



CAN RESPONSIVE RETAIL HELP AN INDUSTRY IN PERIL?

Data analytics and sensor technology allows retailers to enjoy hyper-efficient operations and offer high levels of personalization.

Technology brings customer service back to its personalized roots and helps brick-and-mortar stores stand out with relevant and exciting customer experiences.

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- Ryan Parker

Imagine a store tailored precisely to the customer's desires: There's a salesperson who understands her style, a service to discover her next favorite thing, and an inventory stocked with items to suit her personal tastes.

Thanks to the latest in artificial intelligence, the Internet of Things (IoT), and advanced sensor technology, today's brick-and-mortar retailers are well on their way to offering a new level of ultra-personalized and highly engaging shopping experiences.

Called "responsive retail," it's the next phase in a rapidly evolving industry, and it may be the only way for brick-and-mortar retailers to use their stores as a competitive edge in an increasingly online world.

"In 10 years, a leading-edge store will be completely transformed from what it is today," said Ryan Parker, head of responsive retail at Intel. "It's about the entire store and the supply chain adapting to me as the consumer. Absolutely everything in that store will adapt to us personally—exactly what we want, how we want it, and what we feel comfortable with. And it becomes a destination to go to the store rather than a place just to make a transaction."

From multichannel to omnichannel and beyond, responsive retail is the next step in the evolution of retail. It means "bringing together technologies that are just emerging, like artificial intelligence, with the data from existing technologies, like point of sale, in the retail environment to give retailers that 360-degree view into the store," said Parker.

In some ways, it's a return to the industry's roots. For centuries, retail implied a certain personal touch. Sellers knew their customers by name and catered to their personal preferences. Long after mass production ended that individual attention, online outlets gave customers the personalization along with the recommendations they were missing.

Brick-and-mortar retailers have struggled ever since.

Now, retailers can use emerging technology to regain an edge, make their operations hyper-efficient, and engage customers in exciting ways with in-store experiences.

Data is the new oil

If the last two decades have been turbulent for retailers, Intel predicts the next five years will see even more disruption.

In that tumultuous environment, retailers will need to keep an eye on innovation to stay competitive—not just matching online stores' personalization, but creating more in-person experiences that online stores can't provide.

Data is the essential ingredient in this transformation. But collecting data for its own sake won't lead to success. Retailers need solutions that give them 360-degree views of their operations, from the supply chain to the store shelves.

Many retailers have been experimenting with technology, but too frequently the solutions are segregated. True responsive retail knits together disparate technologies, like in-store sensors, inventory analytics, and advanced point-of-sale solutions, into a unified ecosystem.

It's all about conversion. When research shows that 90 percent of shoppers leave if they can't find what they are looking for¹, and 86 percent of in-store customers report they would have liked to purchase more², a streamlined data flow from multiple sources serving up actionable insights in real time is critical.

Marshaling data in this concerted and precise fashion allows retailers to offer customers experiences that bridge the digital and the physical.

For all the talk about online vs brick and mortar, three out of four people³ say they browse online and then go to the store to make a purchase. Responsive retail means people find what they want when they go to the store.

"Shoppers today expect a lot more out of the retail environment, mostly because of the experiences that they have online," said Parker. "Online people understand me. They know about me. And they can tailor that experience just for me."

Changing attitudes about personal data sharing are speeding these developments. The newest and upcoming generations of shoppers, who've never lived without the internet, are more willing to give up data about themselves in return for an easier, faster experience.

For example, a store could have personalized digital signage that changes advertisements to match the profile of the person directly in front of it. Sales associates, armed with data about a particular customer's tastes and preferences, become more like personal shoppers. What a customer purchased before, what

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¹ TimeTrade Shopper Survey

² TimeTrade Shopper Survey

³ PWC Total Retail Report

“TECHNOLOGY DOES NOT GET BORED. THAT’S WHAT IT’S BUILT FOR. AND IT’S BUILT TO GET YOU AS CLOSE TO 100% INVENTORY ACCURACY AS POSSIBLE.”

- Daniel Gutwein

they liked and didn't like, what styles suit them—all become critical data points in the connected, personalized store of the future.

“The customer wants to be treated like a VIP,” said Daniel Gutwein, director of retail analytics at Intel. “I love white glove treatment when I get on an airplane if I've flown a million miles with them. Why wouldn't I expect to be treated the same way if I'm a loyal customer within a retail store?”

Stores will also start relying more on technology instead of salespeople to help customers. Intel predicts that by 2020, 25 percent of customer service and support operations will integrate virtual customer assistant technology across engagement channels, up from less than two percent in 2015.

Retail's 'trillion dollar' problem

These new technologies can also solve the industry's massive challenge of trying to gauge inventory, a problem that costs retailers an estimated \$1 trillion in revenue, according to the IHL Group, a business intelligence provider to the retail industry.

Stores are doing more physical counts with wands and RFID tags in their store to get more accurate inventory numbers, said Gutwein, which are steps in the right direction, but not the solution. Using connected sensors, for instance, stores can make sure they always have the right product in the right place at the right time.

[Deep Dive Video: Embed Gutwein Video talking about inventory problem]

Instead of a salesperson spending valuable time checking shelves over and over, a sensor can provide constantly updated data. “The technology is there,” added Gutwein, “and technology does not get bored. That's what it's built for. And it's built to get you as close to 100 percent inventory accuracy as possible.”

In a responsive retail environment, a fully connected system can also provide real-time data and predictive analytics to keep stores stocked and anticipate potential problems. Running low on a hot-selling pair of jeans? The sensor can alert the inventory folks and automatically alert a salesperson via earbud that they need to restock them. Celebrity endorsement on Instagram cause a mad rush on a limited-run item? With the right technology, stores can handle those issues before they become revenue-losing crises.

Success for brick-and-mortar retailers “isn't just about creating more and more footfall traffic,” said Gutwein. “It's about converting the traffic that comes in your store, and you can't do that if the products are in the wrong place, or if all your inventory is stuck in the back stockroom, or if you don't have the right size and the right colors. Technology helps make sure that's all under control so that your customers are actually satisfied when they want to spend money.”

Turning information into insights

Keeping customers satisfied is no small feat in today's instant-gratification world.

The ideal in-store shopping experience “eliminates the friction from shopping,” said Parker. “I no longer have to wait in line for checkout. I no longer have to hunt to find the associate or the product I’m looking for. These happen seamlessly, and they anticipate my needs and adapt to that.”

Given the massive shift to online shopping, retailers know they have to adapt quickly to stay competitive. That means taking all their data and turning it into actionable insights, which is another big challenge, said Rachel Mushahwar, general manager of retail, hospitality, and consumer packaged goods at Intel.

“That data can come from a variety of places—point of sale machines, sensors in stores, and it’s starting to come from social media feeds and a variety of other places. The real question is: How do you start taking all of those unique data sources and getting value out of them more quickly?”

According to Parker, harnessing these emerging technologies allows stores to “eliminate the islands of technology that they have today and actually take action in the store with actionable insights.”

A responsive retail approach, with a 360-degree view into operations, gives retailers the information they need to keep up. “These retailers can see, in real-time, how are consumers interacting with their products,” added Mushahwar. “Is the yellow bag selling? Are people spending more time looking at the white T-shirt? What are the products that are being picked up?”

All those data points combine to create powerful insights into the mind of consumers, and help retailers understand what they want—and what kinds of experiences will get them off their computers and into stores.

What kinds of futuristic experiences will retailers create with a fully connected, responsive retail approach?

According to Intel’s Gutwein: “The sky’s the limit.”

