

Special report: connected devices and an explosion of data are driving profound change in retail

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Predicted explosive growth in connected devices and the mass of data they produce will provide retailers with an opportunity to develop their businesses based on rich insight and help in the creation of new retail models on the high street. By Glynn Davis

Speaking at the BRC Annual Retail Lecture in London this week Sebastian James, group chief executive at Dixons Retail, predicted there will be thousands of connected devices - including the likes of smoke alarms, lighting controllers and thermostats - with the number of these in the typical UK household growing from four to 20.

“The sheer volume of data these devices provide is not a quantitative change but a profound, strategic and qualitative change to the way we will, and should, think about the world as shopkeepers,” he suggests.

The challenge for retailers is to manage this data and to utilise it to their benefit by gaining insight that can positively impact their businesses. He cites the two employees at Dixons with PhDs and says Google reckons the requirement for his business is nine such individuals in order that Dixons maximises its growing data flow and “turns it into a wealth of [customer] behaviours”.

One of the recent findings at Dixons is that customers can begin researching a TV up to six months before they actively make the purchase. “The trick now is when to pay to communicate with them ahead of the purchase. This is where mathematics becomes the strategic imperative,” says James.

This will prompt significant change within marketing departments, which he predicts will “get bigger and change dramatically” partly as a result of the way purchase journeys have evolved and become elongated. Time is now an important factor in how, and most importantly when, retailers communicate with potential customers.

This communication absolutely involves physical stores, he argues, because “my belief is customers want contact and to be shown products”. “Stores were places where you held stock but it’s now about where you have a conversation. How far will people travel to have a conversation? This depends on how good they think the service will be. Drive-times to our stores have increased from 20 to 35 minutes in the past year,” explains James.

Depending on the category he reckons it is “terrible” to have no stores and suggests rival AO.com is “basically an online catalogue business – I do not get it”. “Amazon moved in for Web 1.0 – to reduce costs – and we’ve now dissipated this as we tell stories in-store. The smart web retailers in Web 2.0 are therefore looking at stores,” he adds.

This is contributing to big change on the high street – with online players looking for premises and smaller niche operators able to open-up shop on the back of lower rentals in many secondary towns as vacancy rates have increased over recent years.

The common theme for all these retailers is very much the development of multi-channel models and he cites the traditional Betty's tea rooms business that has gone on to develop an online food business and pure-play clothes store Bonobo in the US that has opened 'guide' shops, which stock only one of each product and where goods have to be ordered online.

"I'm very optimistic. Shopkeepers will find new vibrant ways to sell. The connected world, our digital exhaust, explosive data and the PhDs to analyse and interpret it all are giving us new tools and ways to do this. Because of this, new niche ways to anticipate, excite and entice customers will evolve, breathing new life into our high streets," says James.

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