

Dr. James Canton Forecasts the Future



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James Canton, president of the Institute for Global Futures in San Francisco, is convinced that in the next five to eight years, “retail will be transformed by the technologies of the Internet, voice recognition, sensory feedback and, perhaps most dramatically, personalized electronic merchandising.”

Executive Technology asked Canton to talk about his vision of the direction of retailing in the near future, the steps retailers will have to take to capture the imagination of consumers and the kinds of investment in infrastructure that will be required to make this vision take shape.

EXECUTIVE TECHNOLOGY: What do retailers have to do to capture greater consumer mind-share?

JAMES CANTON: Retailers have to get smarter about how they leverage their physical presence online. Some people are going to understand that there’s an opportunity to have more intimate relationship with customers.

ET: Retailers often talk about offering consumers more ways of interacting with them, but is this something consumers really want?

JC: We have to figure out how to make it easier for consumers to use technology. Right now, it doesn't work very well: it's not reliable or easy to use. Over the next few years, technology needs to be designed to figure out intuitively what people need and adapt to us – not require us to adapt to it. And it will do that. We're going to see the emergence of natural language processing, the further integration of telephone and computer, more intuitive interfaces, surrogate helpers that intuitively process our request and more precise search engines.

ET: Do you see anything on the horizon that is addressing this?

JC: The new Playstation 2. Though they look like game machines, they may end up being the paradigm for setting the bar. It's a message to technology vendors: if you do not adapt and make your systems easier and more functional, you will be eclipsed by the next generation. Playstation 2 can do everything your PC does. It isn't intended to run business applications, but its operating system is more sophisticated than anything already on our desktops. This is the future.

ET: That's assuming consumers will continue to use technology as a shopping tool, doesn't it?

JC: The synergy between on- and off-line retailers is very, very critical. As the Internet becomes integrated in the next generation of TV and embedded in automobiles and appliances, retailers will have an entirely new channel to not just promote, market and push people into their physical stores, but to interact in real time, personalize, understand customer priorities, use new gateways to drive people to the on-line experience.

ET: How will on- and off-line technologies interact together to form a seamless experience?

JC: People want to interact with others, for reasons that are more prevalent than before. With our aging population, longer lifetimes, the Internet and the growth of entrepreneurship, over 30% of the work force will be telecommuting.

Without any workplace to go to, going out to the mall will be even

more important to people.

So retailers have to get smarter about how to leverage their physical presence in the online environment. Personalized electronic merchandising is an opportunity to understand and have a more intimate relationship with customers. Email messages personalized with video and audio will generate a 50% to 70% return on investment, versus traditional 1% to 3% return you get from direct mail marketing. Retailers can do profiles on 5 million people in a data warehouse, segmenting by demographics and interest, and use the Internet to send customized communications with offers of discounted merchandise. And it's a thousand times cheaper than direct mail, and it's targeted so it's more efficient.

ET: What technologies will retailers use to interact with them?

JC: Consumers will have wireless smart cards and automated intelligent agents loaded with whatever personal information they choose to disclose, including digital cash signatures, authority to buy within certain thresholds, with that agent acting as their mediator. Consumers won't have to put up with an impersonal experience with a retailer. They won't have to input their information over and over again with every new retailer.

ET: So the idea is to let shoppers enjoy the intrinsic pleasure of shopping without the inconvenience of the transaction process?

JC: Right. The intelligent agent helps find, bid for, transact and deliver the product. All those levels of functionality will be integrated into the process.

ET: Will consumers perceive this as exciting?

JC: "telepresence," the next evolution of virtual reality, will become a very critical technology for on-line retailers. Consumers will be given a full sensory experience in cyberspace that will come to rival walking through a physical mall. It's like the sensory force feedback joysticks that exist today – it's a new way of digitizing information. The next generation of the Internet will be thousands of times faster than today. It's going to be a very exciting time for retailers and will drive traffic

into their stores if they learn to adapt to this technology.

ET: Won't this kind of technology be available to a very select demographic?

JC: On the contrary, it will be available to everyone. The massification of knowledge that has completely changed culture, as we know it is still a fairly new phenomenon. The printing press was invented only 500 years ago. That was the beginning. Now the next big wave in telecommunications – the deployment of fiber and wireless spectrums – will offer very high bandwidth on demand and at a low price point or free.

ET: Do you think retail will remain localized or will the Internet make retail become more global?

JC: We'll no longer be separated from other peoples throughout the world by language or physical distance or national borders. The major marketplace will be a global marketplace linking over 200 countries in a very vibrant, robust, virtual electronic bazaar.

ET: What is the linchpin of this vision?

JC: Investments by governments and business to help build the back-end IT architecture that will make for an electronic learning environment, and environment that will link TV, computers, cell phones and mobile devices so they will become a platform for education and merchandising, and most especially for collaboration and communicating.

MARIAH MAKES IT EASY

James Canton describes the seamless shopping experience of the future:

Let's say I'm about to fly to San Francisco on business. Before getting on the plane, I log in to my intelligent agent, Mariah, which has already read my e-mail and tells me I'm being offered a 15% discount on a video game machine, which it knows I might have some interest. Mariah has already done a price comparison and this is the one for me. I ask for the closet location based on my travel

itinerary. Mariah finds one in San Francisco and even confirms that they have available inventory. I confirm my interest and Mariah has the store hold it and even makes an appointment with a saleswoman at the same chain I know in Dallas and with whom I prefer to deal. She will be available virtually from her Dallas location and give me more information and advice in real time.

In my wallet, I'm carrying a smart card provided by a wireless service company that has stored my personal information and preferences, so as I walk into the store in San Francisco, the retailer who participates in the same wireless service knows what kind of products I like. As I walk into the store, the smart card activates a local area network and lights up displays next to products as I'm passing the shelves.

Furthermore, because I'm a frequent shopper at this retailer, the smart card gets me discounts based on my past purchase history.

To actually make a purchase, I simply flash my card at the shelf display – I don't pick up the products – and I verbally confirm to Mariah that I'm going to buy it.

As I'm getting a presentation from the virtual saleswoman in the Dallas store, Mariah has negotiated an extra bonus pack and an extra carrying case because she has detected better offers elsewhere.

The retailer asks to update my profile, and I give them access to Mariah, who also updates my personal profile on an ongoing basis.

All these purchases are facilitated by other portals, and everyone gets a piece of the action. The wireless provider gets a piece, the retailer gets a piece, folks who are part of the collaborative merchandising Web and the product manufacturer all get a piece, and they all get to share information.