

Consumer Privacy Is Not A Barrier To RFID Use In Stores

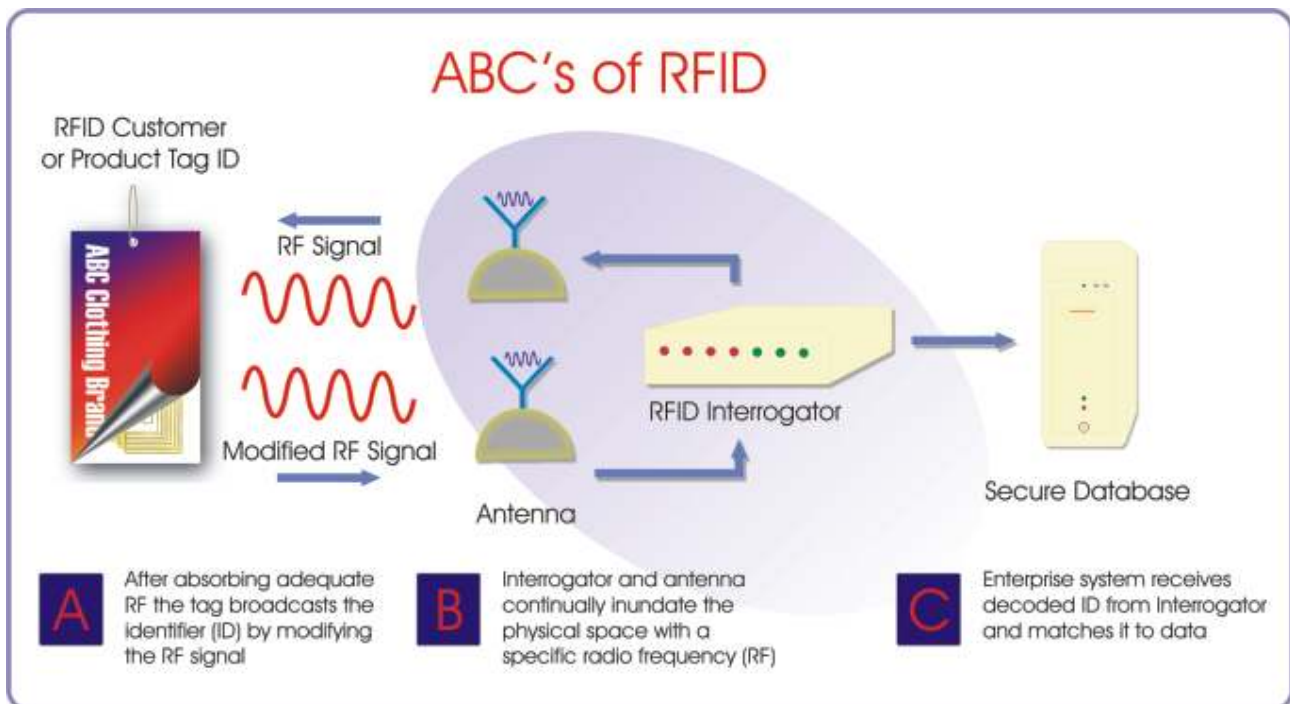
By Rachael McBrearty

When a new technology is introduced that impacts consumers there is usually apprehension. With barcodes, there was worry that retailers would be able to change prices without consumers' knowledge; and entering credit card information for online purchases raised concerns about identity theft. With Radio Frequency Identification (RFID), a technology that involves a tag that emits a radio signal to a device called a reader, the debate is focussed on the potential for privacy infringement.

Retailers state consumers' concern about privacy is one of the top reasons they're not moving forward with in-store implementations. RFID does not require a line of sight to be read; this makes the tag easier to read than a barcode, but it also means that a tag can be read without the consumer being aware. Privacy advocates fear RFID will enable others to watch our every move, especially third parties scanning us as we walk down the street in our RFID-tagged garments.

of RFID are really an extension of an existing debate. From a consumer perspective RFID technology does not necessarily hold additional risk of privacy infringement than already exists.

The information we have about consumer behaviour reveals that they may not be as concerned about RFID as one might think. In fact, we can conclude they would appreciate smart deployments of the technology. Forrester Research reported



It is important to understand that a lot has to align from a technical perspective for this scenario to be supported, making it far-fetched if not impossible. For instance, the tags used by retailers contain only a number (similar to a license plate). In order for that number to have meaning, the person scanning the tag also needs access to the data associated with it. But that data exists only in the retailer's secure database and is unavailable to others. There are already debates over what retailers can do with the information they collect through transactions associated with the consumer, so the privacy concerns around the use

that despite all the statistics about consumers' privacy concerns, the data also shows that these same consumers don't alter their behaviour to protect their private information. Consumers who express concern about privacy will still sign up for loyalty programs, sweepstakes, and promotions with retailers they trust; they are willing to accept the risk if there are benefits. Indeed, consumers already accept the use of RFID technology, placing it in their cars to easily move through tolls, signing up for RFID-enabled credit cards like MasterCard's PayPass or Shell Oil's easyPay to speed purchases, or using RFID-enabled transit passes like

London's Oyster card. When questioned in a study by BIGresearch, consumers who understood RFID were less concerned about its possibility for privacy infringement than those who didn't.

Using RFID in-store

RFID is usually talked about as a supply chain solution with the consumer benefit of faster inventory replenishment. The same technology can be used in-store by tagging individual items, which makes access to data, finding an item, or checking out faster. It can also be used in loyalty cards to facilitate a personalized shopping experience, starting with recognition of a customer when they walk in the door. Early RFID in-store item-level case studies have proven that a significant increase in sales can be achieved by reducing out-of-stock occurrences (most replenishment challenges are at a store level). The more interesting case studies are those that have focused on enabling a better shopping experience and have demonstrated a significant increase in sales. This has been achieved by increasing the speed with which a customer is served and by providing the customer with information about an item while they are shopping.

Customer expectations are changing

The Web is increasing consumers' expectations of the in-store shopping experience. Consumers have access to a wealth of information about products online and are now placing new demands for access to more product and inventory information in the store. They have become comfortable with online shopping and by extension are better prepared to utilize in-store technology. Customers want control over their shopping experience, choosing fulfillment options, completing self-checkouts, customizing products, or opting out of promotions. RFID can enable a much smoother interaction with technology by instantly providing the information about an item to the consumer.



About the Author

Rachael McBrearty serves as the Chief Creative Officer at the International RFID Business Association. www.rfidba.org

Understanding your customer's needs

RFID is an important tool for enabling engaging customer experiences in-store. In order for the technology to be successful it needs to address customer needs. A clear case should be built for the benefits to the customer, such as faster checkout, self-service information, easier returns, or a guarantee of authenticity. Understand what drives your customers, how to talk to them and what is important to them when they are shopping at your store. Answer the question - How could my customers benefit from RFID technology?

Retailers must let their customers decide and control the pace of adoption based on their level of technology and privacy comfort. They must provide a variety of ways to engage the customer based on the customer's preference. The deployment of the technology should also fit the customer's



expectations of the brand and be relevant to the store environment, whether it is a grocery or a high-end fashion store.

Basic Guidelines

Here are some basic guidelines for successful consumer-facing RFID deployment:

- Take care of your customers. Any technology solution should be based on what your customer's desire from the shopping experience.
- They should easily understand the purpose of the technology and its benefits.
- Start slowly and gather feedback. Select an area to deploy the technology and determine how you will react to customer concerns including deactivation of a chip, easy removal, etc.
- Notify the customer. Make the use of the technology transparent and communicate how and when tag data will be used.
- Allow the customer to opt-in. Customers should be able to interact with technology based on their preference.
- Make sure your data is secure. Customers need to trust that you will respect their data and keep it secure. Provide information on your privacy policy.
- Keep credit card information private. Top on the list of consumer fears is the use and sharing of their credit card information (internally and externally).
- Work with privacy groups at the outset. Making your policy public ahead of time keeps privacy groups from feeling like you have a hidden agenda.
- Be smart about the technology you use. The information on the RFID chip does not have to contain any information. If there are no benefits to the consumer, avoid tags that store data so the tag is the equivalent of a license plate.

It seems that RFID is unlikely to be a concern to consumers or a threat to privacy. Privacy advocates raise public awareness and aid in ensuring technology is deployed responsibly, but ultimately consumers will drive the use of technology through their behaviours, preferences, and demands. RFID can be an important enabler of the customer experience. Retailers who make smart use of the technology have the opportunity to better serve their customers and increase their wallet share.