



2015 Mobility Research Supplement

**INNOVATIVE RETAIL**  
— TECHNOLOGIES —

# The Digitization Of The Shopper's Journey

Retailers must put the shopping journey and its delivery via mobile at the forefront of customer-facing strategic initiatives.



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# MOBILE IS AN INNOVATION IMPERATIVE

**T**he retailer's opportunity to innovate with consumer-facing mobile technology is no longer on the horizon; it's here, it's now, and it's big. We're extremely pleased to feature some eye-opening analysis on the subject from Miya Knights, who recently joined Planet Retail as global research technology director. Miya was previously senior research analyst for IDC Retail Insights, and she served as editor of Retail Technology magazine

for a decade years prior to that. She knows her retail technology, and her contribution this month leaves little doubt that modern retail strategy is incomplete without a comprehensive approach to mobile consumer engagement.

Special thanks to Miya and Planet Retail for contributing to our 2015 Mobility Research Supplement. Learn more about Planet Retail at [www1.planetretail.net](http://www1.planetretail.net).

## THE DIGITIZATION OF THE SHOPPER'S JOURNEY



Retailers with a coherent omni-channel business proposition must put the digitization of the shopping journey and its delivery via mobile at the forefront of customer-facing strategic initiatives.

BY MIYA KNIGHTS, GLOBAL RESEARCH TECHNOLOGY DIRECTOR, PLANET RETAIL

**T**he advent of the Internet was the major catalyst of change across every consumer-facing industry during the last 20 years of the 20th century. So, it's no understatement to make the case for mobile now being the single most

important technology-enabled influence on retail merchants and brand owners at the start of the 21st century.

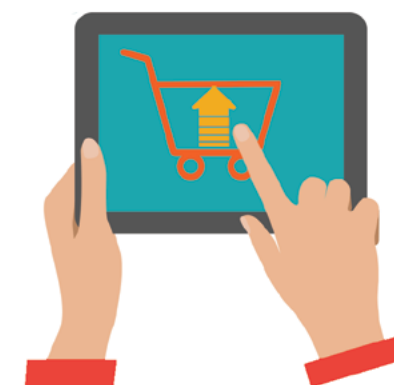
The so-called "consumerization" of technology and consumers' exigent appetite for digitally enabled shopping experiences

are forcing organizations to radically rethink their business models, operational processes, and supporting technology investment strategies. As Walmart Chief Executive Doug McMillon told CNBC late last year: "We knew mobile would be important to us [during the festive trading season], but it has accounted for 70 percent of the orders that we've taken through our digital business. [Compared to a year ago], this is a dramatic increase, and it's happening all over the world. It is a driving force in the countries we operate in today."

The sales growth driven by mobile technology bears McMillon's comments out. Take, for example, UK consumers who have consistently spent the greatest proportion of total retail sales online compared to the rest of the world for nearly a decade now. The UK's online retail association, the Interactive Media in Retail Group (IMRG) that tracks the e-commerce and m-commerce performance of its retailer members (in association with IT consultancy Capgemini), found total sales grew 14 percent in 2014 compared to the previous year. But, when splitting out sales attributable to smartphone

**Mobile is revealing its potential as the digital "glue" that consumers use to link up their off- and online retail experiences.**

## Global Mobile: Mobile Shopping Heats Up Everywhere



In the month of May 2015 alone, European m-commerce sales grew **48%\***



European sales via smartphone outweighed tablets **107% to 32%\***



Alibaba reported that mobile accounted for **42%** of total business on its Chinese retail platforms, up from **36%** in the quarter that ended September 2014.



During the 2014 holiday shopping season, mobile accounted for **70%** of the orders taken through Walmart's digital business.

*\*Interactive Media in Retail Group*

or tablet devices, the IMRG Capgemini e-Retail Sales Index also reported that, in the month of May 2015 alone, m-commerce sales grew 48 percent. Sales made via smartphone also significantly outweighed tablets, at 107 percent annual sales growth compared to 32 percent for tablets.

### Tracking Global Growth

But the impact of mobile is not just being felt in the mature retail markets of the U.S. and Western Europe. Greenfield growth

in emerging markets is likely to quickly outpace these regions, given the size and relative m-commerce immaturity of countries such as China, Brazil, and India. In its January 2015 quarterly earnings, Alibaba reported that mobile accounted for 42 percent of total business on its Chinese retail platforms, up from 36 percent in the quarter ending in September 2014. In India, on the other hand, 72 percent of consumers access the Internet via desktops and laptops, while only 49 percent and 24 percent do so using smartphones and tablets, respectively. This is in comparison to

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the UK, where GDP is four times higher and smartphone penetration runs to over half the population, with nearly a third using tablet devices (*Source: Planet Retail*).

Consider also the third wave of connectivity, if you will — where the first was wired, and the second wireless. The third has been characterized variously as machine-to-machine (M2M) communications, smart grids, the Internet of Everything (IoE), or the Internet of Things (IoT). IoT first emerged as a viable concept when the number of Internet-connected devices overtook the number of people using them around 2008-09, and now those IP-addressable devices using embedded sensors and standard communication protocols — from wearable devices and Bluetooth beacons to Amazon’s Dart button and smart home and store systems — are set to dwarf the global population growth rate by 2020. What’s more, IoT is emerging to be just as consumer-driven a trend as e-commerce and m-commerce have proven to be. Retailers are no strangers to exploring the productivity benefits of mobility, track and trace, and sense and respond technologies. Yet, herein lies the challenge the industry now faces. Where the adoption of such technologies

by retail merchants and brands, as well as their partners and other stakeholders including manufacturers and financial institutions, is currently far outpaced by the customers they serve.

Retail’s response to this challenge is and will remain a decisive determining competitive factor for the foreseeable future. The industry used to be obsessed with optimizing multichannel strategies when the Internet added e-commerce to the home shopping mix. Nowadays, mobile and other digital technologies inside and out of the store have led to a “channel blind” approach, where gaining omni-channel and more recently “omni-commerce” control of operations are the goals, with the aim of aligning optimized business models with channel-agnostic processes for maximum efficiency, availability, and levels of differentiated customer service. More than two years ago, Tolman Geffs, co-president of independent investment bank The Jordan Edmiston Group, Inc., said: “Omni-commerce ... is the idea that digital permeates every step of the purchase chain from product discovery to trial, to pricing, to actual purchase.” From both an operational and customer-facing standpoint, mobile is a key enabler.

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### Mobile As An Enabler

If you consider mobile as a fundamental enabler of IoT, in the mid- to long-term, it has the potential to streamline retail operations far beyond the levels of just-in-time sourcing and lean supply chains the industry aspires to today. Out-of-stocks and markdowns can be minimized; drop shipping, split shipments, and returns need not disrupt the business-as-usual process; and real-time inventory visibility can be total — even over the last mile. Track-and-trace technologies used throughout the distribution, logistics, and supply chain could help reduce shrinkage when integrated with electronic article surveillance (EAS) tags at the front of the store. Radio frequency identification (RFID) technology already speeds stocktakes, planogram compliance, transaction throughput, and task management procedures. But this just scratches the surface of the potential for adding location-based capabilities, particularly when you factor in the customer-facing shopping revolution also taking place via mobile.

While m-commerce conversion rates have been characteristically low in comparison to other sales channels, the recent growth in

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sales via mobile, coupled with its role in the product discovery and price comparison phases of the shopping journey, indicates that its customer-facing influence is broadening. It is important for retailers to track hardware and infrastructure developments, where larger form factors and screens, faster mobile data speeds, and wider availability of public Wi-Fi in retail, travel, leisure, hospitality outlets as well as transit environments make shopping “anywhere, anytime” a reality. The advent of contactless, followed by mobile payments — culminating in the launch of Apple Pay in the U.S. and UK recently — takes shifting consumer perceptions around speed, availability, and convenience to a new level. Here, too, opting for GPS location-based promotions and services can add a new dimension to retailers’ quest for evermore targeted customer service and engagement and consequent returns on investment. Innovations in the use of beacons to speed click-and-collect service in quick service environments or to extend assortment merchandising in department stores, for example, are leading the way in the short term.

Taking a longer term, strategic view, retailers must not only take note of the hardware and infrastructure developments that affect the way consumers interact via mobile; they must also master the other foundational technologies that will characterize this new digitally enabled era of shopping. Mobile technology developments have been accompanied by advancements in cloud computing, analytics, and to a certain extent, social networks — all of which retail brands and merchants must evaluate for their potential to support their ability to attract, engage, and retain increasing numbers of digitally savvy

shoppers. Planet Retail, which tracks the factors that have the biggest influence on a shopper’s choice of retailer every quarter through its Shopology research, revealed just how important the link between online and the store has become so far this year. Returning unwanted items purchased online to the nearest store; same or next-day delivery, as well as flexible delivery times and options for online purchases; and convenient collection points to pick up online purchases emerged as the top four differentiating influencers, and all have the opportunity to incorporate the use of mobile technologies to smooth and enhance the customer experience.

### Harnessing Mobile Potential

Look, for example, at the growing number of grocery retailers in the U.S. and UK who are using temperature-controlled lockers to fulfill online orders and, ostensibly, extend their physical fulfillment services beyond a store’s open hours. Mobile plays a key role here in communicating order information and the authentication information needed to access the lockers to collect orders. In a financial statement earlier this year, quick-service restaurant coffee shop chain Starbucks also reported 15 percent of its purchases in the U.S. are made via its mobile app. In response, it is trialing an order-and-collect feature in advance of any wider potential rollout. UK department store, House of Fraser, is among a number of retailers experimenting with beacons embedded into mannequins to extend its range and assortment and provide a digital link between the store and its online presence. Mobile is revealing its potential as the digital “glue” that consumers use to link up their off- and online retail experiences. Retailers must make sure they are ready to

## IoT is emerging to be just as consumer-driven a trend as e-commerce and m-commerce have proven to be.

invest in and use cases and applications that facilitate such joined-up digital experiences.

The long-term outlook for the monetization of mobile investments in retail is extremely positive. To restate, these investments cannot be viewed in isolation, but rather as part of a coherent, strategic omni-channel business proposition that puts the digitization of the shopping journey and its delivery via mobile at the forefront of any updated or new customer-facing initiative. It should also go without saying that privacy, security, and compliance will accordingly have to rise up the board-level and IT agendas. But the good news is that cloud computing, Big Data, and even the advent of socially networked or crowd-sourced insight can all support a position of robust IT governance that also empowers different lines of business to use mobile-enabled practices and services to their advantage. Those retailers that do can harness the means to succeed long into the future by enabling a broader base of more up-to-date transactional and behavioral customer insight, alongside more agile, proactive, and deeper levels of engagement. ■

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