Using the IoT for Customer Experience: Four Approaches

SPECIAL REPORT

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Introduction

One way to think about "customer experience" is to think about improving all the things that customers usually hate: long lines and waits, the inability to find a product, paying too much, and aggravation in returning or exchanging merchandise.

Brick-and-mortar stores, in fact, face a challenge from ecommerce, which can offer a much smoother experience: point, order, and get on with your life.

Competition from ecommerce is steep. A 2015 report from Salesforce on "Conncted Shoppers" found that, over the holiday season, 88 percent of shoppers surveyed had no intent to visit a brick-and-mortar retailer. The most cited reasons included crowds, lack of parking, poor service, and the convenience of online shopping.

"TODAY'S CUSTOMERS EXPECT PERSONALIZATION."

Brick-and-mortar stores have one advantage, however: They can offer customers the chance to try-on products or simply browse. But to compete with ecommerce, physical retailers must innovate, offering a smooth and personalized customer experience, often in real time.

In that respect, a 2015 report by Forrester Research in 2015 showed that 83 percent of businesses are looking to implement the "Internet of Things" (IoT) for customer engagement. But the IoT is not about things, it's about services, and experts advise retailers that implement IoT projects to focus on the customer rather than the brand.

Examples of Retail IoT Devices

- An app on a smartphone that offers in-store digital coupons, loyalty rewards, and other promotions. Can be used in conjunction with a beacon.
- An RFID chip embedded in clothing for inventory control.
- An employee handheld for inventory control, ordering, or sales.
- An in-store display.

"Today's customers expect personalization – they want to be engaged with relevant content when they want it," said Scott Bradley, founder and CEO of VMob. "In this new reality, sending generic blast messages and waiting for the customer to react is no longer effective; without real-time utility, it will be hard to stay competitive." [1]

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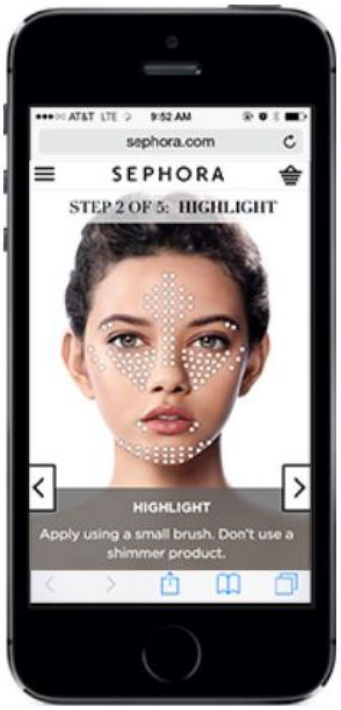
1. Facilitating the purchase

Most retailers of beauty products offer free samples at their counter. Sephora, however, a global cosmetics retailer, uses an augmented reality app to show their customers how they would look if they used **Sephora** products.

The app, called Pocket Contour Class, caters to the demand for real-time personalized experiences of Sephora's young customer base. The app is a major driver in Sephora's mobile commerce (mCommerce) strategy, and the company's management sees it as an enabler for future strategic initiatives.[2]



Sephora's technology eases the customer into buying Sephora products and keeps them coming back for more.

Another retailer that uses the IoT to facilitate purchases is **Home Depot**. Their mobile app provides personalized service and information to their customers to help them in their decision making process. Shoppers can locate inventory, comparison shop, ask experts about projects, and see how products would look in their homes. Once inside the store, the app can guide them through aisles to find the products.[3]

Bottom Line: How the IoT Boosts Sales at McDonald's

One novel use of an advanced IoT analytics platform is at McDonald's. In a program in Japan, The Netherlands and Sweden, McDonald's pushes mobile app offers and advertising based on information such as location, weather, purchase habits, and response to promotions.

For example, if someone is moving quickly on a hot summer day, the app — which runs on a Vmob contextual analytics platform — shows an offer for a soda at a nearby drive-through.

So far it's been a success: Customers using the app reportedly return to restaurants twice as often and spend around 50 percent more. Redemptions for in-app offers have meanwhile increased by 700 percent.[4]

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USING BEACONS, ONE RETAILER DROVE 1.2 MILLION STORE VISITS OVER TWO DAYS

2. Incentives and rewards

Starbucks chose to launch a number of remote beacons in its Seattle establishments. For customers with the Starbucks app, the beacons push notifications on the freshest brews and personalized promotions. The idea is to transition the casual customer to premium blends offered at Starbucks, according to Abhimanyu Roy of HCL Technologies.

A beacon, which operates over Bluetooth, can cost between $30 and $60 each , and emits a signal that can be picked up by a smartphone. Target is testing beacon technology in 50 locations nationwide, and offers deals, promotions, and recommendations on nearby products for customers who opt-in to getting those deals through the Target app. A feature called "Target Run" will change smartphone notifications depending on where a customer is in the store.

How successful can beacons be? **ShopKick's** in-store beacon platform reportedly drove 1.2 million verified store walk-ins during the evening of Thanksgiving through Black Friday. Beacons are also estimated to amount to $44 billion in sales by 2016, versus $4.1 billion in 2015.

"You're seeing a trend here in terms of personalized marketing in the store," said Fern Halper of TDWI.[5]

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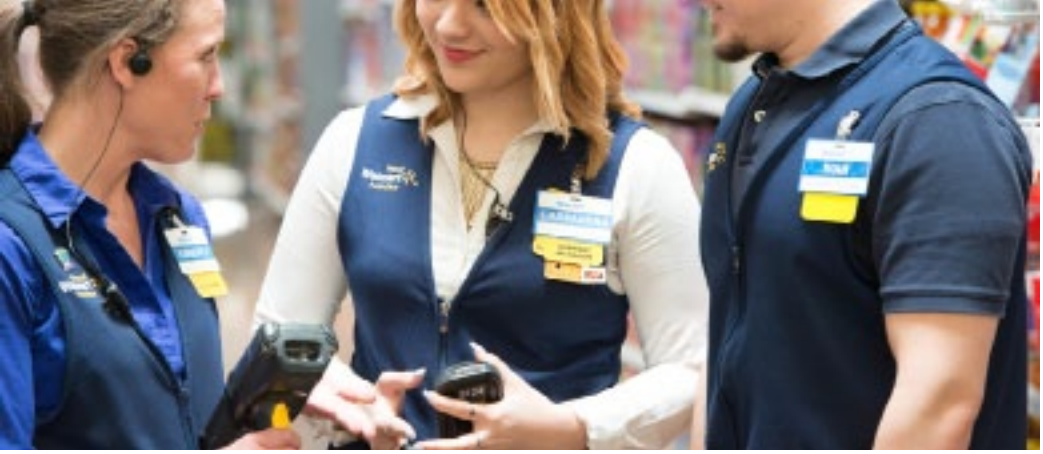

Walmart and Uniqlo both use employee handhelds for inventory control. Photo credit: Walmart.

"WE CAN HELP OUR SALESPEOPLE FIND THE RIGHT ANSWER, RIGHT AWAY."

3. Inventory control, employee productivity

If you walk into a **Uniqlo** store, you may see employees using handhelds. Uniqlo chose to outfit its employees with Casio IT 300 handheld devices. The devices provide real-time access to stock checks, customer orders, sales figures, returns, deliveries, and inventory.

Employees reportedly benefit from improved workflow. Instead of using PC terminals to clock in and out, Uniqlo employees can now use handheld devices. "Before, lines would form as employees waited to clock in and out at the stores," said Shoji Okada, director of the business information systems division at Fast Retailing, the parent company of Uniqlo.[6]

The company chose the Casio IT 300 as it was more durable than a smartphone (which often breaks when dropped) and had a better ability to check inventory than a smartphone.

Levi's and Intel, meanwhile, piloted a solution based on RFID tags woven into clothing and Intel's Trusted Analytics Platform (TAP). The solution uses in-store sensors, a gateway system, and cloud-based analytics to quickly locate misplaced inventory.

The system reduces the time it takes for salespeople to find misplaced items, and helps store employees quickly find items for customer, which reduces customer frustration and employee time. The system also helps store managers monitor and replenish inventory.

With the new inventory system, "we can help our salespeople provide the right answer, right away. They can immediately find an item or offer an opportunity to order it," said Noah Treshell, senior vice president of the Americas for Levi's.[7]

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DISNEY MAGICBANDS REDUCED TURNSTILE TIMES BY 30 PERCENT.

4. Making a seamless customer experience

If you've ever visited an amusement park, a common frustration is long lines. **DisneyWorld**, for instance, gets 10,000 visitors entering the park during peak times, leading to an experience that is not exactly "magic."

To reduce long waits at rides and at restaurants, Disney implemented a platform that would track guests movements in real time, enabling the delivery of services and experiences when and where required. The program, called MyMagic+, includes RFID-enabled MagicBands, which are wearable computing devices that integrate payments, hotel room access, ticketing, FastPass, and tracking of guests' locations.[8]

MyMagic+ is a reportedly $1 billion program at the company's DisneyWorld park in Orlando, Florida. The MagicBand wristband lets customers access services such as park entry, advance purchases of food, and pushing strollers through turnstiles without the need for paper tickets. Guests with MagicBands can also interact with exhibits, such as designing their own virtual autos at Epcot's Test Track.

The data from MagicBands also helps Disney distribute the flow of customers through the park, which helps kick-off spontaneous diversions such as character parades. "This kind of traffic management wouldn't just be a service to ¬customers—it could also help Disney fit more guests inside its parks," notes FastCompany.[9]

As a result of the initiative, Disney reports increased customer satisfaction. Lines at park entrances have been significantly reduced, with MagicBand cutting turnstile transaction time by 30 percent.

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