

FIVE TECHNOLOGIES

RETAILERS CAN ADOPT TODAY

FOR A SUCCESSFUL 2015

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Webinar Brief

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Exploiting These Leading-Edge But Underused Solutions Can Provide A Competitive Edge For 2015 And Beyond

When it comes to the products they sell, retailers are always on the lookout for the newest, freshest items, but they have traditionally been less willing to adopt the newest solutions available in the information technology arena. This reluctance to be on the leading edge of technology was a solid survival strategy when the pace of change was slower, when consumer devices possessed less flexibility and computing power than they do today.

The cautious “wait and see” attitude among retailers toward innovative technology has run head-on into what IDC Retail Insights describes as today’s “Five ‘I’” Shopper:

- **Instrumented** through mobile devices
- **Informed** through “always-on” Internet access
- **Interconnected** through social communities
- **In-place:** in-store, in public or at home
- **Immediate** in his or her ability to take action

According to IDC Retail Insights Senior Research Analyst Miya Knights in a recent *Retail TouchPoints* webinar:

“IDC has found that no fewer than 2.2 billion smartphones will be shipped worldwide this year, and in the next four years, through 2018, the growth rate is going to exceed that increase at the rate of 3.9%. So being aware of and being able to manage your instrumented shopper, who is by definition informed if they have always-on Internet access, is going to be key.”

Today’s highly informed and connected consumers seek the integrated, omni-channel experiences that only innovative technologies can deliver. Shoppers now increasingly expect all retailers — not just market leaders and pure plays — to deliver consistently high levels of convenience, selection, service and customer-centric bridging of digital and in-store experiences.

These five leading-edge yet currently underused technologies can, if adopted by agile retailers, make a positive impact as early as 2015 — and potentially well beyond. They are:

- **Geofencing** for location-based marketing
- **Beacons and Bluetooth Low Energy** technology for proximity marketing to consumer mobile devices
- **Augmented reality**, in-store and for virtual fitting rooms
- **Highly personalized and contextual marketing, communications and promotions**
- **Aspirational/hyper-convenient services**, e.g. same-day delivery for premium items

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- Miya Knights, IDC Retail Insights

I. GEOFENCING

Geofencing, as its name implies, establishes a location-specific virtual “fence” that, when crossed, can send push notifications (text messages, emails or banner ads on mobile sites or apps) to smart mobile devices. Geofencing already is being used for this type of proximity-based marketing by a number of retailers, demonstrating its value in uniting the personal digital experience with in-store environments in real time.

There are strong indications that lingering concerns about shoppers disliking these types of “push” notifications are disappearing as mobile devices become ever more tightly woven into consumers’ lives. In fact, nearly half (47%) of consumers surveyed by comScore reported that they would be more likely to shop in a store that pushed a coupon or promotion to their smartphone when they were in a store or nearby, according to the [*2013 UPS Pulse of the Online Shopper*](#) study.

Creative uses of geofencing technologies already are producing results. In a recent pilot program, Dunkin’ Donuts® placed geofences not only around its own shops but around those of competing coffee shops and convenience stores. The campaign also delivered banner ads to targeted devices that ran on recipients’ favorite apps or mobile websites. Consumers who clicked on the ads could either redeem the coupon immediately upon entering the Dunkin’ Donuts store, or save it to their phone for later use. Results showed that 36% of consumers who clicked on the offer took some secondary action, with 18% saving the coupon and 3.6% redeeming the coupon immediately, according to an August 2014 report in [*Mobile Commerce Daily*](#).

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- 2013 UPS Pulse of the Online Shopper



II. BEACONS AND BLUETOOTH LOW ENERGY TECHNOLOGY

The logical in-store extension of geofencing technologies involves strategically placed beacons capable of interacting with shoppers' mobile devices. These beacons, particularly those using Bluetooth Low Energy (BLE) technology, are attractive to retailers because 1) the technology can easily be associated with a particular category, aisle or product; and 2) because their long battery life and "always-on" status allow for easy maintenance. In addition, the technology capable of sensing beacons is already embedded into the operating systems of most popular consumer mobile devices.

As with geofencing, shopper proximity to a beacon can trigger a "push" message, but these can be quite personalized. Consumers can access detailed information on a product, creating greater in-store engagement and further bridging digital with brick-and-mortar shopping experiences.

An integrated network of beacons also can serve data-gathering purposes for retailers, providing them with a deeper picture of store traffic patterns. This data can be mined for deeper insights about the effectiveness of store layouts, product placement and promotional campaigns.

Sheryl Kingstone, Yankee Group Research Director for Mobile Leadership Strategies, observed in a *Mobile Commerce Daily* [webinar](#) that "beacons bring in a location-based marketing approach where there wasn't before and build upon a consumer profile, to make it easier to communicate and ensure interaction doesn't intrude with user experience, creating personalized product information and location on a consumer's journey."

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- Sheryl Kingstone, Yankee Group



III. AUGMENTED REALITY

Augmented reality (AR) technology, which leverages mobile devices as well as the emerging class of wearable technology (e.g., Google Glass™), provides an individual view into a shopper's world and further links the digital and in-store shopping journeys. In addition to engaging consumers on deeper and immediate levels, AR applications can lower a retailer's inventory requirements while expanding sales opportunities.

Other AR solutions operate as virtual fitting rooms, allowing shoppers to virtually "try on" garments. Other types of retailers also can benefit from this technology. For example, nail salons can display how various colors of polish would look on a customer's hands, or

luxury retailers can allow consumers to try on jewelry remotely through their website. With the ubiquity of mobile technology, shoppers can use such solutions at home, on the go or inside the physical retail environment.

Furniture stores also are taking advantage of AR to demonstrate how various furniture combinations would look in a customer's home. These apps display chairs, tables and sofas by projecting a visual replica through the smart device's camera. Users can reposition virtual items at various angles or in a variety of colors and styles so they can achieve a real sense of how each piece will fit within their existing décor and improve purchase satisfaction.

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IV. HIGHLY PERSONALIZED AND CONTEXTUAL MARKETING, COMMUNICATIONS AND PROMOTIONS

Consumers are faced with an almost overwhelming array of choices, and while this abundance empowers many, it can confuse others. The opportunity for retailers lies in personalization — including curating their product selections so they appeal to specific customer segments, or even to individual customers — and contextualization.

Contextualization enhances personalization opportunities by adding activity dimensions to the existing identity factors (e.g., age, gender, demographics) that steer personalization efforts. Contextual cues can be based on the time of day a shopper enters a store or accesses a mobile website, as well as his or her current location. They also can be device-specific and provide various messaging, depending on whether the shopper is using a laptop, smartphone or tablet. Cloud-based systems that respond to the type of device used are critical in today's available-anywhere, always-connected environment, notes IDC analyst Knights.

Contextualization also can overlap with personalization by incorporating an individual customer's purchase history. For example, website visitors who are first-time purchasers

might qualify for a 10% discount on selected products, but returning shoppers identified as high-value customers could qualify for an even larger discount of 25% so retailers can cultivate greater brand loyalty.

While contextualized offers can depend on dynamic factors such as a consumer's device, at the same time these offers must be aligned with the full spectrum of marketing communications that a customer receives. "Retailers have to 'layer in' contextual incentives," such as promotions, coupons and discounts, according to Mike Haze, Director of Product Management for [Mozu](#).

"Even the items that retailers recommend for cross-sells and upsells are types of incentives," Haze says. "These are the traditional tools that we use today, but the challenge is that shoppers go off and on our websites [during their shopping journeys]. Retailers need a tool that allows them to launch a new promotion or a new discount, but that also will be tied in concretely and have the same messaging that is unified with an email marketing system."

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V. ASPIRATIONAL/HYPER-CONVENIENT SERVICES

Amazon.com, Inc.[®] CEO Jeff Bezos made headlines last December when he announced that his company was exploring the use of drones to deliver packages. Last month, Lowe's[®] announced plans to introduce two autonomous retail service robots in an Orchard Supply Hardware[®] store in San Jose, Calif. (the heart of Silicon Valley). The robots will provide customers with real-time information about product promotions and inventory, including near-future plans to communicate with customers in multiple languages and remotely connect shoppers to expert employees at other stores.

Even if widespread practical use of innovative technologies might be years away, these retailers' bold moves highlight that many of today's tech-enamored consumers embrace the future of retail today rather than tomorrow — especially when these technologies bring convenience to the shopping journey.

Retailers not ready to invest in remote-controlled flying delivery or in-store robots still can take other actions in the interim. Many omnichannel retailers already are

leveraging their brick-and-mortar stores as distribution points for digital sales, enabling next-day (or even same-day) delivery in wide geographic areas.

Retailers also can gain points with customers by simplifying processes such as returns. The aforementioned comScore study identified multiple elements that consumers valued most as part of a product return transaction, including:

- Free return shipping options (65%);
- Return labels included in the box containing the original purchase (53%);
- Automatic refunds to debit/credit cards once returned items are received (47%); and
- The ability to return items to a store (39%).

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CONCLUSION

Successfully deploying any or all of these solutions in a retail enterprise will require more than just adopting new technologies. What will really be needed is a rethinking of the role of the traditional IT department, relieving it of direct responsibility for the kind of dynamic, responsive solutions today's line-of-business executives require.

According to IDC analyst Knights, "I know that marketers and merchandisers want to be able to do business on the move, to be able to see the effects of new features they've rolled out very, very quickly. The technology architecture must support multi-site, open APIs, and it has to support responsive websites as well — and even the development [for] that, because that's the way retailers are deciding to build out the online side of their omnichannel strategy."

Knights also believes that user-friendly UIs and reporting structures, as well as drag-and-drop functionalities that relieve the

need for coding changes, will be important, empowering elements of this new, more decentralized technology innovation model for retailers.

With 2015 — the midpoint of the 21st century's second decade — just around the corner, the time is ripe for retailers to explore the kinds of leading-edge, underused technologies identified in this executive brief. They can use geofencing, in-store beacons or augmented reality apps to enrich interactions via shoppers' ubiquitous mobile devices. Retailers can layer in contextualization to their customer segmentation and personalization efforts, cutting through the competitive clutter and showing shoppers that they are conscious of and connected to not just who shoppers are, but what they are doing at any given point in time. And retailers can point the way to a more convenient technology-enabled future, while taking concrete steps to streamline the shopping experience today.

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- Miya Knights, IDC Retail Insights





About Retail TouchPoints

Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The Retail TouchPoints network is comprised of a weekly newsletter, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The Retail TouchPoints team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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About Mozu

Brought to you by Volusion, Inc., Mozu is the commerce platform for today's omnichannel marketplace.

With Mozu, retailers can manage their commerce, content and customer experience across every channel and on any platform. Designed with an API-first architecture and built to meet the demands of the modern consumer, Mozu provides truly limitless commerce to an ever-changing business landscape. To learn more, visit mozu.com and [@MozuCommerce](https://twitter.com/MozuCommerce).

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