

# Shop Now!

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**T**echnology is exploding into the world of retail, bringing with it a stunningly different approach. In this world, a store is no longer a place but a customized experience, requiring as much or as little interaction as the shopper chooses. The store is ubiquitous — on the shopper's desktop, in her mailbox, on her phone, in a subway platform, in a kiosk by the gas pump — every bit as much as on the street corner in the shopper's neighborhood.

Retailers today, all around the world, recognize that winning a larger share of the shopper's wallet will only come to those who innovate and integrate — who make it easy for shoppers to *shop now!*

For retailers, it is an exciting time — a time to assess their readiness and determine their path in this new world. For suppliers, this new approach at retail presents opportunities to be more than a box on a shelf in the retail environment. For those who can bring creative ideas to the retail discussion, it is an opportunity to grow with these innovative retailers.

Where are the opportunities? Some of the most exciting retail innovation developments can be sorted into five key trends: 1) A Branded Experience; 2) Self-Service; 3) Personalization; 4) Multimedia Touchpoints; and 5) Multichannel Integration.

**A Branded Experience.** Of the five trends, a branded experience is the most critical because it lays the foundation for retail innovation. It takes the understanding of who the retailer is and what sets it apart from its competitors, and translates it into a relevant experience for its shoppers. As a result,

it directs and informs the subsequent innovation choices each retailer makes.

The new Duane Reade drug store on Wall Street is a great example. What is today's shopper looking for from a drug store? Health, beauty and convenience generally top the list. This new Duane Reade store delivers on these expectations.

For health, in addition to pharmacy and over-the-counter remedies there is a doctor in the house. For beauty, they have designed a highly branded cosmetics section that combines elements from both a salon and a high-end department store, with product displayed as works of art.

For convenience, Duane Reade offers anything a good Wall Streeter would need — from a shoeshine to sushi and everything in between. They are delivering a branded experience — taking who they are and what they stand for and tailoring it to what the shoppers in that store need (or desire) in both product assortment and environment.

But Duane Reade is not alone, as many other retailers also offer distinctive branded experiences: Apple and Nordstrom's superior service; Target's mastery of bringing design to the mass channel; Costco and Dollar General's unique value propositions. None of these distinctions is product-based, yet all clearly are differentiating.

**Self-Service.** Self-service is the ability of shoppers to research and purchase an item on their own terms, with assistants taking place of human labor. This, of course, is the very foundation of internet sales, which in 2011 totaled approximately seven percent of US retail sales and are expected to almost double by year-end 2016. The most convenient thing about buying online is the ability to research relatively complicated purchases on an unbiased basis, lay out product comparisons, secure the opinions of current and previous users, and then make the final purchase decision on one's own terms without feeling "pressure" from a sales person.

Beyond the internet, self-service has transformed industries like transportation with check-in kiosks

## The retail experience must be wherever shoppers want it to be.

for airlines, banking with ATMs, and entertainment with Redbox and video streaming. Because labor is 50 percent of most retailers' operating expense, look for the trend toward self-service to accelerate at retail, as well.

Expect retailers to ask suppliers for QR codes on packaging to explain what clerks can't, explanatory HD video loops and educational sampling, participation in eating-healthy apps that inform and guide, and so forth — whatever the supplier can provide to make it easier or faster for the shopper (while lowering the retailer's labor costs at the same time).

**Personalization.** The ultimate goal retailers are trying to achieve with personalization is for a shopper to view that retailer as “my store” or a “store that gets me.” The Miele Inspirience Centre, a 32,000 square-foot high-end appliance showroom in the Netherlands does this by taking personalization to an entirely new level. Rich digital media provides intelligent, personalized interaction with the shopper. Shoppers are greeted at the reception desk and register with an iPad. As they carry the iPad throughout the showroom, it acts like a personalized GPS system, triggering customized messaging throughout each area, highlighting the product benefits most relevant to them.

Emerging technology can also enable shoppers to customize cosmetics, clothing, accessories, food items, and even hairstyles to reflect their personal needs. Custom coffee grinding has been an integral part of many supermarket coffee aisles for years — but have you tried the hairstyle kiosk which takes your picture and then allows you to alter style and color in hundreds of different ways without the risk of scissors or dye job before making a purchase decision? After you make your choice, the kiosk prints out a picture of the style and color you prefer, which you can then take to your hairstylist to replicate.

Another example of personalization is the digital cosmetic mirror which Japanese beauty retailer Shiseido has installed to allow shoppers to have makeup “virtually” applied to their electronic image by merely scanning barcodes of colors or brands that look appealing.

The US equivalent of this is EZface, a technology that gives shoppers the option to snap their photo and capture information on their skin tone, hair and eye color. Users can then test the makeup by scanning

barcodes to see what will work for them.

The advantage to retailers is that these technologies allow consumers to test products without opening containers — a savings of approximately 10 percent of each store's cosmetic product inventory. The advantage to shoppers is the ability to find the right colors without guesswork or messy makeup removal. Along these same lines, Macy's is testing a “virtual” dressing room where shoppers can try on clothes — no changing required! A camera also allows the shopper to upload the image to Facebook or send it to friends for their input.

Speaking of Facebook, expect the facial recognition software Coke used at its 2011 “Summer Love” experience in Israel to show up at retail. Once a visitor's face is registered with the software, it automatically recognizes him or her on any screen at the venue and uploads images of the fun to the individual's Facebook page. The opportunities for personalizing the shopping experience are enormous.

**Multimedia Touchpoints.** New multimedia touchpoints help to personalize and shorten the shopper's path-to-purchase. Almost two-thirds of Millennials use their mobile phones for shopper-related activities — they call to ask somebody about a product, text a friend for their opinion, send a picture of a product, scan a QR code, access the internet to compare prices or to secure product reviews, and — finally — make the purchase directly via the phone.

Not surprisingly, multimedia usage varies by generation: the younger the segment, the more technically adept they are. For example, 26 percent of Gen Y and Gen Xers have researched a product online while shopping in a store versus five percent of Baby Boomers and seniors. Web-enabled retail shopping will continue to explode, enabling shoppers to leverage multimedia touchpoints to make an informed decision.

Technology is fueling innovative techniques to help retailers leverage the power of their store windows to lure shoppers inside, or even make a purchase while walking by. New motion-sensitive store windows allow a passerby to merely point at a product on display and a virtual window pops up with available sizes, colors and price. Decide your preferences, point-and-click a smartphone, and the product is delivered to your home.

**Multichannel Integration.** One of the greatest areas of retail innovation is in the definition of a store itself. Exciting new retail formats are enabling retailers to expand their reach on an affordable basis.

One recent example is Tesco's "virtual store" in Korea. Seeking to grow without a major investment in additional storefronts, Tesco took photos of its store shelves, blew them up into life-size posters, added QR codes for every product, and hung the posters in subway stations.

Busy commuters did their shopping while waiting for the train by scanning the codes of the items they wanted, and Tesco delivered their selections to their homes at the time the shopper requested.

Sears/Kmart, meanwhile, has taken holiday toy shopping to the shopper via a "virtual toy wall" poster at malls, bus shelters, subway stations, airports and movie theaters in Los Angeles. Point-and-click; shop while you wait.

Pop-up stores like Walmart's tiny holiday gift shops in California provide a short-term presence in high traffic locations. Best Buy's kiosks in airports and Kroger's automated convenience store kiosk next to a gas pump capitalize on the shopper's desire for "right here, right now."

What ultimately makes multichannel work, however, is a consistent brand experience across all formats. While, ideally, each format serves a unique purpose to make the shopper's experience easier, faster or more satisfying, there must be seamless integration between them.

Why? Two reasons. First, because recent surveys indicate that almost 50 percent of retail sales are now web-influenced. In other words, almost one half of site visitors say their next action is to go to a store. The flip side of this is that stores that do not have integrated websites—or multichannel access—place themselves at a significant disadvantage to competitors who do among almost 50 percent of the population.

Second, reams of hard data illustrate the multichannel multiplier effect. For example, multichannel Target Store guests spend two times as much as store-only guests—specifically, an average of \$1,000/guest per year versus \$550 store-only and \$95 online-only. Similarly, Best Buy does much better with multichannel shoppers who spend 95 percent more and generate 85 percent more margin than store-only "cherry-pickers"

who are searching for the latest videogame.

What does retail innovation mean for *suppliers* to retail? In its simplest terms, it means that the potential relationship between retailer and supplier has significantly expanded. Opportunities for collaboration and defining partnerships have moved well beyond the shelf, or even the supply chain.

Going forward, retailers will increasingly look for—and support—those suppliers that have the capability to help them leverage these trends. Suppliers that want to work with these growing retailers would be well served to examine how their brands contribute in terms of these five trends:

- **A Branded Experience:** Do we develop products and initiatives that enhance the shopper's experience at our key retailers?
- **Self-Service:** Are we creating ways to make it easier or faster or more pleasurable for the shopper to find the right products for him or her?
- **Personalization:** Are we re-evaluating our offerings to make them more personal—more able to be tailored to different shoppers?
- **Multimedia Touchpoints:** Are we fully utilizing media options in our joint shopper communications with key retailers? Are we sharing insight into how the shopper consumes media?
- **Multichannel Integration:** Are we supporting our brands across all our key retailers' channels? Is that support seamless and consistent?

Most important, given the enormous potential of this new dimension in supplier-retailer collaboration, the big question is: "Are we ready for the twenty-first century?" ■



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