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Driving Store Sales by Leveraging Location-Based Analytics

Get practical tips for success when using insights gained from location-based analytics during this webinar presented by RIS News and PRI.

Date: December 11, 2014
Time: 2:00-3:00 pm (EST)
Speakers:
- Steven Keith Platt, Director and Research Fellow, PRI, and Research Director, Retail Analytics Council, Northwestern University.
- Carl Ceresoli, Senior Director, Infrastructure Architecture and Strategy, Microsoft Retail Stores.
- Tim Johnson, Senior Technical Director, Consumer IT and Strategic Innovation, AT&T Stores.

Register [here](#) to participate in this webinar.

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PRI Retail Forum at Digital Signage Expo Retail Analytics That Drive Store Performance

Date: March 10, 2014
Time: 9 am - 5 pm
Location: Las Vegas Convention Center

Speakers will include representatives from:
- AT&T
- Hudson’s Bay Company | Lord & Taylor
- Intel
- Luxottica
- Metro AG
- Office Depot
- Retail Analytics Council
- Sylvan Learning Centers

Get more info [here](#).
Improving Economy Bodes Well for a Merry Holiday Season

Going into the holidays, the U.S. economy is exhibiting strength. We look for an increase in holiday spending of 3.8 percent, versus 3.0 last year. This forecast is predicated on, among other things, an improving employment picture and increases in income and household net worth.

For the first 10 months of the year, retail sales increased by a moderate 4 percent, compared to 4.2 percent in 2013, 5.1 percent in 2012, and 7.5 percent in 2011. This trend, in combination with a slower than anticipated back-to-school shopping season (an increase of 3.1 percent — the smallest increase in more than five years), leads us to be a bit more conservative than most.

Third quarter GDP grew by 3.5 percent, following the second quarter’s 4.6 percent increase (see Chart 1). The economy grew by 2.3 percent this quarter versus the third quarter last year.

Total employment grew by 214,000 last month, as the rate of unemployment reached 5.8 percent, the lowest level since July 2008 (see Chart 2).
The following Chart 3 presents a good visual of the state of unemployment and the decline in the rate of underemployed.

Chart 3
Various forward looking indicators are also signaling continued stabilization and growth. The Chicago Federal Reserve’s National Activity Index in September, for example, reached 0.47, with the three-month moving average improving to 0.25 (see Table 1). During the last 10 years, there has been a 75 percent correlation between the Chicago Fed Index and the change in real GDP.

Table 1
Source: Federal Reserve Bank of Chicago
(Note: A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.)

As well, the Index of Leading Economic Indicators rose by 0.8 percent in September — up 6.3 percent versus last September (see Chart 4).

Chart 4
The Federal Reserve Bank, in its October 15 Summary of Commentary on Current Economic Conditions sounded a conservative yet positive note, finding “modest to moderate economic growth,” as “(m)ost Districts reported overall growth in consumer spending that ranged from slight to moderate.”

During October, retail sales rose by 0.3 percent (up 0.5 percent excluding gas sales and up 4.1 percent versus last October), which followed a 0.3 percent September decline (see Chart 5).

Going into the holidays, we considered various economic indicators for additional insights into employment trends and the state of consumer spending and income. These include:

- **Job Openings**: Increased by 19.9 percent in September 2014 versus last September to 4.735 million.

- **Initial Claims for Jobless Insurance**: As of November 8, 2014, increased to 290,000, 15.2 percent less than the prior November.

- **Continuing Claims for Unemployment Insurance**: As of November 1, increased to 2.392 million, 15.9 percent less than the prior November.

- **Third Quarter Wages and Salaries**: For private industry workers, rose by 0.2 percent, up 2.2 percent versus the third quarter last year, the largest increase since early 2008.

- **Personal Spending**: Fell in September by 0.2 percent (mostly due to a drop in spending on autos), up 3.5 percent versus last September.

- **Disposable Personal Income**: Rose in September by 0.1 percent, up 3.9 percent versus last September. Overall, personal income increased by 0.2 percent, up 4.1 percent versus last September.

Other economic data points of note include the following: in October, consumer confidence jumped, up 30.5 percent versus last October; gas prices have dropped by 7.2 percent, the least expensive price since December 2010; household net worth is the highest ever, up 10 percent from a year earlier; and according to weather forecasting firm Planalytics, warmer trends are expected this year versus last in most regions of the U.S.
With all of this positive economic news, most are forecasting a strong holiday season. Consider the following:

- The National Retail Federation expects sales in November and December (excluding autos, gas and restaurant sales) to increase 4.1 percent, above 2013’s 3.0 percent.
- The International Council of Shopping Centers forecasts a 4.0 percent increase.
- Deloitte is forecasting a 9 percent rise in spending.
- Accenture’s annual holiday shopping survey finds that 25 percent of U.S. consumers plan to spend more on holiday shopping this year, up from 20 percent in 2013.
- Shop.org looks for online sales to increase by 8 to 11 percent.
- IBM projects online sales will increase by 15 percent for the five-day period between Thanksgiving and Cyber Monday. The biggest increase is expected on Cyber Monday, predicted to grow by 15.8 percent, followed by Thanksgiving, with a projected increase of 15.6 percent.
- Bain looks for holiday retail sales to increase by 3 to 4 percent, up from 2.6 percent in 2013. Online sales are expected to grow by 15 to 16 percent, consistent with the 15.7 percent recorded in 2013.

No party would be complete without a few naysayers. We present a few forecasts by those less-optimistic firms below.

- According to PwC, average holiday household spending this year will be around $684, down from $735 in 2013.
- Customer Growth Partners thinks holiday spending will be more moderate at 3.4 percent.

In addition to a consideration of various economic trends, we also took a look at some measures of retail activity to provide additional insights. Chart 6 presents a view of retail employment leading up to the holidays. As can be seen, hiring in October 2014 is up from October 2013 slightly, around 1.6 percent. Retail job openings were actually down slightly in September 2014 versus 2013 (see Chart 7). Chart 8 presents a view of retailers’ inventory. It appears that retailers are optimistic this year, with inventories up 5.24 percent in September 2014 versus September 2013.

Chart 6
As Chart 9 indicates, imports into the major west coast ports, which tend to peak from July to October as retailers get ready for the holidays, were up 10.6 percent year-over-year in September.
Finally, October same store sales for retailers that report monthly were mostly positive. Walgreen’s posted a 5.6 percent rise in same store sales; Rite Aid had a 5.5 percent increase; and Costco had 4.0 percent growth in comparable-store sales as well. A few retailers did have disappointing comps, led by The Buckle’s 4.4 percent decline.

In summary, we look for a solid holiday shopping season, with a year-over-year increase of 3.8 percent. Improving economic conditions, along with improving performance by retailers generally, and other retail activities leading up to the holidays, support this view, indicating that most have a positive outlook as well.
Retail Sector Performance Charts

The following table and charts provide several perspectives on retail sales performance.

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<td>Total Retail Sales &amp; Food Services</td>
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<td>Non-Auto Less Gasoline &amp; Building Supplies</td>
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<td>0.1</td>
<td>0.6</td>
<td>4.1</td>
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<tr>
<td>Retail Sales</td>
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Source: Haver Analytics

Chart 1

Source: Haver Analytics

Chart 2
Retail Sector Charts (cont’d.)

Chart 3
Source: Federal Reserve Bank of St. Louis

Chart 4
Source: Federal Reserve Bank of St. Louis
Retail Sector Charts (cont’d.)

Chart 5

Percent Change in Retail and Food Services Sales
(Estimates adjusted for seasonal variation and holiday and trading-day differences, but not for price changes)
From Previous Month

Source: Census Bureau
The Future of Engagement

During the recent Digital Screenmedia Association Symposium held in Dallas, PRI’s Director of Global Marketing and Communications, Margot Myers, led a discussion about the future of retail engagement. The participants were Ethan Whitehill, CEO of Two West, a retail communications and marketing firm based in Kansas City and Jim Crawford, Chief Experience Officer for Chute Gerdeman, a leading retail design and branding firm based in Columbus, Ohio. This article is excerpted from the DSA Symposium discussion.

Myers: Let’s start by having our panelists introduce themselves.

Crawford: I started in retail in 2000 as an analyst at Forrester Research and at that time, there were two people on the retail team, one focused on e-commerce and the other on everything else. That really reflected the spirit of the time that e-commerce was going to take over the world. Why would you go to a store if you could buy things online? Why do we need to have stores when we have e-commerce? Why a catalog when we have email? Fourteen years later, the thinking has come full circle and retailers realize that not only was that view wildly optimistic, but in some ways it was inherently flawed because it really didn’t reflect how people shop and what the role of a physical environment was.

As the Chief Experience Officer at Chute Gerdeman, my job is to focus on the strategy of how to design impactful retail environments – how to actually make money through having a successful experience design as well as integrating technology into the stores. We’re now able to construct experiences that are profitable at scale using technology as an integral part alongside environmental design, brand communication, and customer service.

The problem is in a lot of ways we’re still stuck in that mindset that we had 10-plus years ago. We still don’t have designers who understand how to integrate technology alongside other different elements of design. Most retailers have a fundamental disconnect between marketing, IT, and store operations. When we go in, we envision something that requires the creation of content, the deployment of technology, and a new store design.

We are finding some changes in the relationship between retailers and shoppers. One of the most compelling that’s happening now is that shoppers are no longer reliant on the retailer as the sole source of information. They’re literally informing themselves in real time. It started with showrooming and price checking, and now it’s evolved to where there’s this whole omni-channel ecosystem around every shopper that they construct and they choose how to make their own shopping experience within that. When you look at how it’s strategically impacting retail, retailers that depend on being the source of information or being the one place to go for a broad selection are seeing that value diminish in favor of retailers that actually are providing some unique experience, a curated assortment, or a service level that’s differentiated. This is part of why we’re moving away from big box and towards smaller format stores. So we’re actually seeing the relationship that the shopper has with technology changing the expectations for shopping.

So here we are 14 years later and when we look at the future of what is going to
Future of Engagement (cont’d.)

happen with e-commerce and online and mobile, there’s still an awful lot of hype, and the reality of it is that right now outside of grocery, 90 percent of transactions happen in stores. Even if you fast-forward five years, we’re only going to see a 5 percent increase.

If you look at holiday numbers for retailers last year, they’re fascinating. The holiday volume is up but the foot traffic in stores has declined consistently every holiday season in the last five years. So how is it that they’re doing the same volume in their stores but the foot traffic is going down? Well, people have less reason to come into the store. They’re able to get more information online, they’re pre-shopping, and they’re buying online and picking up in the stores. They’re doing all kinds of things that bend the metrics that we use for retail.

Whitehill: We call what we do at Two West “retail momentum,” meaning we don’t believe that there is a single moment of truth in retail. We say really the best retail experience is about a series of moments and how those build and create momentum. So we really think beyond the store. We think about what happens at home and what happens on the go as well as what happens during the in-store experience.

We do a lot of thinking about what we call retail archetypes and that’s basically the principle that every store has a story and every story sort of follows an archetypal pattern. I think what’s exciting about what we’re talking about here today and specifically with the store of the future is how do you tell that story with technology? How do you enhance the story for the consumer or the shopper so that the experience is even better based on the technology that’s supporting it? How do you do that in a way where the technology isn’t obvious, where it’s kind of invisible because it’s really about the narrative that’s created?

Myers: What are your thoughts about what the future of retail might be and how retail design and technology are becoming more and more closely aligned?

Whitehill: I’d say first and foremost (this alignment is important) because stores are still very relevant. People shop for a couple of reasons. Broadly, one is for utility, because they have to, the other is for meaning. Stores, brick and mortar, can deliver an experience unlike any other outside of that channel. You do it because of the task, there’s something, there’s a mission, there’s a trip or something you need to accomplish, and you do it because of the treats. There’s a reward for the work itself, and I think brick and mortar delivers that better than really any other experience.

Myers: Is there a sense of belonging that draws people into a store, and if so, how does technology affect that?

Whitehill: There is, and a lot of that belonging comes from a sense of community that you get, and when we talk local store marketing, a lot of people will have “their” store. It’s something that you’re familiar with, a place that you go back to. It gives you a way to associate with that brand. Retailers actually have the relationship and the brands are dependent on them. That relationship is meaningful, and thinking about customer relationship management, we really think things are moving toward this idea of customer experience management. So, within a store, you are able to handle that experience in a totally holistic immersive way that also contributes to that sense of belonging, which comes from a sense of place as well.

Myers: Jim, what are some of the big challenges that you face when you are looking at integrating technology into a store design?

Crawford: It may be a little provocative to say this but I think there are two answers to that. The first is a real lack of imagination when we think about technology. (People my age) grew up without what we think of as technology to-
day. I still remember what a modem phone sounds like. Compare that with the experience of somebody who is 30 years old and has grown up with Wi-Fi and 4G LTE around him his entire life. Most shoppers today, especially younger shoppers, notice the absence of technology more than they notice technology itself.

When we envision the experiences that we put into the stores, it’s typically based on our own experience with technology, which is one filled with wonder that technology exists at all. When you compare that to a reaction that a shopper has when they come into a store, they’re like, “Oh, OK, so you’ve got a video wall. Big deal. Oh, you have a mobile app that I can wait five minutes downloading that will give me discounts and coupons based on what you know about me. Big deal.”

That’s one of the biggest challenges – we don’t think of ourselves and the relationships that we have with technology, and then design the way that, for example, Walt Disney imagineers do. They think of it seamlessly. They think if they can come up with it in their heads, they can make it real in the experience, and particularly when you look at some of the newer attractions that have been done in places like Disney and Universal Studios, the integration between digital and physical is so good that even if you know everything about the industry, you still can’t figure out exactly how they did it. That’s art, and we’re missing a lot of that when it comes to the experiences that we create for retail because we envision that only through these sorts of narrow lenses where technology is the layer that gets pasted on at the end.

We think that putting the monitor on the wall is some kind of an achievement as opposed to how does that monitor integrate into the wall? How is that as a seamless part of the experience of visually looking at that? So that’s the first problem and it’s really compounded by the fact that nobody knows how to do this. We’re inventing the future as we go along and it’s crossing a lot of different disciplines.

When I work with our younger environments designers, they have the aptitude to do it because they think differently about technology. But when they went to school for environments design, they were being taught by older professors who didn’t think about what this technology means in a physical space. So (the professors) know everything about touch and color and palette and spatial relationships, and they know nothing about what would it mean to light a surface with content as opposed to just light. That’s a huge problem.

The second challenge is that generally there’s a lack of meaning of technology. Technology is best when you don’t notice it at all. One of the challenges is, if you look at how many of us in the room are responsible for creating experiences with technology versus selling or creating a technology itself, it’s probably like a 10 percent — 90 percent split. This is something I consistently hear from our clients. They don’t even know where to go for inspiration. The technology companies that we engage, they’re coming in and presenting their whole story as if the technology has a meaning, and we lack that discernment to pull everything together into something that can give these younger artists (environments designers) this tool set, this palette.

I think that the challenges from the industry side are there, and the challenge from the retail side is money. There’s no clear definition of what one gets from integrating technology. The measurement tools are really blunt or they’re over-precise in the wrong direction. It’s very hard to just sit down and really justify the cost benefit for design, and I mean that across both visual and physical when you get into the hard nuts and bolts of, “I have to justify to our shareholders why our sales were down last year.” That’s the tough reality of the industry. It’s easier if you’re the MGM Hotel in Las Vegas and you have this one location that you’re trying to make explode. It’s much harder to have that conversation with Forever 21 about 2,000 mall stores.
**Whitehill:** To hitchhike on what Jim is saying about Disney, at one time, Disney’s goal as a retail store was to be the best 15 minutes in a child’s day—not to be the best 15 minutes of technology or the best 15 minutes of shopping, but simply the best 15 minutes. They’re creating an experience and one of the things they do in their experience, and they’re famous for this, is they’re creating a stage, going back to this idea of retail archetype and storytelling where the child gets to escape and just play a role. The famous attract-interact-act model of retail we think is kind of missing a piece and it’s maybe this idea of enacting, so attract-interact-enact where you give somebody an opportunity to escape and play a role, and the technology just supports that. It’s just part of the set, part of the stage area.

**Crawford:** That’s a great example. I’ve actually had the opportunity to work with Disney on their in-park retailing over the last three years and what’s interesting about that whole company is that everything they do, whether it’s the attraction or the retail environment or the hotel restaurant, they think of it as an experience. It’s not the sum of different parts. The costumes that the cast members wear are directly related to the roles that they’re expected to play, which are directly related to the environments they’re playing in.

They do more and better metrics than any other retailer I’ve ever worked with. They’re constantly doing active surveys and capturing guest information.

We have watched our business evolve over the years from designing stores—being set builders—to now where we’re putting on the whole play. We’re responsible for working with the retailer to write the story, to create the script, to cast the roles, even down to figuring out if it is a short one-act play or something that’s going to be on Broadway for 10 years. It has really changed the nature of our business because figuring out how to pull all these pieces together, measure the right things, and adapt accordingly has become the wave of the future.

**Myers:** So what are store designers doing differently today, at least in your firm, and how is that likely to change in the future?

**Crawford:** First, in terms of the specifics of the kinds of things that we’re focused on, we’re not treating digital or technology as a practice or as a specialty. It’s just like any other element of design. We have environments designers who focus on the three-dimensional phase, and brand communications, which is really the two-dimensional phase such as signage. Both of those disciplines sort of merge together and have to learn a lot about technology. We introduce it to the designers, not through the specific lens of looking at it as digital signage or as a screen, but we actually use metaphors that resonate with the way that our designers think.

The other is that we’re seeing the internal technologies of how design gets done radically changing. It used to involve selling an idea to somebody by doing a hand sketch rendering and if that looks great, then the next step would be you blow it out in Photoshop. The next step might be you do it in Google SketchUp. Then the next step might be you start with a rough AutoCAD drawing, it then goes to 3D Studio Max where you start to do renderings out of it, then it goes back into AutoCAD and ultimately gets passed on to an architect to make sure that the thing doesn’t fall down.

We’re starting to get more information about execution on both technology and physical specifications upfront, and it really changes the nature of the game. It changes our relationship with our clients. It changes the relationship between the
design and rollout. Ultimately, it changes the relationship between the shopper and the space. It also creates an accountability that what you’re doing has to actually be impactful for the shopper because we can see whether things are working. We’re being held to a higher standard by our clients in this regard.

**Myers:** Ethan, how is technology part of the experience of a sense of place?

**Whitehill:** One thing I was going to mention in terms of how store design has changed is that we’re seeing digital mindsets and digital approaches influence physical spaces. Usability is so important to the online user experience and we’re seeing some of the learnings from user experience online being applied to the store itself and shopping. For example, when we look at a store, we think about three sort of shopping modes. There are explorers – who are just browsing; there are hunters – who are there shopping in a specific category and comparing different brands; and there are trackers – who know the exact model number. Our goal is to get them to where they want to be as fast as possible and as efficiently as possible based on where they are as a shopper. So that’s another interesting sort of by-product of digital in that space and digital thinking. Our takeaway is that stores used to be spaces that you moved through and now they’re becoming places that move you with an emotional component of the experience as well.

**Crawford:** I have to agree. I think we as an industry are still sort of churning on this whole question of what the role of a store is. The reality is that shopping as an activity is something that human beings find interesting. You go back thousands of years, and retail has always been about exchanging what you have for what you want. It’s the same process in the poorest village in Africa as it is on the Champs Elysées in Paris. The challenge that we have as retail experience designers, and I look at this across the whole spectrum of the experience, whether it’s outside the store or in it, is whether you can make the experience something that in and of itself is something that people want to do.

Some categories do very well with this. There are lots of people who like to go out on the weekend and go shopping for fashion. Fashion shopping is inherently interesting. Consumer electronic shopping on the other hand, is not as inherently interesting. Even if you love the category, even if you are a gadget person, there’s not a single person that wakes up on Saturday morning and thinks: You know what I really want to do today? I want to go down to Best Buy and see what they have in the store.

We have a construct that we use at Chute Gerdeman that we call the dimensions of wow, and there are actually 14 different dimensions that go into constructing a wow experience. I wish we could claim credit for this. It was actually developed academically in the early 2000s. But these are elements of how people react emotionally that makes them have that sense of what wow is. One of the dimensions is nostalgia and Disney really goes for the nostalgia play. You go in and you feel like a kid again. Apple computer doesn’t go so much for nostalgia as a wow factor. You don’t really harken back to the good old days of the Apple SE when you walk in and pick out a new iPhone.

So as brands look at their resonance with shoppers and as shoppers define what they are interested in in terms of the type of experience, you can actually connect those dots. It’s not this arcane witchcraft of branding, but you can actually see that this is what we want the shopper to feel, and this is how we want to give them an opportunity to feel that. If you do that consistently, it elevates the brand and it creates something where there’s a new brand value that makes the shopper want to engage across any touch points.

**Myers:** Changing direction a bit, in preparation for this session, we talked about Apple Pay. How do you think Apple Pay will affect retailers? How is it going to change the way retailers deal with technology and the way that customers shop?
Whitehill: One of my early thoughts on Apple Pay is that Point of Sale (POS) has to take on a new meaning. POS as we know it, as the technology becomes more pervasive and it’s adopted by everybody, really becomes a point of service. The person who is stationed at the cash wrap now becomes a service component whose job is not transaction but satisfaction, and affecting the customer experience. That means a lot of retail sales associates out there in the field need to work harder. They need to do different things.

When you have the capability of making a purchase not at a specified point of sale but really anywhere in the store, that means that the folks on the floor really have to add to the experience and they have to be more capable of handling higher-level questions that the customer couldn’t answer for himself.

Myers: From a design standpoint, if the customer can do a self-service checkout pretty much anywhere in the store, then how do you deal with the demise of the traditional cash wrap? Where do they get bags for their purchases and where do they get receipts? How does loss prevention know that the person walking out of the store with that item has actually paid for it?

Crawford: That’s a critical point and it’s very easy when we just start to look at it from a technology perspective to confuse transaction self-service with the checkout experience. The only industry that really has substantial penetration of self-service checkout is grocery. Part of the reason for that is that grocery has a consistent way of tracking whether or not you scanned the item that you said you did. There is a database that is kept current by all the manufacturers so when Campbell’s changes its can of soup from 14.5 ounces to 16.5 ounces, that info is in the database. That mechanism means that shrinkage is very easy to control in grocery stores.

On the other hand, an ex-NBA star just got caught stealing $15,000 worth of equipment at Apple. He did it by making it look as if he was doing the checkout using the app on his phone and then he just walked out with the items. For some retailers, that’s not a big deal. Apple loses that much to break-ins, but the idea that self-checkout and transaction are the same I think is a little bit of a misnomer.

Think about going through a department store. You might have to take the item off a hanger, remove a security tag, put it in tissue, or gift-wrap it. All of that requires service. So first off, mobile point of sale is different than a mobile cash wrap and there are a lot of vendors in the States that have gone to great lengths to try to streamline that. The mobile cash app is actually hard to do and it’s also experientially problematic.

Right now everybody’s talking about contact-less payment because Apple’s made an announcement. The reality of contact-less payments is that it has been around for 20 years, and it has a very slow adoption and it’s going to continue to be a slow adoption curve. Because if you dig deep enough down, you get to the retailers who are going to spend money on point of sales systems and they are going to move more toward chip and PIN than they are toward contact-less payment because data breaches are pushing them to more secure payment options.

Whitehill: You know one of the retailers that is saying they’re not going to do this is Best Buy, which is interesting being an electronics company that seems fairly innovative in a lot of ways. But they also have another dynamic going on in their store where they have a lot of store-in-store and vendor pads and opportunities where the brands are creating an experience. As the retail storeowner becomes more and more a landlord, and he risks losing that experience, that ownership of the relationship of the transaction can happen within the store-in-store, if the brand now owns it and it happens within their area. We’re just starting to see more brands trying to figure out how to access and create that.
Myers: One last question: Can a retailer be relevant to customers without embracing an omni-channel approach that integrates technology? Can you have a store that’s basically low-tech and still be relevant?

Crawford: Absolutely. Most of the stores that we enjoy going into that are one-offs don’t have an omni-channel strategy because they don’t need one. You find those everywhere. The question is, can you operate at scale without an omni-channel strategy?

I think omni-channel is a buzzword – the latest evolution of a bad idea, and it started with e-commerce and then it became multi-channel and now it’s omni-channel. As far as I’m concerned, channels are fundamentally the wrong way to think about the world. It’s an internal construct that retailers use to explain why the experience sucks, as opposed to saying: When we look at the experience through the eyes of our shopper, what is the connected shopping experience of unified touch points that give the shopper a way to engage with us consistently?

Retail is very disconnected and I think it’s actually compounded by this idea that channels make sense. Shoppers don’t think that way anymore. If I’m sitting there on my phone, doing Facebook with somebody talking about a product while I’m in the store looking at something on the shelf, what channel am I in? Yet if you use that idea that it’s omni-channel and we have one channel or multi-channels or whatever, it’s just the wrong way of looking at it. It’s a buzzword that we really have to get down to that idea of you as a retailer become relevant when you have relevance for the shopper in the moment.

Your comment about moments needs to be amplified. Shoppers don’t want a relationship. They’re not loyal. They want something. It could be an experience; it could be a low price; it could be an exclusive product. It’s some dimension of wow, whatever that is, but they want it in the moment, and if you can’t deliver it to them in the moment, they now have the opportunity to get it for themselves. To put this in context, the iPhone 3 had more computing power than the Apollo space program did. That’s three generations ago, and now we’re carrying around in our pockets a totally connected kiosk with a camera system on it that 10 years ago, the retailer would have had to deploy, and everybody’s got one of these. How do you let them use that to engage with you?

Whitehill: I wholeheartedly agree with you. I think about what technology should be doing and ultimately it should be making us more human, and how it does that really doesn’t matter to the shopper or the consumer. It just should. I think about a major retailer that just opened in our market – IKEA – and everybody was waiting and people camped out overnight and they were super excited. You go through their experience and I think on the front end in terms of their value chain, they’ve done tremendous things engineering their products and kind of innovating the business model from that perspective. But they’re really not a very digital company and it surprises me from a consumer perspective. I’m still in there taking pictures of all the tags so I can go find my item in the self-service area. But they haven’t enabled that or made that easier for me because they’re just letting me use the tools that I already have at my disposal, and do they necessarily need to do that for me? Not necessarily.

Crawford: I would actually challenge you on that. I think absolutely if you dig beneath the surface, there are ways in which IKEA is probably one of the most technologically advanced retailers out there. So they make this commercial and if you just Google “IKEA Book Book,” you can see it on YouTube, it’s brilliant. It’s
hilarious. It’s all about the role of paper. But number one, it’s been proven over and over again that catalogs have a role in shopping. When Pottery Barn discontinued its catalog because they thought people could get it on the website, their sales plummeted 40 percent in one quarter, because there is a human difference between browsing in a unidirectional way and seeing items in room settings in context versus poking around to kind of find what you want.

In addition to that, the IKEA catalog contains any number of instances where simply by holding up your phone you can see how that furniture looks in your home. IKEA is probably the pioneer in introducing augmented reality not just as a gimmick, but if I want to see what that table is going to look like dimensionally in my home, they pioneered that in a way that no other retailer has. I’ll give you the in-store technology experience probably isn’t that great, but from the perspective of why if you have the ability to snapshot something with your phone and look at it when you’re down in the self-service area, why do we need something different? The tools that I need when I’m shopping in the store are things that IKEA gives me, like a measuring stick. How many other retailers actually give you something that lets you accurately check the dimensions of that piece of furniture?

Myers: Ethan, you had a final point you wanted to make.

Whitehill: Jim said something about that technology should be invisible. That reminded me that (science fiction author) Arthur C. Clarke said, “Any sufficiently advanced technology is indistinguishable from magic.” That’s how I think about digital inside the retail experience. There’s another great sci-fi author who inspired us at Two West to think about customer experience – Isaac Asimov. If anybody remembers the book called “I, Robot,” Asimov basically introduces three laws that protect human life and protect the robots. We have just adapted these to retail.

The original law for robots was number one, a robot may not injure a human being or, through inaction, allow a human being to come to harm. We said, how does this apply to retail technology? Well, retail technology may not injure customer experience or, through inaction, allow customer experience to come to harm. The translation is very simply that a digital retail initiative must enhance and extend offline channels rather than create isolated, competitive experiences. It should be seamless and I love the point about omni-channels should be really sort of irrelevant. More importantly, retail technology should protect valuable customer relationships and it shouldn’t frustrate them.

Number two, the original robot law was a robot must obey any orders given to it by human beings, except where such orders would conflict with the first law. Well, we feel that retail technology must obey any orders given to it by customers, except when such orders would conflict with the First Law. The translation is that digital retail initiatives must put the customer in control of the experience provided that authority does not hinder cross-channel integration.

Last but not least, under Asimov’s original laws, a robot must protect its own existence as long as such protection does not conflict with the First or Second Law. This is a long one but the translation is simply that digital retail initiatives must be stable, secure, and redundant, so customers who rely on them are never frustrated by system outages or failures. The worst thing we can do is have a blank screen on the wall when you have an integrated digital experience inside the retail experience. It’s frustrating. People know there’s something wrong. If it’s working, maybe they don’t always notice it, maybe they don’t pay a lot of attention to it, but they certainly will notice when it isn’t working properly. This law also implies that retail marketers must become marketing technologists to serve and protect the initiatives they create, and that’s another important point. As we see the convergence of roles within the marketing department, everybody has an obligation to have some understanding of how the technology works and makes that experience more efficient and effective.
Editor's Notes:

This panel is based on a research article that PRI published earlier this year. Sponsored by Two West, “The Future of Retail: A Perspective on Emerging Technology and Store Formats” offers a look at the history of retail, examines some emerging trends, and discusses several possible future retail formats. The Research Article is available as an e-book, which may be downloaded here.

If you are interested in downloading a white paper from Two West addressing the Three Laws of Retail Technology, you can text “3laws” to 74574.
Getting Personal: The Keys to Driving Mobile Engagement

By Mario Proietti, Founder and CEO, LocationSmart

Brands and businesses are actively engaged in transitioning their marketing practices and interactions to the new frontier of mobile. Now, mobile devices have become many consumers’ prize possession, displacing the car in that envious role. In fact, over 90 percent of mobile phone subscribers do not leave home without their devices and have it within close proximity 24/7. Consumers want relevant, local insights that will make them more informed and provide them incentives to engage with brands when they are in proximity and it’s convenient. Brands are noticing and implementing location-based marketing, which consistently outperforms national campaign efforts to drive local sales and offer redemption. It’s a win/win for both the consumer and brand.

As part of the transition to mobile, many brands are reviewing and employing omni-channel marketing to bring together many modes of engagement – online, mobile, contact centers, print promotions, and other forms – into a seamless experience across all channels and devices. Each of these consumer experiences is becoming more personalized, consistent, and complementary.

The key areas of focus explored in this article are:

- How are businesses improving their mobile consumer retail strategy?
- Why is mobile location driving higher levels of consumer engagement?
- What trends are motivating local marketing interactions?
- What technologies and tactics enable relevant, personal engagement?
- How are companies measuring success and taking advantage of analytic insights?

**Improving mobile consumer retail strategy**

In order to improve consumer advocacy, brand loyalty, and affinity, brands are getting personal with their consumers through the use of loyalty programs that are proven to drive higher levels of engagement. As part of the loyalty program, brands are creating personal profiles with approved ways to contact members, capture product preferences, and store payment options for easy commerce. They are also learning patterns of behavior and interactions, as well as social and emotional states and tying those details to demographics for optimized business logic.

This constant learning process enables retailers to provide mobile experiences that offer relevant and contextual levels of engagement between consumers and the brand. Engaging via SMS and brand-specific mobile applications are two key ways of driving interactions, along with a strategy of continuously rewarding loyal members with enticing offers to keep them active. The insight of knowing when to present the offer based on where the consumer currently is or where they have historically been at certain times of day is essential. This is what drives increased sales, redemption, and repeat purchases.

There are several factors that ensure brand messaging will engage the consumer:

- Personalization.
- Location-targeting.
- Contextual relevance.
- Timeliness.
The impact of these attributes may be illustrated as follows:

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers more likely to respond to messages tailored to personal interests</td>
<td>26%</td>
</tr>
<tr>
<td>Consumers more likely to respond to promotions that are specific to their location</td>
<td>22%</td>
</tr>
<tr>
<td>Consumers more likely to respond to promotions that are contextually relevant to what they were doing</td>
<td>21%</td>
</tr>
<tr>
<td>Consumers more likely to respond to promotions that are specific to the time they are sent</td>
<td>14%</td>
</tr>
<tr>
<td>Consumers more likely to respond to promotions with attention-grabbing phrasing</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Upstream/YouGov

**Driving consumer engagement**

Engaged customers are usually better brand advocates, more loyal and more profitable according to research by Gartner, Inc.\(^1\) Improving the mobile consumer’s experience with a brand drives significant growth in customer acquisition and loyalty. Two levels of engagement that businesses are using to drive stronger mobile connections with customers include:

- **On demand engagement** – occurs when consumers request deals while on site or are thinking of making a purchase. For example, when in a store and ready to buy, consumers often look up store-related offers on their smartphone to see if they can use a mobile promotion upon checkout. They request offers based on their intent to purchase at that time.

- **Loyalty engagement** – an ongoing affiliation with a brand where loyal patrons are actively participating with a brand. With consent, their favorite brands proactively send deals and alerts when consumers are at or near a store or event. Timely notifications and deals may be presented via SMS or, for those who have a mobile app loaded, coupons may be delivered in the application inbox.

**Trends in local marketing interactions**

Location-targeted and hyper-local mobile marketing is a booming area of growth. Strategy Analytics predicts that location-based services are expected to bring in $10B in revenue from consumers and advertisers by 2016. More than 50 percent will come from location-based search advertising.\(^2\)

\(^1\) [http://www.gartner.com/newsroom/id/2689817](http://www.gartner.com/newsroom/id/2689817)


Over 50 percent of consumers are willing to share their location to receive more relevant offers and engage with location-based ads.\(^3\) Businesses are utilizing location platforms to personalize and deliver these offers anywhere at any time, to any type of device. Rich ads may be delivered to smart devices, while simple SMS can be used to engage all mobile subscribers. The use of geofences and business log-
ic to trigger actions based on the proximity of the consumer to the storefront or venue is another useful trend that businesses are embracing.

Here are some consumer engagement metrics from the Location-Based Marketing Association (LBMA).

Source: Location-Based Marketing Association

Combining mobile indoor location, geofencing and personalized communications provides a strong recipe for happy and engaged customers.

**Technology enablers for personal engagement**

The landscape, technology and tactics for providing personal and relevant mobile interactions are continuously evolving. Here’s an introduction to the alphabet soup of location and how each technology is used today.

- **GPS** – Global Positioning System is a space-based satellite navigation system that provides accurate location and time information of devices equipped with GPS. GPS is commonly used and is ubiquitous anywhere there is unobstructed line of sight.

- **Cell ID** – Telecommunications carriers assign a unique number to identify their tower locations or cell sector centroids. Devices frequently communicate their local cell ID, which may be used to identify coarse location of the subscriber’s device.

- **Geofencing** – A virtual perimeter to define a geographic area in the real world.

Geofences are typically defined as a radius around a location or as a polygon. Geofences are helpful for determining when users or assets are in, out, or have entered or exited the defined area. Real-time alerts may be triggered when events occur.

- **Wi-Fi** – A local area wireless technology most often used to wirelessly connect devices to the Internet via radio waves. It has longer range and higher speed than many other technologies used for local communications. Consumers are accustomed to connecting via public Wi-Fi when in their favorite coffee shops, restaurants, and stores to browse the Internet.

- **RFID** – Radio Frequency Identification uses small electronic chips to transmit data wirelessly with the purpose of identifying and tracking tags attached to objects. RFID tags may be attached to pallets of valuable cargo to track their whereabouts, for example.

- **NFC** – Near field communication uses short-range radio communications with devices by touching them together or bringing them into close proximity of one another. NFC is employed in secure, contactless payment systems.

- **Bluetooth** – A short-range wireless technology standard for exchanging data and communications between devices. Many devices use Bluetooth to communicate with one another. For example, a wireless headset and mobile phone are typically connected by Bluetooth.

- **iBeacon** – Apple’s low-powered, low-cost transmitters that can notify nearby iOS 7 devices of their presence. Beacons are ideal for pinpointing location in stores and venues or triggering actions. The implementations are typically venue- or store-specific.

Built-in sensors of motion, speed, and compass direction are also used to increase situational awareness and provide insight into whether a device is moving fast or slowly, is stationary, or is moving toward or away from an area of interest.

There are pros and cons to the use of each technology and the specific use would guide the appropriate implementation. Some are more ubiquitous, such as GPS and Wi-Fi, while others are more granular and require venue-specific implementations. A strategy that enables use across the spread of technologies will provide the most flexibility in delivering the message to the right person at the right time. Ensuring that mobile marketing offers are delivered under the right conditions is vital to driving local interactions. Considerations for a mobile engagement strategy include:

- Know if the user is in proximity to store or event.

- Frequency of messages.

- Extra perks for affinity and loyalty members.

- Check-ins or other forms of interaction via a mobile app.

- Ability to subscribe for deals or request them on the spot.

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**Measuring success with analytics**

Once throngs of amazing, loyal followers are onboard and an enormous amount of consumer data is collected about their patterns of engagement, a strategy must be put in place to mine and leverage what consumers are relaying through their actions. The data must be organized and analyzed to measure the success of specific offers, review dwell times, assess purchase sizes, and monitor frequency of visits. Capturing and measuring historical engagement patterns will help anticipate...
what may be most relevant and interesting to fully optimize future interactions. Such analysis will help brands foresee what a consumer is likely to want and when they are likely to want it, then enable offers to be made to them before they even ask.

Data may be viewed visually on dashboards with heat maps and thematics to easily see patterns with the use of an integrated location platform. A better understanding of historical customer interactions and trends will drive customer retention, lifetime value and advocacy, and provide ongoing insights for how customers want to interact. When it comes to keeping consumers engaged, committing to a strategy focused on personalization and contextual relevance is key.
Looking Back on Digital Signage Trends During 2014 and What is Going to Drive in 2015

By Richard Ventura, Vice President of Product Marketing and Solutions, NEC Display Solutions of America

This time last year I wrote an article discussing “Three Digital Signage Areas to Keep an Eye on in 2014.” Video walls, touch-enabled displays, and ultra-high definition resolutions were the trends that I pinpointed in that discussion. Two of the three areas were spot on and one will be a major force going into 2015.

The first area I anticipated booming in 2014 was video walls. Who has walked into a retail establishment or an airport and not seen a video wall? The power of a video wall is amazing and truly can drive the impressions of the audience, which we saw make an impact this past year. The immense screen size and the amount of data being delivered to the wall enable an organization to deliver new and more exciting experiences. This year was the year of the video wall.

During 2014, we also saw another area I anticipated to grow – touch-enabled displays. We live in a society of interaction. Just about everyone has a cell phone or tablet device and has grown accustomed to interacting with content. Touch-enabled digital signage screens and kiosks are an extension of that interactivity and allow for the consumer to build a stronger relationship with the brand. It also allows the brand to deliver even more information in a centralized place. Consumers want to interact on their own time and in their own way, which is exactly what interactive signage delivers. Brands were ready to respond to these needs in 2014.

There was one area that I suggested keeping an eye out for in 2014 that took a little longer than expected to grow – ultra-high definition resolutions or UHD. It wasn’t a total miss as display companies, media player suppliers, and content creation companies are showcasing 4K (content or displays with a horizontal resolution of 4,000 pixels) at various shows and conferences. However, full-scale deployment and adoption are still on the sidelines waiting to explode. In 2014, we are still in the infancy and crawling phase of this technology. Infrastructure still needs to catch up in order to deliver the needed content and the display industry is starting to slowly expand product offerings. But as the cost for technology moves downward and the capabilities move forward, we will see the adoption of UHD technology grow.

Looking ahead to 2015, the following are the trends and areas of focus to keep an eye on:

- Projectors reentering the conversation about digital signage.
- Ultra-high definition becoming a major force in the industry.
- Increased use of analytics.

Projectors reentering the conversation about digital signage

From convention centers to other large venues like sports arenas, hotels, and re-
sorts, projectors are increasingly being deployed for digital signage applications. Industry estimates now report that about 25 percent of all digital signage applications involve projectors. In the coming year, we have the potential to see that number grow exponentially.

It is common knowledge that projectors bring several advantages to digital signage. Cost per inch – a lot more screen space for less money – is one very attractive advantage. In addition, some venues can’t support the sheer weight of digital screens, so projectors are a viable alternative. Moreover, there are designs in large venues that call for the display of content or images on odd shapes and angles, which projectors are able to accommodate.

One last major benefit that projectors supply for digital signage applications is ease of redundancy. Projection stacking allows for the image to not only be projected at a higher brightness but also allows for backup in case one projector were to fail or shut down. Using multiple projectors overlapped on a screen guarantees an image is always displayed even in the event that one projector fails. If a flat panel display fails, you do not have that redundancy.

As we saw in 2014, there also are some other applications in which projectors are the better solution. Be it for projection mapping, high ambient light applications, off-angles, or weird surfaces and structures, projectors lend themselves to easier installations and achievement of objectives.

One of the most exciting applications where projectors are being used is projection mapping. Using this technique, projectors convey images onto multiple types of surfaces (stone, ice, metal, etc.). Some are even looking at mapping content around digital displays, giving a multi-dimensional look and feel to the content being displayed.

In 2014 we have seen installations at Quicken Loans Arena, home to the Cleveland Cavaliers, where 3-D images are projected onto the basketball court for player introductions. Also, the United Center, home of the Chicago Blackhawks, just installed projection mapping. Even some hotels and resorts are projecting images onto their swimming pools at night. Expect to see more installations similar to these as well as others that push the envelope in 2015.

In 2015, we will also see further introduction of solid state technology that will only enhance the trend toward projectors in digital signage. While conventional projector lamps can have a life expectancy of up to 10,000 hours, solid state light source projectors are capable of lifetimes at least two times greater. The extended-use capabilities of solid state meet many digital signage requirements. Further, the upcoming ability for solid state light source projectors to project 4K images also will play to certain applications.
For digital signage that requires extended use, make sure that you have the right technology and the right solution for the application. It is important to remember that displays aren’t the answer to digital signage 100 percent of the time – and projectors aren’t either. However, projectors and displays together, or individually for certain applications, can solve digital signage challenges 100 percent of the time. The key is the right solution for the right application.

**Ultra-high definition will become a major force in the industry**

Yes, I know that last year I said that ultra-high definition was a technology ready to make a splash in the industry. I was partially correct. By mid-year 2014, 4K was plastered everywhere you looked. In fact, Crestron, a manufacturer of control systems for audio/video installations, even created a 4K certification program. But where were the installations? Limitations on infrastructure, content, and the price point for ultra-high definition limited the growth.

Factors that will that drive ultra-high definition in 2015 include: increased availability of 4K content, increased availability of media players to support the content/resolution, increased options for displays, and decreased costs for entry into the space. Each of these factors will allow the early adopters to continue using the technology as well as helping the next tier of adopters to realize the benefits that ultra-high definition brings, such as image quality, clarity, and depth.

Another driver for ultra-high definition adoption in 2015 is the introduction of solid state light source projectors supporting 4K content. As noted earlier, solid state light source projectors allow for much longer run time and are capable of lifetimes at least two times greater than traditional lamp-based projectors. As more applications such as projection mapping take off, the need for ultra-high definition content and projectors will increase. Plus let’s not forget about video walls, which were a huge trend for 2014. New technologies such as Display Port 1.2, allowing for pass through of 4K signals and multi-streaming to video walls, will also help drive the adoption of ultra-high definition installations.

The next adopters of ultra-high definition will be in the education and healthcare markets. This is because they already have ultra-high resolution content from various applications readily available. Further, sports bars and entertainment venues will drive the need for the ultra-high definition content as the expectations of the consumer increases along with the increased capabilities of content delivery systems. Another area that will see growth in the market will be digitizing artwork and displays for museums. We will see adoption of this technology continue in specialty retail and flagship locations. Ultra-high definition displays will provide more lifelike imagery and depth otherwise not seen from standard high definition displays.

**Increased use of analytics**

Going into 2015, there is and will be a much more concerted effort to capture as much data as possible about the consumer, their actions, the data they pull, and how best to target marketing efforts to them. Furthermore, this data allows the operator to be smarter in ways that drive sales and end user actions. Now that smart retailers are driving stronger strategies for consumer engagement and interaction, what are they doing with all the data that comes as a result? The “Big Data” issue is making headlines – not only in tech trades, but also in the business press.

Digital signage, coupled with viewer analytics and biometrics, can capture important information about patrons and their interactions in stores – from the gender of shoppers or how long they spend in a certain department to their interest in a specific piece of clothing or accessory. Content then appears to track that person’s desires and interests, which can then impact the content that is shown on the store’s signage network.

Stores need to think long and hard about what they are doing with all of that data and how that data translates into a complementary strategy for an uplift in sales.
and brand equity. How will it increase sales, how will it increase the results of limited-time offers, and what effect will it have on introducing new products and marketing campaigns? Retailers need to think about using the right tools to mine that data.

Using analytics in a strategic way drives a favorable customer experience and can impact sales. In fact, taking analytics software and integrating it into Point-of-Sales (POS) systems, as some retailers have started to do, gives them knowledge about inventory levels, and can help them dynamically change prices to achieve business objectives. Aligning digital signs and POS systems across a multitude of stores over vast geographies can be a powerful tool.

Projectors, ultra-high definition, and analytics are just a few of the trends that will drive and impact digital signage in 2015. While their impact will be at different levels, each will help to increase deployments of digital signage in multiple vertical markets. Each application can help organizations deliver stronger solutions, brand awareness, and differentiation throughout their specific industries.

Richard Ventura is Vice President of Product Marketing and Solutions at NEC Display Solutions of America.
With over 400 million households, the home renovation market in China is valued at $43 billion. It is a large, yet fragmented, landscape in which home improvement retailer B&Q enjoys a 0.04 percent share – a seemingly small portion but one that makes it the number one decoration company in the country.

Despite operating in China since 1999, B&Q — part of the Kingfisher group — found that its existing stores were struggling to meet customer demands. Research also identified that home improvement in China is viewed as “painful, exhausting, and a terrible experience.” Renovating a home can be difficult and dangerous work. “Do-it-yourself” (DIY) projects are avoided and seen as a low-status activity. Instead, the home renovation process is built around a seven-year “do-it-for-me” cycle, heavily dependent on contractors to do the work, many of whom are often unreliable and use poor quality materials.

B&Q wanted to re-engineer its business, moving on from DIY-focused stores that sell products, to creating a new brand called VIVID Homes, offering new services and an enjoyable shopping experience. The primary objectives were to increase the number of commissioned renovation projects, raise the overall project value, improve customer satisfaction, capture a larger share of the overall market, and create a home décor retail model that unlocks the true business potential of the China market.

VIVID Homes Creative Director Jo Rymill says, “Our mission is to make the process of home improvement as easy and relaxing as possible while giving our customers the knowledge that the final result will be installed professionally with a good value and great style.”

FITCH, a global retail and brand consultancy, completed a market review to include home visits, interviews with consumers and staff, as well as an audit of existing and competitor products and services. A series of workshops mapped the current and future customer journey. In a market that relies heavily on personal recommendations, the importance of social media as a research tool was taken...
into account. The workshops also created and refined the new brand proposition, “Better Homes, Better Lives,” as well as the VIVID name and identity system. The brand behavior was summed up under the tagline, “Love Where You Live.”

**Seven-year renovation cycle**

Delivering a seamless experience meant addressing the complex situation that urban Chinese homeowners live in. During the recent growth of China’s urban middle class, millions migrated to major cities, thus new homes were built at an unprecedented rate. These homes are typically empty concrete shells and new owners are responsible for the internal fit-out and decoration.

The consumer base is predominantly made up of newlywed couples wanting to renovate their all-important first apartment. However, homeowners’ lack of knowledge and the lack of trust between customers and contractors, coupled with product safety, quality, and budgeting issues has led to a stressful and disjointed home renovation experience.

Homeowners research every aspect of the process in detail and decisions are further complicated by the involvement of grandparents who have often funded the apartment and will live with the couple until they have a child old enough to need a room of his or her own — usually at the next 7-year milestone.

‘Do-it-with-me’

VIVID Homes takes a new approach to home renovation, creating a “do-it-with-me” home décor retail model that integrates the purchase journey through the store, website, and mobile applications. The new customer journey is broken into six distinct steps; collect what you like, see your ideas, play and plan, try it on for size, premiere your home, and make it happen. A VIVID coach works with the customer throughout this process making the experience collaborative, honest, and easy.

Customers start by gathering ideas and inspiration online, creating their dream home virtually and sharing their “moodboard” with friends and family through the
With the guidance of an in-store VIVID coach, the customers’ ideas are further collected using an interactive card. The ideas are then refined and visualized on screen in a 3-D test apartment and given an instant cost estimate.

Customers then build their home across each room to finalize their design customizing choices as they go.

The VIVID coach helps to measure their home and fit their ideas to the actual space, tailoring the information into a project plan which included timing and budget. Layer by layer, customers learn about home renovation as they customize their home.

Once the plan is complete, customers can invite family and friends to preview their new home in an immersive Project Cube. The multi-sensory 4-D Visualizer creates the dream home complete with sight, sound, and scent.
Once work begins on site, the customer is updated regularly by the Pocket Coach mobile phone app, which sends visual updates of the installation. Projects are built to cost and on schedule by the Fit-Out Team. When finished, the home is ready for the grand opening.

A Project Passport gives the customer a two-year guarantee with information on selected appliances. Moreover VIVID Homes guarantees that it can deliver the project up to 20 percent cheaper and quicker than any other competitor.

Director of VIVID Homes Malcolm Pearce says, “VIVID Homes is design by design, a process created to give support, confidence and transparency to the customer. Using the most advanced techniques available, the customer is encouraged to play, experiment, and visualize the home they want to create. VIVID Homes delivers contemporary homes with complete transparency, known cost, and guaranteed quality. Human, innovative, contemporary – truly challenging the way we think about home improvement.”

**The new home renovation standard**

VIVID Homes launched in Shanghai in 2013. The store carries an optimal 35 percent of its former product range, reducing stock, SKUs, and cost. Since launch, the store has started over 500 home renovation projects. The VIVID team is highly engaged and motivated, creating consistent and positive interactions with customers.

Kingfisher plans to expand the brand across major cities in China, and is considering taking VIVID Homes to international markets. It is rapidly becoming the new home renovation standard in China, symbolizing quality, safety, and trust, while helping people in China love where they live.
New Opportunity in Mobile Commerce: How Independent Retailers Should Approach Mobile Apps

By Frank Rehme, Partner, gmvgroup, and Director, German Operations, Platt Retail Institute

Mobile commerce has arrived as a major element of a cross-channel marketing approach for many decision makers in retail. The mobile offerings of many retailers have expanded significantly in recent years as a result. Sometimes, however, solutions end up as applications that have been developed or commissioned by different units within the same organization. On the one hand, this ensures a diversity that can be compelling for customers. On the other hand, you can see that having different organizational units developing their own apps in parallel may result in a lack of coordination that leads to both confusion and unpredictable outcomes.

True to the assertion, "Without an app you're a sap," independent retailers have created their own solutions that previously were available only if designed and sold by a growing army of service providers. The situation is complicated further by different couponing and payment solutions that are accepted only at certain locations. This lack of consistency is difficult for most customers to accept or comprehend.

This situation has led to significant confusion among the valuable target audience of customers. The high complexity leads to rejection, and the desire for simplicity is reflected, among other reactions, in a lower number of user transactions. Understandably, the absolute number of transactions tied to apps is a tightly held secret for most retailers. The much less meaningful number of how many customers downloaded the app is mentioned more often. It is the number of app-related transactions, however, that shows whether the app is actually valuable or if it is just held onto as a digital corpse transcended to smartphone heaven. According to a 2013 Localytics study, 22 percent of downloaded apps are only used once before being abandoned.

Basically, it should be welcomed when companies experiment and try something new. It is the only way new roads are explored and new milestones are set. Often missing, however, is the absolute focus on the customer who was supposed to be served. Many times what is technically possible is implemented, while the real benefit to the target group fades into the background. And yet, the mobile channel offers retailers and the consumer goods industries an unprecedented opportunity to enter into a direct dialogue again with their customers.

It can be observed that retail has distanced itself step by step from its customers in the last few decades. From the early general stores, where the shopkeeper knew every customer by name, to today’s impersonal hypermarkets, the nature of retailing has changed dramatically. Listening was left to market researchers. Keeping customers was put in the hands of loyalty program providers. Huge amounts of data about customers are now in the hands of third parties, which thus get an amazing overview of people’s consumption patterns. For no good reason at all, what was once the livelihood for small, independent retailers was surrendered: the knowledge of the lives, the well-being, the preferences, and the needs of their customers.

An integrated mobile commerce strategy can reverse this trend, but that will require a reset of some current developments, both organizational and technical. First, you need to establish an organizational foundation: the cross-channel responsibility must be assigned to one functional area within the company. This ensures that the number of mobile customer touch points remains manageable and follows a comprehensible policy. This is a great opportunity for retailers to get
back valuable knowledge about their customers. But one thing is very important to achieve this purpose, and that is to put the needs of the customers in the absolute center. It is not enough that one tries to look at things from the customer’s point of view only using traditional tools, because these methods are not sufficient. To understand means to participate; organized workshops with focus groups are the first step on the path to understanding. Particular attention must be paid to focusing on customer groups that one does not serve today but that are much needed in future. Think especially about such groups as Digital Natives and Generation Y.

In general, one can observe that successful retail concepts distinguish themselves in particular through sophisticated relationship management. Combining Social-Local-Mobile in a holistic customer approach is applied enthusiastically and consistently. This is how lost ground is recovered that previously was held by the classic corner shop: direct communication and detailed knowledge of the customer. Through a thoughtful analysis of the usage data, the customer can also be addressed individually. The future will offer us many not-yet-imagineable opportunities. That’s why it’s important to put the necessary organizational and technical foundations in place and build the necessary experience now.

In summary, one cannot afford to neglect giving the mobile channel a face. However, the approach described in this article should be urgently put to the test in order to bring more efficiency to the investment, and at the same time regain control over the communication with the customer. One thing is certain: many will try to gain digital access to the customer; only those who understand the customer will succeed.

Frank Rehme is Partner of gmvgroup and Director of German Operations at Platt Retail Institute.
Creative Spaces: Beyond the Boredom

By Claudia Lehmann, Deputy Director, German Operations, Platt Retail Institute

The gmvteam GmbH has a new product called the “denkubator, the idea manufactory.” The denkubator is a holistic concept designed to enhance creative processes, combining space in which to work with methods and tools, resulting in an optimal setting to be creative and productive. In a vintage industrial atmosphere of 150 square meters (about 1,600 square feet), companies can learn creative and innovative methods to support developing innovative products, processes, and business models. The denkubator is also a unique location for customer meetings.

Additionally, the denkubator provides the Knowledge Marketplace, a software solution for managing ideas in organizations. The denkubator is constructed with a clearly defined room concept. New ideas can grow in the creative area with writable walls, movable furniture, and enough space for movement. In a rapid prototyping area, ideas can be verified for feasibility. A presentation circus serves as space for communication and presentation of results. Creative work can be taxing so a lounge area completes the concept.

Retailers, service providers, and consumer goods manufacturers already are taking advantage of the opportunity to work out-of-the-box, far away from traditional business meeting rooms. Projects range from implementation of an innovation management process, including training for all staff in innovation and creative methods, to development of disruptive products and redevelopment of business models.
Retail Technology – No Borders

By Joe Finizio, Chief Operating Officer, pos.com

While attending a recent conference for the retail marketplace, I heard the term “retailing without borders.” The speaker suggested that the term omni-channel was no longer applicable because it implied restrictions, and today’s retail technology had removed any borders between channels. My personal opinion is that the speaker, from a prestigious consulting firm, had very succinctly captured the promising future being brought to the market by all the recent changes in technology serving the retail, grocery, and restaurant/hospitality markets.

Today’s retail technologies provide the means to remove all restrictions between channels, physical and virtual stores, and connections with shoppers. While there has been constant advancement in retail technologies, the past five years have brought an accelerated evolution to the market.

Point-of-Sale hardware platforms have changed with the introduction of tablet-based solutions. While the initial tablet POS solutions were based on the Apple iPad, purpose-built tablets are now entering the market at equally competitive cost for the hardware portion of the POS system. The influx of consumer tablets into commercial POS applications has lowered the acquisition cost for highly functional business solutions. Tablet-based solutions have also provided new options and flexibility for placement and, along with wireless connectivity, have placed critical customer service information in the hands of key in-store associates.

The most significant evolution has been the widespread adoption of mobile solutions. While hand-held POS terminals have been in the market since the early 1990s, the cost, reliability, connectivity, and customer acceptance were ongoing barriers to market. With 1.75 billion smartphone and 4.6 million mobile phone users projected for 2014, mobility now becomes an accepted and expected feature for both high-end and low-cost POS solutions. Companies like Square lower the barrier to entry even further by providing free apps for tablets and smart phones in exchange for using their credit card processing services.

While a low acquisition cost is a benefit, the true value of mobile POS solutions is the opportunity to extend critical information throughout the store and place it in the hands of store associates on the sales floor, and in the hands of customers. Mobile POS has opened up a world of opportunities for all vertical markets. Order your morning coffee while on the train to the office; it will be ready and waiting for you at the local coffee shop. Then pay for that coffee with a tap of your phone (we’ll get to that feature in a minute). For retailers, a late night shopper walks by a store, sees the perfect item in the win-
dow, but the store is closed. No problem – scan the QR code in the window for the mobile ordering app and buy the item on your smartphone.

At a recent conference on Hospitality Technology, a celebrity chef spoke about the smartphone app used for taking customer surveys in his restaurants. Rather than including the paper survey in the guest check folio, they leave a smartphone with the bill and the diner is asked to fill out a quick survey on the phone. If they enter their email address, they receive a discount coupon for their next visit. The chef went on to say that over half of the diners fill out the survey versus 1 percent for the paper survey, and management is immediately notified if a customer leaves a poor grade. In those instances, a manager can visit that customer before he or she leaves the establishment and, in some cases, diners have received phone calls at their table from the chef. Mobility has removed the physical and/or time borders for retail technology.

Smartphones also bring the opportunity for Mobile Payments and Mobile Merchandising. There are well over one hundred mobile wallet options in the marketplace today. Apple recently made big news with its Apple Pay service and the inclusion of NFC (Near Field Communications), which facilitates tap and go payments on the iPhone6. Mobile wallets can be used for payments, loyalty/rewards applications, coupons, social media marketing, and location-based marketing. Today you can drive down the street and be notified that your favorite electronics store is two miles down the road and they have a Blue Ray player on sale that will go perfectly with the 60-inch smart LED TV you purchased last month – and here is a coupon, right on your phone for an HDMI cable, if you stop in and make the purchase now. While beyond the purpose of this article, it is noteworthy that mobile devices provide the best solution to replace the outdated magnetic stripe credit card and even the new (for the USA) credit cards with chips (EMV-enabled cards).

New tablet-based hardware platforms, mobility, cloud-based applications, the integration of POS, and payments are all game-changing technologies for users of retail technology. One of the most significant is the business model transition from pay-up-front to SaaS (Software as a Service or Solution as a Service). While this business model is not new (just look at your mobile phone bill and how you pay for the actual phone), it’s new to the retail technology world. It has lowered the cost-of-acquisition bar for very sophisticated retail technology, even for the smallest merchants. In some cases, the hardware is purchased up front and the software is paid for on a monthly basis. In others, hardware, software, and services are all paid for on a monthly basis. There are companies that provide “free” POS solutions if you use and pay for their credit card payment services.
Never before have so many new technologies, applications, and solutions come to the marketplace. The proper selection of those technologies presents a challenge for anyone not fully in step with the industry. Merchants should work with retail technology providers who are true solutions providers, not those just selling products, and those who can become your trusted advisor for retail technology solutions. The call to action for all merchants is to update your technologies to stay ahead of the competition and connect with your customers and shoppers. Research your needs, acquire the right technology, and use that technology to break down the borders for your business.

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Six Degrees of Digital Connections: Growing Grocery Sales in an Omni-Channel World

By Bill Bishop, Chief Architect, brickmeetsclick.com

The following article is the first of three parts excerpted from a report of a study regarding the impact of digital media in a retail environment. Focused exclusively on grocery shoppers, the study surveyed more than 22,000 customers from the west coast, the Midwest, and Northeast regions of the United States. The lessons learned apply to retailers outside the grocery vertical market as well.

Introduction

In this period of huge change for all retailers, there is much for grocers to consider – especially concerning how best to communicate and connect with shoppers. This report is written for senior retail executives and their organizations who want to learn more about how grocery shoppers are using digital connections and who want to find out what they can do to ensure that their business doesn’t fall behind.

Print is not dead, but shoppers already live in an omni-channel world. Digital communication channels have become a permanent part of our lives, and they deserve a central spot in strategic planning. Email, websites, texting, social media, mobile, and even online shopping – the six degrees of digital connection examined in this study – support and enrich the in-store shopping experience in ways that consumers are beginning to expect from all retailers, including their grocery retailers. And in a competitive situation, these can tip the balance when it comes to choosing one store over another.

For a long time, it was possible to reach 70, 80, even 90 percent of your customer base by investing in daily newspaper delivery of a store circular, but circulation is shrinking especially in smaller communities. The mass communications model is far less effective and efficient than it used to be, and the digital natives of the millennial generation are starting families and entering their prime buying years. Today, print is just one of many channels people use to meet their shopping needs. As a result, grocery retailers need to think and plan differently about how to reach their customers in order to maintain competitive advantage. This report will help retailers make more confident investment decisions about their digital communications programs. It discusses new research on the digital shopping habits of more than 22,000 grocery shoppers to answer key questions faced by senior leaders in the industry, including:

- How are grocery shoppers using the six degrees of digital connections?
- What benchmarks can I use to identify how my business is performing compared to others?
- What are the most successful retailers in the study doing?

Connections and consequences: building the business case

The question that matters to many retailers is this: If I invest in digital connections with shoppers, will that have a positive impact on how they shop? We found strong evidence that the answer is yes.

The more digital connections a customer had with their grocer:

- The more likely they were to be one of the grocer’s primary shoppers.
- The higher the level of satisfaction they reported for their in-store shopping experience.

The relationships are striking enough to support the case that building digital connections can help grow primary shoppers, and that increasing digital connections can drive up satisfaction with shopping the store.
However, a significant vulnerability revealed itself also. The satisfaction that food retailers deliver to their customers in their online experience continues to lag far behind the satisfaction of shopping their stores. The bad news is that this vulnerability will only grow in importance as more customers rely on both digital and the store for their shopping.

On the other hand, given the potential rewards that come with strengthening digital connections with customers, this could be viewed as an “opportunity gap.”

**Building digital connections can help grow primary shoppers**

While 61 percent of shoppers with one digital connection to their grocer were primary shoppers of that grocer, 80 percent of those with six digital connections were primary shoppers. In between, the percentage rose steadily as the number of connections increased.

Primary shoppers are extremely important to food retailers. These are the customers who spend more of their grocery dollars with that retailer than any other retailer. As the percentage of a store’s primary shoppers goes up and the percentage of secondary shoppers goes down, profitability increases.

**Increasing digital connections can drive up satisfaction with shopping the store**

The strong relationship between shopper satisfaction with the in-store experience and the shopper’s number of digital connections was striking.

- Shoppers with three degrees of connection were almost twice as likely to recommend the store as those with a single connection.
- Shoppers with six degrees of connection were more than three times as likely to recommend the store compared to single-connection shoppers.

Why does this matter? Every retailer knows that positive word of mouth is an extremely valuable asset. It used to be – literally – a one-to-one phenomenon, but these days word of mouth can also travel via blogs, tweets, social networks, and even neighborhood listservs. In essence, positive or negative word of mouth has broadened from a one-to-one phenomenon to a one-to-many phenomenon thanks to digital channels, so its value has increased – and so has the importance of monitoring, cultivating, and maintaining it.

As the following chart demonstrates, in-store Net Promoter Scores increase with the number of digital connections.

**About Net Promoter Scores (NPS)**

Among business sectors, retailing shows the widest variation among NPS scores. In a study released earlier this year by Satmetrix:
Net Promoter Scores are a well-established method for measuring how strongly shoppers feel about a store. Customers are asked “On a scale of 1 to 10, how likely is it that you would recommend this store to a friend or colleague?” Responses are divided into groups according to their level of enthusiasm. “Loyal enthusiasts” rate the store a 9 or 10, “passives” rate the store a 7 or 8, and “detractors” score it 0 to 6. Passives are set aside and the percentage of detractors is subtracted from the percentage of loyal enthusiasts to arrive at the NPS. This means that a negative score is possible.

**Satisfaction with retailer-delivered online experience lags the in-store experience**

Digital influences are clearly making a difference to shoppers, but the satisfaction that food retailers deliver to their customers online continues to lag far behind the satisfaction they deliver in their stores. The retailers participating in this study earned an average NPS score of 51 percent, which was comfortably above the average reported in the Satmetrix study for supermarkets, but satisfaction with their online experience lagged considerably behind that. In fact, it was -4 percent. This vulnerability will only grow in importance as shoppers increase their dependence on digital connections. On the other hand, it also reveals a big opportunity for influencing shoppers positively. The following graphic illustrates how to enhance digital connections.

**The six degrees of digital connections**

Once there were two main connections with grocery shoppers – the weekly circular and the store. But today consumers live in an omni-channel world where they move freely across a range of digital connections that also influence their shopping. This is why it’s increasingly important for food retailers to offer a combination of digital and traditional connections to their customers. The six
How far do digital communications from grocery retailers reach?

According to the 22,000+ shoppers we surveyed for this study:

- 79 percent received email from any grocery retailer in the past 30 days.
- 72 percent visited any grocer’s website in the past 30 days.
- 21 percent currently liked any grocer’s Facebook page.
- 15 percent had any app used for grocery shopping on their smartphone.
- 11 percent purchased groceries online in the past 30 days.
- 10 percent currently subscribed to any grocer’s text messaging program.

Email and website visits clearly have the greatest reach today among grocery shoppers. Their penetration approximates that of the printed circular, although shoppers may use the print piece differently than they do emails and website visits. Facebook also reaches more than one in five shoppers. Mobile apps and online grocery shopping are the “newest” connections, so their penetration is low by comparison, but we expect these channels to grow. Today, text messaging from grocery retailers has the lowest penetration, but it is highly effective when used.

How does the impact of the print circular compare?

When we asked about the digital circular versus the print circular, 70 percent of shoppers reported always or often viewing the print circular, and 37 percent reported always or often viewing the digital circular.

The fact that 37 percent of shoppers surveyed reported always or often viewing the digital circular can be looked at two ways, both of them true: It will be some time before the digital circular reaches parity with the printed version – and 37 percent is a sizeable segment of the shopping population.

EMAIL

Email is such a common digital connection, one might assume a fairly consistent level of performance among retailers today, but that’s not what we found. Overall, email reached 74 percent of the shoppers surveyed in this study, but penetration varied considerably among retailers.

The retailer that achieved the highest penetration leveraged its loyalty program and did three things that made it stand out:
Six Degrees (cont’d.)

- Put significant effort into building their email list.
- Built the requirement for an email address into their loyalty program.
- Personalized emails to reflect the purchase patterns of individual households.

Some retailers without loyalty programs also achieved strong penetration. These retailers:
- Offered multiple emails that were customized to the interest of their shoppers.
- Convinced shoppers that there was value in every email by including promotions “only available” through email.

Retailers use email most often to deliver digital circulars (often by including a link to their website), to deliver coupons, to alert customers to special savings opportunities, and to let them know about special events happening at the store. But those with the highest participation and open rates have taken steps to ensure that the messages included are relevant to the individual shopper.

**Most shoppers get emails from a number of different retailers**

It’s important to realize that the competition in the inbox is the same competition that retailers face on the street from other grocers and other channels. Making the offer relevant and worthwhile – which the store must do – is the key to building sales with email. Almost three out of four of the shoppers we surveyed received emails from their grocery retailer, but 51 percent also received emails from mass merchants, 40 percent received emails from drug stores, and 28 percent received emails from other grocers. To ensure emails are opened instead of deleted in such a crowded space, shoppers need to find them relevant and worthwhile.

**There’s competition for “share of attention” in the inbox**

When we looked more closely at the 74 percent of shoppers who receive emails from their grocery retailer, we found that only one-quarter of those shoppers received emails from only this retailer. The vast majority also received email from others. The “share of inbox” broke down this way:
- 26 percent received emails from their grocery retailer only.
- 32 percent received emails for their grocery retailer and other grocers.
- 42 percent received emails from their retailer and non-traditional grocers.*

*Non-traditional grocers include discount, drug, mass merchandisers, and supercenters.

**Today, most shoppers who receive the digital circular via email also want the print version. This will shift over time.**

When we asked shoppers whether they still needed to see the printed circular, 67 percent said, “Yes” – however, it was interesting to find that 19 percent, nearly one in five, said, “No. I don’t need it.” That’s a sizeable percentage, and it will grow over time. The decline of daily newspaper circulation certainly plays a part, but the convenience of being able to do things like...
click coupons to a loyalty card may also be an attractive feature of the digital version.

In response to questions about the circular, age didn’t make nearly as much difference as the variation between retailers. Less than 10 percentage points separated the responses of the oldest shoppers from those of the youngest. The significant variation occurred between retailers.

We think it’s important for grocers to benchmark this number. It may not be time to change a print circular strategy now, but the percentage of those who don’t need the printed circular will rise over time, and tracking this number will help determine when it’s time to alter the print strategy with minimum risk of losing customers.

**Beware of the small screen. Shoppers with smartphones use them to look at emails.**

Mobile devices will be discussed in their own right later in this series, but they have become so pervasive that they touch nearly all of the digital shopper connections in some way. For email, the important thing to know is this: A large majority of shoppers in every age group reported viewing emails on their smartphones. This makes it extremely important to design email so they can be read easily on mobile devices. The following illustrates some email best practices:

**EMAIL BEST PRACTICES.** reach | influence analyzed more than 7 million emails sent to retailers in 2013. They tracked behavior down to the individual shopper open rates and correlated their shopping and offer-redemption behaviors with click-through rates. The best practices focus on timing of delivery and on content, design standards, and consistency.

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**FOCUS ON CONTENT DESIGN AND CONSISTENCY TO IMPROVE EMAIL EFFECTIVENESS**

- **Get the timing right**
  - Open rates can be increased by more than 20%:
    - Personalized subject line: 38%
    - Included first name: 35%
    - Birthday: 46%
    - Targeted: 35%
    - Untargeted: 28%

- **Click through rates can be increased by as much as 400%**:
  - Personalized subject line: 13%
  - Included first name: 11%
  - Birthday: 24%
  - Targeted: 11%
  - Untargeted: 4%

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**WEBSITES**

Websites are one of the “oldest” digital connections, and their role has evolved over time. Shoppers first used them primarily to locate stores. As website content expanded, shoppers turned to them for all of the digital information their grocer offered. Websites still play that role for some, but today shoppers increasingly turn to them as a secondary reference when they don’t or can’t get the information they need from email, texts, or social networks.

Determining the role the site will play is one of the first challenges in designing a retailer’s digital communications strategy. Guidance can be found in how customers use the site, and the site’s role will also be influenced by the type and number of other digital connections the retailer has in place. Finally, it’s helpful for grocery retailers to organize their website thinking around what the site DOES, not
what it is. It can be useful to ask: What would you do differently if you viewed your website as a customer service center?

**A majority of shoppers visit grocer websites**

Overall, 68 percent of the shoppers surveyed visited their grocery retailer’s website in the past 30 days. In this case, even the retailer with minimum penetration reached more than 45 percent of shoppers.

The retailer with the highest penetration used other digital connections to reach out and bring shoppers to the site through links. Some common approaches were:

- Including website links in shopper emails that were customized to reflect a specific set of interests.
- Broadcasting content and offers across email, social media, and texts to bring customers to the site.

**Customers also visit other retailer’s websites**

Shoppers also do a significant amount of cross-website visiting.

- More than two-thirds of shoppers visited their grocer’s website but 26 percent also visited a competitor’s site. It is important to manage the price impressions created by these comparisons.
- 28 percent have not visited their grocer’s site at all during the last 30 days; this could represent an opportunity to move the needle.

**Shoppers mainly use retailer websites to look at promotional offers**

Searching for savings was the top activity of shoppers visiting grocery websites.

- 67 percent said they looked at the circular.
- 60 percent said they searched for coupons.

Both primary and secondary shoppers used the site in these ways, indicating that promotions on the website can be an effective way to encourage both groups to spend more. Interestingly, primary shoppers were even more likely to search for coupons online than other shoppers (48 percent vs. 41 percent). Having a robust offering with coupons will help minimize the need for these shoppers to search elsewhere for coupons, which could lead to sales leakage.
Shoppers also want inspiration, ideas, and help.

The third most frequent activity – looking for recipes – reveals another important dimension of website use: Shoppers also turn to them for inspiration, ideas, and help in solving problems (like what to have for dinner). This is where the customer service dimension kicks in, and food retailers are building out this opportunity in ways that support and enrich the in-store experience. Ultimately, this builds loyalty and share of wallet.

- Some offer information that shoppers value in formats that are easy to find and use, like Harris-Teeter’s wellness program.
- Others offer source information for shoppers who want to know where their food comes from.
- Some suggest tools and solutions that make planning meals and shopping trips easier and more enjoyable, like recipes, how-to videos, and shopping list tools.

Small screens pose challenges for websites

When we asked shoppers with smartphones if they’d visited their grocer’s website using a smartphone in the past 30 days, 35 percent said, “Yes.” Shoppers are increasingly likely to be accessing retailer sites from a mobile device, so it’s important to keep this in mind as sites are revised and updated. Three alternatives are usually considered; each has strengths and weaknesses. In order of complexity and expense, they are:

- Optimizing the traditional site for mobile.
- Developing a mobile-specific site.
- Developing an app.

Optimizing an existing site is the simplest solution. Mobile-specific websites excel at delivering information, are easy to update, and they can be accessed by all mobile operating systems. Apps are better at completing a task, but they are more complicated and expensive to produce, and they must be designed for each mobile operating system.

TEXTING

Mobile phones are almost always on and always within arm’s reach, so texting offers some very attractive characteristics to retailers: a continuous connection, unmatched immediacy, and a direct, one-to-one connection. Open rates are typically much higher than email and response happens much faster. Also, the technology required is pervasive. No smartphone is required, and no special broadband connection is needed.

Texting does two things very well: It delivers time-sensitive savings opportunities,
and it can increase the level of customer service a store delivers.

**Texting is a broadly used form of communication that's been adopted by all ages**

The potential audience for text messaging is probably the broadest of all the digital connections because mobile phones have achieved nearly total penetration. Overall:

- 96 percent of the shoppers surveyed had a mobile phone.
- 72 percent reported actively texting.
- 21 percent receive texts from a retailer.

Texting has also been adopted by every age level.

**Texting reaches relatively few shoppers compared to its potential**

Across all shoppers, the average percent of those receiving texts from their grocery retailer was 14 percent. This is relatively low, considering that 72 percent of shoppers reported actively texting.

The retailer with the highest penetration:

- Focused on texting as their core digital connection with shoppers.
- Used it to promote limited-time item promotions.

For food retailers operating in rural areas without broadband access, this is probably an excellent strategy.

**Texts come from a cross-section of different retailers**

More shoppers receive texts from their grocery retailer than other types of stores. The promotional nature of texts – the promise to save – has also motivated shoppers to agree to receive texts from a cross-section of retailers.

**Texts are relevant and drive purchases**

Retailer text programs require shoppers to “opt-in” by signing up, and the promise to save is what prompts shoppers to agree. Those who do sign up tend to be extremely responsive. Nearly four out of five found their retailer’s text message/offer relevant to them personally and a large majority made a purchase related to the offer or responded in some other way.

**The customer service opportunity**

While savings are a key driver, text messages are also being used as a way to seamlessly deliver better customer service to shoppers in the store. Retailers are using them to:

- Alert shoppers to the arrival of products they are interested in (seasonal fruits and vegetables, for instance).
- Let shoppers know when their deli order is ready to pick up.
- Take deli orders for prepared sandwiches at lunchtime.
- Notify shoppers that a prescription needs refilling, or that their prescription order is ready to pick up.

Some are also using texting as a tool to gather instant feedback. Signs in the food court at Minnesota’s Mall of America ask “Something we should know? Text xxx-xxx.” Texting has even been used to offer customers the opportunity to influence
the assortment by “voting” for which products they would like to see the store stock.

SOCIAL NETWORKS

Social networks have become one of the main channels through which people share experiences – including their shopping and product experiences. In fact, some people use social networks as their main communications channel with friends, family, school networks, and even retailers.

There are different attitudes about how much commercial involvement people want on social networks like Facebook, but clearly a segment of shoppers is ready, willing, and able. More than 25 percent of the shoppers we surveyed had invited a retailer into their Facebook network. This is a sizeable audience.

The majority of shoppers are active on Facebook*

A solid majority of shoppers surveyed used Facebook for some purpose in the last seven days, so it’s potential reach is significant. Participation across all retailers was relatively high.

27 percent of shoppers active on Facebook have “liked” their grocery retailer

More than a quarter of shoppers active on Facebook have “liked” their grocer’s Facebook page. This is an interesting segment and potentially a very influential one, since these shoppers tend to actively share information about experiences and products they like with others in their networks – and friends and family recommendations are an increasingly powerful influencer across all of retailing today.

Across all shoppers, the average percent of those who “liked” their grocery retailer’s Facebook page was 27 percent, but penetration was as low as 9 percent for some. The best performers reached nearly half of their shoppers with Facebook.

The retailer with the highest percentage of likes:

- Actively promoted their Facebook page in the printed circular, and promoted it on the store’s website.
- Conducted a series of sweepstakes and contests to encourage likes.

* “Active on Facebook” is defined as active in the past seven days throughout this section of the analysis.

The top reason to “like” a retailer is money-saving offers, but they are not the only reason

The top reason for liking a retailer on Facebook was to receive a money-saving offer, but other reasons were also frequently chosen. Sixty-seven percent cited the
Customers who liked the grocer’s Facebook page are more active on the page than other customers on Facebook

If a shopper does “like” a retailer’s Facebook page, they tend to be very responsive and active. Of those who liked the retailer, 60 percent engaged the retailer’s Facebook page in some way in the past 30 days. Only 12 percent of those who hadn’t liked the retailer took some action.

What do people do on retailer Facebook pages?

Shoppers typically participate in four kinds of activities on retailers’ Facebook pages. They:
- “like” a post by clicking on the thumbs-up icon.
- share a post with friends and family.
- comment on a post.
- post a comment or question for the retailer.

The frequency with which shoppers engaged in these activities reflects the effort involved. Liking a post requires the least effort and was the action most often taken. Of those who like a grocer’s page, 46 percent of shoppers “liked” a post, 21 percent shared a post, 16 percent commented on a post, and 11 percent posted a comment or question for the retailer.

Liking vs. Sharing: What’s the difference?

There’s a small but significant difference between sharing and liking on Facebook. When a user clicks the “like” button, the content of that post is automatically added to their profile and Facebook News Feed. When a user clicks the Share button, the user can make a comment about the content that is going to appear on their profile page and Facebook News Feed. A positive comment in this window can be very, very valuable, prompting others to try the product or repost the content.

The true power of social networks is in the sharing, so the 21 percent of shoppers
who shared a post is a very important segment. These customers are responsible for many more shoppers becoming aware of your Facebook page, website, or offer. This suggests that providing posts with content that connects emotionally with customers is one of the keys to making this connection work for your stores.

One more time: Beware the small screen

Again, it’s important for retailers to realize that many shoppers will see their store’s Facebook page on the small screen of a mobile phone. We found that 65 percent of shoppers with smartphones and Facebook accounts use them to access the social network.

The viral nature of Facebook

A majority of retailers leverage Facebook for brand and image building so highlighting community outreach activities, showing appreciation for customer and employees, and featuring other engaging content can all be effective tactics.

It’s important to realize that a retailer’s reach can extend well beyond those who already like their Facebook page. A Balvor\(^1\) analysis of posts from one retailer’s Facebook page found that nearly one out of five persons reached by a retailer’s post saw it because a friend of theirs “liked” the retailer page. Facebook calls this “viral reach,” and it can climb as high as 75 percent at times, sparked by a post that contains a really unique and fun recipe, for example, or one that builds off seasonal opportunities.

Engaging content can expose the retailer’s message to a far larger consumer base, since many of the retailer’s friends may act as brand ambassadors, amplifying the retailer’s share of voice and mind by sharing the post with others.

MOBILE DEVICES AND APPS

Mobile devices – defined here as smartphones – have changed the way we manage our lives. They have become personal appliances that help us do things more quickly and easily, do things that weren’t practical before, and do them anywhere and anytime.

\(^1\) Source: Analysis of retailer Facebook posts, Balvor LLC, 2013.

We look at mobile in two ways for this discussion. First, we look at the extent to which the devices themselves impact all of the digital connections and then we look at mobile apps, the specialized applications that can be downloaded onto mobile devices. These often suggest specific tools to serve shopper needs.

Smartphones are in the hands of 59 percent of all shoppers, but the variation across retailers indicates that adoption varies across different areas of the country.

Smartphones impact nearly all the digital connections

It’s hard to overstate the importance of mobile devices to digital connections. Your digital content is very likely to be viewed on a small screen.

Of shoppers with smartphones:

- 88 percent used their smartphone to access the Internet in the past seven days.
- 85 percent used their smartphone to view emails.
- 65 percent used their smartphone to view their Facebook account.
- 42 percent used their smartphone to visit their grocer’s website in the past 30 days.
This underscores the importance of making sure that grocer websites, emails, and Facebook posts are optimized for mobile access and small-screen viewing.

**For grocery shopping, people mainly use smartphones for planning purposes**

The most common use of smartphones for grocery shopping in the last 30 days was for deciding which items to buy. After that, the focus was on getting “value for money.” Sixteen percent used their smartphone to check product nutrition information.

### USED SMARTPHONE IN PAST 30 DAYS TO . . .

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>check ingredients for recipes</td>
<td>45%</td>
</tr>
<tr>
<td>check shopping lists</td>
<td>41%</td>
</tr>
<tr>
<td>download mobile coupons</td>
<td>32%</td>
</tr>
<tr>
<td>look at the digital ad circular</td>
<td>31%</td>
</tr>
<tr>
<td>read a product review</td>
<td>20%</td>
</tr>
<tr>
<td>compare prices between competitors</td>
<td>16%</td>
</tr>
<tr>
<td>check product nutrition info</td>
<td>16%</td>
</tr>
</tbody>
</table>

### ACTIVITY BY AGE

<table>
<thead>
<tr>
<th>Activity</th>
<th>18–34</th>
<th>35–54</th>
<th>55+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet</td>
<td>96%</td>
<td>93%</td>
<td>83%</td>
</tr>
<tr>
<td>Email</td>
<td>76%</td>
<td>85%</td>
<td>76%</td>
</tr>
<tr>
<td>Facebook</td>
<td>66%</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Grocer website***</td>
<td>55%</td>
<td>44%</td>
<td>28%</td>
</tr>
</tbody>
</table>

When it comes to mobile shopping apps, coupon apps are most popular with grocery shoppers but a range of other apps are also used

Among grocery shoppers who use mobile apps, the most popular apps are those that provide access to online coupons. Thirty-one percent of shoppers have and use coupon apps. The remaining types of apps – QR Code readers, price comparison apps, and grocery shopping apps – are all about equally popular.
Retailer-branded grocery apps are still in the early stages of adoption

Just over 15 percent of shoppers with smartphones had downloaded the grocer’s branded app to their phone; a little less than 11 percent actually used the app.

The app had been available to customers for 12 to 18 months and therefore was familiar.

- Both Apple and Android operating systems were available.
- Their mobile apps were promoted on their website homepage.

Neither offered the mobile coupons that are known to be of high interest to shoppers.

The top reason for using the grocer’s app was to access specials and promotions

The primary way shoppers used their grocer’s app was to click coupons or specials onto the phone to be used on the next shopping trip. All the remaining uses involved making it easier to plan or shop.

How is in-store mobile engagement different from traditional ecommerce?

In a Brick Meets Click blog post in September 2012, Todd Sherman, the CMO of mobile customer engagement company Point Inside, answered this question as follows:

The value of in-store mobile engagement is that it connects customers to the store; it leverages this important asset. Ecommerce does the opposite; it diverts interest away from the store by taking customers online.

When a retailer is developing an app, there’s a strong tendency to assign the responsibility to their ecommerce group, because they assume this group is familiar with ALL the digital aspects of retailing. But in reality, these folks are usually focused on the website, not the store. Also, ecommerce groups are often measured on their direct online conversion numbers. This is an issue, since 90 percent of business is still done in-store. In-store mobile engagement contributes significantly to purchases, but the valuable conversion happens at the store.
Finally, it’s important to understand that people interact differently with their mobile devices than they do with their PCs. This needs to be considered when developing the user experience.

The preceding article was the first of three parts of a report on a study regarding the impact of digital media focusing exclusively on grocery shoppers. In the next issue of the Journal of Retail Analytics, part two will discuss how to maximize the impact of these digital connections in the grocery sector.
PRI is the leading publisher of tactical research in the area of Digital Communications Networks. Working Papers and Research Reports are available for purchase from PRI, or can be secured from select Working Paper or Research Report sponsoring firms.

PRI Research Articles

Platt Retail Institute undertakes a variety of research projects throughout the year. The results of this research are published as Research Articles (available for free download with registration). Some of the available PRI Research Articles include:

The latest PRI Research Article is “Deployment and Test of the Digital Life Experience at an AT&T Retail Store.” This research, sponsored by Lighthaus Logic, describes a test conducted by AT&T in its Arlington Heights, Illinois, retail store. The test was designed to determine if having a more robust user experience in an interactive environment would lead to increased customer adoption and sales of the Digital Life service, an AT&T technology that encompasses a variety of home security and home automation options.

PRI released “The Future of Retail: A Perspective on Emerging Technology and Store Formats,” in conjunction with the PRI Retail Forum at Digital Signage Expo 2014. This research, sponsored by Two West, examines the history of retail in the U.S., emerging technology that is impacting retail today, and how retail store formats will change in the future and integrate various digital technologies. The goal of this Research Article is to inform the reader about the disruptive changes occurring in the retail industry, and to help retailers prepare for and embrace evolving retail formats and technologies.

PRI’s research regarding “Retail Attitudes and Adoption Trends of Multi-Channel and Omni-Channel Marketing,” was undertaken to gain insights into retailers’ attitudes about multi-channel use and the adoption of omni-channel marketing strategies. While most retailers use multiple channels to reach their customers, it was noteworthy that the retailers who participated in this research expect email and mobile marketing to increase in importance while the physical selling location is expected to fall. This research was sponsored by Digital Signage Expo.

In PRI’s Research Article, “Digital Signage’s Role as Part of a Multimodal Approach to Deliver Emergency Messaging on Campus,” the rapid adoption of digital signage networks as an important communication tool on university campuses is examined. In 2010, PRI released a Research Report, “Communication Effectiveness in Higher Education,” which illustrated that digital communication networks (DCNs) are becoming a viable alternative to older forms of on-campus communication. PRI conducted additional research, sponsored by Digital Signage Expo, Four Winds Interactive, Intel, and NEC Display Solutions, to delve further into the role of digital signage in delivering emergency messages on campus.

PRI’s Research Article, “The Media-Saturn In-Store Digital Experience,” is an extensive case study that details the technologies, management, and unique software that European retailer Media-Saturn built to create, manage, and distribute content in different languages across its network. Not only is Media-Saturn Europe’s largest electronics retailer, it arguably has the most advanced, complex customer-facing technologies of any retailer in the EU.

“Retailers’ Investments in Technology: An Industry Perspective,” presents data that illustrates the extent to which retailers underinvest in Information Technology. In this Special Report prepared for Digital Signage Connection, PRI illustrates that under conventional measures, retailers are perceived to generally spend on IT in line with other U.S. industries. However, PRI uses government data that presents a much different picture. PRI concludes that according to this data, retailers do, in fact, substantially underinvest in IT when compared to other service industries when considering both total spend and spend as a percentage of revenue.
<table>
<thead>
<tr>
<th>Title</th>
<th>Authors</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Effectiveness in Higher Education</td>
<td>Steven Keith Platt, Platt Retail Institute; Kevin King, Director of Research, Platt Retail Institute</td>
<td>$250</td>
</tr>
<tr>
<td>A Determination of the Revenue Potential from Digital Screen Advertising at a Major League Baseball Stadium</td>
<td>Steven Keith Platt, Platt Retail Institute; and Dr. Jean-Charles Chebat, Ecole des Hautes Etudes Commerciales, Montreal, Canada</td>
<td>$250</td>
</tr>
<tr>
<td>Test Results from a Bank Branch Digital Communications Network</td>
<td>Steven Keith Platt, Platt Retail Institute; and Peter VanSickle, BMO Bank of Montreal</td>
<td>$1,000</td>
</tr>
<tr>
<td>Impacting the Customer Experience at a Bank Branch through a Digital Communications Network</td>
<td>Steven Keith Platt, Platt Retail Institute; and Peter VanSickle, BMO Bank of Montreal</td>
<td>$1,000</td>
</tr>
<tr>
<td>Deployment and Test of a Retail Digital Communications Network by the United States Postal Service</td>
<td>Steven Keith Platt, Platt Retail Institute; Dr. Kamel Jedidi, Columbia University Graduate School of Business; and Margot Myers, United States Postal Service</td>
<td>$1,000</td>
</tr>
<tr>
<td>Leveraging the Impact of Retail Digital Signage Advertising through Behavioral Merchandising</td>
<td>Steven Keith Platt, Platt Retail Institute; John Greening, Northwestern University; and Bill Pennell, Tesco Media Services</td>
<td>$1,000</td>
</tr>
<tr>
<td>Establishing Retail Digital Signage as a New Media and Measuring its Effectiveness</td>
<td>Steven Keith Platt, Platt Retail Institute; Dr. Francis J. Mulhern, Northwestern University; and Guy Vaughan, Retail Marketing Services</td>
<td>$750</td>
</tr>
<tr>
<td>Implications for Retail Adoption of Digital Signage Systems</td>
<td>Steven Keith Platt, Platt Retail Institute; Dr. Kingshuk K. Sinha, University of Minnesota and Research Fellow, The Platt Retail Institute; Dr. Barton A. Weitz, University of Florida; with Pat Hellberg, Nike, Inc.; GV Iyer, Bank of America; and Margot Myers, United States Postal Service</td>
<td>$250</td>
</tr>
</tbody>
</table>
PRI Research and Event Sponsorships

In concert with leading universities and researchers, PRI undertakes extensive studies related to in-store marketing and digital communications networks. These are published as either Working Papers or Research Reports. In addition, PRI seeks funding for other unique projects.

Sponsorship of PRI research offers a variety of benefits. These include establishing the sponsor as an industry thought leader, creating various promotional opportunities, and enabling the sponsors’ association with the leading research and consulting firm in the field.

Current sponsorship opportunities include:

1) Journal of Retail Analytics (quarterly)

   - The right to distribute copies of the research.
   - PRI will present the research on behalf of the Sponsor.
   - In the front of the Paper/Report, a description of the Sponsor’s firm and a firm logo will be presented.
   - On PRI’s website detailing the research, the Sponsor will be noted and its logo will be listed.

2) PRI Research Articles

3) Working Paper and Research Report sponsorship benefits can be customized, but generally include the following:
   - The right to distribute copies of the research.
   - PRI will present the research on behalf of the Sponsor.
   - In the front of the Paper/Report, a description of the Sponsor’s firm and a firm logo will be presented.
   - On PRI’s website detailing the research, the Sponsor will be noted and its logo will be listed.

4) The PRI Retail Forum 2015 will be held on March 10 in conjunction with Digital Signage Expo at the Las Vegas Convention Center. Opportunities remain for Gold-level sponsors for the Forum, which will focus on “Retail Analytics that Drive Store Performance.” Learn more about the Forum.

Contact PRI for information about sponsorship opportunities.
PRI Resource Library

The PRI Resource Library is an extensive database of articles and research covering a broad range of topics including, among many others, coverage of Vertical Markets, Marketing, Content, Networks, and Analytics that relate to marketing-at-retail. Articles and research on topics from customer experience to case studies to metrics are available on demand.

Some recent additions to the Resource Library include:

**HTC Finding Success Using a Unique Pop-Up Strategy** — HTC used highly interactive pop-up installations in malls to launch its flagship smartphone, the HTC One.

**Improving Retail with IoT Data** — This article discusses how the Internet of Things will transform the shopping experience, making it more intuitive and convenient.

**In-Store Messages Optimized by Analytics - Case Studies and Results** — This article reports on cases highlighting how even small changes in the digital marketing strategy – when backed by measurements and analytics – can make a big difference.

**PRI Working Paper Summary: A Determination of the Revenue Potential from Digital Screen Advertising at a Major League Baseball Stadium** — This article summarizes the potential for revenue generated from the installation and operation of digital screens around Wrigley Field.

**PRI 1Q 2014 Retail Economic Outlook: Despite Slow First Quarter, Retail Sales Outlook Remains Positive** — Despite weak first quarter GDP growth, PRI sees the economy improving, and the outlook for retail sales growth remains positive.

**The Impacts of Social Media Interaction on Stakeholder Outcomes: An Examination of Lowe’s Home Improvement Store** — This project examines how Lowe’s Home Improvement responded to a crisis communication situation, and further examines factors impacting stakeholder perceptual shift.

**Traditional Merchandising in the Age of Self-Service** — With retailers becoming increasingly dependent on self-service in their stores, traditional merchandising is as important as ever. Merchandising displays are a critical component of giving consumers the information they need to make a buying decision.

**Two Award-Winning Solutions Reveal Different Approaches to Interactive Technology** — This article reviews two Digital Screenmedia Association Excellence Award winners: the Home Depot Appliance Finder kiosk and the SportCheck digital signage network.

**Understanding and Leveraging Emotions in Retailing, Pt. 2: Managing Emotions to Optimize Team and Customer Interactions** — This is the second article in a series from the Baker Retailing Center at the University of Pennsylvania’s Wharton School covering a conference on emotions in retailing.

Find these articles and hundreds more in the PRI Resource Library. While there, subscribe to an RSS feed to receive alerts when new articles are added.
Industry Events Calendar

December 11, 2014
Retail Information Systems News and PRI Webinar
Driving Store Sales by Leveraging Location-Based Analytics
Registration info available here.

December 11, 2014
Digital Signage Federation Networking Event
The Pub
Tampa, Florida

January 11-14, 2015
National Retail Federation's Big Show 2015
Javits Center
New York, NY

January 18-20, 2015
Retail Industry Leaders Association Leadership Forum
Ritz-Carlton
Amelia Island, Florida

January 25-27, 2015
Mobile Marketing Exchange
B Resort & Spa
Lake Buena Vista, Florida

January 25-28, 2015
RSPA Inspire 2015
Grand Wailea Resort & Convention Center
Maui, Hawaii

January 26-28, 2015
Electronic Retailing Assoc. Great Ideas Summit
Loew's Hotel
Miami Beach, Florida

February 10-13, 2015
Integrated Systems Europe 2015
RAI
Amsterdam

March 10, 2015
PRI Retail Forum
Las Vegas Convention Center
Las Vegas

March 10-12, 2015
Digital Signage Expo 2015
Las Vegas Convention Center
Las Vegas
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