Beam Me Up, Scotty!

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I n a previous column, we discussed how sensor technology embedded in products and services has the potential to greatly improve customer experience ("Technology Personified," February 2014). We proposed that technology-enabled personalization can increase customer engagement, improve the fit between customer needs and product attributes, and foster stronger bonds between brands and customers. Remember Tom Cruise in the movie *Minority Report* being greeted at Gap by digital display advertising? Well, it looks like that day is upon us.

For retailers, malls, restaurants, venues and other bricks-and-mortar businesses, beacon technology offers the potential to make shopping easier, enhance the customer experience, and drive loyalty for both retailers and brands. A July 2014 report by *Business Insider* predicts that there will be 4.5 million active beacons by 2018 with 3.5 million in use by retailers.

Target CEO Brian Cornell argued in an interview on *CBS This Morning* in September that mobile is fast becoming "the front door of our brand." Cornell described how moms are shopping in Target stores, wielding a cart with one hand and a smartphone in the other. Blurring the boundary between the digital and physical worlds, retailers and other bricks-and-mortar businesses are experimenting with and, in some cases, rapidly deploying beacons in stores, at point-of-sale, at the drive-through, in parking lots and in other "on-premises" locations.

Beacons, themselves, are surprisingly low-tech. They're low-cost, battery-operated wireless devices that transmit Bluetooth low-energy signals. But the magic happens when an app, programmed to work with the beacon, comes within range of the beacon—at which time the app can "wake up" and deliver contextually relevant experiences such as greetings, messages, offers and services. By revealing exactly where the customer is in relation to beacons positioned throughout a store or venue, apps can be programmed to use that information and tailor experiences accordingly.

Consider the following use cases, all of which are being deployed: As a museum guest views a particular exhibit, the museum's app can offer additional information specific to that exhibit, artist or genre. The app also can provide in-door navigation, tailored to a family's needs and preferences—for example, a two-hour tour that young children are guaranteed to enjoy, with an offer at the end for age-appropriate souvenirs related to the exhibits viewed.

As a consumer shops in, say, the beacon-equipped gardening section of a home improvement store, the retailer can present offers via its own app or a third-party app for gardening-related products and services. As the customer ponders whether a particular plant is suitable for his "hardiness zone" (the qualities of his particular environment's soil, shade, etc., than affect plant health), an app can offer information and advice, and even request assistance from an associate.

As a regular customer shops in a drug store equipped with beacons, the retailer recognizes that the customer is a "purposeful shopper," visiting the same sections of the store on most of his visits. Tied into the store's loyalty system, the app can present a shopping list highlighting two-for-one specials within those departments. As customers enter the drive-through, pharmacy associates can recognize those who have opted in, allowing the pharmacists to have prescriptions ready by the time customers reach the window.

Not to be outdone, customers can automatically "check in" as they arrive and park at a restaurant or hotel. And as the guest prepares to leave, the parking attendant can be alerted to retrieve his car, cutting down queues and wait times.

In most of these scenarios, the app will "wake up" and display a push notification. Of course, consumers' acceptance of these use cases, or of push notifications in general, is far from certain. If beacon-enabled apps are easy and intuitive, and the experience is rewarding, customers will eagerly embrace the solutions. However, as we've seen with e-mail and spam, banner ads and now mobile ads, marketers often overestimate consumers' interest in messages, offers and promotions. With mobile apps, customers' tolerance for messages deemed irrelevant or intrusive is limited. One recent study found that customers presented with two or more push notifications during a shopping trip were much more likely to "opt out"—or worse, to delete the app altogether.

Therein lies the challenge with beacons: Beyond leveraging the knowledge that "you are here," brands and retailers must identify and deliver messages, offers and services that you'll value as a customer.

Customers also must be confident that any data captured by a beacon-enabled app will be stored securely and used in ways that are consistent with their expectations. Recent breaches, of course, have under-mined consumers' faith in retailers' ability to secure such captured data.

Beacons face other challenges, as well. To interact with beacons in a particular store or venue, a customer must, 1) have Bluetooth enabled on his mobile device, and, 2) have an app installed that works with the beacons in that location. According to estimates, about half of smartphone users have Bluetooth enabled, while the percentage of customers who have downloaded a particular retailer's app typically is in the low single digits.

Over time, of course, if beacon-enabled experiences truly are compelling, more and more customers will download and use a retailer's app. But to alleviate this bottleneck and reach a wider audience, retailers are partnering with third-party shopping apps, enabling them to detect their in-store beacons and present relevant offers and promotions. In a sense, these third-party apps represent a back channel to present relevant offers to customers.

With respect to promotions, experts observing the adoption of beacon technology predict that most of the early deployments will involve location-based offers. Beacons offer the opportunity to employ promotional offers more strategically. Customers will give brands

and retailers permission to leverage proximity, but only if the information is used in a constructive way. To properly deploy this new tool, brands and retailers need to embed the technology in their customer experience strategies and adopt a more disciplined, user-centric approach that creates a win-win-win for the retailer, brand and customers. The first question that must be answered is, "What can beacons do for the customer?" and secondarily, "What can they do for the retailer or brand marketer?"

Other keys to success include picking the right retailer or brand partner, defining roles and expectations, developing a vision of the ideal customer experience, agreeing on goals and measures of success, choosing together the "target + offer + channel" combinations that will be examined, designing the features of the retail environment (from floor location to signage to displays), and training retail staff to support the promotion. These are important decisions that create the proper context for the technology to be fully leveraged.

Even in its infancy, it's evident that beacon technology can add value to the customer relationship. To succeed, beacon solutions must create experiences that, 1) capture customers' interest and attention, 2) personalize their experience securely and with full transparency, 3) reduce time and other friction, and, 4) enhance their experience by surprising and delighting.

Of course, beacons and the apps that they trigger are only a means to an end. In their pitched battle with e-commerce giants like Amazon, retailers must innovate and leverage their investment in their bricks-and-mortar locations. Beacons will be an important weapon for winning over customers' hearts and minds, and gaining a larger share of their spending. m

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