

The Rise of the Smartphone

Just as eCommerce has proved a game changer for retail, we believe Smartphones will do the same

By Tom Marston

The rise of the Smartphone is changing the way customers browse the internet and engage with brands.

These devices have the potential to be at the heart of the retail journey, from initial awareness through to after care and every step in between...

Retail Smartphone innovations:

Location based alerts - communications sent in proximity of store

Wayfinder navigation - navigate to nearest store

Store mapping - navigate to product

Bluetooth beacons - close range communications (around 10 metres)

Augmented reality - information overlaid onto camera video

QR codes & image recognition - camera scan for quick information look up

Stock check - online & nearby stores stock availability

Virtual basket - save to buy later

Scan and go - scan products, pay through phone or till

Voucher & rewards - via app, email or SMS

NFC - near field communication (usually a few centimetres e.g. Oyster cards)

Mobile wallet - access payment cards or prepaid accounts via phone

Loyalty apps - loyalty cards on phone

Feedback tools - share to social media, rate & review

Context

Smartphone penetration has doubled over the past 2 years to over 50% of UK individuals¹ and forecast to reach 75% by 2016². Not only does this put the internet in the palm of shoppers' hands, but also a range of additional features which can provide a richer retail experience than they enjoy today. These features include cameras (useful for scanning barcodes), Bluetooth and NFC (for short range communications), GPS (to locate where a customer is) and of course they're mobile and nearly always carried on the person.

We believe that Smartphones will have a profound impact across the purchase journey from building brand awareness, to informing a purchase, facilitating the transaction and delivering the after-sales experience.

1. Building brand awareness

The data rich environment of online has driven several innovations in tailoring and personalising marketing messages. Smartphones have the potential to take this further by offering a more timely and contextual relationship.

Take loyalty schemes as an example. The idea is to reward customers for shopping frequently and increasingly, to personalise the offers. Yet the need for shoppers to carry a plastic card is a hindrance. A smartphone app removes this potential barrier and has the power to offer a far richer experience.

To encourage in-store browsing, there may be loyalty specific rewards advertised on products and shelves. Taking this one step further, an app can be set-up to know the customer's buying preferences and location, so with the right CRM system, tailored messages or offers can be sent via the customer's phone.

Macy's (a US department store), became one of the first retailers to try out Bluetooth Beacon technology in partnership with Shopkick, a shopping rewards app. This short range radio technology uses small sensors placed around a store that can communicate with a shopper's phone. Even if the phone is asleep, the Bluetooth will wake it up and send offers for those that have opted in to the service. Other location based technologies such as GPS and a user's mobile network provider can alert customers to offers if in the proximity of the store (but not effective inside the store).

2. Informing a purchase

There has been much press coverage over "showrooming" where customers find something they like in a store, but then search online via their phone for a better price. This practice is unlikely to disappear, but retailers can regain the upper hand by providing further information about their products and reassurances over price.

Several retailers have trialled QR codes to link to information online, yet consumer take-up is not always good. Part of this may be the user experience - not all customers are familiar or confident using QR codes. In addition, there are frequent "dead spots" in stores when attempting to use a mobile's data network. Retailers therefore need to consider how best to overcome these with appropriate customer guidance and the possibility of in-store WiFi (with minimal sign-up hurdles).

Other "look-up" technologies are gaining ground. Bluetooth or NFC can offer a more reliable and immediate connection with consumer's phones since these wireless communications take place over a short range between transmitters in store and the phone.

These technologies can extend beyond product information look up. As a fashion retailer, customers may want to "complete the look" if they've found a

¹ Communications market report 2013, Ofcom, 01/08/13

² Portio Research, 2013

nice top. What accessories or shoes would go well with this? Or as an electronics retailer, if I've found an MP3 player I like, what are the available warranties? There's a wide range of cross and upsell opportunities which retailers often promote on their website, but not in stores.

3. Facilitating the transaction

Once customers have been inspired and guided towards the right product, the next most pressing need is to ensure availability.

According to comScore, 17% of mobile internet users in the 3 months to Apr-13 used their phones to check product availability online - a 30% increase on the previous year. This is great news for retailers and one of the reasons why many already offer online ordering in stores today. Yet retailers can do more to facilitate this process including quick product look-ups (e.g. QR codes), in-store WiFi and clear in-store communication on how to do this.

A problem many retailers face is getting real time stock visibility to be confident stock is where it should be. This merits a paper in its own right, but one solution is to tag products with RFID (radio frequency identification) chips. These chips carry information about the product which can be transmitted to stock reading devices - either handheld devices held by staff, or within the shelf.

This type of technology has been discussed for several years, but the cost of RFID chips has generally prohibited its use in end products, instead being used to tag and monitor pallets used in logistics. This cost has fallen significantly in the past couple of years and Marks & Spencer have announced that all apparel and hard goods will be RFID-tagged by spring 2014. Not only does this open up real time stock visibility, but could lead customers direct to the product they seek.

The final step of the transaction is to make a purchase and once again Smartphones are leading the revolution. Major payment providers such as Visa, Mastercard and Paypal have launched payment systems made via the customer's phone. With these "mobile wallets", shoppers can pre-load the details of their payment cards and make a payment at till using near-field communication technology, in the same way contactless cards work. Once again, less plastic in the wallet and more options to make a payment.

4. Delivering the after-sales experience

Both stores and online have their own strengths when it comes to delivering a great after sales experience. In stores the human interaction can lead to a more personal "high touch" experience, whereas online allows more information to be gathered and automated. But why not have both?

Linking a customer's in-store transaction to their online account is a good way to do this. It requires some type of "identifier" which could be a customer's email address, mobile phone number or the retailer's app on their phone. There needs to be a good reason to do this in the eyes of the customer which could be rewards based or perhaps to support a simpler returns process (e.g. store receipt held on the phone).

For retailers, there is the potential for greater insight into how customers browse and shop the channels. It also opens up a platform for communication - perhaps to get customer feedback on how their store experience was today, or to share an item via social media as is common online.

So, how quickly will this all happen?

In terms of technology, for the most part, this has arrived. The more important factor is the rate of technology change brought about by retailers, and this will depend on factors such as existing infrastructure, and return on investment calculations.

The good news is that retailers with an existing eCommerce platform can leverage much of this at relatively low cost given the customer is providing the hardware. Investments may be needed in apps, having a mobile ready site and in-store WiFi, but these are relatively low cost. Linking POS systems to eCommerce and CRM systems and upgrading Order Management systems can prove a bigger cost, but one that could pay dividends in delivering a true multi-channel experience and growing repeat purchases.

We are already witnessing some major changes in how consumers expect to shop in store with "click and collect" and in-store online ordering. It seems likely that this trend will continue with more customers expecting to shop seamlessly across the channels. In our opinion Smartphones are a key enabler in this journey and retailers need to plan a roadmap that meets their customers' needs today and in the near future.

About PatelMiller:

PatelMiller is a business consultancy that works closely with its clients to develop their strategies and deliver the full benefit of them.

Our team have gained their skills from working for leading consulting firms as well as the world's best retailers.

We have first hand experience working with retailers on their multi-channel strategies and finding the right technical partners to work with.

The main things we do are:

- Create a **challenging vision**
- Develop **business plans**
- Design new **operating models** and improve **business processes** (including Lean Six Sigma)
- Use **analytical tools** on key business levers to drive rapid improvement
- Run **programme management**
- Carry out **due diligence**

The businesses we have worked with include Dixons Retail, Feelunique.com, John Lewis, Monsoon Accessorize, Morrisons, Tesco and White Stuff.

Our senior team:



Anish Patel
Managing Partner

Anish has built up considerable retail consulting experience, both with top tier firms and as an independent advisor. Recently Anish held the leadership role of Retail Consulting Director for Deloitte UK.



Jonathan Miller
Managing Partner

Jonathan is an experienced advisor to retailers, having worked for Accenture as a strategy consultant, and then directly for Asda-Walmart, Tesco and Dixons in strategy and operations development roles.



Tom Marston
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Tom specialises in leveraging internet technologies to enhance retail and consumer

propositions. He has worked with leading retailers to develop their multi-channel strategies including New Look, Carphone Warehouse and Virgin Media.

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