

WHAT'S REALLY CHANGED IN RETAIL?

# 3 Shifts in Consumer Values Retailers Can No Longer Ignore



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Consumers have significantly adjusted their shopping behaviors in response to the continuously evolving global pandemic. Retailers were quick to respond, putting new technology in place and adopting third-party partners that could help them reach customers safely at home. In adapting to consumers' need to stay at home, retailers reinforced a customer experience based almost entirely on technology.

### COVID-19 pushes consumers to embrace technology in all aspects of life



**Online shopping** +32.4% year-over-year increase in online retail sales in 2020



**Home delivery** +10% year-over-year increase in food delivery orders and an 18% increase in order size in December 2020



**Remote work** +62% of workers with a bachelor's degree or more education say their work can be done from home



**Telemedicine** 46% of consumers use telehealth to replace canceled health care visits



**Remote learning** 1.2 billion children in 186 countries shifted online



**Streaming entertainment** Global streaming subscriptions rise to 1 billion

Inspiration infographic from McKinsey





**Retailers are realizing the Band-Aids put on during the height of the pandemic are not sustainable going forward. We are not reacting to a set of trends — this is now a new set of behaviors we all must accommodate.”**

**Anne Mezzenga**, Co-Founder, Omni Talk blog

Brands that got technology right during the pandemic won over consumers because they could deliver a positive digital interactions to their customers. Brands such as Target (+20% stores and digital channels), Home Depot (+25%) and Walmart (+79% e-commerce sales) experienced significant year-over-year gains throughout the pandemic. But as these temporary trends shift into permanent changes, retailers must sort out which changes are here to stay and adapt accordingly.

“A retailer or brand’s customer experience has always been expressed in a combination of physical manifestation of the store, human service design elements and technology decisions,” said Chris Walton, co-founder of Red Archer Retail and former Target executive. “When done well, these three things act in concert like a seamless piece of fabric. But COVID put uneven pressure on some aspects of that expression over others, causing retailers to lean heavily on the technology aspect so customers could shop safely.”

All three of these elements will stand the test of time, Walton explained, but retailers and brands need to experiment and adjust with each to see what’s going to support their customers and business models the best.



## Customer experience touch points post-COVID-19

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### Physical store

- Convenient location
  - Safe and welcoming layout
  - Flexible shipping and fulfillment options
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### Human service design elements

- Timely and friendly service
  - Fast problem resolutions
  - Focus on reverse logistics
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### Technology decisions

- Personalized content and offers
- Real-time inventory data
- Seamless omnichannel experiences

What's the best way forward for a retailer that wants to come out on top in the post-COVID-19 landscape? Designing all three of these factors around the needs of today's consumer. Here are three considerations to help better understand how today's retail consumer has shifted:



**“COVID-19 accelerated the adoption of digital e-commerce, mobile shopping, and last mile delivery. It reshaped last-mile logistics. But it didn’t change the fact that customers want retailers to provide speedy answers and resolutions across multiple channels of communication.”**

**Matt Sanders**, Vice President of Business Development at Ubiquity



SHIFT #1:

## How people receive their goods moves to front of the funnel



One of the most dramatic changes introduced by the pandemic is the demand for outside-the-store shopping options. Unable to shop in-store, many customers tried alternative fulfillment options for the first time, including e-commerce; buy online, pick up in store (BOPUS); and curbside pickup:

**+\$105B** **E-commerce sales** +\$105 billion to U.S. e-commerce in 2020

**+208%** **Buy online, pick up in store (BOPUS)** +208% growth in BOPUS in U.S. during pandemic

**+28%** **Curbside pickup** +28% year-over-year growth between February 2019 and February 2020

While these statistics are impressive, they represent only one side of the story. Yes, the overall volume of customers shopping via these fulfillment models increased. But the fulfillment option also moved to earlier in the buying experience. Experts observed a shift wherein previously customers began a shopping journey based on where a product was (they arrive in the store and see what's in stock), but now begin their shopping journey with the method

of fulfillment (they place an order via app or online and see which products they can get on which timeline).

For example, Walton pointed out that the homepage of the Walmart shopping app no longer leads with the CTA “What are you shopping for?” but rather: “Do you want online order, delivery or pickup?”

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### **Customer behavior before**

- Choose shopping location
- Arrive and identify products that are in stock to choose product

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### **Customer behavior after**

- Choose timeline of need for product as well as preferred delivery or pickup method (same-day delivery, 1- or 2-hour delivery, pickup, etc.)
- Choose shopping location
- Choose product

This shift in the order of how customers choose where to shop and what to buy shows what a different role stores play today. Customers no longer lead with their preferred products and retail brands, or if they do, it's with the consideration of when and how





they can receive those products. The technology used to identify those products, including real-time inventory information and accurate shipping and delivery options, is paramount.

“From a convenience perspective, the role of the physical store is different than ever before,” Walton said. “The growth of online challenged retailers and brands to think about consumer experience and touch points in different ways, and now how people want their goods is front and center of the funnel and purchase process. And there’s a whole different user journey and user flow based on how people are shopping.”



**“Convenience is paramount for every customer, but the definition of convenience is different for every customer — and it’s definitely not just speed. The first consideration customers have today is the ability to access a product when and where they want to access it.”**

**Anne Mezzenga**, Co-Founder, Omni Talk blog



## SHIFT #2:

# Reverse logistics are more important (and must be more human) than ever

The location of fulfillment is not the only part of the consumer experience that's in flux. By necessity, technology plays a starring role in directing customers to the most convenient location and timeline for procuring the products they want. A consumer's first, second and sometimes entire impression of a brand comes from how a retailer's website or app facilitates the purchase. In many circumstances, the only 1-to-1 or personal interaction a consumer might have is if a problem arises or they complete a return.

Walton noted that this is especially important because e-commerce transactions come with a higher rate of requests for returns and refunds. So as retailers do more business via e-commerce, customers will go through the returns experience more frequently. And because those experiences will make up a higher percentage of their interaction with a brand, those experiences had better be excellent.







**“Post-COVID-19, brands must provide a more personalized customer experience. Knowing why a customer is contacting you before speaking to them, whether that’s a new purchase, order status, suggestions for items to purchase, is central to your ability to provide a positive experience.”**

**Matt Sanders**, Vice President of Business Development at Ubiquity

“The human element is more exclusive and elusive today, which means it’s going to be a massive differentiator whenever it comes up,” Walton said. “Whereas it used to be a pre-purchase activity that took place in-store with a sales associate, it’s moved to being a post-purchase activity. The digital touch points and human touch points along that journey are important parts of the customer experience, which we’re seeing in the rise of reverse logistics experience providers like Happy Returns.”

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### **Customer behavior before**

- Interact with **salesperson** to select products
- Interact with **cashier** to make purchase
- Interact with **customer support** to make return

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### **Customer behavior after**

- Interact with **website** to select products
- Interact with **website** to make purchase
- Interact with **customer support** to make return

### SHIFT #3:

## Outsourcing customer service can help retailers focus on what they do best

Customer service is often considered an organic part of being in service to the public, part and parcel with stocking a store and processing checkout. But as retail footprints grow and options to outsource retail operations proliferate, it's increasingly common for retailers to reconsider whether customer service is a valuable use of resources and personnel. When it can be done at a high level of quality and consistency, outsourcing customer support can allow retailers to create greater customer value and efficiency.

“For some retailers, outsourcing customer service is a similar consideration as outsourcing grocery delivery,” said Anne Mezzenga, co-founder of the Omni Talk blog. “Many retailers have realized they are not tech companies and they stand the most to gain by continuing to outsource delivery and fulfillment to partners like Instacart and DoorDash. If outsourcing your customer support allows you to lean into your differentiators, that’s a smart move.”



**Anne Mezzenga emphasizes that, by far, the biggest risk to retailers was delivering poor experiences because they’re trying to be a technology company and they’re not. It’s far better to assess the tactics or partners that will allow a retailer to deliver the best experience and outsource to them so they can focus on what truly differentiates their brand in the eyes of customers.**



**Empower customer service agents to solve customer's issues, avoid transferring calls, and reduce the need for follow-ups."**

**Matt Sanders**, Vice President of Business Development at Ubiquity



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For example, Walton considers Starbucks' prescient experimentation with pickup-only stores before the pandemic, which allowed the brand to seamlessly roll out the experience in record time once the pandemic struck. Through careful experimentation, Starbucks identified that a seamless experience of ordering and receiving coffee was a much more important part of its brand identity than the 1-to-1 process of placing an order and interacting with the barista. For another coffee brand, perhaps one with community-focused values, this might not have been the right call, but it worked for Starbucks.

"For Starbucks, this was a technology-based way of outsourcing the customer experience," Walton said. "Customers still get the experience of a personalized coffee order, but Starbucks is able to cut down on labor costs because it can get away with one person running checkout and three people fulfilling mobile orders rather than three people running checkout."

Matt Sanders, Vice President of Business Development at Ubiquity, points out that cost has always been a driver for outsourcing. But COVID-19 has accelerated the pressure on that driver by creating a labor shortage in retail- and support-focused roles. By outsourcing, retailers operate more efficiently and get more productivity out of staff, especially as a result of the business continuity that comes from multiple centers that stay active in the event of a shutdown.

# Meeting customers where they are with experiences they want

COVID-19 may have changed how customers hold their power, but it hasn't changed the fact that customers hold it. And as customers shift shopping behaviors toward technology-mediated online and mobile means, the customer experience has adjusted with it.

Retailers that want to deliver the most supportive and high-quality experience possible — and benefit from the high levels of customer loyalty, NPS and basket size that come with that — must adjust to these changes by building or outsourcing an innovative and integrated approach to CX.

“Retailers have a chance to make a real contribution to the customer experience based on the technology and partners they use,” Walton said. “Instead of spending time and energy on out-of-stocks or customer phone calls and other concerns that are more efficiently done with technology and partners, retailers can free their on-site staff to be more empowered and find greater purpose in serving customers in-store.”







# Revisiting the shifts

## SHIFT #1

### **Delivery priorities move to front of funnel**

Customers no longer always lead with their preferred products, brands, or retail stores. Those priorities are often secondary to fulfillment details such as delivery methods and timelines, shifting shift customer journeys. Service technologies become critical for identifying products in demand, supplying real-time inventory information, and offering accurate delivery options.

## SHIFT #2

### **Reverse logistics becomes more human**

As retailers do more business via e-commerce, customers will go through return experiences more frequently. And because those experiences will make up a higher percentage of their interaction with a brand, those experiences had better be excellent. Knowing why customers are contacting you before speaking with them is one way to create positive brand experiences.

## SHIFT #3

### **Support specifics turn liabilities to opportunities**

As retail footprints grow and options to outsource retail operations proliferate, it's increasingly common for retailers to reconsider whether customer service is a valuable use of resources and personnel. When CX is performed at high levels of quality, adaptability, and consistency, outsourced customer support creates greater customer value—and efficiency—for any retailer.

## SHIFT YOUR FOCUS

### **Superior customer experiences build loyalty**

The stakes are high in building customer loyalty, NPS, satisfaction ratings, and basket size in retail and e-commerce. Retailers that want to deliver the most supportive and high-quality experience possible must adjust to shifting customer expectations by building or outsourcing an innovative and integrated approach to achieving superior customer experiences.



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