

## 2024 Finalist Essay Combined



# Joe Berry Award 2024 Final

## Presentation #6

Topic: 5 Question: Exceptional Customer Experience

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### Executive Summary

In a competitive market, standing out is a necessity!

The true game changer? Exceptional customer experience (CX).

The need for a brand to stand out has never been more important. We've seen companies try various strategies to differentiate their brand and those coming out on top have truly mastered the art of CX<sup>138</sup>.

Let's not forget that only a few years ago, CX looked very different with more emphasis on things like product features or pricing. The true test began, when the COVID-19 pandemic hit and businesses were forced, by accelerating digital platforms and tackling supply chain shortages, to adapt to evolving customer needs. Again, only those companies who were able to meet customer expectations found success.

So, what is CX? CX refers to the entire interaction a customer has with a brand including pre-purchase, the purchase itself and post purchase interactions<sup>139</sup>. Keep in mind that there are four major components that play a part in a customer's overall experience: brand, product, price and service. Each purchasing stage plays a role on a customer's cognitive, affective, sensory and behavioural responses and eventually loyalty.

For Australia's 'big two' supermarkets and brands alike, customer loyalty remains a challenge, due to constant store-brand swapping. To remain competitive, they must go beyond mere product sales and adapt to the changing wants and needs of customers.

In this essay, we will explore the evolution of e-commerce, identify key challenges hindering a positive CX and offer strategic solutions that consider personalisation, technology, and cultural sensitivity as pivotal factors in shaping a customer-centric environment.

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<sup>138</sup> Emilio, N., 2023. *Forbes' Top 10 Companies with the Best Customer Experience* [online] blog.kale.bismart.com. Available at: <https://blog.kale.bismart.com/en/10-companies-best-customer-experience> [Accessed 23 Feb. 2024].

<sup>139</sup> McKinsey & Co, 2022. *What Is CX (Customer Experience)?* | McKinsey. [online] www.mckinsey.com. Available at: <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-cx> [Accessed 28 Jan. 2024].

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### Introduction

In the past, traditional selling methods and data-driven approaches were enough to win over customers. However, with the emergence of new technologies, a rise in online shopping and changing consumer preferences, it's clear that the sales landscape has seen a complete paradigm shift. The big question is ...should CX be special or easy, with a 'just get the job done' mentality?

Whilst companies are taking steps to enhance CX, it's important to note that one positive interaction doesn't define the overall relationship or secure customer loyalty. In fact, gone are the days of consumers simply buying a product or service. Now, people buy because of how it makes them feel. So whilst the easy route may cost less in retrospect, what's more important? One-off purchases or loyal customers?

To win customer loyalty, businesses must pivot towards customer-centricity, through building personalisation strategies, utilising technology and navigating customer cultures. Can your business afford to ignore the transformative power of mastering CX?

### Building Personalisation

Personalisation has been a topic of conversation for years and the era of personalising, solely by addressing customer names in emails, or on a Vegemite jar, has come to an end. Companies may think they have their evolving personalisation strategies down-pat but the reality is, 'they ain't seen nothing yet!'

In E-commerce (1.0), customers were like treasure hunters, scouring the digital world for the perfect find<sup>140</sup>. Fast forward to E-commerce 2.0, we've witnessed a complete shift where products don't wait to be discovered, they actively seek out customers<sup>141</sup>.

This takes us to today, with hyper-personalisation being the most current and advanced way brands can tailor their marketing to individual customers. Hyper-personalisation can be compared to having your own personal shopping genie. It involves leveraging advanced technologies, data analytics and artificial intelligence to tailor every interaction and recommendation to the unique preferences and needs of each individual customer through the right time, place, and channel<sup>142</sup>.

Think custom ads that speak directly to your soul, landing pages that feel like they were made just for you! Recommendation engines that know your tastes better than your friends! Trusty service chatbots, dynamic pricing and loyalty programs that make you feel like royalty.

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<sup>140</sup> Sandstrom, D., 2023. *E-Commerce 3.0: The Future Of Retail Is Hyper-Personalized*. [online] Forbes. Available at: <https://www.forbes.com/sites/onmarketing/2023/08/23/e-commerce-30-the-future-of-retail-is-hyper-personalized/> [Accessed 17 Feb. 2024].

<sup>141</sup> Sandstrom, D., 2023. *E-Commerce 3.0: The Future Of Retail Is Hyper-Personalized*. [online] Forbes. Available at: <https://www.forbes.com/sites/onmarketing/2023/08/23/e-commerce-30-the-future-of-retail-is-hyper-personalized/> [Accessed 17 Feb. 2024].

<sup>142</sup> Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

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Take Netflix for example; its algorithm predicts user preferences, based on viewing history, behavioural attributes and predictive learning. It's no wonder 80% of viewers select a movie/show from the homepage recommendations<sup>143</sup>! Less time searching, more time enjoying the good stuff – that's stellar CX.

Whilst a well-executed hyper-personalisation strategy can deliver 8x the ROI on marketing spend and lift sales by more than 10%<sup>144</sup>, the future's competitive retail landscape, requires a more tailored approach. Introducing E-commerce 3.0 – where hyper-personalisation joins forces with cutting-edge technologies such as Augmented Reality (AR) and gamification to provide an immersive e-commerce and in-store experience that predicts customer needs and wants.

### Using Augmented Reality

AR is like having x-ray vision that lets you see digital wonders in the real world via devices like smartphones, tablets, or special glasses<sup>145</sup>. E.g., in sports broadcasting, AR enhances the viewer's experience by, providing additional information and visual enhancements:



In retail, this game-changing technology allows customers to visualise recommended products before purchasing online. Picture this, you're browsing online and found the perfect piece of furniture but can't shake the feeling it might not fit or match your home decor. Step into IKEA Place app and with just a few taps, you can virtually 'place' furniture in your home to gauge fit and style, enhancing the overall pre and post-purchase experience<sup>146</sup>. Same goes for food and beverage. Ever been disappointed when your meal comes out smaller than expected? AR 3D menus fix that, giving you a real-time preview of

<sup>143</sup> Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

<sup>144</sup> Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

<sup>145</sup> Pearce, P., 2019. *How to Use AR (Augmented Reality) to Improve the Customer Experience*. [online] blog.hubspot.com. Available at: <https://blog.hubspot.com/service/augmented-reality-customer-experience>. [Accessed 8 Feb. 2024].

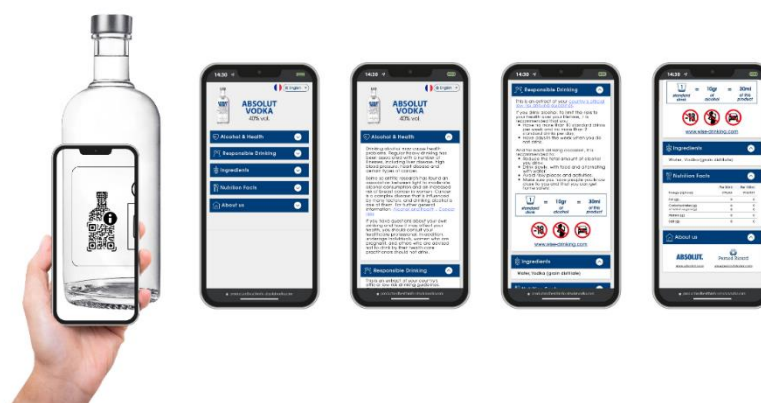
<sup>146</sup> IKEA, 2024. *IKEA Australia mobile apps*. [online] Available at: <https://www.ikea.com/au/en/customer-service/mobile-apps/>. [Accessed 8 Feb. 2024].

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size and appearance<sup>147</sup>. This aids in decision-making, minimises disappointment and creates memorable experiences for customers.

Brands can also stand out by leveraging digital labelling or AR grocery packaging, to address customer's growing interest in product origins, sustainable sourcing and ingredients<sup>148</sup>. Offering customers extensive product information beyond what's possible on labels, including language customisation, can streamline support and remove language barriers. Brands could even incorporate gamification e.g. cereal boxes could come to life with interactive games or quizzes, teaching kids about nutrition or sustainability, to exceed parental expectations.

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While E-commerce 1.0 and 2.0 had a huge emphasis on products and customers, E-commerce 3.0 expands its scope to include creators – acknowledging social media's influence in today's omnichannel landscape. We're talking about a world where spotting a bag you love on a night out, isn't just luck, but a golden opportunity. With a quick QR scan of the product on your phone, you're instantly directed to the website, and can add straight to cart. This presents a unique opportunity for brands to capitalise on every individual, where everyone walking around are potential ambassadors for their products in a seamless and immediate way. Talk about shopping made easy!

But AR isn't just a blessing for online shoppers, it's a beacon of hope for those wandering lost in supermarkets or seeking staff assistance. So, imagine a retailer app tailored to each store's layout and AR that overlays directional arrows to pinpoint the exact location of a product from where you're standing. Coupled with a service chatbot answering queries on that product e.g., is it vegan? Brands can also join the app revolution and elevate their presence, by leveraging AR and interactive packaging to ignite customers on a culinary journey with recipe and usage ideas. Such innovative solutions exceed customer

<sup>147</sup> Reality, R.P., 2022. *The Top Use Cases of Augmented Reality in the Food & Beverage Industry*. [online] Rock Paper Reality. Available at: <https://rockpaperreality.com/insights/ar-use-cases/top-use-cases-augmented-reality-food-beverage/>. [Accessed 8 Feb. 2024].

<sup>148</sup> Cheng Wei, S., 2022. *Digital Labelling: The Future of Smarter Food Labelling in Asia*. [online] Available at: <https://accesspartnership.com/digital-labelling-the-future-of-smarter-food-labelling-in-asia/> [Accessed 21 Feb. 2024].

<sup>149</sup> Editor, W., 2022. *The power of digital labelling*. [online] FoodDrinkEurope. Available at: <https://www.fooddrinkeurope.eu/the-power-of-digital-labelling/> [Accessed 21 Feb. 2024].



expectations, show differentiation against competitors and offers a glimpse into the potential future of shopping behaviours.



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### Introducing Gamification

Through gamification, companies can adapt personalisation strategies of today to meet the ever-changing expectations of tomorrow's customers.

Gamification involves using game-like elements (points, rewards and challenges) to make shopping fun<sup>151</sup>. The goal? To increase shopper motivation, engagement and loyalty. While online shopping offers unparalleled convenience, 24-hour access, and the ability to compare prices and reviews with ease, retaining customers on a single website remains a key challenge. That's why beauty brand Sephora tapped into their gamification toolbox and introduced "Swipe it. Shop it," like Tinder for beauty fanatics, making the shopping experience as addictive as swiping right on your next crush<sup>152</sup>. Genius right? It completely simplifies online navigation when you're unsure where to begin.

From an in-store perspective, while self-checkout aims to expedite the purchase stage, there are several pain points that detract from smooth operation and impact customer loyalty:

1. Equipment malfunctions - Anyone who has had to flag down an employee mid-shop, understands the frustration. Promised a seamless checkout experience yet interrupted with the 'unexpected item in bagging area.' In fact, 25% of customers will leave the self-serve area<sup>153</sup>.
2. Theft – With reduced supervision, swapping price tags/ not scanning items have reached unprecedented levels<sup>154</sup>.

<sup>150</sup> Pearce, P., 2019. *How to Use AR (Augmented Reality) to Improve the Customer Experience*. [online] blog.hubspot.com. Available at: <https://blog.hubspot.com/service/augmented-reality-customer-experience>. [Accessed 8 Feb. 2024].

<sup>151</sup> Tyagi, R. and Singh, G., 2022. Gamification and customer experience in online retail: a qualitative study focusing on ethical perspective. *Asian Journal of Business Ethics*. doi:<https://doi.org/10.1007/s13520-022-00162-1>.

<sup>152</sup> Samuely, A.A., 2017. *Sephora borrows from Tinder's playbook with swipeable mobile shopping tools* | Retail Dive. [online] www.retaildive.com. Available at: <https://www.retaildive.com/ex/mobilecommercedaily/sephora-borrows-from-tinders-playbook-with-swipeable-mobile-shopping-tools>. [Accessed 5 Feb. 2024].

<sup>153</sup> Rand, D., 2023. *Self-checkout at the grocery store: Reality bites*. [online] The Future of Commerce. Available at: <https://www.the-future-of-commerce.com/2023/10/16/self-checkout-problems/>. [Accessed 9 Feb. 2024].

<sup>154</sup> Heil, K., 2018. *Self Checkout: The Pros and Cons of Giving the Customer Control*. [online] Palmerretailsolutions.com. Available at: <https://www.palmerretailsolutions.com/blog/self-checkout>. [Accessed 28 Jan. 2024].

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3. Social media & word of mouth - E.g., the recent glitch at Woolworth's where they issued an apology after the customer warned others on social media of the inflated checkout total<sup>155</sup>.

With these examples, we start to see how one unfavourable encounter, can result in loyal customers switching brands. What's the solution?

Whilst we know big American brands like Walmart and Blooms are leaving self-serve due to significant merchandise losses from customer errors and theft<sup>156</sup>, immediate solutions to combat these issues and reduce wastage costs exist. Let's borrow a page from Japanese clothing brand Uniqlo who uses radio frequency identification chips (RFID), making scanning items unnecessary<sup>157</sup>. To add a more personalised touch, retailers could leverage their rewards app to gamify loyalty programs, where customers can earn rewards and discounts for using self-checkout.

Looking into a more long-term solution, we can follow suit with Amazon Go's store technology and revolutionise the shopping experience. A simple phone scan upon entry grants customers the freedom to select products and exit seamlessly, with automatic billing in the background<sup>158</sup>. Such technology may finally fulfill the seamless shopping promise and enhance customer loyalty.

A survey by Adobe Commerce further reinforces the importance of hyper-personalised experiences revealing that 67% of customers desire personalised offers and a whopping 72% of people bought more goods than originally planned<sup>159</sup> – effectively increasing basket size and demonstrating the power of hyper-personalisation done right.

### Magnitude of Opportunity

Online customer engagement becomes increasingly important, with 45% of Gen Z and 43% of Millennials choosing online shopping as their preferred method<sup>160</sup>. According to Harvard Business Review, a 5% increase in customer attention can result in a 25-95% boost in profit, making gamification a promising strategy for improving sales, brand awareness and customer loyalty, with over 87% of merchants wanting to employ it in the next 5 years<sup>161</sup>.

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<sup>155</sup> Yahoo News, 2024. *Woolworths explains self-serve checkout glitch as customer overcharged*. [online] Available at: <https://au.news.yahoo.com/woolworths-explains-self-serve-checkout-glitch-customer-overcharged-033950112.html> [Accessed 1 Feb. 2024].

<sup>156</sup> Ilich, R., 2023. *Walmart, Costco and other companies rethink self-checkout* | *CNN Business*. [online] CNN. Available at: <https://edition.cnn.com/2023/11/13/business/self-checkout-stores-shopping/index.html>. [Accessed 8 Feb. 2024].

<sup>157</sup> Picoult, J., 2023. *A Self-Checkout That Customers Love? This Company Created It*. [online] Forbes. Available at: <https://www.forbes.com/sites/jonpicoult/2023/12/21/a-self-checkout-that-customers-love--this-company-created-it/> [Accessed 8 Feb. 2024].

<sup>158</sup> Amazon, 2023. *Amazon Go*. [online] Amazon.com. Available at: <https://www.amazon.com/b?ie=UTF8&node=16008589011>

<sup>159</sup> Bruner, T., 2022. *Personalization is key to customer loyalty as inflation concerns rise*. [online] Fast Company. Available at: <https://www.fastcompany.com/90773549/personalization-is-key-to-customer-loyalty-as-inflation-concerns-rise> [Accessed 28 Jan. 2024].

<sup>160</sup> Zwięglinska, Z., 2022. *How gamification will impact the future of shopping*. [online] Glossy. Available at: <https://www.glossy.co/fashion/how-gamification-will-impact-the-future-of-shopping/>. [Accessed 28 Jan. 2024].

<sup>161</sup> Tyagi, R. and Singh, G., 2022. *Gamification and customer experience in online retail: a qualitative study focusing on ethical perspective*. *Asian Journal of Business Ethics*. doi:<https://doi.org/10.1007/s13520-022-00162-1>.

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Here's the kicker, companies who refuse to go beyond E-commerce 2.0 will be like dinosaurs in a world of smart phones. By 2028, AR is predicted to be worth \$16 billion dollars whilst gamification is expected to grow an additional 26% to the already \$19 billion estimated in 2021<sup>162</sup>. So, what's the bottom line? Businesses must jump on the tech train to address key challenges faced by customers and enhance their overall experience to infinity and beyond!

### Navigating Cultural Sensitivity

Cultural influences are like spices in the intricate tapestry of CX. They enrich each interaction with depth and distinctive flavour. Retailers aiming to engage with diverse and culturally significant holidays like Easter, Ramadan, Diwali, or Lunar New Year must tread carefully. Coles (2017) faced customer backlash from a 'Happy Ramadan' sign and, Woolworths (2024) faced backlash over not stocking Australia Day Merchandise<sup>163</sup>. Striking the right balance between meeting the expectations of culturally diverse consumers without upsetting loyal customers poses a considerable challenge for retailers and brands alike.

Importantly, embracing a futuristic personalisation-gamification strategy within E-Commerce 3.0, will revolutionise CX, bridging cultural divides to create unparalleled uniqueness and unity.

### Conclusion

In today's modern world, it is apparent that CX is a dynamic and multifaceted phenomenon shaped by technological advancements, social trends and dynamic cultural shifts. As these areas continue to evolve, customer preferences and expectations are in a constant state of flux. Now more than ever, customers are quick to switch to competitors if their needs aren't met.

To stay ahead, companies must embrace new personalisation strategies fuelled by technology. Businesses that recognise and adapt to this evolving landscape will be better positioned to meet the ever-changing needs of the modern customer, fostering lasting relationships and ensuring sustained success in the dynamic world of retail.

Will you follow suit and transform the ordinary into something extraordinary?

Does your brand, product, price and service keep up with the market?

Mine does!

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<sup>162</sup> Marigold., 2023. *The impact of gamification on retail customer engagement*. [online] Inside Retail Australia. Available at: <https://insideretail.com.au/business/the-impact-of-gamification-on-retail-customer-engagement-202302> [Accessed 17 Feb. 2024].

<sup>163</sup> Admin, 2024. *Woolworths CEO responds to backlash over decision to not stock Australia Day merchandise*. [online] AMI. Available at: <https://ami.org.au/knowledge-hub/woolworths-ceo-responds-to-backlash-over-decision-to-not-stock-australia-day-merchandise/> [Accessed 28 Jan. 2024].