and unstructured data into actionable insights. IBM, in partnership with the Institute of Business Value (IBV), has led and will continue to lead in thought leadership and industry research.

### Contact us

To arrange a Customer Experience Index report tailored to your retail organization, contact your IBM sales representative to set up an appointment with a CEI expert or visit [ibm.com/retail](http://ibm.com/retail).

### View the Replay

To get a deep dive into the CEI Survey and to hear how retailers are performing across multiple dimensions, view the replay of the webinar, *Results from the 2016 Customer Experience Index Survey*: <http://ibm.biz/ceiwbnr>