Retailers taking tech battle for shoppers to next level

Phil Wahba and Jessica Wohl, Reuters

(Reuters) - The store of the future has arrived and it is threatening to leave technology laggards behind.

The modern store is equipped with cameras that look at you, guess your tastes based on your gender, age and behavior, and send deals to your smart phone accordingly. It also has the technology to reduce endless check-out lines and speed up the process for picking up something ordered online.

The deal-sending screen, by Intel Corp and used by Sears Holdings Corp and others, was just one example of cutting edge technology on display at this week's National Retail Federation conference in New York, showcasing the innovations retailers are trying out as they fight for shoppers.

New technology can help retailers know their customers' habits and preferences better and further integrate physical stores and e-commerce to make the most of the online sales boom.

"It's anticipating what the consumer wants," Don Kingsborough, the executive overseeing the push of EBay Inc's PayPal online payment processor into physical stores, said at the NRF convention.

To succeed, technology has to bridge the chasm between how people shop online, in stores and on their mobile devices, with more customers now doing all three simultaneously, he said.

Wall Street sees success in this area as a decisive factor in who will thrive in a tight retail environment: The NRF this week said U.S. retail sales rose 3 percent during the 2012 holiday season, below its forecast of a 4.1 percent gain.

U.S. retailers are expected to increase technology spending 1.4 percent this year even as they cut 0.7 percent from total capital investments such as store renovations, according to Citi analyst Deborah Weinswig.

According to Forrester Research, U.S. retailers with 5,000 employees or more spent $19.8 billion on technology in 2012.

Those retailers have an overwhelming array of technology to choose from, as evidenced by the 500 or so companies exhibiting at the NRF event, which drew 27,500 attendees.

The recent payroll tax increase means many U.S. shoppers are taking home less

money, upping the stakes for retailers, particularly those catering to middle class shoppers, Weinswig said.

"They're going to need to get the shopper in the store, they're going to need to get the shopper to read their e-mail," Weinswig said.

Nordstrom Inc, Saks Inc and Macy's Inc each have spent tens of millions of dollars in recent years to integrate stores into their e-commerce to speed delivery and improve inventory management. A Citi report this week gave those three top marks for using technology, along with Wal-Mart Stores Inc.

"Historically, retailers have had very 'silo'-ed inventory and they have not known as much about the customer as they wanted to," said Eddie Capel, president and CEO of Manhattan Associates, whose clients include Macy's and J. Crew.

Struggling chains such as J.C. Penney Co Inc see technology as essential to improving sales. Penney is far along in a project to tag all its items with radio-frequency identification devices (RFID) so it can track them as it moves to one day eliminating cash registers and allow self-checkouts.

SMART SCREENS

Adidas AG is expanding its use of screens in stores to display hundreds of shoes on a "virtual wall," helping it compete with rival Nike Inc.

Shoppers who use the screens often trade up to higher-priced shoes, spending as much as 60 to 70 euros ($79.80 to $93.10) more in a purchase than planned, said Chris Aubrey, Adidas AG's director of commercial experience.

Several companies at the NRF show hawked devices they said can help retailers get sales staff to better roam the floor.

To be sure, in the race to catch up to Amazon.com, eBay and other e-commerce leaders, retailers must guard against turning off shoppers with technology that is "cool" but ultimately too invasive, such as facial recognition that tells them exactly who just walked in.

"Shoppers will tell us quickly, 'No'," Jon Stine, director of the retailer and consumer products practice at Cisco's Internet Business Solutions Group.

Still, intense competition leaves retailers with little choice but to push forward to keep up with consumers.

After the collapse in consumer spending that followed the financial panic in 2008, companies pulled back on technology spending, said Diana McHenry, director for global retail product marketing at SAS, a provider of business intelligence software.

But now the risk of falling behind for good is making them focus on bigger, longer-term projects.

"It's like seeing new construction," McHenry said.

(1 euro=$1.33)

(Reporting by Phil Wahba and Jessica Wohl in New York; Editing by David Gregorio)

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