

# **Executive Insights**

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# For Consumer Businesses, Avoid the Noise and Focus on the Digital Strategies That Matter

Digital technologies are commonplace in today's consumer businesses. So commonplace, in fact, that they're often more conspicuous by their absence. As consumers, we fully expect to find the right item, in the right place, in the stores where we shop or by using the digital tools accessible on any number of devices we own. Yet this experience — personalized, one-to-one, mobile-enabled — barely existed as recently as a decade ago.

The rapid pace of digital change has put companies in the unenviable position of trying to decide which tech trends to invest in and when. If the recent past has taught us anything, it's that the next "it" innovation is always right around the corner. Yet all too often, these "revolutionary" innovations offer only incremental benefits at best; at worst, they are a costly distraction.

The right technologies, however, can be incredibly valuable. These are the technologies that shake up your business, altering it in a way that fundamentally enhances the value proposition to the consumer. Implemented correctly, they drive greater customer satisfaction. In the very best outcomes, they differentiate your business and provide a sustainable competitive advantage.

So how will you recognize a true digital differentiator when you see it? Generally, it will do one or more of the following: eliminate customer pain points, elevate customer service or create a differentiated, personalized customer experience. Let's take a closer look at each.

### Eliminating customer pain points

What are your customers' biggest pain points? Start by identifying those, and then use digital technology to alleviate them.

Marriott, for example, uses digital technology to streamline the hotel experience for its guests, particularly its high-value business travelers. These guests are pressed for time; they often arrive late at night and check out first thing in the morning.

By offering both mobile check-in and checkout, Marriott enables guests to bypass reception, saving valuable time. Keyless room entry through mobile devices and bill payment via Apple Pay further reduce the friction associated with a traditional hotel experience. What's more, guests can seamlessly request other services (e.g., car service, extra pillows) through their mobile devices up to 72 hours prior to check-in, skipping the concierge. Guests who have leisure time can also book services such as spa treatments or chat with hotel staff to get help with dinner reservations.

In the online realm, Amazon's experiment with its Echo wireless speaker technology — also known as Alexa — has the

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potential to turn the cumbersome online checkout process on its head. Forget one-click ordering — Alexa could be at the vanguard of no-click voice-ordering, radically streamlining the online purchase process.

### Elevating customer service

The second lever is to use digital technology to materially improve customer service. How this is applied will vary by retailer. In the end, however, the introduction of technology should enable better delivery of the core components of your brand promise.

Kroger has aligned its entire business around a "Customer 1st" brand strategy. Successfully delivering on this involves many things, one of which is the core experience of checking out. To improve this mundane, often time-consuming and potentially frustrating aspect of the shopping experience, Kroger rolled out sensor technology to track store traffic. Over time, this capability has allowed the company to anticipate high-traffic times and allocate more staff to the registers when necessary. The result? Average wait times at checkout have fallen from four minutes to 30 seconds. Furthermore, labor can now be more efficiently allocated to other value-added activities throughout the store. In the end, the customer experience is materially enhanced and a competitive advantage is created.

Another take is how Rite Aid and Lord & Taylor use beacon technology to deploy relevant promotions and other information directly to customers' phones based on where they are in the store. In all these cases, the digital differentiator creates a unique customer experience likely to drive higher satisfaction, additional sales and repeat trips.

# Creating a differentiated, personalized customer experience

The third lever is to use digital technology to create a purchase experience that's entirely unique to each customer, delivering true value to the customer as a result.

Fabletics is a case in point. The retailer offers a monthly subscription service for fitness and "athleisure" apparel and accessories. Each month, subscribers receive an assortment of items selected according to their individual preferences. The products are shipped directly to customers' homes, where they can browse and purchase what they like. If nothing appeals to them, customers can skip a month at no cost.

Due in part to this innovative approach, Fabletics drew more monthly unique website visitors on average in both 2014 and 2015 than competitors Lululemon and Athleta. Ultimately, a key ingredient to long-term success will be appropriately mining data and matching it to products and services that meet each consumer's specific needs in a way that other competitors are unable to do.

Ask yourself: "How can I use digital tools in my business to enhance the fundamental value equation for the customer and build competitive differentiation?"

But retail subscription programs aren't the only place you'll find digital-enabled personalization. There's also the virtual try-on feature at online eyeglasses retailer Warby Parker and design-your-own footwear from Australian startup Shoes of Prey, which puts the consumer in control of designing the perfect shoe for themselves and received a multimillion-dollar investment from Nordstrom.

### Stay focused on what matters

An endless parade of ever-evolving digital technologies will likely continue to emerge in the future. For many of these technologies, such as artificial intelligence, virtual reality and biometrics, the potential to truly impact the customer experience remains far from clear.

While such buzzworthy technologies merit consideration, keep the levers identified above in mind when deciding where and when to invest. Ask yourself: "How can I use digital tools in my business to enhance the fundamental value equation for the customer and build competitive differentiation?" And let the competition chase the shiny objects — you'll be focused on the innovations that matter.

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