

## Digital Transformation at Harrods

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### Abstract

The global environment nowadays highly focuses on digital innovation, especially the artificial intelligent technology, mainly because such digital technology brings convenience and high living quality to our lives. To adept such changes, many traditional businesses have taken strategic steps to change from traditional operation to digital operation in order to fulfil the increasing desire of high-quality services of the customers and improve the effectiveness of business operation. In this essay, we discussed about how Harrods, a globally well-known luxury department store located in central London, could have adapted the new technology and transform their business digitally in order to maintain its leading position and improve their current services to increase the customer loyalty towards the business. It is suggested that Harrods could involves some digital experience for customers in their physical department store, both to satisfy customer needs and collect necessary data for improving services that specifically for each individual customer. Three suggestions are given including pick-up services, customer communication system and appointment system, which will be discussed in detail in this essay. Traditional businesses are gradually being eliminated from current digitized market. They have no choice but to adept digital transformation in order to survive and maintain competitive in the market. Although Harrods are well-known and occupying the leading position amongst all the department store, without any improvement and adaptation, it will be fallen in the near future. Therefore, this essay opens up a new pathway for Harrods to explore so that to hold strong against its rivalries.

### Keywords

Digital Experience, Platform, Production Ecosystem, APIs, Digital Data, Customer Envelope.

### 1. Introduction

Modern digital technologies are changing how businesses create value. They are rewriting traditional rules of conducting business. This is driven by new powers of data and fresh potential of data-driven services. Starbucks is a great example to transform from a very traditional business to digitized business. Previously, when data and digital platform is not full established, people tend to go to their physical stores, place an order and collect coffee. Nowadays, with digitization, customers are able to pre-order through Starbucks app and make some specialities preferences before arriving so that they can collect their drinks immediately when they arrive, minimizing the time wasted during queuing and increases the efficiency.

Moreover, Starbucks are able to understand customer flavour preference to modify and create new drinks that may suits general tastes.

Digitization is having a big impact on retail services too. Ever since the arrival of the internet, the retail sector has faced challenges from e-commerce and new competitors that competed in the retail sector with their digital platforms. Today, the challenge from these digital platforms is even stronger because of what they can do with data. Alibaba, Amazon and other such digital platforms are able to provide powerful customized digital experiences to their customers, because of the troves of data they have.

Traditional retailers thus have to find ways to compete in the new digital era. In this paper we present a case study on Harrods, an eminent retailer that has been around for 169 years. Harrods is an institution in itself. It has a brand of worldwide renown. It is the embodiment of tradition. But even the mighty Harrods has to change now. It has to learn how to leverage the new opportunities available because of modern digital technologies. It has to find a way to blend its traditional strengths with new strengths available through data. This paper discusses how Harrods can do so.

### 1.1. Background on Harrods

Harrods, the world's most prestigious department store, located at the central heart of London, Knightsbridge. Hundreds of world-wide well-known brands are stationed in Harrods and selling their luxury goods. The brand Harrods is also leveraged in other Harrods subsidiaries, such as Harrods Bank, Harrods Real Estate and Harrods Airlines.

Today, the Harrods property is listed by the British government as a key historical building to be protected. It has a long and unique business background. Originally it located at the East End of London, started to be a tea wholesale store founded by Charles Henry Harrods. Fifteen years after setting up the shop, Harrods bought a small shop near Knightsbridge to stay away from the crowded city centre. This is where Harrods is located until today. It all began with a small shop with only one room and two assistants. After Henry Harrod's son, Charles Digby Harrod, took over the business, the store grew rapidly and expanded its scope; bringing medicines, perfumes, stationery, fruits and vegetables to the market. During this period, Harrods expanded rapidly and acquired adjacent buildings, employing 100 people.

However, in December 1883, Harrods suffered a great setback, a big fire broke out and burning down the whole building, especially it was just before Christmas. During the crisis, Charles Harrod had committed to his customers that Harrods would not stop their services. On that Christmas Eve, Harrods maintained continuity with its traditional gift delivery service – a service that is continued being provided today. This gesture reinforced their business image of being dedicated to their customers earned great goodwill for them. Eventually, when Harrods rebuilt on its original site, they had earned a great advantage; it had built valuable customer loyalty.

In addition to good reputation and brand image, Harrods also had excellent store designs and exquisite service. Harrods is much more than a department store; it represents luxury and a high-end life style. The exquisite appearance and ancient Egyptian indoor design and decorations show Harrods' distinctive positioning and make it stand out from the crowd of department stores. Till today, it maintains the decoration of the store with a strong sense of history and the unique elegance and classical atmosphere of the 19th century. Furthermore, Harrods' services is their another highlight. People with different spending power are given a different level of VIP cards, through which Harrods provides special services and discounts to VIPs. With personalised services and many luxury brands in their stores, Harrods is attracting many famous personalities, celebrities and British royal families that enhances its status and brand image. These factors undoubtedly provides free advertisement for Harrods and thus to allow Harrods to become one of the best luxury department store in the world.

Yet, as the technology and digital information affects almost all the businesses globally, Harrods too, inevitably, has to adapt the new environment. They need to do this to fulfil customer expectations and to compete with their old rivals such as Selfridges. Selfridges is Harrods' major rival that also targets on the high-end customers. Like Harrods it is one of the largest and most stylish department stores in London, having just celebrated its 110th birthday in 2019. Their department store is located in Oxford Street, one of the most famous shopping streets in London. It attracts a large number of customers from all over the world every day. Selfridges too has many powerful competitive features. Firstly, their vision statement says, "To be the most innovative and fashion forward department store in Europe, offering the most exclusive brands to customers of all ages in an environment that is entertaining and inspiring." This vision guides Selfridges to offer good market strategies. For example, in order to catch the young man's eye, Selfridges regards young and unexpected brands as unique points to competitions. Usually, it gives unique discounts and offers to these brands. The benefits combine with a true sense of discovery to create a fresh, stylish and well-planned customer experience. For this point, it helps Selfridges to win the love of many young people. In addition, Selfridges has model advantages over rivals. It allows brands to run their own shop-in-shops, which make brands are more focus on business methods and quality of services. To some extent, the approach help Selfridges get better profitable and give customer more economic benefits. Finally, it has geographical advantages. It only has four brick-and-mortar locations, all situated in prime, densely populated areas across three UK cities: London, Birmingham and Manchester. This keeps focus and productivity high.

Nowadays, among so many department stores, Selfridges is being a leader in digitalization. They offer an appointment service call "AT HOME". Customers are able to have a video call with the expert of a specific brand as they would like to shop with to discuss about the products that they are interested in. With the professional suggestion given by the experts to the customers, customers are able to do shopping just like they are in the store. After the customers have selected their wanted items and confirm the order, the staff of the store will be packing and delivering the selected items to their home within two days. This digital service provides an opportunity for customers who are not in the U.K. to do shopping with Selfridges as well as minimizing the time wasted during the transportation. Meanwhile, in year 2020, every individuals have been seriously affected by the COVID-19 globally, many customers are restricted to stay at home and most stores are not allowed to operate. This service is exactly a solution for customers to get their ideal items when they are experiencing trouble going to stores. Besides this, they also offer appointment for "IN STORE", customers can have a quick preview of all the products they have and services they offer and then appoint any store, restaurant, salon and SPA through a link on its website. All the website and digital platform of Selfridges show a great convenience and without the limitation of time and place. However, Harrods hasn't developed such a platform and many aspects still need to be digitalized. Therefore, digital transformation is necessary for Harrods itself to adapt to the new world of data.

This paper will be discussing how Harrods transform digitally through identifying the data that Harrods is currently generating and how they are useful to provide specific services to Harrods customers, providing ideas of adding functions and digitized services to Harrods applications in order to enhances their well-established customer service within the Harrods physical store.

## 2. Digital Experiences in Retail

Digital experience is a data driven experience. It is an interaction between users and platforms which is driven by data. <sup>[1]</sup> It is worth noting that digital experience strategy is a customer-needs driven initiative rather than an IT-driven initiative. There is a huge difference between simply

using digital technology and actually leveraging it to improve customer experiences and better address customer needs. [2]

Some of the differences between traditional and digital experiences can be seen in traditional taxis and Uber. Passengers need to stand on the side of the road to take a taxi and drivers find passengers through their eyes. There are some problems such as a taxi uneven distribution of resources and the high difficulty of taking a taxi in the rush hour. However, by using the Uber digital platform, users only need to input the departure and destination time and location on mobile devices, the platform will upload the information in the real time and deliver it to the available drivers after calculation. So the core of digital experience lies in the real-time sharing of data, which is user-centred.

Digital experiences are characterized by the ability to develop perception, experience, and interaction between consumers and brands. Digital experience needs data. Data that can be shared with other entities to create and amplify the experience. [3] One of the biggest strengths of digital data is that all sorts of very complex analogy input can be represented with the binary system.

For example, the digital data which is get by Uber including information about passengers, drivers, destinations, real-time traffic, weather, accommodation, catering and among others. These digital data can be shared within its digital ecosystems and make Uber a big difference from traditional taxi caps. When users start to use Uber, the system will provide the fastest departure time according to the location of users and nearby empty cars. When the user enters the destination information, the platform will use GPS to locate and retrieve restaurants, hotels or entertainment items near the destination, and provide relevant play suggestions for the user. In addition, based on the departure time and destination information entered by the user, the system will estimate the time and cost required and provide the best route for the user based on the real-time road conditions. After the user sends the request, the system will release the order message to the driver within a certain range according to the calculation. By receiving the order, the driver can follow the route given by the system and know the traffic and weather conditions on the road in advance. When the passenger successfully arrives at the destination, the passenger can give an evaluation to the driver, and the evaluation information will be entered into the driver's personal information in reference to other users and reviewed by the platform. In other word, Uber's digital experience not only facilitates passengers' travel and improves drivers' work efficiency, but also increases safety factors and management norms.

As we mentioned earlier, digital data needs to be shared and delivered within its corresponding digital ecosystem to provide a better digital experience for users. Digital ecosystem is to use digital technology and related data to promote its internal interdependence, in other words, digital ecosystem is the ecosystem formed by the interdependence caused by data connection. Sensors are one of the main sources of digital ecosystem data, and the dissemination of data also depends on the development of technologies such as the Internet of Things. Digital ecosystem consists of two parts: production ecosystem and consumption ecosystem. Production ecosystems are built on the interdependence associated with the value chain. Despite their underlying interdependence similar to that of traditional production ecosystems, they have gained new momentum and development as a result of data connectivity. On the other hand, the consumption ecosystem is generated by the interdependence of entities that supplement the data generated by the use of products. This is not quite the same as the interdependence of traditional consumer ecosystems, which did not exist before the interconnection of modern digital technologies. [4]

### 3. Digital Transformation at Harrods Physical Stores

Harrods as a luxury department stores that focuses specifically on providing quality customer services to reserve its market position. They provide excellent physical experiences through offering high quality products and superb customer service in their stores. Their digital transformation efforts should focus on developing new digital experiences on top of their excellent physical experiences. To do so they should introduce new data-driven services. We suggest the following: provide pay and pick-up service, create customer communication platform, and provide a reservation system.

#### 3.1. Pick-up Service

In almost all the shopping malls or department stores, customers carry whatever they bought in each shops throughout the whole process of shopping and this is inconvenience as the shopping bags are big and heavy. As a luxury shopping mall like Harrods, they should think one step further for their customers. It is suggested that Harrods can provide a pay and pick-up service, which customers can pay for the items in stores and pick-up everything altogether at once when they leave Harrods. This service may provide both digital experience that conveniences customers and new kind data for Harrods to make further customer analysis.

The pay and pick-up service can be achieved through reservation basis. Customers are required to download a Harrods application on their phone, which encourages more downloaders and able to collect more user information including their identities for developing customer profiles for promotion. The reservation system is necessary to limit the amount of services in order to ensure the serving quality (transferring products in time) as well as estimating the amount of customer will be shopping in the store. Such customer portfolio records the time and date of each customers visiting the store and the time frame they have spent on shopping. This data allows Harrods to analyse the customer types on each day of the week, for example, customers between age 18-25 are more likely to come shopping on weekdays because they are university students and are free on off-peak time. This information can be very useful for organizing targeted events for each customer group and attract the targeted customers to visit Harrods on their available days. Therefore to reduce the chance of customers being interested in one event but is not able to visit due to time inconveniences.

In operability, we suggest that Harrods as a host of the mall should make an agreement with each renter retails regarding this service. Harrods could act as a manager of the whole shopping mall and recruit a team in response to picking up the items from the stores and transfer it to the pick-up location. However, using human forces can be inaccurate and costly and therefore the using digital devices are more effective. A camera could be placed at the cashier of each store and sense if there is any customer paying at the moment. If it is possible, the sensor will send a message to the robot, that each floor is delegated three to four robots for this transferring job. By receiving instruction, the robot will immediately arrive the store to pick up the relevant product and send it to the pick-up location. Due to security reasons, the storage of the robot can only be opened with relevant code. Staffs at the pick-up location will then receive the product and do packaging and delivering service. The in-use information of when the customer going into the store and paying for items are the key to achieve pay and pick-up digital experience.

This pay and pick-up service enhances the shopping experience in Harrods and encourages customers to spend longer time shopping since there is no burden of carrying heavy and annoying bags. Harrods, on the other hand, further provides good customer services and receive data on estimation of customer information, estimating inflow, purchase information and in-use information for doing individual preference analysis.

### 3.2. Customer Communication System

Harrods had developed its own app on both IOS and Android mobile system. Through the utilisation of the app, customers are able to find out more information regarding Harrods, including the introduction of the stores, upcoming events, and in-store map that contains navigation system to guide the customers to their designated store. The app almost contains every function that the customers may require during their arrival to Harrods. However, we think a step further for Harrods that they could have provide something more for the customer after their visit and consumption. The second suggestion we are providing is to create a platform in the app that links both customers to sellers and customers to customers.

In operational aspect, this platform can be plotted into the app that Harrods currently are using. Each customer is able to create posts, just like social media platforms, that contains the image of what they have bought and make comments on those products about whether or not they like them. A scale of rating between 1-5 regarding services, store environment and likes of products can be also made on the platform to allow other customers reviewing. This can increase the interaction between customers that enhances the vitality of Harrods as well as promoting active users. This allows Harrods itself to get more data from customers and use such data to improve the customer's digital experience, which will be further discussed later. Moreover, this platform also allows the sellers to communicate with the customer regarding any issues they have encountered during the process of shopping and any problems regarding the products. If the customers are unsatisfied, further analysis and improvement can take place to finalise the issues. The interaction between customers and sellers is a part of great customer service that the Harrods should provide.

There are two kinds of data being generated through this platform, developing customer envelop relating to the product categories that they like and the popularity of products (star product). By looking at each individual's rating, we are able to understand which store and what kind of products they like the most. Whether they prefer to spend money on cosmetic products, luxury clothing, bags or shoes. With the rating system, it will be clearer that whether the customer really likes the product they bought since it is hard to understand the satisfaction of customers by just knowing what they have purchased. Target promotion can be conducted after the calculation of customer preference through the integrated product type, style and brand.

The method of calculating which product is most popular is through the combined calculation of total sales and the average starting score (out of 5) of each product. The product with high popularity will be allocated a special event for the customers who have bought it and a special gift will be given. For example, the star product of the week is a LV leather bag and so a contest of identifying which leader is the most expensive is launched. Only selected customers who are interested in such product will be invited for participation of the contest to rate the five kinds of leather from the most expensive to the cheapest. The winner will be rewarded a limited-edition small gift that enhances customer loyalty, brand image and customers' interest of such brand.

### 3.3. Appointment System

Since Harrods' existing online platform has no corresponding reservation service, we suggest to develop such function. The reservation service can be divided into specific modules, but the core of its operation is how we handle the data we collect and how we maximize them. After building different user scenarios and analysing customers' different requirements, we provide specific services based on the results of data analysis.

Considering that each Harrods customer has his or her own unique shopping preferences, our idea is to build a model to predict whether customers will visit a particular store at a certain time based on the frequency and period of their previous visits. We can set sensors at the door of different stores to record the date and time of customer arrival, and collect relative

information regarding to the customer shopping preference. In addition, clerks can mark the needs of different users, such as whether a customer needs to reserve a particular salesperson, favourite drinks, snacks and other personalized services. By analysing customer historical markers and arrival information, we can send prompts to them before their next visit to the store, asking them whether they need to make an appointment. Besides, as the number of times customers visit the store increases, their information will be more completed, and we can provide them with more accurate and personalized services. In this way, our customers can have a better shopping experience, and merchants can better meet the needs of customers. When customers arrive at the store, we can also record their arrival time and departure time, mark the stores where they stay longer and patronize more frequently as their collections, and feedback this major customer to the store. Customers will also be notified of new or discounted items in their collection stores.

In terms of technical implementation, one of the problems we have to solve is how to make the reservation information related to merchants, malls and other channels after the customer submits the reservation application on the interface. This means that in order to realize functions such as pushing web pages while using the platform booking service or booking form, the problem of how to connect with the store booking service must be solved. At present, there is no platform or channel on Harrods app and website to allow customers who want to visit the store to make appointment. There is only basic information, including contact detail and list of specialised Harrods service.

Each Harrods exclusive customer should be eligible to enjoy personalised booking request while telephone booking might be inefficient, costly and full with human uncertainty. For better improving the physical and digital customer experience, an online reservation service that keeps customer details may be more effective. Today, some of the world's most famous luxury brands such as Louis Vuitton and Hermes are offering one-on-one customer service on reservation basis while none of the department store yet to have such service due to its high cost and difficulties of maintaining quality. Therefore, it is although a risky step, Harrods can be standing out from the crowd of luxury department stores by providing such service.

However, there are many more problems to be solved before we can truly digitize the reservation service function. One of the biggest and most difficult problems is how to create a unified standard. It is well known that each luxury brand in Harrods has its own different service style, service type, policy, and corresponding products. Luxury brands have one thing in common: they take differences very seriously and make them part of their brand value. Therefore, we have to preserve the characteristics of these brands and create a framework of service requirements accepted by the public.

After research and consideration, we propose three basic principles for the establishment of a digital booking platform for luxury brands. First, this platform is designed to simplify the process. Therefore, the user interface can start from the logo of all brands, so that users can make choices more easily and quickly. Secondly, both Harrods and these brands attach great importance to customer experience, so it is necessary to negotiate with stores to jointly explore user needs and specific solutions. In order to improve the user experience and save valuable time, we should offer a comprehensive, single-choice selection on the page that allows customers to choose "yes" or "no" instead of asking questions and asking them to describe themselves in the input box. Third, we should attach great importance to the protection of user privacy, so the framework system needs to run on a separate server, and there are strict protocol restrictions to prevent anyone from trying to access the customer's personal information. In fact, a correct and effective way to solve the reservation problem has been generally formed, but in the process of system construction, in addition to the Suggestions and requirements from the store, the store also needs to make corresponding hardware and

software adjustments. In other words, a successful system cannot be built without the cooperation and communication of both parties.

#### 4. Conclusion

In the trend of experience-economy, good data analysis will help the department store to make better decisions, improve operational efficiency, and tap the ability to turn user flow to cash. Therefore, digitalization have become an important competitive basis for Harrods to occupy the future market. For Harrods, the methods we have outlined above will help it collect various consumption data. For example, basic management, quality service, category optimization, market research and so on. Without these data, Harrods would spend more time and resources to analyse horizontal and vertical markets comparison. In addition, Harrods' digital experience will be a new innovation, which will attract more younger consumers. Such innovative digital experience is helpful to bring the millennials and generation Z customers to become the key spending power in Harrods. <sup>[5]</sup> These future spending force, in comparison to the major spending power today, are small in population. However, their individual contribution to the market is large and they are willing to spend money on luxury products. Therefore, it is worth our attention to increasing their loyalty and satisfaction through digitization. Digitalization is a strong pusher for Harrods, not only helping it to increase its innovation in the face of a weaker market, but also satisfying its customer goals.

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