

DIGITAL MERCHANDISING AND THE STORE OF THE FUTURE THAT'S ALREADY HERE AND NOW

Shoppers afflicted with ADD (Analog Deficit Disorder) see static signage and merchandising displays as nothing more than wallpaper, but technology can now transform these into dynamic, always current, responsive, informative and interactive displays.

When I attended New York's National Retail Federation conference back in 2005, digital signage was the hot topic. Although now well established internationally, digital displays are just starting to make an impact in Australia where Frost & Sullivan expected the local industry to grow at 12% pa, and be worth \$58 million in 2013. Digital merchandising technology is not new or particularly challenging; media players are solid-state dependable and display screens are light, thin, energy-efficient and affordable, even at high definition. To date, most digital signage has been passive, but this is quickly changing as interactive screens and tablets become cheap and reliable. This is seeing two 'channels' of digital merchandising emerge: large 'broadcast' displays are being integrated into the store design itself, mounted in walls, buttresses and aisle-ends as well as becoming walls themselves - video walls. These are being supplemented by smaller screens and tablets for a more personal interaction at shelf level, in tables or even worn by staff! The best software can manage multiple screen formats and channels of content on the same platform.

British fashion brand Burberry launched a range by streaming live catwalk shows into stores worldwide, displayed on video walls. Customers could purchase items from the shows using tablets located around the store. Voice and sensory-activated interactive screens can display promotions until they register a nearby shopper and then prompt them to explore information about the products around them.

Reaching out and grabbing attention with engaging content and arresting offers still has its foundations in firm logic; in the Journal of Consumer Research, Nielsen reports that only 26% of shopping list items are branded, 24% of grocery purchases are unplanned and 75%

of shoppers still expect to make unplanned purchases. Impactful selling in the store is no less important today and as Nielsen has widely reported, digital signage is an affective way to achieve it. In fact Nielsen has published studies across a number of networks (largely in the US)



notably WalMart's where ad recall topped 32% and approval was 64%. In terms of sales lift on promoted product, Walmart's creative director Andy Johnson reported 7% lift in Electronics, 13% in food and 28% in health and beauty, and response to offers saw a 7% lift on a 'mature item boost', 6% on price reductions, 9% on launch and 18% on seasonal push.

Quick Service Restaurants have reported 5% lifts rising up to 20% in food courts. Ernesto Smith, Burger King's senior director of U.S. merchandising claims an ROI payback at Burger King stores of 9 to 12 months. "With digital, from the get-go it's just a much better image of the product and [there's] much more appetite appeal".



Because of its high visibility, digital signage makes for an effective centrepiece around which a range of technical tools can be oriented – screen content not only providing atmosphere and selling messages, but also directing customers to the other technologies on offer. Ralph Lauren used interactive digital window displays which enabled customers to buy clothes by scanning their phone over the display, tuning the store into a 24-hour proposition.

Then there are the operational benefits: content (perhaps including pricing) tailored to each store location, instant updates and response to competitor offers, the elimination of paper PoS (along with its freight costs, carbon footprint and display compliance issues) and no more labour costs and OHS risks associated with hanging posters. Digital shelf-edge pricing can be updated in an unlimited number of locations at the click of a button, eliminating labour-intensive processes.

Interactive – touching infinite possibilities

Touchscreens seemed so exotic so recently when they were only found in clunky kiosks, and then came the iPad. And now you can buy one with the latest Android operating system for under \$300 and tablets are expected to outsell both desktops and laptops in the immediate future. This opens up a world of interactive possibilities for store operators.

I was involved in providing touch hardware for a Manchester brand's store-within-a-store rollouts where instead of shelves full of bedlinen which constantly needed tidying after every customer interaction, touchscreens allowed them to browse from a bigger range of products and view their shortlisted preferences in a room setting. To achieve the same without digital would have taken a superstore.



Adidas digital merchandising; more colourways, less space



Digital shelf edge screens for promotion and pricing

Touchscreens open up a whole range of other interactions; shoppers can email product details to themselves, join mailing lists, share information and transact on screens paced into the store.

Additionally, interactive screens have an important 'hidden' benefit – they track every touch, silently building data profiles about customer interaction and providing realtime feedback reports just like Adwords. . . . such data is retail gold.

Instant expertise everywhere

Thanks to online pre-shopping research, there's a good chance a customer knows more about a product than your store people - a Motorola found that 55% of store staff thought so. Tablets loaded with the right interactive information and videos can be used to guide customers through complex information, providing product comparison and demonstrations that would be impractical otherwise. Reliance on staff knowledge is reduced and the selling process is better managed. Accessing instant knowledge means that sales staff can be deployed across departments. Additionally, if the product is not in stock, the tablet can be used to place and order and even receive payment on the spot, reducing the chance of a lost sale. Nearly 25% of surveyed shoppers said they would be very likely to take advantage of a sales associate using a handheld payment terminal to complete their purchase, compared to only 9% who would be very likely to use their own mobile phone to scan their items and process payment without assistance. When shoppers received guidance from a staff-member armed with a tablet, 43% reported an improved shopping experience.

What will the new digital store look like?

Digital merchandising has the potential to profoundly alter the format and the function of the store. If product ranges can be browsed on a screen, if augmented reality means customers can try on a range of colours without changing the garment... then why hold all that stock, and why rent all that space? If selling displays are activated when a customer touches a product, if customers can learn everything there is to know about a product by navigating a digital display, if they can self scan and checkout and if ecommerce-level fulfilment efficiencies mean the purchase can be home delivered the next or even the same day... why have all those staff?

Given that a Cisco study found that 71% of shoppers want to access digital content in-store, and retailer touchscreens and shopper mobile devices are the preferred options, integrating these technologies is not likely to make a retailer unpopular.

STEPS TOWARDS SOLUTION INNOVATION

How do traditional retailers, with their hands already full of the daily challenges, find time to sift through the endless technology options, assess them properly, procure them, pilot them and finally implement them?

Connectedstore can help. Get in touch with us to discuss our Enabled Innovation process which has been designed to take retailers through a staged process that identifies appropriate technologies and implementation strategies.



Borsheim's jewellery; staff trigger displays that match what a customer is looking at.



Monetising retail screen networks – icing on the cake?

Digital signage networks are yet to be fully accepted as a commercial medium eg funded by the sale of advertising airtime to suppliers, although it is happening slowly. For retailers the idea is attractive – brands pay to reach their shoppers close to decision-time. It's a great way to monetise the retailers store traffic; in the US a hit TV show may draw 20 million viewers. Walmart, in contrast, aggregates 150 million customers every week. However, generally brands have been slow to take up the medium for a range of reasons, amongst them: practical challenges of different ad format requirements on different screen networks; lack of understanding and acceptance by media buyers; and reticence to alter the terms of trade already in place between the retailer and its brands. This is changing and big FMCG businesses including Procter & Gamble now allocate significant budget to in-store media in the US and networks like Walmart's earn significant revenues from suppliers advertising on its screens.

At the niche end there are also successes. Lord & Taylor the oldest upscale department store chain in the US, has been successful in selling airtime to its brands including Chanel and Dolce & Gabbana. Said Daniel Ponti who runs the program, "We rent screens (airtime) monthly or weekly, and they have more than doubled their net worth in less than six months."