



Gold Sponsor

2019 SPECIAL REPORT: Personalization



PERSONALIZATION KEY FINDINGS

CUSTOMER EXPECTATIONS



64% are comfortable with retailers identifying them via their mobile phone when they enter a store, as long as it means they are offered a personalized experience

79% indicate that personalized service is an important factor in determining at which store they choose to shop

68% are likely to shop at a store offering personalized rewards based on customer loyalty



RETAILER CAPABILITIES

37% are able to identify their customers prior to checkout while **20%** can't identify customers until after checkout or not at all

53% indicate that personalization is one of their top customer engagement priorities for 2019

48% currently offer personalized rewards based on customer loyalty and another **30%** plan to offer within two years

Based on findings from BRP's 2019 POS/Customer Engagement Survey and the BRP Consumer Study.

Consumers want a personalized experience

Technology is bringing new life to brick-and-mortar stores as the physical and digital worlds collide. The physical store must transform to adapt to new technology and rising customer expectations to add value beyond simply offering merchandise – it must offer a truly personalized experience to remain relevant.

However, personalization has gone beyond just marketing to demographic sectors, customer segments or even personas. It is much more than simply greeting a customer by name when they walk in the store. And it involves more than just offering product recommendations on your website.

Personalization requires the ability to recognize each customer individually to deliver a unique shopping experience to that customer. It requires the retailer to understand more than just what the customer is shopping for, but also why the customer is shopping.

Today's online shoppers are accustomed to features such as product reviews, expansive merchandise choices, one-click transaction processing and personalized recommendations. These expectations don't dissipate when a customer walks into a physical store. In fact, customer expectations are likely magnified across all channels because most consumers shop more than one channel as part of their shopping journey and expect the benefits available in every channel. In the store, sales associates are an integral part of the necessary personalization, offering relevant recommendations and offerings.

We are in the midst of a retail renaissance as the industry moves from the 'olden days' of a person walking in to a store to simply purchase a commodity, into a new technologically advanced era where artificial intelligence helps customers make informed

purchasing decisions and augmented reality enables them to view products on their body or virtually in their homes.

Retailers must infuse digital features into the store environment to exceed customer expectations, compete more effectively and offer a more complete and personalized shopping experience.

The **SPECIAL REPORT: Personalization** is based on findings from the BRP Consumer Study and the 2019 POS/Customer Engagement Survey. To download the POS/Customer Engagement Survey visit <https://brpconsulting.com/download/2019-pos-survey/>

The key to customer loyalty

Customers want to shop wherever and whenever they want with the benefits of both the digital and physical retail environments. Effective customer engagement requires retailers to offer a personalized, relevant, compelling and consistent experience across channels. And in today's crowded and highly competitive market, personalization is a critical component for optimizing the customer's shopping experience. As consumers browse and buy across channels, 40% of the consumers in the BRP Consumer Study indicated a personalized and consistent experience across channels is important. According to the study, 79% of consumers said personalized service from a sales associate was an important factor in determining at which store they choose to shop.

As consumers "check-in" on retailers' e-commerce and mobile sites, they automatically receive personalized offers and recommendations based on their purchase and browsing history. However, most shoppers are still anonymous when shopping in a physical store so they don't get the same level of personalized service. This is an area of opportunity for retailers as 68% of consumers would be likely to shop at a store that offers personalized rewards based on customer loyalty and personalized promotions and discounts.

Consumers understand that receiving personalized and relevant promotions requires retailers to identify them. While this has been the normal standard online or via mobile, identifying the customer in the store is a little more difficult and not as common. Most retailers who identify customers in the store use the customers' mobile phone as the identification tool paired with a combination of beacons, WiFi, MAC address, etc. According to the BRP Consumer

Study, 64% of consumers are comfortable with retailers identifying them via their mobile phone when they enter a store, as long as it means they are offered a personalized experience.

With 79% of consumers wanting personalized services, there is a big opportunity for retailers to meet these expectations. Retailers that identify customers when they enter the store and equip their associates with the proper mobile tools can personalize the shopping experience based on customer context.

Retailers need to know whom the customer is to create a meaningful experience based on what they want and when they want it. Each step along the customer journey offers retailers opportunities to engage with the customer and strengthen the personal relationship to drive sales and customer loyalty.

Customer identification is critical

Customer identification is necessary to allow any type of personalization of the shopping experience, however, 63% of retailers can't identify their customers prior to checkout (and 20% can't identify them until after checkout or not at all!), which is too late to empower the associate to influence the current purchase decision (Exhibit 1). Without early identification of the customer, retailers miss critical engagement opportunities to deliver a personalized customer experience and increase sales.

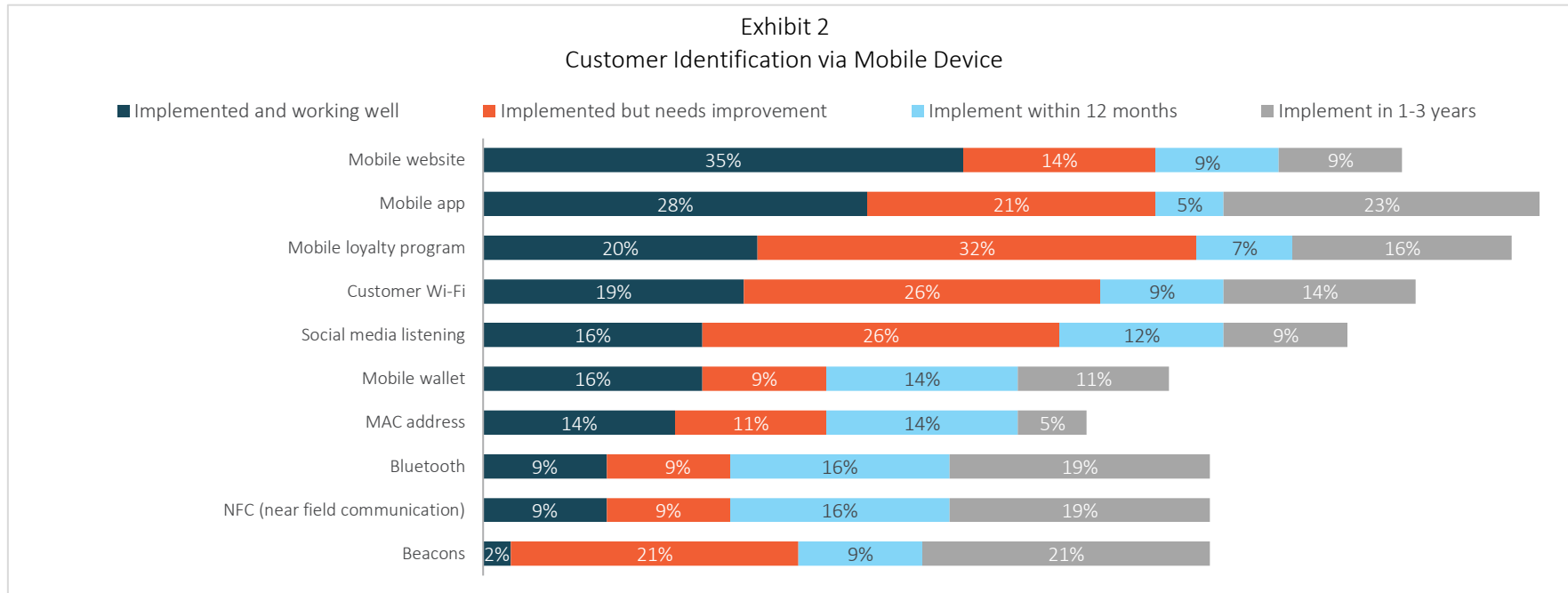
This year, we see significant progress and interest in newer technology methods utilized in tandem with the customer's mobile phone to identify customers when they enter the store. The most prevalent technologies that retailers are currently using to identify customers are mobile loyalty programs (52%, up significantly from 32% last year) and mobile website/app (both at 49%); however, many retailers using these technologies indicate that they need improvement (Exhibit 2). Retailers are shifting their customer identification tools, as the use of social media listening increased significantly from 25% last year to 42% this year, and beacons increased from 19% last year to 23% this year.

The big story in customer identification lies in retailers' future plans. Within three years, 75% of retailers plan to use mobile loyalty programs and 77% plan to use mobile apps to identify customers in their stores. Another interesting point is that there does not seem to be one technology choice that is 'winning' – retailers are embracing a number of different technologies to cast a wide net and identify and track as many customers as possible as soon as they enter the store. Introducing the right digital capabilities via mobile to



customers as they enter the store, possibly even AR capabilities to spur more opt-ins, is probably the final answer to achieving much higher customer identification.

Once customers have been identified, retailers can use clienteling and guided selling to enhance the shopping experience. Clienteling empowers store associates to leverage customer data (purchase history, personal information, preferences, etc.) and deliver highly personalized customer engagement, provide exceptional in-store shopping experiences, and timely follow-up communication with customers. To be effective, guided selling and any other customer engagement tactics can't operate with yesterday's information – they need real-time data, context and analytics.



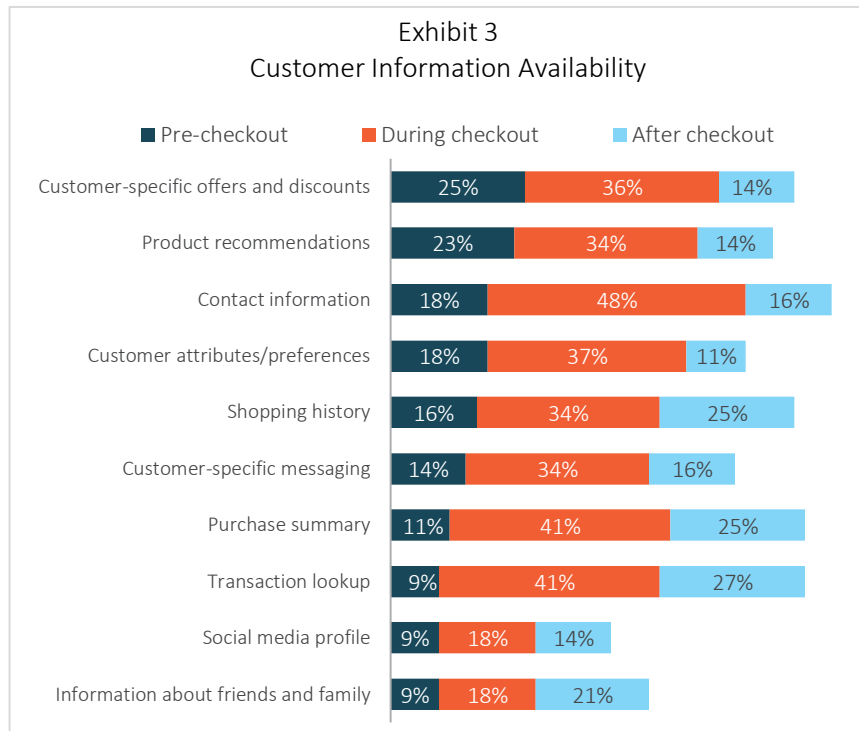
Customer context is the interrelated factors of customer insights and environmental conditions that make the shopping experience relevant. It enables retailers to personalize the shopping experience based on preferences, purchase history, their closet, their most recent online browsing history, time of day, weather and their physical location – all based on real-time information.

However, while retailers realize the need to arm their associates with the right training and better information, it is still a game of catch-up to the abundance of information and technology that customers possess.

Overall, retailers still struggle with the ability to access customer information prior to checkout (Exhibit 3). The ability to look up customer information is very limited with only 25% of retailers

offering the ability to access any customer-specific information pre-checkout.

This suggests that retailers are missing opportunities to increase sales because associates can't access customer data until the customer is at the checkout (or in a number of cases, after the customer has checked out), which is too late. With customer data available pre-checkout, associates can influence the transaction with personalized promotions and relevant product suggestions to customers. Over the past few years, retailers have said they are working on identifying customers prior to the checkout, however, in-store identification continues to lag behind the online shopping experience. Unfortunately, the vast majority of retailers are currently not providing customer attributes/preferences and product

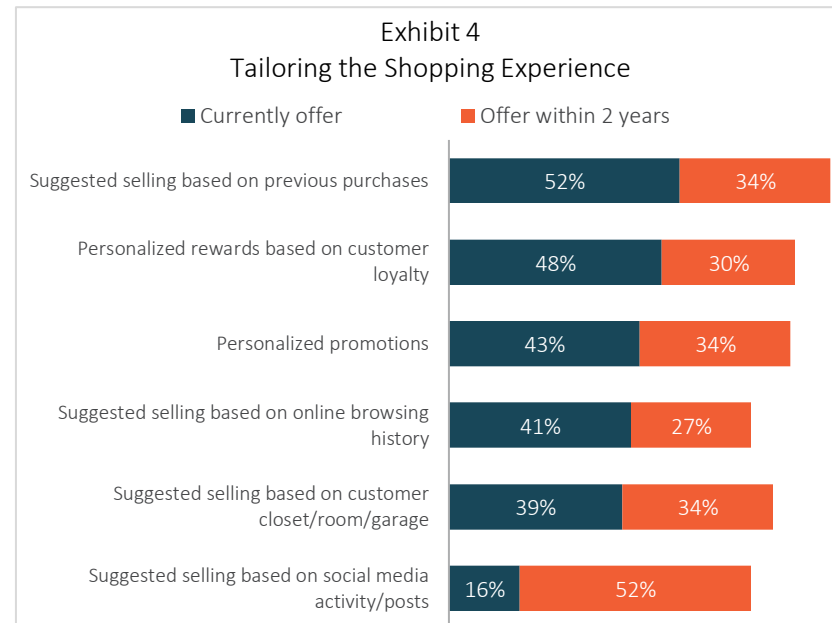


recommendations to associates pre-checkout, which means the missed sales opportunities are significant!

Delving deeper into how associates can tailor the customer's shopping experience based on available information uncovers capabilities that are limited but increasing (Exhibit 4). This is good news as it represents significant progress and engagement opportunities for retailers to meet customer needs. The most prevalent customer personalization capabilities involve offering personalized rewards based on customer loyalty and suggested selling based on previous purchases. Approximately half of retailers now offer these capabilities which is up significantly from last year when 23% of retailers offered both. There are also expansive plans to drive further utilization of customer information to tailor the shopping experience. Within two years, 86% of retailers plan to

provide suggested selling based on previous purchases and 78% plan to offer personalized rewards based on customer loyalty. The ability to offer messaging and promotions based on customer context is a key differentiator in today's marketplace.

Some retailers are expanding personalization strategies to "make shopping fun and engaging" experience. This includes gamification – where game-like interactions, rewards and incentives are offered for visiting a web site and finding a great deal, shopping early or late or on an "off day," or providing additional personal information like family size or zip code. The key to personalization is to tailor the interaction based on the customer's habits and preferences. While this type of personalization may not be for every customer, it changes the way retailers need to think about the shopping experience.



Expanding personalization

Over the past twenty years, many in the retail industry have predicted the demise of the physical store. That seemed like a reasonable assumption given the accelerated growth of e-commerce and advancements in mobile technology; however, the reality is, the store is still the foundation of retailing. It is where the tactile and sensory experience comes together for the consumer, but the traditional store concept is changing.

Stores still represent the majority of retail purchases, but the definition of what a store is continues to change. This, coupled with digital experiences that are increasingly personal and mobile, has blurred the lines between channels and created the expectation of anywhere, anytime, anyhow shopping. This fundamentally redefines the retail store experience, requiring a balanced blend of physical and digital working seamlessly with any customer touch point, creating a complete and personalized brand experience. The physical

store remains the foundation of retail; however, a significant and fundamental transformation of retail is underway and will change the requirements for the store of tomorrow.

Retail is theater and with technologies like augmented reality (AR) and virtual reality (VR), the retail store is no longer the only stage where the theater of retail can take place. New technology empowers customers as they can dictate their own personal stage and experience. Personalization of the shopping experience becomes even more critical as customers can now take control of their shopping journey.

About BRP

BRP is an innovative retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

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Private Equity

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