

Mobile POS, Digital Wallets & Self Checkout | Advantage 2 Retail



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Are You Ready For The Revolution?

About the Author and Introduction



James Dion, an internationally known Retail Speaker and Author, sensitive to cultural and global issues, offers insight on how mobile devices are reshaping the way customers are serviced and paying for their purchases and what retailers need to consider in order to be ready for this revolution.

A recent survey indicates that mobility in store (including mobile POS) and e-wallet payments are amongst the top 5 critical retail strategies planned for 2013. In the last few years, we have seen large retailers like Lowes and Home Depot deploying thousands of mobile devices with POS functionality. Others have also gone mobile such as Perry Ellis, Barneys New York and Walmart. In fact, Walmart has also enabled its customers to use their iPhones with its self-checkout technology. You just know it's time to pay attention to this trend when key players like MasterCard comes out with its best practices for mobile point of sale acceptance.

In this article, we will help you understand the significance of these technologies for retailers, how they will impact their processes, customer service, sales and performance overall. We will also identify the risks and other factors you need to consider as part of your strategy before joining this revolution.

WHAT IS MOBILE POS AND WHAT ARE DIGITAL WALLETS?

Up until relatively recently a mobile Point Of Sale device (POS) was defined as any cash register that could be moved from a fixed area. Arguably the first truly mobile POS was developed by Walmart in the early 1990s and it was a regular IBM cash register that was placed on a metal cart with wheels and “powered” by a 12-volt car battery. All transactions were recorded in the machine and then when it was re-connected to the LAN it transferred all the sales data. This mobile POS was first only used in the Walmart garden centers as they were only open a few months of the year and did not require ‘hard wired’ POS devices. For years, this was the ‘state of the art’ in moveable POS devices. In the early 2000s, as wireless became more available, notebook style registers became quite popular as they allowed more flexible placement of POS cash registers. Most of these mobile registers were used for special events or at peak sales periods to add additional POS lanes to existing ones. As nature abhors a vacuum, a good retailer abhors a lineup at the cash register as it can lead to customers simply walking away and abandoning their shopping cart or simply dumping their planned purchase on a fixture and walking out.

Digital wallets are a much newer invention than mobile POS. Digital wallets are technically any device that allows someone to pay for a transaction without a physical credit card or cash. The preferred method is using a smartphone. However, there is also an RFID version that was pioneered by Exxon Mobile in 1997 called Speedpass that was a passive RFID device about the size of a two-inch long number 2 pencil, but all black, that hung on your key chain. The device contained a unique serial number that was linked to the customer’s credit card and could be used at gas stations and later at other retailers, most notably McDonalds, to purchase items by simply waving the device in front of a special reader. Speedpass is still in widespread use at Exxon Mobile gas stations but has been discontinued at McDonalds and most other retailers because of security issues. Almost all digital wallets today are either based on a bar code technology produced on the screen of the phone by an app or a built-in Near Field Communication (NFC) chip technology. With the bar code technology the customer’s phone application generates a bar code that is linked to either a private label debit card or credit card. In the case of linking to private label debit cards, the best example is the Starbucks’ card which customers add value to via either a credit card transaction or a checking account debit. Once the Starbucks card is “loaded” with value, the smartphone application generates a barcode that is read by scanners in Starbucks stores. Starbucks has not extended the ability to use the card to other retailers as of yet but they may do so. Starbucks has also entered into an agreement with Square to accept their payment digital wallet too, and Howard Shultz sits on the board of Square.

The other current major players in digital wallets are Pay Pal and Square, mentioned above. Both of these companies produce smartphone apps that allow a consumer to link the application on their phone to a credit card or bank account to pay for a transaction. Most feel that the ‘gold standard’ for digital wallets will be the implementation of Near Field Communication (NFC) chips combined with actual storage of money on the smartphone. NFC offers the greatest security when combined with biometrics such as fingerprint recognition that makes the phone completely secure for mobile payments. Without biometrics a stolen phone can be used just like a stolen credit card to make purchases, especially if the consumer is not aware that their phone has been stolen. This technology of NFC and biometrics is likely two to three years away

in the United States but is being tested in the fall of 2013 in Canada by two financial institutions.

Barneys New York, a luxury retailer, this year plans to use iPads or iPod Touch devices for credit and debit card purchases in seven of its nearly two-dozen regular-price stores. Urban Outfitters, a teen clothing chain, ordered its last traditional register last fall and plans to go completely mobile one day. And Walmart, the world's largest retailer, is testing a "Scan & Go" app that lets customers scan their items as they shop. "The traditional cash register is heading toward obsolescence," said Danielle Vitale, Chief Operating Officer of Barneys New York.

ADVANTAGES OF MOBILE POS

So if mobile POS gives retailers the ability to be flexible with the placement and number of POS stations, what we are witnessing today is the shrinking of mobile POS to hand-held devices that allow every associate to effectively 'be' a POS station. Stores such as Apple were amongst the earliest adopters of this smaller mobile POS and newer stores such as C.Wonder in New York City have abandoned all regular cash registers in favor of only hand held devices. Nordstrom is another notable national chain that has deployed mobile POS throughout the store. The advantages of this technology are numerous:

The potential elimination of lineups in the store as every associate has the ability to complete a sale

The ability to continue the face to face conversation with the customer without having to walk to a POS counter

Not having associates congregate around the POS counter instead of being out on the sales floor (with no POS counters they have to be on the sales floor!)

Less investment in hardware (a mobile POS is roughly one third the cost of a traditional cash register POS. For instance, Apple Inc.'s iPads with accessories like credit card readers can cost a store \$1,500, compared with \$4,000 for a register)

Faster updates of PLUs and other data as mobile POSs work off of a central database and do not hold PLU and other data in the device. By updating the main server, all handhelds automatically get the most current price and other information

On many of the devices the ability to view other stores' inventory and, when combined with a shipping application, to offer virtual endless shelves to the customer. (Nordstrom credited a significant percentage of their sales increase this past holiday season to this ability of their mobile POS)

Mobile POS take up less floor space than registers and free up space for more merchandise or, better, for customers to 'interact' with the product (Francine Della Badia, Coach's Executive Vice President of Merchandising says the additional space freed up by using small mobile devices will be used for new shoe salons and other purposes and as well the mobile devices allow store staff to build "a more intimate connection with the customer.")

“Consumers want the retailer to bring the register to them,” (Lori Schafer, Executive Adviser at SAS Institute Inc.)

J.C. Penney said that about a quarter of purchases at its stores nationwide now come from an iPod Touch
North Americans increasingly want the same speedy service in physical stores that they get from shopping online

ADVANTAGES OF DIGITAL WALLETS

Digital wallets are a great invention for stores. Anything that makes it easier for a customer to pay is good. They also lead to higher sales. It has been well documented over the years that one of the reasons why the use of credit cards leads to higher average transactions is because ‘Consumers simply feel the pain of paying more when they part with cash’ than when they use a credit card as Priya Raghubir at New York University pointed out in an article in the Journal of Experimental Psychology: Applied. And when you remove the act of taking out the plastic credit card and making it almost as easy as dialing a phone, which you already have in your hand, it makes digital wallets open even wider for retailers. Square, the digital payment company also gives the consumer the ability to let the retailer know that they are in the store by granting access to their mac address on the wireless network in the store and the retailer can have the customer pay by simply saying their name. Some of the other advantages of Digital wallets are:

Because your phone is always with you, so is your wallet

The phone has replaced our point and shoot cameras, our remote controls, our portable radios, it is now a short jump to replacing our wallets

Digital wallets also track all expenditures and consumers can get reports every week or month on their spending patterns

There is a ‘cool factor’ to the use of digital wallets that often makes the consumer conduct a transaction just because they can

But there is a dark side to these technologies that should not be ignored.

DISADVANTAGES OF MOBILE POS

One of the disadvantages of mobile POS is one that Prada found as a very early adopter back in 2002, namely that small devices can be easily stolen. In Prada’s experiment in their SoHo store revamp, within less than two months the five mobile POS devices were all missing and presumed stolen. Prada did not replace them. No data is available on what the theft rate is for current mobile devices as the companies will not release that data.

Another drawback is the opposite of the strength of no local PLUs on the devices. They all run off of a network, most commonly today, off of the web. So, if the network is down, either wireless or cellular, the POS device is basically a brick and cannot complete a sale, although some do have limited ability to enter