

SIZIGY

DIGITAL AT POINT OF SALE

REINVENTING RETAIL
FOR THE CONNECTED CUSTOMER



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SUMMARY

Our report on Digital POS provides an up-to-date overview of trends and opportunities in digital retail technology implemented at the point of sale.

We identify three key trends for retailers: the rise of *Assistive Retailer Technology (ART)* to help retailers sell smarter, new *Assistive Consumer Technology (ACT)* to help customers shop smarter, and next-generation 'retailtainment' technology to enhance the in-store experience through entertainment.

Three specific opportunities are also identified for retailers using Digital POS: meeting the demands of a new generation of 'connected customers', solving the problem of 'showrooming', in which sales are lost online, and brand building, using Digital POS to create differentiating and choice-shaping store experiences.

We outline a six-point Digital POS strategy inspired by the latest best-practice thinking and by building on the core strengths of in-store retail – immediacy, service and experience – whilst attenuating key weaknesses of in-store retail relative to e-commerce competition: information, convenience and value.

The report concludes with our ten recommendations for implementing Digital POS in a new world of retail where bricks-and-mortar stores are not merely legacy entities for capturing customer value (sales), but future-proofed destinations for creating new forms of customer value.

INTRODUCTION

Check in to the Nike store in Shoreditch, London and you'll get a glimpse of the digitally enhanced future of retail.¹

As you enter the pop-up store located in the temporary shopping centre made up of converted shipping containers, a camera tracks your movement, changing the colour of the interactive walls from red (inactive) to green (active). In-store, digital help stations allow you to research products in your own time and in your own way, whilst roving sales staff are armed with tablets loaded with apps to showcase Nike gear. QR (quick response) codes throughout the store trigger 'the-making-of' movies for trainers and garments, and showcase other products that are not on display, in 3D.

A try-out station with a treadmill and camera is available and connected to the screens of sales staff, allowing you to try on trainers and get advice on what's the best fit for you. For a 'retailtainment' fix, try a private booth where you can dance, jump or jiggle for 30 seconds and get a personal Matrix-like recording of your movements in active green emailed to you. Set-up stations are available where you can configure your new smart connected self-monitoring device, the Nike+ FuelBand, which is Nike's bold attempt to brand and own 'energy'.

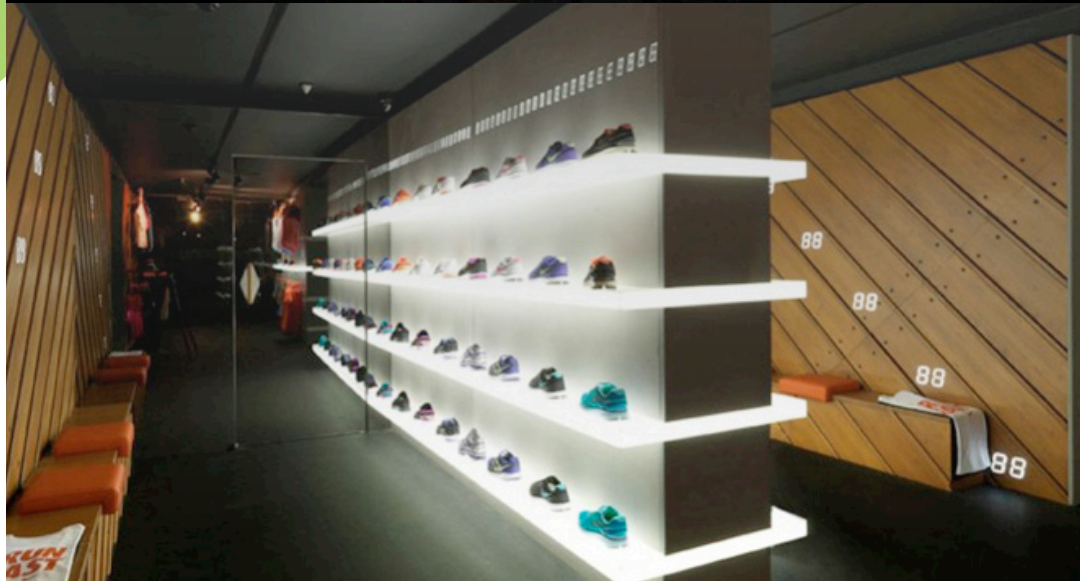
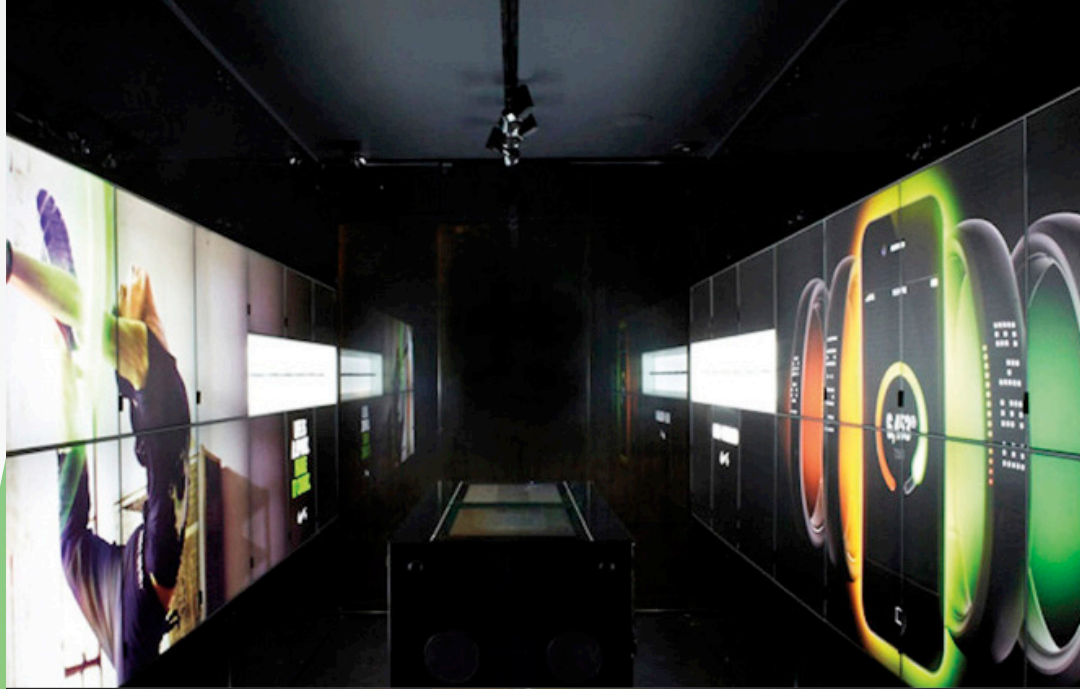


VIDEO

NIKE FUELSTATION

<http://vimeo.com/37948372>

¹ – <http://www.pocket-lint.com/news/44847/nike-fuel-station-shoreditch-high-street>



Nike FuelStation revolutionises the store experience by featuring a seamless mix of innovative digital services and physical consumer experiences.

WHAT IS DIGITAL POS?

The Nike FuelStation store showcases how Digital POS – digital point-of-sale technology implemented in-store – is revolutionising the retail experience.

Until recently, Digital POS simply meant electronic checkout systems and in-store screens for signage and advertising. But today, a new generation of Digital POS technology is future-proofing retail for the connected age we live in.

This new Digital POS technology is Connected Digital POS: in-store point-of-sale technology that connects to information, people and devices to help shoppers shop smarter and retailers sell smarter.

For example, beauty retailer Sephora has placed smart tags on product displays. Once scanned by customer smartphones, they display product information and user reviews. Fashion brand Diesel is making shopping a more attractive social proposition with connected mirrors in changing rooms, allowing customers to share the experience with friends on Facebook.

Burberry, on the other hand, is using smart augmented reality mirrors in-store, displaying product information when an article is held up to the mirror.

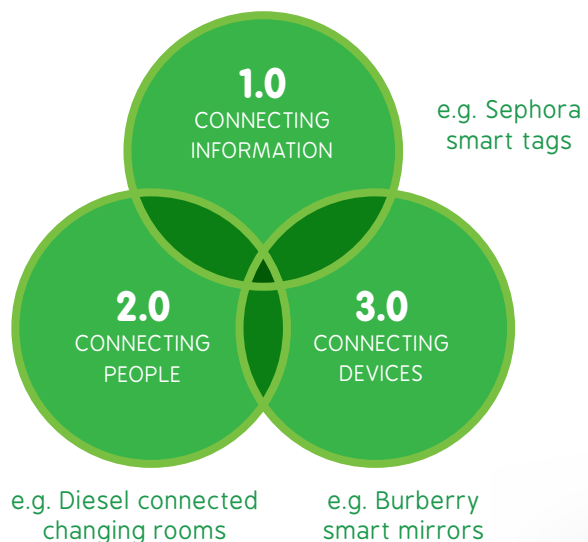
The three levels of connectivity in today's Connected Digital POS reflect the three levels of connectivity in Web technology –

Web 1.0: the Web that connects information;

Web 2.0: the Web that connects people; and

Web 3.0: the Web that connects devices (the 'Internet of Things').

CONNECTED POS TECHNOLOGY



THREE KEY TRENDS FOR RETAILERS

CONNECTED DIGITAL POS FUNCTIONS

ACT
ASSISTIVE
CONSUMER
TECHNOLOGY

ART
ASSISTIVE
RETAILER
TECHNOLOGY

**DIGITAL
POS**

RETAILTAINMENT
CONSUMER
ENTERTAINING
TECHNOLOGY



ASSISTIVE RETAILER TECHNOLOGY (ART)

The new generation of Connected Digital POS technology is implemented by retailers for three specific reasons: to help shop-floor sales teams sell smarter; to help customers shop smarter; and for brand building, creating retail experiences worth coming back to and worth talking about. For example, we have developed in-store tablet apps for O₂ and Mercedes-Benz sales staff that helps them showcase products and communicate key product information and messages with customers. We call this **Assistive Retailer Technology (ART)**. In the US, ART apps

are boosting car showroom sales by as much as 35%.² US department stores such as Nordstrom and J.C. Penney are rolling out Digital POS ART technology, progressively streamlining the checkout process with mobile checkout apps that allow sales staff to check customers out from the aisle.³ At Neiman Marcus, another US department store, shop-floor sales staff use ART apps displaying customer CRM data to help tailor the service experience to customer needs.⁴



The **O₂ Sales App** for tablet PCs supports the sales team by displaying a complex product world and creating additional sales arguments.



Vito E-CELL by Mercedes-Benz is the world's first transporter equipped with an electric drive system. The **E-Cell App** provides prospects with interesting details in an entertaining way.

2 – <http://www.azcentral.com/business/articles/20110117ipad-car-sales-rc-auto-corp.html>

3 – <http://www.businesswire.com/news/home/20120515006296/en/Macy%E2%80%99s-Pays-Tribute-Brazil-Multifaceted-Campaign-Launching>

4 – <http://mashable.com/2012/07/06/signature-neiman-marcus/>

ASSISTIVE CONSUMER TECHNOLOGY (ACT)

In addition to ART technology designed to assist retailers in selling, Connected Digital POS is being used to attract customers by helping them shop smarter. This **Assistive Consumer Technology (ACT)** is used to good effect by Apple Retail. Apple store customers can use POS tablet stations throughout the store to call sales assistants for help. They can scan products with their own iDevices to get more information and see user reviews, and they can

even check themselves out. Other brands using ACT technology to assist customers in-store include fashion chain C&A, where the number of social 'Likes' products have received are displayed on connected hangers.⁵ Fashion store Topshop and beauty brand Shiseido, on the other hand, offer virtual mirrors displaying augmented images of what customers would look like wearing their makeup or clothing items.^{6,7}



C&A Brasil has embedded Facebook Like counters in coat hangers at its flagship store in São Paulo.



VIDEO

C&A FASHION LIKE

<http://www.youtube.com/watch?v=TyWQrmiRoLE>



VIDEO

FUJIFILM SURFACE TABLE

<http://vimeo.com/15184511>



POS application **FUJIFILM** order-it ultimate allows customers to quickly and easily create professional-looking photobooks on multi-touch surfaces.

5 – <http://blogs.ft.com/beyond-bricks/2012/05/09/ca-brazil-do-you-facebook-like-me/#axzz22Nw7l9Sol>

6 – <http://www.psfk.com/2011/05/topshops-augmented-reality-fitting-room-uses-kinect-hack.html>

7 – <http://www.shifteast.com/shiseido-opens-new-total-beauty-facility/>

RETAILTAINMENT

In addition to ACT and ART technology, Connected Digital POS also includes **retailtainment** technology – technology designed, not to assist customers, but to entertain them. Shopping can be seen as a task or a chore, but it is also an activity closely connected with leisure, diversion and entertainment. To attract customers, retailers are using retailtainment POS technology to stage entertaining brand experiences. For example, retail giant Walmart uses augmented reality smartphone apps to reveal life-size toy characters lurking 'live' in the toy aisles,⁸ whilst US department store Macy's uses smartphone

apps triggered by in-store markers to deliver entertaining augmented reality experiences.⁹ Hilfiger¹⁰ stores in the US and Starhub¹¹ in Singapore use tagging technology, enabling garments to trigger the music of particular artists when taken off the shelf or tried on. Brands such as broadcaster BBC use Digital POS in collaboration with retailers to show customers appearing 'live' in video ads that are streamed in-store.¹² At SYZGY Group agency Hi-ReSI, we have developed a retailtainment app for stores stocking Jägermeister, where customers challenge other customers to a branded game at tablet stations.



VIDEO

JÄGERMEISTER LAST STAG STANDING

<http://vimeo.com/34846914>



As part of a promotional campaign, Jägermeister's engaging iPad game 'Last Stag Standing' was used at the point of sale, where shoppers were able to give it a go and compete against each other.



8 – <http://www.i4u.com/50362/walmart-promotes-avengers-super-hero-augmented-reality-game>

9 – <http://www.businesswire.com/news/home/20120515006296/en/Macy%E2%80%99s-Pays-Tribute-Brazil-Multifaceted-Campaign-Launching>

10 – <http://www.fashioningtech.com/profiles/blogs/fusing-fashion-and-music>

11 – <http://blisstunes.com/2012/02/07/these-dressing-rooms-change-their-music-to-match-the-clothing-being-tried/>

12 – <http://www.creativeguerrillamarketing.com/augmented-reality/bbcs-frozen-planet-augmented-reality-event/>

WHY DIGITAL POS MATTERS NOW

Connected Digital POS technology is a timely response to today's crisis in bricks-and-mortar retail. As shoppers become increasingly at ease with shopping online, comparison shopping is spreading to in-store retail.

Digital technology makes it easy to shop around for the best value and the best deal. 'Scan-and-scam' smartphone apps allow potential customers to see, touch and scan products in-store, and then buy from wherever they get the best deal. This creates a permanent, increasing drain on revenue, which is lost to online retailers with lower overheads, or to desperate competitor stores dumping stock and applying the loss leader strategy.

Whilst Digital POS is not a silver bullet for today's bricks-and-mortar retail crisis, it can help in three ways: by meeting the demands of a new generation of 'connected customers', solving the problem of 'showrooming', in which sales are lost online, and brand building, delivering differentiating and choice-shaping store experiences that create value for which customers are prepared to pay a premium.



THE CONNECTED CUSTOMER

Today's customer is a connected customer. Customers use digital technology to connect to information, people and devices at home, on-the-go and in-store.

For retailers, more than 7 in 10 consumers in Germany now research products online prior to purchase;¹³ creating a 'ROBO' (research-online-buy-offline) market now worth €88bn, or 16% of all German retail sales.¹⁴ And the trend is accelerating: market research company Forrester predicts that connected technology will influence 44% of retail sales by 2016.¹⁵

It is, however, mobile technology that's the biggest factor in empowering the connected customer. In 2012, smartphone penetration in Germany rose to 29%, with

- 97%** of smartphone owners doing shopping research on their handsets, of which
- 49%** use them to locate stores,
- 63%** use them whilst shopping –
- 24%** to compare prices and access product information in-store – and as many as
- 28%** use them to make purchases.¹⁶

Deloitte projects that mobile will grow to represent 19% of total store sales by 2016. In Germany, the smartphone has become the new shopping companion for the connected customer – always on and always available:

- 64%** don't leave home without their handset.¹⁷

ON THE ONE HAND,

the rise of the connected customer is good news for bricks-and-mortar retailers – connected customers who supplement in-store shopping with online research spend as much as 82% more per transaction than non-ROBO consumers, making them an attractive demographic to target.¹⁸

ON THE OTHER HAND,

connected customers are a threat for in-store retail because they are increasingly willing to shop online. In 2011, with a flatlining retail sector, European digital retailing grew 19%, and is now worth €246bn.¹⁹ Revenue for Amazon, the world's leading digital retailer, and 13th largest US overall retailer, surged 34.6%,²⁰ with prices on average 14% lower than in-store prices²¹ (yet with a five-year average return on investment of 17%, compared to 6.5% for traditional retailers).²² In Germany, online retail is growing at 13% annually, and now represents 10-15% of all retail sales.²³

13 – Eurostat: <http://scoreboard.lod2.eu/>

14 – https://www.bcgperspectives.com/Images/Internet_Economy_G20_Appendix.pdf

15 – <http://www.businessinsider.com/forrester-showrooming-is-blown-way-out-of-proportion-2012-6>

16 – http://services.google.com/fh/files/blogs/our_mobile_planet_germany_en.pdf

17 – http://services.google.com/fh/files/blogs/our_mobile_planet_germany_en.pdf

18 – http://www.deloitte.com/view/en_GB/uk/news/news-releases/857689e24cacc210VgnVCM3000001c56f00aRCRD.htm

19 – <http://www.retailgazette.co.uk/articles/44043-european-ecommerce-market-valued-at-198-billion>

20 – YCharts: <http://bit.ly/RPYgan>

21 – <http://online.wsj.com/article/SB10001424052702304587704577334370670243032.html>

22 – Rigby, D. (2011). *The Future Of Shopping*. Harvard Business Review, 85(12), 65-76.

23 – <http://www.retailresearch.org/onlineretailing.php>

THE CONNECTED CUSTOMER

ALWAYS ON

Smartphone new shopping companion.

GERMAN SMARTPHONE PENETRATION **29%**

USED FOR

- 97% SHOPPING RESEARCH
- 49% STORE LOCATION SEARCH
- 63% WHILE SHOPPING
- 24% PRICE COMPARISON
- 28% DIRECT PURCHASE

MOBILE-INFLUENCED STORE SALES 2016



'ROBO' SHOPPING

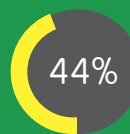
Research-online-buy-offline

CONSUMERS RESEARCHING ONLINE **70%**

ROBO MARKET TREND: **GROWING!**

2011

2016



CHANCE

Connected customers **SPEND 82% MORE** per transaction than non-ROBO customers.

CHALLENGE

Connected customers **LIKE TO SHOP ONLINE.** German online retail is growing at 13% annually (now 10-15% of all retail sales).

Whether the rise of the connected customer is seen as a promise or a threat to bricks-and-mortar retail, Digital POS can help meet the needs and demands of the new connected customer by delivering a connected in-store experience.

Connected Digital POS technology can augment the human senses:

- sight** new 'scan-and-see' stations that allow customers to get a virtual view of the contents in boxed-up products,^{24,25}
- sound** smartphone store apps that deliver deals based on in-store music,²⁶
- touch** touchscreen video walls, fingerprint checkouts,²⁷ and Microsoft PixelSense touch-tables, including in-store photo-book creator app for Fujifilm,²⁸
- scent** in-store scent stations that appeal to our olfactory senses,^{29,30} and even

taste vending machines that use facial recognition to deliver products that accommodate taste preferences determined by age and gender.³¹

THE KEY CHALLENGE AND OPPORTUNITY

for retailers is to use Digital POS to attract the new connected customer with a connected store experience. Any doubt that customers already expect connected technology in-store can be put to rest by simply examining old-style video screens in shopping malls; the fingerprints on the screen prove that people expect it to be an interactive touchscreen experience.³²



The **Real Future Store** in Toenisvorst. The partners of the METRO GROUP Future Store Initiative are testing new concepts and technologies that will provide customers an even more convenient, exciting and informative shopping experience in the future.

24 – http://www.retailcustomerexperience.com/article/197381/Tokyo-toy-co-testing-augmented-reality-kiosks?rc_id=410
<http://www.pr.com/press-release/427070>

25 – <http://www.engadget.com/2011/09/18/legos-augmented-reality-at-idf-eyes-on-video/>

26 – <http://www.jwtintelligence.com/2011/04/shazam-navy-finds-route-consumer-engagement/>

27 – <http://thenextweb.com/shareables/2011/01/31/real-future-store-the-supermarket-of-the-future/>
<http://www.future-store.org>

28 – <http://www.szygy.de/projekte/fujifilm>

29 – <http://ibip.illinois.edu/blog/europe-2011/ibip-visits-metro-future-store-fairtrade-international>

30 – <http://www.airessentials.com/?q=retail>

31 – <http://www.digitalbuzzblog.com/jell-o-temptations-facial-recognition-sampling-machine/>

32 – Rigby, D. (2011). *The Future Of Shopping*. Harvard Business Review, 85(12), 65-76.

THE M-POS OPPORTUNITY

If the big opportunity in Digital POS is to win the heart and wallet of connected customers by using Digital POS technology to create in-store value to meet changing expectations, then the most cost-effective way of doing this is not through expensive POS installations, but with the connectivity already in the pockets of connected customers – the smartphone.

Harnessing the smartphone screens that are already in the hands of connected customers and supplementing this with inexpensive touch tablets and table devices dramatically reduces the risks and costs of Digital POS, whilst the utility and usability are dramatically improved.

For example, beauty brand Sephora has implemented an **m-POS (mobile point of sale)** solution where an app enables customers not only to use their handsets in-store to scan products, get reviews and buy products, but also to check themselves out.³³ US department store Neiman Marcus offers a smartphone app that helps shoppers navigate through their stores; scanning a product will locate matching items around the store.³⁴ Making use of the popular music recognition smartphone app Shazam, Old Navy fashion stores deliver deals, styling tips, video and other music content to customers' handsets based on the music being played in-store.³⁵ In China, Lotus supermarket is rolling out m-POS technology in smart caddies that have a digital display and can be synced with smartphone apps.³⁶ Coffee chain

Starbucks³⁷ invites customers to pay with Apple's smartphone digital wallet Passbook, whilst other stores such as Toys"R"Us, Footlocker and Banana Republic³⁸ are accepting contactless mobile payments through digital wallets using near field communication technology (NFC). But it's not all high-tech: US DIY store giant Home Depot is making it quick and easy for customers to check out by inviting people to pay just by using their mobile number and a PayPal security code associated with that number.³⁹



VIDEO STARBUCKS APP

http://www.youtube.com/watch?v=NtwyHyjJRAk&list=UUj4nCgtjKJppK_IZeY8TUJg&index=2&feature=plcp

With Square Wallet, **Starbucks** is giving customers another way to enjoy a quick, seamless payment experience.

33 – <http://chainstoreage.com/article/sephora-unveil-totally-mobile-checkout-manhattan>

34 – <http://www.luxurydaily.com/top-10-luxury-brand-mobile-apps-of-h1/>

35 – <http://www.jwtintelligence.com/2011/04/shazam-navy-finds-route-consumer-engagement/>

36 – <http://www.engadget.com/2011/07/27/sk-telecoms-smart-cart-syncs-to-phones-reminds-youto-buy-milk/>

37 – <http://www.wired.com/business/2011/01/starbucks-mobile-app-goes-national-digital-wallet-advances/>

38 – <http://www.google.com/wallet/business/in-store/nfc.html>

39 – <http://allthingsd.com/20120228/paypals-in-store-payments-system-hits-home-depot-stores-across-u-s/>



Audi City is a new digital car showroom format that uses state-of-the-art technology to make clever use of precious city space. Visitors can experience every possible combination of the Audi range.



VIDEO
AUDI'S SHOWROOM
FOR THE IPAD GENERATION

<http://www.youtube.com/watch?v=XEqUsU6W9PQ>

THE SHOWROOMING CHALLENGE

There is a darker side to the rise of the smartphone-armed connected customer, and that is the growing trend of showrooming.

Showrooming is the consumer trend of using retail stores as showrooms to view, touch and try products, but then buy – usually with the aid of a smartphone – wherever the best value can be found.

The purchase may go to a local competitor, an online retailer or to your own e-commerce site, but the key point to note in showrooming is that it uncouples the 'research' and 'buy' phases in the path-to-purchase. It is smartphone technology that has made this possible; 'scan-and-buy' smartphone apps such as RedLaser, ShopSavvy, and Amazon's Price Check allow showrooming shoppers to scan a product, access product information and reviews, and find local and online competitor prices.

For many retailers, the showrooming trend means lost sales and damaged display stock as traditional 'browse-and-buy' behaviour evolves into 'scan-and-scam'.

The CEO of the ninth largest retailer in the US, Best Buy, says "fighting the showrooming trend is retail's #1 priority problem today".⁴⁰

In the US, between a third and half of all shoppers now use retail stores for showrooming.^{41, 42, 43} And showrooming isn't just a US phenomenon: a 2012 global research report by Capgemini found that, by 2020, the majority of consumers will see traditional stores evolving into mere showrooms to research and select products rather than buy them.⁴⁴ Research into showrooming from mid-2012 by Group M Next found that when showroomers find a 5% saving using a mobile, as many as 60% are enticed to leave the store, whilst a mere 2.5% saving prompts 45% to leave (in absolute dollar terms, a \$5 (€3.80) saving was found to be enough to prompt a switch away from the store).⁴⁵ Given that many retailers compete with themselves online – US retailer Target charges a 2% surcharge compared with their own online prices for the privilege of shopping in their store – the potential impact of showrooming could be devastating for traditional retail.

The smartphone-enabled showrooming trend has made the use of m-POS technology unattractive to some retailers. Rather than embrace cost-effective Digital POS solutions connecting stores to websites, people and devices via the already-paid-for smartphone handsets in customers' hands, some retailers are seeking to banish smartphones from their stores altogether. Electronics retailer Best Buy is

40 – <http://online.wsj.com/article/SB10001424052702304441404577480843789117080.html>

41 – US figures http://client.vibes.com/references/Vibes_Mobile_Consumer_Report_2012.pdf

42 – <http://techcrunch.com/2012/06/14/comscore-us-internet-report-yoy-pinterest-up-4000-amazon-up-30-android-top-smartphone-more/>

43 – <http://gigaom.com/2012/01/30/half-of-u-s-shoppers-rely-on-phones-for-in-store-research/>

44 – <http://www.capgemini.com/insights-and-resources/by-publication/digital-shopper-relevancy-full-report/>

45 – <http://www.scribd.com/doc/103349382/GroupM-Next-White-Paper-Showrooming-and-the-Price-of-Keeping-Buyers-In-Store>

removing or hiding universal product codes from products in US stores so that apps for shopping research won't work, thereby forcing shoppers back to 'shopping in the dark.'⁴⁶ Target, another big US retail chain, is fighting the showrooming trend by directly targeting one of showrooming's biggest proponents: Amazon. Provoked by Amazon's showrooming *Price Check* app, which offers a discount on products stocked by Target if they are purchased online with Amazon, Target removed Amazon's Kindle e-reader from its shelves, stating "what we aren't willing to do is let online-only retailers use our brick-and-mortar stores as a showroom for their products and undercut our prices."⁴⁷ Other retailers are fighting smartphones by removing Wi-Fi and blocking mobile signals, and new technology is in development using in-store lasers to block handheld scanning apps.⁴⁸ Whilst this may be more humane than actually zapping customers with lasers, can fighting digital technology in-store really be a winning strategy for retailers?

Many retailers think not. Instead, they are fighting digital with digital and using Digital POS technology to solve the problem of showrooming. These retailers are using the technology to upgrade stores from places that are designed

solely to capture customer value (in terms of sales) to places that are designed to both create and capture customer value. By turning the store into a channel for creating customer value, these retailers are enhancing their value proposition and making themselves more attractive compared to competitors. Sephora, for example, is using Digital POS to eliminate queues with its self-checkout smartphone app and is thereby playing to one of in-store retail's key strengths: immediacy. By providing a concierge service that can be booked via a store or web app, fashion stores such as TopShop⁴⁹ and Selfridges⁵⁰ are using Digital POS to deliver on another traditional strength of in-store retail, namely service. Other retailers are using Digital POS to address other in-store weaknesses, such as lack of on-demand information. This can range from a simple offering of free Wi-Fi in-store (Tesco⁵¹, John Lewis⁵²), to having dedicated information stations throughout stores and showrooms (Audi⁵³, BMW⁵⁴, and Renault⁵⁵).

In each of these cases, Digital POS technology is used to solve the showrooming problem by creating in-store customer value.

46 – <http://www.nytimes.com/2011/11/20/business/mobile-deals-aimed-at-black-friday-shoppers-stuck-in-line.html>

47 – <http://www.nytimes.com/2012/05/03/business/after-warning-amazon-about-sales-tactics-target-will-stop-selling-kindles.html>

48 – <http://www.businessweek.com/articles/2012-06-18/dont-let-showrooming-sabotage-your-shop>

49 – <http://www.cosmopolitan.co.uk/fashion/news/fashion-news-topshop-personal-shopping>

50 – <http://www.dailymail.co.uk/femail/article-72303/Get-personal-shopper-high-street.html>

51 – <http://econsultancy.com/uk/blog/8919-why-retailers-need-to-embrace-mobile-internet-in-stores>

52 – <http://internetretailing.net/2011/10/john-lewis-brings-free-wifi-to-its-stores-to-offer-all-the-benefits-of-m-commerce-to-shoppers-in-deal-with-bt-openzone/>

53 – <http://live.wsj.com/video/audis-showroom-for-the-ipad-generation/1CE2F810-C4DD-44BE-824D-3732E5D739E3.html#1CE2F810C4DD-44BE-824D-3732E5D739E3>
<http://microsites.audi.com/audi-city/en/index.html>

54 – <http://www.autoblog.com/2010/11/08/bmw-replacing-placards-with-ipads-at-auto-shows/>

55 – <http://www.leapa.net/fleet-of-4000-maclocks-for-renault-in-france/>

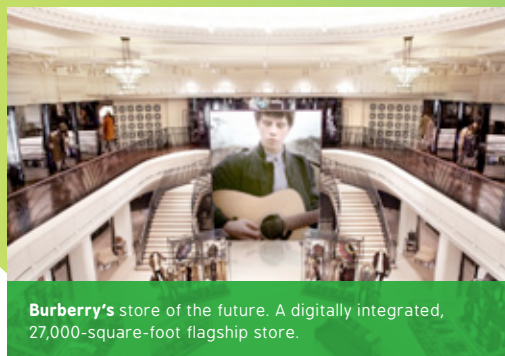
CREATING BRAND VALUE

Walk into Burberry's flagship store in London and you will find a temple dedicated not only to the brand, but also to Digital POS technology.

Sales staff are equipped with ART tablet apps with access to customer purchase history to help them sell, mirrors transform into display screens when triggered by RFID (radio frequency identification) chips in garments, and regular 'digital rain showers' sweep across the store to remind people of the brand's trench coat heritage. 500 speakers come alive as part of the immersive audio-visual retailtainment experience, whilst 100 screens stream product information and fashion shows triggered by product tags.^{56,57,58} It's a very connected Burberry experience, all designed to appeal to the connected customer, and it's an expensive bet on the digitally enhanced future of retail.

But does all this Digital POS wizardry actually help retailers shift stock? In the case of Burberry, which opened its new store of the future in September 2012, it's too early to tell. But basic customer economics tells us that shopping works on the principle of *value-maximisation*: people seek to get the best perceived value for the price paid – *the best bang for their buck*.⁵⁹ Digital POS will shift stock if it creates value for customers. But that value need not be value for money; it can also be experiential and service value, influenced by cultural, social, personal and psychological factors. In a world of increasing commoditisation of retail, the opportunity Digital POS presents to retailers is to create and capture customer value in-store.

The technology is used to deliver a differentiating and choice-shaping store experience for which customers are prepared to pay a premium.



Burberry's store of the future. A digitally integrated, 27,000-square-foot flagship store.



VIDEO

BURBERRY FLAGSHIP STORE

<http://de.burberry.com/store/experiences/regent-street/#/flagship/1>

In other words, **the Digital POS opportunity is a brand-building opportunity. It's the ability to extract margin through a branded store experience.** And there is one brand that stands head-and-shoulders above others in using Digital POS to create in-store value with a branded experience: Apple.

56 – <http://www.businessoffashion.com/2012/09/retail-recon-burberrys-bet-on-retail-entertainment.html>

57 – <http://www.luxurydaily.com/burberry-expands-reach-of-collection-with-live-streaming-fashion-show/>

58 – <http://www.pocket-lint.com/news/47506/burberry-regent-street-technology-store>

59 – McConnell, Campbell R., Stanley L. Brue, et al. *Macroeconomics*. 19th. New York: McGraw-Hill, 2012

DESIGNING AN EFFECTIVE DIGITAL POS STRATEGY

The miracle of Apple Retail is a well-known story. A newcomer to retail, Apple has quickly become the world's most successful retailer, selling nearly twice as much – \$5,647 per square foot, or \$473,000 per employee – than its closest rival, Tiffany's.⁶⁰ And it has done so by selling products at a premium price compared to online and competitor prices (for instance, Apple products purchased in the US on Amazon are not subject to sales tax).

In this well-known story, the not-so-secret secret to Apple's retail success is the 'insanely great' A.P.P.L.E. in-store customer service experience, famously inspired by the Four Seasons hotel chain:

- Approach** guests with a personalised, warm welcome,
- Probe** politely to understand all the customer's needs,
- Present** a solution for the customer to take home today,
- Listen** for and resolve any issues or concerns,
- End** with a fond farewell and an invitation to return.

All of this is delivered by employees who are systematically recruited based on the three key traits necessary for delivering world-class customer service: they are smart, friendly and fast.⁶¹

Looking at Apple's value-adding store services, such as device setup, the 'Genius Bar' for troubleshooting, One-to-One training and regular free in-store lectures and workshops, it becomes clear that Apple stores are as much about service as selling products. Add to that Apple's fanatical devotion to design and detail, and the explicit objective to create attractive retail spaces that resemble a Museum of Modern Art, and you have Apple's Service plus Design recipe for retail success.

Whilst the future of retail may well turn out to be service and not sales supported by exquisite store design, part of today's Apple Store experience includes the careful implementation of Digital POS as a Service for customers. Strategically, Apple appears to follow a simple rule: use Digital POS to create customer value and build on the key strengths of store-based retail versus online retail.

60 – <http://gigaom.com/apple/apples-retail-ops-unpeeled-how-sales-relate-to-pay/>

61 – Distilled from Gallo, C. (2012) *The Apple Experience: Secrets to Building Insanely Great Customer Loyalty*, McGraw-Hill

BUILDING ON CORE STRENGTHS

Why do people continue to shop in-store as opposed to shopping online? Typically, three major benefits are associated with in-store retail: immediacy, experience and service. Shop in-store and you can get instant gratification and sensory stimulation delivered with a smile. Apple has built its Digital POS strategy around these three key advantages that in-store retail has over online retailing.

✓ **Immediacy**

How can Digital POS technology help deliver better instant gratification to in-store shoppers and make the experience smoother, faster and more rewarding? Retailers are using digital technology to address the key store pain point: queuing. Apple⁶² is eliminating queues by allowing shoppers to self-checkout with smartphone apps. Apple⁶³ also equips floor staff with hand-held mobile checkout devices for those wanting to be checked out by Apple employees. This takes place straight in the aisle and without waiting in line. In addition to this, Apple has streamlined the shopping experience further by reducing another type of in-store 'wait-time', waiting to see a sales or service associate. Apple invites customers to schedule and pre-book store appointments through its online store app. In addition, Apple builds on the speed and immediacy of the store experience with a reserve-online-and-pick-up-in-store service.

KEY STRATEGY QUESTION:

How could you use Digital POS solutions to help deliver on the in-store benefit of instant gratification?

✓ **Service**

A second key strength of store-based retail is personal service. Ask people why they shop in-store today and many will answer that it's for the personal and personalised service. Dubbed the 'me-tailing' movement in retail, customers have increasing expectations of personalised services, offers and products.⁶⁴ Whilst digital technology can sometimes get in the way of, or even replace, human-to-human personal service, *the retail opportunity with Digital POS is to use it to deliver more personalised service.* For Apple, the in-store personal service experience begins when a customer books a personal concierge appointment through a POS station in-store, on their smartphone or from a computer at an Apple workshop, event, training session, or Genius Bar troubleshooting session. On arrival at the store, customers can check in for appointments at POS tablet stations and an employee will personally come to greet them. POS service stations located throughout the store give the employee access to the customer's appointment notes, CRM data and purchase history, helping them tailor the service experience to the customer's needs. POS service stations on Apple's Genius Bar offer free diagnostic profiling and testing services. Crucially, Apple's POS services are digitally assisted, not digitally automated – human contact in personal service remains paramount.

KEY STRATEGY QUESTION:

How could Digital POS help you deliver more personalised service to in-store customers?

62 – http://www.appleinsider.com/articles/09/11/03/exclusive_look_at_apples_new_ipod_touch_based_easypay_checkout.html

63 – <http://www.usatoday.com/money/industries/retail/story/2012-07-24/mobile-checkout-nordstrom-jcpenney-apple/56468084/1>

64 – http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture_Retail_to_Metail_Tomorrow_Starts_Today.pdf

✓ **Experience**

A third key strength of in-store retail is its ability to deliver a rich multi-sensory experience that builds choice-shaping associations in the mind of the customer. People come to the Apple Store for an Apple experience, fanatical attention to design and detail, and the delivery of an expectation-beating experience. The highly regarded Harvard Business Review article 'Welcome to the Experience Economy' identifies four key 'realms' of experience,⁶⁵ Apple's Digital POS strategy targets all of them:

✓ **Entertainment** – experiences that make you smile, such as games loaded onto children's POS stations in the Apple store.

Educational – learning experiences that enrich, such as assisted or automated demos of Apple gear on Digital POS stations throughout the store.

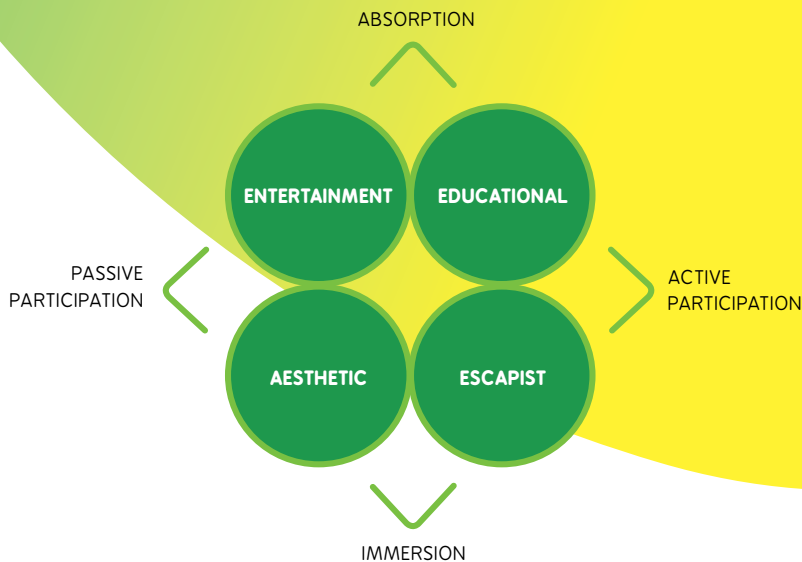
Aesthetic – immersive and sensorial experiences that please, such as the elegant digital signage in Apple stores.

Escapist – distracting experiences that captivate attention, such as the big-screen theatre installations in Apple stores used for product presentations.

KEY STRATEGY QUESTION:

How could you use Digital POS to enhance the in-store customer experience?

THE FOUR REALMS OF THE STORE EXPERIENCE



65 – Pine, B.J. II and Gilmore, J.H. "Welcome to the Experience Economy," Harvard Business Review, July-August 1998, p97.

ADDRESSING KEY WEAKNESSES

In addition to using Digital POS to build on the core strengths associated with in-store retail, Apple is also using Digital POS to improve the key perceived weaknesses of bricks-and-mortar retail: lack of information, convenience and value.

Information

In-store shopping may be experientially rich but it is typically information-poor, and this is at odds with the expectations of the 'infovore' that is the connected customer.⁶⁶ Retailers have traditionally sought to restrict and manage information available to store guests, acting as informational gatekeepers and careful managers of the store's 'info-sphere'. Apple has taken a different approach by inviting customers to scan products with its store app to see customer reviews and product information. To further open up the informational airwaves, Apple offers free Wi-Fi in its stores, allowing customers to access the Internet via their smartphones or Apple products on display.

KEY STRATEGY QUESTION:

How could you provide an information-rich store experience using Digital POS?

Convenience

The embodiment of online convenience: Amazon's '1-click buying' with same-day delivery is a hard act to follow. Apple compensates somewhat for this by offering a convenient reserve-online-pick-up-in-store service, with the added bonus of a free set-up session at the POS service station in-store. By streamlining and removing wait-time pain points from the store experience (see above: 'Immediacy'), Apple further increases store convenience, including an

e-receipt service where purchase receipts are emailed to customers. Apple resellers are also enhancing brand convenience digitally by installing Apple 'iStore' vending machines at airports and in shopping malls.⁶⁷

KEY STRATEGY QUESTION:

How could you improve the convenience of store-based shopping through Digital POS?

Value

Basic behavioural economics tell us that customer behaviour works on the simple principle of *value maximisation*; people seek to get the best perceived value for the price paid – *the best bang for their buck*.⁶⁸ But rather than offer race-to-the-bottom price matching to cater for value-maximising customers, Apple adds value with exclusive services only available when purchasing in-store, such as free device set-up, free migration of content from old devices, and promotional extras like iTunes gift cards. Additionally, by offering experiential value, service value and immediate value that are the core strengths of retail, Apple challenges the retail wisdom "if it has a UPC (universal product code), Amazon will beat you". In the US, where Apple Retail is most successful, Apple products are almost always cheaper if purchased through Amazon (no sales tax is due), but the value proposition of the Apple Store keeps customers coming back for more.

KEY STRATEGY QUESTION:

How could you use Digital POS to enhance the overall value proposition of in-store shopping?

66 – <http://blogs.ft.com/undercover/2010/06/the-age-of-the-infovore/>

67 – http://www.ithemeworld.com/blog/201207/Apple_Vending_machines_iStore_Express_like_to_sell_products_as_drinks__6249.html

68 – McConnell, Campbell R., Stanley L. Brue, et al. *Macroeconomics*. 19th. New York: McGraw-Hill, 2012

THE FUTURE OF DIGITAL POS: OMNICHANNEL

The key lesson from Apple's use of Digital POS is not to focus on the technology, but on the benefit that the technology delivers. Specifically, focus your efforts on playing to the strengths of the bricks-and-mortar value proposition. Apple of course, is not alone in adopting this Digital POS strategy. For example, a number of retailers are enhancing the immediacy of the store experience with interactive store map apps to help customers locate articles quickly (Neiman Marcus⁶⁹, Casino⁷⁰ and Lotus⁷¹ supermarkets). Others are improving the immediacy of the shopping experience by bringing the point of sale to the customer with virtual pop-up shops projected onto walls of airports, malls and subway stations (Tesco^{72,73}, Sears, Kmart⁷⁴). These enable people to use smartphone-scanning apps to buy essential products quickly, conveniently and on-the-go. A number of retailers are now offering digitally enhanced personal services with Digital POS innovations such as

changing rooms that connect directly to shop floor sales assistants (Victoria's Secret and Bloomingdale's).⁷⁵ New Digital POS technology is emerging that offers the ultimate personalised experience: unique and personalised products for customers created in real-time and on-demand using in-store 3D printing Digital POS stations. The world's first 3D printing store opened in Greenwich, Manhattan in September 2012.⁷⁶ Other retailers are pushing the boundaries of experiential retail: Disney is upgrading its stores with interactive mirrors that display images and clips when a magic wand is waved at them.⁷⁷ Durex has rolled out 'Xerud' (Durex spelt backwards), a fortune-telling digital vending machine for condoms that predicts your chances of 'success'⁷⁸, whilst window displays are getting a digital makeover with interactive and augmented reality experiences (Vuitton⁷⁹, Daffy's⁸⁰).



VIDEO

INTERACTIVE VIRTUAL GROCERY STORE

<http://www.youtube.com/watch?v=7JltU05mjCk>

69 – <http://www.luxurydaily.com/top-10-luxury-brand-mobile-apps-of-h1/>

70 – <http://econsultancy.com/pl/blog/7456-multichannel-precision-marketing-at-the-store-shelf>

71 – <http://www.engadget.com/2011/07/27/sk-telecoms-smart-cart-syncs-to-phones-reminds-you-to-buy-milk/>

72 – <http://www.pocket-lint.com/news/46808/tesco-trials-interactive-virtual-store-gatwick>

73 – <http://www.retail-week.com/technology/tesco-opens-virtual-store-in-southkorea/5028571.article>

74 – <http://www.psfk.com/2011/11/sears-kmart-turn-walls-into-qr-enabled-catalogs.html>

75 – http://reviews.cnet.com/8301-33809_7-57516381/makerbot-revamps-replicator-3d-printeradds-retail-store/

76 – <http://online.wsj.com/article/SB10001424052748703806304576243184005228532.html>

77 – <http://blog.disneystore.com/blog/2012/03/page/2/>

78 – <http://www.digitalbuzzblog.com/durex-the-lovers-fortune-teller-installation/>

79 – <http://www.shifteast.com/louis-vuittons-ar-circus/>

80 – http://digitalsignageuniverse.typepad.com/digital_signage_universe/2012/01/index.html

Using Digital POS to create customer value by building on the core strengths of in-store shopping and addressing its key weaknesses is likely to remain an effective short-to-medium term strategy for some time still. In the long run, however, Connected Digital POS technology combined with the needs and demands of the connected customer means that retail itself will have to become connected.

'Connected retail' will create a seamless connected experience across the silos formerly known as channels.⁸¹

Connected 'omnichannel' (integrated multichannel) retail will allow customers to research, order, pay, collect and return across all connected touch-points.

This future of connected retail may be closer than we think. Digital POS stations and store apps are already enabling customers not only to research online, but also to order and pay online for home or store delivery (Marks and Spencer and House of Fraser⁸²). Adopting Connected Digital POS technology today can help bricks-and-mortar retailers prepare for tomorrow's omnichannel future of connected retail.



81 – <http://www.capgemini.com/insights-and-resources/by-publication/digital-shopper-relevancy-full-report/>

82 – <http://www.ft.com/intl/cms/s/0/cf5fb340-e4f7-11e0-9aa8-00144feabdc0.html#axzz2K1OPKyr1>

TAKEAWAY RECOMMENDATIONS

Connected Digital POS can help retailers thrive in the new world of the connected customer. It can future-proof bricks-and-mortar by upgrading stores from legacy entities that simply capture customer value (sales) to destinations that create customer value. There is no one-size-fits-all solution for implementing Digital POS, but creating value where customers already find value in in-store retail is the natural and logical place to start. Based on this insight, here are our 10 recommendations for getting started with Digital POS technology:

1. **Update your customer understanding** – to include the rise of the connected customer – consumers who shop smart with digital technology.
2. **Focus on benefit delivery, not technology** – with a clear focus on addressing customer needs and delivering customer value.
3. **Embrace showrooming** – and future-proof stores as showrooms for inspiration and learning.
4. **Build on traditional strengths of in-store retail and the benefits they deliver** – immediate gratification, experience and service.
5. **Address relative weaknesses of in-store retail** – specifically information, convenience and value.
6. **Harness new cost-effective technology** – using tablet devices and the digital screens already in shoppers pockets – the smartphone.
7. **Think mobile** – if it can be done on a smartphone screen, do it and avoid unnecessary expense with expensive POS installations.
8. **Re-imagine store atmospherics** – use digital technology to stage rich multi-sensory experiences across the range of human senses.
9. **Prepare for omnichannel** – the future lies in delivering integrated experiences across the silos formerly known as channels.
10. **Think big, test small, learn fast** – use LEAN thinking to avoid costly mistakes and benefit from true evidence-based opportunities.



ABOUT US

We are a creative agency for digital marketing and communication. We create brand experiences through all relevant channels. Our inspiration is drawn from digital technologies and the human being itself.

No matter if it's a campaign, a website, a digital product or a service – it's gonna be spectacular.

We are part of SYZYGY Group, a network of specialist talent in interactive marketing with some 350 employees and offices in Bad Homburg, Berlin, Frankfurt, Hamburg, London, New York and Warsaw.

About the author – Dr. Paul Marsden is our social psychologist and market researcher specializing in digital and social media, influencer marketing and reputation management.

Paul has also authored a number of publications including the successful business book 'Connected Marketing'.⁸³

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