



Improving Retail Operations through Advanced Communications

A White Paper by Vertical

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As retailers seek to improve margins in a challenging economy, they are increasingly looking to improve the in-store experience that their customers have as a way to spur consumer loyalty, encourage repeat purchases, and generate word-of-mouth referrals. Often neglected in the mix of initiatives in this area has been the store's telephone system. Today it is possible to significantly improve the experience both of callers to a store, and customers *at* the store, with new call handling techniques. This "intelligent customer service"—with automated answering and intelligent call routing, within stores and to centralized call centers—is built on a variety of smart business processes that result in higher staff efficiencies, greater management visibility into processes, and better overall use of resources.

Executive summary

In the business jargon of a previous era, “phones ringing” described the positive circumstance of orders or inquiries flooding into a store or company, indicating that business was good. Ironically, however, in today’s retail environment, too many phone calls may be a *bad* thing, as they can disrupt the in-store sales activities of busy associates—and, when not handled correctly, displease the callers. The result is that service suffers to either the caller or the shopper, and oftentimes both, along with the attendant possibility of lost customers and, consequently, lost revenue.

Far from wanting to discourage the *quantity* of calls into a retail operation, today’s forward-thinking companies want to find ways to manage them more appropriately and effectively. This leads not only to an improved customer experience—implying greater sales through repeat purchases and referrals—but also to reduced costs, through increased operational efficiencies.

Today, thanks to significant technology advances, new cost-effective, integrated in-store communications solutions exist that can improve the customer experience and help make sales associates’ time more productive. In addition to intelligently sorting and routing incoming calls, such solutions offer comprehensive and automatic reporting features, which give store operations executives highly detailed information on the nature of these calls, including caller behavior and how well their stores are handling the calls. This enables management to better understand and quickly respond to customer patterns. The results are not only greater customer loyalty through improved service, but also a dramatic containment of costs through better use of resources.

The retail business today

Over the past decade, the retail industry has had to adapt to a variety of new and significant trends in the commercial marketplace. Perhaps the most obvious of these is the prevalence of increasingly specialized and complex consumer products. This requires management to oversee increasingly granular levels of information on such items as sophisticated drugs and medical devices, feature-rich kitchen appliances, cool new computers and home entertainment systems, specialized office equipment, and high-tech sports supplies.

But more important than the trend toward more complex products is the fact that consumers today have become more demanding. Partly due to the quickening pace that technology has introduced into our daily routines, we seem to have less time in our busy lives, rather than more. This means less time to shop, and less patience for the problems we might encounter—however small—when we *do* go shopping. In the store, we want knowledgeable sales people to help us when we need it. And when we call a store on the telephone, we want a pleasant and satisfying experience.

As a response to these new forces affecting shopping behavior, the consuming public has increasingly accepted and embraced new selling channels such as e-commerce, which offers convenient access to retailers virtually whenever it's wanted. All of these factors have combined to create a selling environment that today has become far more challenging, with new and often unfamiliar rules.

New environment, New challenges

Finding ways to meet these consumer demands—and improve margins, of course, at the same time—is the challenge of today's store operations executives.

Historically, there have always been two paths to improving profitability: by gaining operational efficiencies in business processes that lead to specific savings—for example, by improving inventory management through greater network integration of stores and corporate headquarters; and by increasing volume—through the repeat purchases and referrals that result from improving the shopping experience for consumers, both in the physical store and outside it.

It is in the second of these areas—enhancing the customer experience—that retail companies have traditionally made major investments of time and resources. The success of a retail chain store is, after all, significantly tied to corporate branding: customers at national or regional branches expect a consistent shopping experience at every one of the company's sites, both physical and virtual. That's why, in addition to investing in recent years in augmenting the physical storefront by establishing new channels such as catalogs and Web sites, retailers have also invested significantly in in-store enhancements. These improvements include product displays, inventory, sales staffing, store layout, and even new physical models, such as the store-within-a-store; it is not uncommon anymore to see a bank or a pharmacy inside a grocery store, or business service centers inside drug stores. All of these efforts are designed to positively affect the disposition of customers while shopping.

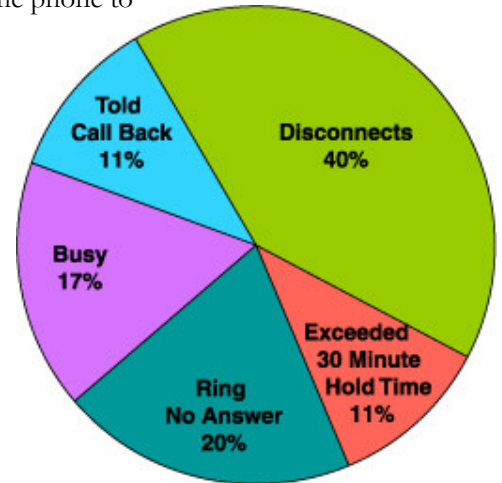
And yet in the rush to add new selling channels and improve existing ones, retailers have consistently overlooked one important resource: the telephone, and the impact it has on the consumer experience, especially at the store. The telephone has long been the forgotten channel, and its neglect has cost businesses along both paths to increased profitability: the customer experience and operational savings.

Business communications issues

At many stores today, a “ring all” approach is employed for incoming telephone calls, in which a call rings in every department, with harried salespeople responsible for answering it, in a stressful, noisy shopping environment. They then are obliged to transfer the caller to the requested department—sometimes with an intrusive announcement over the PA system—where *those* sales clerks are faced with a lose-lose choice: they can either answer the call, allowing walk-in consumers to wait for attention, or place the caller on long-term hold, generating much frustration on the part of the caller while the in-store shopper is served. (The third option, unacceptable but unfortunately still employed, is to simply leave the phone to ring—with no answer.)

In a survey by Begley Consulting of 130 stores of top Fortune 500 retailers, one out of five calls failed due to various reasons including disconnects or simply no answer.

These situations represent the normal course of events. But should there be complications in the call handling, such as a transfer to the wrong department, or a requested item not in stock—requiring the salesclerk to look up the phone numbers of nearby stores—the caller is delayed even further. Displeasure, abandonment, and ultimately lost revenue are usually the result.



Enhanced visibility

Despite this difficult reality, the largest problem facing today’s store operations managers regarding their phone system is that they often don’t realize there’s a problem. How many calls come into a store each day? Are most of these calls for a certain department? What time of the day do most calls come in? How many callers get placed on hold—and for how long? How many callers hang up?

It’s likely that most operations executives today can’t answer these questions. But those answers are critical for determining a baseline from which to build appropriate solutions. What’s needed are clear, concise reports offering managers a “big picture” enterprise view of customer interactions with local stores, response rates to marketing initiatives, and network resource utilization. This new visibility into store communications transforms data into actionable business intelligence and analytics that can empower line-of-business owners to make better strategic and operational decisions, including adding powerful queuing and routing capabilities to their call handling system.

Tracking peak calling times and call abandonment patterns, for example, can clarify staffing requirements, as well as identify maximum hold intervals and appropriate music or messaging during those holds. Monitoring call handling and queue statistics can lead to greater employee productivity, while identifying callers through voice recognition can boost customer loyalty. Linking caller activity reports to advertising campaigns can indicate where marketing dollars are best spent. And analyzing trunk traffic and network utilization at each store—and across all stores—can optimize the store facilities infrastructure.

Historically, few retailers have had the ability to cost-effectively design and direct this aspect of the shopping environment. Many have tried routing all calls to a centralized call center, but end up with most calls being routed back to the stores to answer basic inventory questions. Some stores have been able to provide rudimentary services, such as offering a directory of services or departments, 24x7 phone access to store information.

But many, if not most, retailers still lag behind.

New communications solutions for the retailer

Even with the advent of computers, the telephone is still arguably the most significant communications device of the last century, and, in the case of retailers, an indispensable tool for successful operations. And yet, over the past several decades, the telephone had come to be seen as decidedly “low-tech,” especially when compared with the rapid advancements of the computer, the Internet, and sophisticated customer management software. In addition, no truly cost-effective, telephone-based communications solution had been available for businesses; a centralized model was always too expensive and complex, and piece-part solutions too difficult to integrate.

But in recent years, as significant advances in telephony have enabled the telephone to “catch up” with the rest of today’s advanced technologies, so too have phone *systems* finally become an enabling tool for retailers to improve their operations.

The return of customer service

Forward-thinking retailers will want to reconsider the in-store telephone as part of their multichannel strategy, and see it for what it truly is: is a critical, and often used, channel for customer inquiry. More calls go into store locations, in fact, than to call centers combined.

Fortunately, today’s sophisticated telephony solutions can be an integral part of the effort to make the overall shopping experience a better one for a retailer’s customers. This effort signals the retailer’s intent to give customer service the priority it used to have in general retail operations, but which has been increasingly lost in today’s environment of commercial complexity and stress.

At its most basic level, an in-store telephone system can identify and intelligently route and queue calls that come into the store. This means segregating calls that may be better handled by automated systems, for such inquiries as directions, store hours, order status, current marketing activities, and, optionally, for transfers to specific departments within the store or to another location. Not only that, such systems allow store operations executives to easily monitor and change scripts when required—at one store, or across hundreds.

Automated transfers can also use speech recognition technology, to improve the caller experience further. In addition, high-priority customers can be identified, allowing their immediate connection to the appropriate sales associate, or matching an appropriate Hold greeting to a specific customer. Such systems also support faster service using wireless phones and in-store service response buttons, which enable shoppers to request assistance with a button at the end of an aisle that silently pages a store associate.

Controlling costs

In today’s challenging economic conditions, the need to control costs goes hand-in-hand with enhancing the customer experience. Newer technology has made it possible to consolidate multiple servers and applications onto a single platform, enabling retailers to reduce their equipment and operational costs significantly. In addition, automating such processes as scheduling requests—for example, grooming appointments at a pet

With just 7 more customers in your store each day...

Let’s say each of your 140 stores receives 450 calls per day:

30% (135 callers) drop off before their questions are answered

Assume with better call handling you could pull an additional 5% (7 customers) into each store.

If each customer made an average purchase of \$50:

7 customers x \$50 = \$350
x 300 days = \$105,000
x 140 stores = \$14,700,000

Assume an average gross margin of 26.5%:

Value: \$3.9 million, or an increase in revenues of 1.2% given revenues of 1.2 billion today

supply store, or bike tune-ups at a sporting goods store—can also save time and money over the course of a reporting period.

Optimizing management

As important as intelligently directing incoming calls is the need to *track* such calls, to give management greater visibility into patterns of usage. And, this functionality should be completely automated, because retailers should not have to become systems experts to deliver to management the information they need to make informed business decisions. What about, for example, customers who abandon calls, after spending too much time on hold? This time period can be analyzed, so that reminders can be sent to the sales associate at an appropriate interval. What happens, in another scenario, if it is determined that a greater number of calls come in between 11 AM and noon on Tuesday mornings? Staff can be increased during this, and other, periods of increased activity.

Technology trends

Today's largely open technology standards often mean that multiple vendors, multiple products, and multiple technologies share space in a communications system. This can make integration and management difficult and operations unnecessarily cumbersome and expensive.

But within this environment, current technology trends include integrated solutions that converge voice and data technologies to achieve the functionality of powerful PBX systems and high-end call centers for a fraction of the cost. These technologies can simplify deployment, administration, and service without requiring onsite skilled technical personnel. Retailers can take advantage of low-cost, high-bandwidth lines to increase network communications and support custom applications—exchanging information with headquarters, other store branches, and customers—while holding down overhead. And, headquarters can remotely monitor and manage the systems, for convenient changes, reporting, diagnostics, and service.

The Vertical Integrated Communications Platform

The Vertical solution for retailers provides a simple, effective, and efficient way to manage a retail communications network. It is designed to enhance, and make more productive, a retailer's telephone operations by leveraging its current investments in customer service—including customer and product databases. The system allows centralized resources to schedule, monitor, and track system software upgrades and application changes from a single location, greatly increasing control over store systems while lowering administration and management costs.

With the Vertical Integrated Communications Platform, a retailer can automate call handling and intelligently route calls, both within stores and to centralized call centers. In addition to supporting both third-party and custom applications, the system can tie into a backend customer or product database for self-service applications. It can also provide reporting on customized marketing and promotional campaigns by region or location. And it allows much more visibility into caller behavior, providing new business intelligence on automated choices callers make, when calls are abandoned, and how long callers are on hold.

The Vertical solution is built on an advanced, standards-based architecture that enables retailers to select the system functionality that best fits their current needs, while also setting the stage for newer applications like self-service response with speech recognition that can enhance their competitive edge. Other new features include wireless phones, which provide high-quality customer interactions, and sophisticated reporting modules that offer end-to-end views of the consumer. The strengths of the Vertical system—cost-effectiveness, reliability, and simplicity of installation, maintenance, and administration—can provide an advantage for today's forward-looking retailers, where powerful and flexible converged voice and data communications make sense for even the smallest of stores.



Conclusion

As retailers seek to improve margins in a challenging economy, they are increasingly looking to enhance the shopping experience that their customers have as a way to spur consumer loyalty, encourage repeat purchases, and generate word-of-mouth referrals. The store's telephone system, long neglected as a communications tool, offers a powerful, untapped resource for achieving this objective.

Building on integrated communications platforms such as that offered by Vertical, it is possible today to significantly improve the experience both of callers to a store, and customers *at* the store, with new call handling techniques. This "intelligent customer service"—with automated answering and intelligent call routing, within stores and to centralized call centers—is built on a variety of smart business processes that result in higher staff efficiencies, greater management visibility into processes, and better overall use of resources.

For more information about Vertical or its products, visit the company's Web site at www.vertical.com or call 408-523-9700.