Personalizing the retail experience
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Total Retail Report 2016: Canadian insights

In today’s world, many Canadian retailers are hard-pressed to keep up with consumers’ expectations. Already, Canadian shoppers think and shop in omni-channel dimensions, while many retailers fight to play catch-up—to understand what their customers want, how to provide it and how to create a personalized customer experience that separates them from their competition. The Total Retail solution framework provides retailers with a means to convert their omni-channel intentions into an actionable solution strategy.

It’s a difficult task, made more complicated by the need to address other challenges at the same time, including, for many retailers, the decreasing value of the Canadian dollar and the rapidly increasing cost of goods and other resources.

Regardless of the challenges Canadian retailers face, the status quo isn’t an option. That’s because the world of Total Retail is no longer on the horizon. It’s here. As global retailers make inroads into the Canadian market and digital technology influence grows, Canadian retailers must innovate to enhance customer experience.

In last year’s report, we outlined three disruptors reshaping the Canadian retail landscape: the evolution of the store, mobile technologies and social media. These aren’t simply disruptions anymore. Each has established a strong foothold and is already revolutionizing the shopping experience for consumers, particularly among the younger demographics.

Canadian retailers recognize the need to change. They’ve seen how digital and other innovations are transforming retail and customer experience in China, Europe and the United States. Yet few Canadian retailers have been part of the revolution to date. While some have experimented with new technologies and digital strategies, only a few have been able to turn their ideas into a tangible return on investment.

That’s partly because many Canadian retailers have not kept up on several fronts. Siloed business channels, the inability to collect and use customer data effectively, the need to update legacy technologies and the lack of key performance indicators (KPIs) that matter within an omni-channel world are just a few of the problems that retailers must address.

With customers changing quickly and expecting retailers to know their needs and habits and provide them with personalized offers and experiences, the question for retailers isn’t whether they need to change—it’s “Where to start?”
Customer-centred approach

For Canadian retailers to remain relevant in the eyes of their customers, they must evolve now. Any delay could set retailers back far enough that they may have difficulty catching up. They need to refocus their business strategy and transformation efforts on their customers. By evaluating each phase of the customer shopping journey through the lens of the customers, retailers can better respond to their customers’ needs and create a more personalized experience.

Over the following pages, we explore the Canadian results of our 2016 Total Retail Survey according to each phase of the customer shopping journey—fluence, transact and fulfill —and highlight critical areas of opportunity for Canadian retailers. We hope that our analysis will not only help retailers understand what matters most to Canadian customers in 2016, but also help them determine what changes they could implement in the evolving world of retail.

The customer shopping journey

Successful omni-channel initiatives are about putting the customer at the centre of your strategy and building a compelling and personalized customer experience around them by focusing on four primary elements: engage, offering, channels and support.

We refer to this as the Total Retail solution framework.

Total Retail solution framework

Total Retail is about placing the customer in the centre and building a compelling experience through four primary elements.

Support
Delivering a customer-centric operating model

Engage
Dialogue with your customer on their terms

Offering
Merchandise is presented as a customer solution

Channels
Aligned to the customer shopping journey

Customer-centred approach

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Engage

Interacting and influencing customers on their terms

Customers want a seamless experience that recognizes them across channels. They’re looking for a platform that builds loyalty, rewards them for being involved with their favourite brands and allows them to engage whenever and however they like.
Social media is the ‘great influencer’

When it comes to influencing customers, very little comes close to the power of social media. Almost 40% of Canadian consumers say that reading product reviews, peer reviews and feedback on social media has an influence on their shopping behaviour. This number is upwards of 55% for those 18–24 years of age.

With social media snagging such influence, especially among millennials (ages 18–34), it’s not surprising that many retailers want to use social media to grow their brand. And it’s true: for retailers that get it right, social media can be a tool to harness customer feedback, insights and opinions—and to take their brand and customer offerings to the next level.

Still, few Canadian retailers understand how to use social media effectively. If retailers engage with their customers on social media but don’t have a method to analyze and distill their customer interactions into actionable information and personalized offerings, retailers are missing the most valuable benefits of social engagement.

Top three aspects of social media that influence Canadians’ (between the ages of 18–34) shopping behaviour

- 51% Reading reviews, comments and feedback
- 51% Receiving promotional offers
- 26% Reviewing advertisements

84% of consumers between 18-24 have had their online shopping behaviours influenced by social media

40% of consumers under the age of 34 say that interactions with their favourite brands through social media have driven them to respect and value those brands more
Sport Chek bridging the gap between real world and online communities

Sport Chek, a Canadian sports apparel and equipment retailer, shot nine basketball mini-documentaries in nine different Toronto neighbourhoods and featured the pieces in its #MyNorth campaign.

The campaign generated 8,500 social media mentions and about 38.1 million social media impressions.
Customers want community

When it comes to engagement, whether online or in a store, customers want more than products. They want communities they can feel they’re a part of—reinforced by brands they trust to support the lifestyle and experiences they’re looking for.

The challenge for many Canadian retailers is creating a community that is truly omni-channel. Often retailers can tell what an online customer does and what an in-store customer does, and even what a mobile customer does. But many retailers don’t have the ability to use that information across different channels to create a singular awareness of each consumer.

Loyalty and rewards programs are one way that Canadian retailers are creating exclusive communities for their members—and they work. In fact, 95% of Canadian consumers are members of loyalty or rewards programs. The problem? The proliferation of loyalty and rewards programs makes it hard to stand out compared to competitors. Retailers need to provide something unique to attract customer loyalty.

What are the key benefits of loyalty and rewards programs for Canadian millennials?

- 78% Members-only discounts and offers
- 73% Collecting rewards that can be converted into travel miles, monetary value, etc.
- 71% Free shipping
**Turning insights into action**

The engagement element of the shopping journey is where retailers can gather the most insights about their consumers.

**Personalizing customer experience**

When it comes to attracting and retaining customers, retailers can’t treat everyone the same anymore. They need to find ways to connect the dots between the information they have about customers from across all channels so they can provide tailored real-time omni-channel experiences that recognize who customers are, what they want and how they shop.

As a starting point, retailers need to examine what they’re doing with their customer data. Retailers can use this information as a basis for creating targeted personalized campaigns according to specific parameters. If retailers don’t have the right information or resources to do this, they should start developing the tools and analysis mechanisms they need.

**Personalizing loyalty programs**

Although most Canadians take part in loyalty programs, retailers need to know if their loyalty programs are truly providing a unique experience. It’s about recognizing what the customers want and the experiences they’re looking for—and using this information to tailor and provide incentives for customer loyalty.

Whether this means giving loyalty program participants unique in-store experiences, sending personalized emails or providing tailored deals based on their shopping patterns will depend on what each retailer is trying to accomplish.

**Strategy for a digital world**

Digital technologies provide an incredible opportunity for retailers to interact with customers. With the advent of radio frequency identification (RFID) tags, beacons, digital apps and other tools, retailers are able to enhance customer experience, creating an omni-channel connection within the store environment.

Retailers are now developing customer strategies to better align with the new challenges and opportunities digital technologies provide.

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**It’s early days, yet**

25% of millennial shoppers say their in-store experience would improve with personalized offers.
Learnings from China

When you think about the potential for mobile technologies, all you have to do is look at China.

Our survey found that 66% of Chinese consumers shop online via their mobile phone at least once a month—far more than in Canada. Part of this is the lack of penetration of personal computers compared to mobile, but it does demonstrate the potential.

Another significant reason is the focus of many large Chinese e-commerce players on mobile personalization based on a variety of factors—such as shopping habits and location.

By analyzing the habits of mobile users, Chinese companies are better able to encourage them to engage with their brands online and to potentially make purchases.
Customers expect individual attention from retailers—from tailored products and services to personalized messaging, interactions and promotions. But when it comes to retail consumers in Canada, the challenge for retailers is that personalization isn’t the only thing that matters. Price is still critical, as is perceived value.

More and more, customers want retailers to provide curated solutions that provide a lifestyle experience, rather than simply products or services. For retailers struggling to compete in an omni-channel world, ensuring their offerings fit within the needs and lifestyles of their customers can be critical to developing long-term sustainability.
We may live in the age of value—but price is still king

Price is still the major factor in purchasing decisions for most Canadian consumers. In fact, two-thirds of Canadians say they shop at their favourite retailer because ‘their prices are good.’ Availability of product comes second, followed by a good return policy. These suggest that while Canadians may value the experiences that retailers supply, they also want to know they’re getting good value for their money.

Not surprisingly then, price is the main reason why consumers will purchase products online from an out-of-country retailer. Even with the current exchange rate, consumers still consider out-of-country online retailers for certain product categories.

To be able to compete, it’s necessary for retailers to balance consumer demand for good prices with their ability to provide tailored and personalized experiences. In omni-channel retail, this means taking the information learned from customers during the engage phase of the customer shopping journey and translating it into product offers, incentives and specialized or targeted experiences that highlight their understanding of individual consumers.

Why do Canadians shop at their favourite retailer?

- **Their prices are good** 66%
- **They usually have the items I want in stock** 43%
- **They have a good return policy** 32%
- **I trust the brand** 30%
- **They have a great loyalty program** 29%

When shopping from online out-of-country retailers, what products do Canadian millennials expect to buy?

- **Clothing and footwear** 57%
- **Books, music, movies and video games** 44%
- **Consumer electronics and computers** 30%

63% of Canadian millennials are likely to buy online from an out-of-country retailer over the next 12 months because they can get better prices.
In the community

Retailers can gain consumer interest by showcasing how their organization benefits the community—from supporting employment to encouraging product development.

Using these to build a sense of community within your retail environment and online could give retailers a leg up when they can’t compete on price.
Don’t underestimate local

While Canadian consumers primarily focus on price when they make purchasing decisions, other factors do matter. When asked what would increase their preference for buying from a local neighbourhood retailer, 36% mentioned the retailer boosting local employment while 34% mentioned locally produced goods.

The fact that three of the top incentives for buying locally are directly focused on the customer experience highlights how valuable the offering phase of the retail journey is to retailers that want to create long-term relationships with their customers. Retailers can give customers incentive to shop locally by providing personalized service and offers throughout a customer’s interaction with the brand.

What would increase your preference for buying from a local neighbourhood retailer?

- Boosting local employment: 36%
- Item produced locally: 34%
- Helpful store personnel: 29%
- Better aftercare/service: 27%
- Personalized service: 25%

Turning insights into action

Finding ways to deliver tailored offerings is essential to compete in the omni-channel world. From providing targeted pricing to creating real-time personalized offers, retailers are able to get consumers involved in various ways.

But to give customers the value they’re actually looking for, many retailers will need to rethink how they’re measuring customer insights and their level of engagement.

Managing customer insights

When it comes to social media and digital engagement, retailers can be swamped with information, and coordinating, analyzing and responding to it in a holistic and meaningful way can become a constant challenge. The Total Retail survey results suggest that retailers will need to first determine what type of customer behaviours they desire from each segment before determining where best to start.

Metrics that matter

To see value, it’s important for retailers to measure their activities, level of engagement and the results of any engagement initiative. If results aren’t being tracked, there’s no way to tell what’s working. It’s key to understand what metrics matter most and be sure there’s a process in place for tracking, reporting and responding to them effectively.

The wealth of insights retailers can gather from engagement activities is only as valuable as their ability to use that information to tailor products and services to their customers. If customers are giving retailers their personal information, they’re expecting their engagement to be richer and offers to be personalized. This gives retailers an opportunity to use information provided by their customers and create a circle of engagement that helps each customer feel valued.
Personalizing the retail experience

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Enabling omni-channel consumers

Canadian consumers are far ahead of retailers when it comes to how they approach the shopping experience. Many customers are displaying omni-channel behaviours already, with shopping journeys crossing any number of channels—from in-store and online to mobile—on the way to making a purchase. For example, 53% of Canadian consumers research household appliances online, while 71% buy them in-store.

Clearly, retailers can no longer separate their customers by channel or think about what products, services and deals they offer through each channel separately. Understanding the unique shopping patterns of customers across all channels and building their understanding into a complete omni-channel experience is critical for retailers.
Customer conversion across channels

Every channel matters. Store traffic matters. Online matters. Mobile matters. By ignoring any particular channel, retailers are missing the potential that channel offers within a customer’s unique shopping journey. More importantly, a disconnect within one channel can create customer confusion and potentially alienate customers before they get to the purchasing stage of their journey.

When it comes to making a profit, the key is customer conversion. Retailers can use every channel to assist with customer conversion, even if the end purchase is typically made through one channel. The more information, access and exposure a potential customer has to a brand or retailer, the more likely that customer will make a purchase.

Retail talent matters

Given access to so many different channels, it’s not surprising that the role of the store is evolving. It’s not simply a place to conduct transactions anymore. For many consumers, it’s the experience of going to the store that matters—from a specialty retailer selling high-end goods to a local coffee shop that has live music on weekends.

Many retail stores in Canada today need to become more than what they’ve been. They should be thinking about evolving into places that provide not only personalization, but insight and experience as well. And as the role of stores evolves, store associates are becoming more important.

Canadian shopping trends

*42% of millennials buy online monthly
*68% made their first online purchase more than three years ago

The main reason for shopping online? 46% say ‘convenience’

<table>
<thead>
<tr>
<th>Top products customers research online</th>
<th>Top products customers purchase online</th>
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</thead>
<tbody>
<tr>
<td>Computer, tablet or mobile</td>
<td>In-store</td>
</tr>
<tr>
<td>66% consumer electronics and computers</td>
<td>51% grocery</td>
</tr>
<tr>
<td>63% books, music, movies and video games</td>
<td>38% furniture and homeware</td>
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<tr>
<td>53% household appliances</td>
<td>36% clothing and footwear</td>
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<tr>
<td>52% books, music, movies and video games</td>
<td>82% do-it-yourself/home improvement</td>
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<tr>
<td>28% consumer electronics and computers</td>
<td>72% furniture and homeware</td>
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<tr>
<td>23% clothing and footwear</td>
<td>71% household appliances</td>
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Enabling customers

When it comes to the shopping journey, retailers need to recognize that the channel a customer starts in might not be the channel where they make their final purchase. If retailers don’t provide the brand experience their customers expect through every channel they offer, customer conversion across channels may fail. Infrastructure to make moves between different channels seamless would be a good start. For example, can retailers provide transparent information about their inventory availability across different channels? If they create effective ways to connect with customers as they move from channel to channel, retailers will be better able to strengthen their relationship with customers and increase customer conversion rates.

Raising awareness of different channels

Often consumers are used to taking the same roads to their destination. As retailers develop new channels and processes to increase their speed and responsiveness to customers, they could contemplate sharing information about their new activities to encourage customers to explore the new routes. Giving customers incentives to explore an omni-channel experience plays a big role. This could mean providing online customers with a unique experience in-store or giving an in-store customer a coupon for something they’ve previously bought online.

Empowering store associates

When it comes to the in-store channel, store associates are a pivotal part of the customer experience. In fact, 40% of Canadian consumers think a knowledgeable sales associate would make their in-store shopping experience better. So it’s crucial for retailers to provide their store associates with information at their fingertips that will let them improve the personal shopping experience of the customers they interact with. Retailers should consider evaluating the tools that help enable their store employees, including mobile devices that allow associates to engage with customers more fully—for example, calling up information on purchases or even sharing information about where an out-of-stock product can be found and facilitating order and home delivery.

Using data to support cross-channel experiences

Retailers can use customer data to facilitate, test, measure and tailor their omni-channel retail initiatives. Within stores, retailers can also use specific metrics to determine what information employees need most and focus their training on those findings to give employees the tools they need to encourage customers to use different channels while in-store.

Moving to an omni-channel approach can take time, effort and significant experimentation. But by harnessing the right data and measuring the right KPIs, retailers can manage their costs during the transition process, as well as stakeholder expectations.

Turning insights into action

Many Canadian retailers lag behind their global counterparts when it comes to creating a full omni-channel experience for their customers. Of those that have tried, many haven’t been able to achieve their objectives. So where to start?
When it comes to operations, many Canadian retailers are bogged down by outdated legacy systems, technologies and organizational structures. These structures aren’t conducive to creating the integrated operational environment needed to support an omni-channel customer experience or to enable the flexible decision making and accountability needed in an ever-evolving business environment.

Canadian retailers need to evaluate how best to organize to turn their omni-channel vision into reality. This means looking at the people, processes, technologies and structures supporting their organizations and making changes that better align with their long-term vision.
Organizing around the customer

When we asked customers what they wanted from retailers, they gave us many insights about supporting an omni-channel experience. Customers want transparent knowledge. In fact, 37% of Canadian consumers said that the ability to check stock at other stores or online quickly would help improve their in-store experience.

Customers also want choice—whether in-store or online. This doesn’t simply refer to products; it also includes how they pay, how they get their products and how simple return options are when they order online. For example, 81% of Canadian consumers said that having a paid-return label provided with shipment was the most important return option for them.

To meet customer demands for personalization and choice while remaining efficient and cost-effective, Canadian retailers might need to adjust their current organizational structure. Rather than focusing on product and channel, retailers should lean more towards enabling the customer experience and measuring their return across channels. This will not be an easy endeavour, as most retailers will need to build new capabilities, upgrade or improve systems and create linkages between what may have been previously siloed customer channels.

Mobile devices as enablers

Here in Canada, mobile devices are still a long way from becoming a significant point-of-purchase tool. While some companies have made inroads into the payment app market, others have failed to achieve traction. Almost two-thirds of Canadian consumers are concerned about having their personal information breached from their mobile phone.

While mobile might not be a significant purchasing mechanism as of yet, it does have a big role to play in retail—both for customers and for employees. On the customer side, retailers need to only look at trends in the 18–24 year-old demographic. This group is already using their mobile phones across all aspects of the shopping journey—from accessing coupons and loyalty cards to making payments. Retailers, especially those targeting this demographic, should be looking for ways to integrate mobile technologies into their product offerings since it’s likely usage will grow exponentially over time.

Some retailers are integrating mobile as a means of enabling their store associates to service customers better—from linking associates to information about customers to giving them a mobile and convenient way to share information and take purchasing information within the store environment.

18–24 year-old consumers use their smartphones/mobile devices to:

- Access store coupons or promotional codes (global—35%)
- Check reviews (global—32%)
- Compare prices with competitors (global—42%)
- Access a digital version of their loyalty or rewards card (global—21%)
- Research products (global—43%)
- Pay for their purchase (global—24%)

30% of millennial shoppers believe their mobile phone will become their main purchasing tool.
Engaging employees
Retail employees matter. Employees often have unique insights into the store experience of customers, something that could be turned into a major advantage. But usually these associates have no way to share that experience with management or people working at other stores. Retailers should consider ways to foster relationships between their staff so that more lessons learned can be shared. Integrating such feedback will go a long way towards better enhancing customers’ experiences during their shopping journeys. Often the practices and digital tools retailers deploy to better engage employees are very similar to those retailers use to engage with their customers.

Embracing technology
Technology is changing so quickly that few retailers can keep up. But when it comes to supporting the customer experience, retailers don’t necessarily need to start from scratch. The idea is to embrace technology and use it as an advantage when looking for key findings that will improve the customer experience. Every day, innovative companies are exploring ways to provide more effective, tailored services to clients. From alternative delivery models to flexible supply chain partners, retailers may be able to embed technology initiatives or work with innovative partners to structure a plan that could help create an integrated experience for their customers.

The Canadian retail imperative
In Canadian retail, the only certain thing is change. Every day, new disruptors, technologies and innovations are changing the game for companies across all retail segments.

Just when retailers think they have it right, it’ll be time to shift their thinking again. As retailers transform into true omni-channel organizations, constantly refocusing on the customer experience and improving, enhancing and integrating all elements of the customer shopping journey will be an important part of their long-term success.

By thinking forward and starting to develop a model where the customer is the main focus, retailers will be more likely to succeed in this ever-changing industry. Waiting to see where the consumer is going is no longer the ideal strategy. Now is the time for retailers to embrace change and create the future they want to provide for their customers, and the Total Retail solution framework provides a means to convert their omni-channel intentions into tangible actions.
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