

# Reshaping Retail with Mobility

## How To Benefit from Changing Consumer Behaviors

By Edward Westenberg

Mobility is fundamentally changing retail by altering the way people shop and creating disruptive business models. Well over 60 percent of prepurchase web searches now begin on a mobile device.<sup>1</sup> In addition, the majority of people—67 percent—research products on their smartphones and then buy them in a physical store.<sup>2</sup> Add in new, mobility-based businesses (such as eBay and Sonea) that level the playing field for retailers of all sizes and you have a recipe for dramatic industry transformation.

In this tumultuous environment where traditional strategies pertaining to product, pricing, promotion, and placement are no longer sufficient, retailers must ask several important questions:

- Am I part of the new shopping journey, or have I lost the sale before I even knew it existed?
- Has my store simply become a showroom for online shoppers?
- How will I use mobility to benefit from changing consumer behaviors and disruptive business models?

This paper—based on findings and experience from engagements with innovative retailers worldwide—explains how retailers can adapt *and* thrive in a world of rapidly changing consumer behaviors. It discusses:

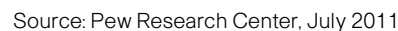
- Today's mobility trends and challenges
- Four key capability areas where mobility is having the greatest impact
- How the incorporation of mobility across the shopping journey and into store operations can increase net margins by 10 percent
- Six steps for successfully developing and implementing a mobility strategy



Cisco Internet Business Solutions Group (IBSG)

The use of personal mobile devices (smartphones and tablets) is on the rise. By 2015, 58 percent of mobile users (149 million people) in the United States will have smartphones. In the European Union, this number is expected to reach more than 50 percent by 2014.<sup>3</sup> In addition to smartphones, the success of Apple's iPad has greatly expanded the market for tablet computers, which are expected to reach unit sales of 27.7 million in the United States and 41.9 million in the European Union by 2014.<sup>4</sup>

**Figure 1.** Adjectives People Use To Describe Their Smartphone Experiences.



The good news is that several retailers are getting it right. Starbucks, for example, is using mobility to “break new ground” and offer a whole new mobile experience. Its application provides transaction visibility, knowledge of preferences, and easy-to-use, clear instructions. Target also does an effective job of making shopping more convenient by showing personal choices, store hours, shopping reminders, and in-store product availability. The common theme among these successful apps is that they were designed with the retailers’ customers in mind. Cisco IBSG calls these apps “fit for purpose” because they deliver the right content at the right time at the right place.

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them to use your store as a showroom to buy the same product from your competitor? The answer is *service*. Retailers have a window of opportunity to break the paralysis that occurs when consumers do not have the information they need to make a buying decision. When shoppers are in your store, instant gratification often trumps a small difference in price, leading to increased sales and customer satisfaction.

## Where To Focus: Four Key Mobile Capability Areas

The Cisco® Internet Business Solutions Group (IBSG) has identified four key areas where mobility is having a major impact on the retail industry. By focusing on these capabilities, retailers can experience the greatest benefits from mobility, including lower customer-acquisition costs, increased customer satisfaction and loyalty, greater revenues, and improved staff productivity.

- **Mobile marketing** is about connecting with customers and making sure the shopping journey leads to you. It is also important to understand how to be present at the “mobile moment” (when customers are ready to buy on their mobile devices) with the right offering.

*Benefits:* Permission-based personal messaging can double response rates. For example, Adidas experienced a 35 percent response rate on one of its mobile marketing campaigns in 2010. By comparison, traditional direct marketing response rates (including email) are usually less than 2 percent.<sup>7</sup>

The acquisition cost per lead for mobile is typically \$0.20–\$0.30, compared to \$2–\$5 per lead for paper coupons.<sup>8</sup> Early pilots show redemption rates of up to 40 percent when making the right offer at the right location at the right time.<sup>9</sup>

- **Shopper services** impact the mobile buying experience, no matter where the consumer is—at home, on the go, or in your store. These services also include providing post-sale activities such as support and returns. When done right, shopper services save consumers time and money, and deliver the best mobile shopping experience possible.

*Benefits:* The stickiness of relevant brand-differentiating services locks in a larger group of high-spending customers. These services create greater loyalty and generate more sales per customer.

- **Mobile payments** can take place at the point of sale (POS), on the web, and in stores. By understanding how customers like to shop, retailers can use mobile payments to increase sales and strengthen customer loyalty.

*Benefits:* Mobility can reduce checkout times by 40 percent to 60 percent per transaction. This increases staff productivity and improves customer service.<sup>10</sup> Certain mobile-payment systems also allow retailers to enter into a two-way dialogue based on information customers are prepared to share. This creates more profitable up-selling and cross-selling opportunities, and enables new location-based services.

- **Store operations** focus on the work processes that make your retail infrastructure run smoothly, such as ordering, inventory, and workforce management. Retailers can use mobility to streamline these functions by providing information where and when it is needed, enabling quicker, smarter decisions and the ability to solve issues on the spot.

Mobility can also free up staff to better serve customers and improve worker productivity.

*Benefits:* Mobile store operations can result in better task management, regulatory compliance, staff communication, and customer service. As an example, Sonea is saving about \$10 million annually by creating mobile ERP applications.<sup>11</sup>

### Example: eBay Redefines Retail

eBay is a great example of a retailer benefiting from innovative mobility solutions that utilize all four capability areas. In 2010, eBay sold \$1.5 billion in goods through its mobile apps—more than double the previous year's \$600 million.<sup>12</sup> Adding to this success, the company's new mobile app is expected to redefine the retail playing field, as illustrated in the following scenario:

*Imagine meeting a friend for lunch at a downtown restaurant. You really like her new purse and want to buy something similar for yourself. Having just downloaded the new eBay app, you take a picture of the item with your smartphone (step 1—shopper services). The app instantly displays one store within walking distance and three other stores within a five-mile radius (step 2—mobile marketing). The app then allows you to select the purse with the best combination of price and location (step 3—shopper services) and pay for the item on your device (step 4—store operations). After lunch, you go to the store, bypass the checkout line by showing the salesperson your digital receipt (step 5—store operations), and leave with your new purse.*

Figure 2 shows how eBay utilizes each of the four mobile capability areas. The example also highlights how mobile search has become an important entry point into the shopping journey.

Figure 2. eBay Utilizes the Four Capability Areas to Benefit from Mobile Search.



Source: eBay, 2011; Cisco IBSG, 2011

The eBay example illustrates several important points to remember when considering your own mobility solutions.

- Seize the “mobile moment” by providing contextually appropriate answers when they are needed.
- Make buying as easy as possible for shoppers whenever and wherever they may be. Real-time inventory and comparison services save consumers both time and money, and deliver a better experience with more satisfying results.
- Instill confidence in mobile commerce. eBay uses PayPal to provide immediate, secure, and personalized web-based transactions.
- Integrate mobile with other channels to deliver a pleasing in-store experience by allowing shoppers to skip checkout lines with a digital receipt.

## Shaping Retail Today and Tomorrow

eBay is just one of many innovative merchants using mobility to reshape the retail landscape. The following examples, selected from Cisco IBSG’s research and client work, further demonstrate how mobility is having an impact on each of the four capability areas. (Note: please contact the author for additional examples.)

### Augmented-Reality Pop-Up Stores

Airwalk is a prime example of mobile marketing. When the company decided to launch a limited edition of its classic sneaker, the Airwalk JIM, the company used GoldRun’s augmented-reality mobile application to create the world’s first-ever “pop-up stores” in New York and Los Angeles. Customers could buy the product only if they downloaded the app, went to one of the two locations, and took a photo of the augmented-reality “Airwalk JIM.” After completing these steps, customers could purchase the product right there. Airwalk’s e-store experienced its busiest day ever. The company also generated \$5 million of earned media in press, online, and TV. GoldRun’s mobile application re-established Airwalk’s link with street culture, and made it relevant again.

### Highly Accurate Location-Based Services

One retail company is piloting a shopper service that allows customers to create lists on their mobile devices. Once they are at a participating store, customers’ smartphones are automatically synchronized with a tablet-sized device installed on the shopping cart. As customers move around the store, they receive a variety of product information and digital coupons relevant to their specific location. The high level of location accuracy (about one foot) also allows the retailer to provide targeted recommendations and personalized marketing messages.

### Mobile Wallets “Speak” Volumes

Google is teaming up with Citi, Visa, and MasterCard to make its Google Wallet “tap and pay” service available at more than 20,000 merchants, including Macy’s, American Eagle, Jamba Juice, Bloomingdale’s, Guess, Subway, and Walgreens. While providing a convenient service for shoppers and merchants is important, the real benefit for Google is understanding what, where, and when people are buying.

By applying predictive analytics to this type of information and combining it with permission-based marketing, Google Wallet becomes an extremely powerful way for retailers to provide relevant offers to customers who opt-in. Google Wallet, along with other mobile wallets, will soon support other things like boarding passes, tickets, and even keys.

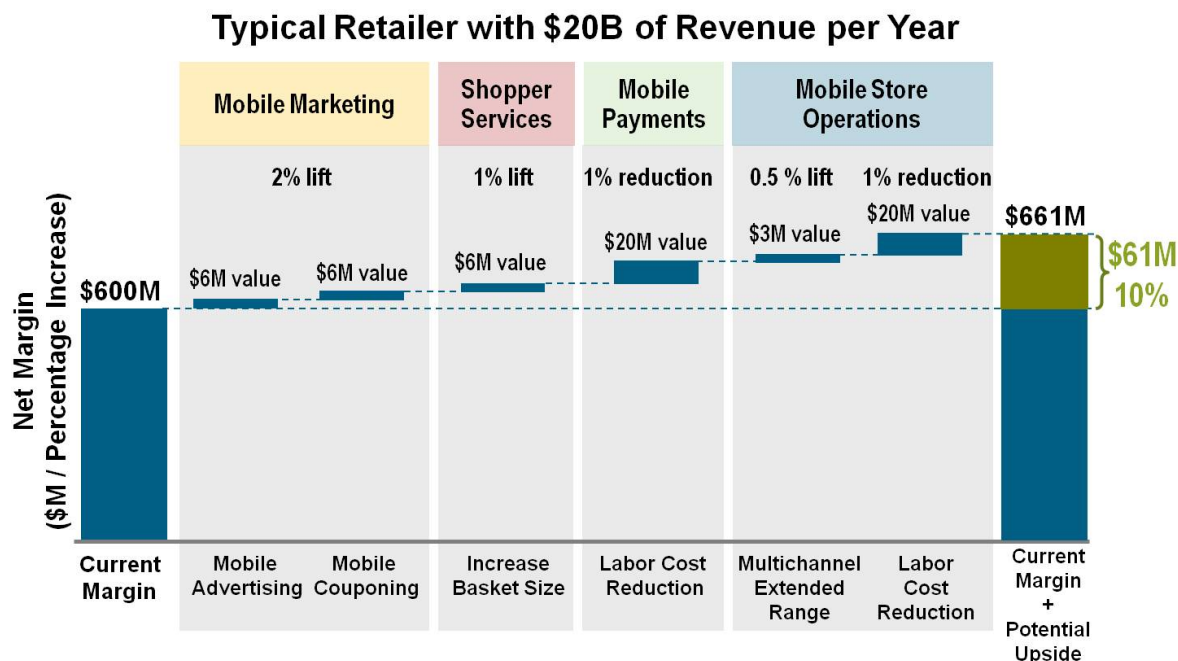
### Augmented Reality Drives Store Execution Compliance

Rapid progress has been made in the area of augmented reality. Tests for automated plan-o-gram (PoG) verification using augmented reality are now under way. With this type of solution, store associates will soon be able to easily identify discrepancies between actual and desired PoG states using the camera on their mobile devices. As these augmented-reality PoG solutions mature, they will help retailers improve compliance and reduce out-of-stocks, enhancing both store performance and overall business results.

### Quantifying the Benefits

To help quantify the potential benefits of mobility for your business, Cisco IBSG created the model shown in Figure 3. If all four mobile capability areas were implemented, productivity improvements and sales growth could increase net margins by more than 10 percent. Productivity improvements from mobile store operations and payments provide the largest gains, with a 1 percent reduction in labor costs each. For retailers just getting started with mobility, mobile marketing provides a good opportunity to benefit from mobile advertising and couponing.

Figure 3. Opportunities Across Mobility Areas Can Increase Net Margin by 10 Percent.



Source: Cisco IBSG, 2011



## Mobility Means Managing Continuous Change

Because mobility touches so many aspects of retail, it can be difficult to know where to begin. Cisco IBSG has successfully used a six-step process to help several leading retailers develop their mobility strategies. To get your thinking started, for each phase we've included questions regarding mobility opportunities for consumer-facing services as well as mobile functions for associate productivity.

### 1. Assess your mobile opportunity

- How does your brand fit consumer needs?
- When and where do your customers' "mobile moments" occur?
- Which mobile services delight customers and create real value?
- Which new services can you provide using mobile payments?
- How can mobility reduce costs in your stores?

### 2. Determine your potential and understand the implications

- Which cross-departmental business capabilities are required?
- How will you measure success?

### 3. Develop the technology architecture

- Which technology requirements are needed to deliver a satisfying experience across touchpoints, platforms, and devices?
- How easy is it for customers to switch to Wi-Fi once they enter your store?
- Can you capture your customers' location and understand the context?
- Can you deliver local services and marketing messages?
- How are you supporting mobile search?
- Does your architecture offer secure edge computing?
- Can your network infrastructure handle mobile video streaming for real-time collaboration?
- Is real-time inventory visibility available on mobile devices?

### 4. Organize for success

- How do you prepare for continuous improvement and responsiveness?
- Who owns the overall customer experience?
- Who own content management?
- How is mobility connected to e-commerce?

### 5. Implement the solution

- How do you embed mobility in all business functions?
- Have you enabled multichannel experiences in your stores?

### 6. Respond and improve

- How do you actively solicit feedback from your customers?
- How do you participate in the conversation?
- How do you prioritize and improve your next upgrade?

## Recommendations for Success

As you reshape your business to keep pace with technology- and Internet-savvy consumers and competitors, the following recommendations, developed from Cisco IBSG's work with leading retailers worldwide, will help you achieve your business objectives with mobility:

- **Define your unique, brand-relevant mobile proposition (do not copy).** While it may seem easier to simply implement mobility solutions that are working for your competitors, it is best not to copy. Instead, create innovative mobile solutions that address your customers' specific needs and reinforce your brand.
- **Develop solutions specifically for your customers' "mobile moments."** Spend the time needed to truly understand how your customers are using mobility to shop with your brand. Having this information will provide the insights you need to develop effective mobile solutions.
- **Involve all relevant business functions (share the fun).** For mobile solutions to succeed, they must incorporate capabilities across multiple business functions. Because of this, it is important to include all relevant groups across the company from the start.
- **Actively solicit feedback (listen and act immediately).** No person or group (except for the collective intelligence of your customers) has all of the answers. By soliciting feedback, being open to new ideas, and incorporating the best thinking, you will increase your chances of success. In addition, you will receive greater support for your initiative if colleagues feel their feedback was considered during the development process.
- **Continuously rethink consumer processes and store operations using both current and emerging capabilities (continuous innovation).** In a rapidly changing environment, a mobile solution is not finished the moment it is launched. In fact, that is only the beginning. By continuously innovating, you will ensure your mobility solutions stay up to date and provide the maximum benefit to your company.

For more information, please contact:

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## Endnotes

1. Sources: Google and Ipsos OX, 2011.
2. Sources: ROI Research, 2011; Microsoft, 2011.
3. Source: eMarketer, August 2011.
4. Source: Park Associates, June 2011.
5. Source: Pew Research Center, July 2011.
6. Source: Localytics, 2010. It is important to note that many downloaded apps are free. This contributes to the number of downloads that are used only once.
7. Source: Mobile Marketer, 2010.
8. Source: Piper Jaffray, 2010.
9. Source: GigaOM, 2011.
10. Source: University of St. Gallen, 2009.
11. Source: Sonea, 2011.
12. Source: eBay, 2011.

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### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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