Store Without Walls: How Mobile Bridges Physical and Electronic Commerce

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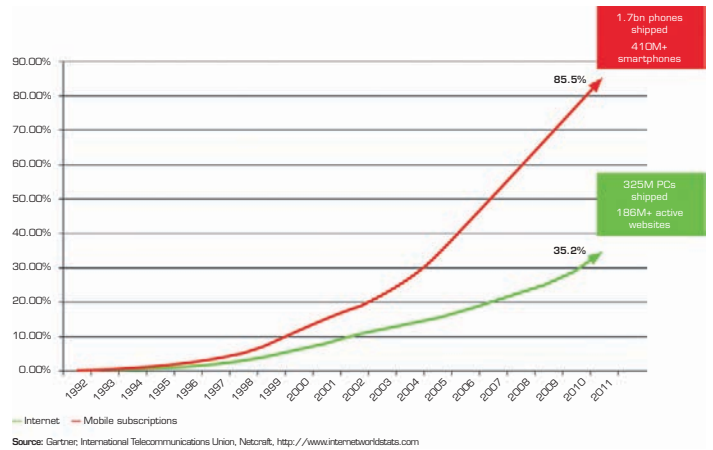™

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Key Takeaways

- Embracing mobile technology is not negotiable for retailers
- The majority of retail activity still occurs in the store and mobile initiatives must be designed to complement and enhance existing store systems and processes
- Mobile is more than just a sales channel due to its potential to dramatically enhance the shopping experience for consumers, associates and managers—both on- and offline
- In order to be successful, retailers must deploy mobile solutions in the context of a broader cross-channel strategy

Mobile mania

Not since the internet boom of the mid- to late-90s has a technological trend been as pervasive, global or created as much excitement as the rapid growth in mobile technology. In 2011, global shipments of handheld mobile devices grew to over 1.5 billion units, an 11 percent increase from 2010.[1] Of those, over 491 million were smartphones, a 61 percent increase over the prior year.[1] In today's unpredictable global economy, where consumer confidence ebbs and flows, retailers are increasingly drawn to mobility as a way to differentiate the shopping experience. Downloadable mobile applications are perhaps the most obvious attempt by retailers to leverage mobile technology. Other examples include self-scanning devices, QR codes, virtual shelves and mobile websites. Both emerging and well-established technology providers lure merchants into quick decisions; vendors use flashy demos and promises of brand enhancement, cost reductions and droves of new customers flocking to the store to entice retailers to pursue mobile projects. However, many of these projects have unintended outcomes like offering an additional discount to customers who are already in a checkout queue with a basket full of goods.

Mobile technology can, at times, create as much anxiety as it does excitement. But retailers can be successful in leveraging this powerful tool across their business. Retailers must first understand the foundational nature of mobility and then create and execute a strategy that enhances their value proposition to consumers while generating a strong ROI.

Source: Gartner, International Telecommunications Union, Netcraft, http://www.internetworldstats.com

Mobile enables better retail

The value of mobility to retailers, therefore, is not found in an improbable transformation of the retail industry, but rather in its ability to enhance existing processes and infrastructure. Even with the rapid proliferation of consumer handheld devices and the growing use of those devices to research, compare and in some cases purchase products, the physical store continues to be the single most important channel. Predictions by multiple industry analysts suggest that store sales will continue to dominate in and well beyond 2016.

Mobile or m-commerce is expected to reach USD $119bn by 2015.[2] While this subset of e-Commerce is poised for continued dramatic growth, today it still only represents a fraction of total e-Commerce (less than 10 percent) and an even smaller portion of total retail sales.[3] Instead of replacing the brick and mortar store, digitalization and device proliferation that enable mobile shopping are, in fact, further anchoring consumers to the physical store. A survey of 3,600 consumers revealed that four of the top five reasons that consumers use a mobile device for shopping involve the physical store with locating the closest store ranking number one.[4] The store continues to offer two benefits to consumers that m- or e-commerce cannot replicate—instant gratification and the in-store social experience. Eighty-three percent of consumers surveyed worldwide state that they prefer to purchase their products in-store and take them home immediately.[5]

Consequently, retailers need to approach mobility from the inside-out in addition to the prevalent "outside-in" strategy of creating consumer-facing applications. Inside the store, mobile solutions in the hands of associates allow retailers to be more productive by delivering relevant information in real-time to associates engaged with customers. Task-management and queue busting capabilities further support associate activities. Sixty-eight percent of associates express a desire to have mobile devices to "scan barcodes to check inventory/availability."[3] Increased productivity allows retailers to redeploy labor throughout the store, increasing real-time engagement with customers while they are shopping and making purchase decisions. Enhancing the relationship with individual consumers will then provide retailers with the insights necessary to tailor external mobile applications to deliver value and service when, where and how their consumers demand.

Source: Gartner, International Telecommunications Union
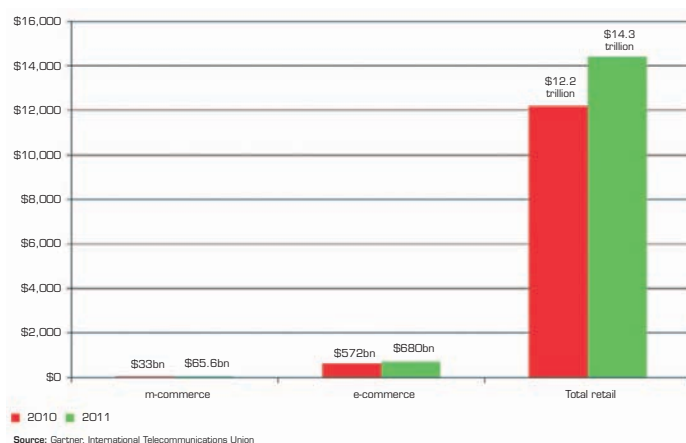
More than just "a channel"

Mobility should be approached as more than just another sales channel. It presents the ability to enhance the entire shopping experience for consumers, associates and store management—online and in-store.

Mobility enables communication with consumers and allows retailers to extend their one-on-one dialogue beyond the walls of the physical store. In addition to deepening the relationship between merchant and consumer, mobile devices can bridge the consumers' life outside of the store with their shopping experience inside. Location-based and opt-in programs allow retailers to tailor and personalize mobile communications, delivering relevant information, offers and incentives at the ideal time and place. Utilizing marketing management tools, retailers can identify the right promotions for products relevant to each individual consumer and then deliver those promotions through the consumer's preferred channel whether that be mail, email or mobile. While still waiting mass adoption, retailer integration with Mobile Wallets may bring the relationship with the consumer full circle. This will allow the retailer to utilize marketing programs to draw consumers into the store and complete checkout seamlessly.

Merchants can leverage mobile tablets to empower store associates and managers with easy, immediate access to all of the systems and information that they need to effectively run their stores. These mobile command centers can connect and provide real-time updates on:

• Labor management systems
• Loss-prevention systems
• POS exception overrides
• Inventory status
• Planogram execution
• Promotion execution
• Up-to-date sales performance and real-time alerts

Mobile devices can also extend existing POS transactional capabilities and business logic beyond the front end. Mobile POS solutions can increase throughput, reduce wait times and allow associates to engage customers personally while capturing transactions securely. Further, retailers utilizing existing store POS logic for Mobile POS do not have to create, manage and maintain a separate store infrastructure for their mobile offerings.

Be smart about mobility

Applying mobile technology to a retail environment is still new, though it continues to evolve quickly. In order to keep pace, retailers must rapidly learn and deploy new technologies and solutions while at the same time understand consumer adoption patterns and preferred use of the devices. Sixty-two percent of retailers said that "understanding and accommodating different customer segments" was their biggest mobile challenge.[6]

Introducing this new technology should support and improve how retailers want to interact with consumers without disrupting existing store operations.

Retailers must clearly define the business problems they hope to address with mobile technology. Mobile is not a solution looking for a problem—it is a facilitator that allows retailers to continue to execute what they know best, but in a more effective, efficient manner. This will determine the most appropriate deployment model, whether on retailer-owned devices, on consumer-owned devices (BYOD), or both. It will also clarify the integration requirements and whether existing POS or other backend systems will be impacted.

Retailers should consider several elements to a successful mobile strategy:

• **Device Management**—Device management is critical. Consumer mobile devices continue to dominate the market mainly because the few "industrialized" or business-oriented devices that do exist do not offer the same elegant design as consumer devices or are prohibitively expensive. The major drawback to consumer handhelds and tablets is they are not designed for prolonged, constant use in harsh retail environments and do not allow attachment of peripheral devices that are required to facilitate retail transactions.
• **Deployment**—retailers must carefully plan how mobile solutions and technology will be deployed. Wireless network capabilities must be aligned with requirements to ensure consistent connectivity throughout the store without loss of speed during scanning and checkout. As mentioned, mobility should enhance and complement existing processes and systems.
• **Security and Privacy**—As with most processes and store systems, security and privacy are of paramount importance. This begins with the physical assets themselves and how susceptible store devices are to damage, loss and theft in a harsh, high-traffic retail environment. Additionally, retailers must consider how retailer-owned devices collect, use, manage and protect sensitive consumer and payment data, and how they can protect internal systems from applications and transactions that occur on consumer devices.

- **Metrics**—Merchants need a clear plan for monitoring, managing and measuring the impact of mobile solutions must be agreed to by all lines of business. Currently, only 18 percent of marketers quantify mobile's impact on in-store sales.[5]
- **Cross Channel Strategy**—Perhaps most critical to the long-term viability of a mobile solution, is planning, architecting and deploying mobile in the context of a broader cross-channel strategy. Retailers' primary objective is to create a single view of the customer, item, promotion and pricing that enable a truly consistent experience for consumers across channels. Business logic should only need to be changed one time for all applications and channels to avoid "solution pollution" as device proliferation grows.
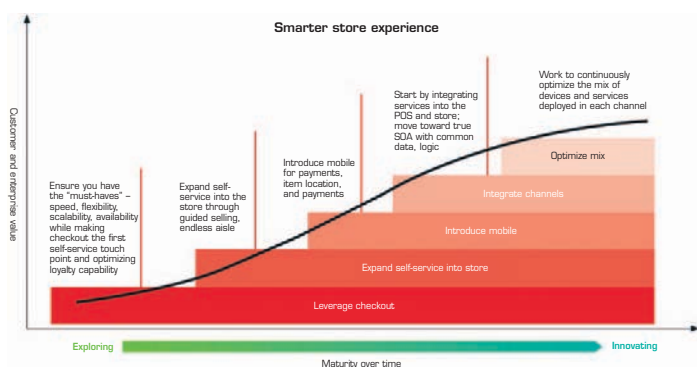
The bottom line

Mobile technology is everywhere. Virtually every consumer has a mobile device that is always with them and always turned on. Mobile technology has blurred the lines between work, socializing, entertainment and shopping. Consumers today are more sophisticated in their use of mobile devices than they were with the internet when e-commerce began to grow meaning retailers have to get it right and get it right now. Retailers are now challenged to deliver their brand promise on the consumer's terms.

Yet mobility carries with it the opportunity to enhance existing operations and processes across the entire shopping experience. By approaching mobility as an extension of existing IT, store and web investments, retailers can empower managers, associates and consumers today while future-proofing their business against ongoing technological advancements and evolving consumer preferences.

For more information

To learn more about Toshiba Global Commerce Solutions, please contact your Toshiba representative or Toshiba Business Partner, or visit the following website: **www.toshibagcs.com**

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