

Retailers look to high tech to engage visitors to their store

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The store, that basic building block of commerce, is emerging as a high-tech laboratory.

All sorts of things are bubbling up - from exotica such as holograms and virtual reality to more-prosaic but potentially more-useful technology - as legacy retailers seek to merge their physical outposts with the online world.

The transformation has chains making major investments, and Kohl's Corp., headquartered in suburban Milwaukee, is no exception.

In 2013, the retailer to middle America's moms opened a technology center near San Jose, Calif., with a staff of a little more than 30. Today, some 200 people work there on e-commerce, mobile applications and farther-out experiments like holographic displays using water vapor, or a "digital hanger" that, when a blouse is removed, triggers a nearby screen showing suggested coordinating items.

This sort of testing has become widespread in retail, where department stores and even big-box discounters struggle with sluggish sales and warily watch the growth of online giant Amazon.

Target is evaluating inventory-taking robots, operating a showcase store for home technology, and exploring new ideas in retail through an alliance with highly regarded startup accelerator Techstars.

Home-improvement chain Lowe's is using virtual-reality equipment to help shoppers envision the results of remodeling projects.

Macy's is testing an [artificial intelligence](#) tool from IBM Watson to answer shopper's questions, and has fitted its department stores with signal-emitting "[beacons](#)" that sense the presence of nearby customers with smartphones and can ping them with messages or offers.

The quest to blend brick-and-mortar with online shopping has spawned a rash of industry buzzwords. There's the ubiquitous "omni-channel," and lots of talk of making shopping "seamless" and "frictionless." Some even figuratively crunch the physical store with digital commerce and declare that retail is going "phygital."

The payoff for the many initiatives, however, remains uncertain. Much of the experimentation amounts to hunting in the dark, said Doug Stephens, founder of Toronto-based consultancy Retail Prophet.

"That's precisely it," Stephens said. "Companies are saying we need to go to trial with beacons, or we need to go to trial with artificial intelligence, or big data. They're starting with the answer. What they haven't determined is, what's the question."

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Take beacons. They've been among the most-discussed retail technologies, both for their potential to give merchants detailed data on in-store traffic patterns, and their capacity to send relevant marketing messages to the phones of shoppers as they linger in, say, the cosmetics section or the sporting goods department.

That sounds promising, but there's debate on their efficacy, and differing views on implementation.

Chicago public relations firm Walker Sands says its online survey of more than 1,400 U.S. consumers early this year found that most would opt in to being tracked by beacons while shopping, given proper incentives.

But industry analyst Paula Rosenblum is among the skeptics.

"There remains no evidence, and I want to say no evidence, that consumers are going to accept tracking in stores," said Rosenblum, managing partner at Retail Systems Research and a former retail technology executive.

Macy's has beacons throughout its stores. Target, which launched a test last August in 50 locations, believes the technology "has a real future," spokesman Eddie Baeb said.

But Kohl's seems to have cooled on beacons. Not quite two years ago, amid a 22-store test, Ratnakar Lavu, then executive vice president for digital technology, said Kohl's would roll out beacons to the rest of the chain in 2015.

That didn't happen. Instead, Kohl's pulled its beacons out of the test stores and is re-evaluating the devices, said Lavu, now [chief technology officer](#).

He thinks beacons have strong analytic potential, showing retailers how many people visit a store, how long they stay, what they look at, and what those specific people actually buy - the same sort of data routinely mined in online commerce.

But he's less optimistic about prospects for using the tracking technology to send people offers as they shop.

"I think that will just be way too much noise," Lavu said.

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Kohl's is preparing to deploy mobile payment in its stores, probably this fall. The option will let customers use their phone rather than a credit card to make purchases, with their loyalty points, "Kohl's Cash" and discounts automatically incorporated into the transaction.

"Make it easy with one click," Lavu said.

Wal-Mart introduced payment by phone earlier this year. But Target, for its part, seems to have less interest.

"Frankly, credit cards and debit cards are a fine and really good tool," Baeb said.

Target is, however, keen on radio frequency identification. With RFID, suppliers attach small tags or markers to products - women's slacks, for example - that can be read by an employee walking the aisles with a detector.

Thousands of items can be counted in minutes, making short work of inventory-taking. And the technology allows employees to quickly locate items for customers who bought online but are picking up at a store - a service that now accounts for 15 percent of Target's digital sales.

The retailer isn't using RFID on all products, but is expanding its presence throughout the chain. Kohl's, which also has launched buy-online, pick-up-in-store, is testing RFID, too.

It's all part of the inevitable starts and stops in an era of rapidly moving technological change. Some of the experimentation seems to be spurred

by fear of Amazon and its remarkable growth - sales rising from \$48 billion in 2011 to \$107 billion last year.

In early 2013, internet pioneer, venture capitalist and former Wisconsinite Marc Andreessen told tech news site PandoDaily that retail chains were "a fundamentally implausible economic structure" and would fold in the face of online competition.

But e-commerce, while rising, still accounts for less than 8 percent of U.S. retail sales, and the touch-and-feel capacity of stores could keep them around for a long time.

"Stores are still very much a key component of the overall retail landscape," said Adam Pressman, a partner at Chicago-based management consulting firm A.T. Kearney. "And creating environments where the customers can come in, enjoy, interact, is likely to become even more important as we go forward."

That's part of the shopping-as-experience approach that many observers believe brick-and-mortar retailers should embrace, turning their expensive physical presence into an asset.

"When we think about where the world is going to go, we're going to have physical stores," Sona Chawla, chief operating officer at Kohl's and a former high-ranking tech executive with Walgreens, said. "I have a belief that technology enables that physical store to be much more relevant in the future."

For one thing, she said, technology will help make shopping more convenient - an "experience" Kohl's believes its customers value.

For another, Chawla said, it is enabling Kohl's to use the vast pool of data it now accumulates to increasingly localize selection in each of its

more than 1,100 stores.

"So a lot of our (technology) focus today isn't necessarily on the sexy bells and whistles; it really is about bringing that vision to life," she said.

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