

Playing to win

Strategies for retailers to survive—and thrive—in the age of digital disruption

Ask anyone about the state of retail today and they're likely to recite a long list of mall merchants and big-box stores being overwhelmed by a handful of eCommerce powerhouses. But if you dig deeper, you'll find many retailers are finding ways to thrive in the age of digital disruption. How? They bolster their relationships with customers by using omni-channel technology—connecting to customers through a handful of channels while they shop or otherwise engage with their brand—to amplify their natural competitive advantages.

The effort starts with creating a shopping experience that minimizes friction and maximizes convenience, saving customers valuable time and frustration. But the most successful retailers go beyond baseline efficiency by promoting the kind of interaction that some internet goliaths and disruptors are not focused on replicating. These merchants offer unique products and services delivered with exceptional end-to-end customer experiences. In the process, they create long-lasting relationships with customers and foster a sense of trust and community.

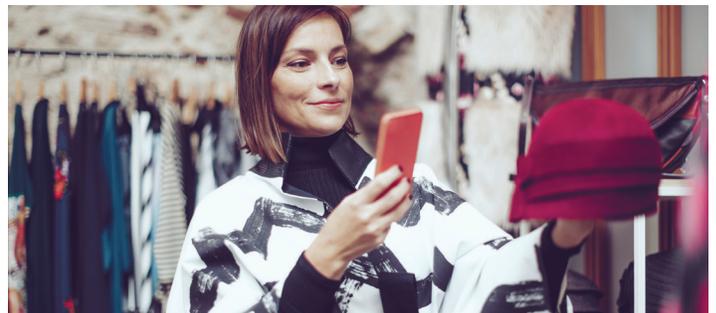
MAKE IT EASY

Successful retailers have perfected the art of removing friction from the customer's purchase journey. When it comes time to buy online or via a mobile device, today's consumers expect one-click purchasing and even invisible payments that are processed automatically through apps or digital wallets. The risks inherent in streamlined payment deterred some companies in the past—but today widely available fraud prevention tools allow merchants of any size to offer one-click purchasing.

Digital is showing its disruptive value in physical retail spaces as well. Click-and-pick up is becoming a popular option, especially for items likely to sell out. In-store shoppers expect the ability to order different colors or sizes of items,

and to be able to pick up the items or have them delivered to their homes. Some retailers have created mobile kiosks—typically payment-enabled tablets situated throughout the store or carried by employees—so customers can check out at their leisure rather than waiting in line for a cashier.

Adding to the opportunity is the rise of mobile phone usage in-store for more than just price comparison. It isn't uncommon to find today's shoppers reading product reviews and sourcing social media for ideas—all creating a new occasion for a retailer to interact with a customer.



MAKE IT PERSONAL

Retailers finding the greatest success are pioneering new ways to personalize the shopping experience of each customer, embracing predictive analytics that leverage known behaviors to anticipate shopper needs. Some retail chains have developed apps that know when customers step into the store and deliver customized offers to their smartphones. Other merchants feature digital rewards programs that are customized to fit the particular preferences of each customer, taking into account their buying history and location. One pharmacy chain developed a personalized service plan that identifies consumers at risk of certain diseases who would benefit from early intervention.

73%

of consumers prefer to do business with brands that use personal information to make their shopping experiences more relevant.¹



64%

of people say that customer experience is more important than price when choosing a brand.³



Meanwhile, consumers are becoming more comfortable with the idea of companies collecting meaningful data: 73 percent of consumers prefer to do business with brands that use personal information to make their shopping experiences more relevant, according to a recent survey.¹

Harnessing data is only the starting point. The merchants that will succeed in the future will distinguish themselves from online giants by honing an image that resonates with particular demographics and psychographics—even with individual customers. For example, savvy retailers target distinct demographics by cultivating different images on various social media platforms.

“It’s hard to beat the multi-brand eCommerce giants at speed, efficiency and breadth,” says Dara Pauker, retail expert, veteran industry strategist and former retail executive. “So winning retailers need to create a compelling look feel and voice that resonates with individual consumers; differentiating their brands will allow them to benefit from the distinctiveness they create.”

BUILD COMMUNITY

Merchants can differentiate themselves by offering environments where the company can hold ongoing conversations with their customers, and customers can hold conversations with one another. Companies of all kinds are fostering trust and building community by offering locally sourced products, and online reviews from verified purchasers also carry weight with smart consumers.

“One designer clothing rental service lets online browsers see the clothes they’re considering on customers who have uploaded photos of themselves,” says Michael Roberts, chief marketing

and digital strategy officer at Bank of America Merchant Services. “Creating community doesn’t just make people feel good: It creates loyalty and drives sales.”

And consumers who feel like they’re part of a community are more likely to become loyal customers. A recent study found that between 55 percent and 70 percent of a retailer’s sales come from its most loyal shoppers.²

CREATE POSITIVE EXPERIENCES

The businesses that thrive in the coming years will be the ones that combine convenience and ease with unique, hard-to-replicate experiences.

“Cold efficiency isn’t always the answer,” says Roberts.

Indeed, 64 percent of people say that customer experience is more important than price when choosing a brand.³ Today’s top retailers are crafting singular customer experiences across all channels and at all stages of the purchasing journey. That means pairing compelling online content with a browsing experience that’s as relevant and pleasurable as possible. It also means harnessing the power of physical spaces. Brick-and-mortar stores offer customers the chance to test out products and engage with knowledgeable sales associates. Retailers are using hands-on, interactive in-store experiences to kindle feelings of discovery and delight.

“There’s an artistic side to retail that can be leveraged to create differentiation,” says Roberts. “The retailers that succeed in the future will pay attention to both efficiency and pleasure, online and in physical spaces, enabling them to counter digital disruption and thrive in an ever more competitive environment.”

For more information on how Bank of America Merchant Services can help you optimize your business and customer experience through integrated payment and eCommerce solutions, call your Bank of America Merchant Services business consultant or 855.833.3614. We’re here to help.

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¹ PSFK Labs, “The Future of Retail 2016.”

² Center for Retail Management, Northwestern University, 2015.

³ Gartner, 2014.

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