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The Future of Shopping is More Discrimination

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BUSINESS

The Future of Shopping Is More Discrimination

For you, a very special price indeed.

JOSEPH TUROW FEB 27, 2017

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Two years ago, at a retail-marketing conference called "The Internet of Things: Shopping," a consultant took the stage and predicted that by 2028, half of Americans will have implants that communicate with retailers as they walk down stores' aisles and inspect various items. By 2054, he added, this would be true of nearly all Americans. The rest of the vision went like this: Based on how long shoppers hold an item, the retailer's computers would be able to determine whether or not they like it. Other signals from the implant would indicate whether consumers are nervous or cautious when they look at the price of the product they're holding—an analysis that may prompt the retailer to try to put them at ease with a personalized discount.

After hearing these prognostications, no one in the audience voiced any doubts that consumers would want such an implant. The attendees knew the retailing business to be changing so drastically and confusingly that such statements seemed plausible. By now it is industry consensus that brick-and-mortar merchants—the department stores, supermarkets, specialty stores, and chain stores that still sit at the center of the retailing universe—will succeed only if they turn those locations into facilities that track shoppers using wifi, Bluetooth, light beams, undetectable sounds, facial recognition, and more, even implants. Further, the people in charge of these retailers see it as a top priority that coming generations of customers learn to think of this surveillance as natural, even welcome—who doesn't like a discount?

This push pertains to a topic that in other realms is far more controversial: Policy experts, privacy advocates, corporate executives, and academics are arguing fiercely about the legality and ethics of data mining by online advertisers and the government. Meanwhile, retailers are doing the same thing and attracting comparatively little attention. As they continue, they are quietly sending consumers the message that offering up information about themselves is simply a prerequisite in a new era of shopping.

Even if retailers frame their increasing reliance on analytics as the natural next step of a competitive industry, there's no law of shopping stating that sellers will treat customers better and better the more they learn about them. In fact, the fallacy of expecting that to happen becomes clear when examining how the act of buying things has changed in the past 250-plus years. Shoppers are entering a third stage of American retailing, one that has more in common with the 18th and 19th centuries than with the one that just passed.

The first stage was that of the peddler and small merchant. European sellers of the 1700s, for example, followed well-worn strategies to maximize their returns on goods. To remember what they paid their suppliers, peddlers marked the back or bottom of their products with symbols known only to them or close relations. In addition to keeping track of the prices and loans they negotiated, they kept track of their customers: They recorded people's occupations, their spouse's names, their family connections, and their social standing in their village. These records allowed peddlers to customize their sales pitches. Their "preferred" customers were getting especially good deals, the merchants could say, while keeping secret that those buyers were actually paying more than other groups.

As many European immigrants poured into North America during the 18th and 19th centuries, the peddling business migrated with them. When these salesmen were able to amass a bit of cash, some established small general stores or food markets. Settling down allowed merchants to develop more-personal relationships with their customers than they could going door-to-door or marketplace-to-marketplace. Yet personalized deals increasingly caused angst for shopkeepers, perhaps more than when they were itinerants. Customers suspected that grocers of ethnicities different from their own overcharged them or supplied them with lower-quality products. Many black people who frequented stores owned by whites were especially suspicious about this opacity of price and quality.

During the mid- and late 19th century, these strains helped produce America's second stage of retailing: the era of posted prices. Although Quaker merchants had long believed it morally abhorrent to charge different people different amounts for the same items, a growing number of non-Quaker merchants began to adopt fixed prices because doing so saved them the trouble of teaching their clerks how to bargain—an important consideration during the growth, beginning in the 1840s, of multi-story, multi-department emporia with many employees (such as A.T. Stewart, Lord and Taylor, and Wannamaker).

It was a transformative time for shopping in other ways, too. The rise of department stores with posted prices fed into an entirely new philosophy of consumerism's societal importance. Although the real incomes of many 19th-century Americans were growing, the distribution of wealth was lopsided; the captains of industry, a small group, controlled much of the nation's assets. Some of those in power at the time seem to have wanted to draw public attention away from the criticism that the resources of a relative few were diminishing the democratic political power of the many. As the historian William Leach argued in his 1993 book *Land of Desire: Merchants, Power, and the Rise of a New American Culture*, democracy was reimagined as material instead of political—as the equal right of each American to want the same goods and to pursue them in the same environment of comfort and luxury.

Leach's phrase "the democratization of desire" encapsulates the ideology retailers promoted in the 20th century. Not only was everyone in the store presented with the same price, but they could all see the same goods, in beautiful surroundings ostensibly open to all; women especially were welcomed. Competing to win over customers, merchants tried to outdo one another, hiring designers and architects to appoint stores' edifices with large display windows, carved wood, polished stone, imposing mirrors, fancy elevators, streamlined escalators, and central heating. (Macy's, in Manhattan, and John Wanamaker and Gimbels, in Philadelphia, are some of the most well-known now, but several other cities were home to similar enterprises.)

Grocers followed suit, though at a slower pace. By the 1950s, *Collier's* magazine could enthuse that America's supermarkets

> are the world's most beautiful. They've gone into color therapy to rest the shopper's eyes; installed benches to rest her feet; put up playgrounds and nurseries to care for her children; invented basket carts with fingertip control; revolutionized a packaging industry to make her mouth water; put on grand openings worthy of Hollywood premieres.

The reality, and it was very much a gendered, class-based reality, didn't always match up with the ideology. Early on, department stores divided their clientele into two broad groups, the more affluent "carriage trade" and the poorer "mass" or "shawl" trade—welcoming the former on the upper levels and ushering the latter toward the basement. Store managers selected experienced and native-born women as salespeople for the higher-price departments, and placed neophyte and immigrant women into areas that sold less-expensive goods. As for the large grocery chains, store owners often avoided low-income neighborhoods, especially ones that were predominantly black. The supermarkets that did open up in those areas tended to be dirtier and have lower-quality food and less variety than those in more affluent districts. These disparities rarely made the headlines. When they did, notably with supermarkets in the 1960s, retailing executives offered excuses or promised to do better. But these businesspeople didn't challenge the basic proposition that shopping should provide Americans with equal access to a wide range of consumer products.

Today, in the third stage of retailing, many executives are challenging this fundamental dictum. They are celebrating the routine profiling and discrimination that characterized the peddler era, and scaling up this discrimination with the help of data analytics. This third stage began with the commercialization of the internet in the 1990s, though a number of earlier inventions, especially the barcode, led up to it. The new-era merchants' dogma is that differentiating individual shoppers is the best way to maximize profits. A retailing requirement is therefore to learn as much as possible about people and their shopping habits so the merchant can show them the right goods with the right messages at the right moments. Merchants can offer different people different prices for the same products—not only online but also in the aisles, via smartphones—based on what they know about them.

To those who get the best deals and service in such a system, this probably sounds perfectly acceptable. But for every person who feels that way, there will be plenty who don't. People whose buying history shows they are mostly bargain shoppers who bring the retailer small or no profit margins will be shown few discounts, or maybe none at all. If shoppers are cherished regulars, special mirrors with cameras may remember their shape and help them match clothes without trying them on. Others may see a different side of recognition: Store cameras that identify people with criminal records might alert the store's security team.

Even those who think they will end up better off under this new system may not be accounting for some possible outcomes they may not like. Retailers might hire statistical consultants to generate reports about people's eating habits based on the food they buy, about their weight based on the clothes they look at online and in the store. They might make predictions about people's health based on the groceries and over-the-counter drugs they purchase. The resulting portrait of each shopper may result in some personalized coupons to redeem now, or even ads from insurance companies that have determined someone to be a likely target for specific policies. But this picture may turn sour as one ages, when statistical formulas start to make unflattering inferences about one and one's family. Consider, too, that some retailers sell or trade the information they compile about their customers in possibly unwanted ways; some even assign "attractiveness" scores to shoppers based on the data. And in the not-too-distant future, the knowledge that companies have developed about shoppers may lead news organizations to highlight, and even modify, certain stories for them, and advertisers to provide them free access to certain premium television programs but not to others.

Much of this will be happening—or is already happening—without Americans' consent or knowledge. Yet this new stage of retailing—a stage that harks back to 18th-century strategies of price and product discrimination—is only beginning.

Merchants, left to their own interests and in response to hypercompetition, will create a world where what individuals experience when they shop will be based on data-driven profiling. And at present, shoppers have little or no insight into the profiles and how they are used. The common connotations of the word *surveillance* have yet to encompass the world of retail.

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