

Rethinking eCommerce Customer Experience: Balancing Flexibility with Sustainable Revenue

PEAK 2023 EDITION





Intro

The retail industry has experienced massive upheaval in the last few years; eCommerce and brick-and-mortar stores have responded with creative survival tactics. Forces that shaped retail during the pandemic also shaped customer experience (CX) — and the impact of those changes remains today.

It's time for a breather; for retail to rethink customer experience in light of how the current state of omnichannel is balanced with long-term revenue. It's time to take stock of where retail and customer experience is at, where it's headed, and how retailers should intentionally shape and craft CX for the future.

In this ebook, we invite you to explore these issues and encourage you to take leadership in creating CX that supports growth. It's time to shift from being reactive to being responsive, out of survival mode into the realm of hopeful possibility again — now is the time to be strategic about the future of retail.

Where We Are Now

Prior to the pandemic, most retailers were on a fairly even-paced digital transformation journey, moving toward omnichannel solutions — navigating the required tech and operational changes. Traditional retailers were up against newer eCommerce competitors and worked to retain market share. Many retailers were harnessing the benefits of physical and digital storefronts.

Amazon was the standard setter for eCommerce customer experience: with omnichannel order fulfillment, two-day shipping, easy returns, and the determination to increasingly cater to customer's personal preferences.

The pandemic closed brick-and-mortar doors and propelled retailers to fast forward their digital transformation. Suddenly, eCommerce fulfillment and store fulfillment options (like curbside pickup) were survival methods to not only keep the business open, but to keep customers supplied with goods. Retailers were innovative in meeting customer needs while navigating health and safety concerns and regulations.

Fast forward to today:

Customers expect an unprecedented amount of flexibility and eCommerce fulfillment options. Retailers were willing to sacrifice margin to survive the pandemic; now they must evaluate how sustainable the current definition of customer experience is. There are multiple factors to consider:

- **Customer expectations infinitely expand.** For all the talk about customer expectations exponentially rising, retailers establish those expectations by what they offer customers. Customers will want the best experience they've ever had from every retailer, and they easily churn if they have a poor experience. Retailers can feel trapped into continuing to deliver on every expectation and feel pressured to keep expanding CX or risk losing customers.
- **Pressures and costs are rising, too.** Supply chain disruptions, inflation, labor strikes, and high transportation costs remain challenging. Operational costs continue to rise, while customers are seeking discounts and deals to stretch their budgets. Retailers are hard pressed to determine where they can cut costs, improve efficiency, and sustain revenue without damaging CX.
- **Retail employees are overburdened.** The pandemic and ensuing labor shortages have created a retail workforce that is exhausted, overworked, and overburdened. Multiple store fulfillment options and CX promises of fast delivery have required employees to wear numerous hats. Increasing omnichannel solutions without adding staff is an untenable situation.
- **Automation is promising and humans are still required.** Automation is easing the burden of an understaffed workforce in eCommerce fulfillment operations. However, while some eCommerce fulfillment operations may become nearly or entirely automated, human oversight and judgment are still required to ensure the customer experience journey remains smooth and holistic across every touchpoint. Machines can perform faster and with less error than humans; but they cannot provide the connection and human insight that is necessary in building customer relationships.

Retailers need to rethink customer experience — from the macro level to the micro level. While improving CX is a perennial task, determining what elements of CX are truly necessary to delight and maintain customer loyalty is essential if retailers are going to remain viable in their markets.



How Flexible Should Retailers Be?

Revenue sustains business. Customer experience drives or detracts from revenue. The two are intertwined. Changing customer experience is how you steer positive revenue growth. If you open multiple stores, offer more products, or the lowest prices — without a positive customer experience, revenue will suffer. People buy from brands that meet their needs and provide a positive experience. This is not new, and this will not change.

The question is: with all the flexibility in channels, fulfillment, product, payment, shipping, and returns that retailers have pushed out as ways to remain viable in a stressed environment — how long can they maintain those options while sustaining revenue?

Retailers need to evaluate where they need to steer customer experience to stay relevant, viable, and profitable. Is it time to scale back flexibility to help ensure profitability?

If your current path is not tenable, how can you change customer experience so that it doesn't damage customer retention?

Implement Parameters on CX

The idea that retailers can scale back or redefine CX feels risky; the stakes are high. But perpetuating CX that does not grow revenue is even riskier. To understand how to change CX, let's take a closer look at it.

It all comes down to relationship. Customer experience at its core is simply how a brand's relationship to customers makes the customer feel. While brands are not human, they are made up of humans, run by them, and relate to customers with human-like qualities. Customers judge CX by a couple of overarching factors: how the brand makes them feel overall and by any specific incident of highly good or any single bad experience. Customers relate to brands just like they relate to humans: by feeling an affinity for someone's overall personality and how they feel in their presence; then growing our fondness by how they delight us or, contrarily, withdrawing our affection. A negative first impression is usually enough to turn them away for good.



Loyalty is built over time through consistent experience. Customers that develop loyalty with favorite brands may be more forgiving of irregular mistakes or a few poor experiences; customers that don't really know a brand generally have little tolerance and will switch to a competitor. But even loyal customers have CX lines they feel brands cannot cross — and will churn if the offense is intolerable.

What is key to remember is that customers, by nature, seek what is best for them and filter every experience through that lens. It's subjective, but there are some common denominators: convenience, right pricing, predictable delivery, clear communication, minimal friction in the buying process, transparency, and respect.

Customers do not care how retailers go about delivering on these; just that they do.

Retailers have room to reshape the customer experience journey if they meet these core expectations.

Set realistic expectations for customers.

Customers do not go about their days pondering what expectations they should have of retailers. Retailers set the expectations by the choices, service, and policies they offer. The peer pressure factor comes into play when other retailers raise the standard and customers then expect your brand to do the same. If retailers meet the core CX values, they can create a more individualized brand experience.

The important thing is to set realistic expectations for customers. Honesty and transparency matter and carry weight. If your brand cannot offer two-day shipping guarantees, be clear about what you can offer and consistently meet those requirements. Customers do not get disappointed when they know what to expect and you meet those expectations.

Ensure clear, friendly communication.

As in any relationship where trust matters, good communication plays a vital role. Clearly stating policies, being open about realistic shipping and delivery timelines, making everything clear, easy to understand, and obvious will let customers know what to expect. How you communicate with customers is more important than what you communicate. Relaying information in a friendly, approachable manner will go a long way toward winning and keeping goodwill. Customers empathize with brands that are wrestling through change. In the pandemic, we saw many retailers outright ask customers to please be patient with longer wait times, social distancing, staff shortages, etc. How you engage people will influence their willingness to alter their expectations and accept a new reality.

Redo your rewards program to give customers choices.

Amazon originally created new industry standards with their two-day shipping — but that only came to customers willing to pay an annual subscription to Amazon Prime. Consider overhauling your membership/rewards program so that currently free benefits become premium benefits offered to participating customers — this allows you to offset the costs of eCommerce fulfillment operations via membership dues. And it gives customers the choice to pay to continue the same experience they are used to.



The following are ways retailers may reshape CX to better safeguard revenue.

Do not surprise customers at checkout.

In eCommerce and in brick-and-mortar, every CX standard should be well-communicated long before the customer gets to checkout. This means shipping and delivery costs and timeframes, product availability, and return policies are made obvious before the customer adds to cart. Customers are making purchase decisions based on these factors, so let them know what they can expect. This is a solid CX best practice that clearly sets expectations and makes it easier to incorporate new or updated policies in a transparent manner.

Set realistic shipping and delivery times.

During the pandemic, customers became accustomed to longer waiting periods; they now consider three-to-four-day order delivery times reasonable. You can give them the choice to pay for faster shipping or require a certain basket size to qualify for free shipping. Again, what matters most is that you set realistic delivery timelines, keep the customer notified during the shipping process, and consistently meet those timelines.

Compensate for more limited return policies.

Reverse logistics is costly. Many retailers are rescinding free returns and charging restocking fees. Others are putting tighter timelines on return eligibility. If you are going to make returns riskier for customers, it's important to increase their confidence in their purchases. Add more customer reviews with images and video. Provide more detailed product information so they can be more certain they are buying the right item, size, etc. Implement virtual reality try-ons and experiences. And offer free returns in your rewards program.

Limit payment options.

Many retailers feel they need to offer every possible payment solution, including credit cards, multiple wallets, and buy now pay later solutions. Too many options are overwhelming for customers. Be selective in the payment solutions you provide and limit to those that will best support your business. Most customers have multiple methods to pay for purchases and will simply choose the one that is available to them.

Optimize eCommerce fulfillment options.

You do not need to offer every fulfillment option available. Consider which eCommerce fulfillment options make the most sense for your business size, staffing, operational costs, and the way customers typically shop with you. How much is curbside delivery costing your business compared to the revenue it's bringing in? Pickup in store may be a better option, given that most customers that come in to pick up online orders buy additional items while in the store. Focus on select fulfillment options and optimize those. Creating a consistent, reliable fulfillment experience builds trust. If you need support for managing multiple eCommerce fulfillment options, consider a 3PL fulfillment or outsourced eCommerce fulfillment partner.

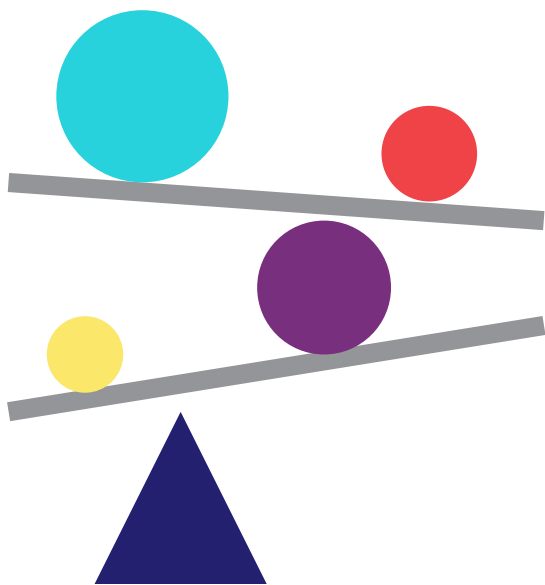
Make customer care easy.

If you are modifying your customer experience to be more restrictive, the one area you should keep free and easy is customer care. Certain retailers are going so far as to charge customers to talk to a customer care agent, likely to deflect calls toward self-service options. But customer service is the one place where customer loyalty is won back or lost forever. Customers that contact your service desk likely already have a problem, are frustrated, have not had a positive experience (whether because the item did not fit their needs or was broken), and are looking to be treated with respect, empathy, kindness, fairness, and care. Do not skimp out on your customer care experience.

Use Real-time Data for Continuous Improvement

We highly recommend that retailers base their changes in customer experience on reliable data; and that they use real-time data for continuous adjustment and improvement. Integrated data systems that deliver multiple touchpoints on inventory visibility, order management, and customer analytics will give clear insight into how changes are impacting revenue.

It's important to work with your IT department to understand your tech stack and the tools and data that are available to modify CX. While some policies like eliminating free returns may come in one broad swoop, others may be made in increments, evaluated for their impact, and continuously adjusted. Trusted data should inform all CX decision making.



Balance the Risks

Reining in customer experience under new parameters is risky. It's less so if you take a human, caring approach and communicate the changes in a positive way. There will always be some customers that churn because the new policies do not meet their needs. But if you continue to deliver great customer experiences, set clear expectations up front, communicate with empathy and honesty, and focus on the positive benefits to customers, it will be an easier adjustment for everyone.



Get Support From Radial

Radial partners with retailers to offer a broad range of order fulfillment services, eCommerce transportation management, omnichannel technology, payment solutions and customer care. We can support you in evaluating your customer experience to see where changes can best support profitability while meeting customer expectations.

Talk to us today.

About Radial

Radial is the pre-eminent B2C eCommerce fulfillment solution provider powering some of the world's best customer experiences. Global brands have trusted us for 30+ years to help them deliver a distinctive consumer experience through tailored, personalized, and scalable solutions. We partner with clients across Europe and North America with technologies such as advanced order management and omnichannel, payment and fraud management, and customer care services. Learn about our solutions at radial.com.



© 2023 Radial, Inc. All rights reserved.
Radial and its logo are trademarks of Radial, Inc.