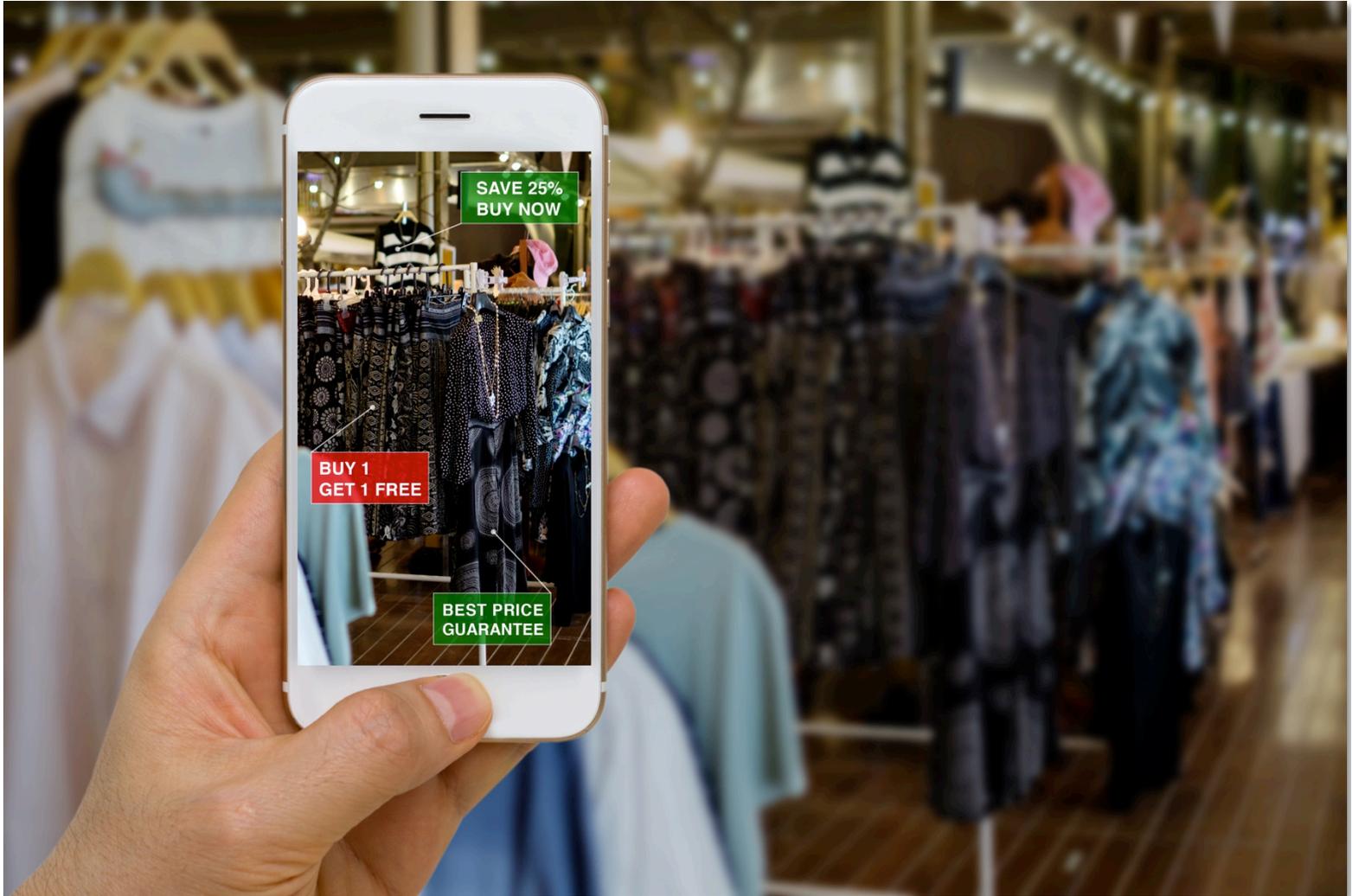




The Mobile World of Retail



BRP SPECIAL REPORT

A supplemental report based on the findings from the 2017 POS/Customer Engagement Benchmarking Survey

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“The long-term success of retailers will be based on their ability to make shopping enjoyable, frictionless and aligned with their customers’ expectations. Mobile technology offers the set of tools necessary to enable retail associates to enhance the customer experience.”

– Perry Kramer, vice president and practice lead at BRP

Mobile devices are ubiquitous in our lives; dramatically changing how we interact with each other, obtain information and shop. According to the 2016 UPS Pulse of the Online Shopper report, purchasing on mobile devices is increasing with 77% of the shoppers surveyed using smartphones as part of their shopping journey, up from 67% in 2014.¹ Having a constant, virtually unlimited amount of information at our fingertips has changed consumers’ shopping behavior and elevated our expectations for customer service. Consumers now use mobile devices to research products, compare prices, complete purchases online and increasingly to pay for in-store purchases.

The proliferation of tablets and mobile phones has also created new opportunities for retailers to enhance customer service. Putting mobile devices in the hands of store associates is now a necessity to keep up with the customer who has a plethora of information available at their fingertips. Associate mobile devices enhance the shopping experience through access to real-time inventory and customer data and the ability to service customers and process transactions anywhere in the store.

To better address the actual impact mobile devices are having on the retail industry, BRP surveyed the top North American retailers to explore the current state of how mobile technology is shaping retail capabilities, priorities and processes. BRP’s 2017 POS/Customer Engagement Benchmarking Survey uncovered several key findings that validate the significant impact of mobile devices on store operations and how they are changing retail as we know it.

This special report explores how mobile devices are impacting retail in five key areas:

- 1. Customer Identification**
- 2. Customer Engagement**
- 3. Associate Training and Task Management**
- 4. Mobile POS**
- 5. Mobile Payments**

From the boardroom to the stockroom, the two most commonly heard words in retail are “mobile” and “omni-channel.” Oddly enough, these are also probably the two most loosely defined terms and highly active interdependent initiatives in today’s retail environment.

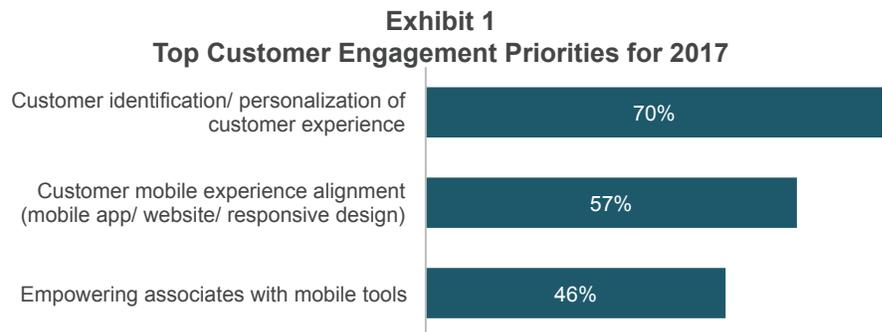
When retailers hear the term “mobile,” many immediately think of a consumer-facing mobile application, while others may think of mobile payments such as Apple Pay and Samsung Pay, and others reference mobile POS or a mobile workbench to streamline store associate tasks by providing real-time customer and product information. The common thread among these mobile initiatives is that they are all focused on improving the experience throughout the customer journey.

¹ 2016 UPS Pulse of the Online Shopper, June 2016, <https://solvers.ups.com/ups-pulse-of-the-online-shopper/>

Customer Identification

Customer identification via their mobile device is a growing area of opportunity as retailers look to personalize the shopping experience.

BRP's recent POS/Customer Engagement Survey identifies several data points that illustrate retailers' commitments to the use of mobile technology as the cornerstone of a positive customer experience both now and in the future. Identifying the customer and then delivering a personalized experience is identified as one of this year's top priorities by 70% of the respondents (**Exhibit 1**). Customer identification is a foundational element of the customer journey as it enables store associates to leverage real-time visibility to inventory and purchase history to make personalized recommendations and reference the customer's available loyalty and rewards points. Most importantly, mobile technology enables identification of the customer prior to the checkout, some times even before they enter the store, to enable associates to assist and influence purchase decisions.



For years, retailers have accepted identification of the customer at the checkout as a reasonable practice. However, savvy retailers now leverage mobile applications, Wi-Fi, geolocation and beacon technology to identify customers when they are near or just entering their stores. They also leverage mobile technology to entice customers into the store by offering personalized promotions and services. This technology is becoming commonplace in malls, shopping plazas, restaurants, convenience and drug stores.

The biggest issue preventing retailers from deploying customer identification capabilities is not a lack of technology or shopper apprehension, it is probably a lack of understanding of what the best technologies are and how to integrate the new processes into their operations. There are many location-based services technology options and retailers want to make the right choice for their business and customers.

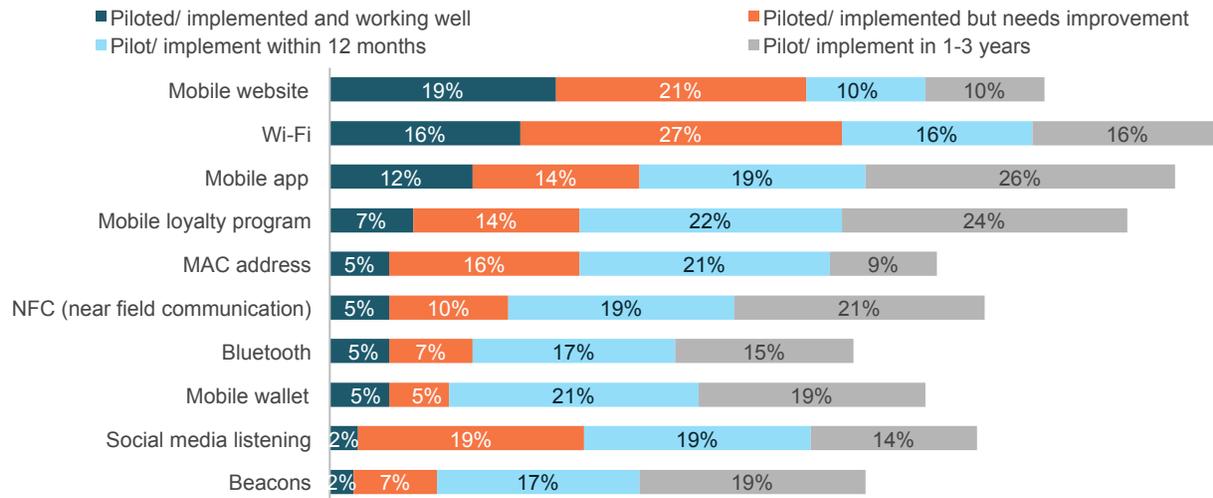
And once they identify the best technology, they need to figure out how to integrate it with their current systems to tap into the appropriate customer and product information that will provide the insights to personalize the shopping experience. Mobile phones are the key to customer identification, as this is a ubiquitous and unique identifier for consumers. The actual technology that retailers use may be different based on their unique situation, but it will likely involve the consumer's mobile phone.

Developing a strategy and roadmap for the customer identification process is the first step and we are seeing a lot of retailers just starting this process. The good news is that it is now a high priority for many retailers. Within a few years, consumers will expect it and retailers need to respond quickly.

Two years ago, no retailers were utilizing NFC as a means of customer identification, while last year 10% had piloted or implemented this technology, and now this year 15% have it in use within their stores, although 10% say that the technology still needs improvement (**Exhibit 2**).

In addition to NFC, retailers are showing interest in many other mobile methods, such as mobile app/Website, mobile loyalty and Wi-Fi. All of these technologies enable identification of the customer

Exhibit 2 Customer Identification via Mobile Device



before they make a purchase decision, which allows the retailer to tailor the shopping experience and influence the purchase decision.

The big story in customer identification really lies in the large number of retailers that plan to implement these technologies within the next three years. Another interesting point is that there does not seem to be one location identification technology choice that is 'winning.' Retailers are embracing a number of different technologies to cast a wide net and identify and track as many customers as possible as soon as they enter the store.

Customer Engagement

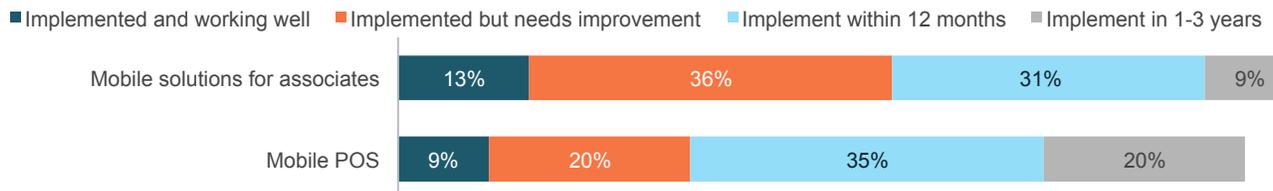
Once identified, understanding the customer's profile, location and the current environmental factors (i.e. time, weather, traffic, etc.) enables the retailer to communicate relevant and contextual messages.

Retailers now have opportunities to guide customers to areas of the store that should be of interest to them based on their preferences, purchase history, and environmental factors such as weather and store location. As an example, if a customer normally shops at a store in the Northeast but is in Florida, the software may assume they are on vacation and offer them a coupon targeting relevant merchandise. This level of customer experience is quickly moving from an advanced application to a basic customer expectation. Customer retention will become increasingly challenging for retailers that do not plan to meet this level of personalized service.

Store associates have utilized mobile tools and technology for inventory tracking and movement for nearly two decades. However, the use of mobile technology to improve the customer journey is relatively new to retail. This is very apparent when we look at data from this year's POS/Customer Engagement Survey. While 49% of retailers are using mobile customer engagement solutions for associates, 73% of those retailers feel that it needs improvement (**Exhibit 3**). Mobile customer engagement is still an emerging area that needs refinement.

Even more telling, there is a large group of retailers (31%) looking to implement mobile tools for customer engagement in the next 12 months. This increased rate of adoption is driven by several factors, including the declining price of mobile technology, the growth in maturity and range of tools, and the critical need for store associates to have the necessary tools to enhance the customer experience.

Exhibit 3 Implementation Status



Many retailers are choosing to implement a “mobile workbench” for store associates before they jump into a full-blown mobile POS. This mobile workbench provides store associates with information including real-time inventory visibility across the enterprise, customer look-up of personal preferences and purchase history, loyalty and single use coupons, and many other functions. In most cases, these applications can be developed internally in a fraction of the time required to implement a complete mobile POS solution. Even more notable is that these lower cost implementations can achieve a significant return in a relatively short period of time and enhance the customer experience by allowing the store associate to spend less time behind a counter or off the sales floor. The maturity of mobile POS continues to advance rapidly. Within three years, 89% of retailers plan to offer mobile solutions to their store associates and 84% plan to have a mobile POS solution, according to the POS/Customer Engagement Survey.

Associate Training and Task Management

Using mobile tools to improve training and move tasks from the back room to the sales floor offers immediate enhancements for retailers.

Retailers are using mobile technology for training, staffing, task management, floor sets and planograms. The accelerated use of associate-facing and customer-facing mobile services, such as product information, shopping list capabilities, and personalized recommendations, will drive significant growth in mobile technology over the next few years. Unfortunately, retailers often focus on the technical solution and overlook the accompanying process work required to enable a successful implementation. Without proper associate training on new technologies and processes, mobile deployments will not achieve the desired outcomes and will likely frustrate or disappoint customers – a costly mistake.

To be successful within the vast opportunities available through mobile technology, retailers must keep in mind that technology is only a small portion of the solution. The most critical piece is to understand each customer’s journey and enable associates with tools and training to create a customer experience that will differentiate the retailer from the competition. Mobile devices and the associated applications are a key piece in keeping the associate on the sales floor and engaged with the consumer. They are also a key piece of a retailer’s ability to quickly advance new hires from trainee to a valuable customer advisor. The long-term success of retailers will be based on their ability to make shopping enjoyable, frictionless and aligned with their customers’ expectations. Mobile technology offers a strong set of tools that will enable retail associates to enhance the customer experience when a holistic approach is taken.

Mobile POS

Mobile point of sale (POS) enables the store associate to complete a customer purchase on the sales floor at the moment a buying decision is made.

Bringing the checkout process to the customer at the moment she makes her purchasing decision (and before she changes her mind) simplifies the buying process for the consumer and maximizes revenue opportunities for the retailer. With mobile POS devices, associates are no longer chained to the checkout desk so they can interact with the customer anywhere in the store. Associates can also

use mobile POS devices to answer customer questions, locate non-stocked or special order products and provide product or store information. In today's time-starved society, where everyone wants instant service, mobile POS enables retailers to reduce or eliminate lines and provide exceptional service without wasted trips to the back room.

In the next two years, the use of tablets, hybrid POS terminals and mobile devices will increase tremendously along with a slight decrease in the use of traditional POS terminals (**Exhibit 4**). This is consistent with the trends we are seeing in the industry. Mobile POS lowers the overall cost of ownership by eliminating or minimizing the need for "big iron" (a thick-client cash register) at store-level and virtually eliminating annual hardware maintenance fees.

For most retailers, mobile POS has not become a substitute for a traditional fixed station POS. The majority of retailers continue to use traditional POS stations as their basic POS, adding mobile options and additional PCs or tablets as supplements. Some retailers are opting for a hybrid mobile POS approach where a tablet-based POS can be docked and used as a fixed POS and undocked for use as a POS on the sales floor. The transition from fixed station POS to a hybrid environment and more mobile solutions is underway but it is a slow process.

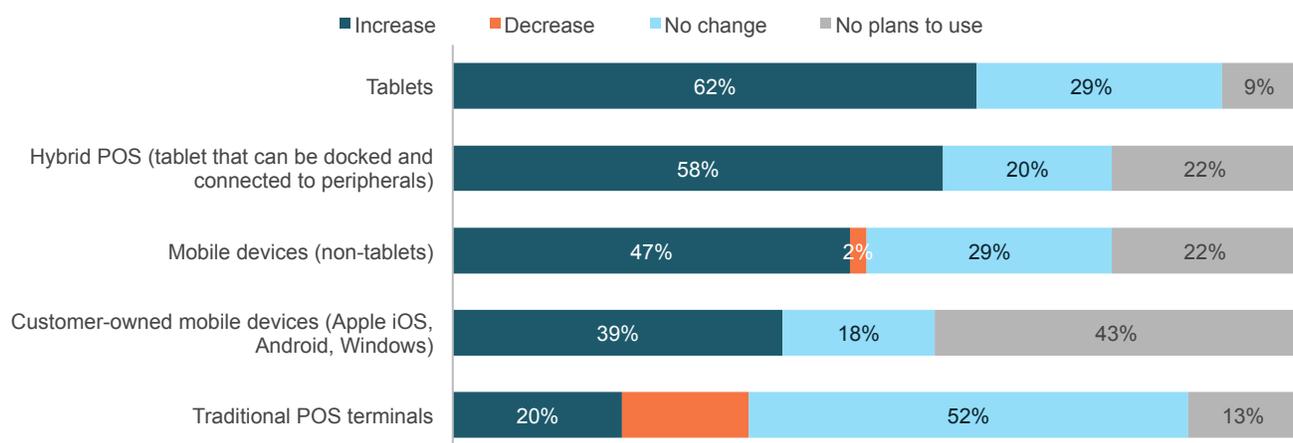
There are different paths that retailers are taking to implement some form of mobile POS, as the application of mobile technology varies greatly from retailer to retailer. In many cases, retailers are replacing some of their traditional "permanent" POS stations with mobile POS options through tablets or mini-tablets. Some are focusing on line-busting scenarios to reduce front-end traffic and improve customer throughput. Others seek to enhance the customer's experience with personalized mobile client interactions. In these situations, mobile POS is definitely changing the way associates sell and the way customers shop.

Mobile Payments

Mobile payments enable customers to make purchases without their wallet (but with their ubiquitous smartphone) and provide an additional level of security that isn't available with credit cards, even EMV-enabled cards.

There are a multitude of mobile wallets and payment apps on the market today, and the arena keeps changing. While adoption had generally been slow, this year we saw a big jump in adoption of some of these mobile payment options. This is yet another way to personalize and enhance the customer shopping experience by bundling loyalty and other features with a branded mobile payment app.

Exhibit 4
POS Hardware Plans by 2019



This year fewer retailers are adopting a wait and see approach for Apple Pay and PayPal – likely because of the growing support from the payment software ecosystem and the acceptance for these mobile payments by the public (**Exhibit 5**).

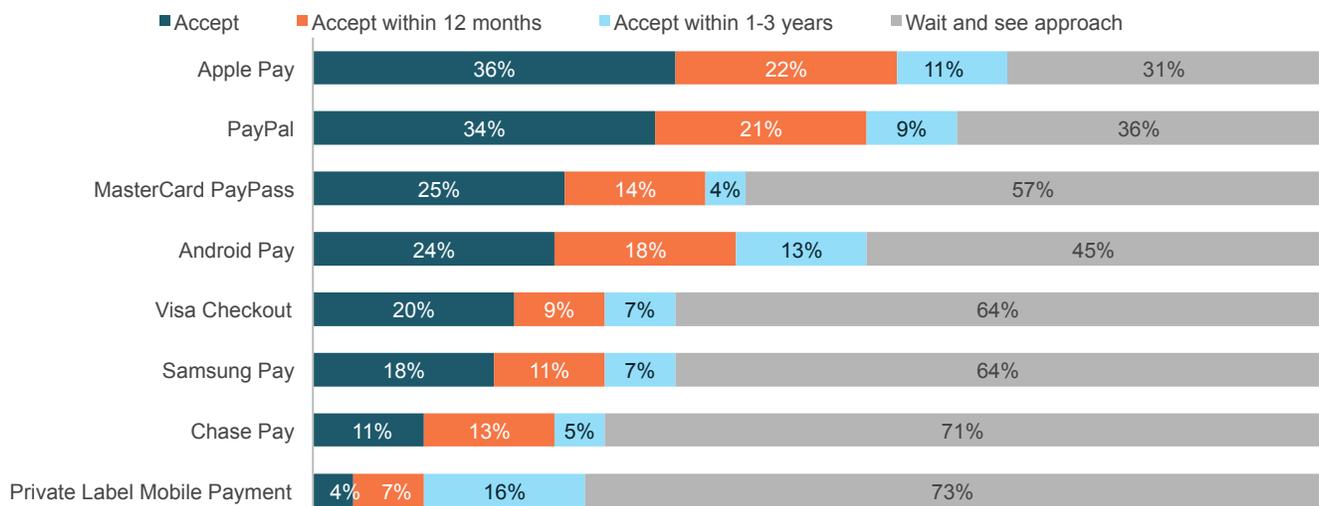
One of the critical factors for any mobile payment success going forward is education. We have found repeatedly that not only are consumers unsure of how and when mobile payments can be used, but even more telling, associates are unsure. For mobile payments – or mobile wallets – to succeed, there must be further education at the point of sale to ensure that a transaction using a mobile device is not longer or more complicated than traditional payments methods for either the customer or associate. The other critical factor is explaining the value of tying mobile wallets to loyalty rewards programs. Customers need to feel that utilizing mobile payments enhances the shopping experience and that they are being rewarded for the experience – this will enable a win-win experience for retailers and customers.

NFC technology and mobile payments appear to be here to stay and will continue to grow and influence the retail industry. However, one of the major inhibitors to adoption has been a very long change cycle in the payment area. Some progressive retailers invested in implementing NFC technology when they purchased new payment terminals as part of their EMV upgrades. However, a large number have not, and quite often the cost of upgrading and retesting the software in the existing environment can be very cost prohibitive. Additionally, the time to implement and test changes such as NFC payments generally range between three to six months.

Like most significant changes in retail, consumers will drive the shift to mobile payments. There are several mobile alternatives that will share a piece of the mobile payment space over the next few years, including PayPal, Apple Pay, Android Pay, Samsung Pay, MasterCard, and Visa. The expansion of retailers integrating mobile payments into their own mobile wallet will continue, as seen by the successes at Starbucks and Dunkin Donuts. From these alternatives, there will be winners and losers, and additional new alternatives will emerge.

There will be exponential growth in mobile payments in the U.S. over the next five years. Retailers are continuing to invest in the hardware required for mobile payments and the fact that consumers are faced with significant process changes with EMV that impact convenience and speed will both drive the advancement of mobile payments. There will likely still be more than one single mobile payment

Exhibit 5
Alternative Payment Types





type. However, the few payment providers who master simplicity, convenience, security and simple integration for retailers while ensuring that the process enhances the customer experience, will come out on top.

Conclusion

There has been a huge technology shift in the past few years and mobile technologies in the hands of consumers and retail associates have been the driver.

Mobile capabilities allow a retailer to break down the barrier between the online digital environment and the physical store enabling exceptional customer experience. Mobile is driving retailers to upgrade and replace technology to keep ahead of their competitors' customer experience offerings and to try to keep up with their very informed and technology-savvy customers.

While the shift to mobile tools can dramatically enhance the shopping experience and reduce retailers' total technology costs, it brings its share of challenges. As with any new technology, these innovative mobile approaches require a fundamental change in processes and corresponding training to educate sales associates and customers to convince them to try and use the new processes. You only have one chance to make a first impression and you don't want to frustrate or disappoint your customers or associates.

This area is clearly the new frontier transforming retailers' customer engagement model, operational budgets, in-store procedures and layouts. The one constant in the mobile space is that it continues to evolve rapidly and should be a significant part of a retailer's strategy.



About BRP

BRP Consulting 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.

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E-Commerce
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Merchandise Management
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