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One-to-One Reality

Feb. 24, 2003 – A lot of people lost their head during the Internet mania, but perhaps none more than marketers. There was a great deal of talk and a lot of promises made about the ability to use the Internet to market directly to individual consumers. By using “cookies” – software transmitted to the Web site visitor’s computer – you could identify each customer and track not just purchases, but the things he or she looked

at on the Web. You could do one-to-one marketing on a mass scale.

Only it didn't quite work out like that. One-to-one marketing turned out to be a lot harder than any Web visionary imaged. For one thing, it was very difficult to collect and analyze data on a customer's Web movements in real time so that you could pitch them your denim jacket when he or she was shopping for a new fall jacket. There were also severe limits on the ability to personalize content dynamically for each customer.

Most online marketing systems are like Amazon.com's. After you buy something, they say: "Hey, you might also like this." This personalized marketing is not much different than a store handing you a coupon as you check out. The coupon is personalized based on what you bought today or over the past year using a loyalty card. But there is one serious shortcoming with these systems: they are pitching you after you've finished shopping. It's a bit like showing up at the prom looking for a date for next year's dance.

RFID has the potential to change the equation and let marketers reach consumers while they are in the store. That is, it will let retailers and manufacturers pitch products at the very moment the consumer is making purchasing decisions. In our Special Report this week, Turbo-Charged Marketing, we look at how relatively simple devices in the store will enable retailers to boost sales by promoting items related to those the consumer is looking at. If it turns out that retailers can boost sales, there is no doubt that these in-store devices will pay for themselves very quickly.

Once every item in the store has an RFID tag, all sorts of things become possible. Manufacturers and retailers can study behavior at the shelf and test the price elasticity of products. We may see not only one-to-one marketing, but also personalized pricing.

Few retailers are focused on this potential today. The reason is they believe it will be many years before every consumer product in stores have RFID tags. That is probably true, but the first trials of in-store technology are already underway (see *Is This the Future of Retailing?*). And the first deployments will begin late this year or in early 2004. These will be small. How fast they are expanded will depend not on the price of the tag or the reader (as every suggests), but on the return on investment. If RFID proves to be a way to significantly increase sales, as well as to cut costs, it could spread faster than a good joke on the Internet.

That's reason enough to begin looking at RFID's marketing potential right now. But there's an even bigger reason – one-to-one marketing is going to require a lot more than putting new hardware in the stores. There will be some very basic things that can be done fairly easily, such as showing a pretzel advertisement to someone buying beer. But taking advantage of all the information RFID systems will likely provide will be very difficult for reasons explained the Special Report.

Even if companies get the right message to the right person at the right time, they also have to make sure they have the product to deliver. IT systems, like the supply chain itself, will need to stretch from the consumer all the way back to the manufacturer's suppliers. There's no value in turbo charging your in-store marketing if your supply chain is running on pedal power.

If you are starting to think about how RFID might be used to make the supply chain more efficient, then you should also be thinking about how to make your in-store marketing systems more efficient. The company that is able to get the two parts to work as one is going to sell more goods with lower costs. I'd hate to be that company's competitor.

Mark Roberti is the Editor of RFID Journal. If you would like

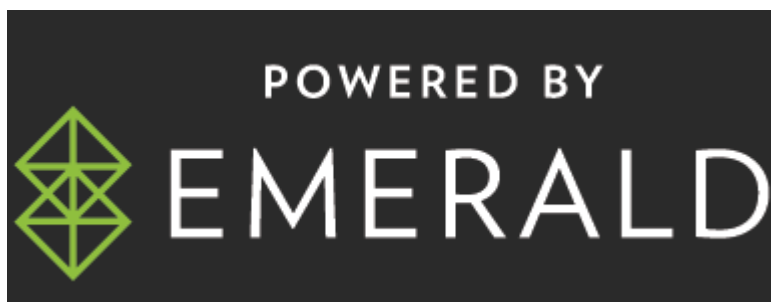
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