



Transforming customer service through empowered employees

The music of frictionless retail experiences



Empowering organizations
for what's next

// If you don't focus on creating a culture that allows people to do their best work, then you've created nothing. //

Satya Nadella

CEO, Microsoft





Table of contents



05

The tempo is increasing



17

Singing along



09

Disharmony



19

Sharing a playlist



12

Pressing play



21

High fidelity



13

Amplified sound



23

Our favorite song



15

Listening together



25

The next big thing

The tempo is increasing

The world of Retail is evolving rapidly under pressure from internal and external dynamics, and is shifting toward instant and frictionless access, extraordinary variety, and deep personalization. Externally, Generation Z and millennials continue to grow as a share of customers, and retailers need to do more to earn their loyalty. These customers have significantly different service needs than past generations. They often research online before going into stores, always have a mobile device with them, and demand seamless and intuitive experiences. Meanwhile, employee expectations have also changed. 23% of retail employees are also from Generation Z¹: always connected digital natives who know and demand flexible and powerful tools. At the same time, an even greater number of current retail employees (37%) represent the Gen X and baby boomer generations¹, and employers need to provide them support and training to stay relevant in a fast-changing digital world.

¹U.S. Bureau of Labor Statistics, January 2018



Dynamics within the retail industry also drive the imperative for change in customer service. There is continued margin pressure in most retail sectors coming from the competitive landscape and evolving customer expectations (demands for things such as faster delivery times, free shipping, and web-competitive pricing), so every employee needs to do more. Retailers also need to reduce firstline turnover, a high and unsustainable cost; many retailers currently experience significant annual associate turnover with a

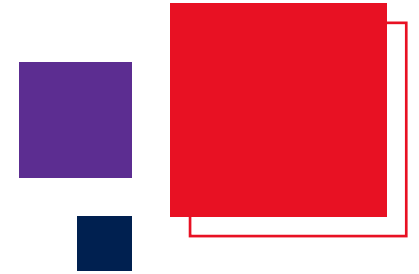
² Bloomberg, March 2015

replacement cost estimated to be in the range of more than \$3,400 per head.² Retailers are also moving to new store formats—with many leveraging increased automation, frictionless or checkout-free experiences, and smaller footprints for urban markets. Finally, customers demand new ways to buy and engage in an omnichannel world—including Buy Online, Pick Up in Store (BOPIS); home delivery; and in-store service following phone or web orders.



Some have suggested frictionless retail may displace firstline workers through increased automation. While there will be major changes to the role of retail employees with the rise of frictionless retail, the firstline will remain central to enabling many retail customer experiences—including novel ones made possible by new technologies. These changes magnify the importance of employee engagement, ensuring the firstline is excited and not demoralized by the changes they see. This is a growing risk, as a recent survey shows that 34 percent of retail firstline workers are committed to but not engaged by their work.³

³ Georgia Clark, "Retail Workers' Biggest Job Concerns Unveiled in New Research," Retailbiz.com.au, October 2018 (www.retailbiz.com.au/latest-news/retail-workers-biggest-job-concerns-unveiled-in-new-research/)



The pressures and dynamics shaping modern customer service in retail are also the primary drivers of the dramatic transformation that has occurred in other sectors, such as the music industry.

Consumers who used to purchase and listen to entire albums moved on to buying by the song, and now most have subscriptions or listen for free. They expect access to a wider catalog than ever before—music streaming services have tens of millions of songs all available for instant access. The growth of social music platforms has allowed fans to engage with artists directly and rapidly, and for artists to release music without any intermediary. This has shortened the engagement cycle: artists and labels have less time to make an impression, and customers can browse and explore without friction.

Retailers also have less time to make an impression. Today's customers form opinions and make decisions faster than ever.

And those opinions are having a wider impact than ever before as customers amplify them through social channels, in turn shaping the impressions of other potential customers. That is putting new strains on the retail firstline, whose actions resonate more than ever. The firstline needs increased engagement from their employer to feel supported and continue adding value in increasingly automated and transparent environments. A recent survey found that a lack of access to the latest technology has left over half (55 percent) of firstline workers under pressure to complete their work correctly and on time.⁴ In addition, we're now entering experience and decision timescales that are faster than people can process unaided. Retailers need machine intelligence and support to meet that need. Eliminating the latency between insight and action in retail means empowering firstline employees.

⁴ "New Research Reveals Lack of Investment in Latest Technology Puts Greater Pressure on Workers," Microsoft News Center, August 2018 (<https://news.microsoft.com/en-au/2018/08/28/new-research-reveals-lack-of-investment-in-latest-technology-puts-greater-pressure-on-workers/>)



Disharmony

When customers can't find what they need in their preferred channel, they disengage from that retailer and take their business elsewhere.

The core of retail is meeting customers' needs, helping them find the products and services they need, supporting their decision-making process, completing the transaction, and solving any problems that arise after purchase. While automation is increasing, firstline employees are still key to the customer journey—helping inform customers and crafting the experiences that not only meet their basic needs but also surprise and delight.

A firstline that isn't empowered is like a symphony without a conductor: customers and employees become frustrated together and resort to using platforms beyond the brand's control. This leads to employees seeking ad hoc information and using suboptimal systems and consumer-grade apps on their personal devices, and customers expanding their search to sources that may lead them to competitors.



Tension has always existed in each of the three key retail relationships: the relationship between customer and brand, between brand and employee, and between employee and customer. However, changes in customer and employee expectations have increased this tension. Fortunately, technology has evolved alongside these challenges, reaching new levels of sophistication and usability. When thoughtfully delivered in harmony with a retailer's organization, new technologies can empower brands and employees to resolve this tension.

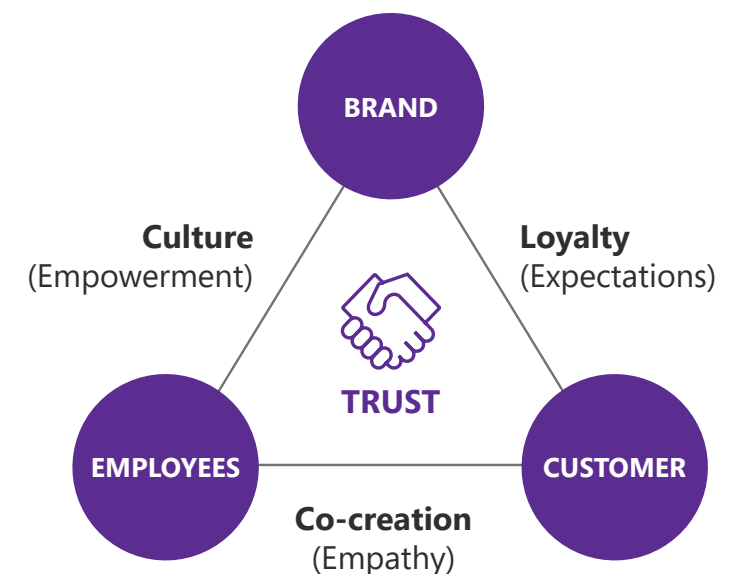
// If you want to lift
yourself up, lift up
someone else. //

Booker T. Washington

Pressing play

From the tension between customer and brand, brand and employee, and employee and customer, retailers must find a way to build trust and engagement. They have to, of course, fulfill the basic needs of customers—helping them find and purchase the products or services they seek. But retailers also have to deliver excellent service to meet fast-evolving customer expectations. Finally, retailers need to increase employee effectiveness and reduce turnover, in particular among hourly workers. Retailers that do this successfully can increase customer loyalty and develop a deeper customer–employee relationship, unlocking new value.

Critically, all of these goals can be furthered by empowering the firstline.



Amplified sound

Building a culture of empowerment

Firstline employees are central to building the retail customer experience.

Therefore, establishing a culture of empowerment is transformative to how customers engage with your retail brand. Firstline employees are spread across locations with variable exposure to corporate messages, and they don't always connect with the company's culture and goals. Technology can help magnify and measure the impact of efforts to remedy this issue, providing both an amplifier and a microphone—an amplifier to share messages, inspiration, training, and insights, and a microphone to measure employee engagement, sentiment, knowledge, and capability.

In this paper we share a wide variety of use cases and enabling technologies that can empower your employees to contribute in meaningful ways to the ideal of a frictionless customer experience.

A few examples include:

1. Improved collaboration tools that help employees communicate, raise and solve issues, share insights on products and merchandising, and get the information they need to be more effective.
2. Better digital training tools that adapt to the employee, helping them develop skills to perform more effectively and provide better customer service. These tools include augmented reality (AR) interfaces that can be used to enhance safety training (e.g., forklift safety) and education on new products and devices.
3. Better scheduling tools, driven by artificial intelligence (AI) and machine learning (ML), to provide firstline employees more flexibility and help retailers plan their workforce more effectively.

Along with technology, a culture of empowerment hinges on employers enabling their firstline to be **effective, connected team members, customer-centric advocates, and informed and confident employees.**





Listening together

Empowering employees to be effective, connected team members

Employees individually want to do the best they can, but together they can achieve extraordinary and unexpected things. Humans want to connect and work together toward common goals. The easier we make it for them to do this, the more value they'll generate. Employees need help moving seamlessly between the increasing volume of tasks in a modern retail environment. Also, by eliminating redundant and paper-based processes and freeing the firstline from repetitive, automatable tasks more suitable for bots, we can focus employees on tasks that most effectively drive revenue and support customers. These tasks aren't necessarily specific or granular actions. For example, the task may be to move to another section of the store to wait on high-value customers. Bots can handle the easy, rote issues, freeing up employees to do what they do best: empathize, serve, and co-create.

Use cases:

Seamless communication and collaboration platform

Business outcome: Firstline workers have an intuitive communication and collaboration platform that allows them to more effectively do their job. Those who manage the retail firstline have increased visibility into patterns of collaboration as well as the issues impacting the firstline. Besides providing greater visibility and better tracking, a platform with voice integration can use AI to analyze voice traffic and surface insights that facilitate operational and supply chain improvements.

Enabling technology: Productivity and communications platform with text and voice integration. Must permit messaging within and across stores, allowing

employees to easily request help and share insights. Cognitive speech recognition is also critical to supporting this integration. Machine translation can also support insights and communications for a culturally and/or geographically diverse workforce.

Task support and direction, with feedback

Business outcome: The Retail firstline has more effective task management and prioritization support and increased enthusiasm for and ownership of their work through gamification, and they improve more rapidly by receiving actionable feedback from managers and peers. This platform can support increased morale, pride in achievement, and seamless customer service. Managers and corporate can also track employee, group, and store performance, and the firstline can get feedback on their performance versus goals and incentives. Real-time feedback on performance and prioritization is especially critical to a retail firstline that must adapt to the evolving demands of increasingly frictionless retail environments.

Enabling technology: Employee task management, gamification, and incentive tracking system on mobile devices, connected to central and per-store task databases. Such a system requires real-time updating; for example, if a BOPIS order comes in, re-task employees to fulfill it when the customer arrives.

Frictionless firstline scheduling

Business outcome: Providing employees the ability to schedule more easily empowers them and results in improved employee satisfaction, loyalty, and productivity. Much of this value comes from the flexibility and visibility that better scheduling tools can provide—outcomes that modern workers need more than ever. Machine learning can increase the power of this tool by improving forecasting of expected labor demand and helping employers and the firstline plan ahead. This improved forecasting can also help with labor cost optimization and management.

Enabling technology: AI or ML to augment scheduling tools to give firstline employees more control and employers more accurate staffing forecasts across locations. Critically, these tools must allow employees to share and change their availability and manage the complex swapping that's often required to fill shifts.



Singing along

Empowering employees to be customer advocates

Empowering employees to better understand and serve their customers creates tremendous value. Armed with better customer insights and data, employees can drive higher cross-sell, upsell, and conversion rates. Plus, when customers feel understood and enjoy a positive retail experience, they increase their trust in the brand and improve their perception of its products and services, leading to loyalty and ultimately advocacy.

Use cases:

Actionable 360-degree customer insights

Business outcome: Improve cross-sell, upsell, and conversion rates by arming employees in real time with 360-degree information about customers. The firstline needs easy access to relevant information so they can offer more personalized and high-quality experiences. Store associates will have visibility into customers' complete journey, connecting data dots to create a coherent whole.

Enabling technology: Customer identification technology connected to a 360-degree, omnichannel commerce solution, a single platform that aggregates all data from various feeds—including past purchases, online store products viewed, social activity, and any other relevant information. Insights from this platform must then be synthesized into a relevant and quickly digestible summary by an AI system.

Unified tool for in-aisle customer engagement

Business outcome: In areas of retail where it's relevant, enable employees to move from a fixed cash register to the aisles so that they can assist customers and help them transact wherever they are in the store. This has greatest impact in high-value, low-unit-per-transaction retail sectors such as luxury, fashion, electronics, and more. Associates enabled by a mobile communications/information platform can also help facilitate customer success. By better assisting customers, the firstline creates more trust and greater share of wallet over the long term.

Enabling technology: Mobile platform that includes product and service information (adapted to employee's level of expertise) and point-of-sale (POS) capabilities to allow instant transaction in-aisle.





Sharing a playlist

Empowering employees to be informed and confident

In the face of accelerating change, it's more important than ever for retailers to communicate effectively to their firstline and listen to their feedback. Employees who feel heard will become more integrated into the company and be more excited about their work. To provide excellent customer service and retail operations, employees also need effective training and actionable information. This helps build the trust that will reduce turnover, increase brand advocacy, and improve productivity. In many areas of retail, it's also critical to stay in compliance, keep employees safe while they learn, and validate that training was completed. The increasing pace of product and service innovation also means that employees need more and higher-quality training to stay relevant to customers as a source of information.

Use cases:

Information distribution and feedback platform

Business outcome: Create value by sharing communications with the firstline, helping to educate employees and make them feel part of the company's culture. Employees can also get information to support and extend the impact of events, promotions, and new product introductions. They can also get motivated and share successes with each other through social gamification and contests. This platform can also ensure every employee has a voice by soliciting feedback, concerns, and celebrations. This is a distinct use case of the same technology that enables the seamless communication and collaboration platform, although here the business value is sharing information to and from the firstline, rather than employee-to-employee communications and collaboration.

Enabling technology: Single mobile communications platform (i.e., unified in app with communications, training, task management, gamification, etc. on mobile, as described in other use cases) that makes it easy to stay informed and share perspectives on-the-go. The retail firstline rarely has time or access to a desktop computer to catch up on information from corporate or management, and most shared tablets and smartphones used in retail lack the tools and information employees need.

Streamlined employee onboarding and adaptive, immersive training

Business outcome: Smoother employee onboarding with lower cost and complexity. Also ensures that employees are well-trained and in compliance with all requirements, giving management confidence that training is effective and complete. Immersion is critical for many areas of training, including safety (e.g., for forklifts and other machinery) and education on new products/services. This immersion can often be accomplished through AR or VR experiences.

Enabling technology: Requires unified platform for most firstline functions, including tasks, training, schedules, and communication. Having fewer platforms that an employee needs to join speeds the onboarding process and increases the likelihood that onboarding will be completed and effective. Adaptive training requires a mobile training platform that adapts information to the employee's knowledge level, connected to a platform for manager and corporate monitoring. Immersive training through AR or VR requires development of virtual training experiences as well as required hardware.



High fidelity

Building customer expectations

Providing customers with successful and reliable experiences across their journey and letting them freely choose the channels they wish to use help build their trust. This trust is one of the key drivers of loyalty—customers will choose your brand over others and may even become advocates. This advocacy can then lead customers to share positive stories and reviews on social channels, building the positive social sentiment that's crucial to retailers. Even beyond the convenience of multiplatform options, a frictionless experience also facilitates equitable access, expanding your reach to people of all abilities.

Customer service and the role of the retail firstline is evolving in a broader context that includes dramatic changes to customer-facing retail experiences. Current and near-term technology will meet or supplement many of the needs that were previously met by the firstline, so it's doubly important to deploy these technologies intelligently and in concert with firstline empowerment.

Use cases:

Adaptive hyper-local merchandising

Business outcome: Merchandising and inventory management that more effectively meet local customer needs by shifting inventory and merchandising strategy to shorter, more intelligent loops.

Enabling technology: AI informed by multiple sources of data, including social sentiment, weather reports, purchasing trends, and historical information to intelligently adapt inventories and store product mixes on a per-store basis in real time. Also, an IoT-enabled task management system can alert the firstline when in-store cameras identify low-stock areas.

AR/VR product demos and experiences

Business outcome: Customers can experience custom and out-of-stock products through augmented or virtual reality interfaces. For example, a customer at a jeweler could use augmented reality to see how a custom ring or bracelet would look on them. A customer at a car dealership could see and explore a model or trim that isn't in stock at that dealer. This can drive more sales and potentially allow retailers to carry lower stock levels.

Enabling technology: Customizable augmented reality and virtual reality experiences for selected products, along with supporting hardware. Also requires employee training on how to effectively use technology in the sales process.

Seamless human and digital information access

Business outcome: Customers can receive higher quality service through easy access to informed associates and mobile self-serve tools in store. Also, once they receive the notification that a specific customer is in the store, the store associate can learn about that customer via AI-driven clienteling.

Enabling technology: Location-aware push notifications to customers' phones, welcoming them to the store and offering assistance. The value is enhanced with multiple connection points around the store, allowing customers to get answers from a bot or to summon an employee. This solution also requires adaptive web and app experiences integrated with merchandising and inventory systems to assist customers in finding products.

AI-supported customer service agents

Business outcome: Employees and bot agents that provide more relevant and informed customer service via phone or chat, and customers who get better service from the employees and bots they engage with. Firstline employees can be empowered with insights drawn from a customer's previous employee and bot interactions, enabling the firstline to engage in meaningful conversations that are highly relevant to a customer's omnichannel engagement with the brand. This can include unanswered questions from their service interactions, which the firstline is then empowered to address.

Enabling technology: Real-time voice-to-text and AI monitoring of customer service conversations, surfacing trends and unresolved issues. Managers can then resolve issues either through easily created AI routines (for bot interaction with customers) or rapidly deployed employee training.



Our favorite song

Building empathy between your customers and employees

Employees who are empowered through the right tools, information, and technology will provide better experiences to customers; customers who trust your brand and receive dependably excellent customer service will provide better experiences to your employees.

The interactions between customers and empowered employees create a new layer of trust in the customer–brand relationship. Together, they co-create experiences that deepen customer loyalty and employee empowerment. Over time, this supports a virtuous cycle of increasingly authentic and powerful experiences.



While most of this value comes from the human-to-human engagement made possible by the technologies described here, intelligently deploying employees to high-value or critical customer situations can further advance this area of trust. In relationship-focused retail situations, it's critical to provide technology that can rapidly identify customers and determine the kind of help they'll likely need, and then deploy the employees best suited to provide those customers the personalized service they expect. At the same time, this kind of system can arm the employees with intelligently curated 360-degree information about the customer.

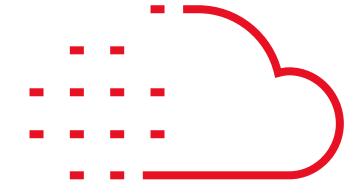


The next big thing

A co-created future of authentic experiences

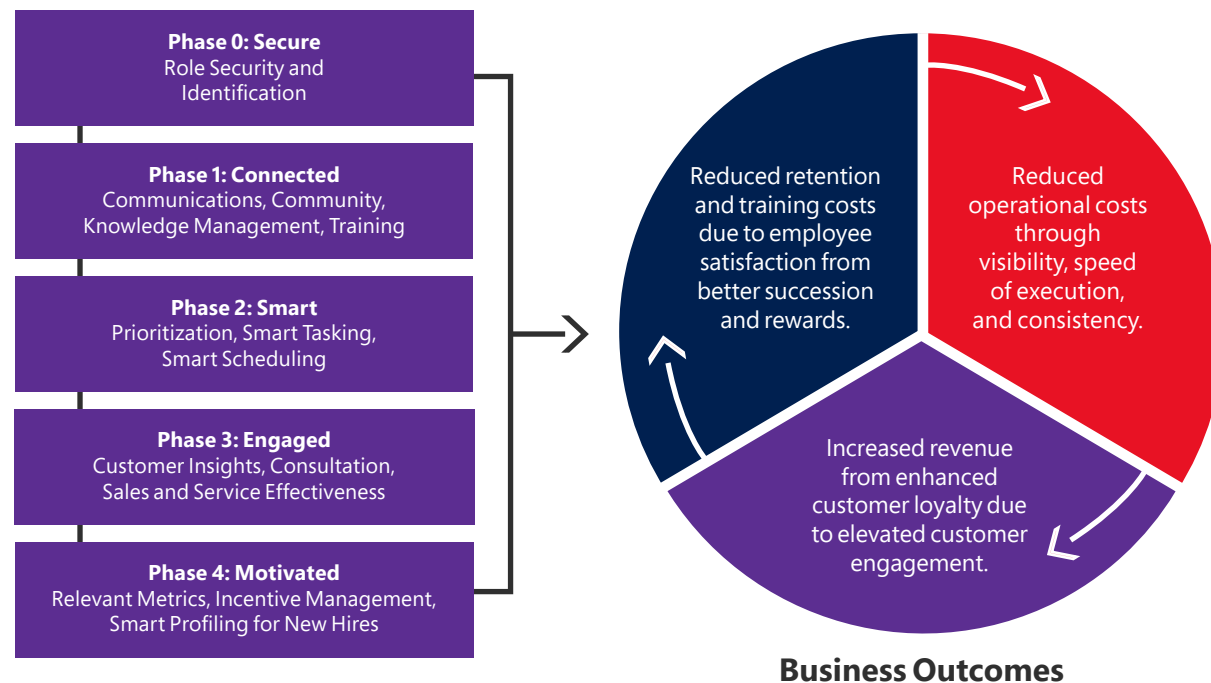
We are now moving rapidly into an era where retailers will compete based on the experience they provide to customers and employees. Big data along with AI and ML will be used to personalize experiences at scale and reduce employee drudgery. However, humans will always seek out other humans for authentic connections. Freed up and enabled by technology to become advocates with deep knowledge of your customers, your employees can help you make this transition. They can then move forward hand-in-hand with your customers in a world made human by empowerment.





A maturity model for the empowered employee

The journey to empower firstline employees—and the business outcomes enabled by improved employee collaboration, training, and resource management—is most often completed through a phased approach. Using a model such as the one presented here, retailers can plan for and act upon the incremental technology implementation and operational transformation necessary to achieve a mature state of empowered, motivated associates.



Showtime!

At Microsoft, our mission is to enable every person and organization on the planet to achieve more.

Microsoft Services is a proven partner that can both inspire digital transformation and make it real by accelerating organizations on their journey to become a digital business. We apply our imagination, inspiration, strategies, and technology to help you maintain leadership, advance innovation, and accelerate growth.

We know what's next and what's possible to fuel your dreams and turn ideas into micro-revolutions for your business, your employees, and your customers. We design with people at the center to focus on human needs and unlock your team's ingenuity to create a digital-ready culture. In partnership, we deliver unforgettable experiences that differentiate.

The engine that drives innovation is simple: **Dream it. Do it.**

Let's get started

Envision the Business You Dream Of: Collaborative workshop to ignite new or accelerate existing innovation

Digital Advisory Engagement: To help you dream, design, and deliver your digital transformation

microsoft.com/services



Credits

Many subject-matter experts contributed to the conceptualization and articulation of the story contained in this document.

- | | |
|---|--|
| Steve Franklin
Senior Worldwide Marketing Manager, Retail | Richard Smith
Architect, Teams |
| Susan Jackson
Director, Industry Solutions, Retail | Darhyl Watkins
Senior Industry Architect, Retail |
| Ilan Ostfeld
Senior Business Program Manager, Retail | Annie Ho
Associate Industry Architect, Retail |
| Praveen Gururaja
Director, Business Programs, Retail | Matt Smith
Technology Evangelist |
| Rich Halbert
Principal Program Manager, Retail | Joe Ehrbar
Copy Editor |
| Paul King
Director, Business Strategy, Retail | James Watson
Creative Director |
| Gaetan Issombo
Director, Product Planning, Teams | |



Microsoft Services empowers organizations to accelerate the value realized from their digital experiences.

microsoft.com/services

