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2014 Mobility Research Special Report

MOBILE IN RETAIL: Reality Sets In

With brand-new, digital paths-to-purchase, retailers are absorbing what those changes mean to their businesses — step up or get left behind.

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Mobile In Retail:
Reality Sets In

By Brian Kilcourse and Steve Rowen,
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RSR
Retail Systems Research

Thanks to their love of smart mobile devices, consumers have shaken retail to its foundation. With brand new digital paths-to-purchase, times have truly changed, and retailers are absorbing what that change means to their businesses. In this, our third annual benchmark on the state of *Mobile in Retail*, we want to find out exactly how retailers are responding to these new challenges — and how the best are able to convert them into opportunity.

Key Findings
Throughout this report, we'll refer to the finding that despite the harsh reality of the new retail landscape, now is the time for action. To that end, we'll also offer several in-depth and pragmatic suggestions on how retailers should proceed. These recommendations can be found in the BOOTStrap Recommendations portion of the report.

Beyond any question, the rapid adoption of smart mobile technologies by consumers worldwide has triggered a fundamental change in how people shop and how retailers sell. An October 2013 study of U.S.-based consumers conducted by RSR showed that 40 percent of consumers shop with mobile devices at home at least sometimes, versus 32 percent while in the store, and 27 percent at work.

The same consumer-based study showed that the primary at-home mobile shopping activity was "research product selection" (60 percent), while the primary activity in the store was "comparing prices" (57 percent).

Clearly, even though shoppers continue to complete their purchases in stores, many begin their paths-to-purchase in the digital domain, far beyond the four walls of the traditional store.

Our third edition of *Mobile in Retail* focuses on the challenges and opportunities created by the rapid adoption of smart devices.
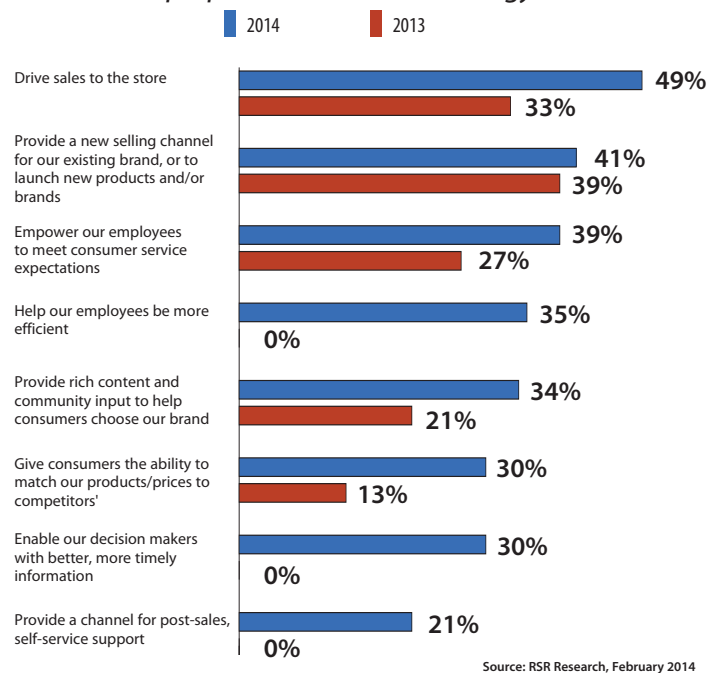
Retailers clearly see from their angle what we learned in our

Figure 1: Skyrocketing Influence

Which best describes how often you think mobile influences your consumers' purchases?

	75% or more	51-74%	25-50%	less than 25%
Now	9%	38%	33%	20%
In 3 Years	44%	31%	16%	9%

Source: RSR Research, February 2014

October 2013 consumer panel: While 47 percent of retailers who responded to this survey believe that mobile influences consumers' purchases more than half the time, that number is expected to skyrocket to 75 percent in three years' time (Figure 1).

Consumers' new digital/mobile paths-to-purchase have shaken retail to its foundation. The traditional model was built on the assumption that all consumer activities leading up to a purchase (investigation, selection, payment, and fulfillment) happen in the physical domain — the store. That is clearly no longer the case for many people. Now consumers at least investigate, and in many cases select and pay for merchandise outside of the store even when they intend to pick up their purchases in the store. And beyond that, consumers may choose to skip the store altogether by selecting direct-to-consumer fulfillment.

Figure 2: Post-Channel

The purpose of our mobile strategy is to:

	2014	2013
Drive sales to the store	49%	33%
Provide a new selling channel for our existing brand, or to launch new products and/or brands	41%	39%
Empower our employees to meet consumer service expectations	39%	27%
Help our employees be more efficient	35%	0%
Provide rich content and community input to help consumers choose our brand	34%	21%
Give consumers the ability to match our products/prices to competitors'	30%	13%
Enable our decision makers with better, more timely information	30%	0%
Provide a channel for post-sales, self-service support	21%	0%

Source: RSR Research, February 2014

The Post-Channel Age
As recently as January 2013 (the last time RSR benchmarked retailers'

attitudes about the value of smart mobile technologies), retailers fretted about the effect of "showrooming" (the consumer practice of looking at items in a store, but ordering direct from an e-tailer) on their future prospects. At that time, retailers showed a preference for creating a new mobile selling channel to maintain customer loyalty. Now, retailers indicate that they have absorbed the implications of consumers' digitally enabled paths-to-purchase. The notion of "channels" begins to fade as consumers use the digital and physical selling domains together to make a single purchase. We see this very clearly by comparing answers to the question *What is the purpose of your mobile strategy?* in the 2013 and 2014 studies (see Figure 2 on prior page). Now, retailers want to use the mobile-enabled domain to drive sales to the store. But they also recognize that consumers want more choices, and therefore continue to offer a complete shopping experience via a mobile channel as well.

Retailers are now focused on using mobile as a way to enhance the shopping experience both inside and outside of the store by providing rich content about products and community input (reviews, comments) and even product/price comparisons. And importantly, retailers are coming to the realization that customers expect store employees to be empowered with information, too, to meet their ever-increasing service expectations.

Winners Pave The Way
RSR's research always focuses on a category of retailers we call Retail Winners. Our definition of Retail Winners is straightforward. We judge retailers by year-over-year comparable store/channel sales improvements. Assuming an industry-average comparable store/channel sales growth of 3 percent, we define those with sales above this hurdle as Winners, those at this sales growth rate as Average, and those below this sales growth rate as Laggards or Also-Rans. It is consistent throughout much of RSR's research findings that Winners don't merely do the same things better, they tend to do different things. They think differently. They plan differently. They respond differently.

Our study also indicated Winners had a marked stronger emphasis on driving sales to the store (57 percent compared to 43 percent of all other respondents). And they add a new twist to the findings: While only 24 percent of average and under-performers see mobile as a way to increase employee efficiency, 50 percent of Winners see it as important. There's a cause-and-effect here that Winners clearly see — in order to meet customers' service expectations without raising labor costs, Winners know that non-selling functions must become hyper-efficient, and employees using mobile devices for that purpose will help.

Methodology
RSR uses its own model, called the BOOT, to analyze retail industry issues. We build this model with our survey instruments. *Appendix A* on page s9/23 contains a full explanation of the methodology. In our surveys, we continue to find differences in the thought processes, actions, and decisions made by retailers who outperform their competitors and the industry at large — Retail Winners. The BOOT model helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

Survey Respondent Characteristics
RSR conducted an online survey from November 2013 to January 2014

and received answers from 122 qualified retail respondents. Respondent demographics are:

Year-Over-Year Sales Growth Rates (assumes average growth of 3%)	
Winners (better than average)	44%
Average	47%
Worse than average	9%

Products Sold	
Fashion/Short Life Cycle	22%
Seasonal	8%
Basics/Replenishment Goods	17%
Perishables	15%
Hard Goods (containers/party supplies)	10%
Consumer Electronics	7%
Durable Goods (furniture, cars)	6%
Other (food service)	16%

Headquarters/Retail Presence	
U.S.A.	85%/22%
Canada	2%/43%
Latin America	0%/20%
U.K.	2%/28%
Europe	4%/28%
Middle East	0%/10%
Africa	2%/8%
Asia/Pacific	5%/23%

2011 Revenue (U.S. $ Equivalent)	
Less than $50 million	5%
$51 - $249 Million	3%
$250 - $499 Million	22%
$500 - $999 Million	13%
$1 - $5 Billion	22%
More Than $5 Billion	34%

BUSINESS CHALLENGES
Locked In? Maybe, Maybe Not
Retailers have been pondering the impact of consumer adoption of smartphones since 2010, when sales and usage of the devices exploded. Examples: In the U.S., smartphone penetration went from less than 30 percent in October 2010 to more than 56 percent by October 2012[1]; in the U.K., usage of mobile Internet traffic (a key indicator of smartphone usage) rose from 15 petabytes/month in 2010 to 133 petabytes/month in 2013[2]. By 2013, retailers had developed a clear sense that the top challenge facing the industry was that "consumers are using mobile as part of their shopping experience and we need to be there" (see Figure 3 on the next page). In the year since RSR first asked that question, that hasn't changed — consumer adoption of the smartphone as a key enabler of their digital paths-to-purchase is still the top challenge that retailers seek to address.

So most retailers remain firm in their belief that "be(ing) there" with a mobile offering is very important — consumers demand it. But, it is worth noting that two factors have changed since January 2013, one for the better, and one for the worse. For the better, far fewer retailers are concerned about "confusion in the marketplace about what makes a successful strategy" than one year ago.

After at least two years of experimentation, retailers view mobile as a way to extend their e-commerce capabilities. Indeed, as we'll see later in this report, 70 percent of retailers view "an e-commerce site that can extend to mobile" as "very important" (as opposed to implementing a separate mobile commerce platform). On the downside, retailers are more concerned now than a year ago about "consumers' privacy concerns." Winners are

1. According to Nielsen Media Insights
2. According to Cisco Systems' Visual Networking Index

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Figure 3: A Maturing Understanding Of The Mobile Challenge

Please identify the top three business challenges you face with your mobile strategy.

Source: RSR Research, February 2014
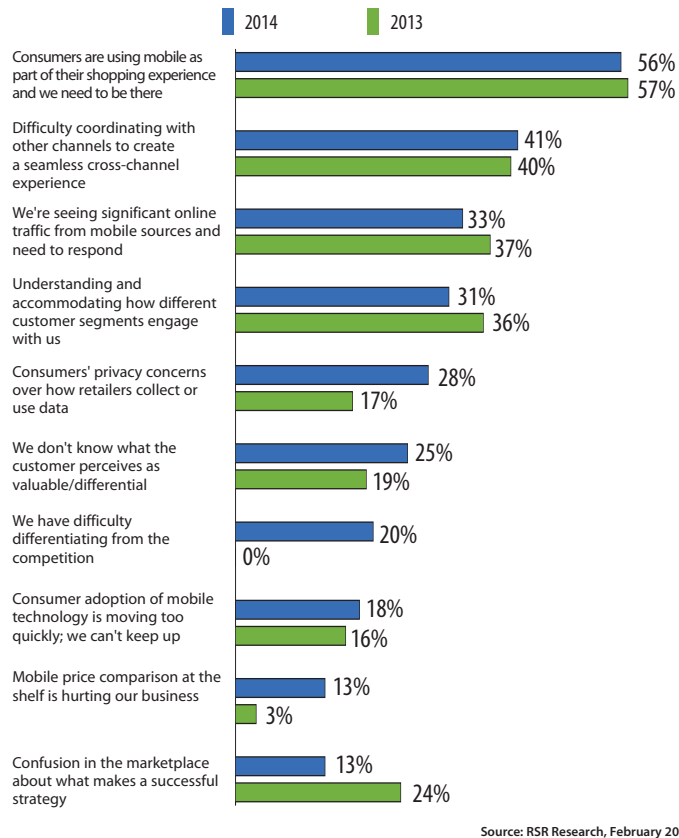
more concerned about this issue than all others (33 percent compared to 25 percent of Average Performers and Laggards), but RSR expects this to be an even bigger issue next year, as retailers begin to implement store traffic analysis capabilities that use signals from consumer mobile devices.

Although such capabilities may enable retailers to understand "the last mile" of consumers' paths-to-purchase, early experiments have met with public condemnation (in one well-publicized example, Nordstrom felt compelled to pull from 17 of its stores a pilot project that was intended to help the retailer understand traffic patterns on the sales floor).

What Does "Being There" Mean?

While the majority of retailers express the need to "be there" because the consumer is already using mobile devices for shopping, what that exactly means is changing. We asked our survey respondents to choose the most important consumer capabilities to be offered on mobile, and the only one that a majority of retailers agreed on was "search for and select merchandise," followed distantly by the related features of "redeem coupons and offers" and "pay for merchandise." Yet, in spite of the faint praise offered for anything besides "search for and select merchandise," many retailers report that they already have other less important capabilities in place.

The dissonance in these responses indicates that a reevaluation may be in

progress. As stated earlier, most retailers indicate a preference for a "mobile optimized" extension to their e-commerce offering, presumably with the same capabilities that an e-commerce site has to create orders and complete transactions. The new challenge is that while mobile is perceived as more appropriate for the early parts of consumers' paths-to-purchase (search for and select merchandise), it may not be so well suited for the transactional part of the dialogue (completing the order and paying for the merchandise).

Retailers' focus on "search for and select merchandise" (as opposed to completing purchases) roughly corresponds to what consumers themselves indicate is important to them (see Figure 4 on the next page), according to RSR's October 2013 consumer panel. Although in the case of consumer use "from home," 39 percent do in fact want to complete their purchases via mobile (an examination of those responses indicates that the desire to purchase products is driven primary by tablet — not smart mobile phone — users).

"Don't Talk At Me"

Consumers and retailers generally agree that the value from a mobile offering is most closely related to providing content that helps consumers make the selections to suit their lifestyle needs. Additionally, consumers want community feedback in the form of reviews as a part of the selection process, using mobile devices. Retailers, however, aren't keen on making that content contextually relevant, for example, by offering information about products related to a consumer's recent searches or similar past purchases. Only 22 percent put a high value on such capabilities, even while 43 percent actually have at least some of them already in place. And when it comes to "push notifications" with personalized offers and even order status notifications, a surprising number of retailers have no plans to provide such capabilities, particularly (in the case of Winners) if that means using SMS (short message service) texting via mobile phone.

Results from RSR's October 2013 consumer panel show that they feel even more strongly than retailers that "push" messages via SMS in particular are undesirable. In no case, regardless of the type of merchandise being searched for or selected, did a majority of consumers want push notifications via SMS, and in-app notifications fared only slightly better.

What About Store Employees?

In RSR's May 2013 benchmark study, *The Relevant Store in the Digital Age*, we learned that retailers generally feel that their employees don't spend enough time helping shoppers in the store.

But consumers seem to have moved on, using their mobile devices in-store to check prices, read product ratings, etc. This creates a challenge for retailers in that the instant gratification of in-store fulfillment becomes the principle reason to ever go to a store. Retailers know that helpful employees are the key to changing this dynamic; in the May 2013 study, 41 percent of Winners and 57 percent of Laggards viewed "educating and empowering our in-store employees using technology" as a top-three opportunity. But when we followed up in this study to learn what retailers are doing with mobile to enable employees, we discovered that it is "not much," at least yet.

Lack of progress when it comes to employee enablement becomes a true business challenge, since consumers are already enabled. Failure to address this issue meaningfully only will encourage consumers to "showroom" — the very thing that retailers most fear about pure-play e-tailers.

Figure 4: What Consumers Want To Do

Desired phone use while shopping in stores
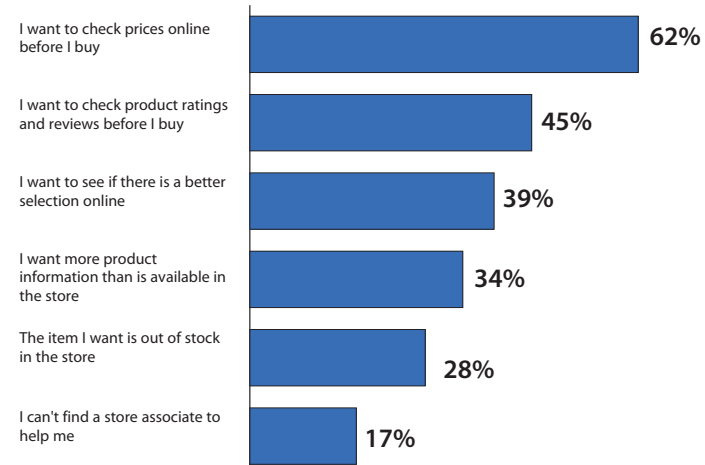
Primary mobile activities while shopping from home

Source: RSR Research, February 2014
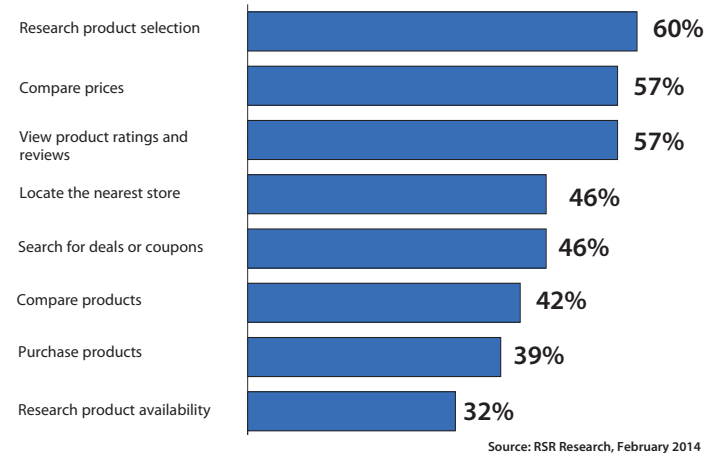
Summing Up the Challenge

Just as they did with early attempts to sell their products on social media, retailers are learning that the mobile space is more about consumers arming themselves with valuable content that helps them make the best choices to suit their lifestyle needs than it is about transacting (although consumers may choose to do that, too). For consumers, mobile isn't a destination like a store or an e-commerce site. Instead, it's both a way for them to express themselves and to become more independent. The challenge for retailers now is in how to participate in such a world in a way that helps build loyalty to the brand without being intrusive. While retailers ultimately want to "sell stuff," consumers want to engage in an exchange of information that addresses their needs. Retailers have to find a way to extend their brand into the digital space based on behavioral frameworks defined by consumers that are still emerging, and not dictated to consumers by retailers. For an industry that defined what consumers could buy, when and where, and forced a self-service model onto consumers, this loss of control is a huge challenge. But retailers also know they can't afford to wait. And so the imperative now is to dive in, expecting a certain amount of rethinking and reworking. Because from consumers, the message is "we'll let you know it's right when we see it."

For the stores, retailers understand that "self-service" is being redefined. Consumers now serve themselves with information they have available in their pockets and purses. The question for retailers is: "Do you want consumers to look at information provided by others, or by *you*?" At the same time, consumers expect store employees to be at least as knowledgeable as they are about products and prices, and are intolerant when they are not. RSR's consumer survey showed that almost two-thirds of consumers "wish employees were more helpful," but they are prepared to go it alone if they are not. That puts the viability of the store in peril, and that is the biggest business challenge of all.

OPPORTUNITIES
The Dice Are Loaded

In the face of so much diversity, where are the opportunities with which retailers self-identify? The answer may come as a surprise.

So far, retailers see mobile as an opportunity that extends far more to their consumers than they do their own efforts to help "be there" with them. The odds are stacked in consumers' favor, and virtually all of the ways retailers can help to balance the stakes (by marketing to consumers, by arming field operation managers and employees with mobile devices, etc.) are secondary to the advantages of mobile for consumers.

But that doesn't mean that there aren't advantages to retailers. Winners are more optimistic about the marketing and operational benefits that mobile technologies can create for them. For example, nearly twice as many Winners view mobile devices as having the ability to bring strong benefit to district and area managers' daily activities (56 percent vs. 35 percent of all other respondents). How can this be? Remember we're not talking about use here — this is purely value. So in a highly telling trend, it's not just that Winners are doing more with mobile today — by simply taking the time to understand the impact mobile technologies could (and will) have on their own operations — they're already ahead of their competitors before they even take action.

A True "No-Spin" Zone

When it comes to the very specific activities that retailers perceive as helping to level this playing field, retailers of all stripes skip the buzzwords: They want to engage their consumers via mobile devices, understand more about consumer behavior from those devices, and ultimately, build more brand loyalty (see Figure 5 on the next page).

In previous versions of this report, retailers swung wildly in their perceived opportunities from year to year (and in some cases, from month to month). That variance has ended; however, the opportunities they perceive this year are virtually identical to those of last year's report. They have locked in on what they hope to do.
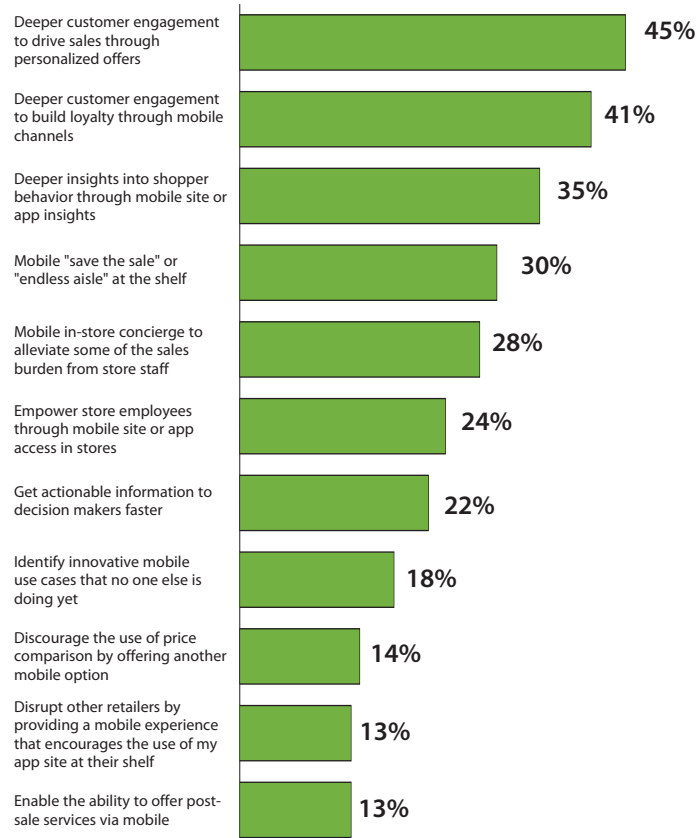
Different Strokes

RSR discovered in our most recent study on supply chain execution (*Supply Chain Execution 2014: Making Omni-Channel Profitable-Benchmark Report*, January 2014) that food and basics merchants feel more strongly than any other group that consumers expect retailers to provide a more seamless omni-channel experience (81 percent compared to 67 percent overall), and that one way to respond to that expectation is with greater investments in mobile/m-commerce (78 percent compared to 70 percent overall). Even though those retailers aren't nearly as interested in non- or

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Figure 5: Basics, Redefined

Please select the top three new opportunities for your company from adoption of a mobile strategy.

Opportunity	%
Deeper customer engagement to drive sales through personalized offers	45%
Deeper customer engagement to build loyalty through mobile channels	41%
Deeper insights into shopper behavior through mobile site or app insights	35%
Mobile "save the sale" or "endless aisle" at the shelf	30%
Mobile in-store concierge to alleviate some of the sales burden from store staff	28%
Empower store employees through mobile site or app access in stores	24%
Get actionable information to decision makers faster	22%
Identify innovative mobile use cases that no one else is doing yet	18%
Discourage the use of price comparison by offering another mobile option	14%
Disrupt other retailers by providing a mobile experience that encourages the use of my app site at their shelf	13%
Enable the ability to offer post-sale services via mobile	13%

Source: RSR Research, February 2014

alternative store fulfillment options, they do understand that consumers want to use mobile devices as part of the shopping experience, to investigate their choices even when they are in the store. Fashion retailers have a different set of issues. For them, mobile and e-commerce are viable not only for investigating and selecting products, but also for paying for and triggering fulfillment of customer orders. These differences are the result of the products being sold. Basics and perishables retailers sell products that are commodity consumer goods available anywhere, or are perishable (such as fresh produce). Consumers come to those stores because their needs are immediate. Fashion merchants deal with seasonal styles, color, size, and fit. Consumers are more likely to browse in both the physical and digital space before making their fashion-oriented decisions. We see that difference highlighted in how these broad groups of retailers see opportunities in mobile (Figure 6).

GM/FMCG (general merchandise/fast moving consumer goods) retailers, who often have loyalty programs in place that offer volume and frequency-based incentives, favor opportunities to drive sales (and thus loyalty) with personalized incentives to customers' mobile devices. Mobile is viewed as an extension of what they already do — offering special deals to loyal customers on frequently purchased items.
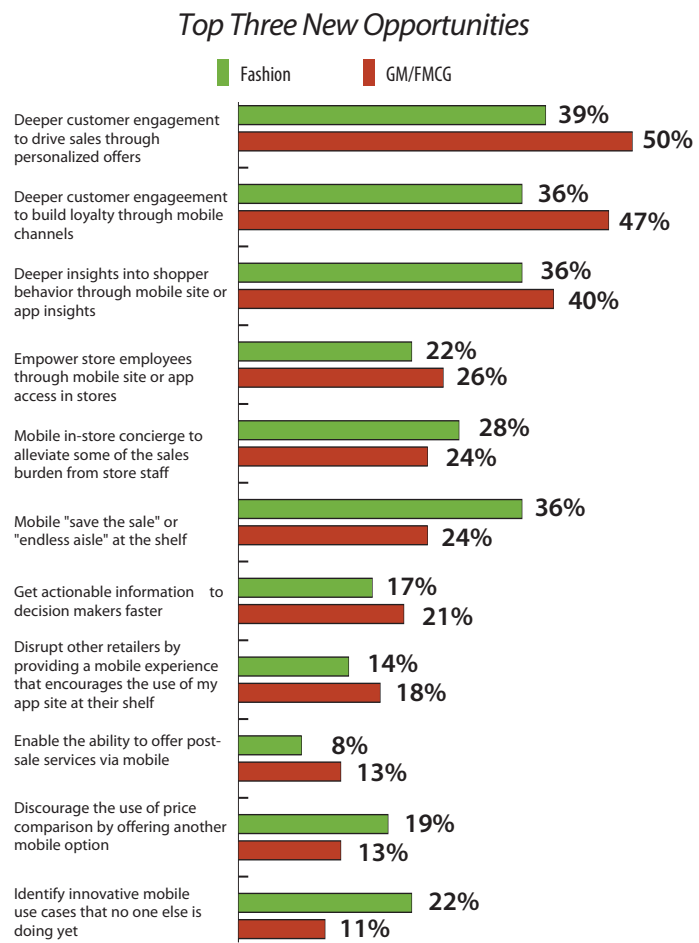
On the other hand, more fashion retailers like the idea of "endless aisle"

(offering customers and employees inventory visibility across the entire enterprise to "save the sale" with fulfillment from another location). We see a further reflection of this when it comes to specific capabilities these retailers most favor. GM/FMCG retailers favor giving consumers the ability to receive and redeem coupons and offers via mobile, and one quarter of these retailers even like the idea of enabling shoppers to create shopping lists. Fashion merchants, on the other hand, are far more likely to enable payments and customer-order status checking from mobile devices as a mobile extension of their customer-order management capabilities. These differences are indicative of the fulfillment side of omni-channel selling. The more products are replenishable commodities and/or perishable items, the more likely it is that consumers are driven by price and immediate fulfillment, and so mobile can enhance the store experience. For fashion retailers, mobile opens up the whole enterprise (and potentially even out to suppliers themselves) to the shopper, enabling anytime/anywhere access to the brand.

The Employee's Road Back To Relevance
Perceived opportunities with a mobile strategy designed to help employees better serve customers lag behind customer-facing opportunities. As we saw in the challenges section of this report, many retailers recognize that not enough time is spent by employees in assisting customers, even though

Figure 6: No One-Size-Fits-All

Top Three New Opportunities

Legend: ■ Fashion ■ GM/FMCG

Opportunity	Fashion	GM/FMCG
Deeper customer engagement to drive sales through personalized offers	39%	50%
Deeper customer engagement to build loyalty through mobile channels	36%	47%
Deeper insights into shopper behavior through mobile site or app insights	36%	40%
Empower store employees through mobile site or app access in stores	22%	26%
Mobile in-store concierge to alleviate some of the sales burden from store staff	28%	24%
Mobile "save the sale" or "endless aisle" at the shelf	36%	24%
Get actionable information to decision makers faster	17%	21%
Disrupt other retailers by providing a mobile experience that encourages the use of my app site at their shelf	14%	18%
Enable the ability to offer post-sale services via mobile	8%	13%
Discourage the use of price comparison by offering another mobile option	19%	13%
Identify innovative mobile use cases that no one else is doing yet	22%	11%

Source: RSR Research, February 2014

consumers wish that they would. And as we said earlier, failure to address the challenge could further erode the value of the store in the eyes of consumers. But a majority of retailers see value in stepping up to the challenge with providing assisted selling capabilities to employees.

As in every RSR benchmark, we will examine the differences in perceived value of relevant technologies to solve retailers' problems in comparison to their planned and current use in the technology enablers section of this report. However, few topics provide the type of gap between what is valued and what is in use — even at the capability level — as mobile does. This is a direct result of the speed by which consumers are driving change: Retailers are in a game of catch-up beyond any they've ever had to play before, and they are being dragged into the game against their will.

One area where they find consensus is that — in some form or another — mobile's greatest in-store opportunity will be to provide store associates with far more value than they currently provide. What form factor that technology will take on is an entirely different story (more on that later) — but the opportunity to engage in assisted selling is at the very top of their list. As is the case with nearly all of the data points in this segment of the research, however, (email access and process alerts serving as the low-hanging-fruit exceptions), value still outstrips enterprisewide use. Let's now find out what retailers can be doing differently within their own organizations to make this extraordinarily difficult road a bit easier to travel.

ORGANIZATIONAL INHIBITORS
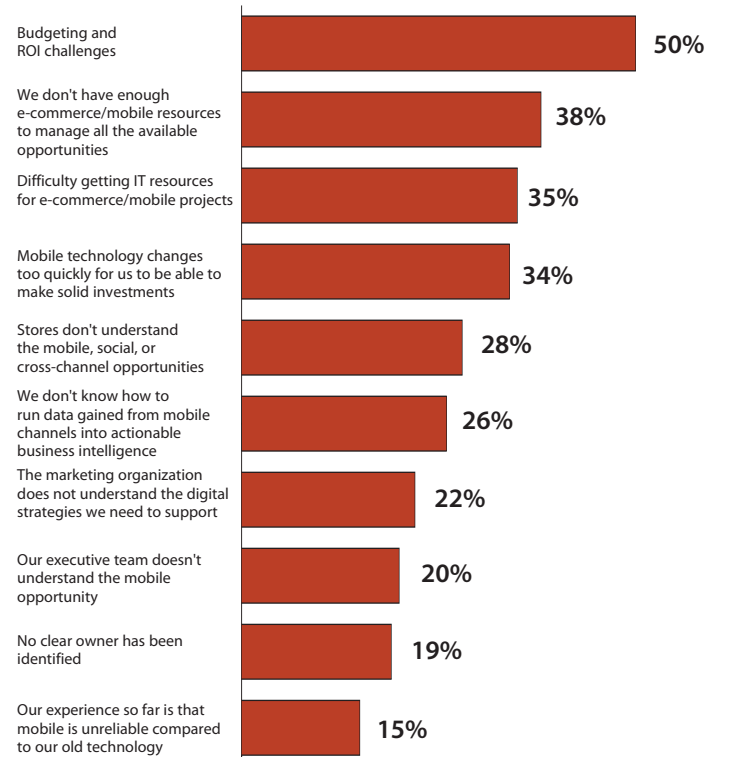### Retailers' Priorities Pull From Every Direction
Not surprisingly, budget and ROI challenges plague retailers' ability to push forward at the rate they'd like to in order to address the challenges and opportunities they are facing (Figure 7).

However, in comparison to last year's report, when retailers identified their top challenge as not having enough e-commerce/mobile resources to manage all of the available mobile opportunities (which received 65 percent of retailers' responses and was even higher for Winners at 67 percent), the mere 38 percent of retailers who report this as a roadblock this year signals a significant change. In fact, for the past several years, retailers have consistently told us that even with a budget, they wouldn't have the human resources necessary to address all the technology-related challenges and opportunities on their wish lists, and especially that their IT departments were already spread much too thin. Many Retail Winners still are very concerned about getting IT resources to focus on mobile strategies (43 percent compared to 28 percent of all other respondents). Recently, the tide has turned, and in research ranging from e-commerce to omni-channel to this mobile report, retailers tell us that it's become all about fighting for budget once more. This is particularly true for Retail Winners — 55 percent compared to 46 percent of all others. Does this indicate that budgets have frozen? Or does it mean that retailers have too many "top" priorities while trying to engage with empowered consumers across multiple fronts (including the supply chain, merchandising, and marketing)?

More likely, the problem of budget and ROI is a direct (and hopefully temporary) result of the reevaluation that we discussed in the challenges section of this report. As we saw in Figure 5, there's a dissonance between what customer-facing features are valued and what is already in place. Beyond "search for and select merchandise" features, retailers are unsure of what value they are creating — either

Figure 7: Fighting For Budget

Please identify the top three organizational inhibitors standing in the way of taking advantage of the opportunities outlined in Figure 6.

Inhibitor	%
Budgeting and ROI challenges	50%
We don't have enough e-commerce/mobile resources to manage all the available opportunities	38%
Difficulty getting IT resources for e-commerce/mobile projects	35%
Mobile technology changes too quickly for us to be able to make solid investments	34%
Stores don't understand the mobile, social, or cross-channel opportunities	28%
We don't know how to run data gained from mobile channels into actionable business intelligence	26%
The marketing organization does not understand the digital strategies we need to support	22%
Our executive team doesn't understand the mobile opportunity	20%
No clear owner has been identified	19%
Our experience so far is that mobile is unreliable compared to our old technology	15%

Source: RSR Research, February 2014

for consumers or their companies. This speaks to the fact that mobile technologies and their uses are still emerging in the marketplace — and being driven almost solely by consumer adoption, not by retailer innovation. With an uncertain ROI, many retailers are clearly uncomfortable, even if they feel compelled to act to meet consumer expectations.

One Platform To Rule Them All
What does remain consistent from last year, however, is exactly how a majority of retailers think they can get past their internal roadblocks: They see a streamlined technology platform as the key to their way forward.

Even since the dawn of catalog sales (and to a much larger degree, e-commerce), retailers have struggled to not only fulfill orders across multiple channels in a consistent manner, but to provide an overall brand engagement that feels consistent to the consumer across myriad touch points. In fairness, how can a retailer be expected to provide a seamless experience from one channel to another when many of the necessary technologies have simply been bolted on over time to older, existing systems as the evolutionary demands of shoppers required them?

As channels proliferate — and with who-knows-what shopping behaviors/channels/technologies to come in even the next few years — the answer is "it's incredibly tough," and most retailers recognize this (Retail

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Winners see this in particular; 57 percent compared to 49 percent of all others). Most are ready for a true all-channel, end-to-end commerce platform, and for those who also operate stores, many are hoping its arrival will solve many of the problems their stores currently suffer from, as well. Until then, let's examine the ways technology can help right now.

TECHNOLOGY ENABLERS
High Value Targets
For all retailers, an e-commerce site that can extend to mobile is the best technology approach for their customer-facing mobile strategies. This is important, since it indicates that retailers aren't thinking of mobile as yet another selling "channel" separate from e-commerce. As we mentioned in the overview section of this report, the notion of "channels" begins to fade as consumers use the digital and physical selling domains together to make a single purchase. Clearly, retailers are developing a desire for bringing the physical store and digital e-commerce selling channels together into one selling environment, using mobile as the glue.

For those whose sales are already strongest, their desire is even greater. In fact, Winners place a higher value on virtually every technology available to them today — from employee capacity-assisted selling to shopping apps to hiring advertising agencies with proven mobile expertise. It is, in essence, a hallmark of how they continue to win. A greater understanding of what's available to them to help contend with mobile-armed consumers is evidence of a culture that places high priority on staying in tune with the market as it evolves: It's not just knowing more about how customers shop/what they want, it's also knowing what you'll do with your technology spend once it's made available. And

Figure 8: Early Days Still

Mobile Technologies: Value vs. Use

Source: RSR Research, February 2014

finally, retailers (Winners in particular) are starting to perceive in-store Wi-Fi as having real value.

Another Dose Of Reality
However, there is distance between understanding a technology's helpful potential and deriving practical advantage from its use, as shown in Figure 8.

Granted, many of the options in this research are new enough that it would preclude them from extended use by many retailers. However, many have been around for quite some time. For example, ad agencies are much more on the cutting edge of mobile tactics than retailers, and they have been for far longer: Staying up-to-the-second is prerequisite to their very survival. If retailers see the value, why haven't they made use of such a resource? And by the same token, data breaches aren't new: The latest round of high-profile security hacks only shines light on an issue that RSR (among others) has been focused on since the ChoicePoint breach in 2005. If retailers see the value in mobile PCI certification, why have so few done anything about it yet? With so much awareness, it would appear that an inability to devote budget and resources really are to blame.

What's Next?
Which, then, are the projects to which retailers are planning to direct their hard-won dollars? Interestingly, the focus has turned to mobile devices themselves — for developing apps and managing the devices as well as for providing the connected environment that allows them to talk to upstream enterprise services. That doesn't mean that extending to e-commerce for mobile is a fait accompli for all retailers, but it is becoming so for a majority.

Retailers' budgeted projects show just how much they perceive this as an issue they can't handle by themselves: 25 percent have already set aside funding for mobile provisioning and management services, 21 percent for a mobile-specific development provider, and another 20 percent are laying out budget for mobile capabilities managed by someone somewhere off-site (the cloud). Combining these numbers with the planned, not-yet-budgeted figures, roughly one-third of retailers are in the market for these three solutions. The verdict is in: Retailers want expert help.

BOOTStrap RECOMMENDATIONS
Mobile Is The Glue
Consumers' new digitally enabled shopping behaviors are undeniable and here to stay. Although these behaviors were possible before (via PCs and the Web), it was the widespread consumer adoption of smart mobile devices that triggered a recognition by retailers everywhere that consumers begin their paths-to-purchase far beyond the traditional four walls of the store, even in those cases when the shopper fully intends to finish that journey in a store. But retailers have also come to realize that mobile isn't a "place" — it isn't a store and it isn't the e-commerce site. Mobile's role is to bind the digital and physical selling environments together in a meaningful way for consumers. While what that means in terms of specific capabilities offered will differ depending on the nature of each retailer's brand promise, consumers' desire to make informed purchase decisions in the context of their lifestyle needs must be served. To help retailers maximize the potential of a mobile strategy for both customers and employees, we offer these recommendations:

Don't Deny, And Don't Despair
There are many variations to the change curve. In most versions, denial is the inevitable first phase. Retailers should be well past denying the influence of mobile on consumers' shopping behaviors — after all, since 2010 the industry has been watching and (hopefully) learning. But on the other hand, those early adopters who dove right in may be finding out that mobile isn't an extension of the retailer's commerce capabilities as much as it's an extension of the consumer. In other words, mobile doesn't exist so that the retailer can push more information about products at consumers or to create a new selling channel; it is about consumers engaging with brands to find the best solutions for their lifestyle needs. Early adopters may have rushed to create a mobile selling channel, but that is likely not yielding the anticipated boost in sales. Don't despair: Do what consumers want you to do — communicate relevant value in a compelling way, and the sales will come.

Mobile Makes The Store Relevant In The 21st Century
The fact is, people like to shop. Shopping can be entertaining and fun. But entertaining and fun nowadays includes a big dose of digital content (just watch small children use their mother's iPad to interact with Sesame Street characters). Retailers' mobile strategies need to make the shopping experience information-rich, relevant, in-context, and fun for the consumer. Mobile may be retailers' best strategy for modernizing the tired 20th century store experience. Remember: Mobile is the glue that ties the physical and digital shopping experiences together.

Be There
Consumers and retailers now agree that the best use for mobile devices is to enable smarter searching and selections, and in validating those selections with the community of similarly minded shoppers (via social media and reviews). That implies that mobile needs to be the delivery mechanism for two types of information — content that is created and managed by the retailer, and community feedback created by consumers themselves and curated by the retailer. It's important for retailers to know that consumers will find that information one way or another on their mobile devices. The question is, do you want shoppers looking at information *you* provide or information your *competitors* provide? On the other hand, consumers want to initiate the dialogue, when and where they are ready. Retailers should resist any thought of pushing messages "at" consumers, particularly via mobile phones' SMS capabilities.

The Importance Of The Empowered Employee
While retailers see that employees don't spend enough time on selling and service, many feel that it's not a pressing issue to empower them with the same information that consumers already have access to. They are wrong. Today's consumers expect it, and young employees in particular take mobile as a birthright (much the same way as Baby Boomers expect TVs in their houses). This will become especially important as more and more sales are influenced by mobile in the next few years.

Define 'Deeper Engagement'
In The Context Of Your Brand
RSR has recommended this many times over the course of the last several

years, and we'll say it again: Design one brand experience that traverses every consumer touch point. But there is no "one size fits all" design. For example, general merchandise and fast-moving consumer goods retailers have learned that consumers want not only to investigate choices in the digital domain, but they want to check community feedback and competitive prices while they are shopping in the store. Fashion retailers have learned that their customers don't necessarily need immediate fulfillment (as in a grocery store), but *do* want to find the right fashions, in the right colors, size, and fit — and they want fulfillment options such as direct ship or ship from another location.

ROI Is Too Conservative Of A Method For Prioritization
Retailers struggle to accept that consumers are driving mobile adoption strategies, i.e., it isn't something that innovative retailers introduced to an unsuspecting public. The longer retailers wait to deliver on a viable mobile strategy, the more likely it is that the inevitable effort will be more of a "stop loss" project than an innovation. ROI methods work particularly well for optimization efforts, but less well for innovation strategies. And for "stop loss" efforts (which have only tactical value, of leveling the playing field), they are beside the point. Mobile will soon move from being an innovation to becoming a "stop loss."

Address Infrastructure
A majority of retailers favor a streamlined technology platform for mobile enablement, but that implies the right infrastructure. Most fundamentally, retailers know they need a modern e-commerce engine that extends to mobile, not via a mobile browser but with something that takes advantage of mobile technology's interface (for example, hi-res digital display, touch screen, etc.), while avoiding its shortcomings (small display and keyboard). To that end, Winning Retailers are looking at how to develop and deploy downloadable apps, and that in turn implies persistent high-speed connectivity in the store for consumers and employees, and mobile provisioning and management capabilities. In RSR's opinion, these capabilities are must-haves. Too many retailers still opine that their store technology infrastructure is old and in the way. There is simply no workaround — retailers must invest in a 21st century infrastructure to offer 21st century capabilities.

Get Help If You Need It
There is no shortage of technology and service providers that can help retailers get beyond exploration to true commitment. If you don't have internal staff available, get help.

Appendix A: RSR's Research Methodology
The BOOT™ methodology is designed to reveal and prioritize the following:

- *Business Challenges: Retailers of all shapes and sizes face significant external challenges. These issues provide a business context for the subject being discussed and drive decision making across the enterprise.*

- *Opportunities: Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. The ways retailers*
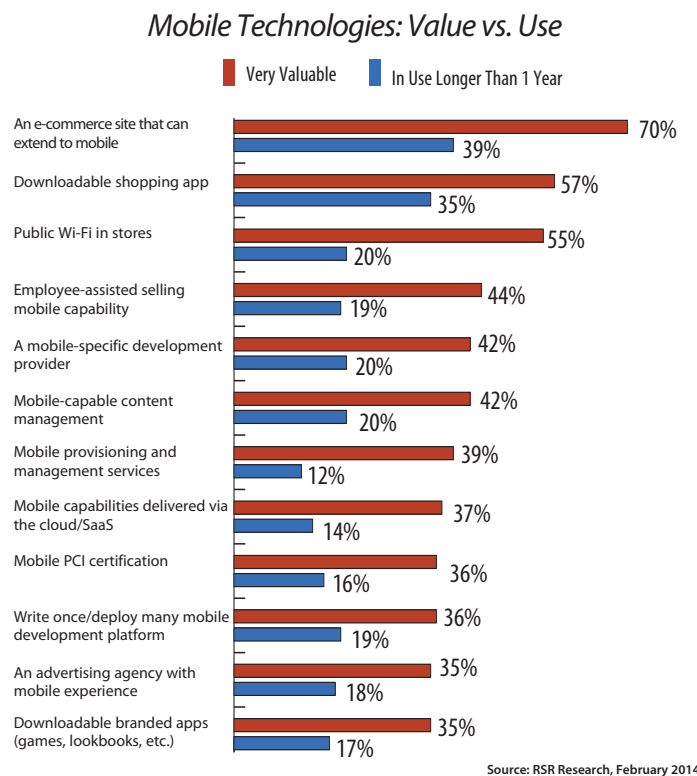
turn business challenges into opportunities often define the difference between Winners and Also-Rans. Within the BOOT, we can also identify opportunities missed — and describe leading-edge models we believe drive success.

- **Organizational Inhibitors:** Even as enterprises find opportunities to overcome their external challenges, they may find internal organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.

- **Technology Enablers:** If a company can overcome its organizational inhibitors, it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers. ■

About RSR Research

Retail Systems Research (RSR) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:
- Identifying information that helps retailers and their trading partners to build more efficient and profitable businesses;
- Identifying industry issues that solutions providers must address to be relevant in the extended retail industry;
- Providing insight and analysis about a broad spectrum of issues and trends in the Extended Retail Industry.

The Continued Evolution Of Mobility

Are you leveraging its full potential?

By Alan Hohler,
director of software development,
UTC Retail

The retail industry has been talking about mobility for quite awhile now. When discussing mobile solutions, most people think mPOS. However, there is so much more to it. We have climbed the technical hill and are now determining the best ways to implement and truly harness this evolving technology.

As we continue to move through the mobility product life cycle, we are hearing more about the "push" of information to mobile devices, such as alerts and real-time reports. Retailers are defining when the information is sent and who within the organization will receive it. Beyond flash sales reporting to operations or immediate notifications to loss prevention regarding fraudulent activity, we are also beginning to see

instances where the flashing light at the register is replaced by the cashier's ability or the system's capacity to send a "help me" message to the store manager.

Probably the biggest hill yet to climb with mobility is the ongoing discussions around PCI and EMV. Right now, mobile peripherals are not as mature as their fixed counterparts. As a result, many retailers are deploying separate strategies for mobile devices and fixed registers. The requirements around network security will also continue to change and further impact the use of mobile.

It's a constant challenge to stay on top of these ongoing changes, identify flexible mobile tools, and keep looking ahead to the next trend. However, through our continual conversation on mobility, we will develop new uses and learn even more ways to realize business efficiencies. ■

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