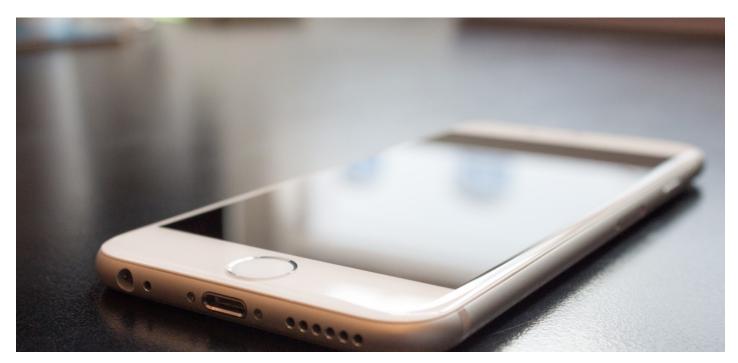# The Year Mobile Comes of Age | Advantage 2 Retail

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It's Here, It's Now

About the Author and Introduction

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James Dion, an internationally known Retail Speaker and Author, sensitive to cultural and global issues, offers insight on how mobile commerce will change the way retailers do business and what they need to know when planning their mobile strategy.

For many years now, we have been reading articles and hearing about how mobile commerce (m-commerce) will revolutionize the way we transact, the way we communicate or share information with customers and how it will drastically improve their shopping experience. The ingredients for sustainable mobile commerce are here now and key players are preparing their major offense (major Telco's, Visa, MasterCard, Google, & Apple to name a few). Retailers need to carefully plan their mobile commerce strategy, since it will be a "game changer".

THE TECHNOLOGY

For the past three years the interest in mobile technology has been growing. At every retail conference, attendees have been told that 'this is the year for mobile commerce'. It appears that in 2011 the time has finally come.

It is almost unbelievable that the cell phone that most of us carry so easily and use almost everywhere has been in widespread use for less than twenty years and that in those twenty years it has morphed from a

relatively brick-like object to the slim and sleek devices that we carry today.

In October of 2010, for the first time in North America, more smartphones were sold than personal computers and that is because the smartphone is becoming the personal computer for many consumers, if not replacing it completely, at least standing in for the PC when people are away from home or the office. Japan reached this milestone over five years ago. Just think of how you used to have to wait to log into your computer at the office or at home to check your email, and now you are likely doing that hundreds of times a day from every location possible and receiving and sending text messages. The only time many are out of touch is when we are not near a cell site.

In the first quarter of 2011 there were over 300 million cell phones in use in North America. The first cell phones were first widely available in the late 1980s and were relatively large devices.

By the early 1990s the phones had shrunk to sizes that fit in consumers' pockets and this began to change the way that consumers used them.

In the mid 2000s, with the advent of 3G networks, new cell phones that could use this technology were, for the first time, able to access the Internet. This is when the game really began to change. Cell phones that can access the Internet via a browser are referred to as "smart phones" (although technically to be a smart phone the phone must also run a complete operating system that allows multiple applications to operate on the phone and also have a significant amount of memory and storage).

This 'smartphone' that many consumers have in their pockets and purses today contains more computing power than both the on-board and ground computer for the Apollo 11 moon landing in 1969. That amount of power and information literally at their fingertips is changing the way that consumers shop, find information, compare prices and buy. Almost all of these phones contain very sophisticated processors and additional chips for GPS tracking as well as both still and video cameras (did you know that the largest digital camera manufacturer in the world is Nokia?).

Consumers have demonstrated over and over again that when they are given the chance of using new technology that enables them to do more, they will embrace it and even expand the technology to achieve even more productivity gains.

MOBILE TREND

According to Kleiner Perkins Caufield & Byers, a venture capital firm, the convergence of social, local & mobile equals what they are calling SOLOMO, which is the ability to merge mobile, social and local data into a compelling customer experience. This is already being seen in services like Shopkick, Facebook Places and even Amazon is getting in on the trend. Ultimately, the web is more powerful when it is localized and made personal. Retailers can take significant advantage of this convergence by using the abilities of the phones to deliver targeted offerings right to the customer when they are in or near the store. Also, enabling social shopping and allowing the consumer to share the offer with friends makes it even more powerful.

THE ARRIVAL OF JOE SMARTPHONE

We are also beginning to see the mainstream user enter the smartphone world and these users are not the same as the early adopters who had lots of apps on their phones and were always looking for new ones. The mainstream user will likely not download that many apps but will rather focus on a few that are important to them. Although they will download and install fewer apps, the ones that they will use will be heavily used. So, it is likely that the app business will continue to grow but more from new users instead of the exponential growth that we have seen recently. Still the overall app forecast is quite impressive with worldwide mobile application store downloads forecasted to reach 17.7 Billion downloads in 2011 – a 117% increase from an estimated 8.2 Billion downloads in 2010 and by the end of 2014, over 185 Billion applications will have been downloaded from mobile app stores, since the launch of the first one in July 2008. Mobile application store revenue is projected to surpass $15.1 Billion in 2011, both from end users buying applications and applications themselves generating advertising revenue for their developers – a 190% increase from 2010 revenue of $5.2 Billion (Gartner Forecast).

THE TOWER OF BABLE

Another issue that is casting some pessimism over continued exponential growth of the app phenomenon is the number of operating systems that are in use and which continue to grow. The five major operating systems are Symbian (31%), Android (33%), Apple (16%), RIM (14%) and Windows Mobile (3%) and although they currently represent 97% of the market there are significant changes taking place that will alter these shares going forward. The fastest growing of the five is the Android OS, which went from zero share in 2008 to 33% by early 2011. The issue for many developers (and retailers) is what operating platform should you design your application to operate on. Yes, you can create versions for all five, but that can get very expensive very quickly especially with updates that are required by changes in the operating systems themselves. We are seeing a real movement to browser-based applications, which are not operating system dependent. A good example of this type of development is Target, which is moving more to a mobile web platform while it still supports iPhone and some Android functionality.

NFC, A DISRUPTIVE TECHNOLOGY

Keep an eye on the iPhone 5 which may be released this July (if past release dates are predictors). What to watch for is whether Apple puts a NFC (Near Field Communication) chip into the iPhone 5. If they do not, then the race for mobile payment enabled cell phones may have a significant leader in the Android OS which already has a NFC enabled phone (the Nexus X from Google). But if Apple does give the iPhone 5 a NFC chip, then expect to see mobile payments and the mobile wallet take off as the two top leaders in smartphone OS's will make NFC and the mobile wallet far more ubiquitous far sooner than many think. NFC will also change the way that we exchange information with others, as just getting two NFC enabled phones within inches of each other will allow easy exchange of information.

MOBILE IN STORE

Many retailers are finding opportunities to augment their store operations by enabling mobile applications for store associates. Apple was a pioneer over two years ago with their POS application that runs on

iTouch devices and even emails the receipt to the customer. Another pioneer is Best Buy and their Twelpforce, which uses Twitter to link over 1,500 Best Buy store associates and their cell phones with customers who are seeking answers to problems. Other retailers such as Nordstrom are rolling out an iPad application that helps their associates find inventory in other stores for customers as well as a built in POS functionality that can complete a credit card transaction which will help shorten check out lines.

One concern that few are talking about is that none of the devices, be they iPads or most types of smartphones are not what we would call 'retail hardened', which means that they are consumer devices and not built for use by multiple users, sometimes harsh environments and in some cases mission critical use. You can wrap some of the devices in protective cases but it does not change the fact that they were not designed for constant heavy use. So, it remains to be seen how well these devices will perform in the retail space.

A persistent problem that plagues many rollouts of mobile technology in store is the issue of ownership of the device, does the store own it or does the employee take personal responsibility, what happens if it is lost or stolen? Security of not only the device itself, but also what store systems is it linked to and what information could an unauthorized user gain access to? What if employees use the devices for personal use, email, watching movies, playing games? To date, retailers have not found the answers to most of these questions. Simply giving employees either smartphones or tablets without clear policies, procedures and security measures in place is likely a recipe for disaster.

SOME SUGGESTIONS

The first place that retailers should look when developing a mobile application for their customers and especially for their best customers is one that delivers convenience. Develop applications, either OS specific or web based that will give your best customers the ability to communicate with you more easily, quickly find what they are looking for, comment on what they like and dislike, share information with other customers, track loyalty points, search inventory availability in specific locations, purchase with no hassle and yes, even return products with no hassle.

At the very minimum, make sure that your current web site is mobile friendly, you do not necessarily need to make every component of your current site available via mobile, but the most used/visited components of your web site should be easy to visit and use via a mobile device. Also, look to enable free Wi-Fi in all your store locations as consumers are expecting this, as companies like Starbucks, McDonalds, Apple and many other stores are already providing the service. And last but not least, begin adding cell numbers to your database and asking permission to text special offers to your customers. Push text offers are gaining in popularity with consumers and offer a great way to promote.

KEEP IN MIND WHEN PLANNING YOUR MOBILE STRATEGY

The mobile devices that we see today are going to continue to evolve as more and more functionality is added. It is very likely that mobile devices will become even more of a part of consumers' lives, with NFC and Bluetooth expect to see integration with devices such as garage door openers, TV remote control and

home automation devices making the phone even more indispensible for consumers. Also, expect that with greater storage and memory that seamless syncing with computers and other home and automotive devices along with complete voice command will encourage consumers to use their phones in their cars, homes, offices and everywhere in between even more than they do today. Naturally they will also want to use their phones where they shop to gain information, product knowledge and may also be willing to share personal information with stores that reward them for doing so. Expect an explosion of loyalty programs that reward customers for providing information to the store and make it easy to track customer behavior and favorites. A win-win for the store and customer.

Companies need a strategy and action plan to implement mobile in their head office and stores. Mobile is not just a new technology or device to help you conduct business; it is a real 'game changer' that will alter business rules, in-store and head office processes, business structures, data and device security (and this may be the biggest problem/issue of all of them), your data integrity both in the devices, between devices and in the synchronization of the two, and last but not least, your customer relationships will change and become much more immediate and critical.

Above all, your strategy must be flexible as mobile is a rapidly evolving technology and you should avoid getting locked into an operating system or process that does not allow you to change in the future.

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Retailers differentiate themselves through their distinct merchandising, store concepts, loyalty programs, business practices and processes and, of course, by leveraging technology. Keeping up with the trends is not easy task and can be costly. On the other hand, staying behind your peers can be even more devastating to your business.

There is no doubt that mobile commerce will change the retail landscape. It is here now and retailers as much as consumers are embracing it. If deployed properly, it will help to differentiate through an improved shopping experience by empowering your sales associates and customers with access to decisive information when and where they need it. Obviously, this will force you to review and align your store processes accordingly as well as identify new and current systems (POS or CRM for instance) that may need to be adapted and/or integrated to other systems or databases.

A2R consultants can assist in the review and optimization of your business processes and guide you in designing your mobile commerce strategic plan. Enabling your store associates to better assist customers will result in increased customer satisfaction, loyalty and even sales. Enabling customers to locate your stores, get product information, compare prices, get coupons, earn and redeem points as well as share with their social networks improve their shopping experience, build customer loyalty and even drive sales. Reaching these goals is a process and we can help.

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