

Paving the Path to Smart Retail Media—Building on a Future Foundation

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inReality®



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01 Introduction

Embracing the store as a valid media channel is finally coming of age, and our industry is at a crossroads—build it on the principles of the past or pivot to position it for maximum value, profit and cross-channel value.

The religious debate at hand is if the model to follow is that of mass reach and frequency or personalization valued by both the people it reaches and the advertisers seeking to connect with them. Given that many of retail media's apertures are digital, it would seem plausible to model after other established digital marketing tools such as online and mobile marketing. The challenge is that many in-store marketing vehicles first appeared in print. Therefore, they have too often been categorized as 'print in motion' versus the extremely powerful digital

engagement tools that they are. As multiple industry change agents have appeared both technologically and culturally, the time is now to recast how we view in-store digital media and the role in which it can play for all involved in the retail ecosystem when it becomes 'smart'.

This white paper is meant to offer a POV on this topic. The views expressed are based on experience, history and irrefutable lessons learned from both retail as well as other vertical channels.

The Smart Store Vision



Think about the websites that you most love to spend time with. Now, make a mental list of the reasons that you love them. You may not have thought about this before, but chances are high that on the list is something akin to “they just seem to know me and the things that I like.” It’s also highly likely that you checked the box on how easy they are to work with and how they make you feel appreciated. Like magic, when you spend time with those sites, they magically seem to serve up information, messages or products that feel almost like an extension of yourself. Congratulations, you’ve just created the vision for a smart store from a shopper’s perspective.

The physical store is now as connected to technology and big data as it is to connected life. As more enabling platforms emerge, we expect stores to become “smart,” attuned to the people, activities and transactions at every single location and engagement point. A few potential (and currently realized) examples:

Single shopper/single device: When a shopper is in very close proximity to a device, the device reacts to show content specific to the user’s preferences. So, for example, a shopper with health and fitness apps on their account profile would see content on the screen supporting their current interests while suggesting other products perfect for them.

Many shoppers near a display: When the store is busy with many shoppers near a display, the store intelligently pings the profiles or predictive patterns of those on the floor and presents “takeover moments” on store screens that best match average interests. This is driven by individual account data (if opted in) or targeted to localized events, seasonal campaigns or contextual information.

Intelligent surfaces: Wearables aren’t just for wrists — they are also becoming part of surfaces, lighting and more. Surfaces and fixtures sense activity while cameras track visceral responses, adjusting to best support the moods, energy and sound levels at any given second.

All of this, be it customer data, transactional data or behavioral data, can now live within the larger data cloud and auto-optimize across all channels — including the store — in real time. Like Doppler radar for every-moment experience design, content can be responsive at all touchpoints, constantly serving, watching, re-assimilating and optimizing for maximum effect.

We are in the early stages of this smart store reality, and thanks to the outcome of the pandemic, those that were already on this path are miles ahead. The ones that weren’t? They have some catching up to do. Luckily, there are some great people and platforms out there to help, but it starts by embracing smart retail media.

Programmatic Best Practices





How “Smart” Retail Media Paves the Smart Store Path

In simple terms, smart retail media is AI-empowered in-store digital content. It brings the same kind of ‘responsive’ messages we’ve come to know and love with websites and social platforms into the store. To make it real, a few things need to happen in synchronicity:

The CMS: Content management needs to be simplified and optimized via data-driven rules that trigger what’s on screens based on what’s happening around the store, in front of the engagement point and whatever tags, triggers and rules have been applied to each message. Further, the system needs to lean on a recommendation engine that combines campaigns based on historical data and live data, then guides real-time optimization decisions.

The Playlist: Unlike manual playlist management, smart retail media must auto-assimilate the playlist based on data from business systems (camera-based real-time analytics, POS Data, ERP (inventory), Smart Tags as well as data from weather, store demographic profiles, influence areas and external events.

The Models: Statistical modeling should unveil not only how many times categories are being purchased, but which adjacent ones have a high correlation to each—which improves cross-sales conversion by offering up items for impulse buys.

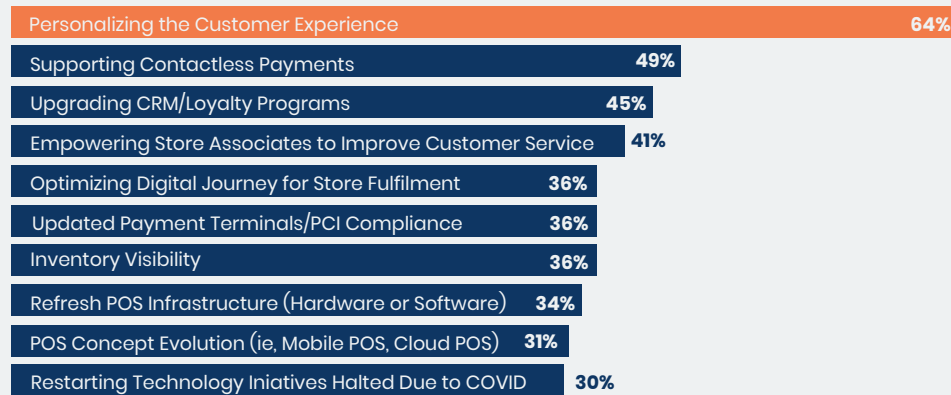
The Algorithms: Using AI, it needs to identify the ideal 'prime-times' for each featured product and, when combined with the associated tags, dynamically broadcast spots based on their ideal promotional windows.

The Engine: Real-time data analysis should produce AI-fueled recommendations and provide business intelligence metrics for strategic decisions.

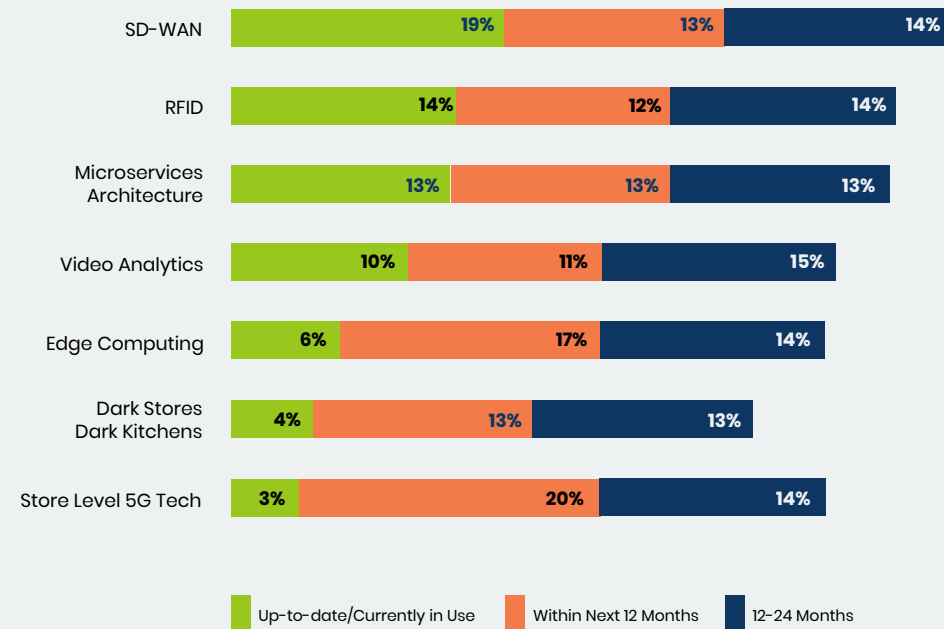
All of this supports one of the most important retail imperatives this year, and that is personalization. The latest RIS Store Experience Study unveiled this year's top priority for retailers. As with some previous years, personalizing the customer experience was the top focus.



Top Priorities for 2021



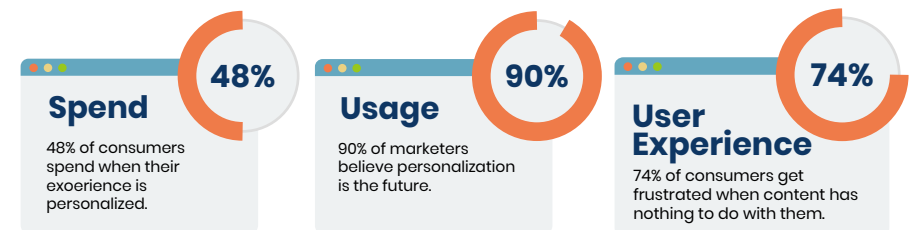
New Initiatives Timeframe



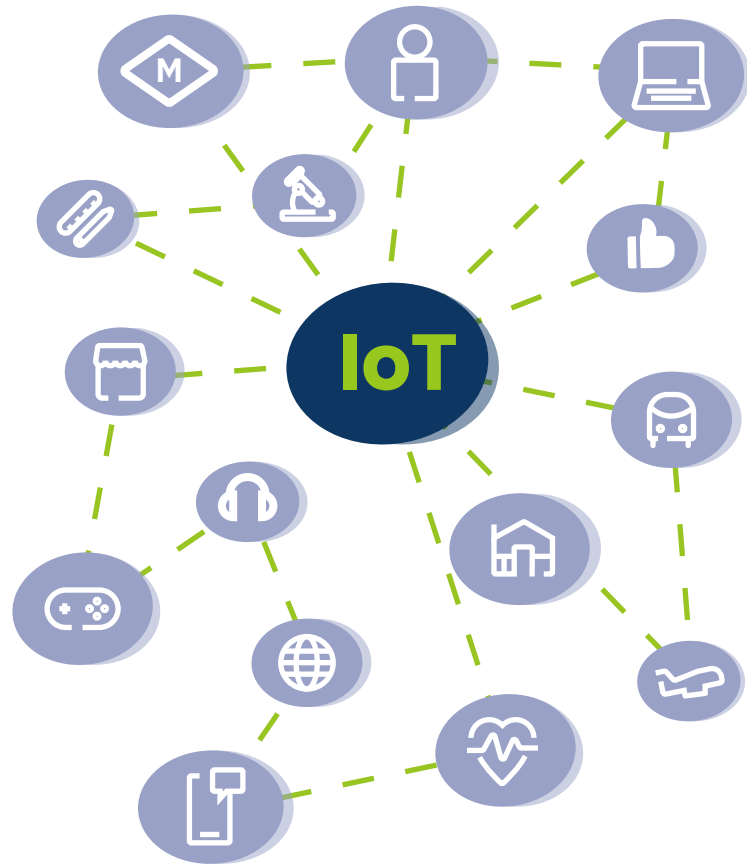
This is reflected from the consumer perspective too, as research is indicating that eCommerce personalization Will Take Over Traditional Commerce in 2021. Marketers are noting its importance to their futures while consumers are showing by their behavior that they spend more when it is utilized. Further, 74% find it frustrating when the content has nothing to do with them.

Clearly, personalization benefits everybody involved. So, why has it not been more prevalent inside of physical retail stores? Because it's been hard. However, a lot of things have evolved to make this dream real—IoT being the most influential.

Fact About Personalization



IoT and “Smart Retail”



For years, thanks to the Minority Report, we’ve been captivated by the potential of Internet of Things (IoT) for more impactful shopping experiences. IoT is intrinsically tied to Artificial Intelligence (AI), as the two work together symbiotically. The most common use cases have been for automated checkout, layout and planogram optimization, inventory optimization, customer tracking, and, tied to tracking, real-time personalized promotions.

Cisco nailed it in 2011 when they defined the birth of IoT as the “threshold of connecting more objects than people to the Internet”, and that day is soon approaching. By the end of 2022, for the first time in history, there will be more IoT gadgets online than there are traditional devices like laptops, smartphones, PCs, and landline phones. According to a report by BusinessWire, IoT in retail’s global market size is looking at USD \$94.44 billion by 2025, a 21.5% CAGR during the period.

There are some key drivers creating a perfect burgeoning storm for its adoption:

AI and edge processing: AI and edge processing can transform massive volumes of raw data into valuable, actionable intelligence without disrupting other business functions.

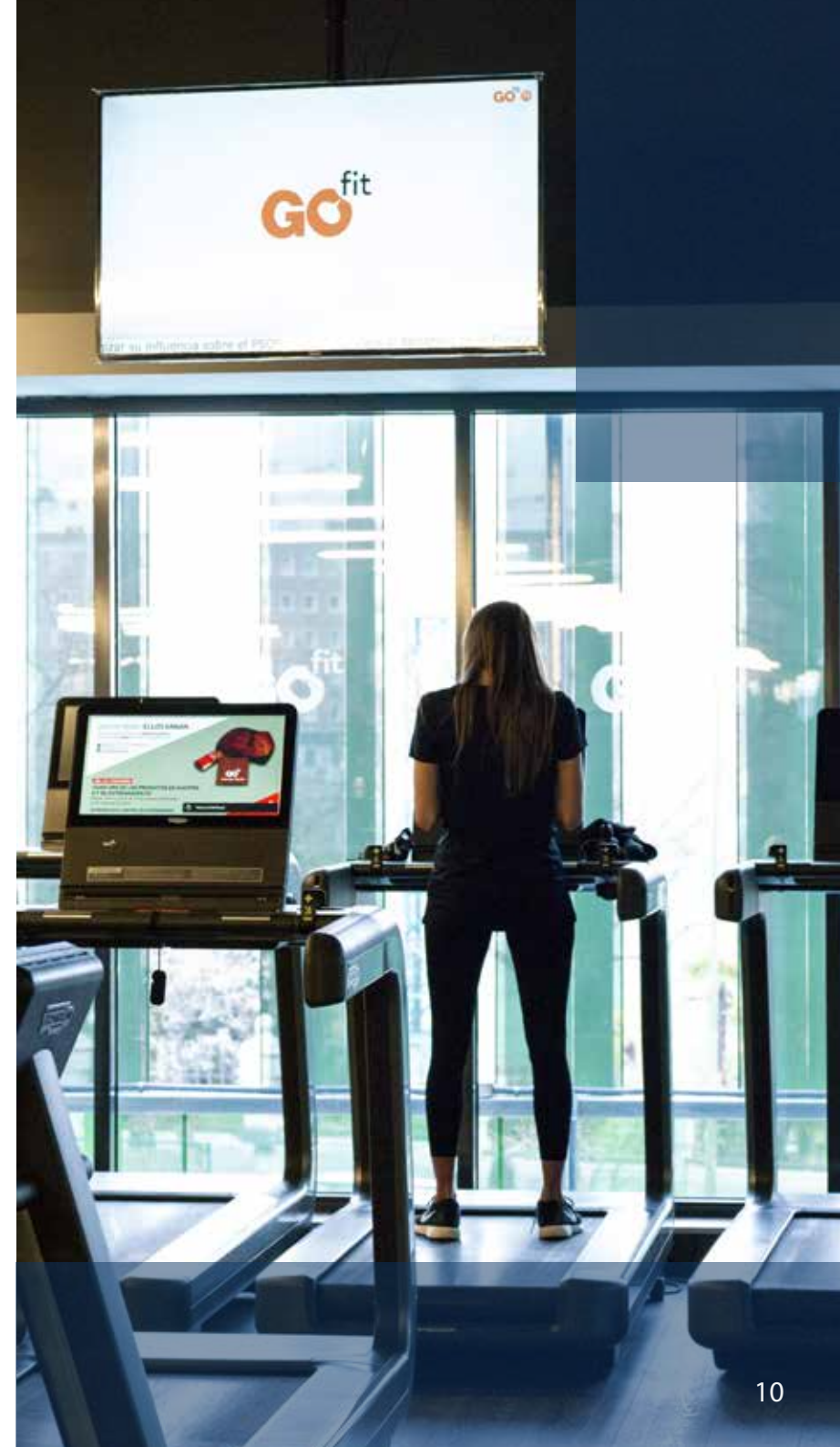
Sensor innovation: More intelligent sensors have emerged that make tracking—via both camera or non-camera options—more scalable, dependable and financially feasible.

Demand for Contactless: The growing adoption of smart payment technologies to minimize human contact involved in cash payments has opened the door to other adjacent IoT.

Wearables: The rising demand for wearable devices is also driving market growth. We're expecting more than 64B IoT devices worldwide by 2025, with 3.4 billion connection points projected by 2025.

Fast connections: LTE, WiFi6, and 5G expansion continues to be a reality. More than 30% of the world's countries now have 5G, and retailers expect its usage to grow 11 times in the next two years.

Cheap, low power LPWANS: 20% of the world is now covered by low-power, wide-area networks (LPWANS) that allow long-range communications among connected devices while optimizing both costs



and power-consumption requirements. By 2022, McKinsey expects this to be 100 percent.

Automation: Real-time data gathering can improve many work processes by tying them to AI and handling them “quickly”, making them more efficient and profitable.

All of these things, when combined with the major influx in IT spending to address COVID’s surprises, ramped up retail’s IoT tech adoption and sophistication significantly. According to McKinsey, “By some estimates, we (retail) have vaulted ten years ahead in consumer and business digital penetration in less than three months.” It’s exciting, but there’s another essential element all IoT needs to function—and that’s data.

“Data is the New Oil”

Just like a car needs gas, smart digital devices need data. In-venue and in-store, however, we have not followed the path of established digital marketing tools such as mobile and the Internet, which actively gather data at every endpoint. This has significantly hampered growth for a very simple reason: when you have data streaming at every endpoint, you can test and measure. When you test and measure, you can optimize. When you can optimize, you can sell more. Everybody wins. Now, again thanks to the pandemic’s impact, retailers have higher cross-channel customer expectations, new store functions to fulfill and a ‘prove it or lose it’ c-suite mindset that’s making



data-based ROI an imperative. But how much data is truly needed? There’s a major difference between BI (business intelligence) and basic in-store behavioral data. For smart retail media, one only needs the basics. To make things easy, let’s compare it to online data.

Just as “clickstream” data defines the history of an online experience, “storestream™” gives us all of the data associated with a guest’s shopping experience – from the moment they enter a parking lot until they leave. There is a value associated with every degree of engagement that a customer has within the store environment, and it increases for the brand and the retailer based on its ability to capture a shopper’s attention and convert it to sales. Regarding the engagement points that matter most for conversion, the basic metrics necessary to collect are almost the same ones that matter the most in the online world:

- Traffic (Audience)
- See (impression)
- Dwell (spend time looking or considering)
- Engagement (explore further)
- Purchase (buy)

What we do to measure digital marketing efforts in the “virtual” online store is a perfect model for what we must measure in the physical store, as having it gives both retail worlds the most important power of all—optimization. The tools to test, measure and ‘tune’ smart retail media are now fully feasible and affordable to scale. When we use them, we bring forth the promise of real-time content tied to real-time results measurement, just like we have with websites.



An important thing to note here is how critical this is to the CPG brands retailers are tapping for media dollars on top of trade funds. The tug/pull relationship of the retailer and CPG has been fraught with historical tensions, all of which could be bridged with the correct approach towards smart retail media and open sharing of the shopper behavior data.

Brands audience tracking to tell them when a customer has stopped and looked at their display, as it gives them the ammunition they need to optimize. They're tired of not receiving it, and they are making it known when tapped for broadcast dollars for the store. They live and die by one mantra: "we fund well what we measure well" and they have no desire to 'live in the grey'. Numbers are their do or die, and retailers that embrace sharing it with them will profit accordingly.

Smart Personalization—Providing Meaning in a Cookieless World

As the cookie—the enabler for creating real-time meaning with messages on many websites—goes by the wayside, everyone is buzzing about contextual vs. behavioral targeting, and this comes into play with smart retail media. It's hard to understand the difference between the two, likely because they are similar. Both use intelligence to serve up the most relevant, likely-to-buy shopper messages. Both forms are dynamic and data-fueled, as in they iterate constantly to nurture the maximum potential return on objective. However, there are some critical differences Behavioral Targeting monitors shoppers' online behavior across many online places and platforms and plays ads based on what the user



Behavioral

Campaigns serve ads to prospects based on "best fit" by past behavior.

Contextual

Campaigns serve ads to prospects based on "best fit" by topic.

Both use intelligence to serve up the most relevant, likely to buy shopper messages.

is doing. So, let's just say someone is researching and comparing dog leashes for German Shepards. It's possible to follow their behavior and assume that they are open to doggy daycare offers, then serve them a relevant lure as they move on to other webpages and social media sites. It knew to do this because it was monitoring their behavior.

Contextual Targeting focuses solely on the content of webpages. For example, if you did not have access to behavioral data and were simply trying to place an ad online for a doggy daycare, where would you place that ad? Most likely somewhere related to pet sitting or dog park-related inquiries, whether that be on review sites or pages about pets. With Contextual Targeting, advertising is constantly guessing a message fit by having their message on relevant pages to the topic or product that they're selling. So, regardless of who is viewing, there's a good chance their message will be appealing. The dynamic aspect of Contextual is that as the content of a page changes, so do the ads shown on that page.

Both targeting techniques are powerful tools to reach shoppers, but both can miss out on potential customers on their own. So what does this mean for in-store? It means we may need to get smarter about how we make sure we serve up personalization. Behavioral should be done only if opt-in data is tied to the shopper CRM record, the rest of it targeted contextually based on historical trends and assumptions.





The Ideal Model for Smart Retail Media

Now we address the biggest challenge Smart Retail Media faces: will the retail industry follow a traditional or digital model when it comes to how they price, pitch and programmatically integrate in-store media? Will it be based on its ability to affect customer value, retailer profit and cross-channel brand integration or simply reach eyeballs?

Again, the industry could save themselves a lot of time and heartache by learning from past experiences with emerging media. Smart retail media is not that different from online media—it's just physical versus virtual. When it first emerged the industry viewed it as a traditional media play and measured it via "page views" or "impressions." That was all that we could do! As it evolved, our media uses for it did as well — and so did our ability to measure it. In fact, our interactive planning, placement, and reporting tools are now so robust, they are the most measurable media of the entire toolkit.

Like direct media, online media is often targeted. But how it is used is ultimately driven by the business goals of the brand and the desired consumer response—and smart retail media should as well. To get there, we have a few hurdles to address.





Planning and buying. Media people use digital tools to plan and buy their ad placements. Online media didn't take off until DoubleClick did, as it made it easy for them to scan the possibilities, place the buys, report on the results and offer up recommendations for optimizing the outcomes. Many stores are building their own platforms for selling store media inventory to brand advertisers and agencies, but unlike many online platforms, they aren't programmatic. If everyone builds their own platform and they require humans versus tech to make the buying choices (which is what programmatic does), it's going to take a lot more time and effort to plan and place buys across all of the stores selling media space in their brick and mortar.

Measurement. In the words of a former P&G client, "we fund well what we measure well." When you say media, it means you can measure—especially if you own the space and it's physical. When I started on this journey, we could not measure people at scale. Now we can. If stores want above-the-line investment from brand advertisers, they need to measure at least the basic metrics that we measure online—traffic, dwell and engagement. Without it, there's no way to understand if the message is or is not resonating, then act accordingly.

Appointing an empowered 'owner'. Many in-store challenges are tied to not having one person that ultimately makes the call on what happens within it. There are lots of chiefs, which means

lots of people and opinions must align. It's the reality of retail, but it's a grind when a major new initiative needs quick traction. There is, however, an increase in Chief Experience Officer and Chief Digital Officer appointees, which is very encouraging, as these people have the consumer-first, test/learn/optimize approach that helps anyone in the store ecosystem win the ultimate prize: sales and loyalty.

Making it synchronize strategically with mobile. As 5G, edge computing, lower cost internet access points and more powerful phones come together, we have a never-before-seen opportunity to ensure that the mobile phone is a powerful media option inside of our retail stores. We have to tread carefully, however, due to how far we go regarding personalization. One-to-one should be about opt-in, not blatant opportunity—just because we can target people as they go about their lives doesn't mean that we should invade their intimate space without asking. Earn their trust, then figure out how a personal offer or message can not only add value to the multi-sensory store experience, but create a killer attribution method to track response to a targeted on-screen offer.

Moving away from “sample and verify” to “scale and amplify” with the measurement mindset. Going back to our web analogy, can you imagine if we measured all



website or mobile activities by having a company come in and observe 15 - 20% of the traffic and make note of what's happening, then extrapolate results to the larger faction? That would be crazy, and it wouldn't be statistically sound. If there were no alternatives it would be better than nothing, but there are alternatives. Stores and spaces have had few alternatives, so they often lean on verifying traffic and behavior within a small sample of their fleet. They now have options, and it's time to scale analytics at every key point of decision and amplify the power of our in-store apertures.

In Summary

Unlike the past, today, if a retailer can't draw a direct correlation to save money or make money on an in-store investment, they will have a hard time surviving. It's all about a business case, as investing on possibilities has moved into proving the expenditure. It's ROI or die. This said, delivering a unique, personally-relevant in-store experience that makes shoppers feel good about being there is more of an imperative than ever.

Smart retail media is now real, and it has huge value in the minds of both brand advertisers and consumers.

The emergence – and ultimate adoption – of the Internet and its media model taught us a lot, and by looking back at the hiccups we experienced with it, we can avoid many of those adoption speedbumps as we turn our stores into rich and productive media vehicles.

We are at the beginning of a lifelong learning process with smart retail media. The challenges – and opportunities – of embracing it may require some change management, but it's opening the door to a new revenue stream, a better customer experience and the ripe promise of in-store optimization. If, that is, we address the big barriers that are slowing it down. Let's make it happen, as there's nothing but upside if we do it right.



About the Author

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Laura has been focused on creating meaningful digital experiences that bridge home, life and physical venues for over 25 years, both as a consultant and within the walls of the most lauded global agencies. Her experience is multifaceted, ranging across brand planning, digital engagement, store design, CX and retail innovation. She believes passionately that good brands do not make promises—they deliver experiences in unique ways that ignite revenue. Done right, it is this that builds irrational brand (and store) loyalty. With this philosophy, tied to her tireless passion, she has become an author, teacher, industry sage, cheerleader—and now, InReality's Chief Strategy Officer.

About InReality

InReality is a venue analytics platform that transforms most any tracking, measurement and influencing technology into the metrics that matter most. We do it by harnessing data from IoT sensors and other measurement and influencing technologies into one simple platform that produces only the most critical KPIs, then enabling predictive or personalized responses.

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