BLOCKCHAIN IN RETAIL: A CURRENCY OF TRUST IN AN AGE OF INFORMED SKEPTICISM

A WNS Perspective

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Extending Your Enterprise

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Karen was annoyed with herself. She had lost her phone charger on the subway. She was relieved to find a '100 percent original' charger online with the assurance of same-day delivery. But her joy was short-lived. After a few months, the charger malfunctioned and she realized that she had unwittingly purchased a counterfeit product.
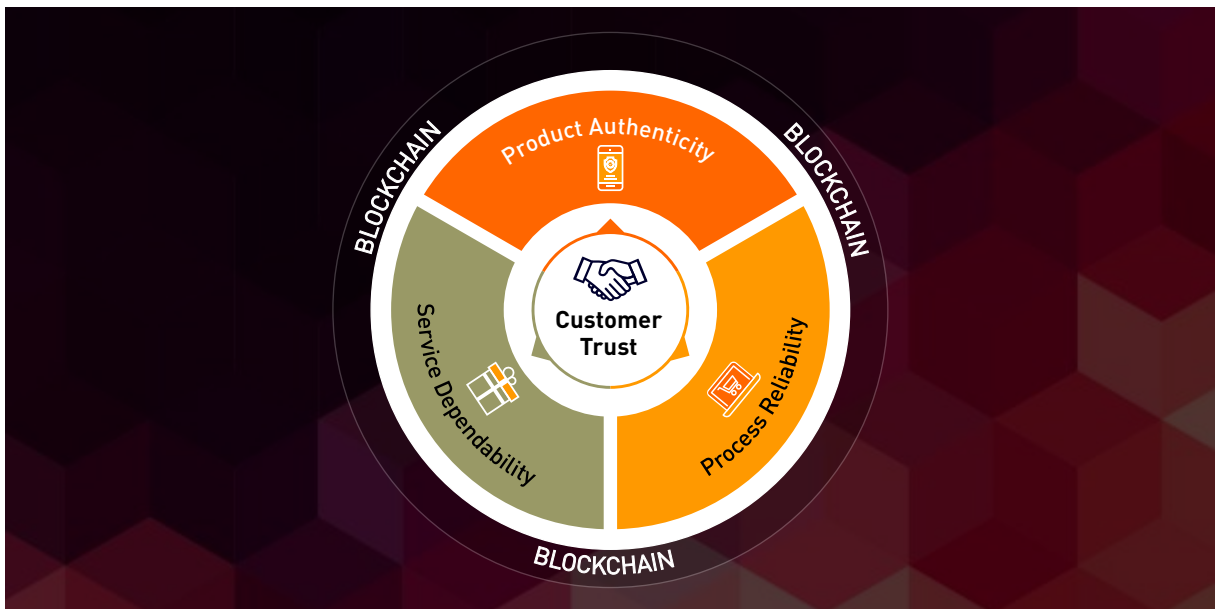
According to OECD,[1] the import of counterfeit and pirated goods, purchased by unwitting customers

like Karen, amounts to half a trillion dollars per year. Online retail giants such as Amazon and Alibaba face an ongoing challenge in filtering counterfeit sellers from their sites. Fashion brand Chanel received USD 3 Million in an infringement lawsuit against 30 sellers on Amazon.[2]

Apart from the dent in sales, for retailers, counterfeit products erode customer trust — something that they cannot afford to lose. For

example, the Edelman Trust Barometer found that only 52 percent customers trust businesses to do what is right.[3]

We believe that blockchain has the potential to help retailers build reliability, authenticity and dependability into their process, product and services to win customers' trust, in this age of informed skepticism.

1. http://www.oecd.org/industry/global-trade-in-fake-goods-worth-nearly-half-a-trillion-dollars-a-year.htm
2. https://www.harpersbazaar.com.au/fashion/chanel-wins-case-against-amazon-counterfeits-13628
3. https://hbr.org/2017/01/survey-peoples-trust-has-declined-in-business-media-government-and-ngos

Product Authenticity

Blockchain enables retailers to assure customers that the product they are paying for is not counterfeit. Retailers can authenticate and share information about the genesis of the product with customers, which is becoming increasingly important.

For instance, French retailer Carrefour is using blockchain to share details about where its food products are sourced from with customers. By the end of 2018, the company is expecting to use blockchain to validate the source of food products such as honey, eggs, tomatoes and salmon.[4]

Products sourced and manufactured in a socially responsible manner are becoming important to attract and retain customers. One study[5] found that 84 percent of customers seek responsible products whenever possible. Nike was compelled to take a deeper look at the sub-contracted manufacturing units of its shoes amidst widespread boycotts from customers on the working conditions of the factories.[6]

Retailers can leverage blockchain to win the loyalty of this emerging class of socially conscious customers. For example, Alpaca apparel creator Martine Jarlgaard partnered with the blockchain platform, Provenance,[7] to provide customers with information on every step of the manufacturing process starting from shearing on the farm.[8]

4. https://www.reuters.com/article/carrefour-blockchain/retailer-carrefour-using-blockchain-to-improve-checks-on-food-products-idUSL5N1QO2YW
5. http://www.sustainablebrands.com/news_and_views/stakeholder_trends_insights/sustainable_brands/study_81_consumers_say_they_will_make_
6. https://www.theguardian.com/environment/green-living-blog/2012/jul/06/activism-nike
7. https://www.provenance.org/case-studies/martine-jarlgaard
8. https://www.cgsinc.com/blog/blockchains-impact-on-the-apparel-and-fashion-industry

Service Dependability

A 10 percent increase in customer satisfaction score results in 12 percent increase in trust from customers.[9] With blockchain solutions, retailers can effectively manage critical customer touch points such as warranty management and loyalty programs to improve customer experience.

For example, Warranteer is a blockchain application that allows customers to seek service on their products without requiring manual receipts, insurance papers or warranty documents.[10] This is also a great way to ensure automated customer service.

Loyalty programs are another important tool for retailers to attract and retain customers. According to one study, 76 percent of North American customers are likely to choose a retailer who offers loyalty programs.[11]

A WNS DecisionPoint™ loyalty engagement survey[12] shows that more than 40 percent respondents subscribe to more than two loyalty programs. But certain challenges prevent customers from utilizing these programs effectively.

Blockchain applications such as Loyyal[13] offer retailers a more effective way to manage loyalty programs, while simultaneously reducing administrative and other associated costs.

Blockchain can help customers enrolled with multiple loyalty programs to redeem the benefits on a single platform, and potentially increase the viability of these programs. Such a solution also makes it possible for retailers to band together different loyalty programs.

Process Reliability

Two concurrent trends have taken shape over the past few years. Customers have become less patient, and expect the delivery of products and services within a short period. Retailers, on the other hand, have been competing with each other to improve product availability and delivery time. However, unless the assurance of short delivery time is kept, it may result in loss of customer trust.

For example, the holiday season in the U.S. witnesses grievances from several customers due to delay in deliveries, while retailers struggle to manage the high volume.[14] Returns and wrong delivery add to the complexity. Blockchain can help retailers solve several complexities in the supply chain that result in higher costs and poor service.

With blockchain, all stakeholders of the supply chain can engage in decentralized communication, and reduce paper work and process delays.

9. https://www.forbes.com/sites/blakemorgan/2015/10/05/4-ways-to-improve-company-customer-trust/2/#
10. https://www.newgenapps.com/blog/applications-uses-blockchain-in-retail
11. Ibid
12. https://www.wnsdecisionpoint.com/our-insights/reports/detail/66/enabling-effective-loyalty-engagement-in-retail
13. https://www.prnewswire.com/news-releases/loyyal-to-speak-on-blockchains-impact-on-the-hotel-industry-at-upcoming-hitec-2018-300666416.html
14. https://www.businessinsider.in/Amazon-customers-are-furious-that-some-holiday-orders-are-delayed-and-it-reveals-a-glaring-limitation-of-Prime-membership/articleshow/61999103.cms

Further, blockchain improves traceability and authenticity which is a significant challenge for retailers. For example, a fire mishap in a Bangladesh factory led to the discovery that it had sub-contracted work for Walmart, not authorized by the retailer.[15]

Blockchain gives retailers the much required control and visibility over their supply chain. This is critical even from a customer acquisition perspective. According to the Global Survey on Internet Security and Trust,[16] 82 percent of respondents said that where a product is made effects their buying decision.

Subscription-based models are also being used increasingly by online retailers, promising customers a better level of service such as shorter delivery time. With higher reliability of the supply chain process, enabled by blockchain, retailers can maintain the implicit psychological contract with the customers and thereby trust.

Preparing for Blockchain

While blockchain as a technology is still at a nascent stage, organizations should start laying the ground for full-scale adoption in the near future. As the technology matures, organizations will go through a learning curve. The successful implementation of blockchain in retail will hinge on:

- **Shared understanding of the technology:** Building a common understanding of blockchain across all functions and key suppliers is the first critical step in organizational preparedness. It will be equally important to make blockchain an organization-wide agenda instead of it being just an IT project

- **Identifying opportunity areas:** Outlining business areas where blockchain can create the biggest impact will be critical followed by defining business outcomes that need to be driven. Supply chain and product source traceability are already some of the focus areas for retailers

- **Experiment and scale:** Creating pilots with defined success metrics is an advisable starting point for retailers before full-scale adoption of blockchain. Pilots will also help assess the organization's readiness in various areas. A holistic view is necessary to understand the interplay between blockchain and

technologies such as Internet of Things before full scale-up

The complexities in the retail industry have significantly increased due to stiff competition, technology disruption, changing business models and the evolving value system of customers. Customer acquisition and retention have become challenging outcomes to drive for the industry.

Hence, maintaining the trust of customers, which impacts their loyalty, has become all the more important in this context. Blockchain is the technology that will enable retailers to both win and keep that trust.

15. https://abcnews.go.com/Blotter/wal-mart-fires-supplier-bangladesh-revelation/story?id=19188673

16 https://www.forbes.com/sites/forbescommunicationscouncil/2017/05/30/why-customers-dont-trust-e-commerce-what-we-can-do-better/#29c0a6961b2a

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