

# *Experience Radar 2011*

Insights for the US retail industry

*Locating the sources  
of value behind truly  
exceptional customer  
experiences*

*November 2011*



*volume 1*

# Experience matters

## About Experience Radar

*PwC's Experience Radar helps businesses search out and find the often hidden sources of value that drive truly exceptional, differentiating customer experiences.*

*By helping retailers rank shopping features by relative importance to their customers and potential economic benefit to themselves, Experience Radar locates opportunities to create value—pointing the way toward both top-line growth and bottom-line results.*

*This year's study measures the experiences of about 6,000 US consumers across 11 industries.<sup>1</sup> The Experience Radar assigns value to a broad set of customer experience attributes broken down into industry-specific elements and then ranked by what target segments value most.*

*Our methodology employs an advanced conjoint survey technique to reveal insights that can be honed to extreme precision. Other, more traditional customer experience studies typically do not tie to "hard economics" like value measures, price elasticity and churn metrics. Experience Radar does.*

*While the results outlined in this report are at the industry level, PwC can use this same methodology to develop an Experience Radar study that is customized to your business.*

<sup>1</sup> Retail (apparel, footwear & consumer electronics), Retail Banking, Payments, Healthcare Provider, Health Insurance, Airlines Leisure, Airlines Business, Hotels Leisure, Hotels Business, P&C Insurance, and Life Insurance

Economic conditions are forcing retailers to identify new ways to set themselves apart from the competition. Delivering a distinctive, brand-defining customer experience is a powerful solution.

Indeed, companies that design true, differentiating experiences around their products and services often win in the marketplace while enjoying a price premium over the competition.

This year's Experience Radar insights report is intended to help you do just that—win in the marketplace by delivering a customer experience that attracts new profitable customers, keeps the ones you've got, and increases margins.

Experience Radar helps you locate two elements critical to pleasing your customers and growing your business: **experience enhancers** and **experience segments**.

- **Experience enhancers** are those market insights that—when translated into practical actions—can create value for your customers.

- **Experience segments** are those customer segments that appear once respondents are grouped together by the features they value, their demographics, and behavioral profiles.

Experience Radar points the way to value—and profits—by honing in on ways to enhance how you serve *all* your customers, but particularly those customers most in search of an experience that's second to none.

We hope you find this year's report useful in growing your business.

Best,



**Paul D'Alessandro**  
PwC US Customer Impact Leader



**Tom Puthiyamadham**  
PwC US Customer Impact Leader

# Questions the 2011 Experience Radar helps you answer

How should I be  
grouping and targeting  
my customers?

How can I drive  
customer loyalty and  
repeat purchase?

Which channels do my  
customers prefer?

What aspects of  
in-store interactions do  
my shoppers value?

What shopping features  
are my customers most  
willing to pay for?



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# *Experience Radar measures the core attributes of customer experience*

## ACCESSIBILITY 1

Ease of accessing  
and using an  
offering 

## SUPPORT 2

Ease of obtaining  
service help, both  
before and after  
purchase 

## QUALITY 3

Accuracy, speed,  
breadth and  
value of an  
offering 

## PRESENTATION 4

Aesthetics,  
arrangement and  
description of  
an offering 

## SOCIAL BELONGING 5

Enhancement of  
customer's personal  
brand and connection  
with others 

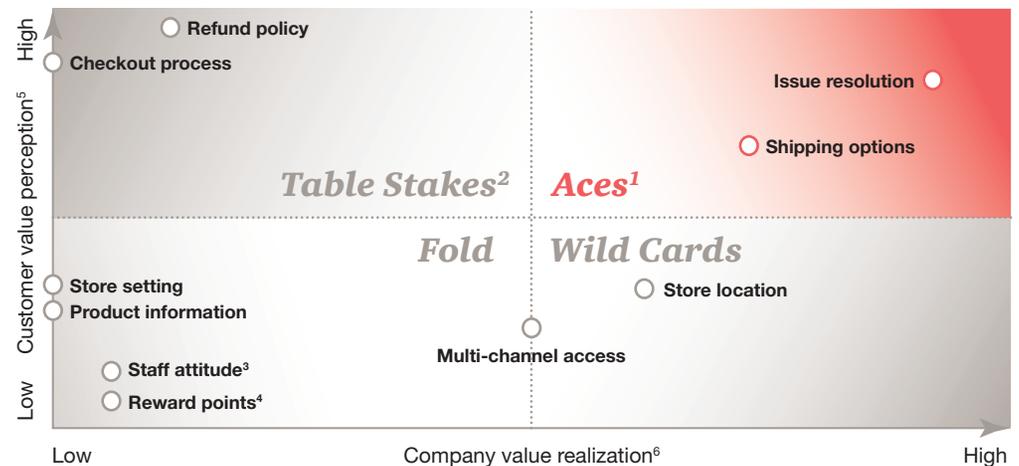
# The 5 core attributes of retail customer experience

# Experience Radar uncovers the impact of experiences

Experience Radar ranks shopping features by relative importance to customers as well as potential economic impact on retailers. The chart on the right maps each of the features measured by their value to both groups. The features fall into four categories that—in the game of retailing—we call *aces*, *wild cards*, *table stakes*, and *fold*. Ace features can help you hit your margin targets, while other features can drive emotional goodwill and generate ancillary benefits across the organization.

Hit your margin targets directly with Aces, but don't overlook the impact of the rest

Customer value vs. the economic impact on retailers<sup>7</sup>



1 Nice to have features with moderate to high economic returns

2 Must have features with low economic returns

3 Feature drives emotional goodwill & long-term gains

4 Feature generates benefits for other parts of the organization

5 Relative feature importance assigned by customers

6 Incremental feature margin contribution assuming 11% EBITDA/Sales margin average in calculation (High = 10-13%, Medium = 5-9% and Low = 0-4%)

7 Product Comparison and Price Adjustment Features not displayed due to low retailer impact and customer value

## 2011 experience enhancers

Growing your business by designing and delivering exceptional customer experience



### EXPERIENCE ENHANCER 1

**Understand** that points don't mean loyalty, experience does

### EXPERIENCE ENHANCER 2

**Make** your customers brand ambassadors so good deeds get proper attention

### EXPERIENCE ENHANCER 3

**Create** opportunities by helping your customers avoid risk

### EXPERIENCE ENHANCER 4

**Embrace** the anytime, anywhere economy

### EXPERIENCE ENHANCER 5

When something bad happens, **fix it**

# Understand that points don't mean loyalty, experience does

Rewards programs alone don't lead to loyalty. It's born from experiences that create psychological connections. A loyalty program can provide the data to orient you to customer needs, then front-line staff create experiences that deliver on those needs.

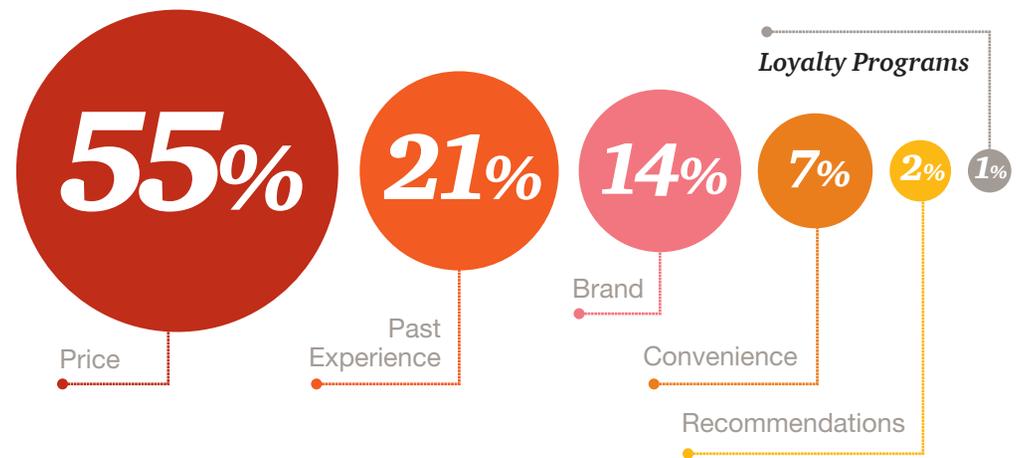
*Last*  
 Shoppers' ranking of loyalty programs relative to other purchase drivers

## Loyalty can't be bought. It must be earned.

Loyalty programs don't result in long-term relationships—what does is friendly, helpful service and the people behind it.

"[The] salesman went out of his way to bring me matching outfits...[he] made me feel so important that I returned to that store in the future."

### Loyalty programs ranked last



When survey respondents were asked to rank factors influencing purchase decisions, loyalty programs **ranked last**.<sup>1</sup>

<sup>1</sup> Sample size n = 587

# Understand that points don't mean loyalty, experience does

Rewards programs alone don't lead to loyalty. It's born from experiences that create psychological connections. A loyalty program can provide the data to orient you to customer needs, then front-line staff create experiences that deliver on those needs.

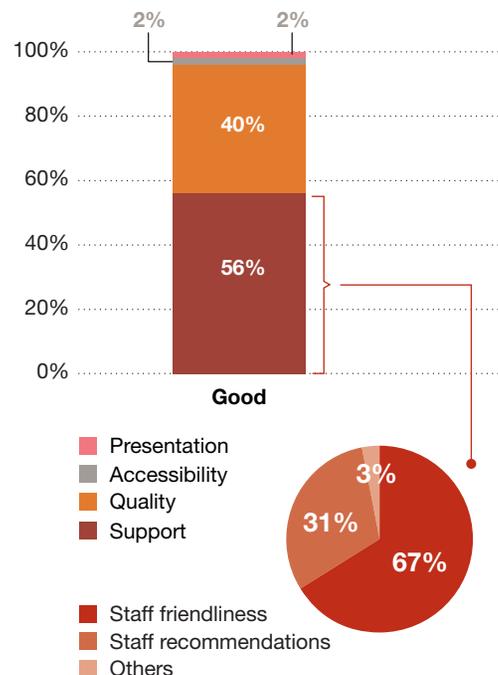


**Instead of investing in costly loyalty programs, focus on customer service.**

**Over half of shoppers** cite friendly staff assistance as the key to winning or losing them.

Invest in training knowledgeable staff to prevent buyer's remorse. Shoppers utilize staff knowledge to affirm purchase decisions—product knowledge and recommendations account for almost **1/3rd** of good experiences related to support.

## Break-down of good experiences<sup>1</sup>



<sup>1</sup> Sample size n = 258

“Asked three different clerks for help in finding wire cutters and they all sent me to the wrong place...was so angry that I left.”

# Make your customers brand ambassadors so good deeds get the attention they deserve

Encourage consumers to own the brand with you and create a shared experience outside your walls. Identify, incentivize and promote your brand ambassadors.



**90%** willing to **recommend retailer** after a good experience

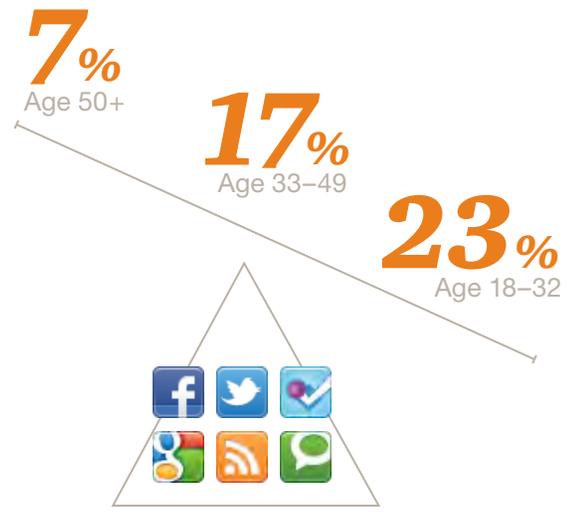
## Customers—like all of us—are social beings, seeking connection and community.

A good experience with you, and they can be your best marketers—a bad experience, and the damage can be wide-spread.

- Amplify positive experiences by creating brand ambassadors.
- Not all age groups are equal—though sharing experiences in-person and via phone is popular, younger generations prefer social media roughly **3x** more than older ones. Develop a cross-channel platform to allow ambassadors to easily spread the word.

[The] salesperson was condescending...[it] cost the store \$500 in sales...and I told **everyone** about it.”

## Younger generations prefer social media



- Facilitate older brand ambassadors to host **community-based events** with personal networks
- Create **viral campaigns** using social media tools like Facebook, Foursquare & Twitter to help younger brand ambassadors generate buzz

<sup>1</sup> Sample size n = 1058

# Make your customers brand ambassadors so good deeds get the attention they deserve

Encourage consumers to own the brand with you and create a shared experience outside your walls. Identify, incentivize and promote your brand ambassadors.



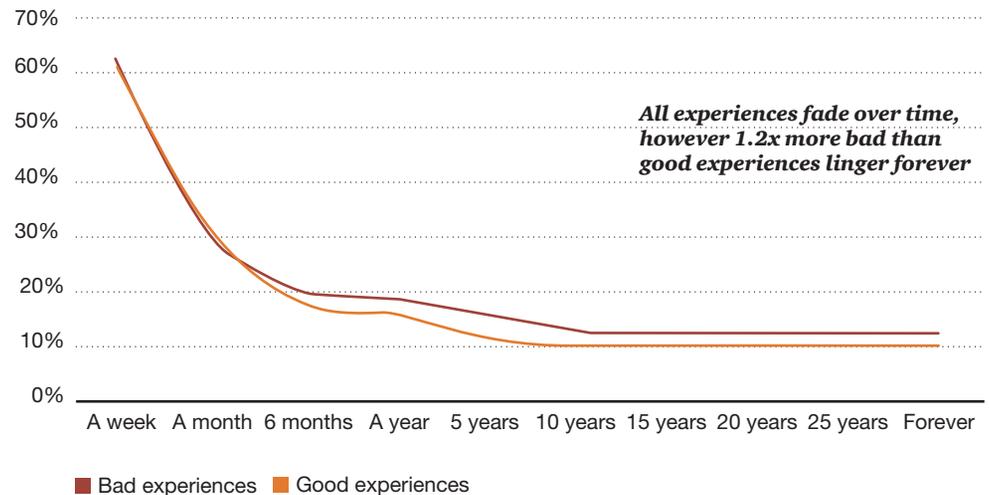
**1.6x** Likelihood of *having a good* rather than bad experience

Shoppers share experiences immediately: half of shoppers share negative experiences with friends/family within a week of occurrence.

In fact, some people have bad experiences that they never forget—and never stop sharing—which can cost you sales and customers.

“Salesperson was condescending and cost the store \$500 in sales ...and I told *everyone* about it.”

## Life span of memorable experiences



Leverage brand ambassadors to reduce potential impact by creating feedback loops to hear from them first.

*Some industry ironies surfaced by this year's Experience Radar*

The **big** question:  
What might this mean  
for the future of your  
business?

**8 to 12%** additional margin<sup>1</sup>  
opportunity retailers  
can gain by offering free shipping **yet 59%** of  
retailers charge for shipping products<sup>2</sup>

**72%** of consumers are unwilling to  
repurchase from retailers who  
fail to resolve their issues **yet 69%** of customers  
say they're dissatisfied by retailers' resolution of  
bad service

**Last** Shoppers' ranking of loyalty  
programs relative to other  
purchase drivers<sup>3</sup> **yet 95%** of retailers have—or  
plan to have—a loyalty rewards program<sup>4</sup>

<sup>1</sup> Calculations based on elasticity measures from the survey and 11% EBITA/Sales industry margin average

<sup>2</sup> Source: Comscore 2010 Survey

<sup>3</sup> Purchase drivers: Price, Personal Experience, Convenience, Store/Brand, Recommendations, Loyalty/Rewards Programs

<sup>4</sup> Source: Retail Horizons—Benchmark 2011

# Create opportunities by helping your customers avoid risk

Retailers can win in this economy by minimizing psychological hurdles and helping risk averse consumers make purchase decisions.

# 3 out of 5

value a *flexible* return policy

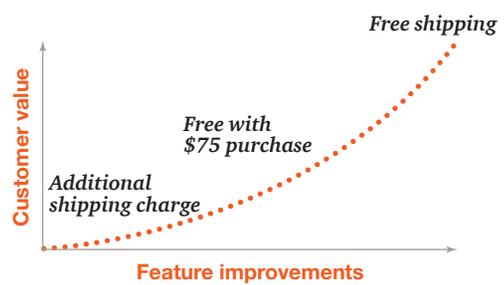
Weak economic conditions have heightened consumers' sensitivity to risk.

Retailers can attract new customers and increase basket size by providing features that help customers overcome psychological hurdles.

Overcome shoppers' worries about losing money on shipping and press the emotional hot-button of free things.

comScore reports  
**2 out of 3<sup>1</sup>**  
are likely to cancel purchase without free shipping

### Shipping options



} Value of free shipping spikes despite higher feature price. Hook customers via free shipping options

# 4 out of 5

value free shipping and can result in a margin opportunity of 8–12% on goods

<sup>1</sup> "State of the US Retail Economy in Q1 2011." ComScore, 17 May 2011.

# Create opportunities by helping your customers avoid risk

Retailers can win in this economy by minimizing psychological hurdles and helping risk averse consumers make purchase decisions.

## Further reduce customer purchase anxiety with a flexible return policy.

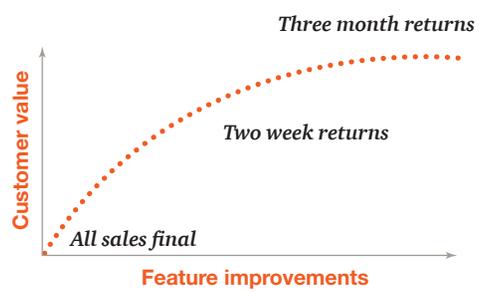
Benefits to you outweigh the cost as **3 out of 5** value a flexible return policy, and a typical shopper is willing to pay a **5%** premium on goods to extend return window to 3 months.

Personal history breeds familiarity—it emerged as the top driver, of where to shop after price. Providing free trial periods for products lessens purchase risk and allows shoppers to own it for a short period. When it's time to pay up or let go, it seems easier to part with the money than the product, playing into the endowment effect.



**10x** Past *experience* influences *purchase* over recommendations

### Flexible return policy



} Extended policy offers high emotional returns for nominal effort

## Embrace the anytime, anywhere economy

Your customers are shopping online and offline, whether at their homes, on-the-go, or in your stores. Understand their shopping preferences before someone else does.

**40%**  
value the option to shop  
across channels (web, mobile  
and in-store) over one channel

### Customers shop at home, on-the-go, and in your stores.

Cannibalize your own channels before someone else does by providing options to research, purchase wherever shoppers are.

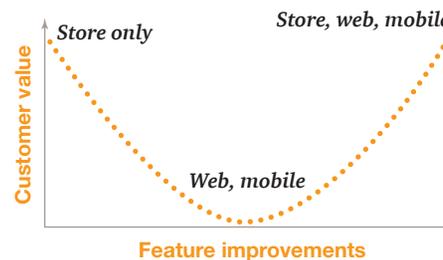
Most shoppers are not channel loyalists—40% value the option to shop across channels (web, mobile and in-store) over one channel.

Shoppers want the flexibility to research via one channel and purchase via another: “When buying a TV, salesperson was very helpful and accommodating to answer all of our questions even after they found out we’d be buying online.”

“Discovered a ‘must have’ coat online, but the store I usually use was sold out. So I called another store, and they called other stores, and—somehow—they found it...**great service!**”

Develop a multi-channel strategy that makes it easy for customers to move between channels. Consider partnerships to reduce up-front investment costs and allow for piloting.

#### Multichannel access



} People value brick-and-mortar over web alone desiring the option to touch and try products

## Embrace the anytime, anywhere economy

Your customers are shopping online and offline, whether at their homes, on-the-go, or in your stores. Understand their shopping preferences before someone else does.

Customers increasingly are using mobile applications at the store to obtain product and pricing information and make purchase decisions. The number of shoppers who value **access to information in stores** **nearly doubles** those who value information provided via ads.

### Production information



Explore technology investments and mobile tools that provide instant access to product information and reviews to facilitate immediate purchase.

**8%**

Premium shoppers are **willing to pay to interact** with a product in a store

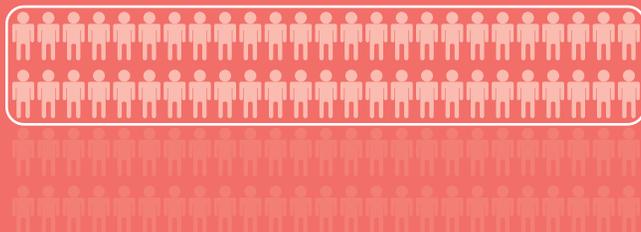


## When something bad happens, fix it

Customers often won't tell you they're not happy. Find out. And when you do, make sure they're happy with the results—an apology may be enough to create an evangelist.

People aren't talking to you.

**49%**  
*don't tell* a retailer about their bad experiences



### No one is perfect.

But if you don't provide your customers channels for feedback, you may not know they aren't happy until they leave.

But people are talking about you.

**50% + 19% = 69%**

First week

Next 3 weeks

Bad experiences shared within a month

“My computer died. I called and they delivered a new one within 24 hours...Excellent service—no questions.”

## When something bad happens, fix it

Customers often won't tell you they're not happy. Find out. And when you do, make sure they're happy with the results—an apology may be enough to create an evangelist.

### Find out how your customers are feeling.

When you hear about a bad experience, fix it—**3 out of 5** are satisfied with an apology or compensation.

You can increase the likelihood of repeat purchases with a simple fix.

#### Issue resolution



} Most are satisfied with a simple gesture—so going above-and-beyond provides minimal added value

**88%**

willing to return to a retailer that apologized following a bad experience

# Mapping out a “game plan” for retailing

So, just how might all of this fit together? Here’s one attempt at a game plan that pulls it all together.

## How to address your challenges



Issues	Recommendations
<p><b>1</b></p> <ul style="list-style-type: none"> <li>• Low customer retention</li> <li>• Channel cannibalization</li> <li>• Identifying profitable revenue growth</li> </ul>	<ul style="list-style-type: none"> <li>• Revise go-to-market strategy</li> <li>• Simulate customer response to changes prior to investment</li> <li>• Develop channel strategy</li> </ul>
<p><b>2</b></p> <ul style="list-style-type: none"> <li>• Ineffective customer targeting</li> <li>• Low customer engagement</li> <li>• Product mix complexity</li> </ul>	<ul style="list-style-type: none"> <li>• Create needs based segmentation</li> <li>• Develop customer engagement strategy</li> <li>• Simplify product mix</li> </ul>
<p><b>3</b></p> <ul style="list-style-type: none"> <li>• Impersonal customer experiences</li> <li>• Lack of sales force effectiveness</li> <li>• Increasing servicing costs</li> </ul>	<ul style="list-style-type: none"> <li>• Deploy personalization capabilities</li> <li>• Create digital tools to track shopper behavior</li> <li>• Develop digital sales force strategy and servicing strategy</li> </ul>
<p><b>4</b></p> <ul style="list-style-type: none"> <li>• Impersonal customer experiences</li> <li>• Multiple and disparate views of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Develop Voice of the Customer program to uncover product, customer servicing and marketing insights</li> <li>• Centralize customer information into single view</li> </ul>
<p><b>5</b></p> <ul style="list-style-type: none"> <li>• Disjoint customer experience</li> <li>• Misaligned staff behavior with experience goals</li> <li>• Ineffective post sales support</li> </ul>	<ul style="list-style-type: none"> <li>• Redesign organization to support experience goals</li> <li>• Develop metrics and incentives structure aligned with experience goals</li> <li>• Ensure accountability of experience goals</li> </ul>

# 2011 experience segments

## Experience Radar's customer segmentation

### How's it different?

Unlike traditional market segmentation which is usually based purely on demographics, Experience Segments—the market segment groups identified by Experience Radar—are defined by the types of experiences they value.

### How's it done?

Respondents are pooled and divided into clusters based upon the shopping features they value, behavioural dimensions (like usage rate and loyalty, etc.) and some demographic data.

### How can I use it?

The Experience Segments identified in this report help you target your experience-based offerings toward those who will value them most.

The **5**  
experience  
segments

EXPERIENCE  
SEGMENT **1**



EXPERIENCE  
SEGMENT **2**



EXPERIENCE  
SEGMENT **3**



EXPERIENCE  
SEGMENT **4**



EXPERIENCE  
SEGMENT **5**



# Meet “Up & Coming Ashton”

EXPERIENCE  
SEGMENT **1**



*He’s a young city dweller who shops frequently. He values free shipping more than any other shopping feature and is a heavy user of social media. In fact, Ashton values free shipping and uses social media more than any of the other four retail segments described in this report.*

#### AGE

Gen Y (18–32)

#### INCOME

\$50–74k

#### GENDER

Equal

#### URBANICITY

Major city

#### TOP PROVIDERS

- Amazon
- Best Buy
- Walmart

#### TOP ATTRIBUTES

- Social Belonging
- Quality

#### TOP FEATURES

- Free shipping
- Mainstream brand access

#### ADDITIONAL

- Highest online and offline shopping frequency
- Highest monthly (+) and (-) MOT frequency
- Highest satisfaction rate with (-) MOT resolution through apology or compensation

# Meet “Quality Cautious Nick”



*He’s among those most reluctant to switch from a current provider he’s happy with to try something new. Nick (along with “Risk Averse Harold”, who’s described later) finds design elements that ensure quality and reduce actual—or perceived—risk attractive.*

#### AGE

Gen Y (18–32)

#### INCOME

\$75–99k

#### GENDER

Equal

#### URBANICITY

Major city

#### TOP PROVIDERS

- Amazon
- Best Buy
- Nordstrom

#### TOP ATTRIBUTES

- Quality
- Social Belonging

#### TOP FEATURES

- Extended refund policy
- Attendant check-out

#### ADDITIONAL

- Highest percent of people unwilling to switch from current retailers

## Meet “Value Seeking Britney”

EXPERIENCE  
SEGMENT **3**



*Despite having the lowest income of the group, and living in the smallest city or town, she is brand-conscious and enjoys shopping at stores like Target.*

#### AGE

Gen X (33–49)

#### INCOME

\$25–74k

#### GENDER

Female skewed

#### URBANICITY

Small city and town

#### TOP PROVIDERS

- Amazon
- Walmart
- Target

#### TOP ATTRIBUTES

- Social Belonging
- Accessibility

#### TOP FEATURES

- Attendant check-out
- Mainstream brand access

## Meet “Support Diva Hilda”

EXPERIENCE  
SEGMENT **4**



*She has the highest percentage of disposable income of the group and is also the most willing to switch providers for a better experience. She values hassle-free problem resolution more than any other shopping feature—and more than any of the other four segments described in this report.*

#### AGE

Gen X & Y (18–49)

#### INCOME

\$100k+

#### GENDER

Female skewed

#### URBANITY

Suburb near major city

#### TOP PROVIDERS

- Nordstrom
- Others
- Best Buy

#### TOP ATTRIBUTES

- Quality
- Support

#### TOP FEATURES

- Hassle-free issue resolution
- Extended return policy

#### ADDITIONAL

- Highest percent of people willing to switch from current retailers

# Meet “Risk Averse Harold”

EXPERIENCE  
SEGMENT **5**



*He doesn't like surprise (and along with Quality Conscious Nick) is attracted to design elements that ensure quality and reduce actual or perceived risk.*

#### AGE

Baby Boomer (50–65)

#### INCOME

\$50–74k

#### GENDER

Equal

#### URBANICITY

Suburb near major city

#### TOP PROVIDERS

- Others
- Walmart

#### TOP ATTRIBUTES

- Social Belonging
- Accessibility

#### TOP FEATURES

- Attendant check-out
- Extended refund policy

# Comparing the experience segments



	EXPERIENCE SEGMENT 1	EXPERIENCE SEGMENT 2	EXPERIENCE SEGMENT 3	EXPERIENCE SEGMENT 4	EXPERIENCE SEGMENT 5
	<b>Up &amp; Coming Ashton</b> (N=43, 7%)	<b>Quality Cautious Nick</b> (N=185, 32%)	<b>Value Seeking Britney</b> (N=84, 14%)	<b>Support Diva Hilda</b> (N=143, 24%)	<b>Risk Averse Harold</b> (N=132, 22%)
Age	Gen Y (18–32)	Gen Y (18–32)	Gen X (33–49)	Gen X & Y (18–49)	Baby Boomers (50–65)
Income	\$50–74k	\$75–99k	\$25–74k	\$100k+	\$50–74k
Gender	Equal	Equal	Female skewed	Female skewed	Equal
Urbanicity	Major city	Major city	Small city and town	Suburb by major city	Suburb by major city
Top Providers	<ul style="list-style-type: none"> <li>• Amazon</li> <li>• Best Buy</li> <li>• Walmart</li> </ul>	<ul style="list-style-type: none"> <li>• Amazon</li> <li>• Best Buy</li> <li>• Nordstrom</li> </ul>	<ul style="list-style-type: none"> <li>• Amazon</li> <li>• Walmart</li> <li>• Target</li> </ul>	<ul style="list-style-type: none"> <li>• Nordstrom</li> <li>• Others</li> <li>• Best Buy</li> </ul>	<ul style="list-style-type: none"> <li>• Others</li> <li>• Walmart</li> </ul>
Top Attributes	<ul style="list-style-type: none"> <li>• Social Belonging</li> <li>• Quality</li> </ul>	<ul style="list-style-type: none"> <li>• Quality</li> <li>• Social Belonging</li> </ul>	<ul style="list-style-type: none"> <li>• Social Belonging</li> <li>• Accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Quality</li> <li>• Support</li> </ul>	<ul style="list-style-type: none"> <li>• Social Belonging</li> <li>• Accessibility</li> </ul>
Top Features	<ul style="list-style-type: none"> <li>• Free shipping</li> <li>• Mainstream brand access</li> </ul>	<ul style="list-style-type: none"> <li>• Extended refund policy</li> <li>• Attendant check-out</li> </ul>	<ul style="list-style-type: none"> <li>• Attendant check-out</li> <li>• Mainstream brand access</li> </ul>	<ul style="list-style-type: none"> <li>• Hassle-free issue resolution</li> <li>• Extended return policy</li> </ul>	<ul style="list-style-type: none"> <li>• Attendant check-out</li> <li>• Extended refund policy</li> </ul>
Additional	<ul style="list-style-type: none"> <li>• Highest online and offline shopping frequency</li> <li>• Highest monthly (+) and (-) MOT frequency</li> <li>• Highest satisfaction rate with (-) MOT resolution through apology or compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Highest percent of people unwilling to switch from current retailers</li> </ul>		<ul style="list-style-type: none"> <li>• Highest percent of people willing to switch from current retailers</li> </ul>	

*We hope these insights  
prove useful to your  
business*

While the results outlined in this report are at the industry level, PwC can use the same methodology we've used here to develop an Experience Radar study that is customized to your business.

*If you'd like to discuss these findings or how PwC can help you apply them to your business, contact:*

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