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Grocer Moves Shopping to the Palm of Customers' Hands

Leveraging customers' attachment to their iPhones with their long commutes and time-compressed schedules, Switzerland-based Coop is boosting both loyalty and sales with an iPhone shopping app.

By Lauren Gibbons Paul

With about 13 percent of the population owning an iPhone[1], Switzerland has one of the highest adoption rates in the world for Apple's flagship mobile device. On a given day in any large city, Swiss citizens are compulsively surfing the Web on iPhones, especially as they commute to and from work on public transportation.

These two demographic tidbits—high iPhone penetration and long hours on the train—created fertile ground for Switzerland's largest retailer, Coop, to plant not just its new handheld grocery shopping application but also its customer-driven strategy for boosting revenues and growth.

Like all retailers, $27 billion Coop fights fiercely for its share of the grocery marketplace. Basel-based Coop's 1,800 stores offer a wide variety of organic foods and wine, with a focus on sustainability. And like many companies around the world, in nearly all industries, the battle lines for Coop are now focused on engaging customers so intimately with its brand that they simply have no reason to turn to the competition (see Figure 2, "Customer Experience in Europe," on page 2).

The grocery business is, after all, highly traditional. As such, profit margins are razor-thin and spending is limited on everything from technology to advertising to marketing campaigns. However, a loyal customer's lifetime value can be great. The trick is to provide a low cost but comprehensive experience that seals the deal.

To warm the weary hearts of time-pressed Swiss citizens, Coop in May 2009 created an iPhone grocery-shopping application as an adjunct to its already existing online store, coop@home. Coop was making a bold play to endear itself to customers by pioneering a valued capability before its competitors did, thus making it less desirable to use the other grocery brands and more likely that customers would stay with Coop.

Already, customers are voting with their keypads. coop@home sales now account for 80 million CHF per year. iPhone orders account for 2.4 million CHF of that total, with higher growth expected. For a modest investment and two months of time, Coop's iPhone initiative has paid off handsomely for company and customer alike.

Such innovations are key to consumer satisfaction with retailers, which must continuously find ways to reinvent value for their customers, according to Dunnhumby, a U.K.-based customer behavior analytics firm. And, it seems, supermarket retailers are catching on. According to a recent Dunnhumby report, which surveyed 1,300 consumers on 59 major companies in eight sectors, U.K.-based supermarket retailers received the highest ratings and were regarded as nearly twice as customer-centric as airlines, which placed second. According to the firm, there is a direct correlation

1 www.tagesanzeiger.ch, December 17, 2010

Coop Customer Experience Challenges

- With tight profit margins in the traditional grocery industry, Coop needed a new way to drive customer loyalty and business growth.
- Customers have limited grocery-shopping time, with Swiss grocers closing in the early evening on weekdays and all day on Sundays.

Figure 1

Coop at a Glance

Business description: Largest retailer in Switzerland, focusing on groceries.

- Annual revenues: $27 billion
- Number of employees: 75,000
- Number of Coop member households: 2 million
- Number of subscribers to the coop@home weekly e-mail: 29,000
- Number of monthly unique visitors to the coop@home site: Approximately 240,000
- iPhone application revenues: 2.4 million CHF of the 80 million CHF per year from coop@home sales

Source: Coop

Lauren Gibbons Paul has written extensively on customer relationship management and customer experience management topics for more than 15 years. She has written for Peppers & Rogers Group, Forrester Research and leading business technology publications.

between the commitment that grocers make to their customers and the length of the relationship. This is particularly true when the company delivers highly relevant customer propositions, the Dunnhumby report says.

Making Customers Feel @home

Without brimming coffers to draw from, coop@home focused on deconstructing its customer experience, zeroing in on areas that could be improved without requiring exorbitant investment. "We asked, what will it take to entice someone to shop with us—and then come back again?" says Ellen Brasse, head of marketing and sales at coop@home, in Spreitenbach, Switzerland. "We needed to define services that would make customers depend on us more."

When commuters travel on the train, it might be an hour going and an hour coming home. "Commuters tend to surf the Web, and we knew they had iPhones," Brasse says. Online grocery shopping had always been a natural for this demographic, as they have limited time to shop (stores tend to close in the early evening on weekdays and are universally closed on Sundays), and no one wants to lug grocery bags on the train.

You often hear that customer experience is about creating "wow" experiences every day. For Brasse, though, customer experience is not so much about delighting shoppers but rather meeting their needs in an elegant, efficient way. "As with any grocery retailer, we are driven by trying to meet our customers' requirements as opposed to giving them a beautiful experience," she says. "We do also try very hard to make a beautiful customer experience. But that is not necessarily the core of our strategy." Coop gives its customers convenience, reliability and relevant value—all pillars of customer experience.

Coop had already created online shopping with home grocery delivery via post or truck. But by researching actual customer behavior, the team realized that putting grocery shopping literally in customers' hands for maximum convenience and relevance would be more compelling. The Swiss love their iPhones—would iPhone grocery shopping make them love their grocery store?

Leveraging a Fully Integrated IT Environment

Coop began talking about the i-shopping application with its development partner, Movento Schweiz AG, in 2008. Designing the architecture was straightforward: As with the e-shop, the iPhone application would interact with Coop's core SAP ERP and CRM systems. Coop's e-shop is based on an open-source server with Object Methods, which connects to the backend. The iPhone application communicates with the e-shop via Web services.

The integrated CRM and ERP systems are an important lynchpin for several key capabilities, including real-time product availability, says Christian Heim, managing director at St. Gallen, Switzerland-based Movento. "The integrated backbone is very valuable for Coop," he says. "We were able to use the latest technology for the Web and the iPhone, and we just extended the [back-end] environment."

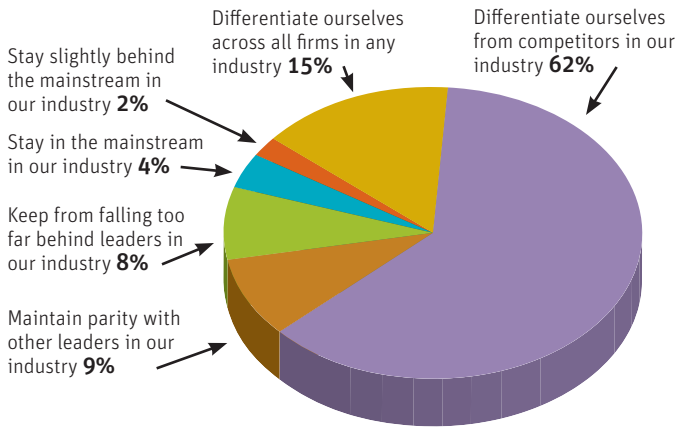
New Experience for Customers = Competitive Differentiation for Coop

- Coop was first to market with iPhone-based grocery shopping. Its main competitor now has a similar app, but without real-time visibility into product availability.
- Customers report via surveys they are happy with the Coop application, which increases the convenience of grocery shopping for them.
- Shoppers are voting with their handhelds. Continuous growth in iPhone orders and subscriptions to the weekly coop@home e-mail are evidence they appreciate the application. More concrete measurements of customer satisfaction will follow.

Figure 2

Customer Experience in Europe

Respondents in Western Europe were asked to describe their firm's goal for CE.



Base: 53 executives from large Western European companies

Source: Forrester Research, Q4, 2009

Because of the integrated backend, there was already synchronization between products and prices, Heim says. "When they change a price in the backend, it automatically gets pushed through to the CRM system," he says. That integration also cut development time. In all, it took about two months to develop coop@home. "Because Coop had this integrated system in place, we just had to build around the existing infrastructure," Heim says. The moving parts were already connected, so creating an interface to the handheld was not overly difficult.

Lastly, customers can select one-hour windows in which to have their groceries delivered. "You have to have an integrated system; otherwise, it would be impossible to offer that," Heim says. Customers have the option of reserving their delivery time before they place an order. Anyone not within Coop's delivery zone (60 percent of Swiss residents are covered) can get their grocery orders overnight via the postal service.

Customer experience will always have some constraints. Neither Coop nor the post office offers delivery on Sunday. But Coop sees a lot of activity on @home on that day, with customers placing their orders while out and about—another point of convenience for their busy lives.

Sustainable Value

Coop's major competitor now offers an iPhone shopping application. But it lacks a key feature of Coop's offering: Customers cannot see immediately if their products are available. Brasse and her colleagues were adamant that their iPhone app show real-time prices and product availability, features also made possible by integration. This information is especially important when it comes to the purchase of wine, Brasse adds. Coop offers over 1,000 different wines from around the world, arguably giving it an advantage over its competitor, which does not offer alcohol. Wine enthusiasts are not big on product substitution. As margins are higher here, it is especially important for shoppers to get the exact bottle they want.

In a recent survey, customers report they also appreciate features like the ability to add any item currently on their shelf at home to their order by scanning it in via the iPhone camera—taking interactivity in shopping to a new level.

Coop is continually refining its iPhone shopping experience. It recently released version 2.0 of coop@home, which uses state-of-the-art design elements in addition to improved navigation and search functionality with a practical filtering function.

Brasse believes coop@home increases the grocer's customer satisfaction levels and overall "stickiness," although she does not yet have hard metrics to prove this. At 3 percent of all coop@home orders, iPhone sales are still only a small percentage of overall revenue, but that number is steadily increasing. "Mobile e-commerce is important to our customers," she says. ■

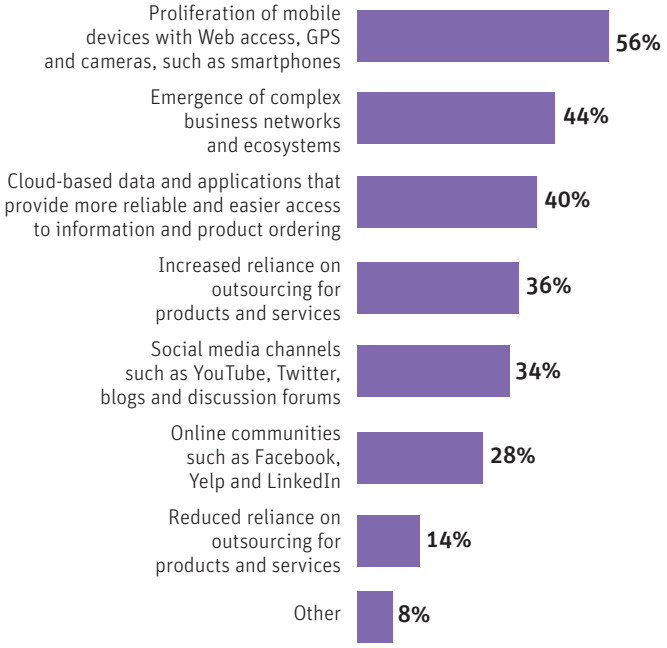
What's Next

coop@home is preparing a version of its home shopping app to run on the Android phone, which is coming on strong in the Swiss market.

Figure 3

Mobile to Impact CE

Respondents were asked to rank the three business or technology trends they believe will have the most impact on customer experience, positive or negative, in their industry over the next three years.



Base: 307 director-level and above executives at midsize and large companies.

Source: Bloomberg Businessweek Research Services, 2010

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How Coop Did It—Platform Integration Is the Key

Coop was able to rely on a forward-looking IT infrastructure and the foresight of its IT management to provide a low-cost but comprehensive food-shopping experience for its iPhone customers. The Swiss retailer had already relied on the SAP ERP application, the SAP CRM application and the SAP for Retail Solution Portfolio, so it had the platform and infrastructure to easily and inexpensively add functionality.

For example, Coop added the online supermarket functionality in 2009 as part of an upgrade of its SAP CRM application. That upgrade included a variety of e-commerce functionalities. The Web channel features include the ability to automatically update pricing and inventory status in real time. As such, weekly or daily price changes are accurately displayed for online shoppers. Once that upgrade was in place, Coop was able to offer iPhone ordering functionality within two months and at little incremental cost.

The key ingredient in delivering the additional functionality easily and at low cost is the level of integration provided by SAP. The integrated platform—SAP ERP, SAP CRM and SAP for Retail—enables Coop's IT department to add functionality without having to worry about building and maintaining a variety of incompatible user interfaces, APIs and database structures typical when installing myriad point solutions. With the ease afforded by integration, development time was cut in half.

An integrated platform also enables Coop to offer services to its customers that help differentiate the supermarket chain from its competitors. Four crucial features of the Coop service are available because of the integration among the various SAP applications:

- The ability to offer its customers the complete range of products found in the stores, without worrying about inventory stock-outs.
- Synchronization of pricing—the cost in the store is the cost online.
- Home delivery the same day of their order and within a customer-specified timeframe.
- Taking cash payments instead of credit cards.

As the coop@home case study shows, the biggest financial benefit of an integrated IT platform and architecture is not only that it improves the productivity of an organization's information technology infrastructure but also that the platform improves the experience of the customer. Providing a strong customer experience ultimately delivers a competitive differentiation in the market, which is even more important than the higher return on investment and lower total cost of ownership of an integrated suite. In this case, the integrated suite enabled Coop to improve its strategic position in the Swiss retail marketplace.

For More Information

For more information about SAP's Customer Relationship Management application and its e-commerce functionality, please visit this Web site:
http://www.sap.com/solutions/business-suite/crm/index.epx

Recipe for Success

The key SAP ingredients used by Coop for its iPhone ordering application include:

- SAP CRM application
- SAP ERP application
- SAP for Retail Solution Portfolio
- SAP NetWeaver
- SAP Forecasting and Replenishment application

This research project was funded by a grant from SAP.

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