



## Point Of View

### About Lenati

Lenati is an award-winning boutique consulting firm that designs, implements, and optimizes marketing and sales solutions for companies that want to build stronger customer connection. Based in the Pacific Northwest, Lenati is well-known for intellectual rigor, expertise, and an uncanny ability to perceive and meet clients' needs.



### About the Authors

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## Mobile in Retail and Multi-Channel Strategy

One of the key opportunities facing retailers today is the expanding definition of “multi-channel” to now include mobile and social shopping. After covering some useful tools to manage your social presence in our last [Point of View](#), this time we take an in-depth look at mobile.

The rapid surge in mobile and tablet device usage has captured the attention of retailers in a big way. Forrester estimates that mobile commerce is expected to reach \$31 billion by 2016 and 51% of the US population will own a smartphone by the end of 2011. As smartphone and mobile device sales have skyrocketed, retailers will see increasing numbers of in-store customers using these devices to enrich their shopping experience. In the US, over 55% of smartphone users believe using their phone during the in-store shopping experience will make it more enjoyable and, according to Internet Retailer, a staggering 73% of shoppers with smartphones report a preference for using their mobile devices while in store rather than asking a sales associate for help. Statistics like these are hard to ignore, and the time is now for retailers to adapt and offer a solution that meets the needs of their customers.

### THE CHALLENGE

Many retailers have already seen customers using mobile devices while shopping in their stores but are unsure how to start to develop their own mobile strategy in order to capitalize on this trend in order to maximize sales, create brand awareness and increase customer loyalty. Retailers are struggling to answer key questions necessary to be successful in executing a mobile multi-channel strategy:

- How should mobile be incorporated into my multi-channel strategy to enhance my customers' in-store experience?
- How should I design a mobile strategy that is most appropriate for the stores within my specific retail segment?
- Is it possible to develop a cost effective, in-store mobile application that will meet both customer and business needs?

The challenge for retailers will be to effectively implement a multi-channel mobile strategy that can integrate existing sales channels and provide a seamless and intuitive in-store experience for customers.

## THE OPPORTUNITY

Mobile commerce has grown into an independent and sustainable channel that has enormous potential to add value to the customer shopping experience. Retailers who develop their strategy wisely will be able to reap substantial rewards by taking advantage of the technology capabilities that are already in the palm of the consumers' hands. Retailers who are thoughtful about how their customers can use mobile to enhance all touch points throughout the overall shopping experience and have an integrated mobile, web, social and in-store strategy will see the biggest rewards.

The retailers that are successful in developing their multi-channel strategy will be able to attract more customers, increase customer retention and loyalty, realize more sales, increase revenue per customer, gain insight into customer shopping behaviors, deliver more relevant marketing messages and deepen the relationship with the customer. Beyond improving customer experience, retailers will be able to reduce marketing and sales costs, reduce customer service costs and ultimately reduce distribution costs by optimizing inventory management.

## SOUNDS GREAT, BUT WHERE DO I START?

As 3G and smartphone technologies have evolved, geographic barriers have been removed and consumers can now interact with retailers in a personalized way, anytime and anywhere through an integrated multi-channel platform. For selected retailers, we are truly entering an era when the whole world can be your store.

The optimal mobile platform for retailers is comprised of a downloadable rich app, a mobile optimized website, and in-store mobile engagement. Once this platform is launched, the benefits to the consumer will be tremendous. While there is unlimited potential to engage with consumers through this multi-channel platform, there are several core features that can enhance all customer touch points, both in and out of the store.

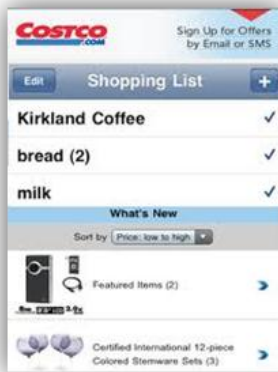
*As Exhibit 1 shows, there are five key touch points to consider when developing a mobile + in-store retail strategy: pre-store planning, outside store experiences, in-store experiences, checkout, and post purchase.*



**Exhibit 1: Retail Touch Points**

### Pre-store Planning:

Retailers have an opportunity to start engaging customers far before they arrive at a store and mobile is a powerful channel through which to start the relationship. An intuitive mobile-optimized website that allows for easy product browsing and purchasing is critical for consumers to engage with the retailer anytime and anywhere. By incorporating high-quality pictures and detailed information about products, a mobile site empowers consumers to begin their shopping experience before entering the store. Consumers can not only learn about products they are interested in, but they can also find out about upcoming promotions, in-store events and specials that are relevant to them.

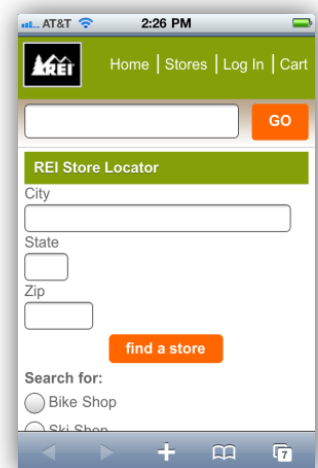


While mobile-optimized websites are a great way to reach a large number of consumers, an app allows for users to integrate smartphone functionality into the mobile experience and take advantage of features such as GPS and camera. Additionally, apps can simplify the user interface, enabling consumers to search for products and easily make purchases from a mobile device within just a few clicks or find a store with availability to purchase locally. Apps can improve the pre-store planning experience as well by allowing consumers to scan barcodes of products they already have at home to add items to a mobile shopping list, easily add items when they think of them and share lists with friends and family members. For more information, see our [Point of View](#) on this topic.

### Outside the Store:

Mobile devices enable customers on-the-go to seek out store locations, receive promotional messages and access special deals no matter where they are. Store locator functionality serves as a crucial link between mobile and traditional in-store retail channels and eliminates the potential initial pain point of the in-store shopping experience: getting to the store. Store locator app functionality give consumers the capability to locate stores and get directions quickly and easily as well as access store hours, and basic information that previously required a phone call to store employees.

GPS-enabled smartphones allow retailers to incorporate location-based promotions into the shopping experience that provide immense value to consumers. For example, customers with an enabled retailer app who enter a geo-fenced area surrounding store locations can be sent alerts with discounts, current in-store promotions or special offers. Location-based promotions have the power to drive store traffic, increase sales, and solidify the smartphone as an integral part of the multi-channel equation.



### **In-store:**

From the moment customers walk into a store, mobile unlocks the potential to enhance all aspects of the shopping experience. By using a retailer app, customers can “check-in” to receive store coupons and promotions as well as access countless features the retailer chooses to implement. Some retailers provide additional information that improves the store experience such as store maps, product advice and personalized suggestions based on shopping history. Once in the store, customers can research products by scanning product barcodes with a smartphone camera to compare prices, read reviews, add items to a wishlist or share items with friends via social networks. Customers will be able to interact with promotional signage in stores by scanning quick response (QR) codes to create a more interactive store experience; customers can enter contests, obtain style/gear advice, access news and media to further engage with the store. Additionally, QR codes can provide invaluable customer preference insights that can be used to deliver personalized and relevant campaigns. Barcode scanning grants customers access to extended product information allowing for more informed purchasing decisions—this convergence between mobile and the in-store channels is a core element of the multi-channel retail strategy. Incorporating mobile in stores enables customers to have a highly personalized, distinctive, relevant and fun shopping experience – while the retailer seamlessly integrates multiple channels.



### **Check-out and Post Purchase:**



Retailers that enable customers to make payments with a mobile device will make the check-out experience quick, convenient and easy. Currently there are numerous mobile payment options and the solution that retailers offer will depend on the type of retail segment and resources available. Many retailers are implementing mobile app scanners or NFC devices at registers to allow customers to pay quickly with their phones. Others are removing the traditional registers altogether and enabling customers to pay from anywhere in the store. Apple has been a pioneer in this area and has taken the concept of line-busting to a new level; employees are capable of emailing receipts and automatically registering warranty information for customers as they pay. Loyalty programs can also be integrated into mobile apps so customers can easily track loyalty program points and redeem earned rewards. Retailers can offer rewards to customers simply by entering stores, making purchases or checking out promotional demonstrations. If customers need to return products, their purchase history and e-receipts can be easily stored on their mobile device for easy access.

## THE BENEFITS ARE NOT JUST FOR CUSTOMERS

In addition to the numerous experience-enhancing benefits a multi-channel retail strategy offers consumers, incorporating mobile into in-store operations has the potential to revolutionize internal operations. Adding a mobile POS solution enables retailers to drastically reduce the amount of resources necessary for inventory management. Mobile POS devices can eliminate slow-moving check-out lines, poor customer service and missed selling opportunities. Importantly, linking inventory to a mobile POS device can dramatically decrease distribution and labor costs as well as allow for employees to be more knowledgeable and helpful to customers. Home Depot recently made a \$64 million investment in the largest mobile POS roll-out to date. The newly launched *Home Depot First Phone* is a phone, mobile POS, receipt printer, inventory tracker and walkie-talkie and allows employees to quickly provide valuable information to customers. Despite the large investment, Home Depot claims the labor savings realized through this implementation will cover the cost within the first year of roll out. Most all retailers can benefit from a mobile POS solution and can realize significant cost savings to the organization.

## WHICH RETAIL SEGMENTS COULD THIS WORK FOR?

Retail segments are fundamentally not the same and many attract different demographics. The following retail segments could benefit from different features in different ways—when communicating the benefits to your customers, it is important to consider who your audience is. Certain retail segments will respond better to various approaches and when formulating a mobile retail strategy, it is crucial to understand your targeted audience before you start making technology decisions or begin to incorporate levels of functionality.

Retailer Segment:	Consumer Electronics Stores	Retail Apparel Stores	Supermarkets & Drugstores	QSR & Fast food
<b>Key Benefits</b>	<ul style="list-style-type: none"> <li>Price &amp; Feature comparison</li> <li>Customer reviews</li> <li>Mobile video demonstration</li> <li>Accessory guide</li> </ul>	<ul style="list-style-type: none"> <li>Style advice</li> <li>Pre-select clothing for fitting rooms</li> <li>Personalized service upon arrival</li> </ul>	<ul style="list-style-type: none"> <li>In-store product finder</li> <li>Extended packaging</li> <li>Recipe helper</li> </ul>	<ul style="list-style-type: none"> <li>Order before arriving</li> <li>Increased accuracy and speed of orders</li> </ul>
<b>Demographic info</b>	<ul style="list-style-type: none"> <li>Most mobile savvy retail segment</li> <li>High adoption of new technologies in stores</li> </ul>	<ul style="list-style-type: none"> <li>Less mobile savvy</li> <li>Rely more on SMS and mobile web</li> </ul>	<ul style="list-style-type: none"> <li>Highly varied demographic</li> </ul>	<ul style="list-style-type: none"> <li>Pillars of industry match perfectly for mobile integration (speed, service, convenience)</li> </ul>

For example, the consumer electronics retail segment targets a demographic that is known to be the most mobile and technologically savvy. Customers in these stores would largely respond well to new and exciting mobile technologies integrated in-store. On the other hand, a supermarket targets a highly varied demographic, and thus would require a very user-friendly, convenient and simple solution that anyone could access. By customizing to the needs of its audience and target demographics, a multi-channel strategy has a much greater chance of succeeding.

### **LIMITATIONS, GAPS AND RISKS TO A MOBILE IN-STORE STRATEGY**

Although incorporating mobile into an in-store multi-channel strategy has countless benefits, there are many risks and limitations that should be considered before proceeding. Like all businesses, retailers are often faced with limited resources and should carefully determine which elements of a mobile in-store strategy are most valuable for them. Below are several focal points that should be thought through:

- Extensive development and implementation costs will be necessary before mass-market systems are adopted.
- Not all consumers are equipped with mobile phones that will be compatible with new in-store mobile solutions and there are challenges associated with the technology adoption curve.
- New technology must be compatible with existing retail POS systems and with all consumer electronic mediums (Android, Apple, RIM, Windows Phone etc.) Differences in infrastructure in retail locations are a potential barrier to mass market rollouts.
- Extensive online and offline security risks exist with mobile POS, user information etc.
- Many competing mobile solutions (FB, Twitter, Google, etc., merchant apps) result in confusion for consumers.
- For many people, mobile will never replace in-person customer service.
- An in-store sales force may be required to encourage usage of in-store mobile solutions.
- Many existing mobile and retail solutions are constructed in silos—integration is crucial but it may be challenging.

## RECOMMENDATIONS

It is becoming critical for retailers to integrate mobile into their existing in-store and web channels to offer their customers a convenient and seamless shopping experience. When developing this strategy, it is important to think about the following:

- Think bigger than just mobile—leverage mobile strategy to achieve company goals and objectives. Focus on the customer experience and building the consumer-retailer relationship.
- Develop an understanding of your consumers' current mobile usage and tailor your mobile strategy toward the demographic and segment you are focusing on. For some demographics, SMS may be more effective than QR, barcodes, or video.
- Anticipate evolution of consumer behavior and technology—although some consumers now may not be mobile savvy, they will rapidly adopt new technology and skills.
- Make the mobile shopping opportunity highly visible and an integrated part of the store experience and make mobile integration a natural part of a shopping routine.
- Get customers to volunteer information contextually to become highly personalized.
- Respond instantly to customers within the shopping experience.
- You may not need to re-invent the wheel. Leverage existing successful applications such as Shopkick, Scvngr, Square and others.

## SUMMARY

The face of the in-store channel is rapidly changing with the evolution and integration of mobile. To realize the greatest success, retailers must develop and execute a multi-channel strategy effectively in order to increase sales, deepen the customer connection and enhance the customer shopping experience. Mobile serves as the critical link between the online and in-store channels and will play a powerful role in cross-channel strategies for retailers.

## FOR MORE INFORMATION

For a more detailed discussion of these concepts or to learn how we can help you put them into practice, contact Martin Mehalchin, Lenati's Retail Practice Lead, at [mmehalchin@lenati.com](mailto:mmehalchin@lenati.com).