IoT Redefines Brand Experience and Customer Engagement

Abstract

The Internet of Things (IoT), with its ability to connect devices and enable data exchange through embedded sensors, is garnering much interest across industries. TCS Global Trend Study 2015[1], highlights some of the major business model changes that are taking place across industries due to the adoption of the IoT. For the Consumer Packaged Goods (CPG) industry, the IoT offers widespread applicability across the value chain. CPG companies are likely to benefit the most by embedding sensors in products or services that touch end users directly, helping them drive consumer engagement throughout the consumption lifecycle. The IoT will also enable CPG companies to understand consumer needs better, thereby improving product designs or service models, leading to better brand loyalty and top-line growth.

Gartner, Inc. forecasts that the number of connected things in use will reach 25 billion by 2020[2].

Bud Light has introduced a smart fridge that alerts users when they are about to run out of beer.[3]

Strengthening Brand Experience with the IoT

CPG companies have long experimented with RFID technology in retail stores and factories, to automate and monitor the flow of goods. Today, connected sensors and other IoT technologies are expected to offer numerous opportunities to better understand the various elements of brand experience. Data collected from connected objects deliver insights which can be used to improve products and services, ultimately driving customer satisfaction across various touch points.

At 30%, supply chain management nets the biggest chunk of the IoT budget, with product and customer monitoring accounting for about 26% of IoT funds. IoT initiatives that directly touch the consumers are more likely to offer significant returns on investment, by enabling companies to ensure their products stand out in stores filled with several alternative options. However, the impact of the IoT can vary based on the level of consumer involvement with consumables. Assessing and understanding this aspect will enable companies to prioritize their IoT investments.

Reimagining Customer Engagement in the CPG Industry

To transform customer experience, CPG companies are using IoT technologies in several areas such as mobile apps, digital sensors embedded at places of business as well as in products, and wearable digital devices. These technologies gather data, which can be used to decipher insights that help customize experiences and provide proactive services.

Faster and Accurate Decisions

With the IoT, information gathered from smart devices offers richer and deeper insights into a consumer's path to purchase, preferences, and shopping behavior, which can be used to develop better product and service offerings. These real-time insights can also be used to optimize consumer touch points and build a strong brand with perceptual as well as actual differentiation. The IoT also empowers consumers to make more informed purchase decisions.

EPIC Semiconductors have developed a nano chip embedded in the packaging of a food product, which syncs with a mobile app to guide consumers on whether or not to purchase the product based on their body vitals.[4]

The Coca-Cola Company's manufacturing, bottling, and distribution arm in Western Europe has installed sensors on its products and vending machines to track the supply and identify disruptions proactively.

Two-Way Communication

The IoT enables real-time two-way communication between the brand and its consumers, taking the guesswork out of advertising strategies. This is especially relevant to CPG companies where marketing within a specific context plays an important role in creating perceptual differentiation. The dialogue between the consumer and the enterprise helps the company understand consumer preferences better, thereby driving product innovation.

Customer Service

Data from connected devices can be used by CPG enterprises to enhance customer service. In an IoT ecosystem, customer-initiated service requests can be reduced by communicating product malfunctions or issues in advance to the customer service team.

Product Availability

The IoT empowers CPG enterprises to make timely decisions regarding product availability and promotion strategies. Data gathered from connected products can be used to gauge product demand at the customer-, store-, or geographic-level. By programmatic advertising that enables targeted promotions and supply chain optimization, CPG companies can make their products available at the right time and place. Sensor-enabled smart shelves in stores can determine the gender and age of customers and display targeted advertisements. For instance, Mondelez International, a leading chocolate manufacturer is building smart shelves that will be located at checkout counters. These shelves will use sensors to identify the age and gender of buyers in proximity, analytics to determine what variant of their product will appeal to their senses, and a video display to publish custom advertisements.[5]

Loyalty Programs

Tracking the demographics of customers while they are in the store can drive increased personalization in terms of designing loyalty programs. When used carefully, gamification can help turn an average consumer into a loyal and high value one. The IoT makes high levels of gamification possible by leveraging sensors in smart phones, wearables, beacons, and other devices. For example, a mobile app can trigger customized in-store offers for frequent shoppers. Certain features of the app can be gamified for entertaining customers during 'idle' time

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Google has partnered with a global fashion clothing brand for Project Jacquard6—an IoT initiative that aims to transform ordinary clothes into connected apparel.

spent outside the store. And when they are in the store, it immediately recognizes the opportunity to initiate a sale, and leverages a customized reward mechanism to drive it. For example, Shopkick, the in-store shopping rewards app helps bolster customer loyalty by rewarding shoppers with points called 'kicks' when they enter a specific part of a store or scan promoted items. These 'kicks' can be redeemed at any of the participating retailers.

Innovation Rules

The IoT offers deep insights about customers' needs and preferences, which can fuel innovation and help CPG companies design better products and services. In the future, consumer products will have specific IP addresses to allow them to connect and communicate with each other.

Conclusion

The future success of CPG companies will hinge on how well they are able to leverage the IoT to make consumers' experience more rewarding. The IoT will enable them to create tailored products and provide proactive services by identifying product problems early on. While product innovation will be important, the key to success will lie in understanding how consumers engage with a brand, in a specific context.

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