Expert Group

Customer Engagement

Fygital – the next step in more customer-focused processes?

Takeaways

1. New technologies and devices facilitate instant interweaving of physical (offline) and digital channels.
2. Fygital provides numerous opportunities for optimizing customer engagement.
3. Since data generally serves as the foundation of fygital, a solid data policy, data security and data governance are key conditions for a successful implementation of fygital initiatives.

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Blend of Physical and Digital Retail Channels Creates New Opportunities

Now and in the future, the customer journey will increasingly combine physical and digital elements. Physical and digital retail channels are merging together into a single comprehensive experience that attracts, involves, informs and transforms customers. This means it's a quest for a 'fygital' balance, where the authenticity and empathy of the physical retail channel are combined with the speed and convenience of the digital channel, making the experience in the customer journey as relevant and personal as possible. By integrating the various channels at the right touchpoints, a company can improve its journeys and provide its customers with better services in the process. This improves the *first-time-right* ratio and reduces the number of complaints, resulting in a higher level of customer engagement and, by extension, a higher conversion rate.

> **What is fygital?**
> The Customer Engagement expert group has decided to define fygital as the combination of physical (offline) and digital channels within a specific stage of the customer journey. This might include finding additional product information using your smartphone in a store or through a live agent on a website when customers require assistance.

> "Fygital: vital to your omnichannel strategy?"
> **Britt Timmerman, ING**

1. Research Shows Importance of Fygital

Research conducted by GfK in 2019 among more than 1,000 respondents clearly shows that consumers like to integrate online and offline retail channels, with 47% liking the experience of viewing a product in-store and then ordering it online on the spot using the in-store ordering system. For products for which advice is required, a large and growing majority of consumers prefer receiving this advice in a store (73%). This also applies to younger consumers in the 15-34 age range (66%).
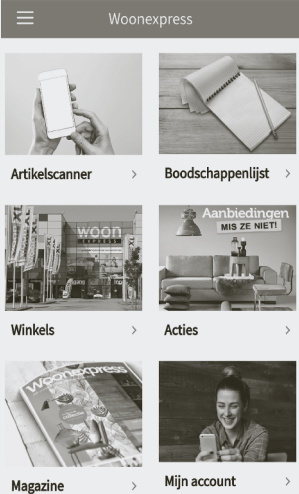
In addition, smartphones are routinely used in stores: around 60% of consumers use a smartphone while out shopping to compare prices and request product information, while roughly 50% of consumers read reviews and/or check whether items are in stock. However, there is some room for improvement here, as 23% of consumers are unaware of the features available on smartphones while out shopping and 12% feel these features could be improved significantly.

The survey also shows that digital information in a physical (offline) environment offers clear commercial benefits. Roughly one quarter of consumers report feeling that information gathered through their smartphones has a significant positive impact on the customer experience (22%), purchases (25%) and loyalty (18%). In addition to smartphones, digital kiosks are another popular in-store digital channel, with 25% of consumers eager to use them, notably graduates (34%).

The practice of blending the offline and online (digital) worlds to create brand loyalty is not new:
many organizations have embraced the integration of physical and digital channels – the "fygital experience."
Below we have listed some of the ways in which this is accomplished.

- **Use of Devices:** Touchscreens which customers can use to have their favorite products delivered to their home, or which they can check to see whether certain items are still available in the online store or use to find out the location of items in the store. The device can also be used, for example, to recommend complementary items, with the objective of cross-selling items from the long-tail product range, such as books by the same author or matching drinking glasses. In addition, customers can also receive information through electronic aisle labels or be inspired through mood boards.
- **Use of Marketing:** Businesses can incite customers to take selfies featuring the company logo, where (for example) they can win something if they post it on Facebook in some creative way. They may also ask customers in brick-and-mortar stores to leave their contact details, after which these customers will find a reward of some sort in their email inbox.
- **Visualization/Configuration:** If a customer is looking for an item in a color that is not actually (physically) in stock, show it to the customer on a tablet or touchscreen, so they can view the various options available until they make the right choice.
- **Optimization of Shopping Behavior:** Beacon technology, for example, enables you to identify where customers are in the store at any given time. If they happen to spend a substantial amount of time in a specific section of the store, it may be appropriate to send one of your employees there. If the store employee has been informed about the customer's search behavior on the website, the recommendation can be tailored to the customer's needs in a way that is more targeted, more personal and more relevant.
- **Near-Shop Advertising:** Sending offers or information to customers who find themselves in the physical vicinity of a store.

Case: Woonexpress

The customer journey for purchasing home decoration items includes multiple points where Woonexpress uses fygital opportunities. An example of this is an app customers can use before and during the visit to the brick-and-mortar store. For example, the app provides the following features:

- a store locator that helps customers find their way to the store and find out the opening hours;
- geotargeting in order to send customers nearby a store relevant offers;
- the option for customers to retrieve detailed information and specifications by scanning items;
- adding items to a wish list;
- newsletters and leaflets.

The service provided through the app is valued by the majority of customers and regarded as adding an extra dimension to the store visit.

2. Opportunities and Challenges in Practice

2.1 Digital Enhances the Brick-and-Mortar Channel

Examples of digital tools enhancing the physical (brick-and-mortar) channel are provided below.

- For its kitchen ranges in the physical (offline) channel, Mandemakers Groep uses a three-dimensional kitchen tool that helps customers configure their kitchen and visualize it to reflect their personal needs and preferences. Dutch DIY chain Gamma and furniture retailer IKEA offer similar tools and applications.
- Product aisles and product packaging increasingly include QR codes, which allow customers to find more information about the product or, for example, check a manual. It is also possible to display several models or colors at the same time, combined with a photograph of the customer if desired. This requires less information on the aisles, while all colors and model combinations are available and the available stock can be displayed immediately.
- The QR code is a widespread technology, being particularly common across Asia. However, through the use of NFC chips (used for contactless payments), this information can also be displayed on your tablet or smartphone. NFC technology is faster and, based on a sticker applied to the aisle or the product, can instantly display promotions and facilitate payment for any purchases. In addition, NFC technology can show consumers the nearest store and configure the navigation for them accordingly.
- In-store customer recognition by disclosing combined online and offline data to employees. This goes beyond merely a customer name and address details and their collected shopping points. With the customer's permission, for example, employees can check the orders placed and respond by providing a recommendation or making (an) offer(s).

Case: Karwei Workbench
Operating a total of 136 DIY stores, Karwei is one of the largest home improvement chains in the Netherlands. Karwei has found that its customers have a hard time combining products and visualizing these into the end result, as well as finding it difficult to see how items would look in their own living room, bedroom or nursery. In order to assist customers with this, Karwei developed the Workbench: a screen installed on top of a table which is positioned in the center of the store.

This enables customers to draw their room, with the right dimensions, in order to furnish and decorate the room with a selection of products. The end result is a personal mood board showing a list of products selected, including the code required to be able to purchase items at a later date. This is how Karwei uses digital opportunities to eliminate any uncertainties in the customer journey and capitalize on personal situations. This is the home improvement chain's next step toward becoming a *connected store*.

2.2 Offline Enhances the Digital Channel
Examples of digital tools enhancing the physical (brick-and-mortar) channel are provided below.
- Transavia determines within the customer journeys the impact they can make through digital or offline contact. If there is an "unhappy path" (e.g., in the event of significant delays or cancelled flights), it is important for confused travelers to receive information as soon as possible about what to do. Within that one moment, a combination of mobile (digital) and human (empathy, physical) can alleviate the pain in the customer journey by adopting a fygital approach to that moment in the customer journey.
- The availability of live chat on the website or in the mobile app in order to be able to immediately assist a customer with a specific operation or by allowing the employee to see what details the customer is entering (*co-browsing*).

- Call-center agents are increasingly supported by sentiment analysis software, for example by analyzing the sentiment (e.g., satisfaction, customer's appreciation for product, company, or employees) afterward. However, facial recognition in livestream also enables call-center agents to respond to customers' emotions.

2.3 Challenges Involving Fygital Applications

As the examples cited above demonstrate, there are a growing number of options available. However, during the implementation process many organizations continue to run into various challenges.

1. **Systems and Data**
   Since customer data is stored in different systems and sources and tends not to be homogeneous, it is not possible to aggregate data (or aggregate sufficient data) and make it available to the user (i.e., the marketing professional or retail worker). Customer data platforms (CDPs) can play a facilitating role in this regard. A 360-degree customer view, the right proposition at the right time and the integration of online and/or offline channels are all examples that are easy to achieve, often supported by a CDP.

2. **Privacy Laws/GDPR**
   The availability of customer data to the marketing department or store employees is often not guaranteed as far as privacy protection is concerned. This is both a pity and unnecessary, because if you explain clearly to customers how you are using their personal data within the parameters of the General Data Protection Regulation (GDPR) and if you are transparent about how it benefits the customer, they will tend to give you permission to collect more data on them and use this data.

3. **Organization**
   The various online and offline channels tend to be subject to the responsibility of multiple departments or the management, making it more difficult to establish and claim ownership. The interests and KPIs are often not aligned (or not adequately so). This creates all sorts of obstacles, or customers will receive (potentially conflicting) offers or messages from a variety of sources. You may also end up with a situation where knowledge levels within the organization are not at the same level in order to be able to serve customers correctly and consistently. It requires information and training to let employees use customer data in a natural way when dealing with customers, and likely demands a different skill set from employees.

3. Potential Opportunities and Challenges in the Future – Scenario Planning

In addition to a focus on the opportunities and challenges for fygital at present, the expert group also analyzed situations that may potentially occur in the future. In order to envision ideas for potential situations in 2030, the expert group used a strategy for scenario planning that is also propagated by Professor Kitty Koelemeijer of Nyenrode Business University. In Koelemeijer's view, you can see scenarios as some kind of movies about the future that help you spot opportunities you would not normally consider. These situations tend to be unexpected, as two relevant uncertainties with extreme values are combined together. By discussing the four scenarios this creates with multidisciplinary teams, organizations are encouraged to think about strategic opportunities and threats, and to anticipate these. Creating headings for the various scenarios may be a useful tool for identifying early signs that a specific scenario is actually materializing. Thanks to these insights,

organizations can take timely measures and avoid being caught off guard by major changes in customer behavior or by disruptors from unexpected corners.

The expert group believes that the drivers listed below can be important in determining future scenarios related to fygital.

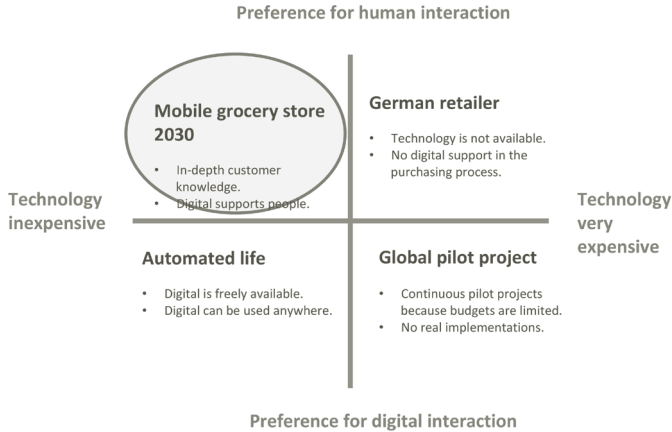| Driver	Extreme from	Extreme to
Willingness to share data	Making all data available through 'Fear of Missing Out'	Sharing as little data as possible, 'off the grid'
Contact preference	100% human	100% digital
Privacy	Non-regulated/complete freedom	Strictly regulated
Affordability of technology	Inexpensive	Extremely expensive
Division in society	Digital resources available to all	Easier access for graduates
Availability of human capital	Job seekers outnumber job openings	Job openings outnumber job seekers
Spending purpose	Mainly products	Mainly services
Security/stability	Peace	War
Personalized products	Fully personalized production	Mass production
Sustainability	Full circularity and less consumption	Large environmental footprint
Climate	Temperatures remain stable	Temperatures increase by more than 10 degrees
IoT/AI	Autonomous ICT	Human-controlled
Employees	Trailing behind in technological and other trends and developments	Ahead of the pack in technological and other trends and developments
Customers	Trailing behind in technological and other trends and developments	Ahead of the pack in technological and other trends and developments

Within the expert group, the following potential combinations were selected from these potential drivers:
1. Contact preference/affordability of technology
2. Climate/willingness to share data
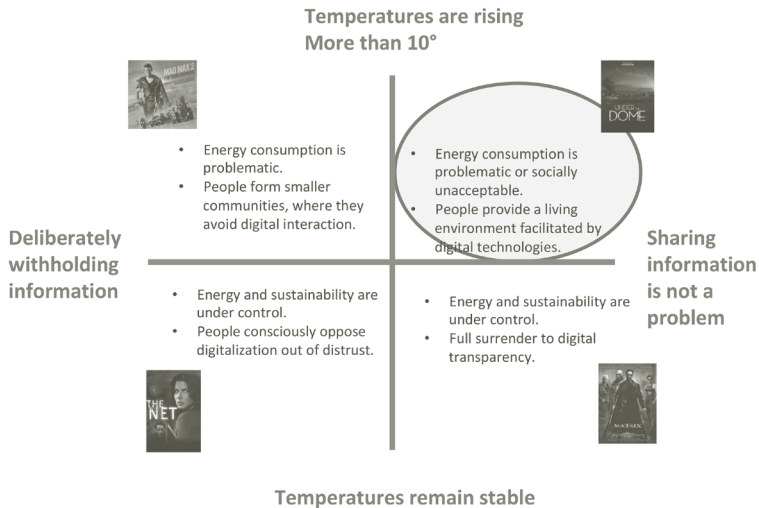3. Employees/customers

For each of the three combinations, the potential impact on fygital has been identified for what is the most interesting scenario in the experts' eyes.

Combination 1 – Impact of Fygital Scenario 'Mobile Store 2030'

Preference for human interaction

Mobile grocery store 2030
- In-depth customer knowledge.
- Digital supports people.

German retailer
- Technology is not available.
- No digital support in the purchasing process.

Technology inexpensive

Technology very expensive

Automated life
- Digital is freely available.
- Digital can be used anywhere.

Global pilot project
- Continuous pilot projects because budgets are limited.
- No real implementations.
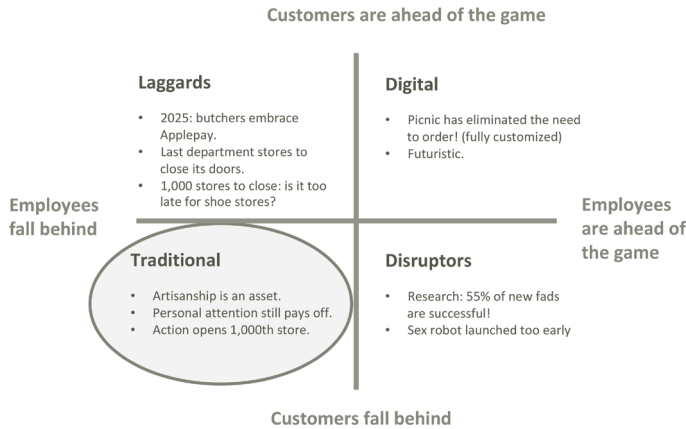
Preference for digital interaction

This involves low technology costs, while customers are looking for personal interaction. The personal interaction that is there is supported effectively by the technology, making information about the customer easily accessible to employees. This information is used by employees in order to provide the highest level of service, for example when making purchases and when seeking advice or requiring services in the event of complaints.

Combination 2 – Impact of Fygital Scenario 'Under the Dome'

Temperatures are rising
More than 10°

- Energy consumption is problematic.
- People form smaller communities, where they avoid digital interaction.

- Energy consumption is problematic or socially unacceptable.
- People provide a living environment facilitated by digital technologies.

Deliberately withholding information

Sharing information is not a problem

- Energy and sustainability are under control.
- People consciously oppose digitalization out of distrust.

- Energy and sustainability are under control.
- Full surrender to digital transparency.

Temperatures remain stable

Based on a central program, movements are planned for families, districts or cities with the lowest energy consumption based on digital information. A "physical mobile store" will stop right in your street, offering all the products and services you need.

Combination 3 – Impact of Fygital Scenario 'Traditional'

Customers are ahead of the game

Laggards
- 2025: butchers embrace Applepay.
- Last department stores to close its doors.
- 1,000 stores to close: is it too late for shoe stores?

Digital
- Picnic has eliminated the need to order! (fully customized)
- Futuristic.

Employees fall behind

Employees are ahead of the game

Traditional
- Artisanship is an asset.
- Personal attention still pays off.
- Action opens 1,000th store.

Disruptors
- Research: 55% of new fads are successful!
- Sex robot launched too early

Customers fall behind

Limited use of digital resources and human interaction comes first for customers and retail workers: extra personal attention wins out over smart algorithms.

One thing we note when exploring the future is that very physically oriented scenarios remain possible alongside scenarios with a strong digital component. The distrust regarding data misuse by companies, government authorities and malicious hackers all contribute to this.

4. From Opportunities and Challenges to Solutions

To help your own organization make the right decisions, the expert group has developed a practical approach to turn opportunities and challenges into solutions. We have developed four examples of a number of opportunities and challenges, which are shown below, displayed based on this approach.

Opportunity 1: Use of remote assistance

Challenges
1. Forecasting deployment of people and term of contracts
2. Acceptance by customers of new approach
3. Determining a natural stage in your customer

Solutions	
Organization	Systems
Training employees; teaching them knowhow and skills in design thinking	Implement prototyping; incorporate flexibility
Processes	Customers
Introducing a system of thinking and acting based on the customer journey.	Outside-in thinking; putting the customer first. Incorporating and optimizing customer feedback Analyzing at what stage of the customer journey the consumer expects support

Opportunity 2: Customer self-scan

Challenges
1. Customer honesty
2. Adoption of customer-scanning system
3. User-friendliness of scanning
4. Not all products have a barcode
5. Sufficient self-scan units to avoid lines

Solutions	
Organization	Systems
Assign ownership of data quality to the appropriate department. Requires a different approach for staff; customer relationships are shorter and not as close/ interaction not as frequent; provide employees with the appropriate training (i.e. identifying opportunities) and updating where necessary.	Implementing an effective PIM system and clear measuring systems and method. Internet/Bluetooth connection must be flawless
Processes	Customers
Draft barcode requirements. KISS (Keep It Simple, Stupid) Conduct sample check in front of or behind cashpoint by counting quantities or checking weights. Adjusting layout.	Explain the customer benefits and communicate appropriately with customers. Ensure that feedback is possible and is processed.

Opportunity 3: Personalized offers through in-store body scans (clothing) or tastings (food)

Challenges
1. Investing in the purchase of equipment and devices 2. Obtaining permission to record data 3. Is the customer prepared to self-disclose for the sake of personalization?

Solutions	
Organization	Systems
What is the business case? Start with pilot projects and gradually expand across the stores. In-store assistance is important.	360-degree implementation in and with existing systems. A CDP might be an option to consider. Enter into partnerships with vendors/suppliers or look into alternative financing options, such as leasing.
Processes	Customers
Integration with, for example, the stocks required for the business case. Enter into partnerships with suppliers.	Explain the customer benefits and customer value and communicate appropriately with customers in the store.

Opportunity 4: Floor plan of store in customer app

Challenges
1. Stores vary from each other, particularly in the case of franchise stores 2. Keep up-to-date on any changes in layout at the local level

Solutions	
Organization	Systems
Culture and discipline must be in line with this objective in all stores. Use a differentiated pay structure: franchise stores versus corporate stores.	Link store layout to a visual merchandising system. Include the option to make local changes.
Processes	Customers
Facilitate closed loops between stores and the head-office organization.	Give customers the opportunity to share feedback through apps if products are not located within the walking radius as indicated, and share this information with the store.

Based on the various opportunities, you start by identifying the challenges and further defining these challenges. The opportunities may be drawn from the scenarios created. If you are not using scenarios, you also have the option to skip this step and go straight to the opportunities. The next step is to define one or more major challenges for each opportunity.

Once the opportunities and challenges have been clearly established, the next step is to find potential solutions. These solutions are generally required along multiple axes, namely Organization, Processes, Systems and Customers. It is worth noting that the axis for Customers tends to be overlooked (including in the expert group). We are working hard on internal changes and solutions, while at the same time losing sight of customers. It is always important to involve customers in any major changes, for example by testing specific solutions in pilot stores first, as well as communicating them.

In addition, the expert group raised a number of issues related to fygital on which organizations must focus when dealing with this issue:

- **Conflict of interest between policy and decentralized business** (particularly in franchise organizations). You should make informed decisions as an organization.
- **Importance of responsible and well-thought-out data policy, security and governance.** Customers want to remain in control over their data. This means a transparent approach is crucial, along with the way in which you structure your organization.
- **It is no longer a given for customers to share a lot of data.** It is therefore sensible to work through this scenario for your organization.
- **Think big – Start small – Learn fast.** Work on the basis of a holistic long-term vision, but validate this with small pilot projects that enable you to quickly gather feedback from customers and employees. This makes it possible to make adjustments as you go along.
- **Behavioral transformation is required from employees, as well as from the management and executive boards.** It's important to stop thinking in terms of organizational silos and start thinking in terms of end-to-end solutions for customers. This is likely to also require other internal KPIs and compensation structures.

- **Thinking based on the customer journey** is essential in order to avoid ineffective solutions.
- **Don't forget the customer when coming up with solutions.** It is important that your organization employs people who are skilled in design thinking.

> "Operating on the basis of an end-to-end customer journey is essential to fygital, both online and offline."
> **Iwan Banens, Aegon**

5. Creating Your Own Fygital Strategy

The previous chapters explain how scenario planning (Chapter 3) and converting opportunities and threats into solutions (Chapter 4) can help you create a fygital strategy. The action plan set out below can help you design your strategy.

1. Reach agreement on what is and is not included under the definition of 'fygital'. In the group, we decided to limit ourselves to customer interactions whereby physical and digital channels are used at the same stage of the customer journey, but you could also choose to extend the definition to include any time where there are physical and digital channels that are tailored to each other to achieve a specific goal.
2. Conduct online research into trends and developments related to fygital in general and your own industry in particular.
3. Set up a brainstorming session with representatives from various divisions of the organization (plus relevant external partners if applicable) in order to make a longlist of potentially interesting opportunities where digital channels can support the physical (offline) ones, and vice versa. Participants can use the following information to identify these opportunities:

	Description of opportunity	Impact/value	Requirements	Obstacles	Points to note
1					
2					
3					

4. In order to not just look at the here and now, but also anticipate potential (unexpected) future developments, it is then useful to use scenario planning. Based on personal experiences, the expert group recommends taking sufficient time to develop this further. Ideally, the various steps required to create scenarios are divided across several sessions on different dates. This makes it possible to work on the various components with fresh energy during each session, while there is also time for reflection. Since it is a reasonably intensive and abstract exercise, we recommend working on this with a small and motivated team.

5. Choose the opportunities you want to further develop in accordance with specific criteria, such as the estimated value or the match with strategic objectives. Determine what the main challenges are for these opportunities and how these can be solved in terms of Organization, Processes, Systems, Customers, and Miscellaneous.
6. Present the results and set up project teams in order to make happen those opportunities people are most excited about.

In summary, we can state that fygital has become an integral part of the customer engagement process. Digital and physical (offline) channels increasingly blend together and enable organizations to offer an integrated customer experience that attracts, involves, informs and transforms customers.

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