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A MONTHLY RECAP OF THE DEVELOPMENTS WITHIN THE OMNICHANNEL ECOSYSTEM

JUNE 2015

ENGAGE THE CUSTOMER

ENABLE THE CUSTOMER

SERVE THE CUSTOMER

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PYMNTS VIEWPOINT

What role should loyalty and rewards play in driving a retailer's omnichannel strategy?

Maybe none at all.

I've been railing on loyalty and rewards programs now for years. In our first annual benchmarking study of payments innovations, as a category, loyalty and those in it, scored among the lowest. From a ROI perspective, there appears to be a lack of association, for most retailers, between loyalty programs and profitable performance. In fact, studies have shown that investing in loyalty programs actually stunts a company's overall profitability.

Sound counterintuitive?

Not when there isn't an accurate way to measure the extent to which investments in loyalty and rewards programs result in the acquisition of incremental sales – or customers – or both. Most seem well suited to subsidizing bargain hunters and/or appealing to those who play the loyalty game to their advantage which only compromises the retailer's bottom line.

What's happened?

Loyalty and rewards are a commodity and consumers are now numb to all of them. Everyone has a deal, a points program, a daily deal, a promo code for "preferred" customers that labels everyone as a preferred customer. Dollars spent by those with the potential to drive incremental volume are treated the very same way as someone who's just looking to cash out and move on. On social media, brands rack up "likes" or followers that never translate into foot traffic in stores or sales online.

It's costless for a consumer to enroll in a loyalty program or "like" a brand. And there are now just so many of them to join! Colloquy says, in its recent report, that Americans hold memberships in some 3.3 billion loyalty programs - 29 per household! But they're loyal to fewer than half of them – 12 to be precise. And that's down about 5 percent from the year prior.

Even credit card rewards, the granddaddy of credit card programs, seem to have lost their luster. Bankrate's recent survey of consumers reports that only 14 percent of Americans view rewards as the incentive that keeps them using their cards. And more than half say that if they disappeared, they'd still use that card. The reason? It's convenient.

So, what's a retailer to do?

Well, break your loyalty to the old loyalty paradigms of the past. We have the technology, the data and the delivery channel (apps + mobile) to enable the delivery of a whole new category and class of loyalty in highly relevant and contextual ways. Tools that can deliver a different outcome – a truly engaged brand advocate. Tools that can help calibrate what that loyalty program should look like for customers, focusing perhaps less on points and promotions and more on the services that create a positive experience for that customer - and a devotion to the brand.

The imperative, of course, in an omnichannel world, is how to do that across devices, platforms and channels.

Thankfully, this month's Tracker will give you a peek inside some of what retail's innovators are doing to deliver on that imperative. It's interesting and, hopefully, insightful as you take your first step to break your loyalty from programs that don't deliver.

Happy Reading!
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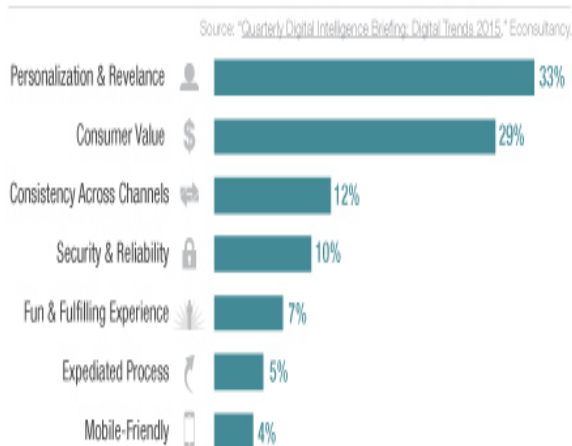
1: ENGAGE THE CUSTOMER

ARE LOYALTY PROGRAMS WORTH THE EFFORT?

[Crucial aspects for customer engagement](#) were presented by Rosetta, an agency focused on customer engagement, and L2 Inc, business intelligence service, on their current publication "Customer Engagement." Key findings are:

- Data and targeting capabilities are a loyalty program's best assets.
- 78 percent of Specialty Retailers, 78 percent of Big Box retailers and 82 percent of U.S.-based Department Stores have some degree of site personalization.
- 41 of 100 retailers offered transactional loyalty programs in 2014, from which more than half are tiered.
- Email marketing is used internationally, however, it has regional specific limitations. Mobile messaging platforms replace or supplement one-on-one communication.

Data Capture: Channels Where Marketers Collect and Integrate Data
March 2015, n=171 Brand Marketers

Web	88%
Email	76%
Mobile Web	66%
Search	54%
CRM	53%
Ad Impressions	42%
Mobile Apps	37%
Point of Sale	22%
Call Center	20%
Kiosk	6%

Source: L2 and Rosetta. Customer Engagement: Targeting, 2015.

A **Targeting: Primary Area of Focus for Improving Customer Experience**
Client-Side Marketers, Worldwide
January 2015, n=2,143

Source: "Quarterly Digital Intelligence Briefing: Digital Trends 2015." Econsultancy.

Personalization & Relevance	33%
Consumer Value	29%
Consistency Across Channels	12%
Security & Reliability	10%
Fun & Fulfilling Experience	7%
Expediated Process	5%
Mobile-Friendly	4%

Source: L2 and Rosetta. Customer Engagement: Targeting, 2015.

LOYALTY AND REWARDS

Starbucks and Spotify have entered a partnership for [linking their rewards programs](#). On one hand, My Starbucks Reward Members will be able to share their music playlist with baristas and Spotify subscribers via the Spotify mobile app whether in-store or on the go. On the other hand, Starbucks will offer Spotify users rewards points to its loyalty program.

American Express launched Plenti. A new [loyalty program that isn´t tied to a single company or credit card issuer](#). After registering at participating merchants via Plenti´s app or Plenti.com, customers will be able to accumulate points through cash or debit/credit card purchases at a number of companies by giving their Plenti account number. Points could be redeemed for discounts on purchases at any participating vendor.

Harvey Nichols has launched a loyalty program where customers will earn one point for every $1 spent in the store with rewards redeemable each quarter. Customers can claim their points by presenting their member ID barcodes or by scanning their receipts using an app on Android or Apple devices.

To allow customers to access their favorite loyalty programs, Apple announced the possibility of adding retail credit cards and loyalty cards to Apple Pay.

Loyalty platform kooma looma and global mobile payment company Onebip partnered to allow Onebip users to accumulate kooma looma loyalty points and redeem them for credit or gift cards to be used on app stores and eCommerce sites, and even for mobile top ups.

Integrating mobile payment with loyalty programs, Global Payments, a worldwide provider of payment technology services, has entered into an agreement with Virtual Next, a mobile-based digital rewards solutions company. The service is provided via a merchant-branded digital payment card that can be loaded into a customer's digital wallet.

GOING SOCIAL

Looking at social media followers as a measure of company performance is increasing among retailers. Despite Michael Kors' share drop, Kors marked an increase in social media following the company´s earning call. "In the fourth quarter, on a year-over-year basis, Facebook followers increased 22 percent, Instagram followers increased 99 percent, Twitter followers increased 46 percent, and Weibo followers increased 120 percent, as consumers around the globe turn to Michael Kors for lifestyle and fashion inspiration."

On Whole Foods' May earnings call, co-CEO John Mackey said that in the quarter, the company "surpassed 4 million followers on Twitter." Another example is the announcement of an increase of 25 percent of Facebook impressions from Old Spice Company on its earning call.

Amazon, the online retail giant has an active presence in social media platforms. According to Social Media Benchmark from eDigitalResearch, Amazon has climbed to the top of the retail social media ranking. This is in part to the introduction in May 2014 of #AmazonBasket which allows Twitter followers to automatically add items to their Amazon account by simply tweeting the hashtag. Six months after the launch of this new payment capability, Amazon's Twitter had added 700,000 new followers to their UK account.

Polistas, a Polo brand, is increasing its digital marketing investments. It has appointed Red Hot Penny to develop its brand awareness via social media, PR and improve its Web performance.

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1: ENGAGE THE CUSTOMER (cont'd)

PERSONALIZATION

A recent study which includes analysis conducted by McKinsey and Company showed that while retailers' loyalty programs increased 10 percent per year during 2008-2012, EBITDA of these companies dropped by 10 percent over a ten year period ending in 2012. One of the reasons mentioned by McKinsey is not investing in their most loyal customers. Omnichannel value propositions implies the development of unique, engaging and highly personalized brand experiences, However this is a difficult task and requires analysis of all activities and search interactions between different channels. Starbucks has had success with its reward program, adding 900,000 new members over n last holiday season. This allows the company to gather useful information about its most loyal customers and use to manage new marketing strategies. This year, Starbucks also launched a mobile payment platform allowing customers to pay and avoid the in-store queues.

DPaschoal, one of the Brazilian leaders in the supply of specialized automobile services, implemented omnicommerce strategy through Keyrus and hybris, two omnichannel omnicommerce solution companies. This strategy accelerates DPaschoal digital commerce growth and personalize customers' needs by enabling brands to have more information about them and interact through multiple channels.

Cloud4Wi, a open Wi-Fi engagement platform, announced Fogsense, the industry's smallest IoT Wi-Fi platform. These platforms allow stores to obtain real time customer data and improve their engagement strategies. Fogsense, a plug-and-play platform that requires no calibration or complicated set-up, provides customer location data and analytics to monitor real time and historical trends including number of first-time and repeat visitors. This platform also enables to push targeted, localized marketing and advertising messages based on business assessment of customers' behavior at their venue. Retailers with a Wi-Fi network can benefit from these services while leveraging their network. Businesses in the Bay Area that signed up for Fog beta saw 56% in repeat visits during an average week.

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2: ENABLE THE CUSTOMER

ENABLING MOBILE PAYMENTS

Mobile, principally triggered by apps, is the fastest growing segment of the retail industry. A ComScore study stays that 60% of online retail occurs via mobile devices and time spent on desktop has decreased. A study by Internet Retailer and data from the Pop platform confirm that this growth is driven principally by apps. The former states that large retailers app revenue ranges from 90 percent to 200 percent, while the latter notes that apps conversion rates are double mobile website ones. Despite these figures, only 18 percent of top 500 UK retailers offer a transactional app. IRUK2015 Mobile and Cross-Channel report mentioned the lack of interesting features as a possible justification.

Diners will be able to pay for the bill at the table without having to wait for the waiter through the Bookatable mobile application via Pay-At-Table technology. This was recently launched by UK online restaurant booking service Bookatable and powered by mobile payment technology providers MyCheck and PayPal.

Zapper has launch its mobile payments app at local establishments in Texas. The app enables diners to pay their bills by scanning a QR code. It also locates nearby restaurants and provides promotions and discounts.

Cloud based NCR Hosted API Platform, which enables diners to pay their bills through a mobile app, was launched by NCR Corporation, a global provider in consumer transaction technologies, in partnership with OpenTable, an app for online restaurant reservations. This will allow customers to pay their bills through the Open Table app.

Net-a-porter, the online luxury fashion retailer, launched a new mobile application through which users will be able to share styles with consumers, designers, brands and style leaders, shop and engage with the brands and find styles seen elsewhere through image recognition technology

Camelot, the UK National Lottery operator, partnered with Barclays to allow players to buy games with their phones through Barclay´s Pingit app.

With more than 60% of its online traffic coming from mobile devices, House of Fraser, a UK mobile and cross-channel retailer, launched a new version of its smartphone app. New features include collecting shopping points, a wish list, barcode scanning and a personalized stock locator.

CinemaxX, in cooperation with Yapital, cross channel payment service provider, enables customers to pay tickets, snacks and drinks by scanning a QR code on Yapital app with their smartphone.

Pinterest has implemented payment capabilities by introducing a buy button, where users don't have to leave its website or app to purchase items. It can be done through Apple Pay or a credit card. The company said it will not charge either consumers or merchants for the service.

Google launched new mobile payment platform Android Pay. Some of the new features included in this new version include: fingerprint authentication and loyalty capabilities. Mobile payments system incorporation of loyalty programs is an improvement from its competitor Apple Pay, where reward cards can't communicate data directly to the merchant's point-of-sale system.

FOR THOSE WHO LIKE USING THEIR MOBILE IN-STORE

Physical stores remain the primary retail touch point for consumers according to the PwC's Annual Global Total Retail Consumer Survey. Guest Wi-Fi, provided by Cloud4Wi, an in-store Wi-Fi service which allows customers to search for products, compare prices, use loyalty rewards, locate stores. It also enables merchants to collect information to improve their marketing strategies.

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3: SERVE THE CUSTOMER

MANAGEMENT

A Study from MasterCard and the European Business Summit on the impact of technology on consumers' shopping behavior and its impact on retailers' activities, says, many merchants change their business models to omnichannel purchasing experience. Some of the figures for the launch of omnichannel solutions are: A rise of smartphone usage in Europe from 41 million in 2007 to 305 million in 2015; 60 percent of people having made at least one mobile online purchase; customers' demand for transactions simplicity with 63 percent researching their shopping online and then proceed to purchase in-store.

The marketplace is now consumer driven, with customers demanding the best selection, pricing and delivery from multiple channels. Retailers and suppliers are making progress in developing their new strategies for success to engage the consumer. A report elaborated by RSR Retails Systems Research and SPS Commerce says more than 96 percent of the industry is lagging and hasn't yet fully implemented their omnichannel strategy.

However, execution of omni-channel strategies is lagging.
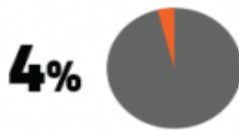
4%

of retailers and suppliers have executed an omni-channel strategy.

Source: RSR Retail Systems Research. Retail Insight: The impact of Omni-Channel Trends for 2014 and Beyond, 2014

NetSuite announced SuiteCommerce InStore, a system that integrates comprehensive omnichannel capabilities into an enterprise-class, mobile-first, point-of-sale (POS) solution. Key features of InStore allow merchants to: engage customers anywhere in the store; search for inventory anywhere in the business, with the possibility of combining different fulfillment options such as cash and carry or ship to home; accept gift receipts at POS, discounts and many other types of transactions; in store purchases of products added to customers' ecommerce carts; and see all customer transaction and visit history.

MTS Development LLC a leading provider of enterprise application software and services, announced the release of a modern Omni channel commerce platform, which includes in-store, web, social media and mobile apps for B2B and B2C. Key features of the platform include: mobile apps, social features, e-commerce web management which reduces the cost of storefront development, retail point of sale with more customer engagement, iPad points of sale; centralization of product data; and a promotion engine.

Arezzo, a leader in shoe and leather goods sales in Brazil, implemented an omnicommerce strategy developed by Keyrus and hybris. The company's new website has improved customer navigation and search performance. Enhanced social network linkage allows customers to receive personalized product information through channels they use. Moreover, certain physical stores will now be equipped with e-Commerce sales tablets.
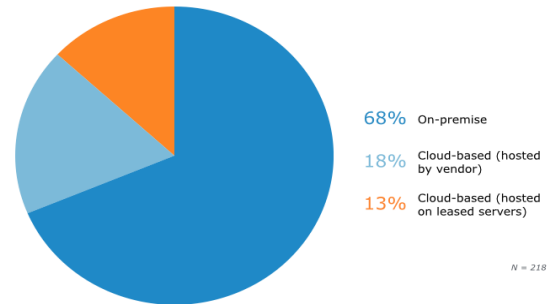
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MANAGEMENT

Fashion retailer Burberry's digital-focused strategy reported good results for the company. The retailer's announced the addition of new social networks—WeChat in China and LINE in Japan, to core presence through Facebook, Twitter and Instagram. Burberry is also investing in customer data and analytics, expanding multichannel services that connect store and online—including in- store service to 200 of its 214 mainline stores; and, a new approach to fulfillment enabling ecommerce offers to be fulfilled in the local distribution center and from stores. Finally, Burberry is improving its mobile site and said it will expand selling through Amazon and Tmall.com.
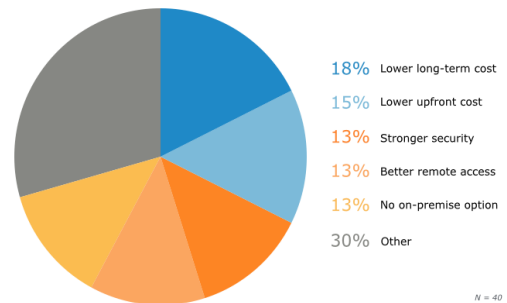
NetSuite announced NetSuite for Android, a cloud business management mobile app which brings full mobile and unified ERP, CRM and ecommerce functionality to Android smartphone users. With NetSuite for Android, executives and their staffs can quickly and easily manage time and expenses, approve sales and purchase orders, create and manage records, access calendar functions and more.

Software Advice conducted a survey of information technology (IT) professionals on help desk software. The study's key findings include: 68% of respondents still use on premise systems; the top three help desk functionalities—ticket management, reporting and analytics tools, and live chat integration. Most improved departmental performance focused on: software problem resolution time; first contact resolution; and, overall productivity of IT staff. Eighty-four percent of companies investing in help desk software plan to increase their investment and 44% of those cite the need for new functionality as the primary reason.

DEPLOYMENT MODELS

68% On-premise
18% Cloud-based (hosted by vendor)
13% Cloud-based (hosted on leased servers)

N = 218

TOP REASONS FOR CHOOSING CLOUD DEPLOYMENT

18% Lower long-term cost
15% Lower upfront cost
13% Stronger security
13% Better remote access
13% No on-premise option
30% Other

N = 40

IMPACT OF HELP DESK SOFTWARE ON DEPARTMENT PERFORMANCE

	Negative	Positive
Software problem resolution time	6%	95%
First-contact resolution	6%	94%
Support staff productivity	6%	93%
Customer/employee satisfaction	7%	92%
Overall uptime of IT resources	9%	91%
Service Level Agreement compliance	9%	91%
Hardware problem resolution time	10%	91%
Anticipation of developing problems	15%	84%
New staff training time	20%	79%

100% 75% 50% 25% 0% 25% 50% 75% 100%

● Very negative ● Negative ● Positive ● Very positive

N = 218

Source: Software Advice. Help Desket Software User View, 2015.

CHECKOUT

Cybersource, owned by Visa, published a study with results implying that protection of customer data is on the top of merchants' concerns. This has motivated a partnership between Verifone and Visa and created the integration of Verifone point of sale technology and merchant payment management platform controlled by Cybersource. The combination of these technologies will provide extra security when making a transaction and potentially decrease data breaches suffered by merchants.

Becoming a digitally led business is one the six pillars of Mothercare's, equipment and clothing for babies and young children, strategy. In it's latest financial results, 36 percent of its online sales were collected in store through click-and-collect services, and mobile represented 82 percent of its online sessions. During this year, online orders from the store rose by 48 percent, principally driven by the introduction of iPads into all of its stores for online orders and a finance package with applications made online through the tablet computer.

ABOUT THIS REPORT

In a retail environment where traditional consumer shopping norms and habits are being disrupted by the rapid adoption of new technologies, retailers are now, more than ever, looking for alternative strategies to ensure the future viability of their businesses. Some merchants are progressively adopting Omnichannel solutions that create a seamless shopping experience for their customers, allowing them to shop for all products and services whenever and wherever they wish. This report will, on a monthly basis, document the moves these progressive retailers are making to enable Omnichannel across three critical lenses:

ENGAGE THE CUSTOMER – strategies merchants are enacting to drive customers into their store or online including loyalty programs, contextually relevant offers, and leveraging data to make relevant product recommendations.

ENABLE THE CUSTOMER – tools merchants are deploying to arm customers with the ability to shop and buy whenever and wherever they want including apps, enabling payment within the app, location-based services, and the ability to shop and fulfill purchases regardless of channel.

SERVE THE CUSTOMER – ways in which merchants are stepping out from behind the counter to deliver enhanced shopping experiences such as mobile-point-of-sale, ability to check inventory in real-time, etc.

The report will also feature industry-spanning research curated by Vantiv, whose solutions help merchants make that transition a bit easier. These insights will help to arm retailers (and those who power them) with data to make smarter decisions when considering various options for enabling Omnichannel commerce.

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