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Retail Online Integration

Retailers Ready for The Internet of Things?

By Daniel Collins   May 4, 2015

The Internet of Things (IoT) is poised to transform the retail experience in a way that hasn't happened since online shopping hit critical mass. Gartner predicts that 25 billion connected things will be in use by 2020, and retailers stand to benefit greatly from these connections. IoT devices and the data they produce have particular potential to impact how retailers approach everything from back-room functions to the psychology of shopping and further shape the rapidly transforming retail landscape inside and outside of the store.

Beyond Business Intelligence

Many retailers are already leveraging some kind of business intelligence to gather customer data and get a sense of things like which products are trending and which times of the day see the most foot traffic. IoT allows retailers to take this knowledge and use it to influence customer behavior patterns much more efficiently. In the past, retailers would resort to time-consuming video analysis to gain insight into the overall customer flow in their stores. A more IoT-centric approach focuses on advanced video analytics combined with sensors that can help retailers react when crowds are gathering in a particular area or understand how certain promotions are performing that day, all in near real time. With the ability to react quickly, employees provide improved service and customers benefit from a seamless shopping experience.

Reimagining the Customer Experience

The impact of IoT on the psychology of shopping is still up for discussion. Supermarkets, for example, have a longstanding tradition of using emotional connections to engage customers. Think, for example, of the circulating aroma of freshly baked bread strategically placed right by the entrance. When deployed in a similar fashion, IoT can subtly affect certain psychological factors known to impact the shopping experience.

Consider the potential for smart lighting to influence where a consumer focuses their attention. Adding sensors that pick up on high-traffic areas, smart lights can automatically adjust the brightness based on the size of a crowd or emphasize one area of the store over another. This also has the added business benefit of cutting down on electricity on a slow day and saving on utility costs. The grouping of devices such as sound systems, lighting and video feeds enable comprehensive, automated control over the shopping environment. This technology can be used to reflect or compensate for local weather conditions and help create a dynamic yet organic shopping experience.

Connecting With Customers at Home

In addition to retail, the "smart" home is one of the most widely discussed and rapidly growing IoT industries. For retailers, it presents significant opportunity to connect with customers on a day-to-day basis. Consider the recently announced Amazon Dash, which is a small branded electronic device that connects to Wi-Fi and sends a message to your Amazon account when you're in need of a reorder. This is a prime example of how retailers can merge both the physical and online shopping experiences via IoT technology.

Eventually, retailers may be able to incorporate things like tracking technology (e.g., what's the most efficient way for the product to make it to customers) and payments, further strengthening the benefits of all those potential connections. In this context, the more intelligent devices linked to a shopper's consumption and spending habits, the more opportunity for targeted marketing and customer insight.

Overall, there's much speculation on the impact of IoT and retail, and these are just a few of the ways the community is already learning to leverage connected devices and the data they produce. When done correctly, retailers will inevitably once again transform the total shopping experience to deliver improved customer service, make back-room processes more efficient and connect with other "smart" industries (e.g., the connected home), and truly recognize the benefits of the Internet of Things.

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