

IOT in Retail: Changing the face of brick and mortar retailers

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In the wake of eroding margins and reducing footfalls, offline retailers are seeking ways to compete with their online counterparts. The main aim is to create stickiness with old customers and acquire new ones. With the advent of the innovative Internet of Things (IOT) Retail technologies, retailers can now capture the best of both: the physical store environment and the digital advantage. IOT is pervading various industries like aviation, automotive, smart phones, smart homes, and e-commerce. Brick and mortar retail stores surely wouldn't want to be left behind from this digital phenomena. IOT is the network of physical devices connected to the internet to collect and share data. When it comes to retail stores, this can be divided into:

- » Inventory or consumer behavior devices with radio-frequency identification (RFID) sensors that track the location and movement of items as well as consumer behavior in-store.
- » Customer interactive devices such as smart mirrors and interactive fitting rooms that make shoppers' experience easier and more engaging.

Some of the select IOT devices that are gradually being adopted in the offline/brick and mortar stores are - smart shelves, beacons, smart shopping carts or robot shopping carts, smart mirrors/interactive fitting rooms, and near field communication tags/devices. Retailers, who have embraced these IOT devices in their physical stores include Hush Puppies, Argot, Top Toy (Denmark), Walmart, Lowe, Burberry, Made.com, Casino, (French Supermarket), and Harvey Nichols.

Despite many retailers closing their physical stores, it is too soon to write them off completely. In fact, online retailers have now started setting up their physical stores, with the most recent example being Amazon opening its first physical store in Seattle, Washington DC in 2017. The store will be a new concept with no checkout lines, and will use Artificial Intelligence (AI) for a frictionless shopping experience.

In brief, IOT in retail can provide the following advantages:

- » **Efficient store operations:** The digitization of in-store inventory helps retailers to track inventory levels and find in-store items to avoid misplaced stock, thus improving store promptness and increasing transparency and visibility. Digitization also makes it easier to run systems that improve efficiency. An example is the automated stock replenishment alerts.
 - » **Enhanced consumer experience:** The adoption of the connected technology increases the sale of
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merchandise as it helps the consumer to choose the exact size or the desired color in a seamless manner.

» **In-store analytics:** IOT devices will generate in-store and consumer behavior data while facilitating the capturing of metrics such as conversion rates. For instance, RFID, smart shelves, and sensors help to track the movement of items in-store, which in turn can help managers place popular products in high-traffic areas.

» **More revenue opportunities:** The increase in customer and retailer connection via the IOT devices will make the latter capitalize through sales done by promotions, hassle free payment facility, etc. For example, strategically placed sensors can make stores send information to a customer about a shoe that he pinned on the retailer's website, while the NFC-enabled mobile payment facility will further help him to pick the merchandise without waiting in line.

Retailers should assess and make investments in IOT technologies, which entails data collection and analysis, to improve operations, increase sales, and impress customers.

Acuity Knowledge Partners has been assisting retail and consumer goods firms with business and product strategy, process management optimization, business/competitive intelligence, and procurement sourcing. We can help retail firms understand the impact of IOT and related technological developments and identify opportunities arising from these developments, thereby acting as a differentiator for them.

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