WAVESTONE

PHYSICAL SALES NETWORKS IN THE DIGITAL ERA

CHANGE OR DIE

www.wavestone.com

Wavestone is a consulting firm, created from the merger of Solucom and Kurt Salmon's European Business (excluding retails and consumer goods outside of France).

Wavestone's mission is to enlighten and guide their clients in their most critical decisions, drawing on functional, sectoral and technological expertise.

With 2500 employees across four continents, the firm is counted amongst the lead players in European independent consulting, and number one in France.

In the last ten years or so, there has been a string of bankruptcies and many large chain stores have disappeared from the high street: Virgin, Surcouf in France, Woolworth in the USA... This does not include the alarming news we regularly hear regarding the state of health of certain retail brands. In other sectors (banking, telecoms) we are also seeing a major rationalisation of their offices.

Is the accelerating digitisation of customer service sounding the death knell for physical networks?

No, because at the same time the flagship stores of iconic brands are not empty e.g. the Apple Stores. The brands with a strong distribution network are investing massively in digital in-store technologies (terminals, sales tablets, etc.).

To ensure that this commitment to human contact endures, new business models are being created, providing added value to customers, sales staff and companies. A radical transformation in sales is necessary. This transformation embraces the omni-channel customer service, the attitude of sales staff and teleconsultants, the organisation of sales space, the working tools and the associated business model, etc.

We brought together some twenty professionals from different sectors (banking, insurance, transport, telecoms, and retail) to evaluate the changes that have to be made. In particular, we exchanged views based on the testimony of Isabelle Delon, director of the SNCF* Voyages customer relations transformation programme, who has witnessed how her company is now implementing this transformation at the stations, in shops and in customer relation centres (CRCs).

This publication is the result of the discussions with our clients and of the work Wavestone is doing to achieve this transformation.

Happy reading!

ISABELLE CHAPIS,
Wavestone Associate Director

AUTHORS

ISABELLE CHAPIS

Holding a diploma from the ENSEEIHT, and with over 20 years' experience, Isabelle is associate director at Wavestone. She assists key accounts in defining and implementing their marketing strategies and in preparing digital transformation plans.

isabelle.chapis@wavestone.com

PATRICK DURAND

With almost 15 years of experience in consulting, Patrick Durand is manager in the Wavestone financial services department. He advises clients in the insurance sector, particularly with customer service and other marketing issues.

patrick.durand@wavestone.com

CHRISTINE BRENEY

Holding a diploma from the Lyon Management Institute, a post-graduate degree in Strategy and Management, and having almost 30 years' experience in change organisation and implementation, Christine is associate director at Wavestone. She assists key accounts in successfully implementing their transformation projects in the field of customer service.

christine.breney@wavestone.com

We would like to thank all our clients who have enriched our view on this subject

SALES MODELS
OVERTURNED BY THE DIGITAL ERA

The rise in the power of the web is turning organisations upside down at all levels and is making it necessary for companies to adjust their customer service strategies. These changes are sparking debateson the development ofsales: what are the factors contributing to this transformation? Is there still a place for physical points of sale in customer service? What are the current challenges for the physical networks?

THE ADVENT OF CUSTOMER EXPERIENCE

To preserve their market shares and encourage customer loyalty, the big brands are seeking to offer a personalised customer experience.

More and more of them are in fact offering a unique service based on their knowledge and understanding of the customer, of his / her profile, as well as his / her needs and expectations, thus defining a specific relational style.

We see new models emerging, models based on peer-to-peer recommendations (I buy what my friends are buying) and recommendations among people with the same profile.

The big brands are implementing this model by enabling their online customers to evaluate their products, which gives them a level of credibility based on their purchase frequency.

This is the case on the Sephora[1] or Amazon site, which has a whole array of voluntary testers. Because the facts are simple: a product, even if poorly rated, sells better than a product that is not rated at all.

[1] *Sephora is a French brand of shops specialised in perfumes and cosmetic.*

[2] *The French group La Poste practices various activities, including notably banking and postal services.*

A NEW COMPETITIVE BALANCE

The arrival of new market entrants breaking with classic distribution networks is upsetting the competitive balance. For some, not necessarily low cost, there may be no physical point of sale: the customer relationship may have been replaced and the opportunities for human contact may have been reduced.

The impact of this development varies across the sectors. In the supermarket chains, for example, the arrival of the « drive » has stopped the rise of the hard discounters and the race to low prices, with the attraction of being provided with a tailored service: the consumer saves time by controlling the whole process from home, at a price that is identical to that charged in the shops.

Faced with more demanding and better informed customers, sales staff are adjusting their stance. Customer spaces are now being structured according to the customer's requirements, and no longer according to product or service lines. For example, the Group La Poste[2] counters differ according to whether you come to collect a parcel or conduct a financial transaction. Simple operations (buying stamps or weighing an envelope) can be carried out at a terminal.

M-COMMERCE AND THE DEVELOPMENT OF THE MULTI-CHANNEL

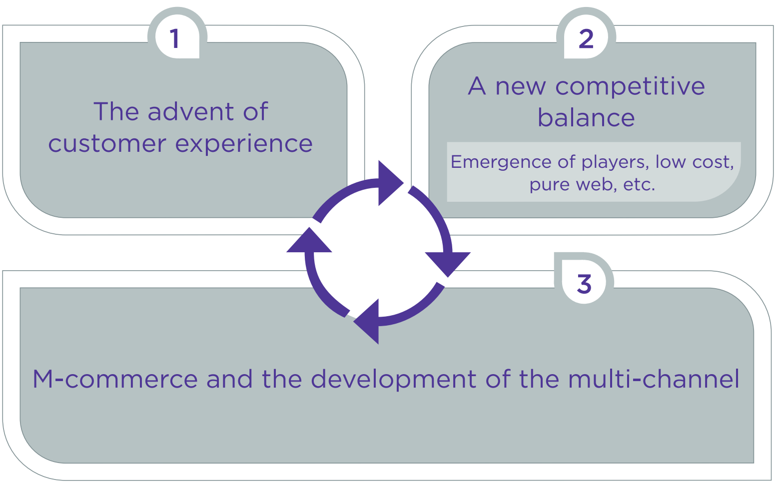
Today the mobile enables you to buy products but it supports above all the continuity of customer service. Tablets and smartphones provide a bridge between two worlds; the customer finds on his / her smartphone the offer received by email, or the product he / she wants because he / she has placed it in the basket on the application. The customer wants a complementary and seamless experience.

COULD THE POINT OF SALE DISAPPEAR?

Faced with an economically complex equation, irrespective of their context, all the big brands are asking questions about the role of their physical network in their sales organisation.

In insurance new online distribution models are not yet replacing traditional models. Online insurance sales still only represent 3% of the insurance market.

The overturning of sales models



In telecoms, the arrival of Free as the fourth mobile operator in France, without a physical sales network, has forced the other operators to launch their own online brands and has resulted in lower margins for Bouygues and SFR*.

However, there is always a place for the physical network, but it must be redesigned to provide the brand experience which the company wants to give to its customers. As demonstrated by the Wavestone / OpinionWay survey, 55% of on-line banking customers would like to have a branch or facility close to their home.

The strategies differ according to the sectors, but in all cases the companies integrate this approach into the overall strategy of the company whilst training their employees (not just sales staff) to become real ambassadors of the brand.

The stakes are high not only in terms of brand image but also from a purely economic point of view.

* *Bouygues, SFR and Orange are the main telecoms operators in France.*

« However, there is always a place for the physical network, but it must be redesigned to provide the brand experience which the company wants to give its customers »

THE OMNI-CHANNEL CONCEPT:
THE KEY TO CUSTOMER SERVICE

Today people no longer enter a shop just to buy a product. The reasons are numerous and vary from the need of advice to customer support, or the expression of customer dissatisfaction. Customer service must therefore adapt to new customer behaviours.

At the point of sale, the customer is looking for elements that meet his / her requirements – not necessarily through a physical interaction. We are witnessing a multiplication of self-service information terminals and demonstration areas. In telephony stores you can handle your future telephone or tap away on a mini computer in your high-tech store.

On the other hand, when the customer needs a salesperson he / she expects in return a relevant, "tailor-made" response which enables his / her request to be handled in the sales area.

Three major challenges must be taken into consideration for customer service at the point of sale:

- **Responding to the various needs of the customer,** using different resources with a clear understanding of each of the approaches.
- **Knowing how to adapt the human interaction quickly** to the needs of the customer.
- **Exploiting this interaction to the maximum** to sell or at least enhance the customer's relationship with the brand.

ESTABLISHING A COHERENT MULTI-CHANNEL AND EFFECTIVE CROSS-CHANNEL PROCESS

The customer is not segmented, and nothing annoys him / her more than to have relational experiences that are inconsistent from one channel to another. It is difficult for the customer to understand, for example, why, at the point of sale, the sales staff or advisers do not have the correct level of information on what the brand is doing on the web, or why the we band physical channels are totally disjointed.

Examples of this distinction are still very common: e.g. the impossibility of having a human interaction if it is needed on the web channel, the inability to exchange in a store an order placed on the web, etc.

The different channels must no longer compete with each other but must complement each other, each playing its role where it is most effective. The intervention of a remote adviser in click-to-chat or click-to-call at the right moment in an Internet customer sup- port session enables the sales closure rates to be significantly increased. Similarly, an interactive area (terminals, web access, etc.) that is well positioned at a point of sale may be useful to the customer while waiting.

And if it is not yet possible (mainly for budgetary reasons) to fully embrace a complementary approach, it is essential for the channels to be designed to work in harmony. Unfortunately there are many brands that still forget these basic rules.

CONSIDERING CUSTOMER SERVICE AS A WHOLE

Customer service in store is no longer linear. The classic scenario where a customer enters a shop without any information and leaves after having been advised, is undermined. The service must now take into account the new characteristics of the customer.

/ **The customer is well informed:** the customer does his / her research on the web and makes comparisons.

/ **The customer is connected** and even at the point of sale may have interactions with the outside. With his or her mobile the customer can find, on a comparison site, a review of the product he / she is looking at.

/ **The customer is social** and shares his / her experience on social networks (particularly if it is negative).

This may result in the redesign of the point of sale. The entire web to store services clearly illustrate this revival. McDonald's experience with its "Go Mac Do" is another example: select, order and pay (which were previously done in the restaurant) are now done via the mobile app. The point of sale is now only a meal collection point.

Is the point of sale itself devalued because of this? No, not in the case of interest to us. The customers are served in a dedicated queue which gives the feeling of preferential treatment. The delivery of the service at the point of sale may be the subject of special attention in order to "protect" this relationship with the brand. Some brands also benefit from this to provide the customer with useful gifts or exclusive invitations. Again, the objective is to enhance the human part of the relationship.

Finally, let us not forget Mc Donald's considerable interest in having delinearised its service. The use of the mobile app enables it to capture customer information (name, address, means of payment, consumption habits, etc.) which is of particular interest to its CRM, which has had limited information so far, from anonymous customers in restaurants.

MULTI-CHANNEL, CROSS-CHANNEL, OMNI-CHANNEL:

THE WORDS TO EXPRESS THE CONCEPT!

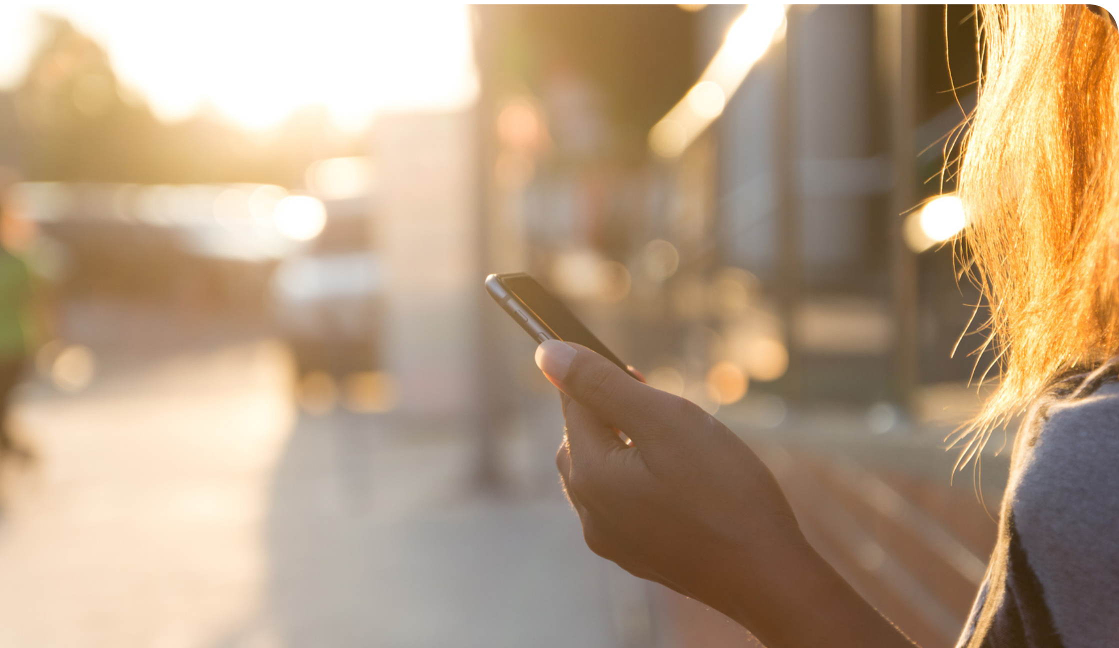
The words “multi-channel” are on the lips of everyone to highlight the multiplication of sales and customer service channels. However, at this stage the channels still remain mutually competitive.

The “cross-channel” characterises the experience of a customer who makes combined use of multiple channels for the same purchase (an online configuration, then a purchase in a shop, for example), which requires an alignment and complementarity of the channels.

At our event dedicated to the topic the participants spoke above all of the “omni-channel” customer who wants to interact through the channels of his/her choice, in a fluid, practical manner, sometimes even simultaneously (the mobile in a shop, or the tablet on the couch in front of the television). This is a trend that remains to be studied in banking, where only 10% of customers consider that they are able to start a transaction on one channel, continue it on another channel and complete it on a final channel (ref. 3rd section of the survey of banking conducted by Wavestone in partnership with OpinionWay and devoted to the multi-channel).

PHYGITAL COMMERCE:
A REVOLUTION IN POINTS OF SALE

Phygital commerce is the positioning of the online offering of the company in its physical sales network. The standards of the modern point of sale are moving in this direction. For example, textile brands have equipped themselves with connected touch-sensitive mirrors providing the customers with the possibility of taking a photograph of themselves while trying on clothes and also asking the opinion of their friends live on Twitter. For the companies, satisfying customer expectations implies a differentiation challenge, particularly from low cost competitors who very rarely invest in points of sale. It is through innovation that the store will guarantee its role at the heart of the purchasing process.



MODIFYING THE ORGANISATION OF POINTS OF SALE

The point of sale will have to reorganise itself to define the different areas according to the needs of the customer:

/ **Reception and information** information (taking into account the management of waiting time);

/ **Information and experimentation kiosks** (often with free access terminals);

/ **Sales and advice desk:** the new service positions require user-friendly areas that encourage listening to and exchanging information with the customer.

In most cases these facilities will include the digital-in-store concept: the sales and advice desk is being digitised, from the equipment used by the sales staff to the store furniture.

The point of sale will also have to adapt its opening hours to the expectations of a clientele used to Internet shopping because it suits their own availability and not that of the brand. Banks are particularly affected here: according to the OpinionWay / Wavestone study, 51% of customers want extended, more flexible opening hours.

PHYSICAL POINT OF SALES: INCARNATION OF THE INTERNET OFFER OF THE BRAND

The design of points of sale must facilitate the complementary nature of physical / digital and organise the rebounds and interactions between the two worlds.

It must be possible to initiate the purchase either on-line or at a point of sale equally. Whilst some retail or high-tech chains are tending towards this ideal, the process is still in its infancy in sectors such as insurance, banking or even transport. With a phygital approach, the interactive terminal plays an important role, offering competitions, photomontages, product scans (additional information) and external interactions. So many features that encourage the customers to interact with the brand and its products. As for the point of sale, it receives opinions, collects the qualified opt-in* (particularly if the customer presents his / her loyalty card), and is therefore able to generate additional revenue.

Finally, let us not forget that all objects in the store (hangers, boxes, etc.) can be connected to a single RFID chip. A true digitisation of the point of sale and a genuine cross-channel.

**Opt-in refers to the customer email addresses and the customer's agreement to receive emails.*

ARE SALES STAFF STILL NEEDED?

At these highly digitised points of sale equipped with terminals to which all the equipment is connected and where the customer can make his / her purchase from start to finish, does the salesperson still have his / her place? In the presence of an expert customer who has obtained all his / her information through social networks and has consulted forums, what role do sales staff still play? It is in the affirmation of the service position that there are possible answers to these questions.

BACK TO LISTENING TO THE CLIENT'S NEEDS

It is in the dialogue with the customer that the salesperson will find the source of his / her added value: providing additional information, providing advice to help the customer better assess his / her choices and priorities or sell additional services the customer had not thought of.

A second element lies in the once and done concept*. The customer understands that the person facing him / her cannot be an expert in everything.

On the other hand, he / she may have the feeling that his / her question is being dealt with and that the advice staff are using all the resources in the store to deal with the question. If the customer has made the trip, the sales person must enable him or her to tackle the problem.

The « once and done » concept is illustrated in different ways: assisting the customer during the first stages of implementation, offering him / her all the additional services he / she might need to make optimum use of the service or product (an installation for his or her equipment, a taxi for the journey, etc.), place the order for the customer on the website if the product is not in store (to save the client having to do this at home... or providing an opportunity for the customer to order on a competitor website).

ASSISTING WITH THE TRANSFORMATION

This evolution of missions and sales activities requires a major support. Here are the three pillars of this support:

1. Development of skills

Training is required but is not sufficient alone since we are talking about positions, relational practices and the spirit of service. The employee must be able to rely on tools which help him or her focus on good practice; he or she must be able to exchange views continuously with coaches or advisors to help in their learning.

2. Support of managers

Faced with the challenges of sales transformation, the managers and supervisors are often those most affected by the transformation. They must feel at ease with the new positions so that they are better able to support their teams. The training and support effort must therefore relate as much to the managers as to the employees.

*The once and done approach involves dealing with all the questions a customer has, altogether at the point of contact

3. Add value differently

In these new service positions the criteria for evaluating performance must evolve. This is not necessarily the number of customers dealt with in an hour, but customer satisfaction, the average customer basket, the sale of additional services, customer loyalty, the collection of customer information (email address, opt-in), etc.

All the performance measurement systems must evolve if they are to support the new service positions.

> « This development of sales skills and tasks requires a great deal of support. »

ADAPTING TO THE NEW PATTERNS OF CONSUMPTION

TESTIMONY

Looking ahead to 2020, SNCF (French national railway company) anticipates a 50% reduction in sales at the station ticket counters and shops. In this context it must rethink the role of its 1,300 points of sale and 4,600 sales staff. How has this transformation programme been designed and rolled out?

Isabelle Delon, Director of the customer relationship transformation programme, outlines the approach.

TESTIMONY OF ISABELLE DELON (SNCF)

Transforming our sales and service networks

This programme responds to a strong need arising from the increase in power of the digital customer relationship with voyages-sncf.com, which has become the primary retail website in France, and to an increase in competition in terms of modes of transport and methods of distribution.

In particular, the development of what is called "door- to-door" poses a tough challenge in terms of controlling the customer relationship before, during and after the journey.

Launched in 2011, it has been integrated since September 2013 within a stronger strategic framework (and also a new requirement level): the Excellence 2020 business project, presented by Guillaume Pépy (SCNF Chief Executive Officer).

Industrial personalisation: 10 million times "my trip"!

The "Voyages" sales staff make 40 million customer contacts a year. The main challenge is to reconcile customisation with industrialisation of the customer relationship.

Although the economic challenges form part of the equation, bearing in mind the continuous reduction in the use of the physical sales network, our intention is to enhance the latter and construct the network of tomorrow with the sales force of today.

The real challenge of this transformation is to leverage the value of the human network and give it a new dimension to the service of customer preferences.

We have therefore established, step by step, a genuine network strategy so that we can enhance it more effectively, rethink its role, its dimensions and implementation. We have conducted a segmentation of the latter by differentiating the levels of service according to customer volumes and challenges.

This new network strategy represents a true break with tradition: in its design, because the principle of differentiating the services may go against the public service culture very much anchored in the company; in the terms used, because when we talk of SNCF network we are talking largely about the transport network.

It also reveals new functions for the company, such as those of marketing the distribution network or marketing the customer relationship.

** In the transport sector the "door-to-door" concept relates to complete transport package offers from the point of departure of the passenger to his or her place of destination, often including different means of transport, and even accommodation.*

The 4 pillars of the programme

1 **An enrichment of the customer experience** which reaffirms the multi-channel as a real commercial asset and which is translated firstly into a promise, then into a commitment..

2 **A professional ambition** which extends the mission of sales to the customer relationship and refocuses the sales staff on consultation and added value sales with the aim of combining commercial performance and customer satisfaction.

3 **Dimensioning and modernising** the network with renovated, welcoming, simple, efficient points of sale which carry SNCF brand image in a coherent fashion; it is without doubt a transformation of spaces, but also one of skills and positions.

4 **Rethinking and modernising the sales tools** using the best of the new technologies and moving towards the multi-channel; in the long term with a new terminal which is no longer limited to the issue of tickets and mobile sales tools. Our objective: to have sales tools as efficient as those of the customer; for example we have homogenised navigation on the website and the sales tool.

A dual benefit pathway for the customers and employees

The project pathway is punctuated by bearings. These represent the road map and are intended to establish tangible benefits, not only for the customers but also for the employees. It embodies the customer / employee "symmetry of attention" that is confirmed and sought.

The managers are clearly players in the change process and act through information sharing and mobilisation seminars. Thus each operational team has cooperated to build its own project, with leeway to adapt it to the point of sale and its characteristics.

It has been implemented very quickly, with pilot sites, not only to test the evolutions but also to lead the change progressively.

« This new network strategy represents a real break with tradition »

Initially we conducted many experiments, for example in order to establish the reception and information functions or test solutions for the management of waiting times, without this affecting the different areas

We also have complete pilot sites in which the different areas, customer service, skills and tools of the agents have been totally transformed. The first two were the Paris-Magenta shop and the sales area at Montpellier station.

CONTINUOUS IMPROVEMENT AT THE HEART OF STRATEGY DEPLOYMENT

The implementation of the new concept is progressive, depending on site projects or the opportunities for the release of retail space.

The new appointment booking service, at the station and in the shop, which was launched in mid 2012, has been a quick success and has enabled the change in the service offered by the agents to be implemented and satisfy customers, at a constant payroll cost. It has already been deployed at over 200 points of sale.

Today, our key projects focus on our IT systems and our tools to improve our customer knowledge, to modernise the sales tools and our self-service terminals.

In terms of experience feedback, four points are particularly important:

1. The priority given to developing the services and practices independently of the renovation programmes.

2. The importance of supporting the managers so that they are "comfortable" with supporting their teams.

3. The thinking behind the develop- ment of skills: training is necessary but not sufficient as we are talking about positions, practices and the spirit of service. We established a mentoring system aimed at the peer-to-peer transfer of skills.

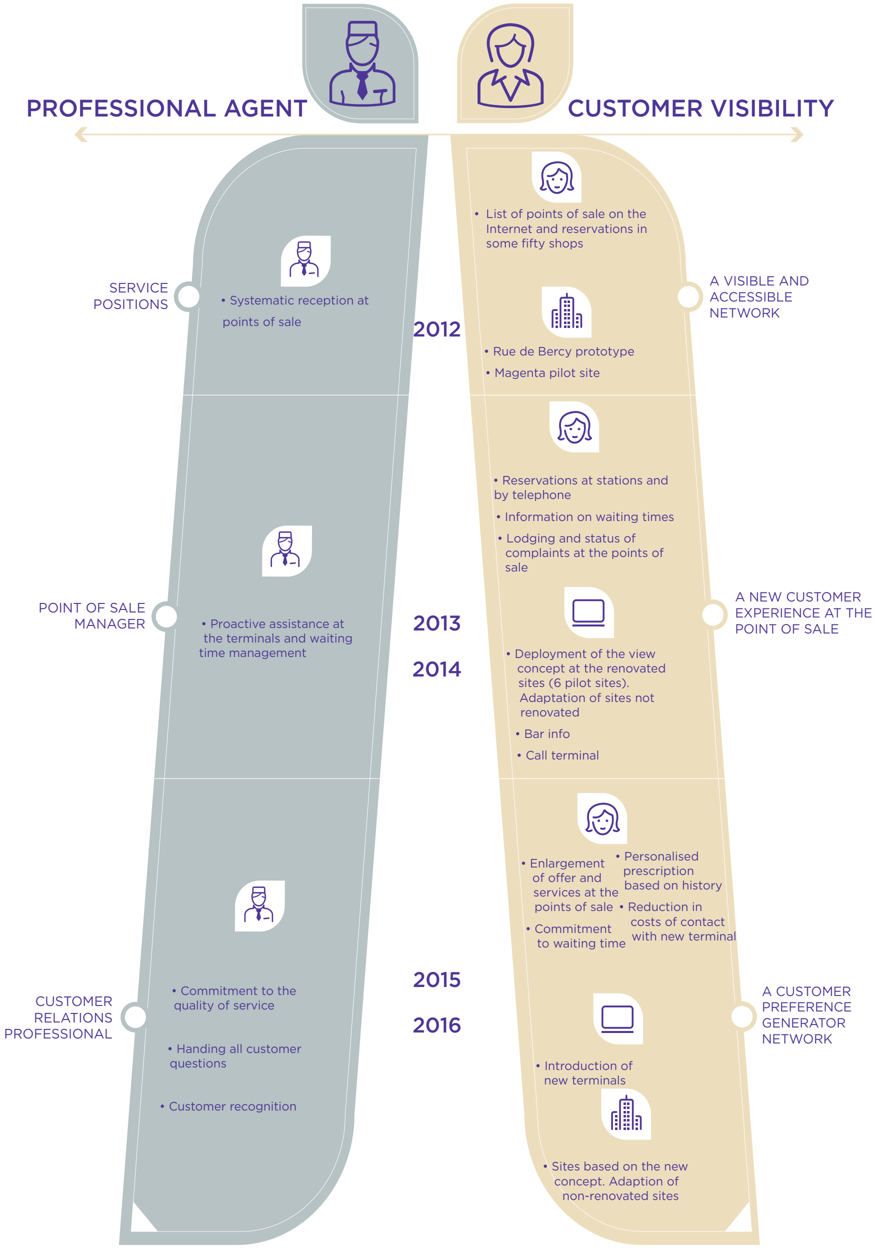
4. The need to align all the promotion, stimulation and recognition systems for the new goals. For this purpose we have reviewed our sales promotion methods in order to respond to developments in service sales.

We have also conducted a major project to overhaul the variable remuneration of sales staff in order to introduce both a more qualitative and more collective elements.

Finally, the transformation has also focussed on the "head of the network"! The sales management has therefore changed its name, becoming the Commercial Network Management.

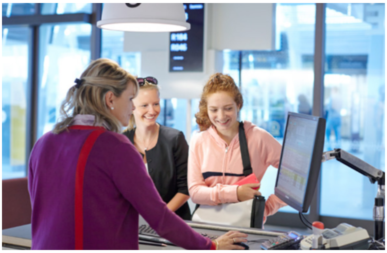
AIn addition to this change of name, there has been a true evolution of our mission, the way we monitor our activity and performance, our methods of working with marketing and the IT System Departement. In short, it is a necessary evolution in service and skills for us too.

A necessary waiting time symmetry



SNCF : The transformation of sales areas in images

Express Area Gare Montpellier



Express Area Paris-Magenta

Reception and waiting time management desk

Station waiting area

Dynamic tablets and screens

Sales consultation area

Self-service terminals

MAKING YOUR IT SYSTEM DIGITAL READY TO ACCEPT A CRM AND REDESIGNED SALESTOOLS

Within the framework of sales transformation projects, the IT system must facilitate sales actions in-store, capture a maximum of information on customer behaviour, or even allow a smooth passage from the physical world to the digital world... Very ambitious for an IT system which is not always agile and which must be transformed around 3 priority projects.

CONCEIVING THE IT SYSTEM FOR THE CROSS-CHANNEL

The challenge is to create an architecture that is sufficiently flexible to receive all the current and future interaction channels transparently and quickly: telephone, web, mobile, Email, letter, of course, but also chat, interactive terminal, social networks etc. and future networks. For example, the conditions must be created for rapid, urbanised integration of tools that enable the mail or chat channel (Akio Eptica, E.piphany, etc.) to be managed, together with interaction with the IT system and the multi-channel interactions.

Among other things, this involves creating a mediation layer that allows access, via all the channels, to common services (e.g.: process manager and business rules, electronic document management, records of contacts, etc.), particularly on all the advanced web marketing functions such as retargeting and social media.

DEFINING THE SOURCING STRATEGY

Large multifunction software packages as cornerstones, use innovative software for functionalities that have not yet attained an industrial scale, ad-hoc developments: so many open choices about which there is not much consensus currently and from which it is difficult to establish general rules. Nevertheless, experience shows that the more the IT system is urbanised within a multi-channel approach, following the logic presented in the diagram presented on page 29, the easier it is to test and integrate new software components, some of which may become “disposable”.

RETHINKING THE CRM FOR A 360° CUSTOMER VISION

Enriching and exploiting customer knowledge

Having a standardised customer data repository, incorporating management data, data on the life of the channels and additional marketing data, is obviously the target. However, this repository must be constructed in stages, starting with the existing repository, and progressively enriching it with the essential data resulting from the digital activity of the customer, particularly the data relating to the customer’s interactions at the point of sale and his / her principal actions in the digital channel.

Managing the rebound campaign

This refers to the capacity to transmit useful information to the outbound channels in order to trigger appropriate actions. To achieve this it is necessary, in particular, to supply, in the course of time, the datamart (database) used for targeting, to measure commercial pressure, to detect the value added events and to measure the performance of the actions carried out.

DEVELOPING THE NEW VENDOR TOOLS

It is becoming commonplace to equip the sales staff with tablets. Experience shows extremely tangible benefits to both customers and store chains.

The brand BUT* has recently equipped its sales teams with tablets to enable the customers to view a real-time digital catalogue that illustrates all the products, their availability and their prices. These tablets also provide the sales staff with the possibility of recording the sale and putting it through the till directly, without the customer having to go to the till.

The same trend is being seen in the banking sector: the bank Crédit Agricole Ile-de-France, for example, has deployed almost 2,800 tablets so that it can offer its customers extended services by strengthening the proximity between the customers and their advisers.

Even more recently the bank Société Générale has announced the launch of a huge programme extending over 3 years, named « Digit for all », to accelerate its digital transformation, in particular by implementing new tools in branch.

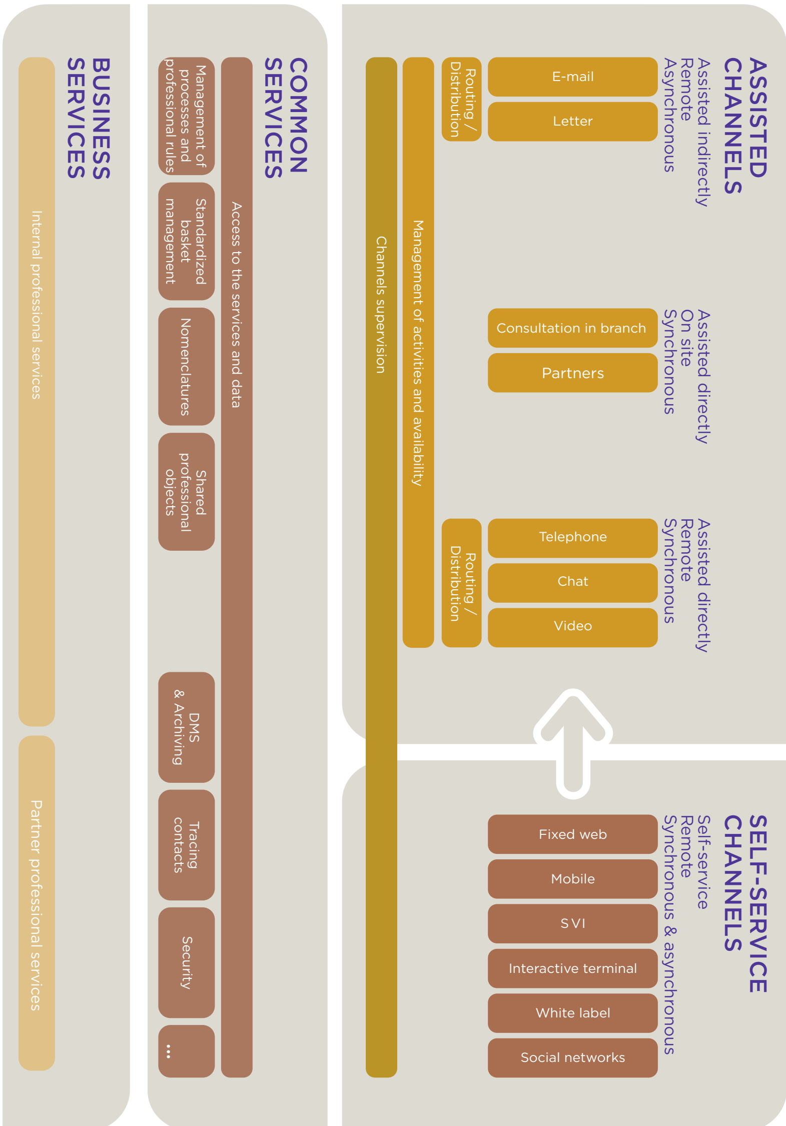
** BUT is a French brand specialised in domestic equipment (furnishing, household appliances, etc.).*

ABOVE ALL A GOOD CRM!

At the Wavestone client event the CRM was at the heart of the debates rather than the tablets or the use of the augmented reality at the point of sale!

In fact, the CRM which gives a 360° customer vision, a single customer file which centralises the entire history of the customer interactions in all the channels, and which enables the customers to be segmented and qualified, is priority n°1.

URBANISATION OF THE IT SYSTEM FOR A MULTI-CHANNEL APPROACH



MANAGING THE CONTRIBUTION OF THE POINTS OF SALES FOR MORE PERFORMANCE

In many cases passing through a point of sale is only a stage in what has become a multi-channel customer journey. It has been assigned new tasks and has become a "store experience" conveying the brand image and services rather than just a transaction point. Considering these developments, the performance management of the physical network must enable not only the contribution of this channel to be measured as part of the overall performance of all customer services, but also to measure beyond sales the relative performance and the contribution to the customer experience.

INCORPORATING GOVERNANCE OF THE PHYSICAL CHANNEL IN MULTI-CHANNEL GOVERNANCE

Companies must now organise systems for managing their relationships on three levels:

1. **Management of the multi-channel strategy** in order to respond, in particular, to the need to allocate resources and investments. It establishes the initial objectives between channels, efficiency targets (productivity, quality, etc.), commercial performance and enables the company to anticipate developments in the medium-term.

2. **Monitoring of transversal customer experience:** only a regular review of key customer experiences allows a measurement of the contribution of each channel, including the physical channel, to sales, customer satisfaction and customer loyalty. This review must enable customer behavior to be analysed and, depending on their value or expectations, it must enable the services offered and associated services to be adapted to ensure higher performance and greater satisfaction.

3. **Adapting channel indicators to the tasks of each of them** and making sure that here is consistency between them in order to guarantee the performance of the overall system.

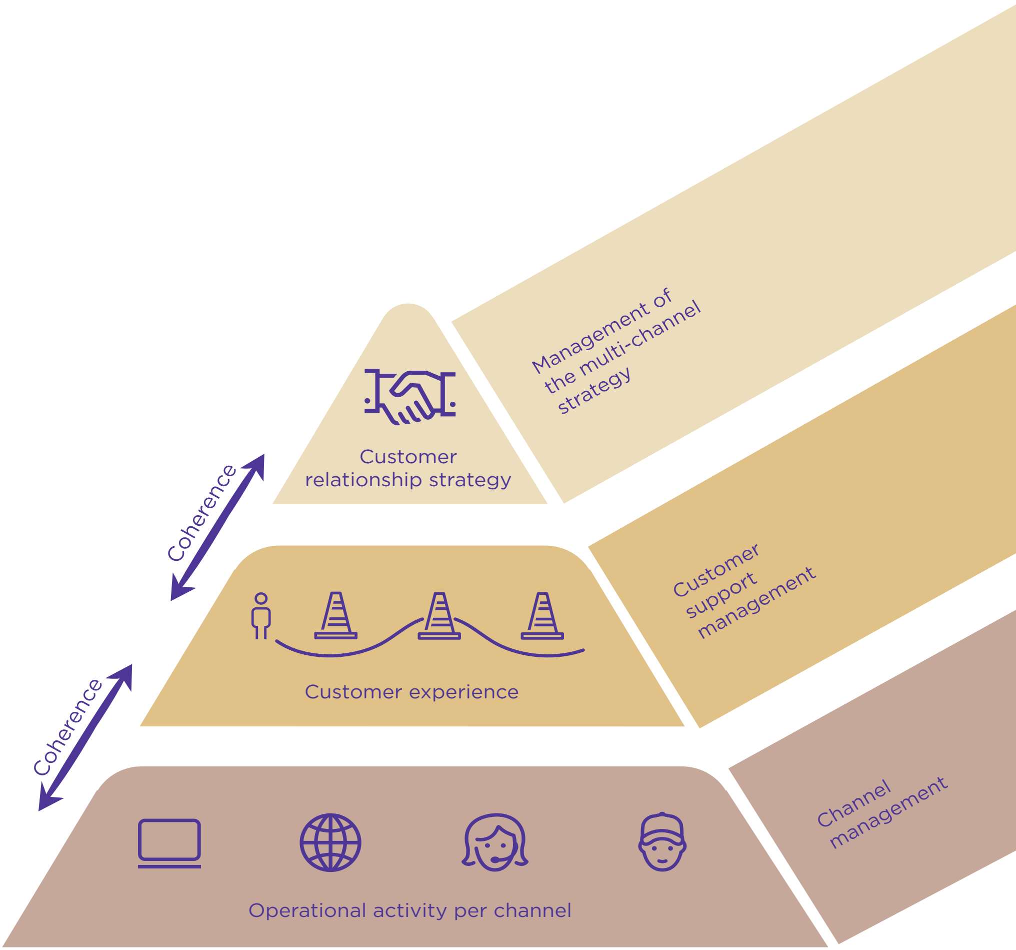
These new methods of management require anew governance, establishing cross-sector bodies to integrate the people responsible for the different channels, as well as establishing marketing, quality assurance and after-sales functions. The appointment of "carriers" of the different customer services, with cross functional responsibility on all the channels, is also a key challenge to the efficiency of this new governance.

MAKING PERCEIVED QUALITY A NEW KEY PERFORMANCE INDICATOR

Similarly, the measurement and control of individual channels must also be adapted. The physical points of sale must now take into account the customer experience challenges. This involves a precise measurement of the quality produced (conformance with the customer care standards) which can be measured by mystery shopper visits, but most importantly of the quality perceived by the customer.

The implementation of heat measurement tools for measuring the quality of the experience as encountered by the customer is one of the key points of these new approaches. It provides precise indicators for determining the contribution of the physical channel to customer satisfaction, as well as a powerful tool for management and improvement of the practices of employees in contact with the customers.

Controlling the contribution of differents



Initial inter-channel relationship strategy, economic modeling

- Economic and commercial performance
- Transformation path
- Allocation of resources and investments

Multi-channel business plan / Control panel / Multi-channel path

Contribution of customer services to the performance of the customer relationship

- Customer : perceived quality, irritants...
- Company : efficiency, desired quality, differentiation, commercial performance
- Relationship : FO maturity, practices, management...

Service performance control panel

Efficiency of relationships channels

- Operational efficiency per channel (accessibility, productivity, quality produced, rate of transformation, perceived quality...)
- Coherence of the channels
- Dimensioning, skills management

Specific channel supervision tools

IS THERE A BUSINESS MODEL BEHIND PHYGITAL COMMERCE?

Generally speaking the business cases around the digital environment are often difficult to establish in advance. These are breakthrough applications which are difficult to predict. Phygital commerce is no exception to this rule. Moreover, in this case the ROIs are "locked in" by a significant increase in investment due to the equipment to be deployed at numerous customer reception points (tablets, terminals, redesigned spaces, training of sales staff / advisers, etc.).

DIRECT GAINS THAT ARE NOT ALWAYS EASY TO PINPOINT

Besides the qualitative gains (image, innovation, meeting customer expectations, etc.), what quantitative gains may be derived from this investment?

- **An increase in traffic at the points of sale / outlets,**
- **An increase in sales per customer visiting the physical point of sale,**
- **An increase in sales / frequency of use of on-line devices,**
- **An increase in customer loyalty / reduced customer churn*.**

The response appears to be positive on some of these points. The companies which have invested in phygital commerce for over a year are beginning to experience positive feedback and are seeing some notable gains.

Several banks have carried out experiments with tablets in their conversations with the customer. This one-to-one conversation enables the needs of the customer to be diagnosed in greater detail, with a more personalised response in real-time in a financial consultation. Having tested this, the banks are projecting an increase of at least 5% in the portfolio of offers subscribed to in the sample of customers who have had these types of conversations.

Another example: a large retail brand which has installed control terminals alongside electron beams and household appliances has seenanincrease of almost 8% inon-line annual orders from customers who have used this function.

THE COST OF DOING NOTHING

The question of ROI can be considered in another way. What would happen if the investment was not made? Some chains have estimated that approximately 10 to 15% of customers who returned to their point of sale only did so to visualise products that they had identified on the Internet and that they intended to buy on-line once they had examined the products at the point of sale. And not necessarily on the website of the chain visited. Securing purchases from these volatile customers as they pass through the point of sale is therefore becoming a turnover preservation issue. For example, these retail chains have equipped the sales staff with tablets in order to initiate the ordering process with the customer on their own website as soon as the dialogue with the customer begins.

** The term churn refers to the loss of clientele / subscribers.*

AN OPPORTUNITY FOR NEW BUSINESS MODELS?

New business models, adapted to the digital world, have emerged in recent years:

/ **Free for data** (Facebook user profiles).

/ **Freemium,** which includes a free basic service and a complete service being subject to payment (Spotify, Linked In, Skype...).

/ **Micro-payment, affiliation** (Groupon, eBay...).

Can these models be transposed to physical points of sale? Can the web inspire phygital commerce? It would seem that some companies are beginning to consider this.

Let us quote a few initiatives:

/ **Preferential prices** for the customers who come to conduct a detailed diagnosis at the point of sale / branch, this diagnosis providing the opportunity to collect precious high quality data. In the era of Big data, rewarding the customer who enables the database to be enriched will become common practice.

/ **After-sales service extending** over a longer period when the product is purchased in store.

/ **Subscription** to benefit from promotional offers available in store just as on on-line sites.

Although these initiatives are still tentative and cautious so as to not overly destabilize

the physical distribution model, they are nevertheless of interest and show the desire of the companies to turn phygital commerce into a marketing innovation tool, even with a physical network.

KEY PERFORMANCE INDICATORS TO BE MONITORED

It is clear that establishing a reliable business plan for phygital commerce remains a challenging exercise.

To help overcome this challenge, companies which succeed in phygital commerce have relied upon two powerful levers:

/ **Conducting cutting edge experiments at several points of sale.** To be relevant these experiments must ensure the reception and customer relationship staff are active and involved in the preparation and conducting of the experiments (this has been a key factor to the success of SNCF, the French national railway company). On the other hand, it is important to make the most of these experiments in order to enrich the KPIs as the basis for the future business case.

/ **Significantly increasing the resources for establishing indicators and the analysis of the resulting data.** These indicators must link the physical and digital (profile of the customers who enter the store, profile of their Internet consumption, Internet feedback after their visit to the point of sale, etc.). The resources for collecting these data must be made available beforehand. In fact, too many companies start the experimentation, and even the deployment, with considerable gaps in terms of measuring tools. Yet it is evident that the means to refine the business case and make it more robust will come from an analysis of these KPIs.

HOW TO IMPLEMENT TRANSFORMATION?

Trois principes doivent guider la mise en œuvre d'un programme de transformation de la vente.

LISTENING TO THE SALES FORCES AND EXPLAINING THE PROCESS

Leading change (rather than assisting in it) requires more than just a communication and training plan.

With sales network transformations the impact on sales careers are numerous: new spaces, certainly, but also new equipments and hence new activities, new tasks, new services, etc.

As part of the sales transformation of SNCF, consideration is given first of all to the impact on the careers of the sales force and shop managers. However, the various players in the remote customer service are also affected. They pass from two different activities (direct line for the front office telephone and customer service for complaints by letter or email) to a unified multimedia remote customer relationship, front and back-office.

This focus on people is reflected in devices which go beyond a conventional communication on a project, too often descending and mono-channel:

1. **Repeat listening devices** which enable weak signals to be strengthened and fears, constraints and "hearsay" to be reduced (taking great care not to bring them in competition in terms of the relationship with the organisations and bodies representing the staff).

2. **Exchange and sharing devices** which support questions / answers: it is by questioning that people pass from a knowledge of the project to an understanding of it, then to membership. These may take the form of presentation meetings in small groups, corporate social networks, etc.

3. **Time to step back and reflect:** for example, by presenting bench-marks, as well as the testimony of other companies confronted with similar challenges.

This investment in time and resources is required to share the need to change with the people affected and provide the vision for target to be reached and the path chosen (which gives meaning to the change).

Defining and announcing the tactical set-up quickly helps to promote confidence in success with concrete, visible landmarks.

These landmarks may be expressed in the form of a benefit pathway, demonstrating the symmetry of outward attention (customers) of course, but also inward attention (the agents).

> « Leading change (rather than assisting in it) requires more than just a communication and training plan. »

It is a question of communicating the vision and conveying a sense of "win-win" internally, which mobilises the entire company.

As for digitizing the point of sale, emphasis will be placed on optimising flows in-store, empowering customers, enriching the customer experience and enhancing the role of the salesperson.

THE SOCIAL MANAGEMENT OF CHANGE: "MORE FEAR THAN EVIL"!

The shadow of conflict hovers over every manager in a transformation program of this type. Moreover, the question of management of "social" change was obviously discussed during the Workshop, resulting in three key actions

/ Anticipation is the best approach. The earlier the social partners are integrated, the better the change will be experienced;

/ The task of presenting the project to the IRPs enables the messages to be clarified and the effects of the project to be enhanced;

/ The sales force, the most affected group, is generally a driver of the project rather a constraint on change.

RELYING ON THE MANAGERS AND SUPPORTING THEM

For a sustainable performance, defining an organisational target is not enough. It is also necessary to act on the managerial capacities:

/ **Focus the management on the strategic priorities:** objectives, target customers, key offers, etc.

/ **Define the key points of controlling targeted performance:** alignment of the objectives and performance indicators to the strategic options taken; alignment of the measures adopted for continuous monitoring and improvement...

/ **Re-examine the management principles and practices:** the major responsibilities, the management bodies, decision-making, cross-functional coordination.

/ **Finally, develop managerial agility** so that adjustments to changes in the environment can be made constantly.

Managerial teams are the first ambassadors of the project and are the essential relays to the teams: their presentations and their actions are factors that deter- mine the commitment of the teams to change. And the management line is not always the last to brake!

Specifically, managers must be given adequate resources bearing in mind their overall lack of time:

/ **Systematically give head starts to the management** so that they can anticipate the key stages.

/ **Equip the managers** so that they become real project managers in the field.

/ **Provide room for manoeuvre:** give latitude in the application around well-defined variables. Ensure that the actions of communication, mobilisation and training are conducted within the framework of events already planned by the management: team meetings, seminars, visits.

« The managerial teams are the first ambassadors of the project and the essential channels to the teams »

THE CHANGE BEGINS WITH THE PROJECT!

The composition of focus or decision-making groups (project manager, project committee, steering committee), and of the governing bodies of the project, already provide the opportunity to involve, mobilise and design the process collaboratively.

Words have a direct impact on changing attitudes: renaming the management body, for example, is an important sign.

The launch of the first experiments is another key stage. The pilot sites must there- fore control all the dimensions of a project (new services, new positions, new management methods) and not only the new sales space configurations! To demonstrate the feasibility of the developments and guarantee success, they will have to be representative, but manageable. These pilot sites may also become ambassador sites that will leverage the training in each region.

> « The rate of transformation is important in change management: proceed quickly in the design but allow time to test and foster ownership »

It is essential to be able to quickly show success in order to fuel the dynamics of change. Establishing objectives and considering measurement tools from the start of the project are therefore very important (mystery visits, qualitative and quantitative customer studies at the store exit, measurement of waiting time).

The French Group La Poste, for example, has established service standards at the principal customer service points (speed of service, cleanliness of the retail spaces, customer information, availability of dispensing machines). These enable the quality of the customer relationship to be controlled and the performance of service to be standardized.

The pace of transformation is important in change management: proceed quickly in the design but allow time to test and foster ownership.

Sales transformation seminar

The tools for supporting change management

CONCLUSION

7 GOLDEN RULES
FOR A SUCCESSFUL TRANSFORMATION

BUILDING THE NEW VALUE PROPOSITION FOR THE POINT OF SALE AND THE TASKS OF THE SALES FORCE

Discussion on digital must focus on redefining the added value of the point of sale and the sales force.

The following questions must be addressed: what additional services can be offered? What decision must be taken in terms of a «once and done» posture? How complementary are the added values of the physical / digital? What level of expertise may be expected for the sales force?

The positive enhancement of the business and the positions of the employees is not a consequence, but a central element of the path taken.

A CLEAR PATH HAVING AN ATTENTION SYMMETRY AND QUICK WINS

It is essential to build a transformation pathway with progressive, concrete steps. At each stage of the pathway what will the customer see? How will his experience be influenced? And for the consultant / salesperson, what will the benefits be? This pathway must be a communication and planning tool. The composition of the pathway and transformation program must demonstrate that the same attention is given to the customer-orientated work streams and the work streams that involve the employees.

This pathway must also show very concrete (albeit limited) results achieved within the first few months of the program. The tunnel effect, in which the first tangible results are not achieved until after months of development, must be avoided. These victories may take any form: new process, development of a service, signage, etc.

PARTICULAR ATTENTION GIVEN TO PROXIMITY MANAGEMENT

All transformations of distribution networks which we have analysed demonstrate that proximity management is the element that is most heavily impacted in the transformation: in addition to integrating the new sales positions, it must assist its teams in improving their skills and their adoption of a new performance evaluation. These groups often lack benchmarks on the latter point, and particular attention must be given to them. Training is not sufficient; other alternative approaches should be provided: tutoring, coaching, good practice exchanges.

STAGING PHYGITAL COMMERCE

The design of the points of sale must emphasize the complementarity of physical/digital and must organise the switches and interactions between the two worlds.

The flow of trade between the two worlds may take very different forms: tools for the salesperson providing access to the same interfaces that the customer sees on the web, self-service terminals enabling a purchase started at the point of sale to be completed on the Internet, etc.

EXPERIMENTATION OR THE VIRTUES OF TEST AND LEARN

The digital world is the universe of test and learn. As far as the impact of the digital world at the points of sale is concerned, the imperative is compounded by the need to find good positions toward the customers. The successful transformation programmes therefore integrate multiple agile "learning" tools: co-construction of the new positions with pilot consultants, customer surveys on the site, pilot points of sale, experimental corners, etc.

MULTI-CHANNEL URBANISATION AS A PRE-REQUISITE

The development of the sales tools within the framework of a transformation program will require an urbanised IT architecture to manage the multi-channel seamlessly and efficiently. This is a prerequisite for tool changes to accommodate new processes or services.

SIGNIFICANT INVESTMENT IN CRM

The planning of the work and the tool budgets must necessarily include strong rise in power of the projects associated with CRM: capture of customer activity at the point of sale, personalisation of the marketing campaigns at and outside the point of sale to maximize the bounce between channels, etc.

WAVESTONE

www.wavestone.com