

Digitising retail: The store is the new digital channel

The push to customer centricity

As the ascendancy of tablets and smarter phones spurs online usage to even greater heights, managing multiple digital channels and delivery platforms has become a major focus for just about every business imaginable.

As a result, digital marketers are becoming more sophisticated, winning a greater share of budget and being blessed with ever improving software tools to assist. Gartner predicts that by 2017 CMO's will spend more on marketing than CTO's.

Right now perhaps the biggest development push is toward delivering personalised, responsive and predictive experiences, whilst tracking attribution, enhancing activation, increasing agility and improving automation.

To achieve this, retailers need to know better than ever where their customer is, what they are doing, what they are interested in and when they are getting ready to buy. And that means collecting customer data from multiple sources – big data – and turning it to commercial advantage.

It's a hyper-active space right now with software vendors madly launching tools to assist, particularly in the analytics, optimisation and content automation spaces.

How does this relate to the physical store? Read on...

The converging world of retail

Retail as an industry has so far been divided by the advent of the digital era. On the one hand, the eCommerce industry of course uses the entire digital arsenal with gusto – it's in their DNA – and outfits like Amazon lead the world in using customer data for predictive selling.

Traditional store operators on the other hand lag way behind, struggling to get over the initial 'shock and awe' of the digital assault (15 to 20% of total sales going online at roughly double the profitability of traditional retail), and find ways to respond to online competitors marching right into their stores via their customers' mobile devices... let alone to collect sophisticated data about their behaviour and reconstruct their offering around it.

But this dichotomy is getting less distinct as the retail paradigm shifts from a single connection point with customers to a multi-pronged approach that crosses both physical and digital channels.

Ecommerce operators increasingly are finding they also need to better serve their customers' appetite for personal assistance, tangible products and a more enjoyable, social experience. Some are enhancing the online experience in shopping sites like Pinshoppr which allows consumers to curate and share shopping collections, others – including Amazon and Google - are planning physical stores

Traditional retailers too are figuring out how to deliver a seamless digital experience for their customers across both the online channel (for instance by opening ecommerce sites) and also the physical (I'll expand on this below).

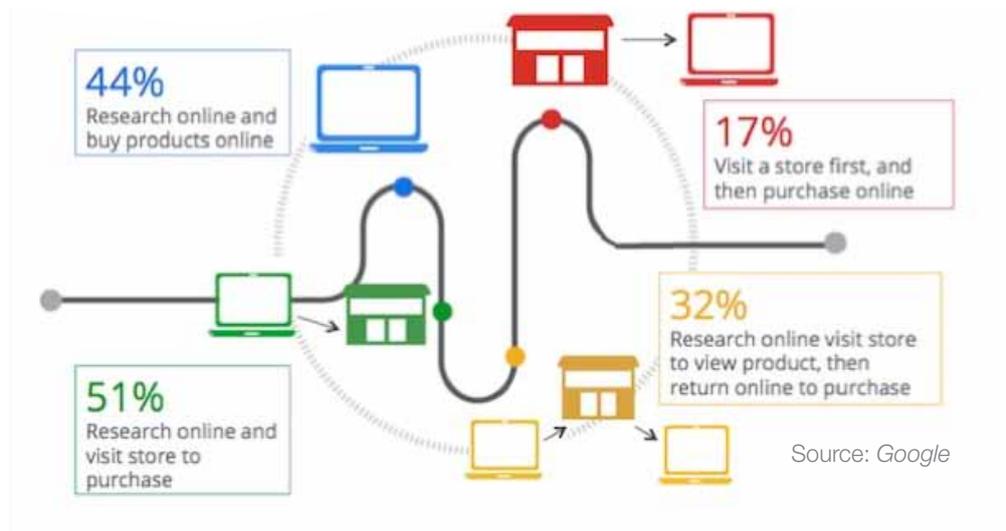
Recognising the need to bridge the great channel divide, something astonishing is emerging: store operators again have the advantage.

As the Harvard Business Review noted in its most recent 'Future of Shopping' report, pure ecommerce is a limited concept. "Is it an ecommerce sale if the customer goes to a store, finds that the product is out of stock and uses an in-store terminal to order it shipped to home? What if the customer is shopping in one store, uses his smartphone to find a lower price at another and then orders it electronically for later in-store pickup? How about a gift that's purchased online but exchanged at a local store?"



The digital divide soon to end

Lines between offline and online shopping experiences are blurring



Faced with an undeniable new reality, traditional store operators need to refocus on their advantages in creating an omni-channel offer that is actually superior to pure ecommerce proposition.

And their biggest advantage is this: it's much cheaper and easier to integrate digital into their stores than it is for ecommerce pureplays to open stores from scratch. And even better – digitising the store can reduce the cost of operating it.

Seeing stores in a new light: everything a digital marketer dreams of

If you consider the requirements for a channel to be worthy of investments, your list might look something like this:

- It attracts traffic
- You can control the message delivery
- It provides you with user data
- You can optimise it
- You can deliver personalised experiences through it
- Customers can transact through it
- It works across platforms
- It feeds into social
- It takes minimal resources to deploy and manage
- You can track conversion

Stores are the ultimate 'opt-in' medium that factors out the avoidance issues (and increasingly blocking tools) prevalent in almost every other channel.

In the store environment you're not trying to engage browsers...you're selling to buyers.

And unlike other digital channels, if a customer abandons the shop before transacting, you (your sales staff) have the opportunity to interject and close the sale.

Plus, you know what your customer is interested in because of where they are in the store. Either by triggering content using movement sensors or by tailoring content to particular screen locations, you can deliver information that's particularly relevant content to that interest.

Delivering **relevant offers** to **opted-in customers** who are in the **process of actively shopping** ... Isn't that the holy grail of marketers?

Digitising the store channel – options galore

Customers are way ahead of store retailers in their expectations. Find a video display screen in a store and you'll see the fingerprints of customers trying to interact with it.

Traditional retailers throw resources at delivering digital experiences through the web... but when their customer finally enters the store... suddenly they're in an analogue world!

As digital customers, they've been abandoned just as they arrived in the famous 'final yard' – that last step before purchase. Crazy, right?

So how can a retailer drive digital right through to the physical stores? Let me count the ways! Retailers are attacking the problem on numerous fronts and this is an area of innovation possibly unseen in the history of retail... at least pre-ecommerce!

The most common components include:

- customer wifi providing free access to many of the services below
- responsive touch tablets (for both customer and staff uses) merchandising an 'endless aisle' of products (unrestricted by stock at a particular store) and the full suite of ecommerce tools
- scannable codes and tags
- shopper apps
- access to reviews
- click n collect and/or home delivery
- in-depth product information, video demos
- social sharing
- price comparison
- value-adding content (tips, recipes)
- personalised, even predictive offers
- mobile checkout
- digital signage displays animating the environment with up to the minute offers localised to the store location

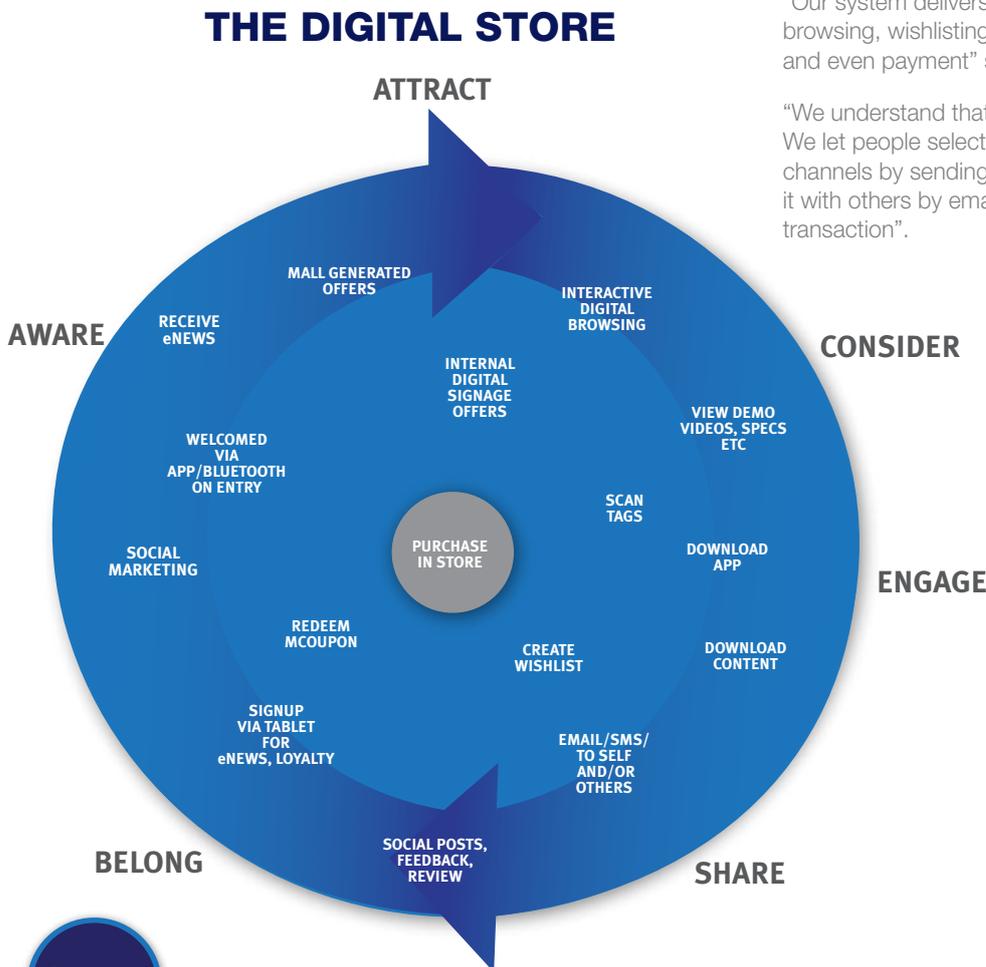


An example of the tools to help deliver digital to the store is OpenSign, an interactive channel delivery ecosystem that provides, as CEO Paul Wilson puts it "the digital highway into stores – we provide the highway and you put the cars on it".

What Wilson means is that OpenSign (a joint venture between software developer Blocks Global and Taiwanese manufacturing giant AOpen) provides the smarts and retail-ready hardware to allow secure, stable, tamper-proof delivery of everything web onto tablets (or bigger touchscreens) located in the store.

"Our system delivers the best of the web into store: product browsing, wishlisting, social sharing, loyalty signup, ordering and even payment" says Wilson.

"We understand that omni-channel customers spend more. We let people select and wishlist products, then jump channels by sending their selection to themselves or sharing it with others by email or SMS for later consumption or transaction".



Store-based digital yields data gold

Such systems offer more than just one-way digital delivery. Going back to earlier statements, collecting customer data is recognised as a fundamental in providing the ability to optimise product offerings – and this applies equally to the store.

OpenSign monitors customers' in-store interaction behaviour in real-time, so that content, product selection, recommendations and so on could be adjusted either on the fly to a particular shopper, or on an aggregated basis following analysis across many users and multiple sites. So the highway Wilson talks about runs in two directions.

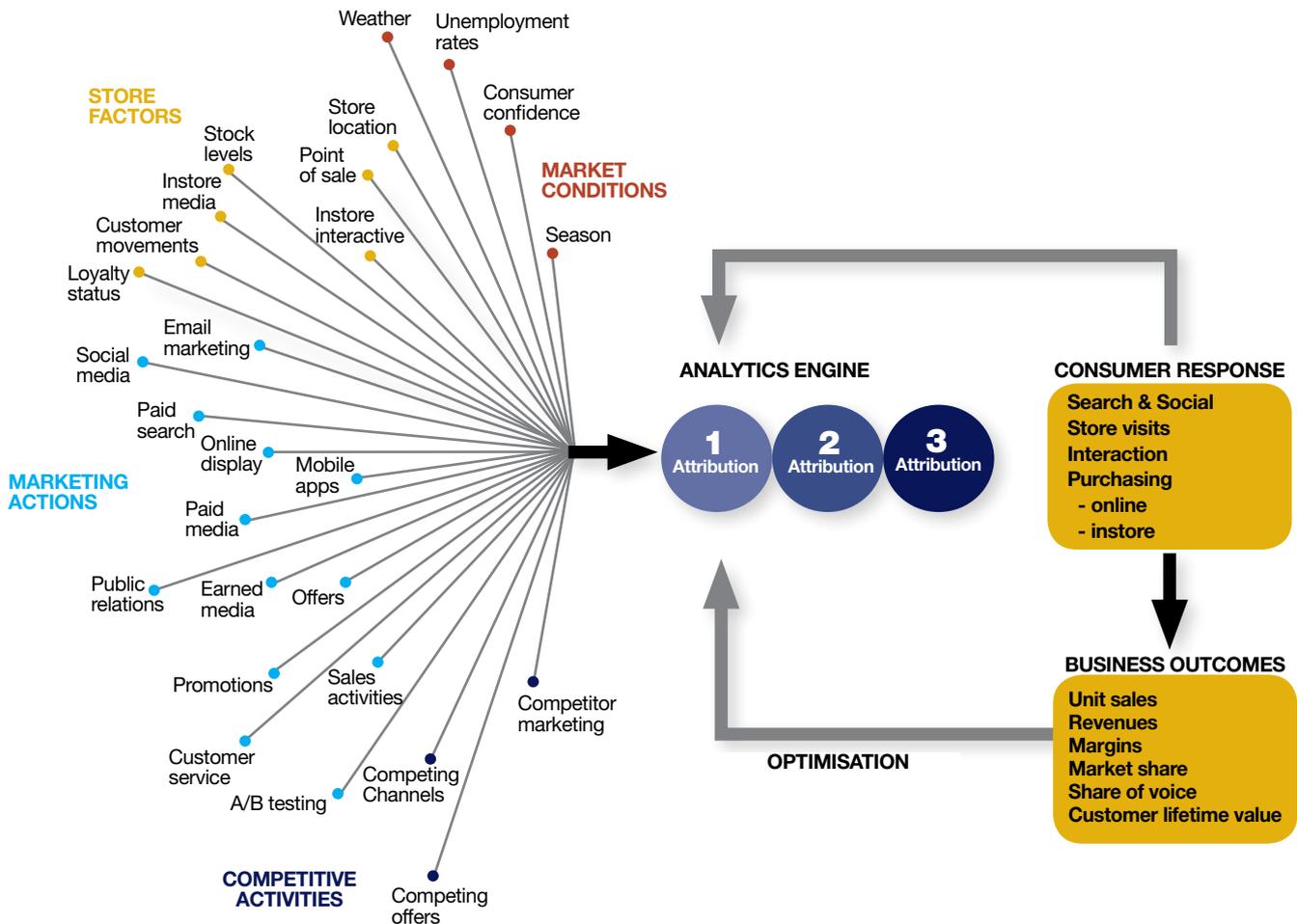
Opening up the online channel in the physical environment simultaneously opens up exiting new data sources for retailers.

And as the lines between store and online blur, all those new analytics, optimisation and automation tools can be applied.



The potential end point in all this could just be a change in the very function of the store, from a repository of product, to an order-taking experience centre.

And that could mean smaller footprints and fewer staff. There's gold in them there screens!



Who's using instore digital data, and how?

Three years ago, Macy's was still relying on Excel spreadsheets to analyze reams of customer data. Things have changed. Big data analytics has helped Macy's boost store sales by 10 percent, according to Karem Tomak, vice president of analytics. Wal-Mart generates a million rows of transaction records every hour, according to Bank of America Merrill Lynch. Kroger CEO David Dillon has called big data analytics his "secret weapon" in fending off other grocery competitors. Here are some examples of what's happening at store level.

- Opensign is running customer wine-advice tablets in one of Coles' liquor chains and optimising web page design as a result of interaction data analysis. Similarly its touch-screen stations in Bedshed stores record customer proximity and measure the proportion of those who interact. This can be correlated against A/B testing of screen content and offers to assess popular lines.
- Kraft has partnered with Intel to create an in-store kiosk that leverages video analytics to assist shoppers with product recommendations based on their physical characteristics and past purchasing history.
- IBM helped German retailer METRO boost customer satisfaction by 18 percent with intelligent dressing rooms that would detect the shopper's current apparel selection and make appropriate recommendations for accessories.
- RetailNext uses a variety of sources such as surveillance video cameras, RFID tags, POS systems, to collect up to 10,000 data points per store visitor, translating to trillions of analytic data points. Retailers such as American Apparel use this technology to optimize store layouts, fixtures, staffing, and even product offering.
- Euclid Analytics provides a similar solution, but relies exclusively on Wi-Fi pings emanating from shoppers' smartphones to track their in-store location. They then analyze this data to measure engagement rates, traffic conversion paths, and identify weak points in the shopping experience.
- NEC has built a system called NeoFace that can alert staff when a loyal customer walks into a store.
- Luxury bag retailer Rickshaw Bagworks asks for the customer's Twitter handle at checkout, then tweets a picture to that handle of the bag as it drops off the production line

Successful retailers will undoubtedly innovate around these and other emerging technologies. At the end of the day, the shopper will be better served and the retail operation will become more effective and efficient.

A note about privacy

Retailers should be aware that a privacy debate is raging about systems that recognise faces and physical movements instore. The mechanisms employed for data collection in the physical world are different from what we are used to in the digital world. Physical retailers will have to be transparent in their data collection practices, respect individual's privacy concerns, and honour customer preferences. Ironically concerns affecting digital collection have been largely set aside by customers who have a greater understanding about the benefits eg Google providing tailored search results. This level of acceptance certainly applies to the use of touchscreens in the store – as they are essentially just another digital channel.

Stores remain a crucial asset by which traditional players can differentiate themselves from the online pure-play retailers

Chris Donnelly, global managing director, Accenture Retail

About ConnectedStore

ConnectedStore provides consultancy and technology products to help retailers move toward omni-channel retailing.

Contact **Mark Schroeder** on 0417 371 071
Connectedstore.com.au