

Is In-store Digital Ready for Prime Time?

Consumer-facing tech garners mixed reviews.

By John Karolefski



TAGS, THEY'RE IT Interactive shelf tags, like these at Kroger's Cold Spring, Ky., store, are emerging as a key component of the in-store digital experience.

The supermarket setting is gradually becoming more digitized, with beacons, video screens, and at-shelf electronic pricing. Although deployment of consumer-facing technology is generally considered modest in grocery stores across the country, there's enough of a track record to study its early performance.

What's the report card?

Rajeev Sharma, president of VideoMining Corp., a State College, Pa.-based provider of in-store behavior analytics, believes that many of the digital technologies deployed in supermarkets are still in their early phases, so the net impact on the shopping experience is minimal. So far, however, in-store digital signage has been used effectively by several retailers to improve the shopper experience, while at-shelf signage and electronic pricing are undergoing pilot testing by many retailers, with some

positive initial results, Sharma adds.

Evaluating effectiveness is challenging because the purpose of such technologies is often unclear, according to David Shukri, "retail champion" at Mindtree, a Warren, N.J.-based IT services and consulting firm.

"Do they help to increase basket spend or support loyalty and retention?" he asks. "We have to be careful as market observers and technology vendors not to overplay the 'wow' factor at a time when an increasingly tech-native population will view something either as business as usual or unnecessary noise."

Shining Beacons

For his part, Barry Stone, director of marketing at New York-based Digital Social Retail, is more enthusiastic about emerging technologies in grocery stores.

"The latest digital technologies, such as beacons and digital signage screens, have enhanced the con-

Continued on page 100 ➤

“
Kroger's intent is to provide the best digital experience.”

—Brett Bonner, Kroger



WEIGHING OPTIONS
Kroger's Scan, Bag, Go system allows shoppers to input their product prices, including produce.

► *Continued from page 97*
 summer's grocery shopping experience by making it easier for customers to be notified of special promotional coupons, and provide an easy way for consumers to navigate grocery stores for specific items," he says. "These tailored technological interactions with the customers result in increasing customer loyalty. The best customer to have is one who keeps coming back."

To illustrate his opinion, Stone points to an excerpt from an article in *Forbes* magazine that discusses the rising trend of beacon technology: "Beacons — sensors that are embedded throughout a retail store's digital touchpoints like shelves, signs and product displays, and can interact with mobile devices using low-energy Bluetooth signals — will continue to gain momentum in the next 12 months."

Indeed, while beacon technology has yet to be widely deployed in grocery stores, surveys show that about a third of consumers are receptive to receiving in-store notifications from beacons, with the highest concentration among 25- to 30-year-olds, notes Mike Puffer, who leads product strategy at Detroit-based HelloWorld, a digital marketing solutions company.

"Kroger, Walmart, Whole Foods and Target are among the top grocers and retailers to watch," he asserts. "They have made a significant investment of time, energy and capital into their digital innovation."

For example, Kroger's 55,000-square-foot supermarket in Cold Spring, Ky., 10 miles southeast of its hometown of Cincinnati and a December 2015 *PG* Store of the Month, serves as a testing lab for the latest in-store technologies, enabling the country's largest traditional grocer to set the standard for how shopper engagement will be conducted in the future.

"We are interested in creating a better shopping experience," asserts Brett Bonner, the retailer's VP of research and development.

To achieve that goal, Kroger has put together a digital ecosystem that blends shopper-facing hardware with sophisticated technology behind the scenes. Here are two of the most promising applications:

Shelf Edge: The center store is outfitted with "smart shelves" in the form of small rectangular tags that display digital prices and ads. There are some 2,000 Edge tags that replace paper tags, eliminating the need for store associates to change them periodically



by hand. In the future, the tags may be able to provide nutritional information and motion video, as well as communicate with a shopper's smartphone.

Scan, Bag, Go: At the entrance of the store, customers are greeted by a Scan, Bag, Go kiosk loaded with hand-held scanners to use while shopping. They can scan and bag products, including fruits and vegetables in the produce department. When finished, they scan a special barcode on a terminal at the front of the store that transfers their order to the checkout.

"We're still in the test-and-learn phase," notes Bonner. "There's a lot we learned in this store, and we are still learning. Kroger's intent is to provide the best digital experience."

Meanwhile, Dollar General, in partnership with Coca-Cola and HelloWorld, has deployed beacons in 13,000 store locations to provide a unique experience and deliver value for both the shopper and the retailer. Shoppers who download the store's app and opt into the program receive messaging and/or coupon offers triggered by the shoppers' proximity to in-store beacons.

The messaging encourages Coca-Cola purchases when shoppers are in certain locations, such as near a Coke beverage display, and aims to increase basket size. Not only has this solution been rolled out nationally, but Goodlettsville, Tenn.-based Dollar General continues to evolve and refine it. Several promotional strategies and individual marketing content tied to the initiative have been advanced throughout the year, tying into key shopping periods such as holidays.

"As the hesitation around proximity marketing erodes further and infrastructure evolves, the capabilities become limitless," explains HelloWorld's Puffer. "Consider a retailer's ability to shift traffic from the perimeter and drive center store sales by directing users to the shelves and sections of the store to find the items on their wish lists. Think

“As the hesitation around proximity marketing erodes further and infrastructure evolves, the capabilities become limitless.”

—Mike Puffer,
HelloWorld

**STRIP MINING**

Ways to get shoppers out of the store more quickly include paying for groceries from a hand-held device.

about the ability to highlight a product at shelf when a user has identified it as an item on their list, when the consumer nears that shelf location. These experiences are being experimented with today.”

According to Digital Social Retail’s Stone, beacons enable retailers to do the following:

- ▶ Track the location of customers as they enter the store, browse and complete their shopping
- ▶ See what aisles customers are spending the most time in while in the store
- ▶ Understand how many customers open the push notifications, redeem coupons or sign up for loyalty reward programs
- ▶ Conduct customer surveys to instantly obtain valuable customer feedback and data on their shopping experience



Retailers should first ask the question, ‘Does this technology make shopping easier for my customers, or is this technology for technology’s sake?’”

—Mark Heckman, Consultant

Moving Forward

Obviously, there are plenty of grocery stores without any of these new in-store technologies. What’s the thinking of these retailers? Why don’t they invest?

“Many grocery stores may not be employing this type of technology yet due to a lack of understanding of how beacons or digital signage can increase store revenue and foot traffic,” Stone suggests.

“Pushing coupons directly to a consumer’s mobile device can increase impulse buys by 19 percent, says Nielsen Media Research.”

Consultant Mark Heckman believes that retailer reluctance can be traced to the nature of the technology. For example, non-customer-facing technology that works behind the scenes to reduce out-of-stocks,



shorten checkout lines, and better manage merchandising and inventory isn’t optional for long-term success. Retailers must invest in these to compete.

“But customer-facing technology such as in-store touchscreens and the emerging locational targeting technology of beacons and WiFi are another story,” he’s quick to add. “Retailers should first ask the question, ‘Does this technology make shopping easier for my customers, or is this technology for technology’s sake?’”

VideoMining’s Sharma surmises that some retailers are naturally cautious about investing in technologies that are as yet unproven. That could be a mistake, however.

“I do think they should invest in new in-store technologies, because it would be a huge competitive disadvantage to be a slow adapter,” he cautions, “especially as the younger generation of shoppers come into their stores expecting access to some of the new technologies and applications that they see and use in other stores and channels.

“Grocery stores are now beginning to feel the impact of competition from online retailers,” continues Sharma. “In-store digital technologies provide new ways to begin to counter those challenges, along with good omnichannel strategies.” **PG**

Future in the Physical

Investing in cutting-edge in-store technology can be intimidating for grocers, especially when many are focusing more on e-commerce expansion as part of an omnichannel survival strategy. It should never be overlooked, however.

Although digital retail is capturing headlines, physical stores remain critical, according to “On Solid Ground: Brick-and-Mortar Is the Foundation of Omnichannel Retailing,” a July 2014 report from Chicago-based consultancy A.T. Kearney. Some 90 percent of all retail sales are transacted in stores, and 95 percent of them are captured by retailers with a brick-and-mortar presence.

“Stores provide consumers with a sensory experience

that allows them to touch and feel products, immerse in brand experiences, and engage with sales associates who provide tips and reaffirm shopper enthusiasm for their new purchases,” A.T. Kearney says.

Additionally, two-thirds of consumers who purchase online use the store before or after their transactions. In these cases, the store makes a significant contribution to converting the sale, even though the transaction eventually is registered online.

“The debate should not be a question of digital or physical,” A.T. Kearney notes. “Successful retailers understand how each customer touchpoint adds value ... and develop omnichannel strategies — with stores as the foundation — that maximize customer satisfaction with profitability.”

—Randy Hofbauer