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# Targeted Marketing

Beacon technology offers many marketing opportunities, but should indies invest?

By David Diamond

**A**t recent trade shows, conferences and meetings, a lot of the buzz has been about an emerging technology at retail — the use of short-range beacons as communications tools in the retail environment. Enough chatter is going around that it may be confusing for some independent retailers.

Let's start with the basics of the technology. Beacons are low-cost

devices (costing \$15-\$20 each) that can be positioned in retail environments and tasked with continuously scanning a designated area, which can be as small as an aisle or as large as a parking lot, for specific mobile devices. In general, the beacons are looking for smartphones whose users have opened specific apps, though some of the technologies allow for connecting with a closed-but-downloaded app.

To be more specific, if I am store

A, and I can get people to download my app, I can then communicate with them on a highly targeted basis. I can find them in front of the frozen pizza and suggest that they try the fresh pizza in the deli instead. I can find them in the avocado section and alert them to the location and sale price of tortilla chips. The marketing applications are manifold and very interesting as well.

For at least 30 years, marketers have been trying to reach the right consumers at the right place with the right message at a reasonable cost, and beacons provide another step forward in the ongoing process of trying to attain this goal. Beacons seem to meet all of the criteria for a successful marketing



tool: They are relatively inexpensive, the technology is relatively durable and proven, and the targeting they deliver represents a significant step forward from the current state of the art.

### **Segmenting Consumers**

But let's take a deeper dive into what makes beacons work. It's not just that they can deliver a specific message at a specific place; there's an older, cheaper, easier way to do that — we call it signage. Going back to the example above, if letting everyone who's shopping for avocados know that chips are on sale in aisle 4 is a good idea, just post a sign in front of the avocados. But if you want to move the state of the art forward, you need to segment consumers by their historical purchasing patterns.

For the consumers who buy avocados but never buy chips — let's assume that they use the avocados on salads — send them nothing at all. For consumers who buy avocados and chips together but typically don't look for deals, tell them that the chips are in aisle 4, but don't mention any sale. For the consumers who buy avocados and chips together and are always looking for deals, let them know that Brand X chips are on sale in aisle 4. Beacon technology works when it is harnessed to deliver the right message, at the right place, to the right people.

The leader so far in deploying beacon technology is Macy's, which has installed about 30 beacons in each of its stores across the country. The department store has partnered with Shopkick, a leader in the technology, to install the system. Shopkick VP of Retail Diane Sasseville Sweet declines to share specific metrics, but notes that Macy's has been a partner for five years and is very happy with the system. In addition, Sweet says that Shopkick has built a network of more than 23 million consumers who have downloaded the app across a variety of retail partners, so the technol-

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ogy has some significant traction in the retail marketplace, if not yet in supermarkets.

### **Better Together**

While the technology behind beacons seems very promising, the value of marketing applications powered by beacons is still yet to be proved. Among other things, one of the critical issues regarding beacons is that they seem to have far more value when deployed in conjunction with other marketing approaches than when deployed alone. When deployed alone, beacons simply provide signage micro-targeted by location. But when integrated with customer data, the targeting becomes far more precise and more interesting.

Similarly, beacons rely on consumers to download an app — the Shopkick app connects with consumers only when they have downloaded the Shopkick app on their smartphones — so retailers that have developed apps that have been widely downloaded are going to be able to derive far more

value from beacons than those that are using beacons on a stand-alone basis.

What does this mean for independent retailers? It depends. You need a robust frequent-shopper database with cell phone numbers to derive significant value from beacons. If you don't have that, your beacons won't be able to communicate at the level of sophistication needed to drive real value. Beyond the frequent-shopper database, you also need to have already developed an app that's been widely downloaded. Without that element, you won't have a mass of consumers ready to receive the highly targeted messages.

So if you're considering beacons, first make sure that you have a solid frequent-shopper program in place and a popular app. If you don't have those two things, focus on developing one or the other of those two marketing approaches while you wait for the beacon market to develop and mature. **PGI**

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