Top 5 CX challenges retailers are facing during the cost-of-living crisis

RETAIL GAZETTE

zendesk

Contents

Foreword

Despite the unique set of challenges the retail industry faced in the past three years, the good news is that consumers have shown that they're still willing to shop with their favourite brands.

Unlike previous periods of economic uncertainty where minimising spend was the main priority for most, consumers are now also looking for better customer service experiences. In fact, for today's consumer, it's all about how far a brand is willing to go to provide them with memorable experiences - and they're growing impatient for them.

As a result, retailers across Europe and the UK are definitely feeling the heat. According to Zendesk's CX Trends 2023 report, 68 percent of European leaders say they feel the pressure from customers to improve their service experiences, leading 75 percent of them to increase their CX budget over the next 12 months.

Still, some retailers view their customer service as a cost centre, and would rather focus on being cost efficient. The risk here is that, because the majority of retailers are investing in exciting new tools and technologies to enhance their CX, those who focus on reducing costs might lose out on greater ROI, and drive their customers away.

Many European retailers are investing in AI as a leading technology to make their customer service teams more agile and efficient, especially when it comes to dealing with higher request volumes.

The most popular uses of AI include advanced chatbots, which help CX teams determine customer intent and allows for better personalisation, and intelligent triage which automatically sorts and classifies customer service requests, and in turn helps agents prioritise tickets.

And while these are just some of the ways retailers can benefit from AI, these investments are paying off. In fact, 74 percent of European companies state that they have seen positive returns on their investments from their efforts to improve their customer experience.

The future of retail will be strongly shaped by the investments retailers make today, so hopping on the latest technology trends, even during challenging times, will be highly beneficial when it comes to retaining and attracting customers.

In this report, in partnership with Retail Gazette, we explore the five main challenges European retailers are currently facing, as well as provide insights into other types of investments that can help retailers keep up with customers' expectations.

Customer expectations continue to rise and retailers have no choice to put CX investment on their to-do list for the year ahead.

According to research undertaken for Zendesk's CX Trends 2023 report, 81 percent of business leaders see customer experience and support as a growing priority over the next year.

This is good news as not only are there higher standards for retailers to meet, but there are also more queries to resolve with 75 percent of executives surveyed expecting volume to increase in the next 12 months.

While this illustrates that shoppers have more issues that need resolving, it also provides great opportunities for retailers to form deeper connections with their shoppers.

However, businesses across the retail sector are faced with a growing set of challenges - especially from cost cutting - which has become ubiquitous as the cost-of-living crisis rages on to the need to grow revenue.

Fortunately, there are ways that retailers can rise up to this challenge and deliver exemplary customer service which will ultimately help them meet their business needs.

In this latest Retail Gazette report, in partnership with customer service software firm Zendesk, we explore the technology, tools and tactics that can help retailers get the most out of their customer service and experience teams.
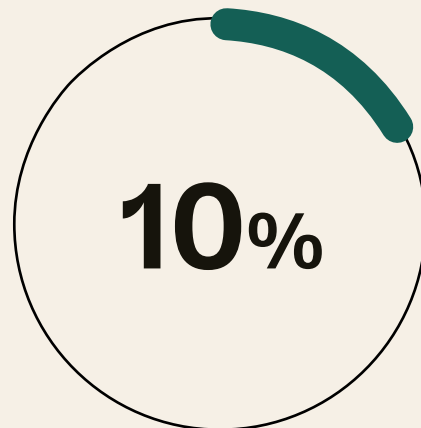
Read on to discover the five biggest customer service challenges retailers are currently facing, and the approaches a plethora of businesses across retail and other sectors have taken in order to solve them.

75%
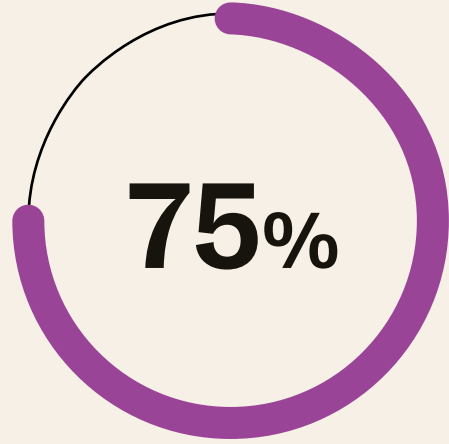
**of executives expect
customer service volumes to
increase this year**

15%
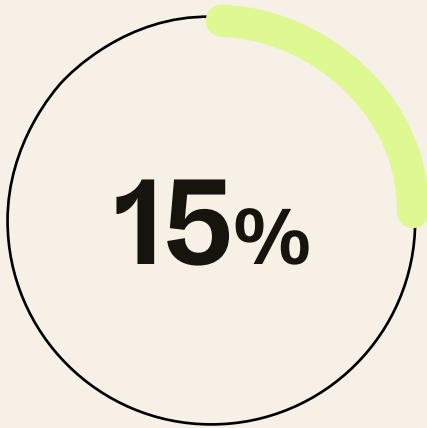
**the amount of
additional agent
headcount Zendesk
customers avoided**

10%

**increase in conversation
rates experienced by
Zendesk customers**

Challenge 1: Cut operational costs

Retailers are currently facing the perfect storm. Their own costs - such as labour, energy and raw materials - are rising at a time when shoppers' squeezed budgets are making them more sensitive to price rises.

Therefore, to avoid pushing hefty price rises onto consumers, retailers are looking to make operational cuts.

Retailers across the board, have all put together aggressive cost cutting plans.

Jobs and efficiency is a big focus - and the customer service function is coming under the microscope.

There are many other actions that retailers can take in house to improve the productivity and operational efficiency of their customer service teams.

Each interaction , be it via email, telephone or live chat, can be made faster and more effectively, saving both time and money.

For example, Lightspeed, a cloud-based point-of-sale system and ecommerce platform that allows independent retailers to manage their stores, used Zendesk Support to set up workflows using 160 triggers and automatic routing in place.

The team used macros for easily-answered and often-asked questions and through the routing made sure that agents automatically responded in a customer's preferred language.

Cut Operational Costs

All of this saved vital time and improved its customer services team's efficiency.

Lightspeed support operations manager Dan Ross says: "Zendesk saved us time on every transaction. We quickly realised that any time we could save on the support process helps us to better help our customers. When you multiply the seconds we save on each ticket by the number of tickets we receive each day, we've seen a significant increase in efficiency."

Another great way to save time on each interaction - and ultimately improve CX - is by making customer information easily accessible. In fact, according to research by Accenture, 89 percent of customers are frustrated by repeating grievances to different customer service representatives.

In addition to using Zendesk, Lightspeed also built a customer integration with Salesforce so that its support teams could have oversight of all client data. This ensures they are well equipped to answer all queries quickly and efficiently rather than switching back and forth between systems.

It can also improve the customer experience. According to research by Accenture, 89 percent of customers are frustrated by repeating grievances to different customer service representatives.

Meanwhile, consumer electronics firm Tile, which sells devices that help people find items such as keys or mobile phones, managed to cut handling time by 40 percent by using Zendesk's Agent Workspace feature, which gives call centre staff access to centralised data.

This gives agents all the contextual information needed to answer queries without the need to seek out more details elsewhere.

"Agent Workspace was a big win for us with ticket handle times," says Tile senior customer support manager Justin Michaud. "Before we implemented it, our average handle time was about 25 minutes. Using Agent Workspace, we were able to get that down to right around 15 minutes."

Helping customers to fix it themselves

Self service is an important focus for many businesses as they seek to give customers the information they need to resolve their queries without the need to contact service staff.

Cut Operational Costs

This can ensure customer services teams spend their time dealing with more complex issues, where they are truly needed. At the same time, according to Zendesk's CX Trends 2022 report, 82 percent of customers would actually rather solve their issues on their own instead of having to contact a customer service representative.

Lightspeed built a comprehensive bank of content that answered many common questions and issues from customers.

It also plans to use Zendesk's Web Widget function to surface relevant help articles before a chat with an agent is initiated.

To gauge the effectiveness of this content, Lightspeed's back end reports how many customers submit a ticket after viewing an article, which enables the team to make strategic edits when it's deemed necessary.

Initiatives of this ilk free up time of agents to work on more, higher value problems and result in many man hours - and money - saved.

40%

reduction in call handling time at Tile

89%

of customers are frustrated by repeating grievances to different customer service agents

Challenge 2: Slow spending growth

In the current economic environment retailers are being forced to slow down spending and hiring.

But in an environment where customer service volumes are on the rise, how can they still meet demand without sacrificing quality or scale?

Technology can help fill the gap.

Customer service systems can give agents quick access to customers' interaction history and other useful information to provide faster and more personalised solutions.

Meanwhile, new channels of customer communication such as live chat can speed up customer service response rates.

Virgin's cloud-based employee health wellbeing solution for businesses Virgin Pulse grew rapidly when a number of enterprise customers, including Fortune 100 organisations, came onboard, and it made two acquisitions of global brands.

This forced it to look for a customer service solution rather than simply increase headcount.

It opted to use an omnichannel solution from Zendesk that includes its Support, Chat and Guide products.

Virgin Pulse brought all of its client information into Zendesk, and even integrated its phone provider, Evolve, into the system so that calls are logged and agents can see all activity for the caller.

Slow Spending Growth

Alongside this, Virgin Pulse encouraged self-serve by evolving the content available in its help centre to provide answers to questions about navigation and how the rewards programs works.

Crazy golf firm Junkyard Golf Club was another fast-growing business that decided to invest in a customer service solution amid a period of growth.

The destinations where people play crazy golf on courses made of neon signs and junk has become a phenomenon since it started life as a Manchester-based pop-up. It now has permanent venues in not just Manchester but London, Liverpool, Newcastle, Leeds and Oxford.

This growth has led to substantially more customer service queries. The business adopted Zendesk's Support Suite, which allowed it to handle triple the call volumes, and reduce response times "significantly".

Junkyard Golf Club is not alone. Research by Forrester found that Zendesk customers avoided taking on board 15 percent of additional headcount with the improved efficiencies they gained from the software. This can enable businesses to scale up without having to increase hiring.

The rise of live chat

The addition of live chat was particularly game changing for Junkyard Golf Club.

Chat usage has exploded in the company's 18 to 36 year old demographic and is now where 70 percent of its customer contacts begin.

"Without Zendesk and new channels like chat, I would have had to hire 12 more agents to handle our current volume of contacts," Junkyard Golf customer service manager Ruth Derry said. "And even then we'd still struggle to do better than a 24-hour average response time if we were doing things the old way."
Artificial intelligence-powered chatbots can also help lighten the load of call centre agents and cut down on resource needs.

For example, online retailer Very.co.uk's chatbot, which launched in 2016, had become its biggest customer service channel by 2021, answering more than a quarter of a million queries per month.

The chatbot, named Very Assistant, uses AI to understand natural language and helps with queries including tracking orders, changing account details and when account payment is due.

Slow Spending Growth

The chatbot, along with other online tools for customers to self-serve saw Very's inbound customer service contact reduce by almost a quarter year on year in 2021.

Very.co.uk, which has an extensive tech team, developed its own chatbot in-house but there are many effective off-the-shelf solutions available for retailers, such as Zendesk's Answer Bot.

The NHS' Digital App uses Answer Bot and when it experienced a 20,000 percent surge in 2021 when the Covid Pass was introduced for domestic and international travel, the bot answered 3.5 percent of questions. This equates to thousands of customers
each month.

Finding cost-effective tech solutions is critical for retailers looking to slow spending growth.

Businesses should seek systems that seamlessly connect with their existing tech stack to minimise spend and IT resources.

For example, Lush opted to use Zendesk tools to monitor and analyse customer inquiries, while its existing third-party systems - HappyFox for live chat and RingCentral for its head office telephony system - easily integrated into the customer service platform.

This not only minimised spend but also ensured continuity for the business and improved service for customers.

75%
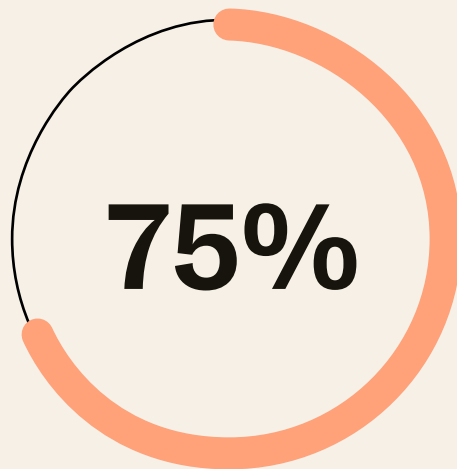
**of Junkyard Golf Club's customer
contact starts on chat**

Challenge 3: Grow revenue

Customer service is often seen as a cost to businesses, however, some firms are demonstrating the function can help generate revenue.

Forrester research found that Zendesk customers can improve conversation rates by 10 percent and increase average order value for ecommerce customers by 23 percent.

Businesses can use the visibility they have into customer history along with automations like chatbots to proactively reach out to shoppers and drive sales rather than waiting for customers to make purchases on their own.

For example, Junkyard Golf Club tested upselling customers drink and food packages via live chat.

Customer service agents passed interested customers onto the sales team as highly qualified leads. The team was able to generate three times more revenue over a four-week test, with a 32 percent conversion rate.

Adding live chat to its website also helped boost conversation for endurance sports brand Spartan Race too.

The business saw a 27 percent increase in retail sales when it added the function and integrated Shopify with Zendesk to centralise its customer service and ecommerce data.

To further grow sales generated from customer service, Junkyard Golf Club is now transitioning its sales team to Zendesk Sell in order to better integrate with customer service.

Grow Revenue

Junkyard Golf Club customer services manager Ruth Derry says: "Sales and service go hand-in-hand, but they don't always work very well together as separate departments, so I wanted to bridge the gap with Zendesk to deliver a more cohesive customer journey."

As Derry suggests, strengthening the relationship between customer services and sales divisions is key. There must be systems and processes in place to share qualified leads with other teams if it is to become a notable sales channel.

Driving in-store sales

Online customer service can also drive in-store sales if the function has access to key business data such as stock availability.

Power tools giant Stanley Black and Decker added a web widget on its support pages just ahead of Black Friday.

In Columbia, several stores ran out of stock on the first day of the sales event, however, the web widget and chat was able to redirect traffic to other stores where products were available.

Over the Black Friday period, Stanley Black and Decker's sales soared 500 percent.

Putting simple tools in place to help customers find what they're looking for and to enable teams internally to better communicate with each other can help grow revenue across the business.
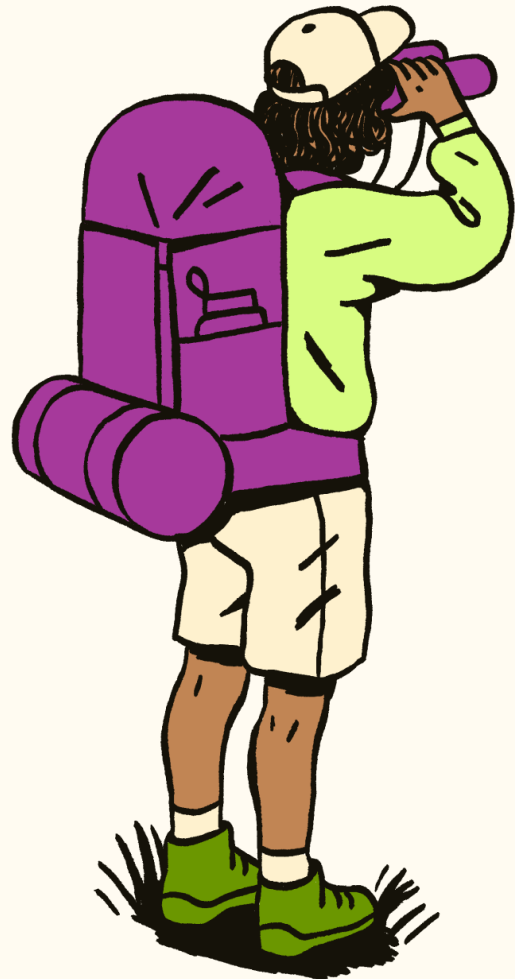
23w

increase in average order value achieved by Zendesk customers

Spartan Race achieved

27%

increase in retail sales through live chat

Challenge 4: Turning agents into sales reps

The rise in customer service interactions is not necessarily a bad thing. More interactions can provide more opportunities to sell to customers - but many companies are not geared up to exploit this.

The first step to making this a reality is ensuring that customer service agents have access to the full customer history.

This means they can offer personalised service and give product recommendations based on this.

US menswear brand Mizzen+Main, which trades from more than 600 retail locations, has made its customer service agents' interactions more personalised, which has helped to boost sales.

Utilising Zendesk Sunshine, agents were given a 360 degree view of the customer, including their shirt size, birthday, orders and recent activity.

Mizzen+Main created an app that allows agents to make one-click product recommendations directly to customers, helping them pivot from support to sales.

Turning Agents into Sales Reps

By harnessing both the comprehensive overview they have on the customer, plus the personalised product recommendations at hand, agents can transform into personal shoppers and also turn product returns into exchanges.

Having a full oversight into transaction history can also mean that high value customers can be given a VIP service.

Healthcare technology firm [HeliosX](#) which runs six customer-facing brands across the UK and US, has started to leverage chat to a select group of customers at its Dermitica brands to give them a VIP consultation.

Rather than having to email questions, these customers are connected via chat to a dermatologist who provides immediate guidance and advice.

Virtual consultations

Having access to customer data is just one part of the puzzle, service teams also need to understand the brand and its products to effectively sell to customers.

Brian Durney, the CTO of Irish jewellery retailer [Chupi](#) says it had many customer service calls asking about getting rings in a different size or whether discounts were available on wedding rings. However, its outsourced service team had limited knowledge about its product.

When Chupi decided to bring its customer services in-house, Durney saw the opportunity to turn customer support inquiries into sales.

This strategy came into its own during lockdown when its store in Dublin was forced to close. Many of its customers used the store to view and try on Chupi jewellery before spending £10,000 or £20,000 on a piece.

To replace this one-to-one customer experience, [Chupi](#) launched a virtual consultation service.

Durney explains: "When our customer care agents feel they've nearly got a sale over the line, but that customers need to see the jewellery, they escalate the ticket

Turning Sales into Sales Reps

in Zendesk, book a virtual consultation, and follow up with a post-consultation package. Those sessions have a successful conversion rate of 65 percent."

Chupi's customer care team was also able to seamlessly track, nurture, and follow up with their potential sales leads at every stage of the customer journey via Zendesk.

In 2020, it had a 300 percent increase in care-based sales which resulted in €1m of sales directly from its customer care team.

These teams are the closest link many retailers have to the customer, so making sure your business is harnessing this and turning great service into sales is vital - especially in today's macroeconomic conditions.

300%

**increase in care-based
sales experienced by jewellery
retailer Chupi**

Challenge 5: Retain your customers

Retaining customers is far more cost effective than acquiring new ones, particularly as acquisition costs are estimated to have increased by 60 percent in the last five years.

Improving retention rates can have a big impact on the top and bottom line. In fact, research from Bain has found that in the world of financial services improving retention by just 5 percent can drive profits up by more than 25 percent.

The easiest way to increase retention rates is to deliver seamless and personalised customer service.

One way to make service seamless is to be where the customer is rather than force them onto a channel they might not necessarily be comfortable with, such as sending an email or picking up the phone.

Messaging apps are increasingly where people can be found and bringing service onto these apps is not only seamless for the user, but allows brands to be more conversational with their customers.

Hotel group Four Seasons allows guests to message customer services with any requests, be it a spa visit or to inform them of a late arrival. Previously a guest would have to call up the hotel and might be transferred across to the right department.

Customers service will automatically communicate in the user's native language.

"With the messaging we have in place we will make these interactions more seamless so you don't have to work hard as a guest to connect with these departments and ask for things," says Four Seasons CIO Marco Trecroce.

He says that messaging "completely changes the dynamic" between customers and service professionals and creates a connection between them. "Once you have it, they stay loyal to the brand," he says.

As a result, Four Seasons guest satisfaction scores are "substantially higher," Trecroce says.

The rise of chatbots has given retailers a route to offer personalised service.

US newspaper, The Boston Globe has boosted customer retention and customer lifetime value through its chatbot.

With many customers paying for a digital subscription, they expect a digital customer experience available 24/7.

The Boston Globe's GloBot was created using Ada's chatbot technology and Zendesk, and provides just that.

The newspaper was already using Zendesk Guide for a self service centre, but it felt it still needed to deflect some of the call centre traffic to both lower costs and enhance the customer experience.

Zendesk integrated with Ada's no-code platform to create an automation-first CX approach.

Some 89 percent of chatbot queries never escalate to an agent, which has reduced live chat volumes by 65 percent, which frees up agents to answer more complex queries quickly and effectively.

The Globot doesn't just effectively answer questions, she does it in a conversational way to develop real relationships with customers.

In fact, the newspaper has experienced a reduced churn by 10 percent since its introduction.

How AI can be used to manage demand spikes

AI is increasingly being used by retailers to improve their customer service capabilities, including managing spikes in ticket volumes around peak periods.

Retailers can use customer query data to detect patterns in volume, and the types of requests coming in. Retailers can use that information to strengthen the content they offer for customers and to surface it at the appropriate time in the customer journey.

AI can also automatically intercept common customer inquiries to save time. For example, a conversational bot can automatically answer questions such as 'where is my order?' to free up agents' time so they can focus on more complex tasks.

To that point, although AI might not be able to resolve all queries, it can use the information gathered up front to escalate and intelligently route tickets to the right agent that can deal with it.

Using machine learning and natural language processing it can also identify customer intent on such queries and present agents with recommendations on what to do next.

Prioritising time sensitive problems

A powerful way to reduce churn is to offer customers support quickly when they need it most.

US firm LendingClub a peer to peer lender, has prioritised time-sensitive customer emails.

Using Zendesk, it has created special queues for such customers, sending automated follow ups to other clients so they could focus on these so they could be there for customers when they really needed them.

Learning from customer feedback

Service teams are the conduit to understand what the customers are thinking and feeling. Smart retailers should be using the vital information that agents receive to build a better business that retains more customers.

US eyewear retailer GlassesUSA.com collects and analyses data from tens of thousands of customer interactions each month via Zendesk to share with teams across the company.

**Retain your Customers**

"We use Zendesk as a source of truth for our tickets, chats, and help center," says GlassesUSA.com SVP of customer service Doron Pryluk.

"That voice of the customer data provides a unique snapshot to every department, which allows us to give real-time feedback and helps our teams make decisions that improve customer experience."

All retailers should take heed of this approach. To use the old adage, you can not improve what you cannot measure.

Customer service systems monitor and measure all customer interactions. Retailers should use this information to continually improve the customer experience to boost retention - and in turn profits.

5%
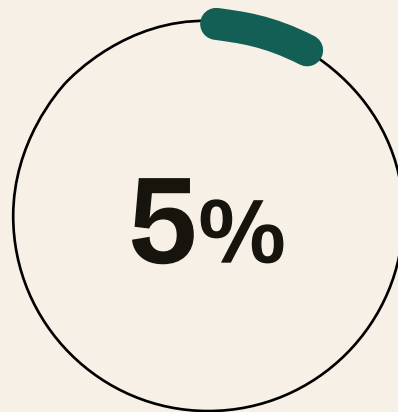
**increase in retention
can improve profits by
more than 25%**

About Zendesk

Zendesk started the customer experience revolution in 2007 by enabling any business around the world to take their customer service online.

Today, Zendesk is the champion of great service everywhere for everyone, and powers billions of conversations, connecting more than 100,000 brands with hundreds of millions of customers over telephony, chat, email, messaging, social channels, communities, review sites and help centers. The company was conceived in Copenhagen, Denmark, built and grown in California, taken public in New York City, and today employs more than 4,000 people across the world, including in the UK.

www.zendesk.co.uk