



# From Omni-Channel to Customer-Centric Retailing





## CUSTOMER-CENTRIC ERA Introduction

**The pace of change in customers' profile shopping behaviour and subsequent response from retailers has reached a level that warrants a deeper look at the new customer-centric retail paradigm that is emerging.**

In this whitepaper, we will review the transition to this new retail paradigm through three pillars:

- Identity Retailing – shopping the way customers want to shop
- Retailing as a Dialogue – transforming the relationship with customers
- Business Transformation – extending beyond digital

These pillars are cemented by Enrichment, a new methodology created at the intersection of retail, technology, and food science.

This document provides more details on the above paradigm and seeks to illustrate the development through alignment with emerging retail practice. Tesco's recent announcement of their new strategic priorities is used as an example for that purpose.





COVID-19

# Post pandemic trends and priorities

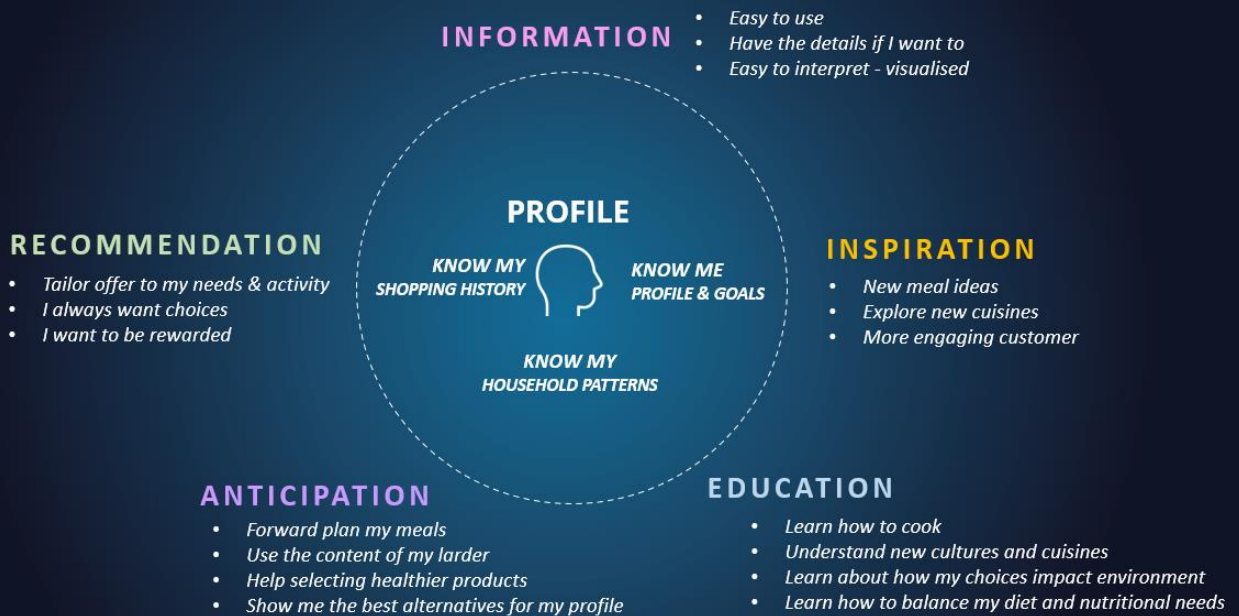
**To better understand the drivers underpinning the evolution of a customer-centric paradigm, a good place to start is to look at the changes in customers' shopping behaviour in the wake of the Covid-19 pandemic. These changes and the implications of the pandemic on both organisations and the retail market represent the most significant disruptive event of the past few decades.**

Customers are becoming increasingly health conscious and are seeking healthy food options that support their physical and emotional wellbeing. However, they are often unclear how they should navigate a potentially complex domain given that one person's healthy option may be harmful for another. Healthy choices are dependent on several factors relating to the individual including allergens, diet, and lifestyle.

Customers have also taken a deeper interest in 'scratch' cooking and recipes, given that they have been spending more time at home. This has led them to explore more exotic and creative foods and recipes. Again, there is an issue of learning, education and inspiration at different levels based on the requirements and knowledge of the individual customers and how to make these recipes interactive based on the customers profile and goals.

Another trend initiated prior to the pandemic, but one that has strengthened considerably especially with generations Y and Z, is that of a growing focus on sustainability, transparency, waste management and reduction in environmental impact. From packaging to climate, ethical trading to traceability, customers are increasingly seeking guidance and insight to help them buy products in line with their personal ethical, health and community goals.

The above trends have developed against a backdrop of a huge increase in online trading driven by the pandemic. During the early months of the pandemic the challenges of online trading expansion were further exacerbated by shortages. This led to product range changes which might have been unfamiliar to customers, pressure on grocery supply chains driven by erratic buying patterns and disruption to production caused by lockdown activity across the globe.



Customers' expectations are changing in both pace and substance, and retailers have the challenge to respond to these different needs on multiple levels. They need to provide information, education where needed by the customer, relevant inspiration and above all, deliver reliable and increasingly personalised recommendations.

Personalisation plays a key role in creating a shopping journey that addresses the customer's individual needs based on their profile and preferences.

In summary, customers need:

- Guidance to easily make informed decisions through comprehensive, transparent, and accurate information
- Tools to be able to quickly and seamlessly find and verify products across all touchpoints
- The ability to compare and assess products based on their profile, goals, and individual needs
- Personalised recommendations reflecting their lifestyle and dietary needs including healthier alternatives.
- Tools to make the shopping journey more engaging, interactive, and exciting through personalised recipes, meal & diet plans, and storage & waste management.



## A RETAILER'S RESPONSE

# Tesco New Strategic Priorities

**Against the backdrop of a rapidly evolving customers and marketplace, we will look at Tesco's recent strategic priorities as an example of a retailer's response.**

### Magnetic Value

- This is about creating value as a combination of price, quality of the range and the customer experience rather than purely focussing on low prices. The concept of value is further extended to community drivers including reducing the impact on the environment. Tesco's strategic driver here is no small feat, the aim is to remove the need to shop elsewhere "providing reliable value that removes the need for customers to shop elsewhere". This requires not only intimate knowledge of the customer but also to map the range, experience and pricing to the customers' preferences and aspirations.

### Easily the most convenient

- "Tesco must be the most convenient retailer for customers in-store and online". While Digital has not been at the centre of Tesco's focus recently, it is now clearly back again with renewed commitment: "The aim is to create an unrivalled digital platform". This strategy is also about elevating all channels: "This is about being available wherever, however, and whenever our customers want to be served". Convenience is further focused on health and sustainability: "We aim be the easiest place to shop for healthy and sustainable foods". Convenience in this context also extends towards making it easier for customers to plan better: "Food for later, meals for tonight".



## I love my Tesco Clubcard

- “Customers expect more immediate and personalised service than ever before”. From the customer’s perspective, the objective is to “take ownership” of the product by “getting preferred prices” on items they value. From Tesco’s perspective, this is about getting closer to the customer; to better understand their needs and to share this information across all channels. Tesco also aims to engage suppliers: “help suppliers to improve the hit rate of their innovation”. Finally, to emphasise the eco-system vision: “the more customers use Tesco, the more useful Tesco becomes to them – a powerful virtuous circle.”

## Save to invest

- This is, we believe, in part about productisation of Tesco’s commercial and operational activities similar to the vision used during the period of international expansion. “Tesco in a Box” was instrumental in capturing the processes and procedures to be used as basis in the target markets. Also, there is a focus on automation to a much greater degree as a methodology to reduce cost. Hence, the goal is about being smarter in streamlining the business and driving end-to-end simplification and automation in areas such as group buying and shared services. To achieve this, there is a need to extend business transformation across the whole organization by reaffirming the role of the customer at the heart of decision making.



## A NEW PARADIGM

# Triangulating Customer-Centricity

To make the vision of retailers such as Tesco a reality, a new paradigm and eco-system for customer-centric retailing is needed. We believe this new paradigm is made up of three pillars:

- Vision: Identity Retailing – The Why
- Mission: Retailing as a dialogue – The What
- Strategy: Business Transformation – The How

Although there has been a huge effort in recent years to achieve the omni-channel nirvana, focusing on the customer journey and delivering digital transformation, the gap between a customer's expectations and a retailers' offerings is often still quite wide. If anything, the gap is getting wider given the speed by which customers' expectations and shopping behaviour are changing compared to retailer's ability to keep pace.

The new paradigm proposed in this paper challenges some of the current approaches mentioned above and offers practical steps to address the current gaps. Instead of Omni-Channel, the vision here is Identity Retailing and rather than focusing on customer journey in a generic sense, the mission here is to achieve Retailing as a Dialogue. To achieve this vision, a business transformation - not just digital transformation - is needed to create the target eco-system.

Some of the key challenges obstructing organisations and preventing them from looking forward are lack of alignment, agility, and collaboration. These challenges are mainly due to the silo-nature of departments within organisations. These challenges are known and there have been attempts to address these as part of transformation and change programs. However, many of these initiatives remained as consulting recommendations and rather theoretical in nature, as the focus was on exploring scenarios rather than on execution of the business improvement. To cross this gap and provide a practical approach and to cement the above paradigm, Enrichment is used.

**Enrichment is at the intersection of retail, food science and technology. Enrichment is the process of adding value to basic data such that the enriched data is used to drive decisions. From a customer perspective, these decisions empower the customer in their journey to buy products based on their preferences and needs. From a retailer's perspective these decisions help the organisation to be more efficient, collaborative and aligned allowing them to build the target eco-system.**

## Identity Retailing

When the term Omni-Channel was first introduced over a decade ago, the key goal was to highlight the importance of providing convenience to customers by giving them the freedom to choose when, where and how they want to shop. As far as customers are concerned convenience is taken for granted, now their expectation calls for real personalisation to deliver tangible results reflecting their lifestyle.

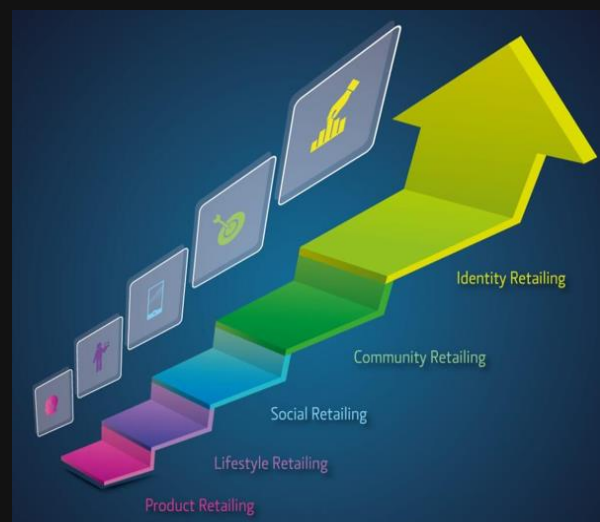
Identity Retailing or “shopping the way customers want to shop” as opposed to Omni Channel better reflects customers’ trends and expectation. Identity Retailing is about acquiring an intimate understanding of customers profiles and goals and then mapping this knowledge to a highly personalised tools and services reflected across the customer journey.

Although personalisation is another goal that evolved with the digital trend more than ten years ago, there are still very few retailers that are providing this. Customers are not given the ability to create their profile and goals which should be used to drive product recommendations, alerts, and promotions. Personalisation is focussed too much on price and promotions and not enough on the full customer’s lifestyle.

Tesco’s strategy “I love my Clubcard” underscores the huge advantage of having a mature and sophisticated loyalty programme. Based on this strategy, there is clearly a strong drive to use Clubcard data to proactively understand and capture customer insight, share it across channels and relevant departments, and then execute based on this deeper level of understanding, as part of their core value proposition.

As retailers transition from Product Retailing through Lifestyle and Community to ultimately reach Identity Retailing, they need to not only understand customers but also to demonstrate that, value them and empower them. This transition is all about changing the relationship with customers to make it more engaging and personal.

**COVID-19 has increased the need to engage more directly with customers and support them as they navigate the challenges resulting from this new norm. It also presents an opportunity for retailers to demonstrate a greater understanding of their customers’ needs and to elevate lifestyle choices including health and sustainability**





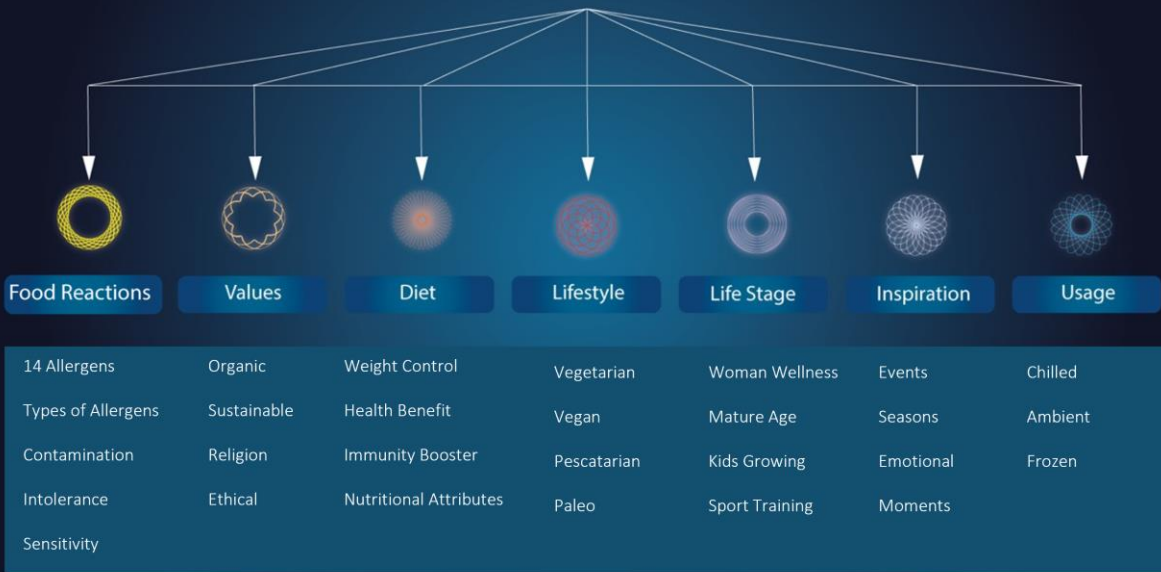
To see Identity Retailing in action, the diagram alongside shows how product enrichment has transformed product data from a perspective which has traditionally focused on supply-chain to be firmly customer-centric.

The example shows the result delivered by rimaRetail®, a SaaS service that converts basic product data such as ingredients and nutrition to include more than 174 attributes across 7 dimensions including legal, inspiration and usage.

Essentially, we have redefined product information to reflect the customer’s identity and their shopping drivers, reflecting the customer journey from selection, through verification, inspiration, and planning.

Product enrichment is a relatively new development in the retail sector. As a result, the applications and touchpoints making use of enrichment are still limited but are expected to evolve at pace. For many food retailers, the process of enrichment is known as ‘tagging’ products. The output of such a process is typically to allow retailers to provide lifestyle filters within online shopping site to guide customers and to enable them to buy products in line with their dietary and food reaction(s).

In contrast, rimaRetail® takes a very different approach in extending the scope of enrichment beyond just filters and making it central to driving the customer journey and subsequently in understanding and measuring shopping behaviour. IVIS Group, through the rimaRetail® suite of services has redefined the product information from the customers’ perspective by capturing the key attributes used for their shopping drivers, profile & preferences and their source of inspiration including allergens, diets, values, lifestyle, life stage, inspiration, and usage.



## Retailing as a Dialogue

Retailing has been evolving from transaction-centric to focussing on the customer journey. Retailers have invested heavily in customer insight, UI/UX to understand customers' behaviour and to map this understanding to the design of a journey that fulfils the customer's needs. However, the challenge here is the silo-approach of trying to solve the problem by focussing only on specific angles such as the customer journey, interactions and touchpoints and not considering the full picture in terms of defining exactly what kind of relationship the retailer should have with their customers.

"Retailing as a Dialogue" is a clear and focussed approach in defining the retailers' relationship with customers. It reflects their current trends and expectations in levelling the ground to have a two-way conversation. Brands and retailers are no longer in control of the relationships as customers are increasingly in the driving seat influencing what, how and even the price of goods that are sold.

There are three criteria to establish a dialogue relationship with customers:

- Speaking the same language. As the previous section outlined, product enrichment has redefined product information to be customer centric.
- Personalising the dialogue across the customer journey. This means understanding the customer's profile and goals and using this information to empower customers in their journey as they find and verify the products that meet their profile and preferences, receive inspiration, plan their shopping and engage with their peers.
- Providing the tools and processes to make the dialogue engaging, interesting and interactive to achieve ultimate convenience using visualisation and gamification

This is all about the customer journey and how to transform the relationship with customers from selling inarticulate products to having a dialogue.

Customers are increasingly looking for healthy food options. However, healthy choices are dependent on the customer's allergen, diet, and lifestyle. One person's healthy selection could be harmful for another. To create a shopping journey based on a customer's profile and preferences, personalisation plays a key part. The following diagram outlines the rimaRetail® Core and Customer Dialogue services as a practical example in making "Retailing as a Dialogue" a reality.

The combination of enriching both products and recipes, ranking products and recipes, suggesting recipe swaps based on profile and benchmarking all provide the capabilities to transform the relationship with customers from product-retailing to dialogue-retailing.



The first of the Customer Dialogue Services, **Profile**, enables customers to indicate their food reaction, sensitivity and preferences for diets and lifestyle. Crucially, the **Profile** service also enables the customer to define their goal whether health or sustainability oriented.

Once the **Profile** is defined, rimaRetail® will provide the customer with product **Alerts**, healthier and/or more sustainable **Alternatives**, the ability to **Benchmark** products in their basket and **Swap** if healthier or more sustainable products exist within the available range.

Finally, the **Plan** service proposes a new approach for shopping whereby recommendations are sent to the customer on a weekly basis according to customer insight and recent purchases. Customers will be able to map the recipe/plan recommendations to the basket.

It is also worth stressing that, ideally, Enrichment should be delivered as far upstream as possible as this allows all touchpoints and departments to deliver consistent and plentiful benefit to customers.

As outlined above, this approach strengthens and personalises the relationship with customers to deliver both the “Magnetic Value for Customers” and “Easily the Most Convenient” strategies within the Tesco context.



## Business Transformation

The term transformation used in retail context is typically associated with digital. While this was understandable 20 years ago given the emergence of online, it is no longer sufficient to deal with today's challenges.

Some retailers have attempted to remove barriers between the channels to offer customers a seamless experience. However, the focus was too much on the integration of technologies and less on business change from an organisational perspective.

The three catalyst entities in retail - Customer, Product and Basket – are still considered as islands of information with no bridge to link them thus failing to achieve alignment, agility, and collaboration. The Marketing department is primarily focussed on the customer while Buying & Merchandising/Commercial is more Product-centric. The basket and purchase history analysis are often driven by technology on an ad-hoc basis with long lead times between raising a query and receiving an answer.

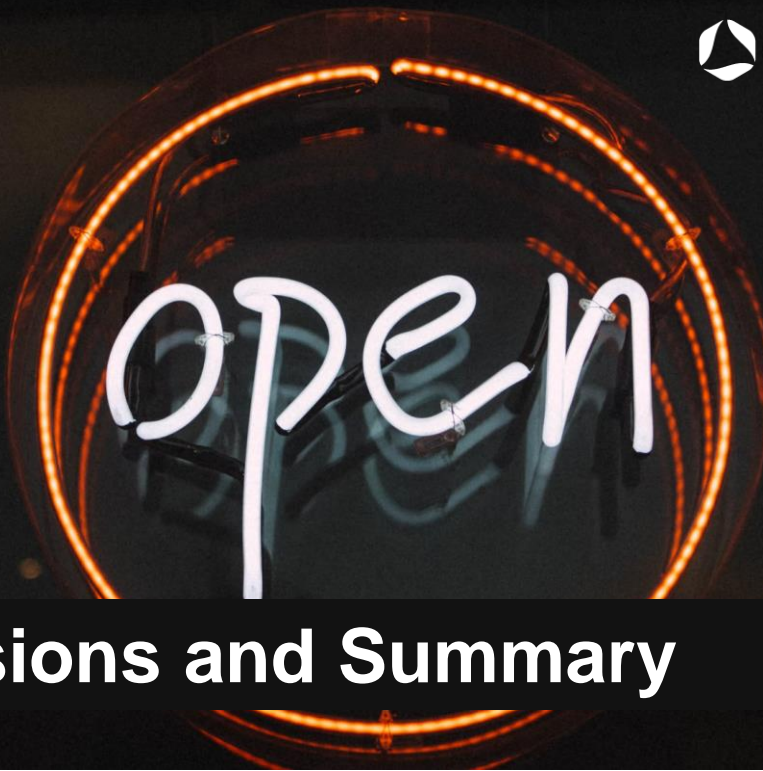
Departments often work based on a product hierarchy (Top-down) and product attributes are used to give more granular product data, enabling more specific analysis (Bottom-up). However, these approaches are hindered by mapping restrictions and subjectivity making it difficult to obtain consistency in analysis year-on-year for both product performance and customer behaviour.

By expanding the possible data combinations through enrichment to fuse the product, customer and purchase history and removing inconsistencies, analysis and forecasting can be targeted far more precisely. In addition, the retailers will have a faster response as the required data is readily available. There are benefits not only for online but also for bricks & mortar, given the benefit in the rich sales data available.

What is needed is the amalgamation of these three entities into one view such that retailers have one over-arching view that combines them. This does not only have advantages for the customers but is also substantially beneficial from an organisational perspective.

This type of enrichment is referred to as B2E "Business-to-Employee" and this is a key area to implement the Tesco strategy "Save to Invest" as it provides a common view of products/customers/analysis that can be used to bridge organisation silos. Activities including range optimisation, compliance for packaging and climate, supplier ranking, and benchmark will all be executed more accurately and efficiently.





## Conclusions and Summary

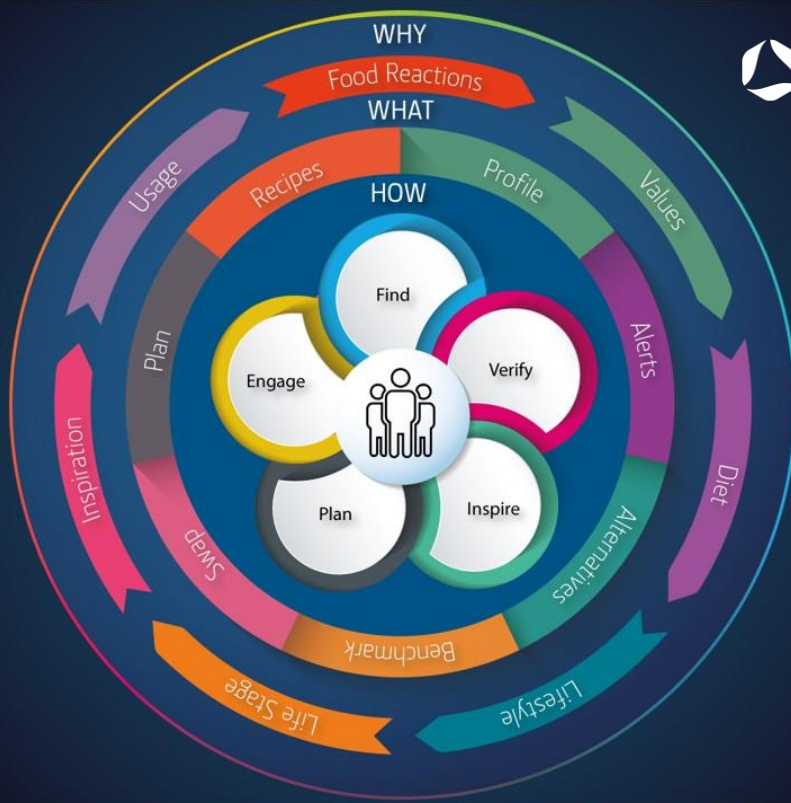
**This whitepaper analyses how a new customer centric retail paradigm can be formalised to respond to customers' expectations. In our view this offers a challenge to the current approach adopted by many retailers but at the same time is increasingly aligned with the vision of retail leaders.**

Under this paradigm, Identity Retailing spearheads the vision to enable the customer to shop the way they want. In this way, the retailer is putting the customer at the heart of decision making including rewriting the product from the customer's view. Identity Retailing is unmistakably customer-centric unlike Omni-Channel where the customer was lost in the focus on the technology and the integration.

Identity Retailing is aligned with retailers' strategies in using their customer insight and sharing it across channels, touchpoints, and suppliers to create an eco-system that drives personalisation. We looked at an example of product enrichment to transform product information from being supply chain-centric to customer-centric to drive Identity Retailing.

A new type of relationship with customers is needed, based on "Retailing as a Dialogue". In this relationship, not only will we be speaking the customer's language, but there are other benefits including two-way traffic to truly listen to and understand customers.

While many retailers have focussed on developing the customer journey for years, the focus was limited to visualisation and any lessons learnt were not cascaded across the organisation. rimaRetail® Customer Dialogue services demonstrate how to use the customer's profile to drive activities including product alerts, healthier alternatives, benchmarking baskets, healthy swaps and to create weekly shopping based on meal and diet plans.



Finally, we need to push business transformation beyond its digital boundaries to cross silos within the organisation such that all departments can have a common view which will improve insight and lead to better decisions.

These decisions include range forecasting and optimisation, compliance, benchmarking and are driven by B2E “Business to Employee” enrichment. B2E Enrichment enables retailers to form a central view based on multiple data hierarchies to have the visibility needed to operate quickly and accurately. This approach provides the benefit in having the customer’s view represented to drive the customer experience and to support buying and supplier management activities.

To help retailers identify the strengths and gaps in the organisation, an Enrichment Maturity Model (EMM) methodology has been defined. EMM is a framework providing a benchmark to gauge performance against best practice enrichment of food retailing on a regional basis. The methodology uses three dimensions:

- WHY Shopping Drivers: 7 dimensions of enrichment categories
- WHAT Dialogue creation: Customer Dialogue Services + Recipe
- HOW Customer Journey: Driving the steps: Find – Verify – Inspire – Plan and Engage.

In summary, while all retailers are striving for the same goal to achieve customer centricity, the current terminology of omni-channel, customer journey and digital transformation do not provide a clear view on the vision and strategy needed today.

**Identity Retailing through a dialogue relationship underpinned by a business transformation initiative is required to achieve alignment, collaboration, and agility which in our opinion is the way forward.**





## ABOUT IVIS Group

### **IVIS Group is a retail solution provider and consulting specialist.**

IVIS Group empowers clients through a combination of SaaS Product Enrichment Services, patented technology solutions and strategic retail consulting. This drives higher sales, profitability, and greater brand penetration globally for the likes of Tesco, Marks & Spencer and Currys.

rimaRetail® is a unique suite of real-time SaaS services driving the customer journey by using a combination of XAI technology, food science and deep retail domain experience.

rimaRetail® Core Services include rimaRich® product enrichment service to transform base product data into rich lifestyle information creating 135 enrichment attributes across 7 dimensions. rimaRank® is a health scoring service to rank food products based on health criteria. rimaRecipe® is a recipe dialogue service enabling retailers to transform recipes into interactive and personalised recipes.

rimaRetail® Customer Dialogue Services include the following interactive services: Profile (defines customer's profile, and goals), Alerts (delivers warning and advice on products based on customers' profile), Alternatives (delivers healthier or more sustainable product alternatives), Benchmark (delivers health or sustainable insight based on customer's profile on basket and purchase history), Swap (replaces products in basket by healthier or more sustainable products based on customer's profile) and Plan (enables customers to shop by plan and recipes)

IVIS Group enables retailers to deliver the vision of Identity Retailing "Shopping the Way Customers Want" through making the transition from product retailing to "Retailing as Continuous Dialogue" and extending enrichment to support "Business Transformation".

[info@ivisgroup.com](mailto:info@ivisgroup.com)



[www.ivisgroup.com](http://www.ivisgroup.com)

