Defining Future Business Operations

HfS Research Blueprint Report:
Retail Customer Engagement Services

Excerpt for Wipro

March 2018

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Executive Summary

Executive Summary

These are the key findings from this study and themes emerging across engagements and service providers within the retail industry:

- **The retail space has bifurcated, causing a shift in requirements for service providers.** Retailers are either digital natives that have disrupted the industry, looking to stay on top, or they are bricks-and-mortar retailers aiming to expand their digital, ecommerce strategy while cutting costs. This has created a need for service providers to develop distinct capabilities across the spectrum of retail clients.
- **The requirements from service providers are greater than ever.** While most retailers aren't highly likely to switch service providers, there is a much greater focus on more complex engagements, requiring more from providers.
- As an example of the above: **bots and automation are presenting design opportunities.** Retailers are increasingly using bots to improve self-service within messaging apps and on ecommerce platforms, relying in part on service providers to help design their customer engagement strategies.
- **Greater flexibility and agility are key requirements.** As one retailer put it, clients look to their service providers like they do to "UBER when they need a ride." Flexibility is one of the most important key requirements for service providers.
- **Retailers' content and data analytics challenges present huge opportunities for service providers.** Retailers are often overwhelmed with data from disparate structured and unstructured sources. They are struggling to manage and maintain the content of millions of SKUs across various online platforms and environments. These are the biggest challenges to retailers and opportunities for providers.

Retail Customer Engagement Services Value Chain

Marketing	Sales and Ecommerce	Customer Service and Support
• Customer segmentation • Omni-channel marketing • Campaign, planning, design, and execution • Content design, execution and management • Loyalty program management, coupon and gift card management • Customer loyalty analytics • Product analytics	• Sales support • Online content management and web development • E-commerce channel support (web chat, email, etc.) • Social media and mobility • Sales analytics	• POS helpdesk • Store layout optimization • Customer service • Customer insights • Customer lifetime value • Customer retention

ENABLING TECHNOLOGIES

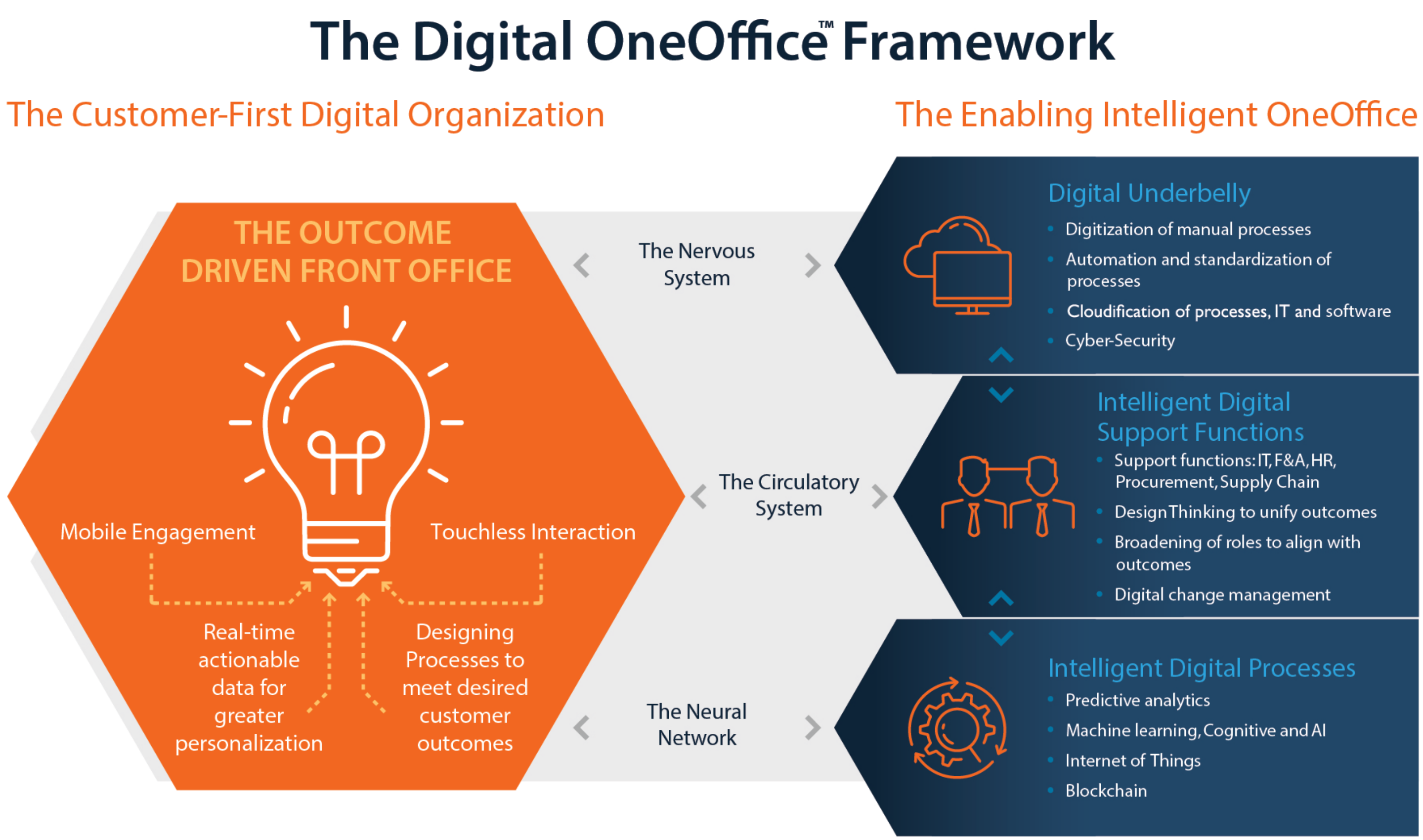
Digitization & Robotic Automation • Analytics • Mobility • Social Media • Cognitive Computing • Artificial Intelligence

OPERATING MODELS, METHODOLOGIES, AND PLATFORMS

Outsourcing • Shared Services • GBS • COEs • BPaaS/SaaS/IaaS • Design Thinking

**Please note that this retail report is specific to customer engagement services, and separate and distinct from the end-to-end value chain presented in our HfS industry-specific research.*

There Is Only "OneOffice" That Matters Anymore…



Source: HfS Research, 2018

Collapsing the front and back office into OneOffice

For retailers, this is the online and in-store experience and the focus of this report

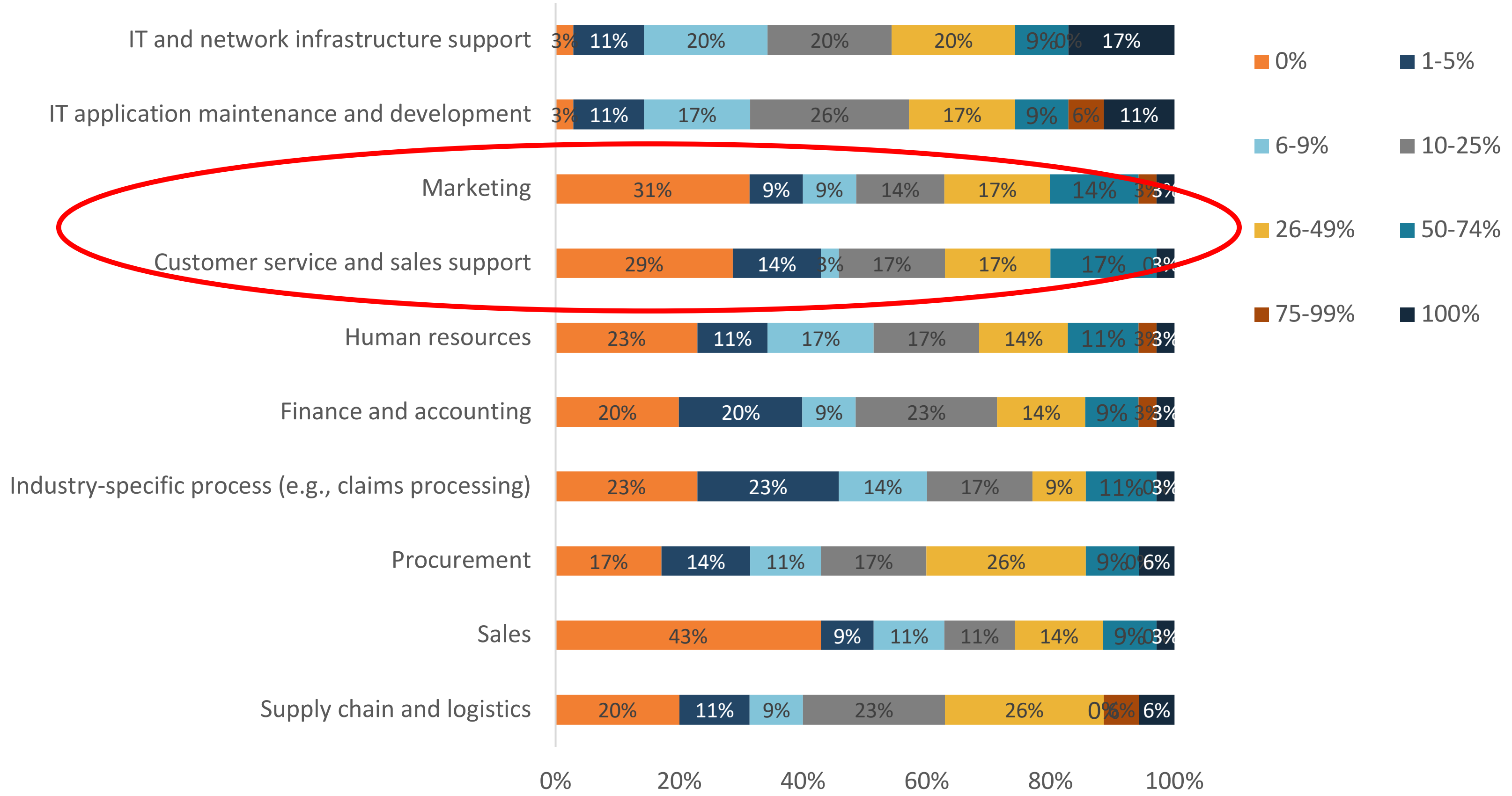
This is the enabling support structure

Market Overview

A Large Portion of Front-Office Retail Functions are Still In-House

There is a large opportunity in particular for customer engagement focused services for greater market penetration among companies that currently do not outsource any marketing, customer service and sales support or sales functions.

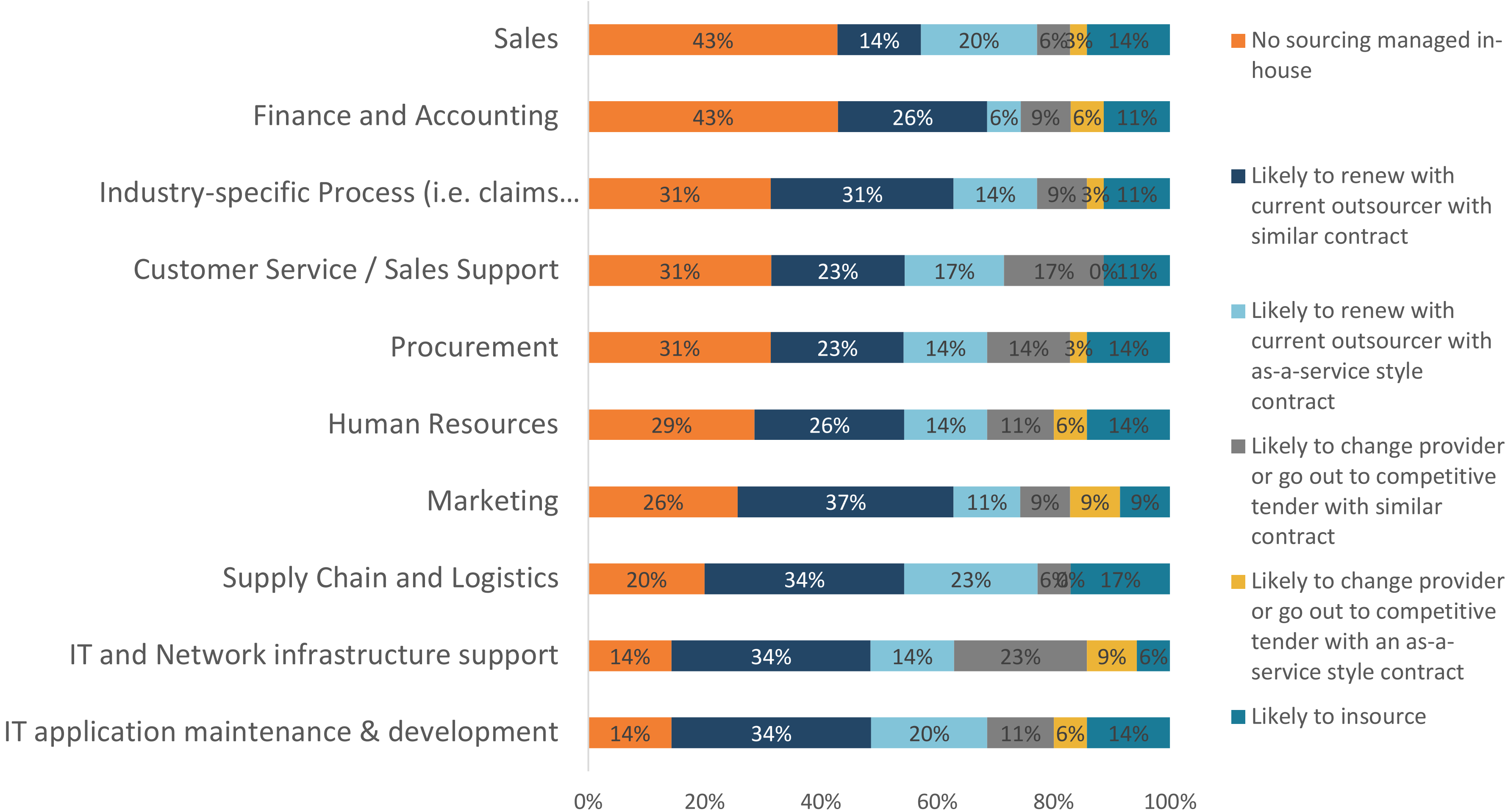
Based on your best judgment, what proportion of each of the following business functions is currently outsourced?



Source: “Intelligent Operations" Study, HfS Research 2017
Sample: Retail and Hospitality Buyers = 37

Retail Buyers are Unlikely to Switch Providers

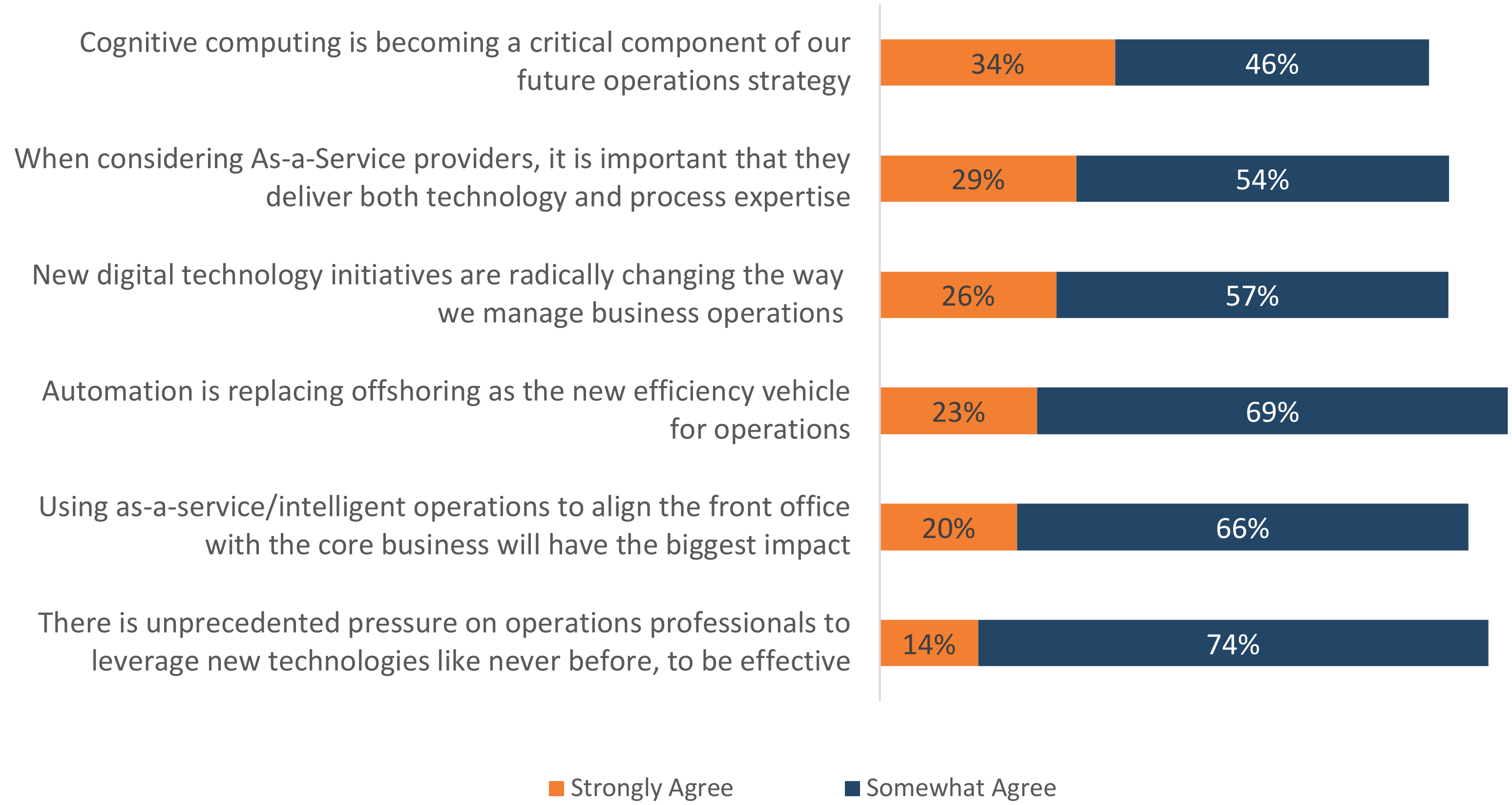
What are your plans regarding any outsourcing / managed services agreements you have for any of the following?



Source: "Intelligent Operations" Study, HfS Research 2017
Sample: Retail and Hospitality Buyers = 37

Retail Buyers are Looking for Cognitive and Tech plus Process Expertise

Do you agree or disagree with the following statements?



Source: "Intelligent Operations" Study, HfS Research 2017
Sample: Retail and Hospitality Buyers = 37

State of the Market: Key Trends

- **Retailer financial difficulties make cost-cutting a pervasive outsourcing driver.** Bankruptcies and financial woes continue to dominate the narrative of the retail landscape, putting cost-savings at the top of imperatives for many retail buyers.
- **A large proportion of front-office / customer engagement functions are still performed in-house at retail companies.** There is still a big opportunity for service providers to capture in-house business, in particular where retailers are looking for expertise on digital transformation to better support customer engagement.
- **Retail buyers of front-office services are more likely to renew with their current outsourcer using a different "as-a-service"-style contract** than they are to switch to another provider. Services buyers are interested in more outcome-focused engagements.
- **Requirements for front office support are impacted by digital, cognitive and omnichannel needs.** A majority of retail buyers believe cognitive computing is becoming critical to the future of operations, and expect their service provider to have both technical and process expertise.
- **The impact of IoT is a widely discussed but still nascent services area,** in particular as it relates to customer experience services (i.e. NFC, beacons and sensors).
- **The seamless blending of in-store and online experiences (omnichannel) is still the biggest struggle for legacy retailers.** On the other side of the coin, there is an increasing opportunity for digital natives seeking to use bricks-and-mortar sites as fulfillment centers or experience hubs.

State of the Market: Key Trends, continued

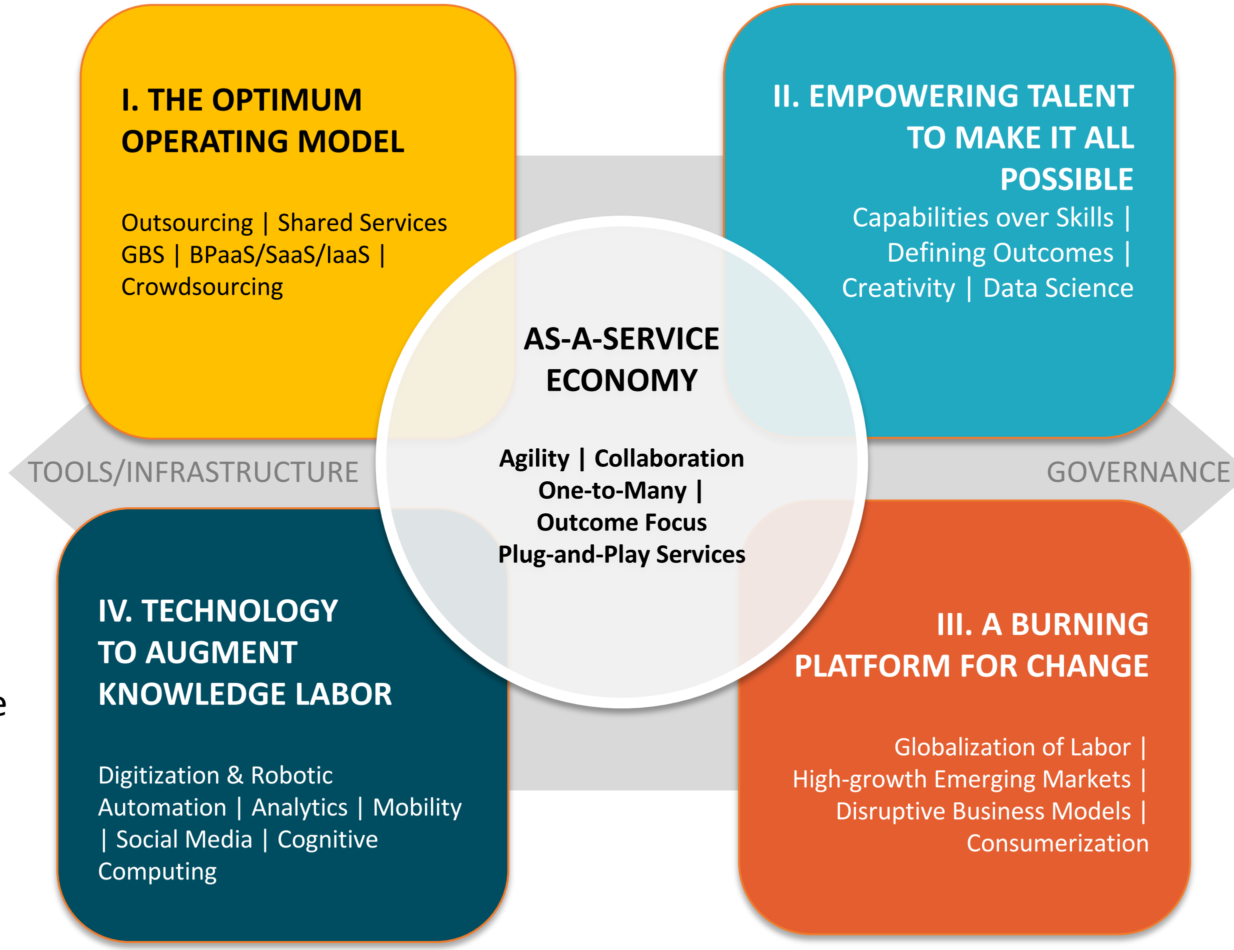
- **Savvy retailers are working with service providers to use customer data for greater personalization.** The "Amazonization" of retail is driving competitive initiatives to improve customer centricity and journey mapping.
- **Chatbots and cognitive agents are being tried and tested in the retail space.** Bots are changing how retailers communicate with customers, but the human touch is still relevant. Even as bots continue to mature, their role is often to simplify the self-service process or augment the agent's work rather than completely replace it. Many service providers are blending services that "pivot" between agent and bot, which is aimed at retail customers, with a focus on the fashion and restaurant subsets (QSRs in particular).
- **Greater requirements for service providers:** Areas such as planogramming diagrams for virtual merchandizing, supply chain analytics, storefront operations support, core marketing operations, and ecommerce support may often be outside of the traditional definition of BPO skills but required by buyers.
- **Flexibility is still a key requirement:** Ultimately what will continue to drive a lot of the outsourcing of customer service in retail is the requirement for flexibility, where retail has a unique need for seasonal ramping and flexing. We are seeing certain service providers trying to address this with alternate delivery models. Examples include relying on a much higher percentage of work-from-home agents that are retained long term and leveraging part-time university talent pools at nearshore destinations (e.g, Jamaica). The challenge of seasonality is not going to go away, and cracking the code on it has the potential to impact revenues at peak times—making retailers particularly amenable to working with innovative service providers in this area.

Welcome to the As-a-Service Economy

Retail executives have a number of levers to pull (e.g. operating model design, talent in the workforce, digital technologies, and a burning platform for change) to help them become more strategic partners in the business.

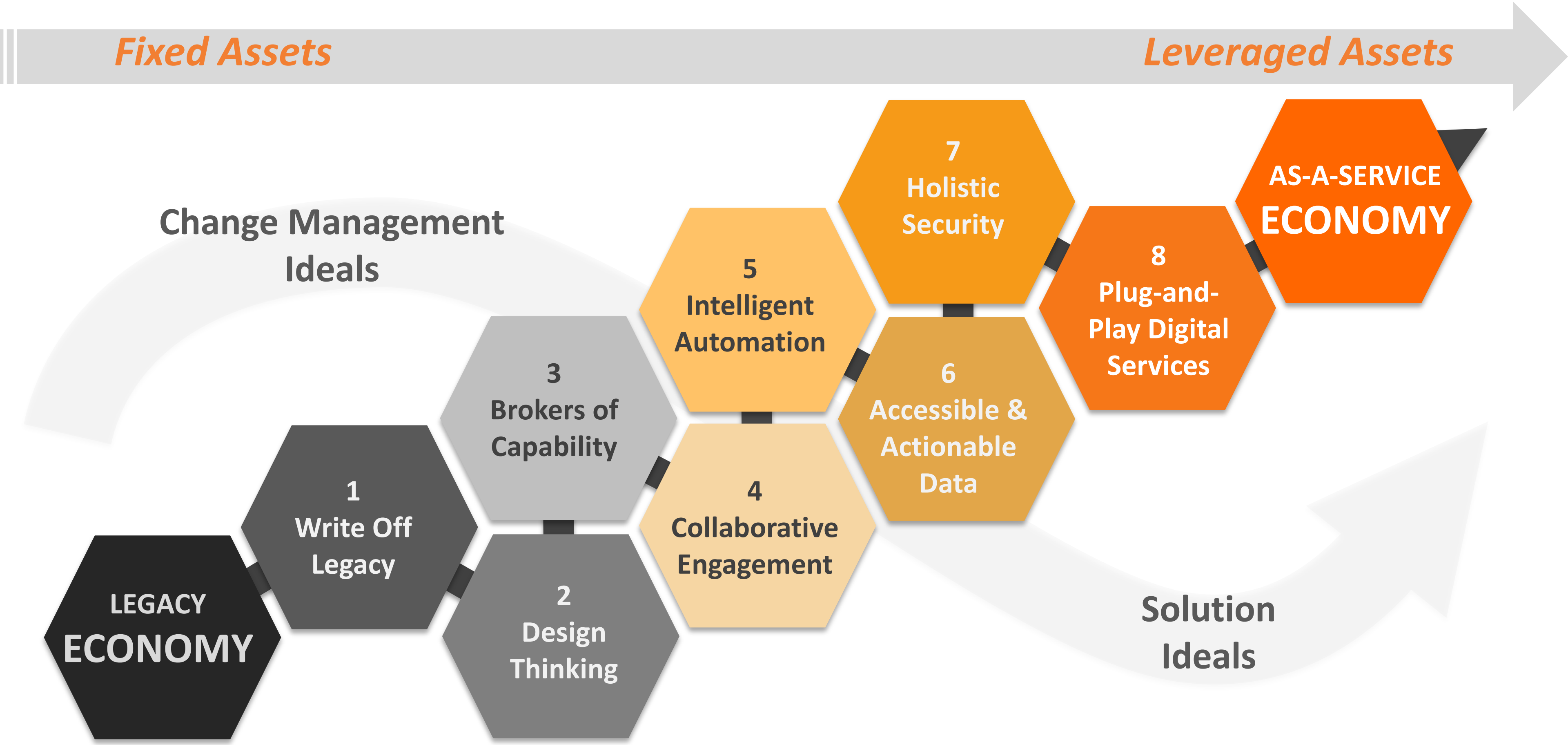
HfS uses the word "economy" to emphasize that the emerging next phase of outsourcing service engagement is a more flexible, outcome-focused way of engaging and managing resources to impact outcomes.

Operating in the As-a-Service Economy means developing the use of increasingly mature operating models, enabling technologies and talent to drive targeted business outcomes. The focus is on value to the consumer.



There Are Eight Ideals to Enable the Journey to OneOffice

- Realizing the OneOffice vision means changing the nature and focus of engagement among enterprise buyers, service providers, and advisors to be more agile and collaborative, focused on shared outcomes.
- "As-a-Service" unleashes people talent to drive new value through smarter combinations of talent and technology focused on business results beyond cost reduction.



Research Methodology

Data Summary

- Data was collected in Q3 and Q4 2017, from buyers and service providers in the retail industry.

Participating Service Providers

accenture

Infosys

HGS HINDUJA GLOBAL SOLUTIONS

sitel group

WNS

SYKES Real People. Real Solutions.

TATA CONSULTANCY SERVICES

wipro

Teleperformance

This Report is Based On:

- **Tales from the Trenches**: Interviews with buyers who have evaluated service providers and experienced their services. Some contacts were provided by service providers, and others were interviews conducted with HfS Executive Council members and participants in our extensive market research.
- **Sell-Side Executive Briefings**: Structured discussions with service providers regarding their vision, strategy, capability, and examples of innovation and execution.
- **Publicly Available Information**: Thought leadership, investor analyst materials, website information, presentations given by senior executives, industry events, etc.

HfS Blueprint Scoring: Retail Customer Engagement Services

EXECUTION	100%
Quality of Account Management	15%
Quality of Service Delivery	15%
Embedding Automation	10%
Industry Depth / Tailored Solutions & Services	30%
Generating Actionable Data	10%
Ability to Attract & Retain Key Skills	10%
Flexible Pricing Models and Contracting	10%

INNOVATION	100%
Intelligent Automation in Retail	15%
Investing in Future Talent and Technology (staff, skills, tools)	15%
R&D and Transformation Services and Proof Points	10%
Vision for Future Retail OneOffice Services	15%
Use of Analytics to Drive A&A Data	15%
Collaborative Engagement (Consultative sales, problem solving, thought leadership)	15%
Use of Digital to Drive Innovation	15%

HfS Blueprint Scoring: Retail Customer Engagement Services

Execution	How well does the provider execute on its contractual agreement and how well does the provider manage the client/provider relationship?
Quality of Account Management	How engaged is the executive and management team in defining and managing the delivery of business services? How well does the service provider take feedback and incorporate it into the solution and delivery?
Quality of Service Delivery	What is the clients' overall impression of the quality of service?
Embedding Automation	Is the client embedding automation in services?
Industry Depth/ Tailored Solutions and Services	How well does the service provider tap into industry (same or cross) practices and expertise? Any industry specific solutions or services?
Generating Actionable Data	Is the service provider generating data through client work that is accessible and actionable by the client or by itself on behalf of or in partnership with clients?
Ability to Attract & Retail Key Skills	Do service buyers have access to the skills and capability needed to deliver relevant, continuous, quality work? How is the workforce management and development capability of the service provider?
Flexible Pricing Models and Contracting	How competitive and flexible are service providers in determining contract pricing? Are they willing to make investments in clients for long term growth? Anything innovative in the contracting?

HfS Blueprint Scoring: Retail Customer Engagement Services

Innovation	Innovation is the combination of improving both services and business outcomes.
Intelligent Automation in Retail	Is the service provider moving up the maturity curve of automation using robotic process automation, cognitive computing, artificial intelligence, etc.? Are there use cases and examples?
Investing in Future Talent and Technology (staff, skills, tools)	Is the service provider investing in developing talent with an eye toward capabilities that will impact value in the future? Is the service provider investing in the use of digital technologies in solutions?
R&D and Transformation Services and Proof Points	How effectively does the service provider identify and articulate problems and issues, and provide suggestions or partner to explore solutions? Has the service provider shared or recommended ideas or initiatives that have resulted in step change? Are they using design thinking with clients (with examples)?
Vision for Future Retail OneOffice	Does the service provider have, share and engage in dialogue regarding the future of retail? Is the vision communicated clearly?
Use of Analytics to Drive Actionable Insights	Is the service provider offering or providing analytics? What are the use cases and examples?
Collaborative Engagement	Does the service provider work as a partner in collaboration and increase the value of the engagement over time? Or does it mostly take direction and deliver based on KPIs? Are there outcome-based engagements/ contracts?
Use of Digital to Drive Innovation	What digital platforms does the service provider use to deliver front office services in retail? Are they integral to the service provider's offerings? How pervasive is the update of these digital platforms by clients today? Does the service provider offer/ deliver BPaaS? How effectively does the service provider partner with third parties or integrate acquisitions for impact?

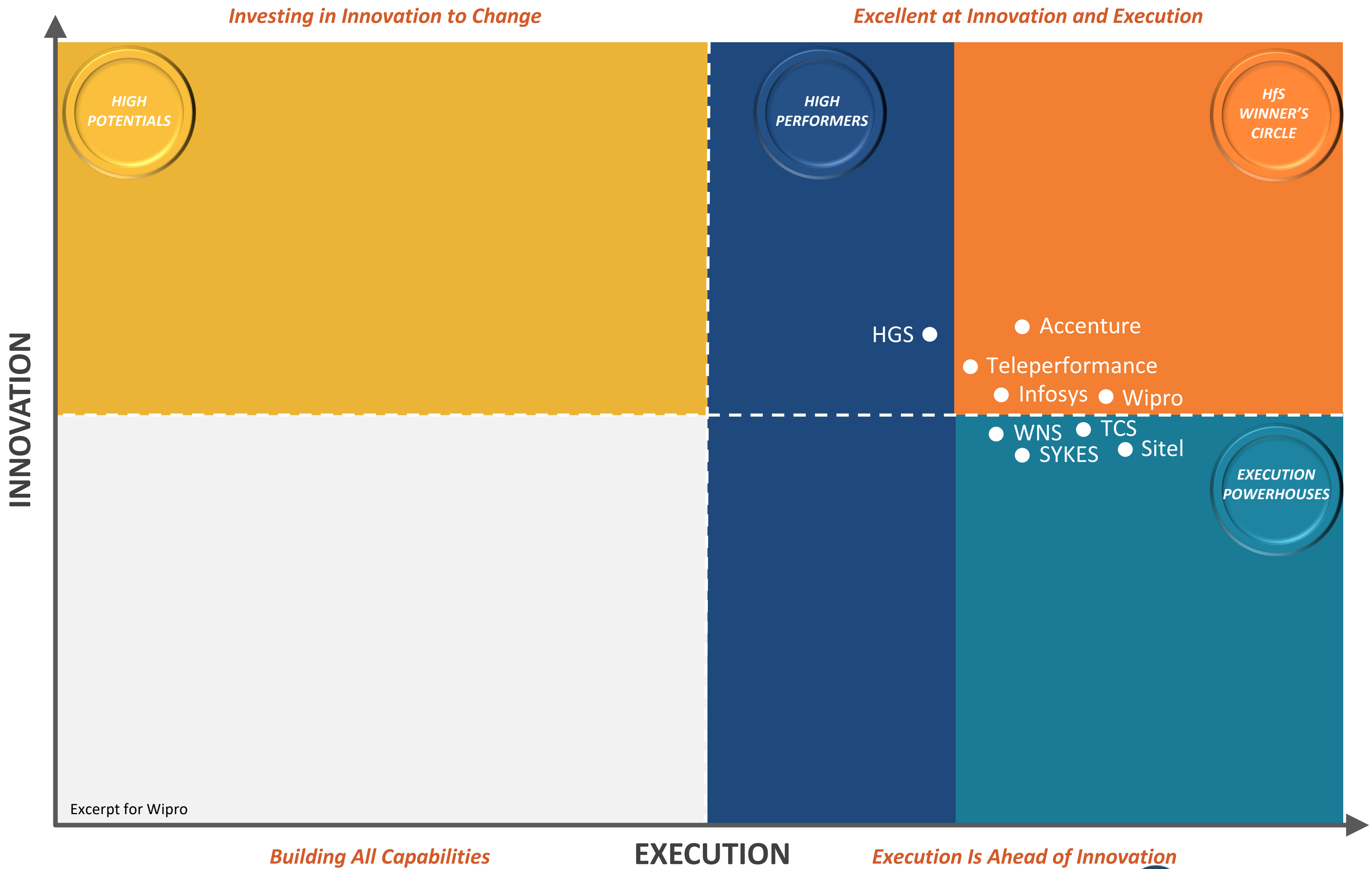
Service Provider Grid

Guide to the Blueprint Grid

To distinguish service providers that show competitive differentiation in a particular line of delivery with progress in realizing the As-a-Service Economy of business outcome – oriented, on-demand talent and technology services – HfS awards these providers the “As-a-Service Winner’s Circle” designation.

	Execution	Innovation
As-a-Service Winner’s Circle show excellence recognized by clients in the Eight Ideals in execution and innovation	Collaborative relationships with clients, services executed with a combination of talent and technology as appropriate, and flexible arrangements.	Articulate vision and a “new way of thinking,” have recognizable investments in future capabilities, strong client feedback, and are driving new insights and models.
High Performers demonstrate strong capabilities but lack an innovative vision or momentum in execution of the vision	Execute some of the following areas with excellence: worthwhile relationships with clients, services executed with “green lights,” and flexibility when meeting clients’ needs.	Typically, describe a vision and plans to invest in future capabilities and partnerships for As-a-Service, and illustrate an ability to leverage digital technologies and/or develop new insights with clients.
High Potentials demonstrate vision and strategy but have yet to gain momentum in execution of it	Early results and proof points from examples in new service areas or innovative service models, but lack scale, broad impact, and momentum in the capability under review.	Well-plotted strategy and thought leadership, showcased use of newer technologies and/or roadmap, and talent development plans.
Execution Powerhouses demonstrate solid, reliable execution but have yet to show significant innovation or vision	Evidence of operational excellence; however, still more of a directive engagement between a service provider and its clients.	Lack of evident vision and investment in future-oriented capability, such as skills development, “intelligent operations,” or digital technologies.

HfS Blueprint Grid: Retail Customer Engagement Services



Service Provider Profiles

Wipro

Winner's Circle

Leading in the retail space with automation and strength in client relationships

Blueprint Leading Highlights	Strengths	Challenges
• Quality of account management • Quality of service delivery • Embedding automation • Generating actionable data	• **Broad portfolio across retail sector:** Wipro has built expertise that it has applied to create business value for retail clients. Wipro helps to enable over 21,000 stores and $30B in online revenue for retail clients, serving 13 out of the top 20 global retailers. • **Ahead of the curve with automation:** Wipro is one of the few in the customer engagement space that boasts a broad portfolio of in-house developed tools that help its retail clients tackle the omnichannel challenges ahead. Wipro has developed some proprietary solutions for customer engagement specifically for retail, such as its virtual shopping assistant solution. It is also using cognitive capabilities, and it Holmes platform, to deliver increasingly intelligent automation in the retail sector. • **Strong client relationships:** Wipro has several long term relationships in the retail space that are still growing; clients note the ambition to constantly learn and tailor services to the retail industry. Clients appreciate Wipro's execution excellence and willingness to bring ideas to the table regularly, and are eager to see what value added services can be provided as they continue to integrate Designit's capabilities. Retail clients noted that their Wipro partners are very responsive and easy to work with.	• **Focus on business analytics for consistency:** Retail clients noted that there is room for improvement with the consistency of talent, in particular on non-technical side of their capabilities. Clients are impressed with talent on the technical side, and looking for the same consistency on the business side. It will be crucial for Wipro to develop these capabilities to compete in the increasingly consulting-led services atmosphere. • **Integrating acquisition capabilities:** As clients are constantly seeking more innovation from their service providers, some retail clients noted that they are eager to see the impact of key capabilities like Designit. Wipro has not been known as a more innovative and thought leader, with less clarity of overall vision than some of its competitors. The thinking is there and the capabilities are being developed, but bringing these ideas to fruition in customer engagements has been challenging—buyers should prepare to engage in conversations and push this provider to deliver on its innovation promises. Wipro is making strides with bringing innovation and acquisitions to the forefront in analyst conversations and events.

Value Chain Services Coverage:

- Marketing
- Sales and eCommerce
- Customer Service and Support

Relevant Acquisitions and Partnerships	Key Clients	Global Operations Centers	Proprietary Technologies
• **Key Acquisitions:** • **Designit:** Designit is a strategic design firm • **Appirio:** Appirio is an enterprise with expertise in deploying cloud based solutions of Salesforce • **TopCoder:** TopCoder, Inc. is a crowdsourcing marketplace that connects businesses with designers, developers, data scientists, and algorithmists. **Key Partnerships/ Investments:** Wipro Ventures is a $100M fund for investments in early to mid-stage startups such as: • Avaamo • Vicarious • Altizon • Opera • Talena • Emailage • Vectra Networks • IntSights • TradeShift • Partnerships with various platform and technology providers (i.e. Adobe, Oracle, IBM, SAP, Microsoft)	**Number of clients:** 120 **Key clients:** • American multinational specialty retailer • Leading US home improvement retailer • American multinational retailing corporation that operates as a chain of hypermarkets, discount department stores, and grocery stores • Leading discount store retailer in the United States • Fortune 500 American company that operates a chain of retail home improvement and appliance stores • Global luxury and cosmetics retailer • Leading US healthcare retailer • Global apparel retailer based in UK • Leading grocery retailer in UK • Leading home furnishing retailer	**Headcount:** 17,042 **Locations:** • Africa: 0.2% • APAC: 1.5% • Europe: 7% • India: ~55% • Middle East: 0.3% • North America: 31 % • South America: 4 %	• Holmes • Data Discovery Platform • Virtual Shopping Assist • Promax • 1:1 Shopper • InspireME • WebSentinel • Next Gen Contact Center (NGCC) • NPS Improvement Solution • Base))) ™ Wipro's Business Operations Platform • AUXILIUM • ProdIG-e • DCxM • Connected Warehouse

Market Direction and Recommendations

HfS BLUEPRINT REPORTS

Retail: The Eight Ideals in 2021

Ideal	As-a-Service Ideal Definition	Non Existent	Initial	Expansive	Extensive	All Pervasive
Write Off Legacy	Using platform based solutions, DevOps, and API ecosystems for more agile, less exception-oriented systems and processes		2018	2021		
Design Thinking	Understanding the business context to reimagine processes aligned with meeting client needs		2018	2021		
Brokers of Capability	Orienting governance to source expertise from all available sources, both internally and externally, to address capability gaps		2018	2021		
Collaborative Engagement	Ensuring relationships are contracted to drive sustained expertise and defined outcomes		2018	2021		
Intelligent Automation	Using of automation and cognitive computing to blend analytics, talent, and technology		2018	2021		
Accessible and Actionable Data	Applying analytics models, techniques and insights from big data, real-time				2018	2021
Holistic Security	Proactively managing digital data across service chain of people, systems, and processes		2018	2021		
Plug-and-Play Digital Business Services	Plugging into "ready to go" business-outcome focused, people, process, and technology solutions with security measures		2018	2021		

What’s Next? The Retail Organization of the Future…

- **Retailers that thrive in the future are those that are able to harness accessible and actionable data.** As you can see in the previous slide, HfS expects accessible and actionable data to be all pervasive by 2021. The challenge for retail is not the amount of data—it is constant and overwhelming. The challenge is organizing that data into actionable and profitable insights that benefit the consumer and bolster the revenues of retailers, both traditional brick-and-mortar struggling to transform and ecommerce natives fighting for visibility. The way each is able to use its customer data to its best advantage will determine who succeeds in the future.
- **Experimentation and testing with customer expectations.** The nature of retail is changing fundamentally, and thus customer engagement is changing in response. The “Amazonification” is impacting every industry, not just retail. But the touchless, seamless, intelligent customer engagement of the future doesn’t just hinge on having exceptional operations as the execution winners in this report have demonstrated. It hinges on figuring out customer expectations and not just meeting them, but molding them and and imagining what’s possible – sometimes consumers don’t know what they want until they see it, and retail will be a hotbed for testing new experiences.
- **Experience is everything– successful retailers double down on what generates loyalty.** An interesting paradox in retail today is the consistent growth and loyal fan base of Amazon, which is known for having a poor employee culture and no frills (or non-existent) service experience – but, they do provide a seamless, flexible, easy ordering system with a lot of variety, bolstered by an essentially crowd-sourced review system, until just recently without any in-store experiences offered. On the other side of the coin there are other successful retail brands like Apple and Sephora whose flashy, high touch in-store experiences pack their brick and mortar venues with customers, generating just as much brand loyalty. The future of retail will be about understanding customers enough to pick – and double down – on an experiences that exceeds customer expectations and keep them coming back.

2018 Recommendations: Retail Enterprise Buyers

Considering these trends, it's going to be a challenge to ensure that retail companies can keep up with customer expectations amid the waves of change.

- **Think about the experience you're trying to create for customer engagement.** Amid all the hype about omnichannel and digital technology, it can be easy to lose sight of what you're trying to accomplish. Taking a design led approach to customer engagement will help to create experiences that generate loyalty. Design thinking is one method that can promote customer centricity and design frictionless customer experience. In addition to reaching across organizational siloes, services buyers also need to get out of their comfort zones when it comes to a human-centric design thinking approach internally and with service providers.
- **Find the right blend of automated and human touchpoints to meet customer expectations:** Many of the service providers in this market have expertise around designing the right blend of human and self-service or automated interaction—for example, how to know when to escalate the interaction and pivot from a bot to a human. This will be increasingly critical as automated messaging matures with chatbots and virtual agents.
- **Use accessible and actionable data to understand customer expectations.** Not just providing clients with actionable customer data, but also arming front office employees with autonomy to make decisions by having data at their fingertips (with some built-in rules for guidance and standards.)
- **Align the entire organization to customer centricity (OneOffice):** Break out of the legacy mindsets and siloes to align the whole organization to the customer —and look for service providers that also take this approach. This is not just a front-office focused initiative, it is a pervasive culture shift that puts people at the center of business design.

2018 Recommendations: Service Providers

In order to be competitive, service providers need to:

- **Look across industries to bring innovation to clients.** Buyers aren't just looking for expertise in the retail vertical, they're looking outside their industry to understand what's working well and differentiating in other industries. They will look to service providers who have strong expertise in other industry verticals as well as their own.

- **Balance retail portfolio with digital natives and re-inventors.** Service providers have had to pivot services in order to cater to both online retail disruptors and brick and mortar behemoths struggling to stay relevant and build omnichannel solutions while keeping a laser focus on costs. Having a range of clients across this spectrum will give service providers clout and a breadth of expertise, as well as ensure that they will get more innovative and outcome focused engagements, which will likely lean toward the disruptive retailers.

"When service providers are incentivized to look to drive efficiency and resource reduction, the disadvantage is that it's very prescriptive. Being strictly SLA driven, metrics driven, makes it hard to have outside the box thinking."

Director of Vendor Management, US Retailer

"We renew with them because they know our business inside and out."

Director of Customer Experience, US Retailer

- **Invest in a solid people and employee approach.** Buyers in the retail space we spoke to were focused on ensuring both that their service providers had a strong approach to attracting talent and that talent is treated well and empowered to help the customer: For retail in particular, the work-at-home model seems particularly effective. It allows for flexibility with the peaks in demand that are inherent in retail customer engagement operations.

- **Play a more strategic role through consulting and customer journey mapping, and invest in analytics capabilities.** Retail clients want to lean on their service providers to have more strategic and analytics focused capabilities

About the Author

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Overview

- Melissa O'Brien is Research Director, Contact Center and OneOffice Customer Experiences at HfS Research. Her research coverage includes customer experience management services, exploring ties with marketing operations and developing thought leadership around intelligent automation for Digital Marketing Operations and vertical specific customer engagement business processes.

Previous Experience

- Prior to HfS, Melissa spent four and a half years at IDC as Research Analyst managing the Worldwide Customer Experience Management Services program. Her role at IDC included analysis of evolving contact center business process and consumer communication trends and delivering reports, presentations and custom consulting projects including market forecasts and in depth competitive assessments.
- Melissa previously worked within the BPO industry as Client Services Manager at PSG Global Solutions, an outsourced recruiting services business. Melissa held various roles at PSG Global, including new client implementation, program design, and training, including development and delivery of the original training program in their Manila and Cebu, Philippines offices.

Education

- Melissa graduated with honors from the University of New Hampshire with a BA in English and Communication, and is a member of the Phi Beta Kappa honor society.

About HfS Research

HfS: Defining Future Business Operations

HfS' mission is to provide visionary insight into the major innovations impacting business operations: automation, artificial intelligence, blockchain, digital business models and smart analytics. We focus on the future of operations across key industries. We influence the strategies of enterprise customers to develop operational backbones to stay competitive and partner with capable services providers, technology suppliers, and third-party advisors.

HfS is the changing face of the analyst industry combining knowledge with impact:

- ThinkTank model to collaborate with enterprise customers and other industry stakeholders
- 3000 enterprise customer interviews annually across the Global 2000
- A highly experienced analyst team
- Unrivalled industry summits
- Comprehensive data products on the future of operations and IT services across industries
- A growing readership of over one million annually.

The "As-a-Service Economy" and "OneOffice™" are revolutionizing the industry.

Read more on HfS and our initiatives here.