



# Reshaping Retail with Mobility

## How To Benefit from Changing Consumer Behaviors

**Internet Business Solutions Group  
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# Today's Agenda

1. Executive summary
2. Trends and challenges facing retailers
3. Today's capabilities, tomorrow's innovations
4. Opportunity and way forward
5. Conclusions



# 1 Executive Summary



# Executive Summary

- *Mobile+location+context+social* is creating exciting new experiences for consumers and differentiation opportunities for retailers
- Combined with high-speed access, increased computing power, and next-generation video, mobility will unleash a torrent of innovations
- Mobility is having the biggest impact in four areas: 1) mobile marketing, 2) shopper services, 3) mobile payments, and 4) mobile store operations
- By focusing on these areas, retailers increase net margins by as much as 10 percent
- Pre-shopping mobile search has become a key touchpoint. Through mobile marketing and shopper services, retailers must begin to provide instant, contextual, and relevant answers to consumers.
- To succeed with mobility, retailers should continuously assess opportunities and refresh their mobile experiences
- Mobility must be embedded in all retail functions and based on a content-centric, device- and OS-agnostic architecture.

Source: Cisco IBSG, 2011



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## Trends and Challenges Facing Retailers



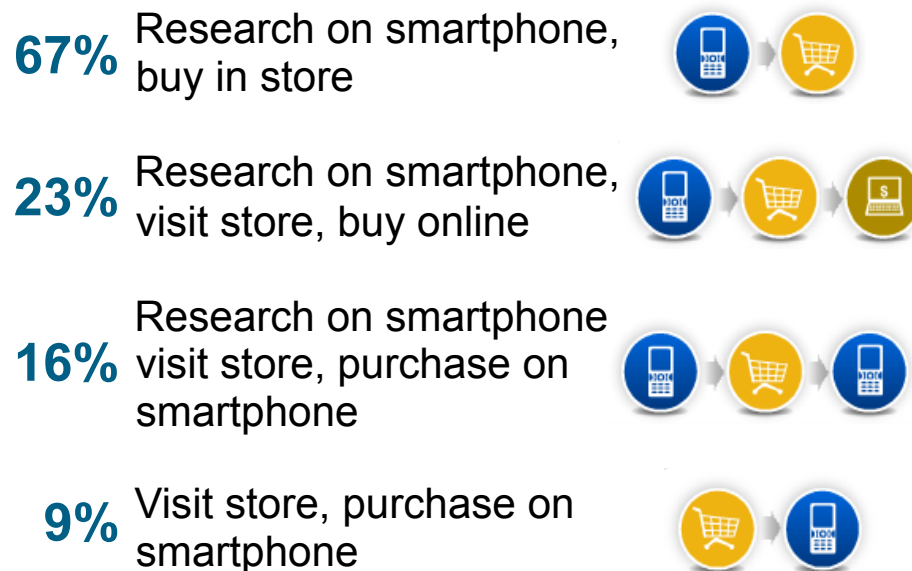




# Mobility Is Changing Shopping Behavior

## The Influence of Mobility Cannot Be Measured by Transaction Levels Alone

### Impact on Shopping Behavior **Today**



Sources: Google and Ipsos OTX, April 2011

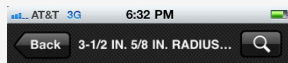
### Impact on Shopping Behavior **Tomorrow (2014)**

- New device features and capabilities will continue to change behaviors
  - Mobile health monitoring / diagnosis will cause people to make healthier shopping choices
  - Predictive analysis using mobile devices can determine consumers' shopping patterns

Source: *The Wall Street Journal*, April 2011

# Meeting Consumers' High Expectations Can Be Challenging

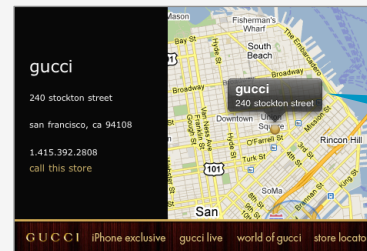
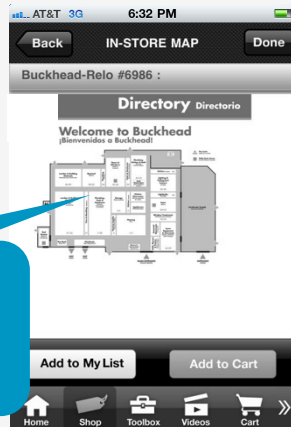
## Some Retailers Making Basic Mistakes...



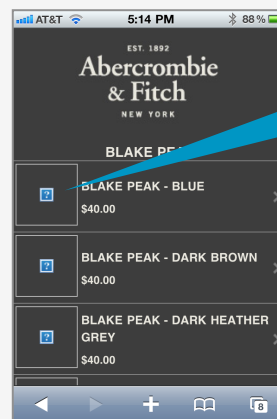
"Check availability at your local store"

Everbilt 3-1/2 in. 5/8 in. Radius Hinges (3-Pack) Satin Nickel Finish  
Model # 15672  
Internet/Catalog #: 202034270  
Store SKU # 481003  
\$8.79/PK-Package  
Check Availability at Your Local Store

Hard-to-read, static (can't be resized) map

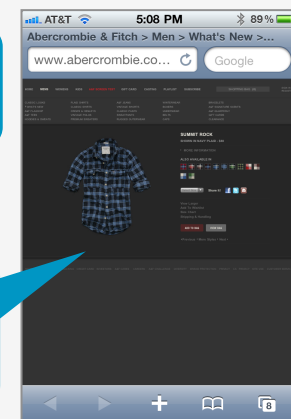


No store hours, no commerce



Pictures not showing

Redirects to unreadable website

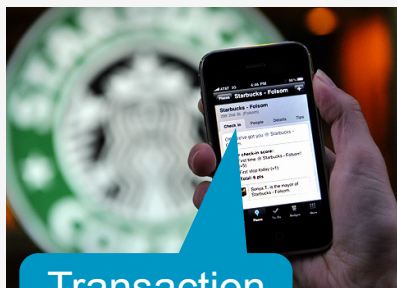


Apps that are just a catalog of products or that fail to use smartphone functionality are unlikely to succeed

Sources: Cisco IBSG, 2011; Deloitte Content Strategy Forum, Colleen Jones, 2011

# Meeting Consumers' High Expectations Can Be Challenging

...But Some Getting It Right

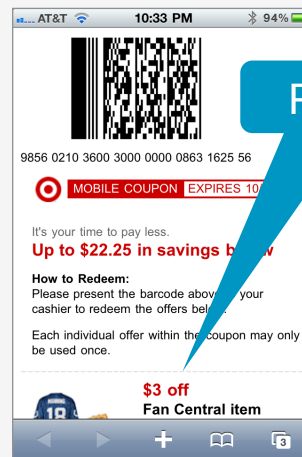


Transaction visibility

Preference

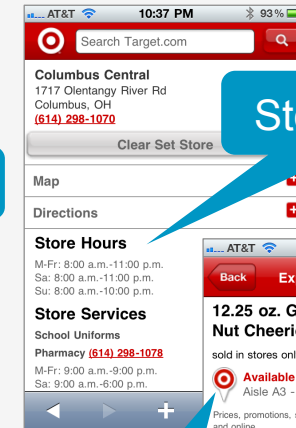


Easy-to-use, clear instructions



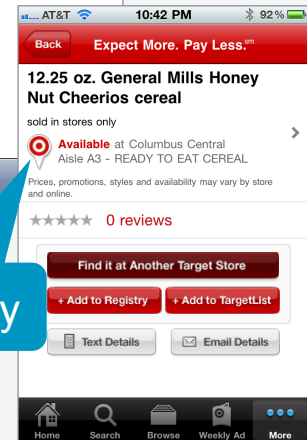
Personal

Reminders



Store hours

Availability



To drive customers into stores, mobile apps must **deliver the right content at the right time at the right place**

Sources: Cisco IBSG, 2011; Deloitte Content Strategy Forum, Colleen Jones, 2011

# In Store Wi-Fi Increasingly More Important

- 2 of 3 smartphone owners use Wi-Fi hotspots outside home / office at least once a day
- 72% of these users have bought local deals presented via their mobile phones

## What consumers want

- ✓ Always-on value / convenience
- ✓ Satisfying in-store experience
- ✓ Connect with friends
- ✓ Reassurance about making the correct decision



## Why they switch to Wi-Fi in stores

- ✓ High-speed, reliable access
- ✓ Unique services and offers (subscriptions or coupons for Wi-Fi users only)
- ✓ Carriers moving away from unlimited data plans
- ✓ Easy switching



## What retailers get

- ✓ More sales by providing access to information and answering questions
- ✓ Increased revenues from consumers who spend more time in the store
- ✓ Opportunity to offer shopper convenience (e.g., product locator, click to buy)



Sources: JiWire, May 2011; Deloitte, 2011

# Mobility Trends and Challenges Summary

## Mobility changes behavior

- **Convenient:** Instant answers, multitasking save time
- **Context:** Relevant information
- **Fun:** Entertaining, challenging, engaging



Source: Cisco IBSG, 2011

## Retailers should...

- Embed mobile across all key touchpoints to deliver a consistent cross-channel experience
- Deliver in-store services that use context to help consumers find relevant answers and make better decisions
- Understand how to offer those services through 3G and Wi-Fi





## 3 Today's Capabilities, Tomorrow's Innovations

# Mobile Capabilities Creating Significant Threats to Established Retail

## Example: Mobile Shopper



# Cisco IBSG Sees Four Capability Areas Where Mobility Has a Major Impact

## Mobile Marketing



- Connect with customers where *they* are
- Pre-purchase search support is crucial
- Provide relevant offers, content, and services at the moment of need

## Shopper Services



- Offer easy-to-use, intuitive mobile services to:
  - Encourage shoppers to make purchases wherever they are

## Mobile Payments / Point of Sale



- Streamline the checkout process
- Integrate with scanning, coupons / offers, mobile wallets, and loyalty
- Three methods:
  1. Mobile POS
  2. Web payments
  3. In-store payments (NFC)

## Mobile Store Operations



- Mobilize store functions and apps
- Communication / collaboration
- Mobile POS
- Enable associates to provide customer service where it's needed

Source: Cisco IBSG, 2011

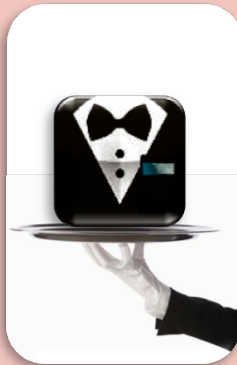
# In Each Capability Area, Mobility Offers Specific Benefits

## Mobile Marketing



- Permission-based response rates: **2x higher**
- Customer acquisition costs: **10x lower**
- Offer redemption rates: **~40%**

## Shopper Services



- Increase loyalty
- Capture more lifetime value
- Make it easier to shop (more)

## Mobile Payments / Point of Sale



- Increase staff productivity
- Improve customer service / interactions
- Create up-selling / cross-selling
- Enable new location-based services

## Mobile Store Operations



- Improve task management
- Improve compliance
- Enhance communication
- Improve customer service / experience

Source: Cisco IBSG, 2011

# Mobile Capabilities Create Significant Threats to Established Retail

## Example: Mobile Shopper



Source: Fast Company, 2011

# Mobile Marketing: Search Is a Critical Entry Point into the Shopping Cycle

**More than 60% of Pre-purchase Searches Are Done on Mobile Devices**

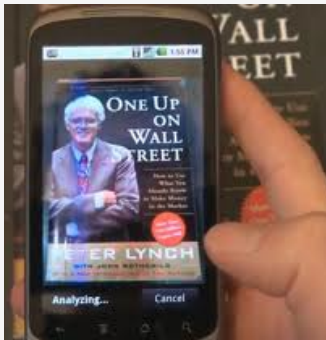
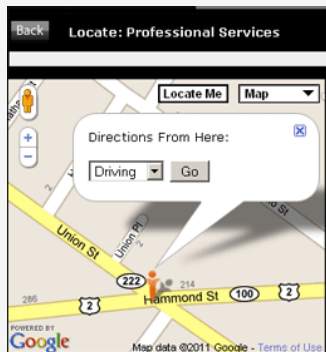


Image search



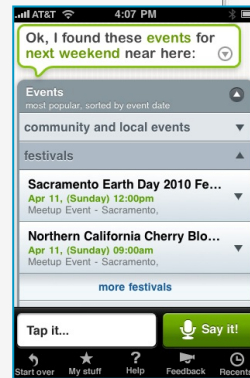
Location-based search



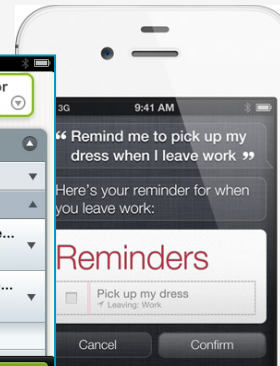
QR codes



NFC



Contextual search



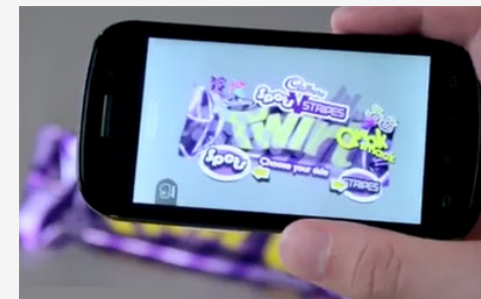
Voice search



Bar codes



Text search



Augmented reality

Source: ROI Research and Microsoft, March 2011

# Mobile Marketing **Today**: Advertising Is Having an Impact, Couponing Is Leading

## H&M using SMS and social media for advertising and couponing



Unlike other forms of advertising, 90% of text messages get opened, and most are responded to within five minutes

- Mobile coupon redemption is 10x higher than traditional coupons
- By 2014, 300 million people worldwide (1 in 10 mobile subscribers) will use mobile coupons, generating nearly \$6 billion in redemption value
- Mobile marketing is growing at 84% CAGR, reaching \$57 billion by 2014

Sources: Social Media Pathways, 2011; Borrell Associates, 2010; Juniper Research, 2010; H&M, 2011

# Innovations in Mobile Marketing: Trend Is “Social, Local, Mobile”

## Airwalk: Social promotion designed for mobile only

- Invisible “one-day-only” pop-up store for limited edition Airwalk sneakers in two locations (NYC, LA)
- Using GoldRun’s augmented reality and geolocation: download app + find store + find shoe + buy
- \$5 million of earned media in press, online, and TV



## Sephora: Personal and local transactional messaging

- Determined up-sell / cross-sell opportunities based on individual purchases / transaction history
- Allowed Sephora to deliver personalized offers based on user-specified attributes
- Response rates have more than doubled



## Nespresso: Mobile personal suggestions

- Provided rapid ordering based on personal preferences
- Used CRM database to deliver personalized offers to customers’ mobile phones (Nespresso Club Members)
- More than 1 million people are using the app to order new cups on their mobile devices



## Thought Starters

### Get permission

- Make offers relevant so customers share information about themselves

### Understand context

- SoLoMo captures new insights
- Curate the most relevant local knowledge

### Market in real time

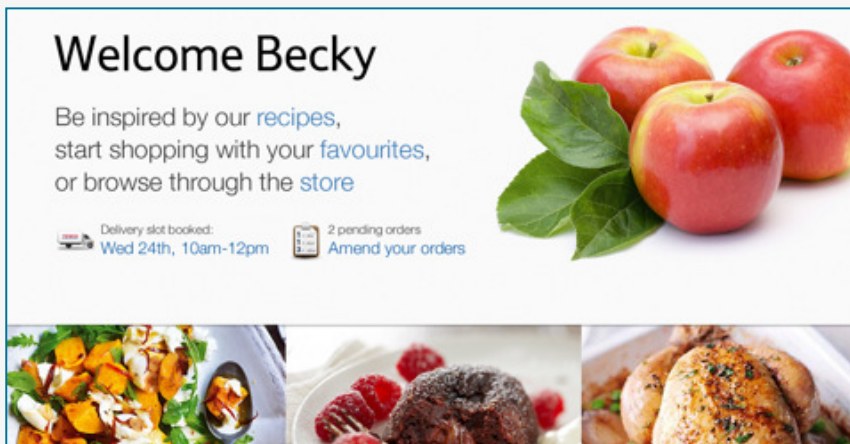
- Address customers’ needs based on where they are and what they want now

Sources: Tusk Agency, 2011; Mobile Marketer, 2009; PR Newswire, 2011

# Shopper Services **Today**: Mobility Is Bridging Physical and Online Worlds

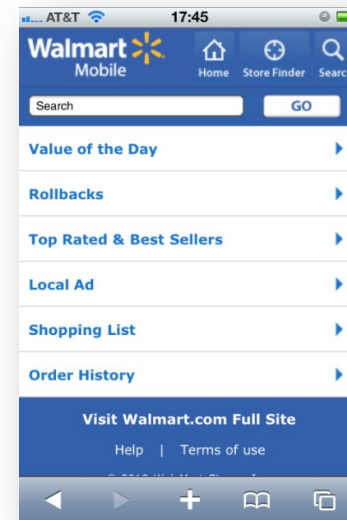
## Tesco mobile shopper services

- Mobile shopping across all platforms with integrated loyalty card data
- Includes store finder, product scanning, voice search for adding products to shopping carts



Source: MeasureWorks Mobile Convention, 2011

## Walmart adapting mobile to shopping behaviors



## Native mobile app

- When **efficiency** matters
- For customers on the go (one-touch, fast loading)

## Optimized mobile site

- When **effectiveness** matters
- For executing tasks



# Innovations in Shopper Services: Making it Fun and Easy to Shop

## Macy's: Rich video content

- Lets designers explain the latest trends in HD mobile video by scanning QR codes in the store
- Bypasses store staff by allowing customers to make purchases "on the spot"

Source: Business Wire, February 2011



## Highly accurate, location-based services

- Tablet-equipped carts sync with consumers' smartphones to offer position-relevant, real-time info
- Uses shopping history to deliver targeted product recommendations / personalized marketing messages
- Pilot in progress

Source: Springwise.com, September 2011



## Never miss a moment

- Sainsbury's is combining a shopping cart, iPad, and streaming sports app
- Allows customers to watch their favorite TV channels or sports while shopping
- Pilot in progress

Source: GigaOM, September 2011



## Thought Starters

### Be inspirational

- Inspire customers at home and on the go
- Make real-time recommendations (especially in stores)

### Save time / money

- Find things faster
- Help customers make the best decisions faster

### Allow multitasking

- Enable customers / shoppers to do what they want, anywhere, anytime

# Mobile Payments **Today**: Bringing the Online Payment Model to the Real World

## Mobile POS



- Mobile checkout throughout the store
- Influence customers at the most critical part of the decision-making process
- Reduce walkouts / increase customer satisfaction by shortening checkout lines
- Capture information to boost marketing

## Web payments



- Scan and pay for items with smartphones
- “The growing impact of mobile technology on retail will soon make cash registers obsolete.”  
Glen Senk  
CEO, Urban Outfitters

## In-store payments



- Google teaming with Citi, Visa, and MasterCard to make “tap and pay”
- Uses NFC to pay at more than 20,000 merchants, including Macy’s, American Eagle, Jamba Juice, Bloomingdale’s, Guess, Subway, Walgreens

Sources: GeekWire, 2011; Retail Solutions Online, 2010; InformationWeek, 2011

# Innovations in Mobile Payments: Delivering a New Shopping Experience

## Google Wallet: More than payments

- "Google's interest here isn't in the payments, it's in the data that underlies the complete chain of commerce, including consideration, promotion, transaction details, coupons, and receipts."  
—Thomas Husson, Forrester Research



## Personalized, local offers

- Loyalty programs being built into the path of purchase
- Location-based offers allow shoppers to see an ad, download the personalized (NFC) coupon, and redeem it
- All on one device



## Two-way interactions

- Retailers starting to use permission-based personal information to make relevant offers at the point of purchase
- Creates a win-win situation for shoppers and retailers



## Thought Starters

### Increase productivity

- Streamline the checkout process (faster / easier)

### Enhance services

- Utilize permission-based, two-way interactions during transactions

### Use local resources

- Differentiate by making local offers and deals

Sources: Cisco IBSG, 2011; Forrester Research, 2011; PayPal, 2011

# Mobile Store Operations **Today:** Mobilizing Existing Applications for Staff

## Mobilizing enterprise apps



### Sonea

- €10M annual benefit from 6,000 employees executing more than 1 million operations per day

## Communication / collaboration for **all associates**



### Lowe's

- Deploying 42,000 iPhones to create a seamless transition between customers and employees

## Customer service anywhere



### JCPenney

- Integrating Apple iPads to help customers "find more in the store"

## Mobile POS



### Urban Outfitters

- Serving customers at the point of decision
- Goal: Make the store experience as good as the website experience

Sources: Cisco IBSG 2011; Retail Systems Research, 2011; Shop.org Annual Summit, 2010

# Innovations in Mobile Store Operations: Rethinking Processes and Functions

## Next-generation, real-time BI dashboards

- Full process control through alerts, triggers, and real-time business intelligence (BI)



## Video collaboration

- Fix issues on the spot using mobile video for “show and share” collaboration



## Full multichannel service

- Mobile, Internet-like fulfillment in stores
- Adds the e-commerce “long tail” to brick-and-mortar stores
- Dynamic reallocation of goods (home delivery)



## Augmented reality

- Increase in-store operational excellence and compliance verification for things like plan-o-grams



## Thought Starters

### Improve operations with real-time data

- Offer instant access to data anywhere (dashboards)

### Video collaboration

- Support collaboration at the edge for faster decision making and better execution

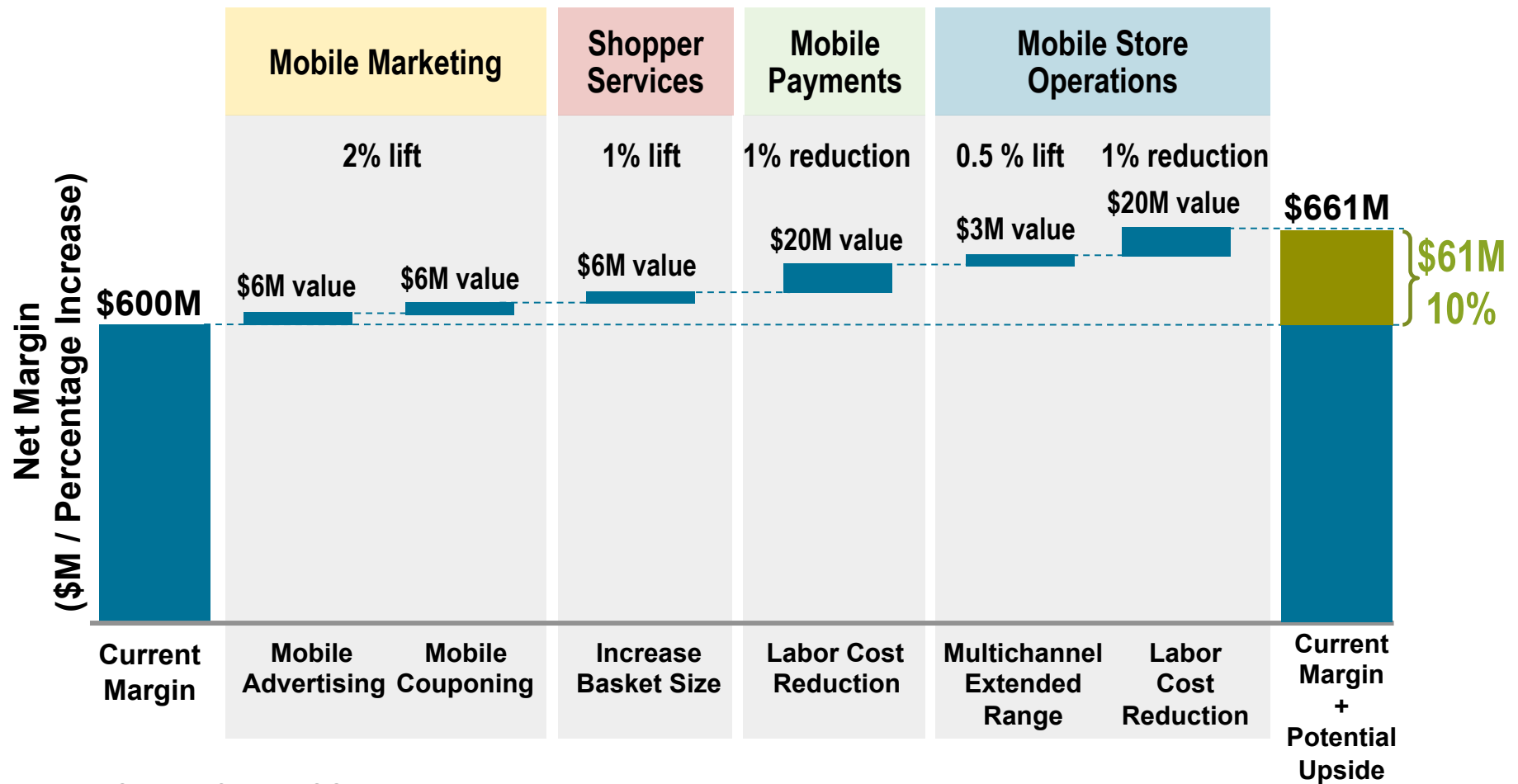
### Execute multichannel

- Deliver true multichannel service and fulfillment using mobile in stores

Source: Cisco IBSG, 2011

# Opportunities Across Mobility Areas Can Increase Net Margin by 10 Percent

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



Source: Cisco IBSG, 2011



## 4 Opportunity and Way Forward



# High Innovation Requires Continuous Attention



Source: Cisco IBSG, 2011

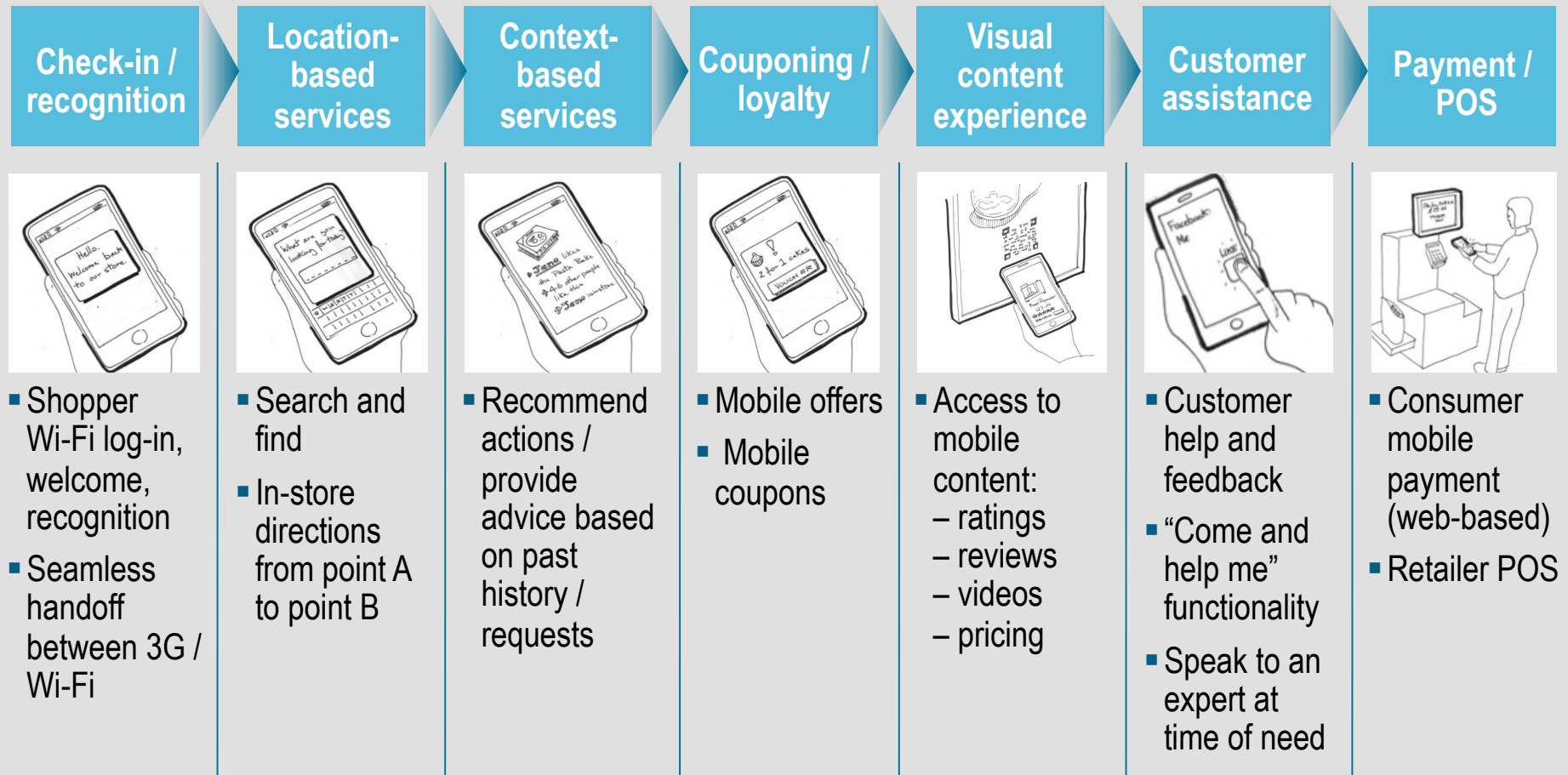
# Your Mobile Strategy Should Reflect **Your Unique** Brand Proposition



Source: Cisco IBSG, 2011

# Cisco IBSG Partners with Customers To Create Great Mobile Experiences...

# Customer Journey

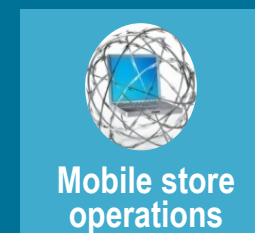
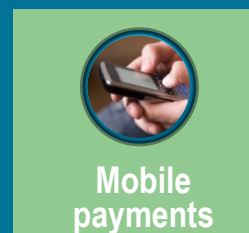
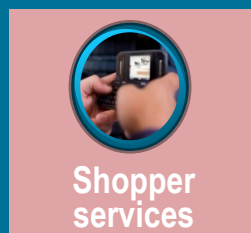
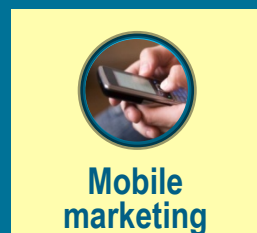


Source: Cisco IBSG, 2011

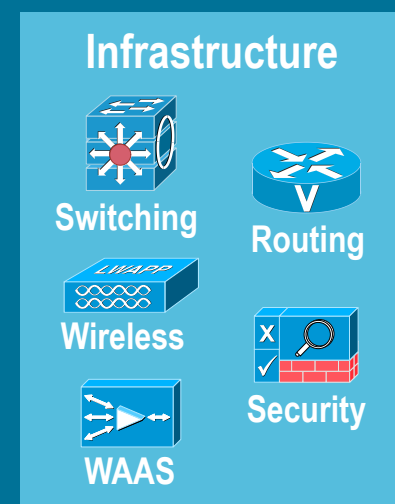
# ...Using a Wireless Architecture for Security, Reliability, and Performance

## Wireless Architecture

### Mobile Services



### Network as the Platform



Source: Cisco IBSG, 2011

# Key Takeaways and Recommendations

- Mobility is driving sales: create solutions / experiences that lead shoppers to buy from you rather than your competitors
- Mobility will significantly impact retail in four areas:
  1. **Mobile marketing:** social + local + mobile
  2. **Shopper services:** make mobile shopping fun and easy
  3. **Mobile payments:** delivering a *new shopping experience*
  4. **Mobile store operations:** rethinking processes and functions
  - These areas can increase net margins by up to 10%
- Recommendations:
  - Define your unique, brand-relevant mobile proposition (**do not copy**)
  - Develop solutions specifically for your customers' mobile moments (**fitness for purpose**)
  - Involve all relevant business functions (**share the fun**)
  - Actively solicit feedback (**listen and act immediately**)
  - Continuously rethink consumer processes / store operations using current / emerging mobile capabilities (**continuous innovation**)

Source: Cisco IBSG, 2011



**CISCO**