Mobility in Retail
Enrich & extend the customer experience
Mobile technology works for both customers and salespeople. Stores can target customers with promotions when they’re in the store, and salespeople can not only show customers product videos to answer questions, but they can also check inventory information and enter the order; the tablet essentially eliminates the need for the cash register (for credit card customers). Estée Lauder has installed tablets in department store kiosks so that customers can input information about their skin tone and complexion and then get a list of appropriate products. The inclusion of optics in handheld phones has led to the explosion in QR codes, codes that the phones can scan to take the customer to a Web site for more information. The value of QR codes is that they can be placed anywhere customers or prospects come into contact with advertising: kiosks, store windows, magazines, and more. In Seoul, South Korea, grocer Tesco placed electronic billboards in the subway stations, allowing commuters to scan product codes, transmit them to a central server, and have those items delivered after they arrive home; the store reports its online sales have increased 130 percent since the creation of the billboards. In other locations, Tesco has installed cameras in produce departments to recognize when vegetable bins are empty and automatically notify shelf stockers via their mobile devices of what needs to be replaced.
Our recent study found that nearly three out of four (73%) retailers now have some type of mobile initiative in place, while 20% are in the process of evaluating the mobile channel. Fully a third of retailers describe their early mobile efforts as either widely implemented (10%) or rapidly expanding (24%). These companies are the vanguard of the retail industry's efforts to target advertising, provide customer service, execute transactions, and promote sound customer relationship management via the mobile channel.

Retailers are becoming increasingly aware of the value of smartphone-equipped customers. Like they did with the emergence of the Internet, many retailers initially approached the mobile channel with a bit of trepidation. For example, some feared that cell phone-toting customers would use third-party shopping programs to find merchandise at a lower price. But over time, many have seen that as less of a threat than an opportunity.

Today, retailers are looking at mobile as another important customer touchpoint. Cell phones, smartphones, and other handheld devices are a convenient way for customers to gather more information about a retailer’s products or even conduct transactions on a mobile basis. By extending e-commerce strategies into the mobile environment, retailers are taking advantage of their web experience to develop an integrated strategy that has the potential to create a unique mobile retail channel while also adding value to clicks from the Web and bricks of physical stores.
Which of the following best describes your organization’s interest and/or progress in the implementing or developing mobile initiatives?

- Already widely implemented: 39%
- Expanding rapidly: 24%
- In pilot programs: 7%
- Under evaluation: 10%
- Do not plan to pursue: 20%
In the Mobinius survey, nearly half of retailers (47%) viewed the implementation of mobile strategies as a way to capture first-mover advantage. That is, these companies believe that by being the first to enable mobile engagement, they earn a better chance of establishing intimacy and loyalty with their customers.

In some cases, forays into mobile may be viewed as a response to competitor actions—which is the case for 23% of survey participants. As a corporate communications executive for a mid-sized, youth-oriented specialty retailer explained, “We’re seeing a lot of pressure to do something. We’re just not sure what that is going to be.”

Which of the following statements is closest to your company’s attitude/approach towards development of a mobile channel?

- As our customers are going mobile, we want to capture first-mover advantage: 47%
- Our competitors are rapidly providing more mobile tools so we are following suit: 23%
- Mobile is a promising but unproven channel; ours is an incremental approach: 20%
Mobile-led shopping is on the rise. Moreover, mobile-empowered consumers are rewriting the rules of the retail game, compelling retailers to play along. Retail revenues generated by the mobile commerce channel are projected to influence 17% to 21% of all store sales by 2016.

One reason: Consumer bargain-hunting is significantly bolstered by smartphones and tablets. With economic uncertainty abounding, shoppers who engaged in "digital deal-seeking" during the 2014 holiday season utilized their smart devices to research products, compare prices and secure the best discounts available. These near-ubiquitous devices equipped buyers with superior tools, strengthened their purchase decisions and improved their overall shopping experience. According to a Google study, 77% of tablet owners used their devices for shopping during the 2011 holiday season. A National Retail Federation survey notes that 37.4% of consumers with tablet devices used them to conduct pre-purchase research during the 2011 Black Friday weekend, and 25.7% used them to buy products.
SHOPPER USE OF SMARTPHONES LEADING INTO THE 2011 HOLIDAY SEASON

- Looked up product information: 57%
- Compared prices: 52%
- Searched for coupons: 47%
- Scanned a barcode or QR code: 43%
- Checked inventory availability: 40%
- Redeemed a digital coupon: 39%
- Used shopping app to earn points: 30%
- Used mobile payment: 24%
SHOPPER USE OF SMARTPHONES LEADING INTO THE 2011 HOLIDAY SEASON

THE MOBILE OPPORTUNITY

Deeper customer engagement to build loyalty through mobile channels
Identify innovative mobile use cases that no one else is doing yet
Deeper customer engagement to drive sales through personalized offers
Deeper insight into shopper behavior through mobile site or app
Empower store employees through mobile site or app access in stores
Mobile “save the sale” at the shelf
Stop the decline in store sales
Mobile in-store concierge to alleviate sales burden from store staff
Disrupt other retailers by providing a mobile experience that encourages the use of my product
Discourage the use of price comparison by offering another mobile option

Source: Retail Systems Research Survey
## ORGANIZATIONAL OBSTACLES FOR MOBILE COMMERCE

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>ROI is hard to quantify</td>
<td>60%</td>
</tr>
<tr>
<td>Budgeting - there is little capital investment available</td>
<td>51%</td>
</tr>
<tr>
<td>We don't have enough e-commerce/mobile resources to manage all the available opportunities</td>
<td>40%</td>
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<tr>
<td>Difficulty getting IT resources for e-commerce/mobile projects</td>
<td>37%</td>
</tr>
<tr>
<td>Mobile technology changes too quickly for us to be able to make solid investments</td>
<td>28%</td>
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<tr>
<td>Stores don't understand the mobile, social or cross-channel opportunities</td>
<td>19%</td>
</tr>
<tr>
<td>Stores are a higher technology investment priority</td>
<td>19%</td>
</tr>
<tr>
<td>Our executive team doesn't understand the mobile opportunity</td>
<td>16%</td>
</tr>
<tr>
<td>We don't know how to turn data gained from mobile channels into actionable business intelligence</td>
<td>16%</td>
</tr>
<tr>
<td>The marketing organization does not understand the digital strategies we need to support</td>
<td>9%</td>
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THE ROAD AHEAD

We believe successful retailers will concentrate on the following key elements for a winning mobile-device sales strategy:

- Pay obsessive attention to both content and design: Craft a user experience that goes beyond just a mobile app and Web site to a mobile-optimized Web experience.

- Leverage existing technology and intelligence where possible. Apply current investments, existing tools and technologies and accumulated knowledge associated with prior desktop delivery methodologies to provide mobile-optimized experiences.

- Listen to what customers tell you and learn from their behavior. Continuously assess mobile shopping and usage behavior, satisfaction levels and expectations by leveraging the wealth of analytical
The use of personal mobile devices (smartphones and tablets) is on the rise. By end of 2015, 58 percent of mobile users (149 million people) in United States will have smartphones. In the European Union, this number is expected to reach more than 50 percent by 2014. In addition to smartphones, the success of Apple’s iPad has greatly expanded the market for tablet computers, which are expected to reach unit sales of 27.7 million in the United States and 41.9 million in the European Union by 2014.

One of the main reasons for the rise of smart devices is the exceptional user experience they provide. Pew Research Center highlighted the findings of its research in this area by creating a “word cloud” from the adjectives people used to describe their experiences with smartphones.

These positive experiences with mobility have led to high consumer expectations, sometimes making it difficult for retailers to achieve success with mobile applications and services. For example, only 25 percent of downloaded apps are used more than once. To date, even leading retailers are still making basic mistakes. Common mobile application errors include unreadable websites and asking consumers to check availability at their local store.

The good news is that several retailers are getting it right. Starbucks, for example, is using mobility to “break new ground” and offer a whole new mobile experience. Its application provides transaction visibility, knowledge of preferences, and easy-to-use, clear instructions. Target also does an effective job of making shopping more convenient by showing personal choices, store hours, shopping reminders, and in-store product availability. The common theme among these successful apps is that they were designed with the retailers’ customers in mind. Mobinius calls these apps “fit for purpose” because they deliver the right content at the right time at the right place.

Retailers have a window of opportunity to break the paralysis that occurs when consumers do not have the information they need to make a buying decision. When shoppers are in your store, instant gratification often trumps a small difference in price, leading to increased sales and customer satisfaction.
Mobinius has identified four key areas where mobility is having a major impact on the retail industry. By focusing on these capabilities, retailers can experience the greatest benefits from mobility, including lower customer acquisition costs, increased customer satisfaction and loyalty, greater revenues, and improved staff productivity.

**WHERE TO FOCUS: FOUR KEY MOBILE CAPABILITY AREAS**

1. **Mobile Marketing**
   - Mobile marketing is about connecting with customers and making sure the shopping journey leads to you. It is also important to understand how to be present at the “mobile moment” (when customers are ready to buy on their mobile devices) with the right offering.

   **Benefits:**
   - Permission-based personal messaging can double response rates. For example, Adidas experienced a 35 percent response rate on one of its mobile marketing campaigns in 2010. By comparison, traditional direct marketing response rates (including email) are usually less than 2 percent.

   - The acquisition cost per lead for mobile is typically $0.20–$0.30, compared to $2–$5 per lead for paper coupons. Early pilots show redemption rates of up to 40 percent when making the right offer at the right location at the right time.

2. **Shopper Services**
   - Shopper services impact the mobile buying experience, no matter where the consumer is—at home, on the go, or in your store. These services also include providing post-sale activities such as support and returns. When done right, shopper services save consumers time and money, and deliver the best mobile shopping experience possible.

   **Benefits:**
   - The stickiness of relevant brand-differentiating services locks in a larger group of high-spending customers. These services create greater loyalty and generate more sales per customer.
Mobile payments can take place at the point of sale (POS), on the web, and in stores. By understanding how customers like to shop, retailers can use mobile payments to increase sales and strengthen customer loyalty.

**Benefits:**
Mobility can reduce checkout times by 40 percent to 60 percent per transaction. This increases staff productivity and improves customer service. Certain mobile-payment systems also allow retailers to enter into a two-way dialogue based on information customers are prepared to share. This creates more profitable upselling and cross-selling opportunities, and enables new location-based services.

Store operations focus on the work processes that make your retail infrastructure run smoothly, such as ordering, inventory, and workforce management. Retailers can use mobility to streamline these functions by providing information where and when it is needed, enabling quicker, smarter decisions and the ability to solve issues on the spot.

Mobility can also free up staff to better serve customers and improve worker productivity.

**Benefits:**
Mobile store operations can result in better task management, regulatory compliance, staff communication, and customer service. As an example, Sonea is saving about $10 million annually by creating mobile ERP applications.
SEVERAL IMPORTANT POINTS TO REMEMBER WHEN CONSIDERING YOUR OWN MOBILITY SOLUTIONS.

• Seize the “mobile moment” by providing contextually appropriate answers when they are needed.
• Make buying as easy as possible for shoppers whenever and wherever they may be.
• Real-time inventory and comparison services save consumers both time and money, and deliver a better experience with more satisfying results.
• Instill confidence in mobile commerce. Use mobile payment to provide immediate, secure, and personalized web-based transactions.
• Integrate mobile with other channels to deliver a pleasing in-store experience by allowing shoppers to skip checkout lines with a digital receipt.
Augmented-Reality Pop-Up Stores

Airwalk is a prime example of mobile marketing. When the company decided to launch a limited edition of its classic sneaker, the Airwalk JIM, the company used GoldRun’s augmented-reality mobile application to create the world’s first-ever “pop-up stores” in New York and Los Angeles. Customers could buy the product only if they downloaded the app, went to one of the two locations, and took a photo of the augmented-reality “Airwalk JIM.” After completing these steps, customers could purchase the product right there. Airwalk’s estore experienced its busiest day ever. The company also generated $5 million of earned media in press, online, and TV. GoldRun’s mobile application re-established Airwalk’s link with street culture, and made it relevant again.

Highly Accurate Location-Based Services

One retail company is piloting a shopper service that allows customers to create lists on their mobile devices. Once they are at a participating store, customers’ smartphones are automatically synchronized with a tablet-sized device installed on the shopping cart. As customers move around the store, they receive a variety of product information and digital coupons relevant to their specific location. The high level of location accuracy (about one foot) also allows the retailer to provide targeted recommendations and personalized marketing messages.
Google is teaming up with Citi, Visa, and MasterCard to make its Google Wallet “tap and pay” service available at more than 20,000 merchants, including Macy’s, American Eagle, Jamba Juice, Bloomingdale’s, Guess, Subway, and Walgreens. While providing a convenient service for shoppers and merchants is important, the real benefit for Google is understanding what, where, and when people are buying. By applying predictive analytics to this type of information and combining it with permission based marketing, Google Wallet becomes an extremely powerful way for retailers to provide relevant offers to customers who opt-in. Google Wallet, along with other mobile wallets, will soon support other things like boarding passes, tickets, and even keys.

Rapid progress has been made in the area of augmented reality. Tests for automated Planogram (PoG) verification using augmented reality are now under way. With this type of solution, store associates will soon be able to easily identify discrepancies between actual and desired PoG states using the camera on their mobile devices. As these augmented reality PoG solutions mature, they will help retailers improve compliance and reduce out of stocks, enhancing both store performance and overall business results.
Opportunities Across Mobility Areas Can Increase Net Margin by 10 Percent

Typical Retailer with $20B with $20B of Revenue per Year

- **Mobile Marketing**: 2% lift
  - Current Margin: $600M
  - Net Margin: $661M
  - Value: $6M

- **Shopper Services**: 1% lift
  - Current Margin: $600M
  - Net Margin: $661M
  - Value: $6M

- **Mobile Payments**: 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $6M

- **Mobile Store Operations**: 0.5% lift, 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $3M, $20M

- **Increase Basket Size**: 1% lift, 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $6M

- **Labor Cost Reduction**: 1% lift, 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $20M

- **Labor Cost Reduction**: 1% lift, 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $20M

- **Multichannel Extended Range**: 0.5% lift, 1% reduction
  - Current Margin: $600M
  - Net Margin: $61M
  - Value: $3M, $20M

- **Current Margin + Potential Upside**: $661M
  - Value: $61M

Net Margin Increase: $600M → $661M

Net Margin Percentage Increase: 10%
Because mobility touches so many aspects of retail, it can be difficult to know where to begin. Mobinius successfully used a six-step process to help several leading retailers develop their mobility strategies. To get your thinking started, for each phase we've included questions regarding mobility opportunities for consumer-facing services as well as mobile functions for associate productivity.

**Assess your mobile opportunity**
- How does your brand fit consumer needs?
- When and where do your customers’ “mobile moments” occur?
- Which mobile services delight customers and create real value?
- Which new services can you provide using mobile payments?
- How can mobility reduce costs in your stores?

**Determine your potential and understand the implications**
- Which cross-departmental business capabilities are required?
- How will you measure success?

**Develop the technology architecture**
- Which technology requirements are needed to deliver a satisfying experience across touchpoints, platforms, and devices?
- How easy is it for customers to switch to Wi-Fi once they enter your store?
- Can you capture your customers’ location and understand the context?
- Can you deliver local services and marketing messages?
- How are you supporting mobile search?
- Does your architecture offer secure edge computing?
- Can your network infrastructure handle mobile video streaming for real-time collaboration?
- Is real-time inventory visibility available on mobile devices?
Organize for success
- How do you prepare for continuous improvement and responsiveness?
- Who owns the overall customer experience?
- Who owns content management?
- How is mobility connected to e-commerce?

Implement the solution
- How do you embed mobility in all business functions?
- Have you enabled multichannel experiences in your stores?

Respond and improve
- How do you actively solicit feedback from your customers?
- How do you participate in the conversation?
- How do you prioritize and improve your next upgrade?
**RECOMMENDATIONS FOR SUCCESS**

As you reshape your business to keep pace with technology- and Internet-savvy consumers and competitors, the following recommendations, from Mobinius's work with leading retailers worldwide, will help you achieve your business objectives with mobility:

1. **Define your unique, brand-relevant mobile proposition (do not copy).** While it may seem easier to simply implement mobility solutions that are working for your competitors, it is best not to copy. Instead, create innovative mobile solutions that address your customers’ specific needs and reinforce your brand.

2. **Develop solutions specifically for your customers’ “mobile moments.”** Spend the time needed to truly understand how your customers are using mobility to shop with your brand. Having this information will provide the insights you need to develop effective mobile solutions.

3. **Involve all relevant business functions (share the fun).** For mobile solutions to succeed, they must incorporate capabilities across multiple business functions. Because of this, it is important to include all relevant groups across the company from the start.

4. **Actively solicit feedback (listen and act immediately).** No person or group (except for the collective intelligence of your customers) has all of the answers. By soliciting feedback, being open to new ideas, and incorporating the best thinking, you will increase your chances of success. In addition, you will receive greater support for your initiative if colleagues feel their feedback was considered during the development process.

5. **Continuously rethink consumer processes and store operations using both current and emerging capabilities (continuous innovation).** In a rapidly changing environment, a mobile solution is not finished the moment it is launched. In fact, that is only the beginning. By continuously innovating, you will ensure your mobility solutions stay up to date and provide the maximum benefit to your company.
To learn more about Mobility in Retail as a strategy for your organization, visit www.mobinius.com or speak to a Mobinius Consultant.