

Craft beer from a smart shelf

Where is the food retail industry headed? It seems large on paper: Germany alone currently has 35,000 grocery stores. Ten years ago, though, it had 51,000. Clearly, digitization is chipping away at the last largely online-free bastion of Germany's retail sector.

COPY — Roger Homrich

Imagine a store without a cash register or checkout line. Instead, customers check in online as they walk through the door and pay by smartphone later. When they put merchandise into their basket, the store shelves automatically detect what they've taken. The price is added to a virtual shopping cart, and the final total is automatically debited from the customer's bank account later on. A futuristic utopia? Hardly.

Today's technology can already power this grocery store of the future, as T-Systems and "Anna" demonstrated at the Euroshop and CeBIT trade fairs. None too soon, either. The German Retail Federation (HDE) forecasts that online retail is poised to capture even more market share. In food retailing, however, only one percent of all revenue is generated online. Dirk Rumler, a T-Systems retail expert, said, "We believe in the future of omni-channel. Customers want to enjoy the benefits of digitization, but still frequent the store down the road."

In fact, HDE found that three-quarters of Germans still want to shop at stores in person. Multichannel shopping is not a one-way street, though, according to Julia Miosga, an expert at Bitkom, Germany's leading ICT industry association: "You'd see cross-pollination between online and offline retail if the right services were fashioned for customers. The future belongs to retailers who excel at satisfying customers' needs in stores and on the Internet. What you want is to provide a seamless shopping experience that accommodates customers' needs on every channel." Click and collect is a prime example. Around one-seventh of all Internet users aged 14 and up have experience with ordering products online and picking them up at a nearby store. Another 42 percent could envision doing so in the future. "That shows that click-and-collect strategies drive foot traffic to stores and have the ability to build customer loyalty," continued Miosga.

But let's get back to "Anna". She's the star of a T-Systems scenario: a woman who grew up in Frankfurt, lives in Stuttgart and loves Maultaschen, a local Swabian dish like ravioli. Loves eating it, that is. She's never made it herself. Today, though, she's expecting visitors from Hamburg, and Maultaschen has to be on the menu. But she needs a recipe first. So Anna has one sent to her phone from a nearby grocery store, along with a list of ingredients. With click and collect, all she has to do is pick up her shopping herself. Being a regular customer, she pulls right up to the front door, pulls out her smartphone and unlocks a reserved parking space with an identity and access app.

A shelf that's happy to see you

As she steps through the front door, her cell phone immediately logs into the free WiFi. The retailer then sends a sale

14.2%

One-seventh of all Internet users used a retailer's click-and-collect service in 2016.



for craft beer to her phone as an alternative to a bottle of local wine. It pairs perfectly with Maultaschen. Once at the shelf, she waves her loyalty card in front of the scanner, and a screen sings out, "Hi Anna! Good to see you again." She pulls a beer off the shelf and gets additional product information – as well as a special offer just for her: buy six bottles of beer and get the seventh one for free.

As soon as the bottles clink down in her shopping cart, the digital system adds the cost to her total. Next, Anna wants to buy ripe, juicy tomatoes. She scans the shiny red beauties with a handheld spectrometer and sees the BRIX score displayed on her smartphone's screen. They'll make a perfect salad to go with Maultaschen. Time to hurry home! Her guests will be here in two hours, and the food needs to be ready by then. She walks right past the check-out line – the retailer will debit her bank account directly for the purchases.



Photos: andreev/Getty Images, T-Systems (2)

Intelligent shelves can act as interactive sales assistants through a smartphone and help customers pick products from all the wares on display. In the process, retailers use IoT to gain insights into customers' purchasing behavior and can personalize their offerings better.

“Customers want to enjoy the benefits of digitization at brick-and-mortar stores, too.”

DIRK RUMLER, VP Sales
Center of Excellence Retail at T-Systems

Analyzing purchasing behavior in the cloud

"Our scenario isn't exactly pie in the sky. You can easily buy all the components it uses – from precision scales to motion sensors and barcode scanners," explained Rumler. "Retailers can get all the underlying technology from us today as well." Scales inside the shelves detect whether customers have taken a product off the shelf or changed their mind and put it back. All the data is uploaded to the cloud to be analyzed for various purposes. "With IoT, brick-and-mortar retailers can gain the kind of insights into purchasing behavior that used to be the exclusive domain of online shops. Not only can they display product information on the shelves, they can also publicize sales promotions or offer regular customers special sales," explained Sven Tissen from the T-Systems subsidiary Multimedia Solutions subsidiary that developed the IoT shelf. Third-party data can be utilized, too. For example, customers standing near the shelf can be notified when good grilling weather is forecast for the weekend and what barbecue items are currently on sale.



If customers scan their loyalty card (picture) or use a preinstalled app, the shelf will recognize them and welcome them by name on the digital signage.

Extra services with digitization

Food retailing may be one of the few sectors left largely untouched by the online boom, but grocery delivery services like REWE Digital or Amazon Fresh could drive significant growth in Internet food sales. After all, 3.34 million online shoppers bought groceries online in 2016 – three times as many as in 2011. "That's why supermarket chains have to seize the opportunities presented by digitization and roll out extra services in their stores," said Rumler. "At the year's two most important trade fairs for the industry, it was clear that retailers have read the writing on the wall. Over 20 of them were interested in 'Anna' and our shopping scenario and plan to run trials with us." That's not only good news for lovers of Maultaschen – but of all kinds of fresh, home-cooked food.

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