



Enabled Innovation

MOBILE FOR RETAILERS

THE CLOSEST YOU'LL EVER GET TO YOUR CUSTOMER'S WALLET

Mobile has put all the world's stores right in your customers hand. Is yours there?

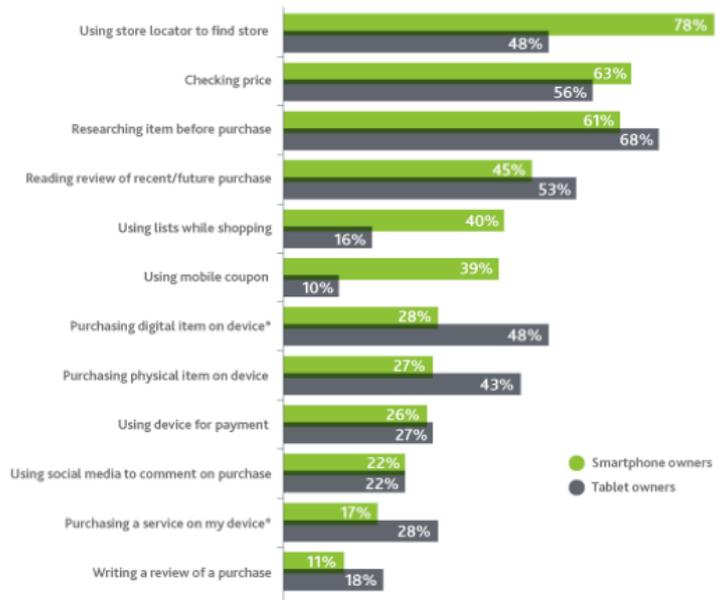
Mobiles are anticipated to influence 1 in every 5 retail sales by 2016. Smartphone penetration in Australia is nearing 60%. Mobiles are big news for in-store interactive with retail apps, comparative shopping sites, price-finding sites, geolocation marketing, barcode scanning all here to stay. "Our girls are on the phones 24/7 and we should be, too." Said fashion chain Sportsgirl group's strategic brand manager, Prue Thomas.

Shoppers are using their smartphones to make in-store experiences even better and smart retailers are helping them – in all sorts of ways. Mobile usage trends indicate that today's consumers are more likely to use smartphones, tablets, and mobile shopping apps to enhance all facets of the shopping experience – online and off – by gathering information about products, conducting price comparisons, "social shopping" with friends, and more. They provide instant access to the shopper, and a medium for the retailer to deliver tailored promotional messages directly. Some use apps to drive in-store traffic using real world redemption mechanics.

Mobiles represent considerable challenges as well as opportunities for traditional retailers. Shopping apps usually incorporate M-Commerce; shopping directly from mobile devices is growing rapidly although it still lags way behind ecommerce, despite increasing mobile traffic. To put mobile usage into perspective just 20 percent of the average American user's time on a smartphone or tablet is spent on the mobile Web. Instead, gaming apps predominate, followed by Facebook, according to Flurry Analytics. Just 8% is spent on 'Utility' including shopping.

In the US, the trend of using mobiles in the store is well established and significant. Nielsen found 63% of mobile shoppers have compared prices with their smartphone while shopping in-store or on their home computer. Owning a tablet also makes it more likely you'll use it for product research before making a purchase (68%), and for reading online reviews (53%).

Mobile Shoppers Activities Using Smartphones and Tablets



Read as: 78% of smartphone owners who were mobile shoppers used a store locator app to find a store, compared to 48% of tablet owners who did the same activity during Q3 2012

Source: Nielsen



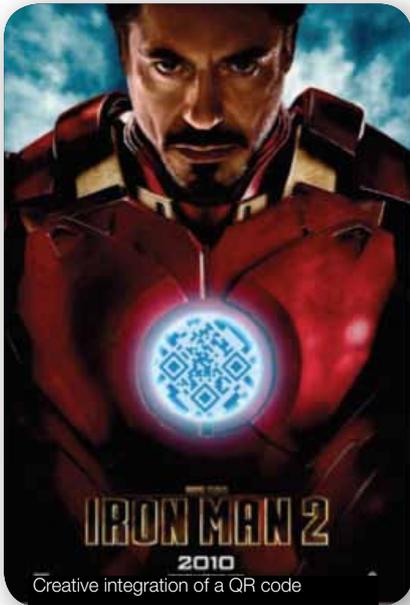
Barcode scanning

Mobile barcode scanning apps have seen this 60 year old technology is making its way back into the limelight; according to ScanLife, mobile barcode scanning was up 700% in 2010. QR codes are a specialized version of a bar code intended to be scanned by the camera on a mobile phone, providing a fast and easy way to transfer information. The phone uses a reader application to recognize the QR code and convert it to a small amount of data (i.e. the payload), most commonly a URL pointing to a mobile web page containing a link to a shopping app, detailed information about the product, its provenance, applications, variants, complimentary products and product reviews.

Barcode scanning apps are also being used to retrieve discounts or coupons and enter contests. For example, Nine West ran a campaign that allowed customers to scan 2-D

bar codes appearing on in-store signage and product packaging. If the customer texts the image to a designated phone number, they are entered into a contest to win apparel and other prizes

It goes without saying that QR codes can easily be added to digital signage content, making this one of the simplest forms of platform convergence available.

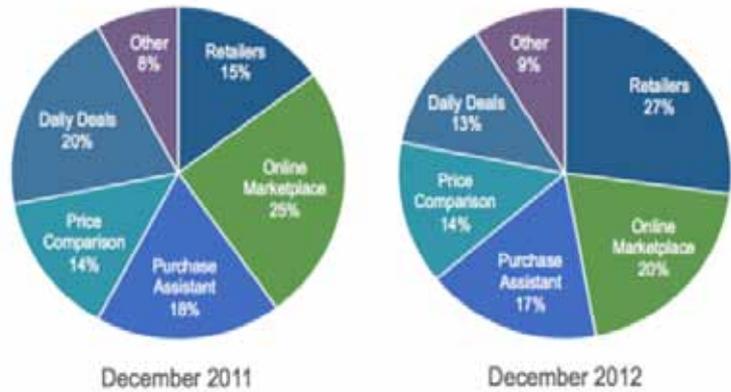


Apps and mortar retailing

Apps are big with The Wall Street Journal recently estimating annual revenue of \$25 billion and on average 7.9 apps are launched every day. Shopper apps have gone from being retail's the next big thing to being ho-hum in a matter of a year or two, some doing little more than good Mcommerce sites. They come in various guises and according to mobile analytic leader Flurry Analytics, usage is evenly spread around the different approaches:

Flurry's study explored the usage of shopping apps among more than 1,800 consumers on both iOS and Android over a year ending in December 2012. It's heartening to note that retailers saw the greatest increase in time spent, from 15% in 2011 to 27% in 2012 and while overall app usage grew by 274%, retailer apps exploded by 525%. As Flurry comments "This suggests that retailers are beginning to better respond to the tectonic shift created by the collision of online- meeting offline-shopping through mobile apps."

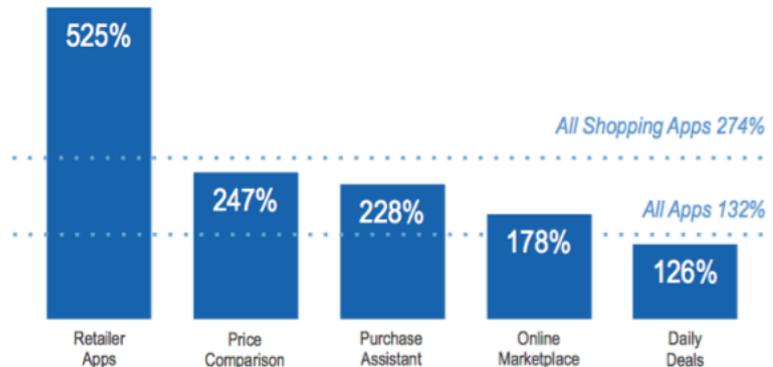
Time Spent in Shopping Apps per Category



FLURRY

Source: Flurry Analytics, n = 1,863 apps, December 2011 - 2012

Growth in Time Spent per Shopping App Category



FLURRY

Source: Flurry Analytics, n = 1,863 apps, December 2011 - 2012

According to a recent IBM report, more than 18% of shoppers used a smartphone or tablet to access a retailer's website on Cyber Monday in 2012, an increase of 70% over 2011. Mobile made up 13% of total web-based purchases.

There's an increasingly standardised approach to many retailers apps: of course the store is at the core (store locator/contact, products, details, prices, wishlist, cart, checkout), and then come the bells and whistles: sharing, scanning tools, rcoupons, reviews and so on . Some allow layby, loyalty points check, and order progress updates. Walmart is testing a feature called "Scan & Go" that would you scan can items as you shop, so you can go quickly through self-checkout.

Woolworths was amongst the first major Australian retailers to launch an app which included the ability to scan a product's barcode, add it to their shopping list, and then order and pay for their groceries, which are home delivered. Since then it has had more than 1.644 million downloads, according to the group's corporate affairs manager Clare Buchanan. Predictably Coles was not far behind, adding recipes, shopping list tools, and integrating QR codes into promotional material.

It's probably true to say that meaningfully integrating the in-store experience with mobile - surely a pre-requisite of true multi-channelling - is rarely achieved, the best example perhaps being rewards-oriented Shopkick, discussed later. Shopping list apps favoured by supermarkets take another approach - there are dozens which allow you to draw up and share lists, tick them off, create favourites and set regular reminders etc. Mostly they are designed to enhance the store-based shopping experience.

As well as facilitating mcommerce shopping, there are many apps that help users compare prices - you simply scan a barcode (or even a book or DVD cover) and it delivers the best online and local price it can find. Some link to reviews and retailer offers, listing nearby stores and allowing listing and sharing. Google has entered the sector with Google Shopper and in Australia comparison leaders include GetPrice and Australian Shopping. Lasso lets users search current retail catalogues. Discount department store chain Big W's mobile app allows users to scan a product in any competitor's store and get the comparable price at Big W.

Most local comparison apps lack the same level of coverage as US sites and therefore usefulness (unless you want to order merchandise online from the US) but it's safe to assume they'll get there. This will be a key battleground for traditional retailers who will have to work ever harder to compete. Big W's approach is illuminating "We are so confident that you won't find any stocked item for less anywhere else that we want our customers to check for themselves with the BIG W App price scanner," Director Julie Coates has said.

Geolocation - place-based tools

One of the most powerful assets a traditional retailer has is stores on the ground.

Geolocation technology leverages this asset, providing new tools to drive traffic. "Imagine passing by your favourite retailer.... a geotargeted alert is sent to your phone with news that a hot new collection just arrived. That prompts you to stop in the store - and when you arrive, your personal shopper is waiting with your sizes and colours." That's the scenario described by eBay's Veronica Katz and it's now being used daily by retailers.

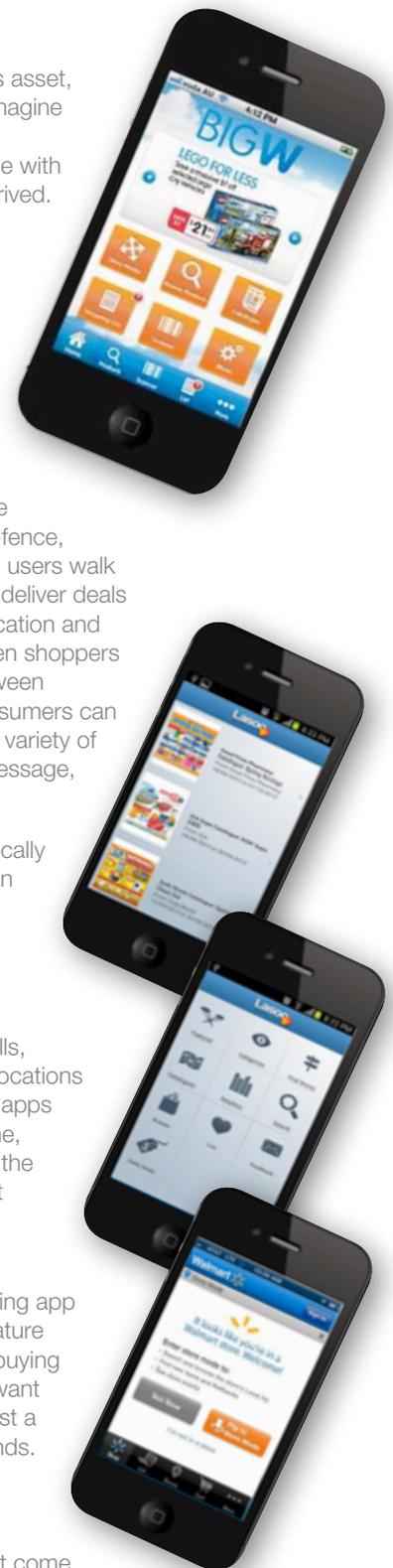
A small gps, bluetooth, audio or wifi unit installed in the store can communicate with smartphones in the immediate area which is called a geo-fence, sending alerts (push messages) when users walk near or enter the store. The idea is to deliver deals tailored to the potential customer's location and possibly purchase history/tastes. When shoppers download an app, they'll choose between receiving push messages or not. Consumers can opt-in to receiving text messages in a variety of ways—at the store, online, via text-message, mobile websites or on Facebook.

Proximity makes mobile messaging locally measurable ie store by store and it can even provide traffic data by tracking the number and movement patterns of individual handsets - more on that below.

The range is small so it is ideal for malls, department stores, retail outlets and locations with pass-by-foot traffic. The smarter apps "run in the background" on your phone, meaning you don't need to open it at the right times for it to work it and it won't wear down your phone battery by constantly running GPS.

The latest version of Walmart's shopping app includes an "in-store mode," a key feature aimed at keeping Walmart shoppers buying from Walmart, even when what they want isn't in the store and a rival outlet is just a few taps away in the palm of their hands. Two weeks after Walmart launched "in-store mode" with its app, roughly 60% of its shoppers opted to use it. Moreover, about 12% of the sales that come through the app are coming from customers who are inside a store and using "in-store mode."

In 2010 retailers American Eagle Outfitters and REI participated in a pilot program by geolocation app provider ShopAlerts that produced astonishingly high results: 65% of shoppers that received a text message ended



up purchasing a product. 60% of participants found the messages to be innovative, 79% said it increased their likelihood to visit a store and 73% would definitely or probably use the service in the future (as reported on Techcrunch).

News Ltd's Australian consumer review website TrueLocal app alerts shoppers when they are near a location that they are interested in or when the brand is offering sales and specials.

Check-in apps

Some geolocation services let users "check in" when they stop at a store, bar, restaurant, park, event place or supermarket. Some allow users to connect with friends and alert them of their location.

Checkin apps use geo-specifics to allow retailers to reward people for visiting their stores. The rewards are the usual benefits of social media: Fun, Fame or Fortune.

Foursquare hit it big when it pioneered the 'gamification' of loyalty by creating rewards and notoriety for regular customers of participating businesses – it claims to have more than 10 million users with over three million check-ins taking place every day. Then Facebook came out with a check-in system of their own, as did Google and others including Pepsi! As the novelty seems to be over, Foursquare is moving its focus to a supplier of place data, leveraging its place database of over 50 million points. Nonetheless it's rumoured to be in trouble.

Enter Shopkick with 4 million users in the US so far and ranked the fourth top shopping app by Nielsen in June 2012. Ultrasonic transmitters installed in a shop identify users ie it does not require the user to actively check in but the ShopKick app, running in the background of their smartphone, provides rewards just for being there and alerts them to special deals. Shopkick is one of the most used shopping apps, with the average customer spending three hours per month with the app.

Still new entrants introduce new models – Shopular drew 250,000 downloads in three weeks following launch last year, and was instantly the top shopping app on the Android platform. It integrates coupons in a new way.

Although geo-location and hyperlocal marketing are important trends, shoppers should not expect all of their favourite brands

to suddenly send alerts as they walk through town, even in the US. According to Forrester Research the perfect model is still elusive and location-based ads represent a tiny percentage of mobile marketing expenditure. "It's still nascent, but it has a lot of potential," Julie Ask mobile analyst at Forrester said. "Being contextual and personal is the holy grail of mobile, and location is one of those aspects. But the mechanics of how this is going to work and how effective it's going to be get a bit murky."

One last thing on apps – before you rush off to commission yours, remember you have to get people to download it! It may not be enough simply to create a functional, compelling, useful app; Adobe research found that brand likability is a key factor in driving downloads, with some 60% of consumers claiming they only download apps from their favourite stores. Guess that counts out Harvey Norman!

STEPS TOWARDS SOLUTION INNOVATION

How do traditional retailers, with their hands already full of the daily challenges, find time to sift through the endless technology options, assess them properly, procure them, pilot them and finally implement them?

Connectedstore can help. Get in touch with us to discuss our Enabled Innovation process which has been designed to take retailers through a staged process that identifies appropriate technologies and implementation strategies.

