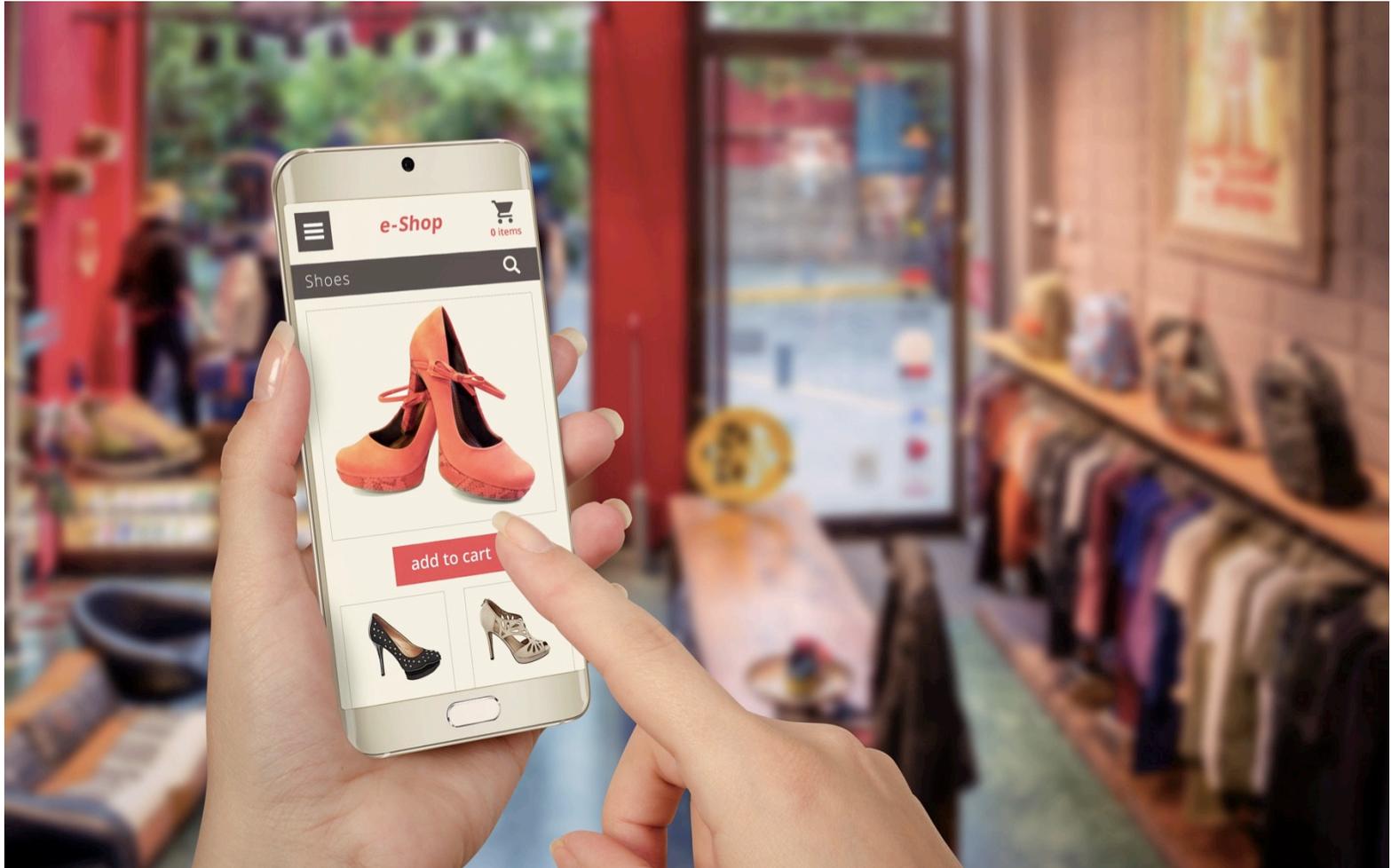




BOSTON RETAIL PARTNERS

Mobile Commerce – The Future of Retail



BRP SPECIAL REPORT

A supplemental report based on the findings from the 2015 E-Commerce Benchmark Survey

Gold sponsor:

MOZU

“The mobile device is the cash register of the future, the sales associate of the future and the wallet of the future – or rather the now!”

- Ken Morris, Principal, Boston Retail Partners

Introduction

Mobile devices have become pervasive in our lives, dramatically changing the retail world. Having a constant, virtually unlimited array of information at our fingertips, in our pockets, or on our wrists has changed shopping behaviors and elevated customer expectations for customer service. Consumers use their mobile devices to research products, compare prices, complete purchases online and even pay for in-store purchases.

Mobile commerce is becoming a valuable revenue stream to retailers. It now represents nearly one-third of U.S. e-commerce sales and is predicted to grow 2.58 times faster than total e-commerce sales, based on data from Internet Retailer.¹ But the greatest value may come from the part mobile plays in the true omni-channel experience the customer desires. Consumers now research, test, and shop via multiple channels – sometimes in more than one channel at the same time.

According to comScore, 61% of U.S. Internet usage is on mobile devices.² Mobile is the new imperative. It’s no secret that retailers benefit from a mobile presence – this can boost sales, encourage customer loyalty and expand the reach of the retailer. But how should retailers use mobile tools to interact with customers?

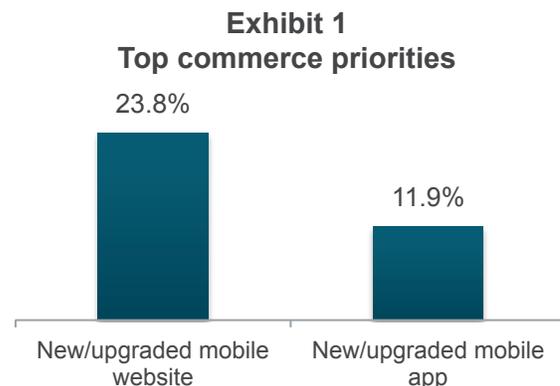
Retailers should focus on utilizing mobile as a means to enhance the shopping experience inside and outside of the physical store. To do this, retailers must provide rich product content, encourage product and brand reviews,

and allow product or price comparisons. They also must provide associates with access to real-time customer and product information to encourage and enhance in-store interactions. The goal of mobile is to enhance interactions between the brand and the customer through their mobile phone – ultimately resulting in additional sales.

However, there are also risks and challenges associated with mobile commerce. Consumers are concerned about the amount of personal data that retailers want and how they plan to use it – there is a fine line between “cool” and “creepy.” There are also business risks associated with mobile commerce as credit card fraud in the store historically shifts to online and mobile as EMV is implemented. The important point is that mobile commerce is evolving and must be a significant part of a retailer’s strategy to succeed.

Mobile Websites vs. Apps

Retailers realize that mobile is the future. Ensuring that they have the mobile tools and capabilities to reach customers is a priority. In Boston Retail Partners’ 2015 [E-Commerce Benchmark Survey](#) of top North American retailers we found that new/upgraded mobile apps/websites are a top commerce priority (Exhibit 1).

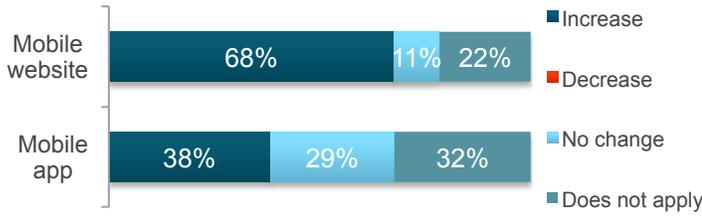


¹ “2016 Mobile 500,” *Internet Retailer*, August 2015, <https://www.internetretailer.com/2015/08/18/mobile-500>

² comScore MMX Multi-Platform, US, Canada, UK, March 2015

Exhibit 2

Expected revenue change by end of 2016



Mobile Websites

Mobile websites are growing faster with 68% planning an increase in expected revenue vs. 38% for mobile apps (Exhibit 2).

With the majority of Internet browsing happening on mobile devices, it is critical for retailers to have a mobile-friendly website. It is no secret that retailers benefit from making themselves available and accessible via mobile devices.

Either a mobile website or mobile app can increase sales, encourage customer loyalty, and expand the reach of the brand. Mobile websites are important because it adjusts e-commerce content to the form factor of the mobile device so customers can easily shop via their phone.

Mobile Apps

While a mobile responsive Web site is a requirement for all retailers with e-commerce, a well-designed mobile app can elevate the shopping experience and increase customer loyalty and sales.

Mobile apps function similarly to a mobile website but give the retailer the advantage of having their own piece of real estate on the customer’s phone. Retailers also have more control over their presence and an app can encourage more interaction. On the other hand, mobile apps require customers to download and install the app, which may discourage some customers from taking that extra step. Many consumers are reaching app fatigue and retailers need to compete for precious screen space. Adding premium features to mobile apps is key to compel

consumers to download and find a spot on their smartphones.

In-store possibilities

A recent report by InReality found that 75% of store shoppers use their mobile device while shopping in stores.³ Consumers use them to check prices, review product information, read reviews, and even ask friends for their opinions while they are shopping in the store.

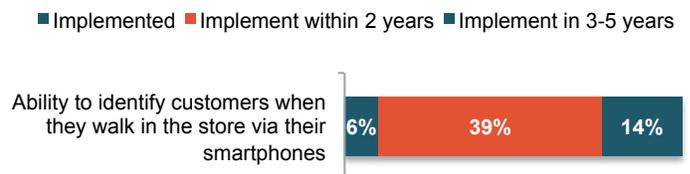
Many retailers are using mobile for line busting, which has a positive impact on revenues. However, there are many other mobile opportunities available for retailers to enhance the customer experience and drive incremental sales within the store.

Customer Identification

Identifying the customer when they enter the store via their mobile device is the gateway to offering personalized pricing and relevant messaging. Based on our 2015 CRM/Unified Commerce Benchmark Survey, currently 6% of retailers can identify the customer when she walks in the store via her mobile device (Exhibit 3). Within 5 years, 53% of the remaining retailers plan to implement this ability.

Customer recognition allows the retailer to communicate relevant information to enhance the shopping experience. The next step for mobile is to engage with consumers via consumer-facing and associate-facing mobile apps.

Exhibit 3
Identifying the Customer



³ “Reality of Retail,” *InReality*, December 2014, <https://www.internetretailer.com/2015/04/09/75-store-shoppers-use-their-mobile-devices-store>

Once the customer has entered the store, understanding where they are via a mobile app, when they are there, what the current environmental factors are (i.e. weather, traffic, natural disaster, etc.) and then being able to send them contextual messaging is important. “Customer context” refers to the interrelated factors of customer insights and environmental conditions that make the shopping experience relevant.

Customer Wi-Fi

A major step to improve in-store customer engagement is to offer customer-facing Wi-Fi, as many retailers currently do not offer this service today. With Wi-Fi in place, retailers can offer customers the opportunity to opt-in to the store Wi-Fi, which enables you to identify the customer and connect with her to personalize the shopping experience. Retailers can also triangulate the physical location of the customer within a few feet leveraging access points, Wi-Fi and specialized software.

Geolocation

Some savvy retailers are utilizing geolocation to understand where the customer is and then automatically provide messaging or promotions based on customer insight. Currently 27% of the survey respondents utilize geolocation (Exhibit 4).

Geolocation uses a combination of location-based technologies such as GPS, RFID, VLC

(visible light communication), BLE (Bluetooth low energy), ZigBee, beacons or Wi-Fi to locate a customer within the store via their mobile device. Relevant alerts or messages are then sent to the customer’s smartphone, or to alert an associate, based on the customer’s location. Geolocation can also be used to offer the customer more information about their immediate surroundings. Users can search within a given radius to find specific items, as well as connect directly with the retailer’s website and online inventory.

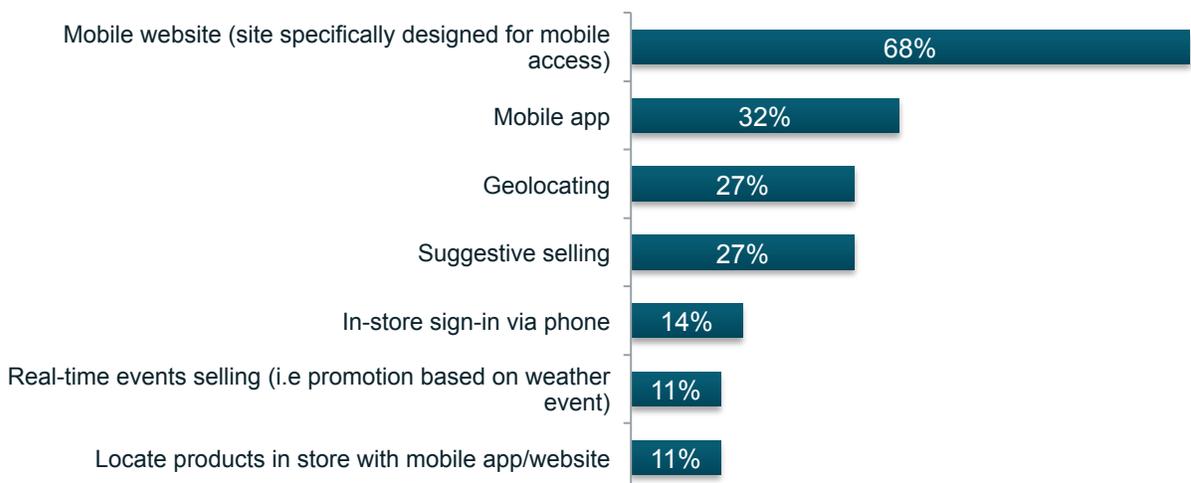
Being able to locate products within the store is essential to ensure that the customer doesn’t give up and leave the store to find the product elsewhere. Utilizing geolocation can assist with this capability or retailers can enable their mobile website or app to help locate products. Currently 11% of retailers offer this capability.

Premium mobile app features include: aisle location information for a product, targeted deals/discounts based on store location, real-time inventory availability, virtual store maps, push-to-talk for in-store assistance, customer reviews, loyalty point levels and personal recommendations based on an individual customer’s preferences, purchase history, browsing history and what’s in their closet.

Enhancing Customer Service

The associate of the future is the mobile app in the hands of the consumer. Mobile devices

**Exhibit 4
Mobile capabilities**



offer new opportunities for retailers to enhance customer service. Utilizing customer-facing technology is a natural outcome from the proliferation of mobile devices and is a big part of the overall customer experience. As customers become more comfortable and proficient with utilizing mobile technology and researching information on their own, retailers need to ensure their associates have the ability to access product and brand information and services in the store to enhance the customer's shopping experience.

Guided Selling

Suggestive selling (27% currently offer this ability) empowers store associates to leverage customer data (purchase history, personal information, preferences, etc.) and deliver highly personalized customer engagements, provide exceptional in-store shopping experiences, and timely follow-up communication with customers.

Expansion of mobile capabilities represents a huge customer engagement opportunity for retailers. Putting mobile devices in the hands of store associates enables associates to be an active participant in the path to purchase, helping to increase sales and enhance customer loyalty. It enables associates to look up inventory availability enterprise-wide and provides them with information to further provide customer assistance and even process a transaction anywhere in the store. With mobile capability, associates are no longer chained to a checkout desk and can interact with customers anywhere in the store.

Cross-Channel Transactions

Another premium feature is to allow customers to start a transaction in one channel and complete it at a later time in another channel. For example, a customer could initiate a transaction in the store as they are looking at an item, save the transaction, and then finish it online at home – giving them time to think about their purchase. Or they could initiate a transaction on their mobile device at home, save the item to their cart, visit the store to view the item and then complete the transaction and leave with their item.

Mobile apps for associates enable them to assist customers with clienteling, guided selling, inventory look-up, and even checkout throughout the store. In this scenario, associates are free to interact with and assist customers anywhere in the store.

Real-time Retail

A critical component to successfully delivering advanced mobile capabilities is "real-time retail." Real-time retail is the ability to deliver a seamless personalized experience to the shopper whenever, wherever, and however they choose to shop, and will be a requirement for the future. It is like bringing the "Amazon experience" to the store. It enables retailers to identify shoppers and gather, analyze and disseminate customer, product, pricing, and inventory data across all channels – instantly. Without real-time data, information provided internally and externally is out-of-date and risks being inaccurate and out of context.

Security Issues

Retailers must lock down security for e-commerce and m-commerce. History has shown that when EMV (Europay, MasterCard, and Visa) is implemented in a country, store fraud is

In France, for example, payment card-present fraud dropped by 35% between 2004 and 2009 after the implementation of EMV, but domestic card-not-present fraud losses increased more than 360% in that same time span.

reduced and online fraud rises dramatically.⁴ EMV is so effective at preventing fraud at the POS that it actively pushes fraud attacks to other channels, namely card-not-present (CNP) transactions online.

Data encryption and tokenization solutions are helping make mobile transactions safer. For example, when a consumer enters credit card

⁴ "E-Commerce Fraud Could Get Really Bad Post-EMV," *PaymentsSource*, May 8, 2015.

information during a mobile purchase, the data is automatically encrypted before it's transmitted from the retailer to a financial institution. Only the manufacturer of the mobile hardware and the bank know the encryption key. The bank unencrypts the information and applies a token to the transaction. The token is then used rather than the actual credit card number in subsequent transactions for that retailer. Many retailers are implementing end-to-end encryption and tokenization for payments as indicated in our 2015 POS/Customer Engagement Survey (Exhibit 5).

Privacy Concerns

With these enhancements to the shopping experience through mobile capabilities, there are also many privacy concerns. Customers are apprehensive that their personal information is going to be gathered and used in ways that may be over-intrusive or not to their liking. Retailers are concerned over how best to protect their customers' privacy while still gathering location, preference and purchase data. This is one of the stumbling blocks holding retailers back from wider adoption of in-store mobile services leveraging Wi-Fi and Bluetooth technology.

The key is to offer customers the ability to control the amount and type of data they provide AND to ensure that the retailer's mobile capabilities are adding value to the shopping experience. Retailers should ensure that any geolocation that is enabled requires customers to opt-in via their mobile device when they enter the store. By giving customers

the option and educating customers so they understand what information is being gathered when they opt-in, some of their fears can be allayed.

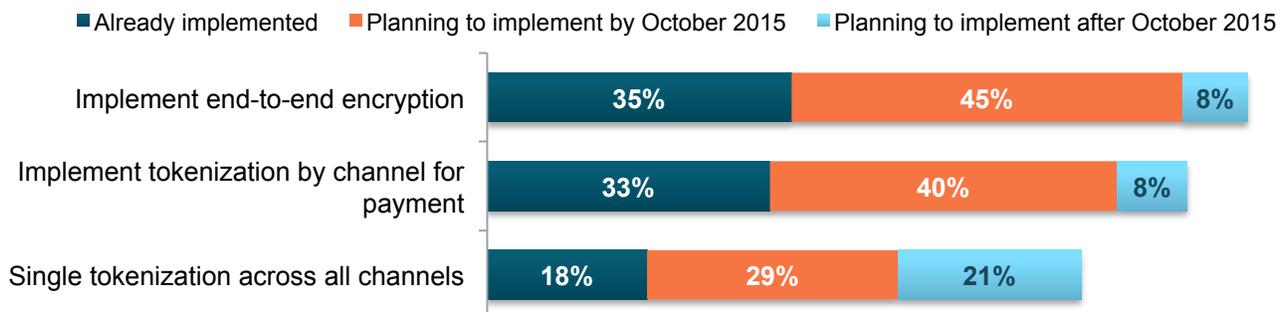
For those customers who decide to opt-in, it is critical that they are offered valuable promotions and services that give them a compelling reason to continue to provide information. Successful retailers provide them with promotions that they would be unable to obtain otherwise, offer services specific to their interests or location within the store, or offer them free in-store Wi-Fi access.

Challenges

After addressing security and privacy concerns one of the greatest challenges retailers will encounter is data integration and consolidation within their systems. Retailers are riddled with disparate silos (systems) and have struggled to gain consistent, shareable, and accurate data across the enterprise, which makes it very challenging to obtain a single view of the customer and a single version of the truth. As data grows exponentially across multiple channels, the integration, dissemination and consolidation of all pertinent data is compounded, therefore, making it more challenging for retailers to relevantly engage and interact with customers, and for customers to have an engaging seamless experience with the brand.

A shift from silos to a holistic paradigm must occur as retailers upgrade their mobile capabilities. As retailers formulate their mobile strategy and review their complex ecosystem,

**Exhibit 5
Payment Security Technology Plans**



all pertinent systems must be integrated across all channels.

Without real-time data and analytics, customer-facing information is out of date and out of context, therefore risking the success of customer engagement experiences and relationships. Therefore, it is critical to have real-time data that is consistent at every touch point. If retailers consistently provide relevant value, customers will share more information, leading to an even greater level of engagement and profit.

Conclusion

Mobile commerce is growing at a faster rate than any other channel and it is the future of retail. Retailers can't ignore the importance of mobile – it's what consumers demand. However, privacy concerns and security risks are a real concern and will affect the overall mobile commerce strategy.

Technological innovation and consumers quest for information has shifted the traditional retail environment. The proliferation of customer touch points has changed consumer behavior and transactions are now routinely completed over multiple channels. Mobile capabilities are at the center of this environment and have introduced an abundance of new opportunities for retailers to engage their customers.

The opportunities for mobile to influence retail sales – via direct sales through a mobile website or app or through in-store possibilities to influence sales – clearly represent the new frontier that is transforming retailers' operations.

The challenges associated with mobile commerce will need to be addressed as mobile commerce advances and become a more significant part of retailer's commerce strategy. Because the one constant in the mobile space is that it continues to evolve and must be a significant part of a retailer's strategy.

About Boston Retail Partners

Boston Retail Partners (BRP) is an innovative and independent retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

Strategy
Point of Sale (POS)
CRM
Order Management
Supply Chain

Business Intelligence
Mobile POS
Unified Commerce
E-Commerce
Information Technology

Business Process Optimization
Store Systems and Operations
Customer Experience & Engagement
Merchandise Management
Private Equity

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To download the 2015 E-Commerce Benchmark Survey please go to:

<https://bostonretailpartners.com/2015-e-commerce-survey/>

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