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Digital Transformation: Moving toward frictionless commerce

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From one-click shopping on a mobile phone to in-store apps with instant answers, frictionless commerce is no longer an idea ahead of its time. The frictionless future is here, thanks to a digital transformation of retail that enables increasingly immediate gratification for consumers.

The next two years, in fact, could see a brick-and-mortar customer experience—especially in smaller store formats like convenience or grocery—become far more intelligent and connected.¹ While many of the tactics, tools and techniques for frictionless commerce are already out there, the key going forward is harnessing them into one integrated package of services, making it easier than ever for consumers to shop online or in-store.

Aperion and EnsembleQ have partnered to provide the industry with a common lexicon, best practices, and case studies shaping the digital retail experience. In this paper, learn more about how digital transformation is helping to both enable and expand the frictionless retail shopping experience.

Hyper-personalized messaging

The ability to communicate on a one-to-one level truly makes it possible to remove friction from the relationship between shopper and retailer. And digital technology is turning personalized messaging and customer feedback into business as usual for retailers.

Mobile phones, smart watches, smart carts

and other devices are ready and able to connect shoppers to retailers via synced-up loyalty programs. Software in retailers' apps and social networks can communicate with technology providers to execute highly personalized programs. Ads can be delivered to mobile phones with hyper-personalized messaging based on the shopper's location, loyalty card information, buying history, time of day, and even what sports team he or she roots for.

Even displays can now provide targeted promotions to specific types of shoppers. Panasonic, for example, uses video-based people recognition to distinguish the number, gender or age of a person in front of an in-store display screen. Based on that information, it's then possible to change the content of the screen.

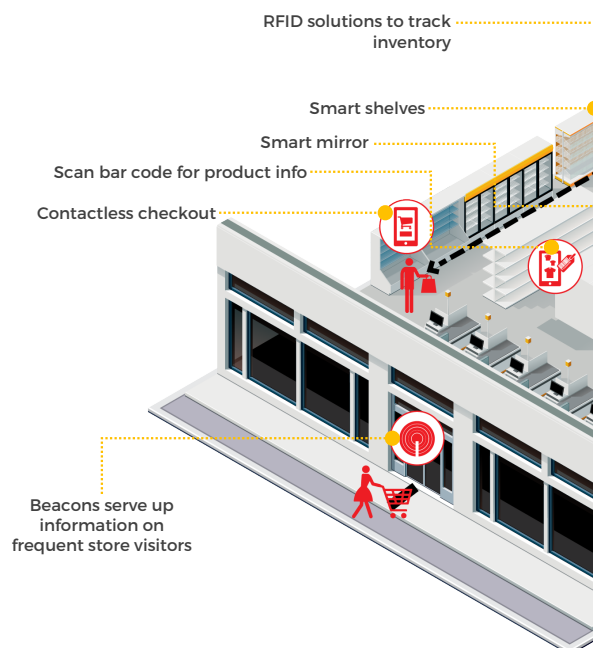
Mobile advertising firms with platforms and networks that activate a brand's or retailer's mobile ads can now analyze first-party and third-party retail data to promote ads to shoppers based on location (such as ZIP code), delivering personalized coupons, promotions and offers related to purchase history and more. These sorts of partnerships have been growing among retailers as consumers have been using mobile phones more, but combined with artificial intelligence (AI), they will enable retailers to continue pushing out a more personalized omnichannel experience.

Knowing how to execute and correctly communicate a personalized message, however, may actually be

THE STORE OF THE NEAR FUTURE

EnsembleQ's Store 2020 concept integrates technology into the traditional store setting in a fluid way. The frictionless commerce experience at Store 2020 begins in the parking lot, with beacons serving up information to an approaching shopper based on frequent store visits. Inside the store, personalized coupons are provided to the shopper through her smart device via digital signage connected through IoT (Internet of things) technologies.

Smart shelves, smart packaging, smart sensors, smart price tags and smart shopping carts continue to enable the shopper's connected journey. As she shops, robots with touchscreens are rolling the aisles to help her browse inventory or find products. Augmented reality (AR) and virtual reality (VR) will be featured in dedicated rooms for more engagement and buying opportunities. RFID will track inventory. And one scan of a bar code will provide contactless checkout for items picked from the smart shelves.

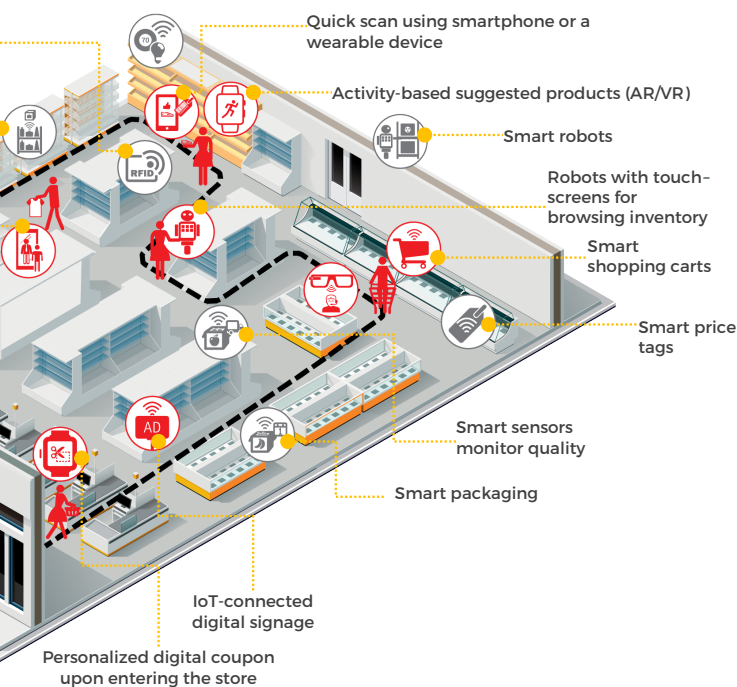


the tough part: McKinsey & Co. studied mobile diaries of 60 shoppers to understand what they wanted in a message,² and found that maintaining relevant offers that surprise shoppers and talking to them when they're in a shopping mode work best.

Seamless omnichannel shopping anytime, anywhere

The essence of being frictionless is effectively serving the shopper wherever that shopper is and then integrating the overall experiences. The shopper can make a purchase on a retailer's app while commuting home from work, for example, and have groceries ready for pickup by the time she gets to the store. When she shops in-store and finds that her product is out of stock, she can buy it on the retailer's app and have it meet her at home in 30 minutes or less via autonomous delivery truck, Uber car or, in the future, even by drone.

Perhaps the ultimate in-store frictionless experience is cashierless shopping. Amazon Go is leading the way with its three stores in Seattle and more to come. At the store, a consumer armed with the Amazon Go app checks in with her phone and puts it back in her pocket. A mix of smart sensors, artificial intelligence and computer vision technology then tracks and tallies the shopper's trip, with an automated, cashierless payment executed at the end.



7 ways to enable frictionless commerce through digital transformation

- 1 Retailer apps that execute highly personalized programs on shoppers' mobile devices
- 2 Software that enables seamless and instant communication between shoppers' online and in-store actions, including relevant and/or personalized in-store content
- 3 A digital shelf edge that allows two-way communications and digital signage to execute integrated programs and AI in-store
- 4 Cashierless shopping through a mix of smart sensors, AI and computer vision technology
- 5 Forecasting systems that use AI to more accurately anticipate shoppers' needs
- 6 Chatbots that simulate human conversation with shoppers
- 7 In-aisle digital assistants that answer shoppers' questions instantly

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For the roughly two-thirds of shoppers who don't have loyalty apps but want a frictionless brick-and-mortar experience, a digital shelf edge can bridge the gap. It allows consumers to be more in control of what information they access, when they access it, and how they interact with both retailers and brands in a physical store. Additionally, the digital edge can enable a simply integrated scan, bag and go program, providing convenience and control to the omnichannel shopper.

AI-enabled anticipation of customer needs

Deep learning is a subset of AI machine learning—the capability of machines to detect patterns from data and learn from experience. It's a concept that is revolutionizing retail data, making it possible to provide frictionless commerce in completely new ways. Deep learning gives retailers the capacity to much more accurately forecast what and how much should be stocked in a local store, and to anticipate new items or types of products that meet shoppers' needs before they even ask for them.

In addition to offering advantages to store operations behind the scenes, deep learning can also be put directly to use in the form of store robots that use facial recognition to perceive shoppers' emotions. This type of usage is just in its infancy, but SoftBank Mobile in Japan has already put small Pepper robots in 140 SoftBank Mobile stores to welcome, inform and amuse customers.

Instant answers to shopper questions

Hunting around for someone to answer a question in-store, or waiting for a response to an email online, can spoil an otherwise excellent shopping experience. Chatbots—AI that can communicate in a way that simulates human conversation—increasingly are helping shoppers immediately get the information



they need in a quick back-and-forth manner. Most chatbots operate through a messaging app like Facebook Messenger or WhatsApp, but chatbots are making some inroads into brick-and-mortar stores too. Lowe's, for example, is testing LoweBot, an in-aisle robot with a touchscreen that can answer shoppers' questions or help them find products in-store.

Shoppers can also talk to a digital assistant in-aisle to get answers to their questions. This kind of voice activation is being tested in-aisle at a New York City liquor store through The Mars Agency's Bottle Genius skill for Alexa. There, customers can talk to an Amazon Alexa at a merchandiser in the whiskey aisle to learn about and find the perfect curated bottle of whiskey.

The evolution continues

Friction means resistance—and the days of shoppers putting up with any kind of resistance along their path to purchase are gone. Consumers expect a frictionless retail shopping experience, and retailers with vision now have the means to give it to them. It will require retailers to adopt a radically different approach to how they use technology, an understanding of how new and evolving digital tools can be integrated with each other to achieve frictionless commerce. But it will also open up new worlds of opportunities for retailers to explore as they shape their own frictionless futures.

1 "Omnichannel Is Dead. Long Live Omnichannel," Forbes, March 2017

2 "What Shoppers Really Want from Personalized Marketing," McKinsey & Co., October 2017

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Are you ready for the digital transformation of retail?

Aperion is helping to create the future of food retail through digital transformation. We focus on shoppers, what they buy, and the environments in which they buy. Our strategists, innovators and technology integrators come together to enable retailers to not only effectively compete, but to continuously drive tangible bottom line results that positively impact loyalty, revenue and profitability.