

Department stores offering online services see happier customers

Omni-channel customers tend to spend more and register higher levels of satisfaction and loyalty. BY NARENDRA AGGARWAL

In an interesting new development showing the benefits of providing online shopping services on top of the in-store experience, local department stores offering digital platforms to customers have recorded higher customer satisfaction, loyalty, and average spend.

This has been revealed in the 2017 first quarter Customer Satisfaction Index of Singapore (CSISG) results for the retail and info-communications sectors just released by the Institute of Service Excellence (ISE) at the Singapore Management University.

The institute says that segmenting local department store customers into two groups – those who shopped at the stores only and those who experienced the stores' digital platforms, showed higher satisfaction, loyalty and average spending for customers who had experienced the stores' digital platforms like websites and mobile apps.

In addition, when compared to the e-commerce sub-sector's customers, this group of department store customers who used digital platforms had similar levels of customer satisfaction and higher levels of customer loyalty. This would suggest that traditional brick and mortar stores could be better served and complemented by developing a robust omni-channel presence if they have not already done so; it can potentially give them a competitive edge over the e-commerce retailers," says Chen Yongchang, head of research and consulting at the Institute of Service Excellence.

The institute surveyed 6,070 locals and 830 tourists through face-to-face interviews between January and April this year on their satisfaction levels with entities in the retail and info-communications sectors.

While overall customer satisfaction for the retail sector in the first few months of this year remained the same when compared with the corresponding period a year ago, customer satisfaction with the important info-communications sector in Singapore has risen in the first quarter of the year compared to the same period a year ago.



Mr Chen believes that traditional brick and mortar stores could be better served and complemented by developing a robust omni-channel presence.

The institute says that the retail sector scored 72.1 points on a scale of 0 to 100 for the first quarter CSISG 2017, a performance similar to the same period last year. Of the four sub-sectors measured within the retail sector, fashion apparel, supermarkets, and e-commerce scored 72.5 points (an increase of 0.63 point year on year), 72.2 points (an increase of 0.90 point year on year), and 71.4 points (plus 0.35 point year on year) respectively. On the other hand, the department stores sub-sector scored 71.2 points, a marked improvement of 0.95 point over the previous year.

Neeta Lachmandas, executive director of the Institute of Service Excellence, says: "The retail sector has faced a period of slowdown in recent years due to a host of issues including manpower challenges, changing consumption patterns and competition from a growing number of e-commerce retailers. Findings from the CSISG 2017 Q1 study suggest that efforts at sharpening the value proposition of department stores in particular are paying off in the area of customer satisfaction. The sub-sector saw a rise in customer satisfaction by 0.95-point over the same period last year."

"The notable improvement in customer satisfaction with department stores stemmed largely from more satisfied locals. This increase could be related to the revamps of various stores and product offerings, as well as increased promotional activities targeted at boosting sales," she adds.

While the supermarkets sub-sector did not see any significant changes in its CSISG scores compared with a year ago, customers who had frequently used the self-checkout channels expressed greater satisfaction levels compared to those who frequented the manned cashier counters.

Mr Chen says: "Offering retail customers more ways to shop, whether through online channels or self-checkout counters could enhance the customer experience, thereby positively impacting customer satisfaction and loyalty."

Cross-industry benchmarking also revealed lower satisfaction and loyalty for department store customers who shopped only at the physical stores when compared to the e-commerce sub-sector's customers.

In contrast, department store customers who had experienced the stores' digital platform had similar levels of customer satisfaction and higher levels of customer loyalty when compared to e-commerce customers.

Among department stores, DFS continued to have the highest score at 73.8 points, more than the e-commerce average at 71.2 points. Metro was the only store whose score moved up significantly to reach 71.2 points. "Customer satisfaction is vital to our business," Metro's head of human resources & administration, Esther Ang, tells *The Business Times*. "We are constantly looking at every angle of our business to drive change and innovation for growth with product design, quality and value and to constantly raise service standards."

"Going online is a given, she adds. Customers have a choice now to decide when to shop and how to shop to go online or offline to shop at the brick and mortar stores. At the moment, 50 per cent of Metro's online customers choose the 'Click & Collect Service'.



Efforts at sharpening the value proposition of department stores are paying off in the area of customer satisfaction, says Ms Lachmandas.

Metro's head of business analytics Erwin Oei says that online stores still account for up to a small proportion of the overall sales in Singapore. But as they are growing, they cannot be ignored.

At the heart of the DFS experience is its people, says Wilcy Wong, managing director, DFS Singapore & Indonesia. "They bring DFS alive for our customers. To ensure our teams have the tools and skills they need to deliver a luxurious shopping experience, we invest heavily in talent management programmes as well as learning and development through our own DFS University, to enhance our operations. We are extremely proud of our people and that the latest CSISG has ranked DFS the top department store in customer satisfaction. DFS has developed a keen understanding of its customers' journey to ensure that it provides a luxurious shopping experience, Ms Wong says. "Technology, especially, has been an essential tool for us. Not only has it allowed for increased customer engagement, but as a travel retailer it enables us to interact with our customers and helps them plan their experience with DFS even before they have left home."

Customers today want a seamless offline to online experience, says Ms Wong. "We see the digital space as an extension of the DFS in-store shopping experience, so while it is important that we strengthen our online presence, our in-store retail activities and customer engagement must continue to exist and exceed customer expectations."

Info-comms shows significant improvement

The CSISG 2017 first quarter survey results put the info-communications sector's score at 69.6 points, an increase of 1.0 points from a year ago, a statistically significant improvement from the year before.

Its constituent sub-sectors include wirelessSPG at 70.3 points (plus 0.73 point year on year), mobile telecom at 70.2 points (plus 1.06 points year on year), broadband at 68.2 points (plus 1.14 points year on year), and payTV at 67.4 points (plus 0.91 points year on year). The institute says that the sub-sectors maintained the customer satisfaction levels from the previous year. In particular, mobile telecom and broadband customers were observed to exhibit measurably higher levels of customer loyalty the longer they stay subscribed to a particular telco, the institute says. These were the customers who showed higher likelihood to re-contact and greater tolerance for price increases.

Further analysis of these info-communications sub-sectors revealed that service attributes relating to responsiveness, assurance,

and empathy were key drivers of loyalty, in addition to the usual product-related attributes such as suitable subscription plans and fast data speeds.

"While competitive product features will continue to play a big part in keeping customers, it is notable that service related considerations such as 'Makes the effort to understand your needs' and 'Has your best interest at heart' have also surfaced as important attributes to drive customer loyalty," says Chen Yongchang, head of research and consulting at the Institute of Service Excellence.

He attributes the increase in the customer satisfaction scores for the info-communications sector to higher perceived service quality and higher predicted quality across the sector. "In terms of service quality, from our observations, we do see telcos embarking on a number of service improvement projects such as redesigning of their stores and on-line platforms to be more customer-centric. For example, we see the implementation of SMS queuing, online appointment booking,

and more comfortable waiting areas at the stores," he says.

"In terms of predicted quality, this is measured as the quality customers think they would receive from the telcos prior to their recent experience with them. Typically this is shaped by their past experiences, and changes to brand reputation. The CSISG model posits that predicted quality, and customer satisfaction share a positive relationship. This suggests that customers who think they would be getting a better experience with the brand before their recent experience tend to provide better satisfaction ratings," Mr Chen says.

From our observations, there were a number of promotional activities and new services being launched. Examples include the launch of plans that provide more mobile data, and new data roaming services. The marketing activities associated with these launches may have raised the brand reputation of the telcos, which in turn helped to raise the overall score," Mr Chen adds.

The importance of keeping customers satisfied

BUSINESSES must continue to keep on making efforts to raise customer satisfaction levels. This is important for the sector and the overall health of the Singapore economy, says Neeta Lachmandas, executive director of the Institute of Service Excellence at SMU.

The CSISG model postulates that better customer satisfaction performance is positively correlated with customer loyalty and therefore the long-term competitiveness of a business. Higher customer satisfaction levels also predict lower incidence of customer resilience because these customers are more likely to be the last to leave and first to come back in times of economic downturn. A more satisfied customer base would imply greater stability in terms of consumer spending which in turn is a key indicator of the health of the Singapore economy," she adds.

Asked what the institute aims to achieve by producing the CSISG and focusing on different sectors of the economy each year, Ms Lachmandas says: "The CSISG provides an objective, independent benchmark that allows companies to track their relative performance in customer satisfaction year on year."

"Premised on the belief that measurement is the first step in identifying gaps and opportunities, the study serves as an important feedback mechanism that provides companies with insights into how their customers are rating them and the attributes that are driving customer satisfaction and loyalty."

"Given that resources are limited, companies can harness the capabilities of the data analytics to identify the best way to optimise their resources and to invest in areas that will actually help them move towards higher levels of customer satisfaction."

Going digital enhances customer satisfaction

By Narendra Aggarwal

GOING digital in a big and convincing way offers business a great opportunity to modernise their operations to increase the level of customer satisfaction with the products and services being made available in the market place, says a leading expert in the area.

"Digital offers the opportunity to remove significant friction from the customer journey, offers a deeper level of engagement and an overall better customer experience," says Laurence Smith, head of Asia Pacific at SmartUp, a mobile first, micro-learning platform.

However, it relies on the organisation and its leaders' understanding of digital well enough to re-think the customer journey and really understand what the customer wants, adds Mr Smith. He was a keynote speaker at SMU's Institute of Service Excellence's release of the CSISG 2017 first quarter results.

"In other words, what's the 'job to be done' when the customer comes to you? Think about it from their perspective and optimise your offerings and processes to meet their expectations. To do this well, organisations need at least a basic understanding of design thinking and customer journeys," Mr Smith says.

He was previously with DBS Bank as managing director, human resources, group head of learning & talent development. At the bank he led both the initiative to help it define its purpose and the decision to "make Banking Joyful" and initiated and led the "Digital Mindset" initiative. Now, he advises organisations on digital transformation and creating a digital mindset. Mr Smith says that technology cannot be ignored or invented. It should be harnessed to build a competitive advantage instead. For organisations that ignore new technology, competitors will happily overtake, powered by digital tools.

"One of the most important roles of leaders today is to prepare their organisation for disruption by developing a



Mr Smith says going digital is all about creating a new culture in the organisation.

"digital mindset" across the organisation, quite literally a broad understanding of digital and its implications for work, society and your organisation," he adds.

In fact, digitalisation can be harnessed to enrich the customer experience, especially in a small but highly competitive country like Singapore. The good news is that Singapore is a hotspot for innovation and experimentation around many aspects of customer experience, but the challenge this represents, is that customer expectations are constantly rising. Not to be left behind, you and your organisation need to strive to learn faster and become more agile in understanding the opportunities and

threats," says Mr Smith. "If you can develop a digital mindset within your organisation, understand design thinking and customer journeys, and run some small, cheap experiments, you can innovate faster than your competitors."

Enriching the business world through innovation and creating a culture of purposeful innovation in an organisation will benefit customers and help increase their satisfaction levels, says the expert.

"Imagine the power of an entire organisation that is thinking about innovating around the customer journey, and is empowered and enabled to do so, versus a single department being responsible for innovation, or customer satisfaction," says Mr Smith.

While this is easy to say, it is not easy to do. It requires setting a compelling vision for the organisation and then bringing it to life. You must also simultaneously change the systems, processes and incentives to make it possible for employees to live to this vision. So it requires a blend of both culture and capabilities, to be possible and sustainable."

Mr Smith says going digital can be a creative way to make working life more joyful for staff who may have been around for 20 or 30 years in an organisation and are used to doing things in old ways, so that ultimately the customer experience goes up, resulting in higher satisfaction.

"While technology is becoming increasingly good at doing many things that people have traditionally done, it is often the most boring and least value-added activities that technology replaces first."

"A thoughtful organisation can leverage technology to give people of all ages more time to interact with customers, better knowledge and information on the spot to answer their questions, and the ability to create better customer experiences."

"There is often an assumption that millennials are

quicker to adopt new technology and older workers slower, but I think it is actually a design question of what do people do best and where can technology complement that. He adds, "Either way, technology is not going away, so we need to think deeply about how technology augments people's skills and helps them do a better job and how to introduce it in a fun and non-threatening way."

Mr Smith says going digital is all about creating a new culture in the organisation. But the challenge is how to create it and make it work for raising customer satisfaction.

"People often think about 'digital' either from the perspective of digital marketing, or technology. While an understanding of the implications and applications of technology is important, 'digital transformation' is actually all about cultures, values and behaviours," he says.

In 2014, DBS pioneered the concept of hackathons combining its internal staff with external startups to create prototypes of Apps to solve real customer problems. DBS did this with 500 of its high potential leaders with great success. CEO Piyush Gupta then focused on creating a 22,000 person startup and DBS used a micro-learning platform called SmartUp to cascade this 'digital mindset' across all its 22,000 employees. This equipped everyone with a digital mindset and the ability to innovate from a customer perspective, says Mr Smith.