

FUTURE OF TRANSPORTATION

PART 2: Retail and Advertising in the Autonomous World



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nebo

Section 1.1

Foreword

What do driverless cars mean for advertisers, retailers and the companies that sell through retail? Change. Lots of it.

The broader effects of autonomous vehicles (AVs) are often overlooked in the techno-utopian chatter, but there is an increasing awareness that self-driving cars won't just arrive in cities; they'll change them too.¹

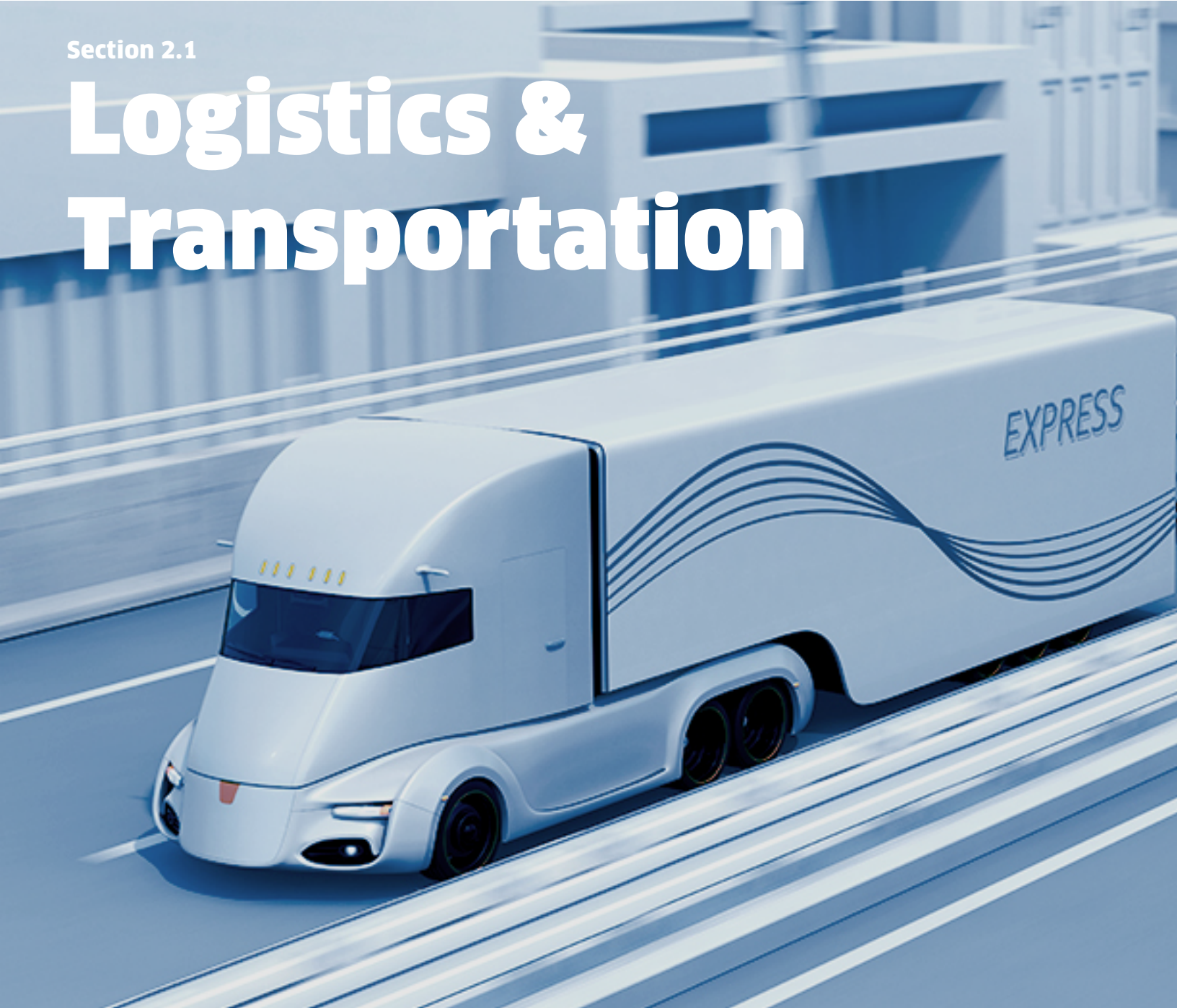
As AVs allow people to live and commute further distances, city layouts and infrastructure will look different. The demand for inner-city housing could decrease, slowing the rapid development of housing and lowering the cost of living. People may also shop in new ways, dropped off stress-free at the door of their favorite store. Or their local grocer could send a self-driving delivery car to drop off a forgotten item.

The ability and willingness of people to travel further than in the past will inspire retailers to ramp up their in-store experiential offerings and differentiate themselves from competitors, no longer able to rely on convenience and location alone.



¹ <https://www.nytimes.com/interactive/2017/11/08/magazine/tech-design-autonomous-future-cars-100-percent-augmented-reality-policing.html>

Logistics & Transportation



**New technology, new market entrants,
new customer expectations and new business models.**

Nothing is sold unless it can move from Point A to Point B. And recently the ease of online shopping and prevalence of fast, free shipping has led to an increase in direct-to-consumer commerce. While this high demand for goods to be shipped would seem a benefit to retailers, it comes with transportation and logistical challenges,² one being a shortage of skilled truck drivers.

² <https://www.npd.com/wps/portal/npd/us/news/tips-trends-takeaways/driving-change-without-a-driver-how-the-driverless-car-will-alter-retail-forever/>

At the end of 2017, the American Trucking Association's Chief Economist Bob Costello reported a driver shortage in the trucking industry of 50,000 drivers, a deficit only expected to increase over time.³ The big question becomes how can retailers possibly deliver all the goods ordered online with delivery systems nearing capacity?

Enter autonomous trucks. Unlike the average American consumer who hesitates to trust AVs, businesses will be first-adopters of the new technology thanks to the easily recognizable strategic and cost benefits. According to "Railway Age" Contributing Editor Jason Seidl, "A truck without a driver would no longer be subject to the current 11-hour daily drive time limit, which is in place to protect the public from overtired drivers. Therefore, **a level-five truck** could cover more mileage, haul more freight and ultimately generate more revenue per day than a truck driven by a human."⁴ Rather than turning to drone delivery, driverless delivery will dominate the market.

While level-five autonomous trucks are a ways off, companies like Tesla and Volvo are already making strides on their own robo-truckers, and Uber's self-driving truck system "Otto" successfully completed the world's first level-four autonomous truck delivery in 2016.⁵ And it won't just be large-scale freight companies turning to autonomy - local business and retailers will also discover the benefit of driverless delivery.

³ <http://www.trucking.org/article/New%20Report%20Says-National-Shortage-of-Truck-Drivers-to-Reach-50,000-This-Year>

⁴ <http://www.railwayage.com/index.php/intermodal/autonomous-trucks-sooner-than-you-think.html>

⁵ <https://www.wired.com/2016/10/ubers-self-driving-truck-makes-first-delivery-50000-beers/>



Individual Delivery

Autonomous cars will offer new solutions to the “last-mile” dilemma. Faced by businesses promising to deliver goods and services and bring new challenges to the brick-and-mortar space.



Picking up and delivering objects will soon become fully automated. Whereas Amazon Prime Now and other instant-retail home delivery services are partially limited to the hours humans are willing to work, machines will happily work day and night, allowing packages to be delivered on demand when it's convenient for the customer.

Impulse buys be gone

Gone may be the days of running out for a cup of coffee or grabbing a few items at Walmart. The shops could instead come to you as retail trucks circle neighborhoods, warehouses and bodegas stocked full of the most commonly purchased goods waiting at your beck and call. Think **Robomart**. Traditional grocers are taking the shift seriously as well. **Aside from the new parking spaces you see for online purchases, Kroger is taking a step further and playing with the idea of AVs powering their same-day delivery service.**

Unfortunately for some retailers and brands, this could lead to a decrease of impulse buying and product discovery when it's possible a consumer may never set foot in a retail establishment. Individual delivery will enable first point of contact service providers to more easily drive ultimate retail purchases or even cut out a traditional 'retailer' from the process. For example, your doctor writes a prescription and triggers the delivery process to your home, removing the local convenience store and auxiliary purchases made there while you wait for your prescription to be filled. On the other hand, **Amazon seems to be doing just fine in terms of impulse buying in the world of eCommerce.**

“Alfred, do all of the things. That is all.”

Autonomous cars will become personal assistants, chauffeuring you to the front-door of work before self-parking elsewhere or escorting your kids to school. While you're busy at lunch, you'll send an autonomous vehicle out to run your errands. Retail employees will be trained to interact with not only humans, but also with driverless cars as they line up to retrieve dry cleaning, products, take-out and more before zipping home.

All of this will require city infrastructure to adapt to pickups and dropoffs rather than parking. This is great news for entrepreneurs, stores and restaurants that were previously limited by the widespread “no parking, no business” mantra. In eliminating deck or on-street parking, developers will instead evaluate curb space availability.

Section 4.1

The Retail Experience

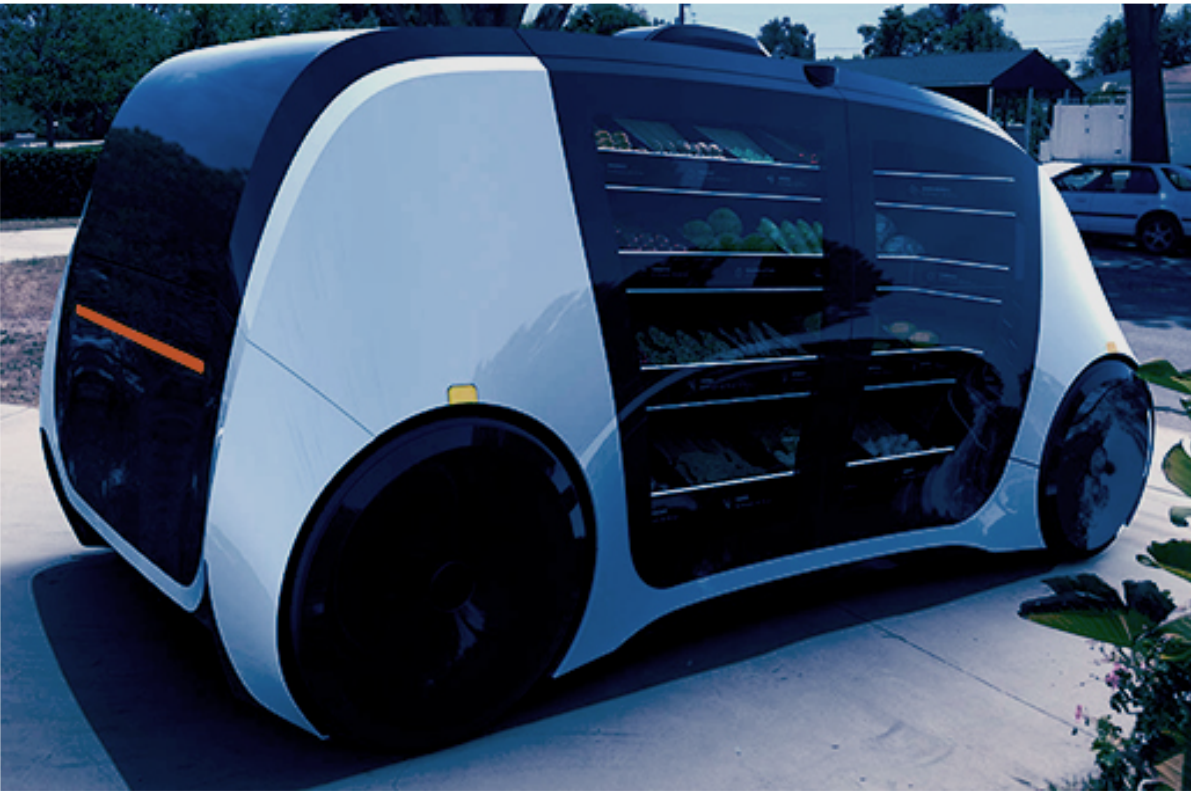
As the ease of at-home delivery continues to rise, savvy retailers will need to find unique ways to get shoppers into their cars and stores.

There will be some consumers who are willing to travel much further distances to visit brick-and-mortar shops when they aren't driving themselves or dealing with stressful parking. This ability of consumers to choose stores not just by convenience of location will force brick-and-mortar shops to differentiate themselves. As consumers visit brick-and-mortar stores seeking richer experiences, stores will need to reevaluate their in-store offerings, provide exclusive in-store sales and products, or supply superior customer service.

How may I help you?

One example of top-notch customer service may be a store providing their own car service. Deloitte suggests that one day retailers may “send a self-driving car to pick up customers from their home for a store visit and return them back home. This would result in providing extraordinary levels of customer service and possibilities to create commitment to your store before, during and after the ride.”⁶

⁶ <https://www.deloitte.com/nl/nl/pages/consumer-industrial-products/articles/self-driving-cars-impact-retail-location-strategy.html>



Department stores are following suit with this trend of elevating the in-store experience by incorporating concierge services that deliver individualized experiences for customers.

Human and virtual assistants alike are providing guidance through customer exploration of products in-service - from **Walmart introducing a text-based concierge** providing AI-powered recommendations based on previously purchased items to **Target's Beauty Studio** allowing for customers to virtually try on makeup.⁷

Showing off

Another differentiator as in-store visits become less necessary is to increase experiential retail, which often means transforming stores into showrooms. While consumers will have the option to walk out with products from stores, many will instead opt for the driverless car to deliver it home same day or even same hour from a nearby warehouse.

Traditionally, furniture companies and other companies providing big-ticket items were the usual suspects for leveraging showrooms to allow their consumers to experience their products prior to purchase. However, more digitally-native brands have been establishing physical presences to build another touchpoint with their consumers.⁸ Brands like thredUP,

Warby Parker and Away sell directly to avoid consumers wherever they are, marrying digital and brick-and-mortar storefronts with experience-based shopping that sets their products apart. Without the experiential element, no other driver exists to send consumers to a physical location versus making these purchases online. To adapt to the proliferation of AVs, retailers will need to innovate by leveraging the physical space within this new mode of customer travel to create another touchpoint in the overall brand experience.

Overall, the more companies push robot-powered efficiency, the more space there is for warm human interaction and individualized service in retail.⁹ So even though brick-and-mortar square footage may decline as autonomous deliveries remove the need for local inventory, the potential for delivering powerful experiences in physical stores remains central to the future of retail. **The alternative for brick-and-mortar settings not willing to adapt? Being gutted and transformed into trendy co-working spaces.**



⁷ https://www.jwtintelligence.com/2018/06/the-personal-touch/?mc_cid=d532959b56&mc_eid=d91d766150

⁸ https://www.bisnow.com/boston/news/retail/e-commerce-furniture-brands-find-physical-stores-a-must-have-omnichannel-accessory-89026?utm_source=MorningBrief&utm_medium=email&utm_campaign=20180601_atlanta_morningbrief&be=bthomas%40oneboagency.com&email=bthomas%40oneboagency.com

⁹ <https://www.fastcompany.com/40491567/the-future-of-retail-in-the-age-of-amazon>

Advertising: The Opportunities



***“Right now the phone is an accessory to the car, but pretty soon the car is going to be an accessory to the phone.”
– Venture capitalist Marc Andreessen***

Despite autonomous cars first appearing on the scene in the 1980s,¹⁰ only in recent years has Silicon Valley become a hotbed for research and investment in the future of transportation. Every day the self-driving space is flooded with more players, as data and technology companies investigate tactics and partnerships to push their product to market first.

¹⁰ <http://www.cs.cmu.edu/afs/cs/project/alv/www/index.html>

What's your angle?

While the development of self-driving cars may seem a natural next step for established auto manufacturers, other companies like Google and Uber aren't participating in the autonomous revolution simply out of curiosity. Another differentiator as in-store visits become less necessary is to increase experiential retail, which often means transforming stores into showrooms.

As R/GA VP and Group Executive Creative Director David DeCheser points out, "What [Google] has an interest in is people being on the Internet when they're in the car. So take away the steering wheel: They can't drive and what are they going to do when they can't drive? They're going to be on an interface. They're going to be buying stuff; they're going to be searching."¹¹

This information will be readily available to vehicle manufacturers as connected cars incorporate and integrate with more technology. And it won't just be data on the car's driving behavior or vitals (like tire pressure and fluids). It will be in-depth data on the people inside. Information from where you spend time online and what you purchase to where and when you drive will be immensely useful to companies across all industries.

According to a Cox Automotive study, 64 percent of 18 to 24-year-olds currently expect their vehicle's technology to be able to do all the things a smartphone can.¹² Fortunately for companies, this generation likely won't bat an eye at trading information for internet. Access to this type of data will have major impacts on business planning, from physical store location to advertising approach.

Data will be worth so much to brands that companies may provide free car service to customers in order to leverage their attention and information. And, as is unfortunately common with digital screens, those car windows could begin displaying personalized, location-based advertisements (unless you upgrade to a premium account, of course). In this world, your trip to the bar may be sponsored by Bud Light – Dilly Dilly!

***“64 percent of 18 to 24-year-olds currently expect their vehicle's technology to be able to do all the things a smartphone can”
– Cox Automotive***

¹¹ <https://www.rga.com/futurevision/magazine/the-road-to-autonomy/smarter-cars-smarter-cities>

¹² <http://www.latimes.com/business/autos/la-fi-hy-millennials-cars-20161223-story.html>

In-car branded experiences

Another advertising opportunity companies could have access to in an autonomous future is the ability to extend brand experience inside the vehicle. As Forrester suggests, “A family trip via autonomous car to Florida’s Disney World could begin with Disney-provided entertainment displayed on screens in the car’s interior that turn it into a ‘pirate ship.’”¹³ This new age of transportation brings the time and opportunity to surprise and delight the customer while building brand loyalty.

Taking the interior of the AV one step further, the windows of the car could be transformed into a virtual classroom for riders getting degrees on the way to work, allowing universities to play in the AV space. After work, the AV that takes you to pick up your takeout could be accompanied by an interior that mirrors the ambience of the restaurant - from the views to the music - to encourage you to dine-in next time.

These entertainment and advertising opportunities may require consolidation in the market in order to come to fruition. Car manufacturers like Ford, content creators like Netflix and ad networks like Google DoubleClick will need to develop new models and come to agreements on how to best manage in-car ads.¹⁴

¹³ <https://www.forrester.com/report/Autonomous+Vehicles+Will+Reshape+The+Global+Economy/-/E-RES138351>

¹⁴ <http://scet.berkeley.edu/wp-content/uploads/Slides-Leveraging-Adverts-in-Autonomous-Cars.pdf>



Section 6.1

Advertising: The Implications

“It used to be boasted of every new innovation that it would make some old legacy system ‘more like the internet.’ That boast carries a somewhat more ominous tone these days. Maybe there are some features of the internet we don’t want to export.”

– David Roberts, Vox Media

Show me the money

The discussion of autonomous vehicles will ultimately feature monetization. If we are to shift to more of a sharing economy and autonomous vehicles are accessible at low to no cost, alternative models of monetization will need to be explored. The most likely option? Advertising.¹⁵ The challenge will be to avoid becoming what the internet has recently been chastised for - being an unregulated, personal information-gathering petri dish for more ways to get products and services in front of users.

Keeping it authentic

Given the personal connection drivers have to their cars, there will likely be a stronger pushback to an over-commercialization of the experience. To alleviate this friction, AV creators and advertisers alike will need to hold true to the original aspirational vision for self-driving cars - one of bringing people together and getting valuable time back. Advertisers will have to turn up their creativity to be as inconspicuous (and effective) as possible with this new medium.



¹⁵ <https://www.vox.com/energy-and-environment/2018/3/27/17163264/autonomous-car-self-driving-advertising-business>

Conclusion



With the relentless pace of change this autonomous future will drive, retail businesses must write the new rules of consumer engagement themselves.

The autonomous car industry is beginning to redefine relationships with ad partners, governments and society itself. As the pace picks up, brands and marketers will need to employ new strategies, models and technologies to remain competitive, whether this means shifting to a more experiential storefront or harnessing the power of data to personalize in-car experiences.

In the final installment of our series, we'll cover the darker side of the future of transportation - how drivers and robots will share the road and what negative consequences autonomous car manufacturers may not have considered. Visit us online at neboagency.com for The Road To Autonomy Part I.

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