Digital Transformation of Retail Stores –
The Impact of Digitalisation and Omni-
Channel Retail on the Customer Journey

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The customer 4.0, who is especially influenced by the increasingly digital retail environment and mobile devices, is more and more empowered within the economy. Accordingly, high involvement customers are demanding companies to implement new strategies and to offer an integrated customer experience throughout offline and online channels. These demands imply both the digitalisation within the physical retail stores, for example through digital screens, as well as the implementation of the Omni-channel approach including the linkage of offline and online retail, for example through a click and collect concept. This digital transformation is aiming to offer the customer a neatless and consistent customer experience throughout all channels. The increasing necessity to create a neatless customer experience is leading to a customer journey throughout digital and analog. This study is therefore aiming to state the changed touchpoints and the new journey of the customer 4.0 as well as the implications for strategies and operative activities from a company perspective. In the course of this study, an essential part was the execution of a qualitative research in the form of expert interviews and through an online survey. The conducted research led to an in-depth insight of the relevance of digitalisation in-store and of the Omni-channel approach, and the following impact on the customer journey.


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1. Introduction

The digitalisation did influence the retail industry already in the past. However, the impact through bar codes or data exchange did rather improve the efficiency than challenge the retail business. In the present, the technology and the development of mobile customers, in comparison, are threatening the traditional retail business. The customer 4.0, in particular the high involvement buyer, is increasingly demanding the convenient shopping experience; they receive online (Niemeier et al. 2013, p. 4). This is challenging companies to manage both offline and online channels and their integration to a consistent customer experience (Brynjolfsson et al. 2013).

The general process of digitalisation is implying the use of technologies to improve the customer journey both offline and online. Those digital technologies have the potential to reshape the customer-orientation of companies, for instance through the integration of channels or the possibility to use self-services like mobile payment. However, the digital transformation is also offering the chance to transform transactions and operational activities internally, which can be able to save financial and human resources (Bollard et al. 2017). A company that did reshape their internal processes through digital technologies is for instance Tommy Hilfiger. Accordingly, the implementation of a digital showroom did enable the brand to save production costs for sample pieces and for large physical showrooms (Phillips-Van Heusen 2015). Through in-store technologies like virtual reality or digital screens, companies are bringing forth the digital transformation within their retail stores as well (Arthur 2015). Within literature, the relevance of this digitalisation in-store is highly emphasized. Consequently, Arthur (2015) is highlighting the impact on the customer and the brand experience and is even emphasizing the implication on the intention of purchase as well as the desired customer loyalty. Thus, the use of digital technologies is claimed to personalise the shopping experience and is differentiating the brand from its competitors. Therefore, these technologies are assumed to radically change the environment of retail stores (McKone et al. 2016). However, even within an increasingly digitalised world, most customers will continuously want to see and experience the products (Price Waterhouse Coopers 2016, p. 8). Even pure online retailers are recognizing this and open their own retail stores and showrooms (Jäger 2016, p. 13). An example for this is the former online pure player Amazon, who is now opening both bookstores and the Amazon Go supermarkets (Rae 2016). With their knowledge and customer insights based on online generated customer data, they are increasingly challenging traditional retailers (Price Waterhouse Coopers 2016, p. 7). All those developments are demanding traditional retail companies to reshape their sales concept towards a holistic customer life cycle management (Peterson et al., 2010, p. 10). This is implying a focus on the integration of activities and channels throughout the customer journey and its touchpoints (Peterson et al. 2010, p. 10).
2. Theoretical Framework

2.1 Analog vs. Digital

Companies that are focusing on both online and offline retail are increasingly demanded to integrate both channels for the purpose of offering a convenient customer experience and add value to the physical retail store experience (Price Waterhouse Coopers 2016, p. 13). The so-called Omni-channel approach is describing this integration of processes and decisions in order to create a neatless brand appearance (Haderlein, 2013, p. 19). The approach is then aiming to connect all touchpoints to offer the customer a consistent purchase experience both online and in social media as well as mobile and in the stationary retail (Haderlein 2013, p. 20). Accordingly, the implementation of an Omni-channel strategy is driving the creation of a consistent brand appearance and is facilitating the customer journey from a customer perspective (Juaneda-Ayensa et al 2016, p. 1). The facilitation is achieved through the integration of the advantages of personal communication and the possibility to touch and feel the products in the analog environment with the advantages of the digital convenience and flexibility (Brynjolfsson et al. 2013). One possible activity of the Omni-channel approach is the click and collect concept, which implies the possibility to order and buy online and then to pick up the products in-store. This combination of offline and online retail is leading to a high potential of cross-selling and therefore to an extent of the customer journey (Haderlein 2013, p. 22).

Within a study of Price Waterhouse Coopers, 32.4 percent of the surveyed customers mentioned that they increasingly expect the possibility to shop products online within retail stores in case they are not in stock (Price Waterhouse Coopers 2016, p. 6). However, digital technologies are also able to support the store staff. If they are equipped with tablets that are linked to the customer database, they are able to offer a pro-active and individual service through the access to customer profiles (Goodman 2014, p. 26).

The Burberry connected store in London is a pioneer in the field of digital transformation (Ternès et al. 2015, p. 17). Burberry launched a connected store that is build with an intuitive online-shop design. In line with this, the customer will enter the store seeing products of different categories presenting the whole collection. While walking through the store, products and categories are becoming more detailed; this is following the principle of clicking through an online-shop. Moreover, floors are following the division of categories in the Burberry online-shop (Doran 2014). Furthermore, Radio Frequency Tagging Technology is used, which is an intelligent technology that is linked to the tags on every product. If the customer is then walking by a digital screen with a product that is linked to the system, the digital screen is recognizing the product and adapting the content of the screen accordingly, for instance by showing runway images of the specific products (Niemeier et al. 2013, p. 37). Those are only some of possible technologies within physical stores; however all of them are following the aim to create a convenient experience for the customer 4.0, which will be presented in the following.
2.2 The Customer 4.0

Digital natives are generally described as customers that were already growing up with digital technology, which made them develop a natural affinity for digitalisation. Those customers 4.0 are decreasingly distinguishing between online and offline channels. Within their study, Price Waterhouse Coopers (2016, p. 8) is highlighting that the offline retail channel will not vanish; however, customers will differentiate brand alternatives based on the integrated experience and service they offer. The creation of a memorable and connected purchase experience is therefore demanded in order to add value (Pine/ Gilmore 2011, p. 17).

Already in the year 2020, those digital native customers will represent the majority of retail customers, which will lead to an increase of such expectations and needs (Price Waterhouse Coopers 2016, p. 7).

2.3 The Customer Journey

The first stage of the high involvement customer’s journey is stated as the consideration set and is including brands or products that are in a customer’s mind and considered as valid purchase alternatives (Niemeier et al. 2013, p. 36). As part of the second stage of evaluation, rational customers tend to develop criteria or determine product attributes that they perceive as beneficial and are evaluating all brands within the consideration set accordingly (Schiffman/ Kanuk 2010, p. 36). Afterwards, the moment of purchase is following, which includes for example trial purchases, where a customer is buying a product for the first time or the repeat purchase, which is highly related to the concept of brand loyalty. The post-purchase evaluation is then mainly taking place based on the need to reduce cognitive dissonance, which is making customers want to prove that they made the right choice (Schiffman/ Kanuk 2010, p. 270). As shown in illustration 1, this evaluation is in turn influencing the next customer journey of the high involvement buyer (Niemeier et al. 2013, p. 95).

Figure 1 The Customer Journey
(Schiffman/ Kanuk 2010, p. 36; Niemeier et al. 2013, p. 94)
Within academic literature, arguments considering the impact of digital transformation on the customer journey are highly diverging. Whereas authors like Niemeier, Zocchi and Catena (2013, p. 95) are highlighting that technology is not changing the process of the customer journey, Price Waterhouse Coopers (2016, p. 10) sees the journey as subject to change, particularly through the characteristic of the customer 4.0 to move dynamically between channels during one transaction. Therefore, the following research aims to clear the impact on the customer journey.

3. Methodology

The issue of the digital transformation is in need to be observed from both a customer and an expert view, including retail marketing, digitalisation and business development experts. Therefore, the research of this article was divided into two qualitative researches. Those were conducted through expert interviews and a customer online survey. In line with this, the predictions based on the survey and the understanding provided through the expert interviews did lead to a richer and more detailed profile of the customers, the customer journey and the impact of the digital transformation and Omni-channel concept on strategies and operations of companies.

One part of the overall research approach did include the conduction of expert interviews. Correspondingly, eight experts within the fields of business-to-business and business-to-consumer marketing, retail and sales activities, business development and digital transformation were interviewed individually. The research mainly served as a foundation in order to develop interpretations, conclusions and therefore recommendations (Kuß et al. 2014, p. 51). In the course of using a semi-structured interview design, the thematic framework was developed, however in the course of the interviews, the topics and questions were following a fluent dialogue. Furthermore, the probing of responses through questions encouraging a more detailed response was essential for this research. This flexibility of the formulations and topics was of advantage in order to detect subjective opinions and insights of the interviewed experts (Kuß et al. 2014, p. 90). The focus of the analysis and interpretation was based on the finding of discrepancies and patterns as well as values and opinions of the interviewed experts (Bryman/ Bell 2015, p. 110) in order to lead to an in-depth view on the impact of the customer 4.0 and the competitive pressure in terms of digital transformation.

The second part of the research was conducted through an online survey with the aim to detect motives and perceptions of the customer 4.0 as well as the actual shopping behaviour both offline and online. As a result, the customer journey of the customer 4.0 can be observed in more detail. As part of this research, the opinions and attitudes of 146 participants were compiled through an online survey. The survey was distributed through social media publications and personal invites.
4. Research Findings and Implications

4.1 Impact on Strategies and Operational Activities

Within the dynamic retail industry that is influenced by competitive pressure and customer empowerment, the strategic and digital agility is increasingly essential. This need to be able to act and react agile is challenging companies to rethink and reshape their strategic thinking. In particular, the generation of big data is influencing strategies, since the analytical insights of the customers are fundamentals for the development of strategies. Therefore, companies have to develop analytical skills, since without these insights the company will not be able to react on market changes (Nie- meier et al. 2013, p. 175). Within the research, experts argued that employees from one department often have the same point of view and a similar thinking in terms of strategies and operations. In consequence, it was emphasized that strategy development increasingly needs to be composed of different departments or even regions in order to stay flexible within a digital market. The decrease of functional barriers and the integration of cross-functional and cross-regional departments are therefore significant for innovative capabilities (Johnston/ Marshall 2013, p. 47). In addition, companies are challenged to integrate the digital and the stationary point of view within all strategies. In line with this, both parts should be integrated within one system, where all sales are combined in one and the departments are working towards some shared revenue.

In relation to the operational implementation, the key challenge for companies is assumed to be the training of both internal employees and the store staff. Considering the latter, experts agreed that the store staff does not just need to be informed about new technologies, they need to become digital experts, since the customers will need support using the technologies as well. Another implication for the operational implementation is the principle of trial and testing. Following this concept, Tommy Hilfiger for instance did develop a digital showroom and then adapted the knowledge and experience of this showroom to their new concept store of the future. Thus, best practice technologies can be used to bring forward the development of the company and to share the innovation value (Tidd/ Bessant 2013, p. 15).

The implementation of digital technologies is also implying an internal digitalisation and the creation of structures in the backend for the purpose of a functional frontend. The customers are not seeing the backend behind the Omni-channel integration and are therefore likely to be disappointed, if they are for instance not able to return a product within a store that was bought online. The needed requirement for this is the development of an integrated supply chain and inventory structure. In conclusion, the interviewed experts agreed that the digital transformation has to start with a well-implemented improvement of the backend in order to operate well in the frontend.
4.2 Experiences as New Key Performance Indicators

The research led to the outcome that companies need new key performance indicators within the digitalised retail environment and in consequence of the development of the customer 4.0. In line with this, indicators like the user experience and the customer lifetime value are considered to become increasingly relevant, whereas classical indicators like the number of sales or the conversion rate lose importance.

![Touchpoints of the Customer Lifecycle](image)

**Figure 2** The Touchpoint Improvement Process (Holzapfel et al. 2016, p. 157)

Through the digitalisation of the retail industry, the number of touchpoints with customers highly increased. Especially, the relevance of online and social channels is demanding retail brands to develop a consistent experience throughout online and offline channels (Haderlein 2013, p. 20). The first touchpoints with a brand are mostly occurring randomly, for instance through sponsorings or advertisements; the second touchpoints are aimed, like an active online search or the reading of recommendations. Afterwards, the touchpoints that are offering the possibility to purchase goods are following. The last touchpoints of the customer lifecycle are in the relationship stage, wherein all touchpoints promoting the relationship are included, like the customer service, social media or the store staff. The touchpoint analysis shown in figure 2 should fulfil the aim to answer the following questions: What is the customer expecting at each touchpoint? Which experience is the company aiming to create? How can possible gaps be overcome? In terms of the improvement of stages, it is suggested to improve the process from the last to the first stage. This is due to the assumption that the customer is randomly getting in touch with a company and then searching intentionally; if then the buying process or the relationship stage is not implemented well, there will be high disappointment (Holzapfel et al. 2016, p. 153). In line with this, Schmitt/ Mangold (2004, p. 23) are stating the relevance to develop a strategic customer experience management, which is integrating all touchpoints into a neatless experience. Since the consistency of all touchpoints along the customer journey is seen as the main driver of customer experience, the analysis and improvement of those touchpoints is essential for the competitiveness of retail stores (Schmitt/ Mangold 2004, p. 127).
4.3 The Customer Journey in a Digitalised Retail Environment

Whereas the expert interviews did lead to the outcome that especially Omni-channel concepts are extending the customer journey through the integration of offline and online channels, the survey provided insights in the relevance of creating convenient technologies in-store like mobile payment.

The survey illustrated that the search and evaluation of a product is impacted through both offline and online channels. Accordingly, it is highlighted that the differentiation between digital and analog is not appropriate anymore. Rather, increasingly digital and especially mobile touchpoints are impacting the information search and the evaluation of the customer, which is then leading to the purchase (Bachfischer 2014). Within the mobile and social environment, the customer will be further impacted before the purchase (Price Waterhouse Coopers 2016, p. 10). Accordingly, many customers tend to use their mobile devices in-store to compare prices and services (Deloitte 2015). Furthermore, it is increasingly irrelevant, if the purchase is taking place offline or online, since the integration of the channels is bringing forth an integrated purchase experience, wherein both analog and digital channels are supporting each other (Bachfischer 2014). Participants place high importance on the availability of a brand both online and offline and would find it relevant that brands are offering the possibility to shop their products in both channels. Moreover, the relevance of the digitalisation in-store is highlighted by both the interviewed experts in order create a competitive advantage and by the customers, considering the self-service approach. Participants clearly stated a preference for using mobile payment, self-checkout services and click and collect concepts.

The concept of showrooming, wherein the physical store is only there to let the customer see and touch the products as well as the concept of experiencing the brand becomes increasingly important. It is illustrated that customers are holding off their final decision until they are in-store. Accordingly, customers are likely changing their minds based on what they experience there. The focus on digital technologies and pro-active interactions with the customer is therefore becoming more essential (Court et al. 2009).
The stage of the actual purchase is closely linked to the following cross-selling, which can be realised both online through the click and collect concept and offline through online-shop terminals within retail stores. The interdependency of online and offline purchases is then leading to post-purchase interaction and complaint management. Within the research, the participants stated that the personal dialogue and consultancy with the store staff are relevant in case of complaints. Therefore, the complaint management is based in the field of the retail store touchpoints as seen in figure 3. In contrary, the post-purchase interaction is mainly taking place in online, mobile and social media channels, which is including recommendations, following, liking or sharing brands and products (Price Waterhouse Coopers 2016, p. 10).

The customer journey within the digitalised retail environment is mainly based on integrated channels that are supporting each other throughout all touchpoints in order to extend the customer journey through cross-selling opportunities and to offer a consistent customer experience (Haderlein 2013, p. 22). Whereas the general stages of the search or evaluation, the purchase and the post-purchase are more or less still included within the digitalised customer journey, the dimensions of digital and analog touchpoints are increasing the complexity immensely and are therefore illustrated within this adapted customer journey model.
5. Conclusions

The digital native customer is challenging companies to offer an integrated customer experience across offline and online channels in order to match the needs of convenience and experience. In consequence, companies have to adapt their strategies and operational activities through Omni-channel integration and the implementation of digital technologies within physical stores (Bell et al. 2014). The conducted qualitative research did therefore address the topic of the digital transformation from both a company perspective, including the impact on strategies and operational activities as well as the customer perspective in order to get insights in the customer journey in a digital retail environment. Based on those findings, the main consequences, such as the focus on cross-functional teams, the prioritisation of backend technologies as well as the new key performance indicators, were implicated. Moreover, a customer journey model in a digitalised environment was developed.

Generally, the implementation of digital technologies both in-store and through Omni-channel concepts is offering the chance to realise cross-sales and increase the revenue according to a study by Deloitte. However, this will only be the case, if companies are overcoming the gap between the customer’s expectations and their own business reality (Deloitte 2015). However, also the store staff needs to be convinced that the in-store technologies are not implemented in order to replace them, but to support the customer service as well as the purchase intention and the convenient shopping experience. In line with this, companies need to work on their internal mental model, which is implying a shift of the focus on the customer as well as the digital fluency and agility. This digital fluency and agility is implying the awareness of platforms, the digital interaction with the customer and the learning of analytical skills in order to support the new way of decision-making (Niemeier et al. 2013, p. 170).

In conclusion, the interaction between the demands of the customer 4.0 and the competitive pressure through online pure players entering the retail market are challenging traditional retail companies to reshape their strategic, operational and structural activities. However, the integration of digital thinking and the investments in digital technologies are allowing companies to create a consistent customer experience and to develop a store of the future, which are essential factors to stay competitive within the retail market.
Literature


Stichworte

Omni-Channel Marketing, Retail Marketing, Digitalisation, Customer Journey, Customer 4.0, High Involvement Customer, Digital Transformation, Click and Collect, Retail Technologies, Customer Experience