Richard Hammond

frictionless

beyond

Be your customer's first choice

Praise for *Friction/Reward*

'In a world where customer behaviour and expectations are changing so fast, Friction/Reward *gives you the tools and provokes you to think hard about how you adapt to this new world.'*

Sir Charles Dunstone, British business legend; Executive Chairman, TalkTalk Group

'... a must-read primer for anyone interested in the present and future of retail. Richard Hammond's Friction/Reward *index is an original and timely contribution to the global conversation about how we sell and buy in a rapidly changing world.'*

Dimas Gimeno Álvarez, shareholder and ex-CEO, El Corte Inglés; investor and expert in retail

' ... [sums] up the most pressing challenge for today. Not just decreasing friction in an increasingly transparent, immediate and, frankly, scary high street, but also the flip side: the essential focus needed on the unique rewards we can offer ... underlined again by this great book. As a bookseller, I recommend it... !'

Kieron Smith, Digital Director, Blackwell's

'This is a great read. Friction/Reward *is a useful tool to build experiences that customers will visit your business for.'*

Rowan Gormley, CEO, Majestic Wine; Founder, Naked Wines

'The 21st century bible for every business to stay relevant and succeed. Fantastic read with great and practical tools to use on a day-to-day running of your business to stay ahead of the game.'

Penny Grivea, Managing Director, Rituals Cosmetics, UK&I

- But then again, I rate US manufacture more highly than generic Chinese – Tom Bihn gains
- For me function is paramount – Tom Bihn gains
- But form is important too – Tom Bihn doesn't lose

And so on.

Note that need state recipes are always combinations and always variable.

Take me away to China

The truth is that it is now easier to buy a mobile phone direct from China than it used to be to order a Chinese takeaway delivery meal *using* that telephone. At least it was until the takeaway delivery market itself fell under the light of friction-reducing, competition-intensifying, new technologies. Filling your face with takeaway delivery meals is a practice that has been made insanely easy by these changes; first by the restaurants themselves enabling online ordering, then aggregators such as JustEat meant the restaurants could cede direct control of the relationship in return for easy participation in a bigger online delivery marketplace. Then Deliveroo came along and enabled even restaurants with no delivery capability of their own to be online takeout delivery hubs.

And THEN a taxi firm, a business that had earlier eviscerated the traditional closed-shop, customer-unfriendly taxi marketplace, came bursting into the home delivery food marketplace with all the consideration for established norms a great ape wearing an Uber Eats t-shirt might show as it crashed through the undergrowth to snatch a banana from the clever guy who thought he had this market sewn up.

- 1970s: call to place an order having obtained a menu
- 1990s: restaurants create their own online ordering sites
- 2010s: aggregators create better ordering applications and invite restaurants onto these

- 2016: delivery intermediators return the control back to restaurants with even easier platforms
- Tomorrow: predictive ordering based on customer habits and movements 'click to confirm'
- Eventually: print-at-home meals from branded restaurants

Common to all these progressions is not customer choice – it is simplifying, reducing friction, making life easier for customers. It's still the same Chinese meal but the friction required to get it reduces and the reward for interacting with one service over another increases. This is really quite crazily important – choice isn't the motivating input energy, friction reduction is.

For me, the ultimate expression of friction reduction here comes in the shape of a tiny plastic pizza box that opens to reveal a single button. Press that button and within half an hour your favourite Dominos pizza order arrives at your door. Dominos originally created the box as a limited-edition PR stunt to publicise their new mobile phone ordering app but have now realised that what they have actually done is to place a frictionless store right into customers' homes. A store able to satisfy that customer's cravings in the push of a single button. Sequences NOT shortened.

But even this isn't the end; machine learning and AI will soon have your day's food and snacks already surfaced and delivered to wherever your phone says you are at the time your watch says that you should, biometrically speaking, be eating it.

And eventually food won't be a delivery at all – the same AIs will start the three-dimensional (3D) food-printer at your location automatically, cutting all those hungry restaurants and delivery businesses out of the loop as brutally as they did their scratch-make foodie forebears. What will follow? The eating away from home experience will become even more rewarding and entertaining, because it will have to be if it is to win customers; there might even develop a market for dining experiences that deliberately disrupt the wills of the AIs, or that are built for surprise and shock.

Restaurants will change, but the social need to eat in such settings might even grow. Supermarkets, however, are the true victims in this future scenario. And really, it's not such a stretch from here to 3D on-demand printing of meals. The supermarket is already dying, just none of us know when the funeral will take place. Isn't that exciting? Thrilling? If you are running Kroger, or Carrefour, or Tesco, do you plan for the unknown timeline now? Or do you make sure your stakeholders are looked after in the short-term investment cycle and ensure that you earn your bonus before jumping out of the way of the train of inevitability just in time?

And what are all of these innovations? They are reactions to the new-found ability customers have been given to choose between competing alternatives, including choosing to do nothing at all. A customer is no longer tied to the handful of restaurants that would deliver to their locality; they aren't tied to the two companies that sell photocopiers in their territory; they aren't excluded from accessing the little upstart Taiwanese container shipping office that has started to make shipping easier in ways that Evergreen and Maersk had failed to imagine.

Of course when it comes to customers exercising their control, there is lag, loss aversion and status quo bias but those things only delay the inevitable, they almost never stop it. More on these elements can be found in Chapter 7.

But sticky is good, right?

We used to talk about sticky as good. Making the experience 'sticky' was a mantra for some retail and business-to-business marketers: they wanted customers to hang around instore, they wanted corporate websites to hold browsers beyond a few seconds on a single page.

In the UK the much-missed bookstore Borders had an average dwell time of 45 minutes. That was a celebrated metric, it suggested the Borders' instore experience was sticky. What nobody realised back then was that those 45 minutes masked a problem; that some customers were spending so long in store because they couldn't find the book that scratched their particular itch; for others it wasn't 45 minutes wrapped up in the glory of books, it was a frustrating experience of over-choice; too many books that *could* scratch the itch.

Contrast Borders with the ambition and intention of Albert Heijn's AH to go convenience format where there is pride in getting customers in and out of the store as fast as possible. At AH To go, the store is changed throughout the day to constantly make the place easier and faster to shop for the customer missions most likely to feature at that time. (NB: AH are continually testing, improving and fettling the format.) For example, grab and go breakfast as you come in first thing, lunch selections to the fore in the middle of the day and clear take-home dinner choices on the home-from-work stretch. The store kind of says 'you, and you, getting what you want. Fast and out is what's important, not us trying to force you to learn a riddle of merchandising'.

The UK's government portal Gov.uk measures its success in terms of shaving minutes off the time customers spend on the site versus customers' successful completion of tasks. That again goes against the grain: they aren't interested in page-dwell time, they want to know 'did you get in and out fast and is that because you were able to get what you wanted to do done?'

Customers in American malls used to shop an average of 15 to 20 related stores before making a purchase; now the average is 2 or 3. Malls were built on the idea of stickiness – being places where customers might hang out for a day. Part of their present challenge is that customers don't hang out anymore and don't appear to want to. Not to shop, at least.

This doesn't mean that longer dwell times are always bad; remember the Changi vs Atlanta Hartsfield example. But in broad terms, stickiness as a positive metric is about as useful as thinking drivers spending longer on motorways means they like them more. Never mind the quality! Feel the width!

Buying states

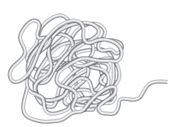
To understand why sticky is bad and to understand why friction and reward are so powerful we need to rethink the way we understand how customers buy. Most customers can be covered by just two broad buying states:

1. I know exactly what I want
2. I don't know what I want, but I know I want *something*

In business contexts, the need is often clear and the path to fulfilment, the mission, is straightforward: clients are in buying state 1. That's the path though, not the vendor customer journey; that distinction is really important. The path can be clear but the vendor can, and often does, place enough roadblocks in that path that make it look less like the yellow brick road and more like a segment from *Mad Max*. In retail, Amazon flourishes because it is the lowest friction, often lowest cost, way in which to fulfil buying needs covered by buying state number 1. 'I know what I want, so I type that into Amazon and then I buy the thing that comes up.'

But in the majority of retail purchase scenarios, the need is less defined: the customer has an itch and they know they want to scratch it but, especially initially, what will scratch that itch is not clear. They are in buying state 2. That's the one most of us are in, most of the time and yet the vast majority of retail and business-to-business experiences are built to satisfy the needs of customers in buying state 1.

I imagine these two states as a length of wool. In the first, the wool is pulled straight, the customer has hold of one end and at the other is a defined 'thing' or service that completes that particular customer mission. In the other state, the ball of wool is a jumbled mess in front of the customer; they have neither hold of their end, nor a clear idea of what lies at the other end. They know they want something, but what? It is that nebulous idea we all recognise, when we know we want something but what that something will eventually be is not clear. This state exists by degrees – it can be as vague as a need for a bit of 'retail therapy' or as specific as 'I need a new telly but I have no idea where to start' or 'I think I'd like a new shirt, maybe?'

I know exactly what I want			Vendor is a facilitator of purchase
I know I want 'something'			Vendor inspires purchase

In the second; the ball of wool is wild and neither the customer nor the vendor have hold of their ends. What often happens is the vendor grasps theirs before the customer and then waits for that customer to find their end of the wool. The customer never does. What the vendor must be in state 2 is a source of inspiration; they must concentrate on guiding the customer towards the customer's end of the wool. Once there the vendor then guides the customer through the process of unravelling it until 'pop!' the wool is now a straight line to whatever the vendor is wanting to sell.

State of the nation

There are retailers and vendors, especially those that are predominantly online, who are fantastic at serving customers in the first state – type what you already know you want into a search box, choose the lowest-friction option for your particular need state (whether you know that's what you are doing or not) and buy. But for the second state, that's where this gets fun, especially for retailers for whom this state is, I would suggest, the norm. A great retailer who understands this shopping state, can guide the customer to the customer's end of the piece of wool and then gently tug out the wool till it's both straight and it leads to that retailer as the provider of the solution at the other end.

It's not just retailers of course. A business that knows it needs to offer employees a perks package, for example, but isn't sure where to start, is in that same second state. The ball of wool is a confused mess and a great vendor can play a critical part in unravelling and straightening out that wool.

But here are the mean and nasty kickers – in this age of showrooming and ubiquitous availability of information and alternatives, once that piece of wool is straightened out, the retailer or vendor must still concentrate on low friction and high reward or risk losing that customer to a competing alternative operating brilliantly in buying state 1. Amazon. Alibaba. ASOS.

At its most crude, it really is the Amazon/Alibaba problem – let's not beat around the bush: if you know you want a Sony XYZ21 or that you need a pressed steel 8 bracket, because a great retailer or vendor has brought you to either of those places after you arrived