ENRICHING SMART CUSTOMER EXPERIENCE TO BUILD CUSTOMER LOYALTY AND HIGHER PROFITABILITY THROUGH DIGITAL REVOLUTION IN RETAIL 4.0

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ABSTRACT

Retailing business all over the world is truly following the Darwin's theory of survival. The retailers are continuously transforming their business in to the new format with help of technology and improving the offering for the customers. In this paper the role of smart retail technology in improving the customer experience is analyzed through customer loyalty and advocacy. Also, the role of smart customer experience upon the retail business profitability is analyzed. The role of customer dynamics is also studied in the process of framing the smart customer experience in the retail world. The conceptual model in the paper has tried to provide the basis for understanding the mediating role of smart customer experience upon customer delight, loyalty, advocacy and retail profitability in the present era of Retail 4.0

INTRODUCTION

Retailing has changed significantly over last few decades and moved from conventional retailing to e-tailing and towards omni channel retailing. Further it is now moving towards the new era of smart retailing with help of modern technology. This smart retail technology is moderating the retail customer experience through digital revolution.

In present scenario retailers are in the phase of investment and adoption of smart digital technologies. Consumer behavior and marketing practices of present generation retailers have yet to get synchronized with this new technology (Cardamenis, 2016; King, 2016).

"Smart" has become the new buzzword in business scenario has also impacted to the retail organizations. It describes the socio-economic and technological developments fueled by rapid advancements in information, communication and connected technologies (Demirkan and Spohrer, 2014; Dennis et al., 2014).

In recent times, retailers have deployed a number of smart technologies such as interactive displays, smart shopping carts, RFID, shopping assistant systems, near field communication systems (NFC), and augment-reality interactive technology (ART) in stores worldwide. The use of such smart technologies provides various benefits to the retailers such as better customer experience, improved firm management, cost reductions, and higher business profitability. (Renko and Druzijanic, 2014).

In recent times Smart Retailing has emerged as concept which new generation retailers and customers can use through various smart technologies so that they can reinvent and reinforce their roles in improving the quality of customer experiences. (Belk, 2010; Pantano and Timmermans, 2014).

Smart retail technologies are capable of improving the retail customer experience and the world of retailing has changed dramatically over last two decades. Retailing truly follows the Darwin's theory, as the mighty retail has transformed in various paradigms of business over the last few decades and emerged as Retail 4.0 to be very precise due to the development of new smart technology era. Retailing has

travelled a long journey via online retail, mobile retail, Omni- channel retail and reached the new milestone called Smart Retail.

In this era of technology driven smart retail, the customer's role has also evolved from mere customer to co-value creator. Consumer behavior, buying process, brand preferences, service expectations all have changed over a period of time due to exposure to social media, online information sources and exposure to the latest technology like smart phones. Customers today not only give importance to what they want to purchase but also to the entire holistic shopping experience. Entire buying process needs to be delightful during entire purchase journey.

CUSTOMER EXPERIENCE MANAGEMENT (CEM)

Customer experience management (CEM) is the set of operations and processes used by a company to monitor, track and organize every interaction between a customer and the organization throughout the customer lifecycle. The objective of CEM is to optimize interactions from the customer's perspective and foster customer loyalty. To manage the customer experience, a company needs to create a strategy that strengthens all customer interactions resulting in a delightful experience at every touch point during the customer shopping journey.
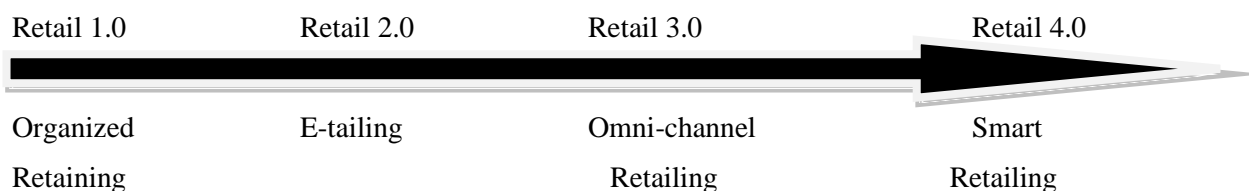
According to Gartner **customer experience management (CEM)** is the practice of designing ways for various customer interactions and reacting to them so that it can meet or exceed customer expectations. Similarly, it works to increase customer satisfaction, loyalty and advocacy." (Future of Experience: A **Gartner Theme** Insight Report, 2011)

It has become very important to define and improve the customer experience as it is much needed requirement of market research. Also, the customer experience is replacing quality as a parameter of the competitive battleground in marketing. Delivering value to customers has become an important theme in the last few years. Firms are constantly working to improve the customer experience in different touch points and channels. Delivering a superior customer experience is believed to be of utmost importance in today's competitive world.

Retailer needs to pay attention towards every touch point during customer shopping process and pay remarkable attention towards improving the performance and exceed the expectations of every customer so as to ensure that every customer entering the store goes out with best level of satisfaction. These satisfactory customers have to be converted into loyal customers as the retailer stores face a limitation of customer coming only from the short distance unless they sell something very exclusive.

SMART RETAILING

Smart use of technologies in retailing requires changes in both organizational processes and selling activities. Concerning the organizational level, these technologies require an effort for identifying, selecting and introducing the best technology. It also requires the ways to create, acquire, manage and transfer knowledge from consumers to firms and *vice versa.* Smart retailing also helps in establishing smart partnership between client and retailer after the in-store adoption. Hence, there is a need to develop the capability to understand the new competitive scenario, enable the innovations and design the action strategy by integrating internal and external organizational skills, competencies, resources and technologies (Eleonora Pantano, Harry Timmermans, 2014).

Retail 1.0	Retail 2.0	Retail 3.0	Retail 4.0
Organized	E-tailing	Omni-channel	Smart
Retaining		Retailing	Retailing

SMART CUSTOMER EXPERIENCE

The customer experience has to be enriched with help of digital technology. Improving the customer engagement and transforming the customer shopping journey into a new arena is the need of the day. Presently for the customers just products and services are not sufficient but involving every touch point during their entire shopping lifecycle is also crucial.

Modern day technology helps the retailers in providing better facilities and services to enhance the overall customer experience in the store.

This study will try to focus on identifying the various demographic factors of customers and its effect on framing customer expectation, further providing the basis for the retailers to frame their overall offering as far as facilities, services, assortment, billing process, quick response to the customer complaints as well as care and concern towards the customers.

LITERATURE REVIEW

The digital technology has enabled the traditional business models to provide superior consumer experience, achieving higher profitability, greater consumer participation and enhanced firm performance (Ngo and O′Cass, 2013).

Pantano and Timmermans (2014) identify the impact of the new technologies as supporting: (i) new ways for collecting and transferring knowledge from and to consumers, and managing information for developing new marketing strategies; (ii) the creation of smart partnerships with clients (who are actively involved in service co-creation); (iii) the development of new capabilities and strategies for fast replying to the organizational, technological, market and environmental changes, and successfully managing innovation; (iv) new way for accessing and consuming services and products; and (v) the building and maintenance of relationships with retailer.

Smart retailing, therefore, is expectedly changing consumer behavior throughout the search, purchase, consumption and after-sales process (Verhoef et al., 2009; Bates, 2011) superior and personalized retail services (Hoffman and Novak, 2015; Wünderlich et al., 2013).

According to a recent report, investments in smart retail technology (SRT) are estimated to have been around $14 billion in 2015, a figure which will likely grow by 20% annually to $36 billion by 2020 (Research and Markets, 2015). As the digital generation shoppers began to visit technologically sophisticated retail spaces, now there is a new concern for the marketers regarding level of customer adoption and as well as their psychological reactions towards these smart retail technologies. Therefore, examining and identifying the factors which constitute customers' experience while encountering with the smart retail technologies has become an important research issue.

Within this context, the Marketing Science Institute's 2014–2016 Research Priorities emphasizes the need for further research measuring and managing customer experience in the new technological environment (MSI – Marketing Science Institute, 2014). Both researchers and practitioners underscore the importance of improving customer experience in the rapidly changing context. With smart retail technologies, customers enjoy greater autonomy in creating their own experience, which calls for more research into understanding the constituents of customer experience (Ostrom et al., 2015).

Customer experience measurement and management has become the new area of concern to meet the challenges created by the dynamic marketing landscape (Homburg et al., 2015). A recent report by Gartner (2014) estimates that 89% of firms have shown their intention to compete upon customer experience as new age marketing strategy.

The positive customer experience results into customer loyalty and advocacy. CEM is positive consumption meanings that are attached to self and/or communicated to others. (Belk, 1988; Smith and Colgate, 2007; Solomon, 1983)

Positive customer experience results in both cognitive and affective assessment by the customers. Stronger customer experience is the outcome of customer's cognitive and affective

evaluation of all direct and indirect encounters with the firm during their entire purchase journey (Philipp Klaus and Stan Maklan, IMR, Vol 55, Issue 2).

CEM results into favorable takeaway impressions about the brand as well as company. According to Carbone and Haeckel (1994, p. 9) the 'takeaway' impression formed by people's encounters with products, services, and businesses – a perception produced when humans consolidate sensory information.

Organization needs to bring service in the center stage of the business to ensure positive customer experience. As per the study by Pine and Gilmore (1998, p. 98) CEM occurs "*when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event*".

A framework is developed to identify relevant behavioral measures and important factors in evaluating the service encounter in the United States and Japan through eight dimensions: authenticity, caring, control, courtesy, formality, friendliness, personalization and promptness (Winsted, 1997).

Retailers' competition has recently become more intense than previous. Retailers want to acquire larger market share and seek ways for attracting and satisfying customers. In today's competitive world, customer experience management is one of the most important ways to maintain the profitability of an organization. Development of positive customer experience has significant impact on the organization's revenue and growth (Baharan Sadat Azimi 2016).

Enhancing and retaining customer loyalty has been identified as a major source of competitive advantage within the retailing sector (Chang and Tu, 2005). Retailers need to develop strategies that recognize customer loyalty as a multifaceted and complex construct influencing customer

preferences and decision making (Huddleston, 2004).

Knox and Denison (2000) highlight the importance of developing retail strategies to manage consumer patronage, customer loyalty and shoppers switching behavior. Therefore, focusing on factors that can influence consumers' patronage and build customer loyalty is imperative (Sirohi, Mc Laughlin and Wittink, 1998).

Majority of these retail outlets are small and medium sized. The Indian food retailing sector had been highly regulated and protected from foreign competition for a long time (Sinha and Banerjee, 2004). However, foreign retailing firms are pushing for deregulating the industry and the government has shown interest to deregulate the economy (Anonymous, 2006).

In their research Meyer and Schwager (2007) stated that customer experience refers to internal feelings of customers when facing various interactions with firms, whether direct (e.g., usage, service consumption, purchase) or indirect (e.g., online reviews, word-of-mouth, advertising). Similarly, according to Gentile, Spiller, and Noci, (2007), ―the customer experience is generated through a set of interactions between a customer and a product, a company, which provoke a reaction. This experience is profoundly personal and considers the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual).

Research has also revealed that CEM has wide usefulness in the retail sector as the retailers are the link between the company and its customers. According to Bagdare and Jain (2013) retail customer experiences is the composition of various cognitive, emotional, sensorial, and behavioral responses generated throughout buying process.

Tab1: Smart Technologies used by Retailers

Sl. No.	Type of Technology	Smart Application in Retail
1	IoT	Smart Shopping Carts, Smart Shelves, Interactive displays, Smart Kiosks, IPS for Store layout Optimization
2	AR	Smart Trial Rooms, Smart Catalogs, AR Mirrors
3	VR	Smart Atmospherics, Virtual Racks, Virtual Fitting Rooms

4	RFID	Smart Shopping Assistant: provides an interface that allows consumers to easily locate the product, confirm the detail information of it, and moreover, provide real-time recommendation(s) in accordance with interests of consumers
5	Mobile App	Digital Grocery List, Smart Check out, Scan & Go
6	AI	SIRI, Cor-tana, Echo for store navigation and shopping assistance
7	Beacons	Customer Shopping tracker
8	Smart Point of Sale	Personalized offers and services
9	AI & IoT	Omni-cart

NEED FOR SMART CUSTOMER EXPERIENCE

It is mind boggling to know that online shoppers in India are around 50 million, but almost the same number of Indians have stopped online shopping in the last 12 months. And lost business from the 50 million dropping out is around $50 billion.

This twist in India's internet growth story comes from a nine month-long research conducted by Google, consultants Bain & Company and philanthropic venture fund Omidyar Network. Their data shows 54 million users stopped online transaction after their first purchase in the last year. The near 1:1ratio between active digital shoppers and digital dropouts presents a huge challenge, say experts and stakeholders. Vikas Agnihotri, country director, sales, Google India says, "Optimistically, it's a $50 billion of realizable ecommerce opportunity if we get the 50 million back." (Google, Bain & Omidyar Report, 2017)

Brick- and- mortar stores have long journey to go in the countries like India where people always have an inclination towards touch feel and buy the products. But the need is to adopt the new technology and augment the shopping experience to delight the customers.

The largest challenge for store-based retailers is proximity of the customers from the store. So, the best solution is to create loyal customers who will buy repeated from the store and smart technology can be a crucial strategic tool for the retailer to enrich the customer experience and convert maximum possible customers into loyal customers and thereby increase the profitability of every store.

Customer Experience Management (CEM) in last 2 decades has emerged as new strategic tool in the marketing management. CEM is useful for achieving as well as improving the customer satisfaction and in turn helps the organization in acquiring a greater number of loyal customers.

CEM has an edge over CRM as CRM works towards retaining the satisfied customers for long duration where as CEM works for every customer's satisfaction throughout the interaction of the customer with the organization.

The growth of retail sector in India is exponential and will lead toward a new revolution in the format of jubilant organized retailing. It is contributing to the economy as well as to the society by serving as a major job creating sector. At the same time the store-based retailing has been challenged by the electronic retailers due to convenience as major factor of difference.

Hence the Store based retailers need to revamp their business offerings to achieve the customer experience at its peak.

The evidence from many past reports and studies reveal the following:

- Two-thirds of customers affirmed that positive customer experience caused them to spend more;

- Almost half of the customers show their willingness to pay an extra amount of up to 25% of the price for a superior customer service;

- Three-quarters of those who switch stores/brands relate this to a poor customer experience and service;

- More than half of the customers who recommend a company to the others had confirmed that their advocacy is purely based upon their experience instead of other factors like product or price;

- Almost all of those customers who had a bad experience are keen to share it with others to warn them about not buying from the same store.

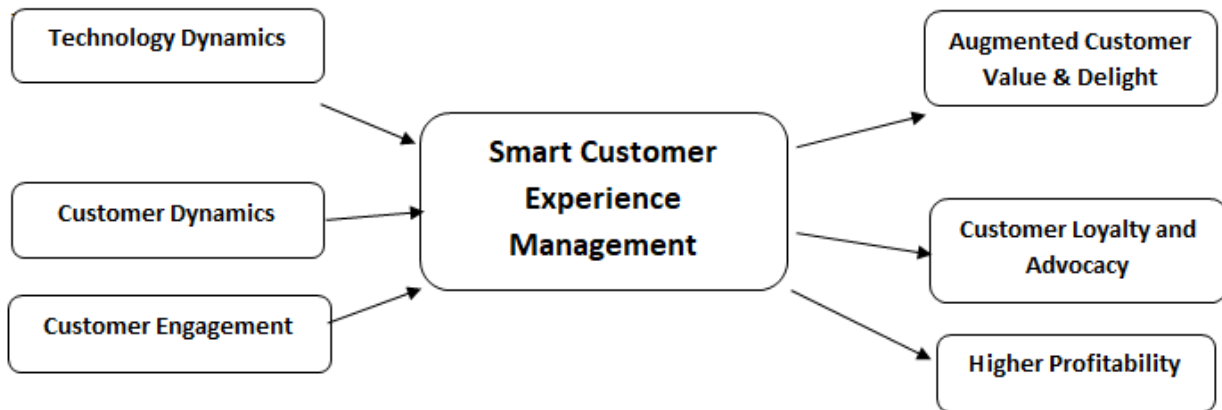**SMART CUSTOMER EXPERIENCE MANAGEMENT AS STRATEGIC**

Fig2: Conceptual Model for Study

Technology Dynamics

The type of technology used by the retailer has impact on the retailers' performance. Few technologies are useful for the retailers to improve their efficiency as well as operational upgradation. On the other hand, certain technologies will have direct impact on customer experience. E.g. Smart mirrors for trial of garments, accessories etc.

Retailer have to check for the compatibility of technology with their business format, ease of use, convenience for employees as well as customer, area of application utility value and economic feasibility and according have to select a particular type of smart technology for their organization. In this way the challenge of new technology adoption can be resolved.

Customer Dynamics

Next challenge in present scenario is acceptance of new technology by the customers. It can be resolved by making the customer to understand various benefits and delightful experience due to new technology. New technology acceptance will be smooth through the tech savvy customers in the initial stage. The approach will be easier when the customers have a desire to know about the new technology as well as their interest to learn and use that technology. This will be possible through popularizing the benefits of

new technology through positive word of mouth. Social media may be very useful for this cause. Once the delightful customer experience is offered to the customers and encouraged them to share their experience with others.

Customer Engagement

Third challenge in this strategy is adoption of the new technology by the customers. This can be eliminated through higher customer engagement in the shopping process. Customers' level of involvement and their attitude towards new technology will decide the smooth implementation of smart technology in the functionality of retailers. The customer attitude ad response towards new technology will help the retailer to ensure smooth transformation of business format into smart retailing. This will ensure smart experience for the customers to fulfil their expectations and achieve customer delight.

Customer Delight, Loyalty, and Advocacy

Smart customer experience will result into higher customer delight as it offers the customer more benefits and value than expected in the normal shopping experience. Such enlightened experience will encourage them to spend more time in the retail store which results into more impulse buying. This will motivate the customers to visit the store more frequently as it

is fun filled shopping experience as compared to only shopping of previous times. Also, the smart technology use will be rewarding for the customers as it will reduce their physical work up to a large extent. Such shopping experience will convert the customers in to store loyal customers. Such customers will share their experience over social media with others and generate new customers for the retailers.

Higher Profitability

Smart customer experience will generate higher sales through impulse buying, higher revenues through frequent purchase by the loyal customer. It will also help the retailer to achieve larger market share through customer advocacy. Smart technology will help the retailer to reduce the cost through layout optimization, better inventory management, self-service concept, smart aisle displays and lesser inventory shrinkage. This will enhance the retailers' profitability.

CONCLUSION

This stud will help the store-based retailers to transform themselves into modern smart retailers and deliver the enriched smart customer experience. It will help the retailers to ensure long and fruitful journey of every customer visiting the store and convert the same into a long-term relationship.

This study will also focus and identify various emerging technologies and their usefulness for retailers in optimizing the overall customer experience at every touch point during the retail shopper's journey of shopping in a retail store.

This study will help the retailers in framing their business strategies for achieving the successful results in the present competitive scenario by understanding the exact expectations of the customers and offering the same services and facilities without wasting the resources on the unnecessary facilities and services.

Smart Customer Experience study also makes the organization to understand what customer doesn't like along with knowledge about what customer likes. Such information helps the organization to frame the entire business strategy as per the present-day requirement of the customers. This strategy also helps the

organization in achieving differentiations in their positioning and provides a core competency in the competitive scenario.

All these studies clearly indicate that Smart Customer Experience is the modern-day Marketing Strategy with cutting edge capability over and above CRM and it can be successfully used by the organization to achieve higher level of customer satisfaction, loyalty, advocacy and higher profitability for the retailer.

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