

ANAROCK[®]
VALUES OVER VALUE

Customer
Experience (CX)

The Epicenter of Retailing

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Foreword

“Data is the new oil”. It is considered a key asset in this era of digitization and used extensively for analyzing past performance and drawing future conclusions. Large data set of user behaviour has helped global companies such as Amazon, Facebook, Google, etc. to improve their functionality and provide intelligent recommendations.

With technology making a mark on all aspects of day-to-day life, the retail sector has also transformed for good. Online shopping is a new way of life and is severely competing with brick and mortar stores’ businesses. With the appropriate use of technology, online companies are tracking data and giving intuitive suggestions to enhance customer experience. However, this hasn’t deterred buyers from flocking into the brick and mortar stores that give a holistic shopping experience to them.

Thus, the Indian retail sector is today one of the most dynamic and robust industries. It contributes around 10% to the Indian GDP and employs about 8% of the workforce. As per the World Economic Forum report, India is poised to become the third largest consumer market with consumer spending likely to reach USD 6 trillion by 2030 from USD 2.6 trillion in 2017.

However, unlike developed markets and economies, India is still dominated by traditional retail stores, but organized market share is growing at CAGR of 20-25% per year. Along with traditional mom-and-pop stores, organized market and e-commerce platforms started taking over a large set of customers by adding ease and convenience in shopping. With huge discounts, offers and cashback offered by e-commerce marketplaces, brick and mortar stores faced stiff competition and as a result they had to revamp their business strategies to keep footfalls afloat. Moreover, the new e-commerce policy introduced from February seeks to get online and offline retail players on the same level-playing field.

Therefore, shopping today is not just about buying a product for a customer rather it is an experience and entity of indulgence and well-being. Though online shopping platforms have added ease and convenience to the shopping, offline shopping adds leisure and entertainment to their overall experience.

The report titled ‘Customer Experience (CX): The Epicenter of Retailing’ unravels how customer experience and built environment are going to metamorphose the retail business in the country. These trends have already started influencing and impacting online and the offline retail segments.

Product, diversity, and quality no longer suffice the customers in retail spaces, customer experience is the brand-new tool to entice the customers. Personalization and tailor-made experience for buyers will help retail brands to lead and capture the market share.



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Outlook





1. India retail sector: An overview



India retail sector: An overview

Retail industry in India has huge potential for growth and development as major part of it remains unorganized. With the innovative technologies such as virtual reality (VR), augmented reality (AR), artificial intelligence (AI) and strategies such as omni-channel coming in, the future looks bright for the sector.

The demographical changes such as urbanization, nuclearization and rising consumer expenditure coupled with increasing FDI investments will surely benefit the sector and in turn contribute to the economic growth of the nation.

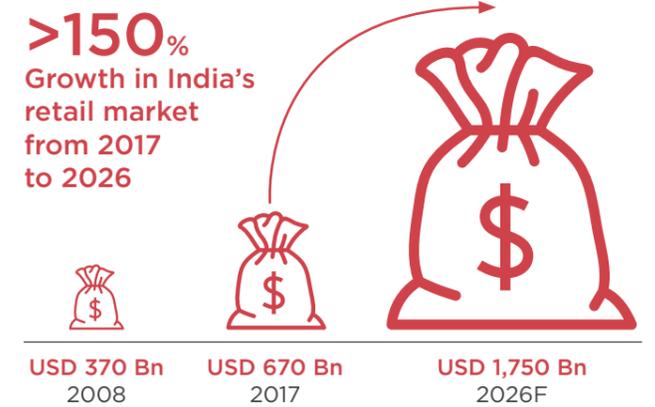
India Retail Market Size

As per the Confederation of Indian Industry (CII), the retail sector accounted for 10% of India's GDP and 8% of employment in 2018.

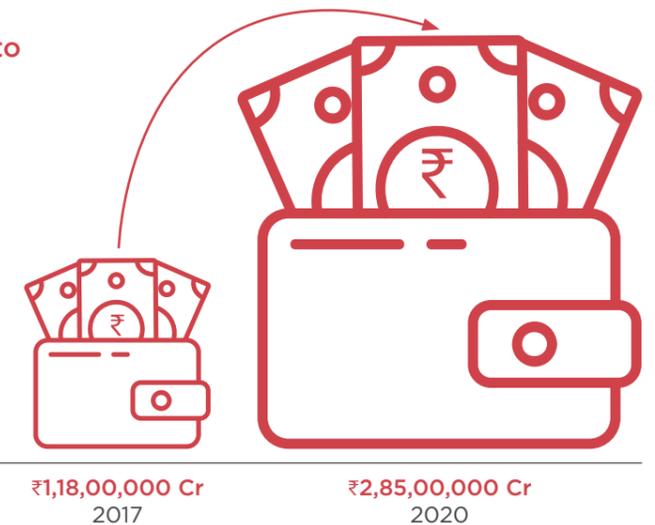
Indian retail market is forecasted to reach USD 1,750 billion by 2026 from USD 670 billion in 2017¹, a growth of over 150%.

>50%
Nuclear families in urban households (Census 2011)

Per capita income of the residents grew from ₹86,454 in 2014-15 ₹86,689 in 2017-18 owing to economic growth suitably supported by rising employment

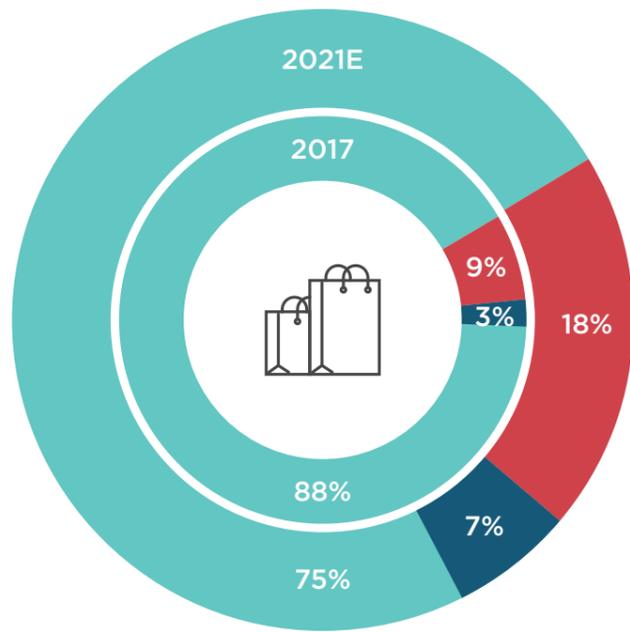


Consumer expenditure expected to double (2x) 2017 to 2020



¹Source: IBEF

India retail market is largely dominated by the unorganized mom-and-pop stores rather than the organized businesses. With the recent e-commerce boom in India, market dynamics seem to have changed a bit.



● Traditional Retail ● E-commerce ● Organised Retail



Omni Channel: The New Retail Strategy

With the evolving consumer base and technological enhancements in the sector, omni channel way of retailing is one of the latest strategies adopted by retailers.

- It is going to be a catalyst which will drive the future of modern retail in India.
- It is a fully-integrated approach that provides shoppers with a unified experience across both online and offline channels.
- It is one of the most prevalent ways in Indian retailing today.

Foreign Direct Investment (FDI)

Positive political and economic growth of the country coupled with the relaxation of FDI norms and implementation of GST is acting as a boon to the segment.

100% FDI permission to the sector is going to enhance the investments as well as modernize the retail sector.





2. Reforms shaping the Indian retail sector



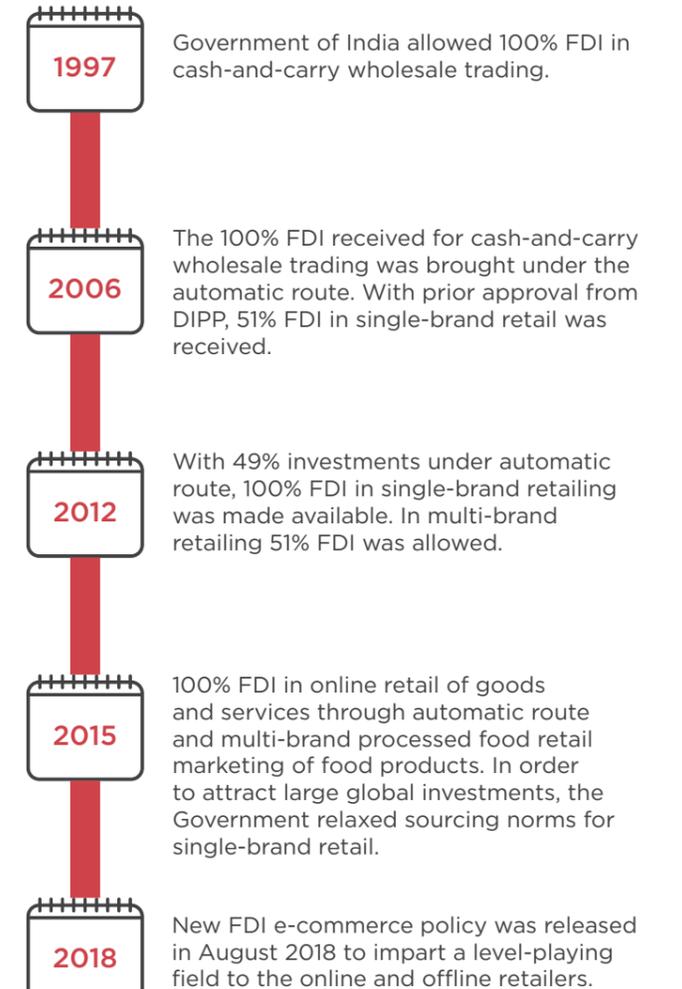
Reforms shaping the Indian retail sector

To create a conducive environment and boost growth of the Indian retail sector, FDI was allowed by the government of India. There is 100% FDI permission in online retail by the government which in turn enhanced the level of investment and modernized the sector. With rising investments in the sector, retail infrastructure, supply chain and capability building have also improved in the sector.

Being the world's second largest populated country with 1.3 billion population, India has a huge consumer-base market for both domestic and global retailers. A young consumer-based market acts as a catalyst for the growth of the Indian retail sector as over 65% of the country's population is aged below 35 years, while population below 25 years of age account for more than 50%. These demographic statistics are certainly appealing to the major players of the retail industry across the world.

Structural reforms and policy changes have soared well for the Indian real estate industry. RERA, DeMo, and GST infused transparency and regulated the sector which enhanced investments. Rising consumer expenditure amidst favourable FDI norms has positioned the Indian retail sector on the global map of investments fueling the growth of the organized retail market in India. The retail industry in India grew at CAGR of 10.97% from the year 2000 to 2016 and the market size improved from USD 204 Billion to USD 641 Billion², during the same period.

Major milestones of FDI in the Indian Retail Real Estate



India ranks **11th** in FDI Confidence Index as per the AT Kearney's Global Retail Development Index 2018 due to enhanced economic status and rising FDI inflows

India ranks **77th** in 2018 (from 100th rank in 2017) among 190 countries as per World Bank's Ease of Doing Business Index 2018



² Source: IBEF

2018 E-commerce Policy

The advent and growth of online marketplaces brought in tough times for the offline retailers operating out of brick and mortar stores. Ease of buying without stepping out of house coupled with huge discounts and cashback from online marketplaces lured away customers from brick and mortar stores. This lay opens the question of survival of brick and mortar stores.

The increased backlash from multiple retailer associations and brick and mortar store owners led to the emergence of a new e-commerce FDI policy. The policy was announced in 2018 and has been implemented from February 2019.

The major concern was to address the excessive advantage availed by online retailers who provided huge discounts, cashback and owning the authority of selling products exclusively through the online platforms and ensuring price parity between both the mediums of shopping.

To bring price parity between online and offline retailers and addressing the concern of data colonization, new e-commerce policy was introduced.

The unique features of the new e-commerce FDI policy are stated below:

Impact on customers

- Huge discounts proposed by large e-commerce websites to be phased out in 2 years ensuring fair competition between online and brick and mortar stores.
- E-commerce firms cannot influence the sale price of goods or services directly or indirectly.
- Special provisions of quick delivery and cashback presented by the e-tailers to be applicable for all the vendors present in their platforms. Provision considered discriminatory and unfair, if kept exclusive.
- Special programs and services such as Amazon prime and Flipkart plus may be negatively impacted as the platforms need to ensure that they are unbiased marketplaces.

As a result, the value-added services on shopping online to the customers is likely to witness a downfall and will drive them to offline shopping or retail malls.



FDI

Presently 100% FDI is allowed in marketplace model in the online store and no permission of FDI in firms following the inventory model. 49% FDI under the inventory model for firms to sell locally-produced goods in their online platforms is proposed by the policy.

As a result, accountability is infused in the system and locally produced goods and services are encouraged to be sold online.

Impact on vendors

- The exclusive tie-ups between the e-commerce firms and vendors following the 'marketplace model' is barred under the new norms of the new policy.
- Vendors are subjected not to sell more than 25% of their products in a single e-commerce platform, otherwise, the vendor will be deemed to have an inventory model where FDI is not permissible.
- 25% sale cap for vendors in e-commerce platforms would intensely influence vendors aligned exclusively to specific platforms, particularly white good brands.
- Logistics, easy financing, warehousing facility or any service on e-commerce platforms to be provided for all sellers by ruling out the concept of 'preferred sellers' without charging additional charges.

As a result, vendors will have to revisit their marketing, partnering and targeting customer in various formats as well as mediums.

The issue of data colonization

- Large e-commerce giants are mandated to store consumer data in India only.
- Provision of special preferences by e-commerce platforms to any vendors/suppliers is prohibited.
- The entity having equity participation or control on its inventory by e-commerce platforms or group companies will be prohibited from selling its products run by such marketplaces.

As a result, three mandatory parameters such as equality, transparency, and accountability will be infused.

To ensure "untrammelled supervisory access" of Indian consumer data, RBI ordered global companies and e-commerce giants to store the data within India.



FDI in retail sector

The introduction of FDI in retail sector has proven beneficial and will continue to aid the growth of the Indian retail sector in the years to come.

Infusion of large-scale global investments in the country helps in the economic growth as retail is a key sector contributing to 10% of the GDP and 8% of employment in India.



E-commerce policy

Although the introduction and implementation of the new e-commerce policy may bring in level-playing field between online global giants and brick and mortar stores, we may witness an impact on foreign investments, logistics and warehousing development as well as new job creation.

A reduction in foreign investments and profit cut to the giant global marketplaces will surely hurt the Indian economy.



3. Clicks vs bricks



A snapshot of e-commerce (online/virtual) vs brick & mortar stores (offline)

The table below attempts to compare e-commerce market players with the brick and mortar stores, as viewed by the customers. It takes into consideration the projected growth rates, value propositions, FDI restrictions and new policy framework which is expected to influence the customer buying pattern.

This comparison also tries to draw inferences on how these parameters influence customer behavior and has taken into account the degree of consolidations in both the marketplaces, which is crucial for healthy competition, resulting in better service offerings. The degree of consolidation explains how fragmented the industry is. Lower the consolidation, higher will be the competition amongst the market players resulting in superior customer service.

Under the new e-commerce policy, online players are more likely to lose their competitive advantages which are high price discounts and sales of their own private labels with competitive pricing strategy.

To top it off, brick and mortar stores are offering superior customer experience as a core strategy to build loyalty among buyers.

A snapshot of e-commerce (online/virtual) vs brick & mortar stores (offline)



PARAMETERS	BRICK & MORTAR STORES	E-COMMERCE
Projected CAGR (2017-21F) ³	16%	27%
FDI policy	100% (single brand) 51% (multi-brand)	49% in multi-brand retail (B2C)
Policy push	Single policy framework, GST & FDI	Stringent policy to curtail price discounts
Value proposition	Multiple value-added services Low risk & high value	Convenience & ease of purchase
Growth drivers	Share of organised retail (9% as of 2018) ³	High Internet penetration 64% (urban) & 20% (rural) ⁴
Dependency on internet	Low	High
Customer experience (Visual & sensory experiences)	Yes	No
Degree of consolidation	High competition resulting in better service	70% of e-commerce business comes from two players ⁵

● Good ● Moderate ● Bad

³ Source: IBEF
⁴ Source: IAMAI
⁵ Source: Forbes



Superior customer satisfaction is the key to delight and retention

Mall developments have evolved over a period of time. Today, the country has luxury malls, book malls, and gold souks. Though the majority of the malls have an identical look and feel offering similar attributes and tend to be replicas of each other, there are some very unique developments offering customized attributes and features.

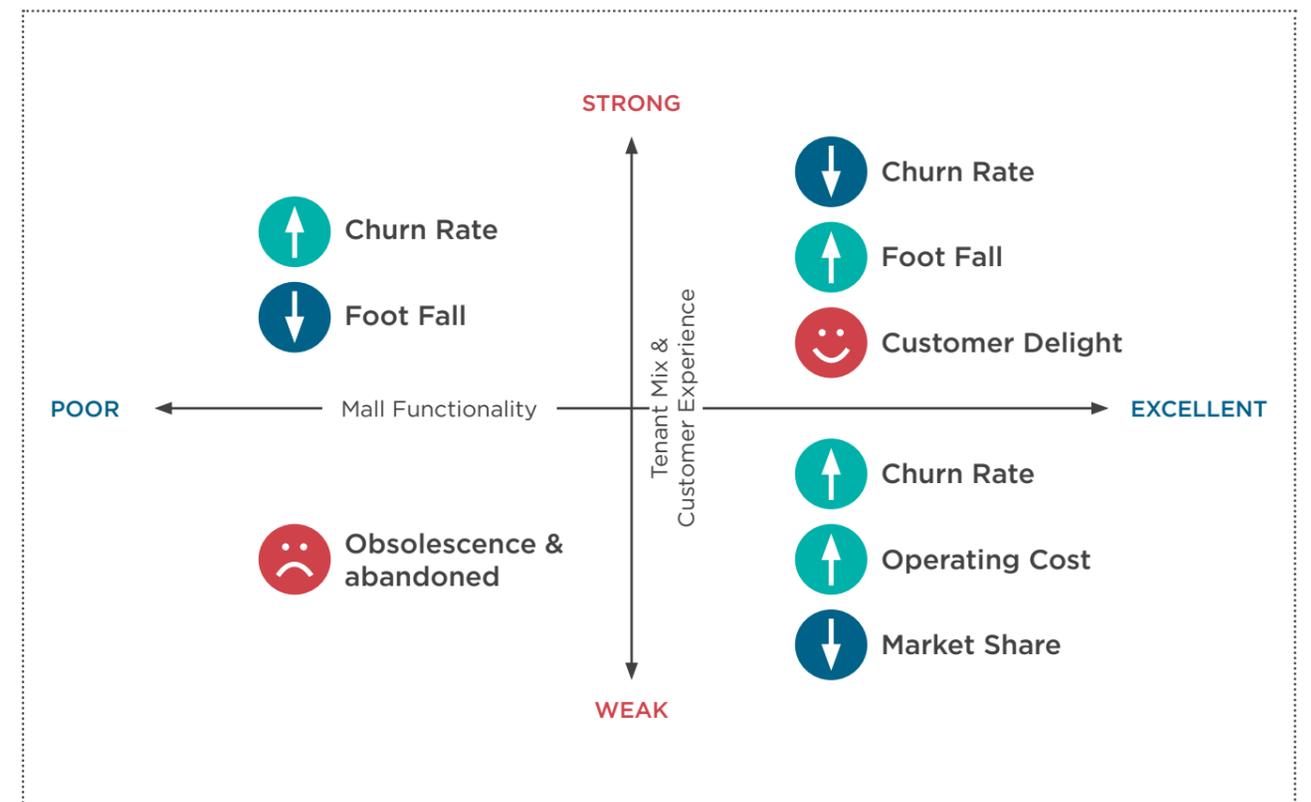
These magnificent structures stand testimony to the creative best of the architects and design consultants. This goes on to prove that innovation in design and concern to offer heightened customer experience are important features leading to the success of a retail structure. The requirements of future tenants and the capability of offering services to the visitors are instrumental in defining the success of a mall.

Many malls across the country were developed without consideration of the catchment or tenant mix or the profile of the visitors. This had resulted in several unsuccessful developments. While the basic features of the mall such as parking, access, and layout were similar across the country only a few could survive. In this section, we have tried to establish the relationship between customer delight and customer satisfaction leading to the success of the developments.

If the mall's features do not meet the customer's threshold attributes, their satisfaction levels will be low despite the mall having all required basic features. Broadly customers evaluate their experience on the performance attributes, which are mostly similar across the malls in the city.

However, it is realized that the success factor is beyond the mall attributes and there is a need for excitement and innovation attributes (strong tenant mix and customer experience) which will eventually lead to customer delight through a pleasant experience. Hence, modern stores and malls are exploring the excitement attributes that really appeal to its customers for a memorable experience which will earn their loyalty.

These are the elements that can spur a competitive advantage over their peers. Customer delight is a function of a competitive edge to the customer's perceived cost. Higher the competitive edge with the superior shopping experience, higher will be the customer delight as every retailer is offering competitive cost challenging with their peer.



4. Customer experience to metamorphose retail business



Customer experience as a core strategy to achieve customer delight

Superior value from the retail malls to deliver higher impact

This section talks about the outcome of a superior value proposition from the retailer and its impact at the customer's end. The resultant value proposition from the retail point with an innovative, efficient and effective value benefits will lead to higher customer satisfaction in terms of reduction in perceived cost and subsequently leading to customer delight.

This is the strategy which differentiates the customer offering when compared to an e-commerce platform. With the changing demographics resulting in the large young urban population living in smaller houses brought the greater need for public space to socialize and congregate. Especially the growing middle-income group in India has a strong association between consumption and pleasure. However, the e-commerce revolution started to modify consumer expectations shifting the function of stores towards useful and entertaining customer experiences. E-commerce started to provide ultimate levels of convenience which malls will never be able to compete. Hence, malls understood the need to move in a different direction away from commoditized shopping experience and towards a broadened value proposition for consumers.



Efficiency as a value proposition

A retail store which provides efficient services such as quick transaction time, faster circulation time and offers the least TAT (turnaround time) to resolve customer queries will create an impact on the customer experience and correspondingly reduces the time involved in the transaction.



Innovation as a value proposition

A store which offers innovative services and hassle-free shopping experience will create an impact on customer experience by offering superior service excellence resulting in longer customer retention period, ease in shopping resulting in saving the hard-laborious efforts of shopping.



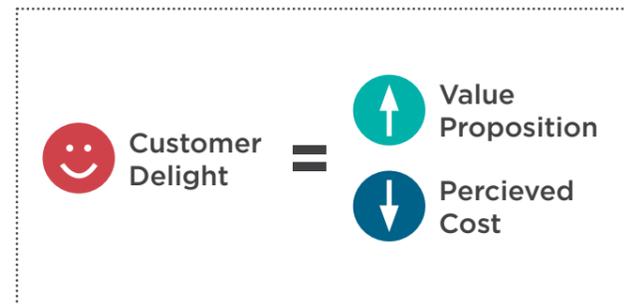
Effectiveness as a value proposition

Customer relationship management is a very crucial process which is being followed by every company in this modern age. Effective communication services are critical to making sure that their customers are well informed about the ongoing offers, new launches and maintain a relationship. This will help in increasing the brand recall and eventually reduce switching of the customer from their brand. This factor will reduce the perceived cost of risk involved in the transaction as the brand/store has already created a strong relationship with the customer.

Impact/value framework strategy to achieve customer delight

To achieve customer delight, which is associated with efficient, effective and innovative value, propositions are expected to show a direct impact on the customer experience and inversely impact the perceived cost of the customer. Customer delight is driven by the factors affecting the customer experience and value benefits which are perceived by the customer. Factors such as efficiency of in-store operations, innovation in services offerings and effective communication services are few factors which will directly impact the customer experience.

However, from the above equation, customer perceived cost is also a factor impacting the customer experience. A customer perceives cost which doesn't necessarily mean money only but includes time, labor and risk involved in the transaction.



Examples of brick and mortar stores that adopted customer experience as a USP

Mall of the Emirates

Majid Al Futtaim, leading shopping malls and leisure firm, has implemented a series of services to enhance the overall customer experience at its flagship destination, Mall of the Emirates in Dubai. It conducted in-depth and comprehensive evaluations of customer habits and their overall experience.

By conducting a survey and collecting feedback powered by innovation they have introduced Hands-Free Shopping which invites shoppers to drop off their shopping bags and collect them later or have them delivered anywhere at their convenience.

Broen

A new mall in Denmark, Broen with 65 shops in Western Denmark and centrally located on the top of the train station is designed in such a way that the mall should function as an experience center. Therefore, the design of the mall allows a large spot in the middle of the entry floor so that the marketing team of the mall can arrange all kinds of events. By placing the event spot on the entire floor, customers get aware of the event as soon as they enter the mall making them stop and participate in the event.

The mall has tried to create a whole day shopping experience to make customers spend more time in the mall. This is an example of offering value proposition through an effective relationship which subsequently impacts the customer delight and hence increases the customer experience.

Here the mall has tried to create a whole day shopping experience with high degree of convenience. Visitors from station can come to mall and engage in the events at the event spot which solved the parking issue for a mall that is situated in the middle of the city. Second floor has the large shops and car parking at the top of the mall giving easy access and convenience to customers about carrying their newly bought goods. Mall has placed restaurants in the first floor and a movie theater, fitness center in its basement accessible in all hours. This has increased the footfall and triggered the whole day shopping experience and convenience.



UNIQLO

Japan's retailer, UNIQLO rolled out a neuroscience fashion campaign in Australia matching clothing selection to customer's mood. With the help of a wearable technology called UMood which is placed on the forehead of the customer, who was then shown a series of still images and videos. Their neurological reaction provided a brainwave-reading, allowing UNIQLO to score this against an algorithm that then suggests a t-shirt from the retailer's range to match the customer's state of mind. This has created a unique in-store neuroscience stylist experience for the UNIQLO customers.



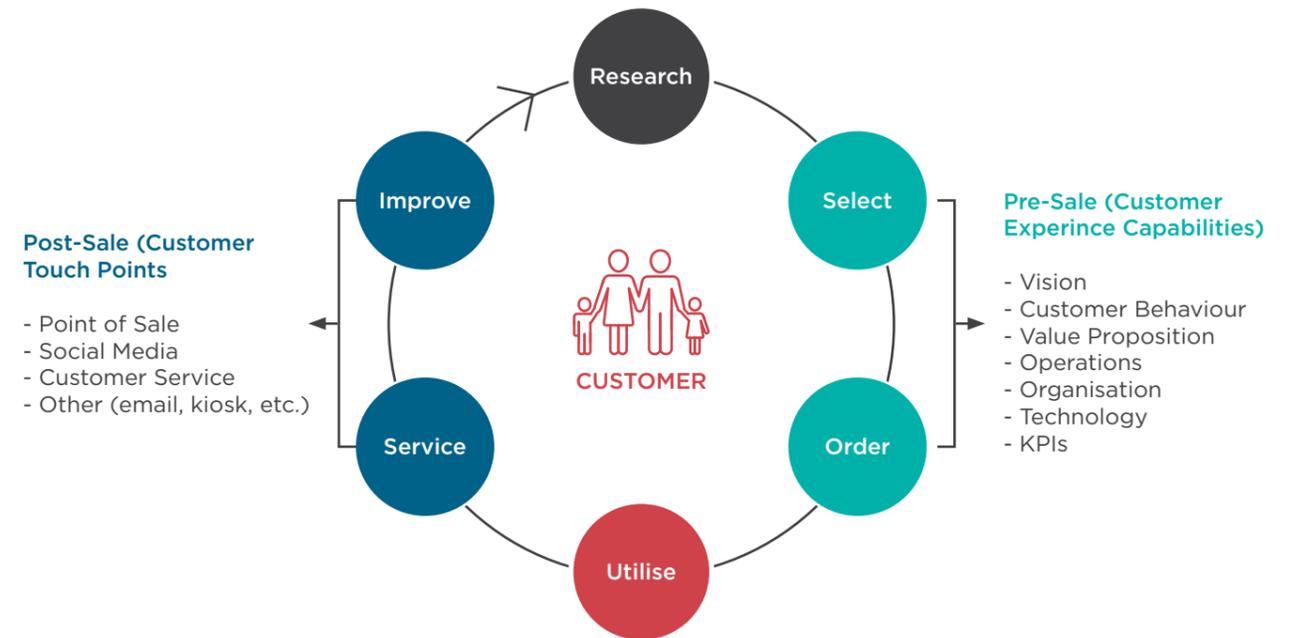
Online to pull, offline to push

To create trust, confidence and expand brand presence, online players started to seek offline presence. This strategy started to pay off as their sales improved with online players coming up with brick and mortar stores started to chase profitability by building trust among consumers. Online players such as Clovia, Lenskart, Pepperfry, Zivame, and Urban Ladder are among many who started to adopt this strategy to enhance customer experience and trust.

Clovia, a lingerie brand that started off as an online player six years ago realized that only 5% of the customers bought lingerie products online and the rest want to feel and try the product before buying. Hence, the offline player understood the importance of customer experience and which helped them to boost the sales by 15% during 2017. Currently, this company sells more than 5 lakh units a month with presence of more than 100 shop-in-shops and 25 standalone stores across the country. Furthermore, it is planning to add 150 new touch points and 15 exclusive stores by 2019.



Managing customer experiences & its impact on the customer life-cycle journey



Customer experience management is an integral part of the customer brand experience as it is not just about communicating the right brand message across advertising, sales and service channels. The efficient and effective management of pre-sale and post-sale services such as technical support channels, hotlines, and service counters are crucial.

Our study identifies the crucial touch points and customer experience capabilities present at the company's end. The customer's buying process comprises different phases in selecting the desired product. The pre-sales parameters which are customer experience capabilities are factors which should be managed before the sale takes place.

Factors such as the vision and mission statement of the company should be focused on providing superior customer experience. If the management philosophy is aimed at providing superior customer satisfaction, then offering memorable customer experience is a natural process for any company.

The capabilities such as understanding the customer behavior and then designing the appealing value propositions with the right process and operations with appropriate technological support will help the company to achieve superior customer experience.

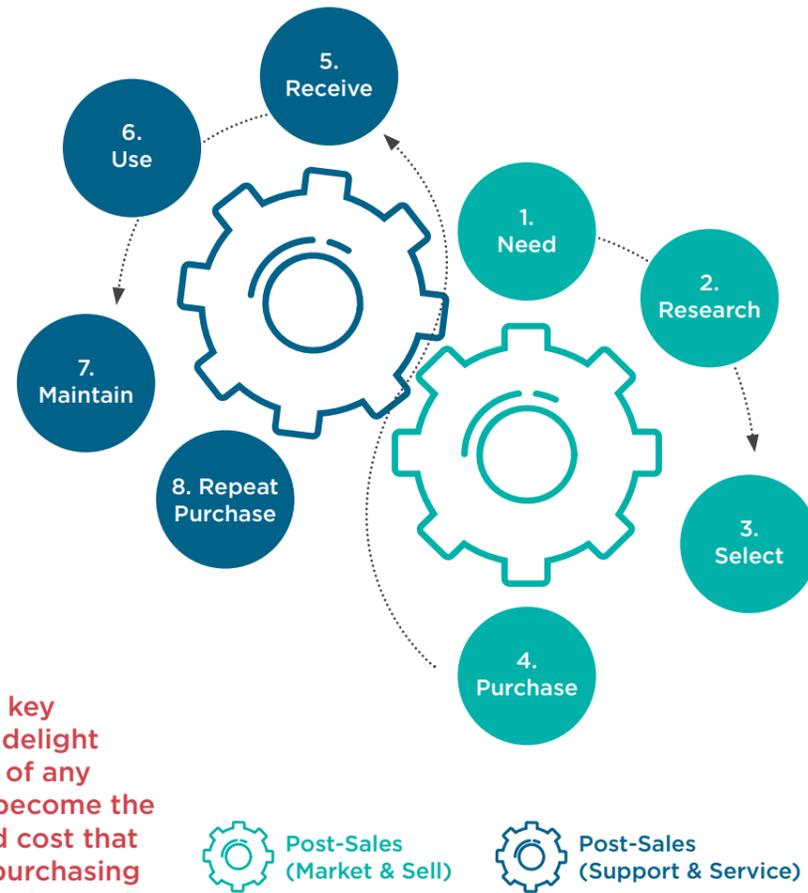
Customer satisfaction index, calculating customer lifetime value, net promoter score and churn rates are some of the key performance indicators of customer satisfaction. These can be effectively evaluated from the customers through feedback and implemented to improve the processes and in-store operations resulting in best practices. Stores and brands are incorporating these dimensions to offer a superior customer experience.

Customer service is about mapping and managing the entire gamut of processes a company uses to monitor, track, oversee and influence every interaction a customer has with the company. Post-sales parameters such as point of sales, social media presence, and other branding campaigns will help increase the trust among buyers and give a long-lasting memory of the buying experience.

Customer experience to result in repeat purchase in customer life-cycle journey

The customer life-cycle journey explains the stages of a consumer buying process and how a superior value proposition/experience can help in improving customer loyalty. This is intended to lead to a recommendation or a repeat purchase. The ultimate goal of any store or brand is to generate a loyal customer base and ensure they are repeatedly harvested with increasing value propositions.

The impact of any customer experience initiative needs to be measured and any store has a need to measure the KPI's (Key performance indicators) such as Net promoters score (NPS), Customer satisfaction index (CSI), Customer lifetime value (CLTV) and Churn rate.



High customer satisfaction is the key component to achieve customer delight and retention - the ultimate goal of any company. Customer delight has become the function of value proposition and cost that is perceived by the customer in purchasing any product, time spent in purchasing and distance travelled.

In the modern age with disruptive innovation, efficient and effective processes taking the center stage, a typical brick and mortar store is trying to come out of the commodity trap by adapting superior customer experience as their core DNA/USP. Even the online players who understood the importance of customer experience and perceived cost of the customer have increased their offline presence.

As customer experience is an integral part of the brand experience, all companies are trying to implement stronger customer experience management strategies to create a maximum impact resulting in retention as well as recommendation / repeat purchase from the existing customer. This reduces churn, increases customer life time value and net promoter score.

5. Design & built environment of retail space influencing customer experience

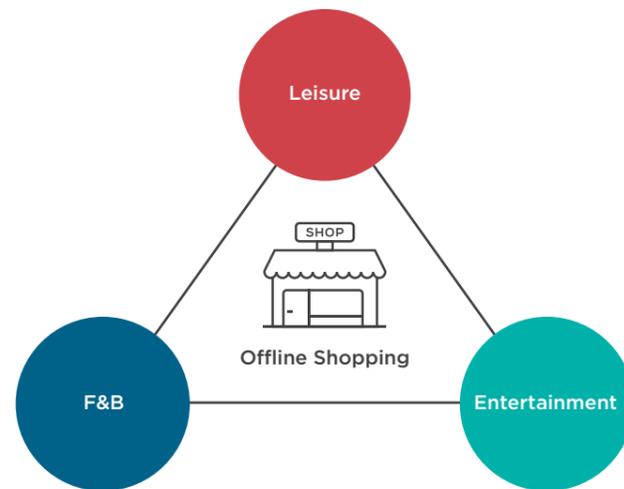


Design and built environment of retail space influencing customer experience

Visual appeal and physical experience have always been more impactful on customers than the tapping on screens and virtual visualization on gadgets. Technology limits their experience to convenience only. Although everything is available at the edge of fingertips in this fast-moving world today, physical experience always takes precedence. To get the online couch potatoes to offline shopping especially to the retail malls, design and built environment of the retail spaces play a pivotal role and must be innovative mandatorily.

Malls can be considered as the modern urban public spaces with multiple activities and offerings under one single large roof. They have redefined the concept of urban public spaces altogether with their offerings and amenities. The development and existence of such modern public spaces are complemented by rapidly expanding cities with disproportioned public spaces. These areas act as public spaces for the new tech-savvy generation but retaining the crowd and managing the performance efficiently is a critical management task.

Online shopping has infused ease and convenience to the customer's shopping experience, but offline shopping adds an experience of leisure and entertainment.



Key indicators of mall performance

The performance of a mall is measured with multiple parameters, most important to mention are location, mall design layout, vacancy levels, income-generating opportunities, brand positioning of the mall and capturing the catchment's target customers.

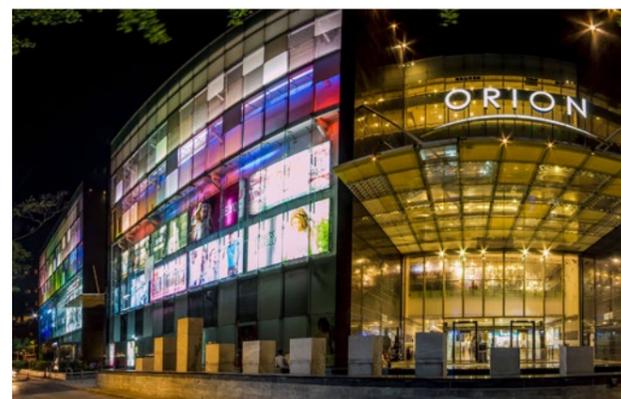
1) Strategic location

Mall location plays a very important role in its performance as an extrinsic factor with many other parameters like design, building scale, layout etc. The setup of a mall mainly on the main streets of the cities with high traffic movement or near residential layouts and in micro markets with defined economic set-ups shall contribute to the increase in footfalls to the mall.

Opened in 2012, the mall is developed by Brigade Group and situated in Brigade Gateway Enclave, Malleshwaram, Bengaluru. The micro market in which the mall is located holds the prominent residential localities of the city in the surrounding vicinity with MIG and HIG income groups.

It is developed in the established locality of Malleshwaram in West Bangalore. Multiple access to the mall, huge layout with multiple spaces having defined functions has a major impact on the customer's mindset and has enhanced the frequency of footfalls. The identity of the location transformed because of the huge development - a combination of a shopping mall, artificial lake, office space as well as apartments. The development was also complimented by the demographical feature of the region.

ORION MALL | Bengaluru



2) Efficient planning and layout

Planning and development of the layout are one of the important internal influencing factors to the customer. It plays a key role in capturing the mind of the customer. Based on the location, catchment demography, and space availability, the size of the mall is planned. Internal planning and layout of the mall are directly linked to customer convenience. The allotment of space for each activity in the mall from shopping, leisure, entertainment, F&B in a proper sequence as per the circulation probability of the customer will contribute to customer satisfaction and results in loyalty.

The present-day modern customers regard shopping as an experience and not just buying a product. Hence, the availability of information, management must be worked out efficiently to have customer friendly layout.

3) Tenant mix

The planning and allotment of the tenant mix in various formats, sizes and across all the floors is an intricate task for the successful functioning of the mall. It is a result of the planning and development of developer, architect and the retail consultant. Proper zoning and allotment for products will add ease in the movement for customers.

In today's scenario, malls smartly plan and house brands with diverse category ranging from fashion, accessory, footwear, F&B, Consumer durables & electronics, entertainment, home décor, hypermarkets, etc. to cater to a larger set of customers. Though there are certain upscale malls in the planning stage in India with global brands housed, most of the malls house all the brands to cater to all the income groups of the society and try not to rule out a major set of the population from the mall.

Key design and digital elements influencing customers

In the ongoing trend, shopping is not just about buying a product for the customer rather it is an experience and entity of indulgence and wellbeing. Rising per capita income, well-paying employment options and the access to technology among the youth have led to a high propensity to spend on numerous goods and services that manifest the lifestyle of individuals. Malls are the destinations for urban populace for leisure and entertainment.

The current tech-savvy generation holds the high potential of expenditure with good job opportunities along improved incomes in metro cities. Hence, spatial convenience, comfort, visual appeal and design plays a pivotal role in capturing their minds. The shopping experience can be more enjoyable and appreciable if the customer is connected end to end with all the activities, products and offers timely with the aid of real-time location tracking of the customers.

PALLADIUM MALL | Lower Parel, Mumbai



DLF MALL OF INDIA | Gurugram



1) Spatial convenience

Customers regard spatial convenience to be utmost important in malls to provide better shopping experience with high storage capability housing multiple brands and activities of entertainment as well as leisure. The spaces in the stores for free walking, aisles between the product displays, placement of the billing counters, displays etc. add to the convenient free movement of the customers.

This develops a defined layout for easy circulation of customer avoiding chaos and reduced waiting period. The quality of the anchor stores, circulation, and open space planned proportionately to the mall traffic add to the customer experience as well as convenience. Proper service and management of customer will help to capture their minds for the next visit. A satisfied customer is the best source who spreads a positive note about the mall and its convenience mainly by word of mouth.

2) Visual appeal

In retail mall spaces, enticing the customer’s eye is very important to attract them for shopping. The location, space, and form of the mall are the main external attributes and tenant mix, design, internal environment of the mall, recreational activities are the major internal attributes capturing the eye and mind of the customers.

New design elements in the common areas as well as stores, digital platforms providing required information to the customer regarding the offers going on in respective brands, kiosks, customer engagement, and exploration zones need to be developed which are appealing to the customer visually as well as help them have new experiences at shopping. Visual merchandising, promotional and recreational activities at the malls also contribute towards the increase in sales at the malls.

LULU MALL | Kochi



DUBAI MALL



Attributes capturing the customer’s mind at shopping



Factors influencing mall performance and customer attraction

The two major factors influencing the performance and attraction of customers to the mall are essential as well as value added services and the marketing strategies. The essential services mainly include ATM, play area for kids, baby care zones, etc.

Visual merchandising is another very important marketing strategy for attracting customers to the stores. The arrangement of the products with the help of mannequins and fixtures, focus lighting, backdrops, music, and scents enhancing the mood of customers help in pulling customers to the stores. The planned and designed layouts add aesthetic value to the store outlets capturing the minds of the customers leading to repeated visits.

Malls should add value proposition to the customers and services such as quality and diversity in products, entertainment, and servicing. This will add to the Hedonic value of the mall and the mall will witness an increase in footfalls.

Mall management practices

To provide a better experience and to successfully infuse a thought of “mall revisit” to a customer’s mind, best mall management practices are mandatory. The experience of the customer right from entry to the mall until the exit must be smooth and comfortable with all services well organized and in place. The services shall mainly include a parking facility, diverse retail tenant mix, F&B, leisure areas, large open arenas, basic facilities such as hygienic drinking water and restrooms etc. Also, organizing entertainment events shall help in retaining consumer for a longer period.



Design and built environment of the retail spaces play a very important role in influencing the customer and their shopping behaviour. Planned layout with diverse tenant mix in the mall arouses the emotional state of the customer which makes the shopping experience a pleasurable one.

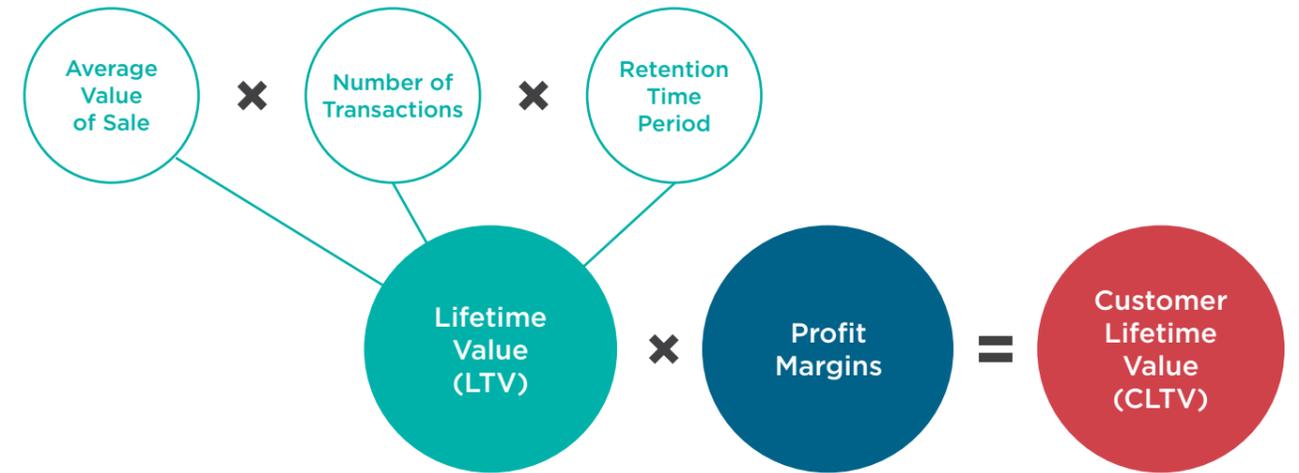
F&B and entertainment zones are catalyst driving the growth by attracting customers to the malls. Concurrently, style, variety and quality in a mall also enhance the loyalty of customer. This leads to consumer shopping motivation and increased footfalls to the mall spaces.



6. Metrics to evaluate the impact of customer experience



Customer lifetime value (CLTV)



Customer lifetime value is a very valuable metric and as per Harvard Business Review (HBR), acquiring a new customer is 5 to 25 times more expensive than retaining an existing customer (as it saves the marketing cost in acquiring the new customers). Once companies start calculating the CAC (cost to acquire a customer) which will be the summation of sales and marketing cost, the cost to organize events and branding cost will far exceed the retention cost.

CLTV will enable the company to assess the sales value and evaluate the profitability derived from a returning customer. As businesses grow, companies will build up a large database of customers and it will be beneficial to know the CLTV of customers having high profitability over a period of time. Such customers would continue to be a healthy source of revenue to the company.

Analysis of such customer-centric data may lead to a situation in the future when the company may wish to run special loyalty programs to targeted customers as a gesture of gratitude. The amount spent on such events will take into account the marketing cost and the concessions and evaluated against the CLTV. Thus, pleasant customer experience is seen to be an important attribute for a differentiated business of the future.

Trends/practices implemented to increase CLTV - Examples/case studies

Van Heusen's Power Club is a loyalty program with three categories of memberships such as Classic, Silver and Gold, depending on a customer's shopping profile. Members can earn reward points based on the value of the purchase and are entitled to benefits like in-store personal assistance, valet facilities at select locations and advice from in-store stylists on special occasions.

Gold and silver members have privileges of access to exclusive sales previews, invitations to fashion evenings and home delivery of altered garments. Gold members are entitled to privileges like exclusive trail rooms, pick-up and drop facility for garments exchanges and invitations for an exclusive preview of new collections. This loyalty program is intended to achieve the long lifetime value of a customer. As the members in these three levels grow correspondingly, the CLTV will also see an increase over time. The above example shows how a company differentiates its customers on the basis of the average value of sales correspondingly calculating CLTV to offer appropriate value propositions.

Online players have also started their own membership programs to increase retention period eventually targeting to increase CLTV. Amazon which is a multinational e-commerce giant has started its prime membership program with a nominal annual fee, where the member gets unlimited free two-day shipping on million items as well as perks such as streaming services and Prime day sales offers. Its strategy is to become a differentiator and achieve a competitive advantage as the industry offers similar products at the same price point. Hence, a loyalty program will not only become a differentiator but also increase the retention period of an average customer.



Net Promoter Score (NPS)

NPS is used to find out customer satisfaction which is a critical driving factor in customer experience. It is the customer loyalty metric and its objectives are to find a clear and simple interpretable customer satisfaction score which can be compared over time.

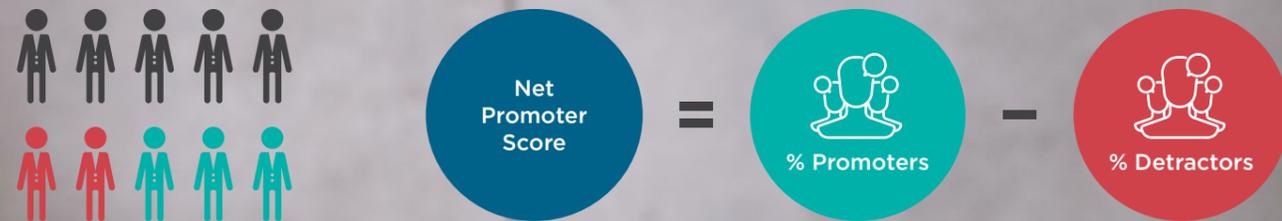
The net promoter score is the difference between the percentage of promoters and detractors. For instance, a company has 30% promoters and 20% detractors and the remaining 50% passives then the NPS is +10. Here NPS is calculated as the difference between the net percentage of promoters (30%) to detractors (20%) and doesn't take passives into consideration. However, any retailer would try to reduce passives by pushing them into promoters set.

Hence, the higher the NPS, higher is the loyalty and customer retention. The increment in NPS is an indicator of higher customer satisfaction.

Examples/case studies to show how brands value NPS for CX management

A leading consumer technology brand, K2 TECH conducts a follow-up survey to collect feedback and combines those insights with operational data which allows them to gauge the brand's health. This leading wearable technology brand is committed to having an ongoing conversation with its customers to find out how they feel about the brand. After the purchase, a survey is sent to the customer to rate the experience and product to find out the NPS.

Even the online players are looking to decode the customer behavior and correspondingly increase their NPS. A top athletic brand uses a feedback tab on the website to draw insights which will eventually create a better brand experience for the visitors. This leading sportswear website athletewear.com asks feedback from its customers on how likely they would recommend this site to their friends.



Churn Rate

Churn rate which is also known as attrition rate is the percentage of buyers or visitors who stop visiting a particular mall or a store. For a mall or a store to grow, it is important to maintain the footfalls and reduce the attrition rate of the existing customers.

However, in retail, the number of buyers in a year or footfalls to a mall along the year depends on the external factors with seasonality effect and it fluctuates across the year. But the churn rate can be calculated on an average basis from year to year. An average number of buyers or footfalls to a mall in a particular year can be compared to the present average and hence the corresponding churn can be calculated. Hence, companies should focus on curtailing the churn rate and correspondingly identify the reason why a customer is switching to its competition.

What steps malls are taking to reduce the churn rate

1) Suitable tenant mix

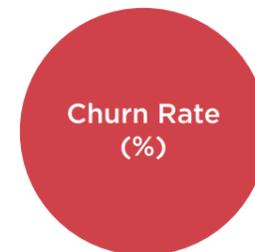
Due to the failure of a few malls which had inappropriate tenant mix, the newer malls are changing their tenant mix due to the changing consumer dynamics. Malls have understood the changing consumer preference, the emergence of e-commerce and online retailing and hence space was allocated for commoditized retail like mobile and electronics was reduced.

Categories such as books and music have also seen a reduction in space as they can be conveniently purchased outside. According to an industry survey, the average number of electronics stores in malls has gone down from 9% in 2014 to 3% by 2016. DLF Mall of India has allocated nearly 40% space for entertainment which is nearly double than the prevailing practice.

Simon Property Group (SPG), a real estate giant with headquarters in Indianapolis, has relied on aggressive deal-making and savvy property management to bolster its position as the largest U.S operator and developer of shopping malls. SPG's U.S portfolio includes 108 malls, most of them high-grossers like Roosevelt Field, and 72 discount outlet centers. That adds up to real estate worth USD110 billion. Simon understood that hundreds of shopping centers across the U.S are facing obsolescence, abandoned by shoppers who are going online or getting choosier about where they shop. Therefore, it started to rethink what kind of stores fit in a mall and their existing spaces are being re-purposed for occupants like Cheesecake Factory and fast-fashion retailers Primark. Simon has added 200 restaurants in its properties in the past five years and other non-retail spaces such as movie theaters and health clubs are also proliferating. According to SPG, such reinventions are necessary which will pay off in the future and it also says that they are always on their toes to reinvent their properties to offer that extra edge to provide differentiation.



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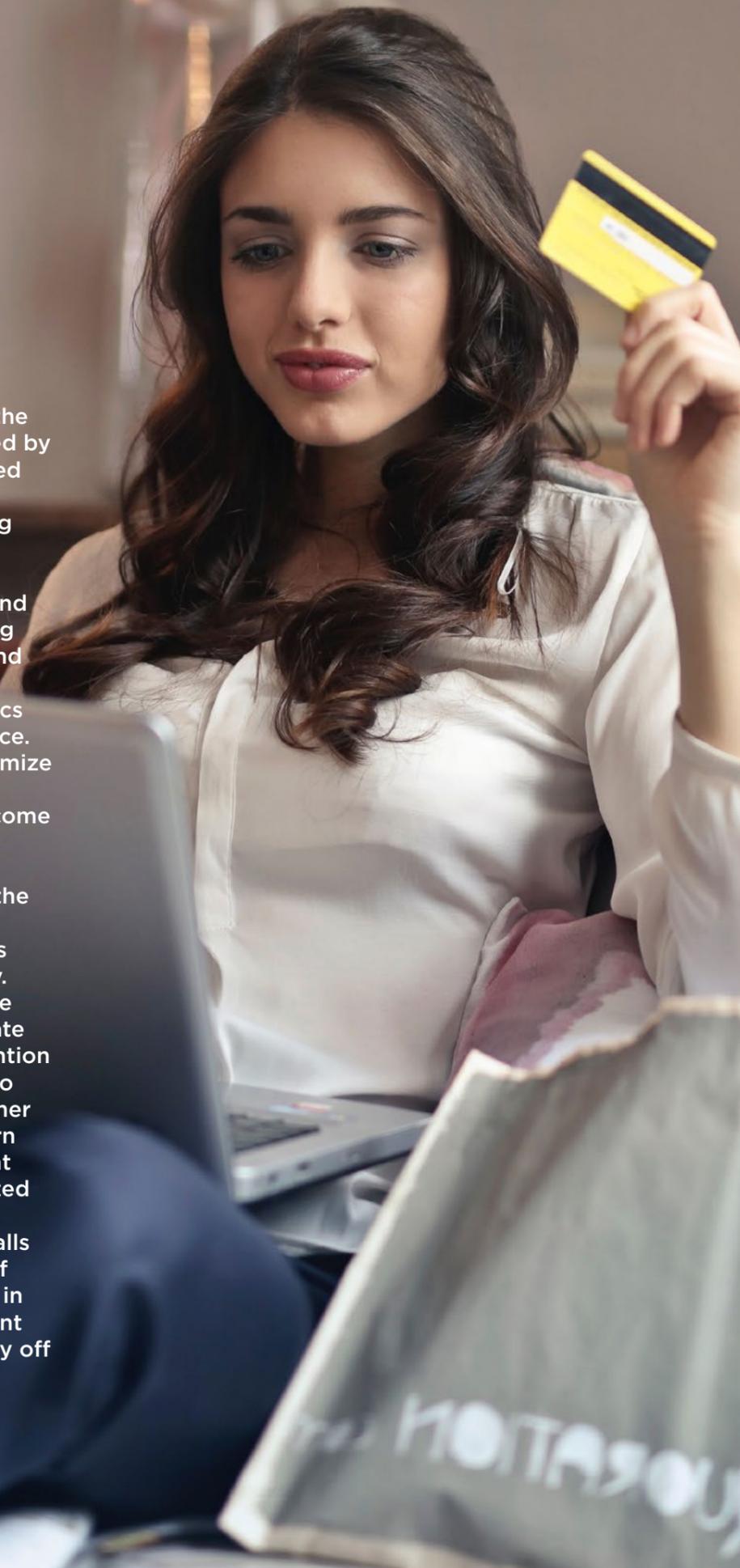
2) Personalized shopping experience

Like e-commerce practices, malls also want to know their customers better as the success model of e-commerce is tracking every customer at an individual level and giving suggestions. Malls are trying to apply that methodology to reduce churn and increase footfall. Mumbai's Viviana mall is trying to personalize the mall experience by engaging its visitors through social media every year and conducting customer surveys in the mall. Malls are trying to create a huge shift from mass marketing to individual marketing.



Digital disruption has impacted the consumer buying process enabled by technology which has transformed the retail sector's dynamics. It has shifted from merely satisfying the basic want of a consumer to offering a superior customer experience. Hence, both online and offline players have started taking customer experience seriously and correspondingly changing their strategy to influence those metrics which impact customer experience. Laser-focused strategies to maximize metrics such as CLTV, NPS and minimize the churn rates has become the prime objective for retailers.

Innovative methods to measure the brand health and recall through survey backed by technology has become the norm of the industry. Brands have started to offer more personalized experiences to create differentiation and increase retention to maximize CLTV. Malls have also understood the impact of customer switching and to reduce the churn they started to revisit their tenant mix and provide more personalized marketing at an individual level. International as well as Indian malls have identified the importance of appropriate tenant mix resulting in increase of F&B and entertainment spaces which are expected to pay off dividends in the future.



Outlook

International players and Indian conglomerates have recognized Indian retail sector's tremendous potential due to its large untapped market, amidst rising purchasing power of the growing middle-class population. The Indian retail sector is expected to reach USD 1,750 bn by 2026 due to changing demographics and increasing consumer expenditure which is expected to rise to USD 3,600 billion by 2020.

The ever-evolving consumers have prompted retailers to adapt to the growing demand. The retail sector is expected to grow at CAGR of 16% for the period 2017-21. However, e-commerce is growing at a steady pace in the country surpassing the growth rate of brick and mortar stores. The e-commerce industry has grown at a CAGR of 34% during 2014-17 and further, it is expected to grow at a CAGR of 27% for the period of 2017-21. This rapid growth in e-commerce is due to high internet penetration in both rural and urban India coupled with aggressive pricing strategies from online market players. E-commerce has created the biggest revolution in the country and this trend will continue in the years to come.

Any brand or company in today's extensive competitive scenario is not just looking to satisfy the basic needs or wants of a consumer, instead, it is looking to offer an extra element which has become a necessity in today's world. Marketing in the retail industry has changed its basic ground rule from 4P's (Product, Price, Place, and Promotion) to CX (Customer Experience). The retail market is expected to witness the implementation of new techniques and practices for better engagement with prospective buyers and visitors. Their realization of customer lifetime values and net promotion scores have resulted in redefining their strategies to ensure excellence in customer experience.

The retail structures and malls are likely to undergo a transformation with many added features to engage with the visitors and offer them a wholesome experience and earn their loyalty. There is going to be a drastic change in the mall management practices and in designing the internal and external environment of the structures to accommodate features that enhance customer experience.

Even the online players who understood the importance of customer experience are exploring offline options. Furthermore, this trend of having an offline presence is going to rise in the coming years so as to create trust and enhance consumer confidence. Both online and offline players have realized the benefits of retaining an existing customer instead of acquiring a new customer. This is expected to pave the way in framing laser-focused marketing strategies to retain the existing customer by offering superior customer experience. The prime objective of these strategies will be to identify the value of customers at an individual level, increase their loyalty and minimize customer churn.

Hence, it would not be an understatement to say that the future of retailing remains in offering superior CX to the consumer, measuring its impact and correspondingly syncing brand's marketing strategies at an individual and holistic levels to enhance profitability and drive growth.

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