

Trust is retail's secret sauce

By [Tanya Long](#)

17 Nov 2020

Retail longevity has always relied on trust, but the emergence of a new type of customer is changing retail, and how trust is earned.



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Technology lies at the centre of this change. In our connected, digital world, consumers now have unlimited choice. Shopping habits are changing, and Covid-19 lockdowns have accelerated that change. It's not enough for a retailer to offer good service and products reliably, now it needs to understand its customers deeply in order to earn their loyalty.

Consumer demographic

The other big factor driving this change in retail is demographic. Millennial/Generation Y and Generation Z consumers are set to become the dominant consumer group, and now account for 40% of consumers. Generation Y is generally taken to comprise those born between the early 1980s and mid-1990s, while the succeeding Generation Z were born between the mid-1990s and early 2010s.

Unlike the preceding Boomers, Generations Y and Z are internet natives, and see their cellphones not as communication devices but as remote controls for life. [Research shows](#) that more than 63% of Millennials spend at least six hours a day on their phones, and according to [York/2016/05/31/millennials-check-phones-157-timesper-day Social Media Week](#), check their phones 157 times a day.

However, the people operating those devices are still humans, and so the human dimension of this technology-driven world remains key. For example, Generation Z still prefers to make the actual purchase in a brick-and-mortar store. But because they understand technology, they expect their retailer to be using it effectively to understand their needs and deliver the right experience; if their expectations are not met, they will move right along – and they rarely give a second chance.

Research shows that Generation Z spends on average \$58.30 per transaction and Generation Y \$54.91 – a little below the more established Generation X (\$60.36) and the Boomers (\$61.69). But the number of transactions they make is considerably higher.



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The heart still rules

In the end, then, reason and technology are always trumped by the heart. Retailers must understand that the most important of these emotions in the retail value chain is trust. Trust is the critical core emotional driver of all downstream behaviour, and trust is what creates loyalty.

Charles Green's Trust Equation reveals that credibility, reliability and intimacy are integral to trustworthiness, but the governing principle is what he calls self-orientation – the extent to which the customer believes that the retailer is putting his or her interests first.

As retailers, credibility and reliability are relatively easy to achieve, but intimacy and self-orientation, both connected to the emotions, are harder. In particular, if the customer feels that the retailer's focus is exclusively on its profit or on not giving value for money, trust will be eroded and ultimately sacrificed.

Potential of 4IR

If technology was the proximate cause for this new and complex world, then it's fitting that it also supplies the solution. In particular, the Fourth Industrial Revolution (4IR) holds the key with which retailers can gain the trust of their customers.

4IR technologies like the Internet of Things, artificial intelligence and machine learning can be used to improve and streamline customer marketing, the supply chain, merchandising and all the nuts and bolts of retail, and thus enhance the credibility and reliability that contribute to trustworthiness.

But the real magic comes from the potential for AI and machine learning to take the data generated by all these systems and mine it for insights that deepen intimacy and build trust.

AI is key in all this because the amounts of data are mind-bogglingly huge (and increasing), and it can be processed fast and continuously. And, of course, AI doesn't need to eat, sleep or otherwise be managed.

An important caveat: AI (or any other technology) is not a magic wand. No insight, no matter how good, is worth anything unless it results in an action. It is, therefore, imperative that you begin with a clearly defined business goal, and then use the insights you get to achieve that goal. Don't worry if your data currently looks incomplete, use what you have and start taking the incremental steps that ultimately generate huge competitive advantage.



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On a practical level, there are three key areas in retail: demand, supply, and the customer. Your AI projects should fall into one of these areas.

One issue that always comes up when discussing AI, and the 4IR more generally, is the potential for dramatic job losses. The truth of it is that AI can only generate predictions and possibilities, it cannot exercise judgement as to which course to follow or how. Humans will always be needed to exercise judgement, and so retailers should be focusing on critical thinking skills when upskilling their people.

Retail is constantly changing, but what remains constant is the centrality of trust. AI and other technologies can be used to continue building trust with customers, now and in the future.

ABOUT THE AUTHOR

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