# MOBILE
# RETAILING

July 2010

an internet retailing special report

sponsored by: O₂

digby

incentivated

PORTALTECH

# Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements. The series aims to address key issues in the development of multichannel retailing, and if there was one area that has come to the fore in 2010, it must be mobile commerce.

It's less than three years since the first iPhone was launched in the UK, in November 2007. In its fourth generation this year, it has fast become a must-have communication device, gaining ever more users as contracts become increasingly affordable. In addition, devices such as the Blackberry and new phones using Google's Android system have gained in popularity too.

As for the iPad, launched this year, Apple sold more than two million of its tablet PCs in less than two months. The recent UK launch will no doubt add substantially to that figure. Already it's being hailed as a possible saviour for print media – and more tablet computers are in the wings.

The expectation, increasingly, is that Internet access can be slipped into a pocket or bag and used on the move. Consumers are already checking train times, updating their social networking pages, looking up the location of shops and bidding on eBay items from their phone.

They can check and reserve an item from Argos, and they can order a bunch of flowers from Interflora. And they're also using their mobile phones to do in-store research, as our cross-channel experience feature on p16 points out. Shopping habits, says a study from Sterling Commerce quoted in this section, are becoming increasingly mobile-centric.

So do you have your mobile strategy sorted? No? Join the crowd. For while consumers are using their mobiles for a variety of different tasks, many retailers are still trying to work out how to react to this changing landscape. It would be a mistake to assume that mobile was now firmly on the mainstream agenda – or even that the direction in which mobile retailing will develop has yet been set.

Many mobile strategies are still being planned, and many of these plans rest on theories rather than proven conclusions about what works for mobile. The question of how best to design for mobile is still being debated, as we investigate in our web interface section on p8; while approaches to what works when showing products on a phone screen are diverse and often contradictory, as we'll see in the merchandising section on p12. And how do we pay over our mobile phones? Still in development, according to our payment and logistics section on p20.

All this makes for an exciting marketplace, full of challenges for retailers willing to experiment to find what works best for them. As Paul Skeldon, editor of m-retailing.net, points out in the strategy framework section on pxx, that's not always going to be the iPhone app that so many have rushed to adopt. Mobile websites and SMS have a crucial part to play too.

Many apps, indeed, are poorly designed and many mobile websites still fall short of customer expectations. So, given the level of uncertainty that there is, some might deem it a good idea to wait and see what happens in this field before taking the plunge themselves in a year or so.

But to do that is to risk ending up behind the curve. It's not a challenge retailers can or should shy away from. For in just a few short years, Frank Lord of ATG tells us in the customer engagement section on p30, the retailer without a mobile strategy will be as disadvantaged as a trader without a website – and being unavailable on mobile could, he says, potentially alienate your customers.

Often, however, following those customers will be the key to working out how to succeed in mobile. Work out how customers use their phones and how they could use them in relation to your business, and you'll be part of the way to establishing your own mobile strategy.

In this supplement, we'll be looking at the choices that are available when setting this strategy. And we'll also be finding out from those relatively few retailers that have moved more fully into mobile, what has worked for them.

It's a world of many possibilities – and that makes it exciting. We hope you'll come to share some of our excitement as you read this supplement. And we hope that we'll help you sort through the possibilities to make your mobile strategy a reality.

**INTRODUCING OUR SUPPLEMENT EDITORS**
Chloe Rigby has been writing about business issues for the last nine years. A former business editor of the *Bristol Evening Post*, she has written for a wide variety of online and offline publications.
chloe@internet retailing.net

Jonathan Wright earned his e-stripes on the UK launch of *Business 2.0*, which rode the crest of the dot.com wave back at the turn of the millennium. Since then he's been writing about subjects from entertainment to alternative investment for a variety of print and online audiences.
jonathan@internetretailing.net

# CONTENTS

28

20

12

24

08

# SPONSORS GUIDE

## Q: How do you put the commerce into mobile commerce?



Want to be more efficient, more customer-focused, attract good comments on social networking sites and save the planet while saving money? Well, mobile services bring retailers, brands and business all these benefits – and you don't have to invest huge sums in apps or mobile web to make it happen.

While there are obvious retail channels through apps and mobile web, brands and organisations can start putting the commerce into mobile commerce simply by looking at how they can use mobile to better communicate with their customers. Apps are great and offer a wonderful experience and insight in to what mobile can achieve, but a business could easily save a lot of money simply by using text messaging to better communicate with customers – and staff.

Reading the news you'd be forgiven for thinking that if you don't have an app, you don't have a mobile strategy, yet text messaging is still the mobile tool used most widely by consumers – after voice – and is something that everyone, whether they have a smartphone or not, can access.

This offers businesses a huge – and still often overlooked – opportunity, streamlining how you communicate with customers and staff alike. Take a look at the calls your customers make to your call centre. It is highly likely that the vast majority of them are the same FAQs, typically 'where is my order?', 'when will my order be delivered?', or 'I missed my delivery'. Such calls cost a lot of money to answer: think call centre costs, phone costs, staff costs and so on. All these costs can be reduced by automating such FAQs with text.

You can use text for stock alerts, customer satisfaction surveys, brochure/sample requests, feedback, call back services, price checking, store finding, gift certificate purchasing, vouchering, late payment reminders, payment thanks and even billing for items. It's that versatile.

You have to make it part of your business processes, so that when someone places, say, a grocery order or wants to know where their nearest store is, your system takes their mobile number and texts them confirmation of order, or the answer to their question or a number to call for a more precise answer.

### IT'S THAT SIMPLE

Text messaging can also be used to deliver all sorts of marketing and general information that hitherto has been printed on expensive card and sent out through 'snail mail' –

often to end up in the bin as snail mail in the pail.

Why go to all that expense when a simple text message can deliver all the information you want, to opted-in customers who want to receive that information? It is much cheaper, much quicker, much more efficient and, if that wasn't enough, it is also much better for the environment as it cuts out all that paper being printed on a driven all over the country. Saving money and saving the world, could you ask for more?

Of course, while SMS is open to pretty much all 80 million mobile phones in the UK, it is limited to text-only messages. But it needn't be. If you think your target audience sophisticated enough and the message worth a little bit extra, you can start to use richer MMS to engage with customers, offering pictures, illustrations, tokens and even video clips to liven up your offering.

And as penetration of feature and smartphones continues to climb over the coming years, you can start to develop better apps and mobile web services and still richer messaging so that you can continue this dialogue started with your consumers with a humble text message right up to being state of the art and immediate across all platforms and devices.

It will lead to better engagement with consumers, better more efficient business and greener retailing: that is how you put the commerce into mobile commerce.
**www.o2.co.uk/industrysolutions/corporate/retail**



With more than 100 million Smartphones expecting to ship worldwide this year, the opportunity and time for retailers to enable Mobile Commerce as a new channel is now. Retailers should also consider how mobile can help unify all channels to drive customers to stores and create unique in-store experiences, with the end goal being incremental revenue and personalized customer engagement. In order to meet these objectives, retailers need to think and act strategically about how to enable Mobile Commerce as customer eperience expectations are high around mobile Web and rich applications for iPhone/iTouch, iPad, BlackBerry and Android devices. Those retailers who do it well will benefit greatly, creating a leadership position in the industry and a mobile customer for life.

### A WINNING MOBILE STRATEGY

Retailers should do much more than just extend their desktop eCommerce website to Mobile as it limits their ability to create unique mobile offers, inhibits scalability and does not leverage the unique features of mobile devices now and in the future.

Retailers who approach Mobile strategically should deliver a direct data feed to the software platform provider who is specifically focused on the retail channel so unique mobile offers can be created for the mobile Web and for rich apps.

Key Benefits Unique to Mobile Apps
▮ Customer carries retail brand with them on their device
▮ Designed specifically for iPhone/iTouch, iPad, BlackBerry and Android devices
▮ A better user experience (designed specific to the device) vs. mobile Web (designed to the lowest common denominator to service all devices)
▮ Faster navigation and less drop-off due to content and billing information stored on device
▮ More captive audience as you have their complete attention within the app
▮ Higher average order values and frequency of interaction
▮ Distribution flexibility through app updates
▮ Richer platform to develop software features that take advantage of today's and future device features

Recommendations to retailers:
▮ Mobility is here now and expanding dramatically
▮ Look at Mobile Strategically including enabling transactional mobile Web and rich applications for the iPhone/iTouch, iPad, BlackBerry and Android
▮ Consider Multi-Channel Use Cases – go beyond the web
▮ Recognize Elegance in Speed and Simplicity
▮ Fast Transitions and Clean Process Flows
▮ Start off with one or two things done extremely well
▮ Move now
**www.digby.com**



Let's face it, our phones are with us everywhere nowadays, no matter what we're doing.  And we're becoming more comfortable using them to carry out tasks online which even 12 months ago we would only have thought about firing up the PC to do.

Last month, Tara Kuczykowski walked into a Target store in Columbus, Ohio, pulled out her mobile phone and handed it to the cashier.

The cashier scanned the digital coupon on the phone's tiny screen, and Kuczykowski got $1 off sandwich-size Ziploc bags. Target got something, too: another entry in its database about her.

We can broadly split mobile commerce into customer shopping behaviours and client-side technical payment facilitation.

Customer-focussed m-commerce activity includes receiving adverts about products/services, searching for product information, comparing prices and after-sales service, as well as actually buying things.

What we are now beginning to see is that mobile access to online sites and services allows customers  to return to high streets and actually look at and touch products, but with all the back up of price comparisons and customer recommendations available a text message or few short mobile internet pages away to help inform final buying decisions.  And, as we can see from the US example, retailers and brands can use SMS-delivered mobile coupons and

vouchers to trigger or nudge those decisions in their favour in as timely and location-specific a manner as they could want.

Facilitating payment mechanisms through mobiles is more complicated – with factors such as security, integration with legacy systems and financial processes, let alone overly high revenue share fees from networks and other issues to consider.

With increasing case study evidence and results showing the sales successes and uplifts that retailers and brands can achieve in engaging customers; improved devices (bigger screens; faster, more robust network connectivity; clearer data plans and richer mobile shopping environments – sites and apps) are overcoming customer reticence (37% of Europeans "tried" m-commerce in according to a 2009 ATG survey); and now with bank-approved security and online payment mechanisms that integrate seamlessly with existing financial back-ends from providers such as Incentivated, retailers are increasingly able to provide the same access to purchasing products through mobile phones as they do through the fixed internet.
**www.incentivated.com**



There have been some great steps into the mobile channel in the last year, but I don't think that anyone has yet made the most of this phenomenal opportunity; An opportunity to communicate directly with your customers, to be engaging literally from the palm of their hands, using the best interactive, audio visual and personalised technology in retail, to be selling and marketing 24/7 to your customer.

Using mobile technology, retailers can harness and exploit customers' reliance and relationship with their phones and join up all their customer's communication touchpoints, engagement and interaction, so they have a seamless, enhanced journey and experience with your brand.

The key to successful mCommerce, is to totally immerse & integrate 'mobile' within a retailer's multi channel sales and marketing strategy. Look at how your customers are interacting with their mobiles (and this may be a % of your customer base who are especially engaged with mobile) and consider how you can transmit marketing and sales communication, product information, or helpful assistance via a mobile device, into Mrs Jones's lifestyle, as she goes about her day to day business and journeys cross channel. How can you enhance her life and enable purchasing decisions when she is at home browsing on her mobile or on the web ('50% off Back to School this week'), shopping in your stores ('Scan the barcode for a camera comparison chart'), chilling in a coffee house ('You have added True Religion jeans to your wishlist - would you like to purchase now?'), or shopping in her lunch hour ('Would you like to collect your shopping in store, or have this order delivered to your home or workplace?'). Mobiles can even be utilized within a catalogue channel ('Scan this barcode to see a catwalk video of this dress').

Portaltech's recent research with eDigital Research, revealed that 25% of those polled, are already using their mobile phones, via an app, or via their mobile browsers, to compare, research or browse product in the last week alone. By providing the right information at the right time, via a mobile handset, retailers can add value to their customer's lifestyle and shopping experience, convert and drive sales cross channel, and build customer engagement and loyalty.
**www.portaltech.co.uk**

# The real efficiencies of mobile

*Mark Cody, O2'S channel business manager, interactive, explains why thinking through your mobile strategy is key to business success.*

**MANY RETAILER'S** view of mobile is that they need an app, perhaps a mobile website, and that's their mobile strategy sorted out. But mobile goes so much deeper into how a business runs – both in terms of customer service and the company's own internal processes – that really, apps and mobile web are just cosmetic add-ons that are nice to have.

The role of mobile in retail is the same as it is in any line of business: it is a ubiquitous communications channel that is fast, cheap and simple, and can help a business not only sell goods direct from the device to consumers, but also it can help those within the company keep on top of business processes from IT to HR, from operations to disaster recovery and from marketing to sales to finance. All on a device that is to be found in practically everyone's pocket.

Currently, the penetration of mobile in the UK is at 122 per cent, and users now send 265 million SMS messages everyday. In April 2010, the data traffic on O2's network overtook that of voice for the first time and, thanks largely to the iPhone, 25 per cent of consumers are accessing the mobile web on a regular basis. We may not have had a definitive 'year of mobile' – though some say retrospectively that I was 2007, the year iPhone was launched – but we certainly now live in a mobile world.

The arrival of the iPad, and the raft of tablets that will follow, is also set to change the game, offering a genuinely new channel from a new device that retailers can seek to exploit.

But the key is in understanding how mobile fits into a retail business. Apps certainly play a role – not least around getting traction on the iPad right now and the growing number of smartphones running on Android, Nokia and even BlackBerry – but they are only part of the story.

The real value of mobile lies in the efficiencies that it can deliver to the business. This can be looked at in terms of using mobile as a sales channel and a payment tool, but the role of mobile in retail goes much deeper than that, and doesn't necessarily involve the cost and complexity of

developing apps, mobile web content and strategies.

In fact, mobile can play a part in every facet of the organisation and deliver ROI rapidly. It has a place in operations, IT, finance, customer care, sales, marketing and even HR – offering the business the chance to better communicate both within and outside the company.

Here are just some of the ways it can be put to use in a retail business:

▮ Sales: let's start with the obvious one. Mobile can be used for everything from actually purchasing goods to checking stock, buying vouchers, order tracking, billing and store location. It can also be used internally for checking sales figures and KPIs of any part of the business, and already several apps exist to do just this.

▮ Marketing: the other obvious customer-facing aspect of mobile is the use of mobile – be it text, MMS, apps, mobile web and advertising – to market what you do to customers and potential customers. Mobile offers an ideal way to get into the user's pocket in a way never seen by any other medium. But tread carefully, mobile marketing is invited in, not pushed onto, the consumer.

▮ Customer Care: simply using text to tell someone that their order has been dispatched or that their washing machine is going to be delivered in two hours time can, for virtually no cost, give a significant boost to how customers perceive a business. Add to this that you can use text for brochure requests, customer feedback surveys and customer call backs and you not only add a whole new dimension to customer care, but also save a lot of money in the process.

▮ Operations and HR: as we've already said, delivery updates, item-in-stock notifications and order tracking are all great ways of using mobile within the retail business that again don't need a high degree of sophistication. Mobile can also play a significant role in the operation of the business internally too, allowing for better data access, staff rota notifications and even training. This borders on the HR, which can also see huge use for mobile for simple and cheap internal communications, training course reminders and even recruitment alerts.

Mobile has a vital role to play in the warehousing and logistics side of things too. Distribution centres and drivers on the road now swear by mobile and it certainly oils the wheels of commerce.

Mobile also has a role to play in finance and IT within the company, offering a cheap and fast channel to chase debtors – both corporate and consumer – issue payment reminders, account alerts and even, should the whim take you, rebates or refunds.

In short, mobile is central not only to the increasingly multichannel retail environment, but also to the very business itself. It offers a lot more in terms of revenue generation than just incrementally adding to what you already do: it can deliver huge cost savings, business efficiencies and a level of connectedness hitherto unknown in the world of commerce.
**www.o2.co.uk/industrysolutions/corporate/retail** ▮

## Case study: it's not just about customer engagement…

Using mobile in retail isn't just about customer engagement, mobile has a significant role to play in making retail businesses run more effectively and efficiently, with many large retailers now starting to see the benefits. One such company is John Lewis Partnership (JLP).

JLP is the UK's largest employee-owned business, operating 29 John Lewis shops and 225 Waitrose supermarkets in the UK, along with a successful online venture, johnlewis.com and Greenbee, a direct services company. Its staff, known as partners, total 70,000 and the company turns over more than £7.4 billion a year.

In 2003, JLP's IT department was under strong pressure from partners to provide mobile email. Like all businesses, JLP was increasingly dependent on email to keep projects moving and communications channels open. But the moment partners set foot out of the office they were cut off from email. As a result, several users began asking the IT department if they could connect their own personal devices to JLP's email server. In response, the IT department organised a trial of PDAs that used pull email technology.

"The test enabled JLP to define more clearly the features it wanted in a future mobile email solution," says Steve Parker, technical architect at JLP. The first criterion was total compatibility with JLP's IBM Lotus Notes environment. Second, Parker wanted the IT department to support just one corporate-standard group of devices. Third, JLP needed a solution with strong security to ensure sensitive data didn't fall into the wrong hands.

JLP contacted its mobile operator, O2, to survey the solutions available on the market, and selected BlackBerry, which comprised of BlackBerry Enterprise Server for IBM Lotus Domino and BlackBerry smartphones.

After a successful trial, BlackBerry smartphones were rolled out to senior managers, where they quickly became an indispensable tool. They were then provided to merchandisers, buyers, divisional managers, Waitrose regional operational managers and John Lewis store leadership teams.

Today that initial 25-person trial now covers more than 2,500 partners using BlackBerry smartphones for mobile access to email, calendar and contacts.

In addition, the BlackBerry solution enables users to access corporate data. One way is by mobilising Lotus Domino databases. "Many teams maintain databases and BlackBerry users can consult them via the BlackBerry Browser," explains Ian Potter, project services systems manager at JLP. The other way is by using BlackBerry Browser to access intranet pages. "We use web-based online reporting in the Corporate division," says Parker. "Thanks to the encrypted connection with BlackBerry Enterprise Server, BlackBerry users can securely access these reports while on the move."

According to Potter and Parker, the advantages of the BlackBerry solution for JLP can be divided down into two main categories. The first is better communications for users. "If we didn't have a BlackBerry solution, a number of our operations would suffer," says Potter. "In any kind of project-oriented business such as ours, collaboration is the key – and BlackBerry provides shorter decision cycles, keeps projects moving and delivers immediate communications," adds Parker.

The second tranche of benefits can be found behind the scenes. According to Potter: "The security is excellent, as is the integration with IBM Lotus Notes. We keep an eye on the market, and at the moment the other mobile communication solutions available don't have the same enterprise strength as BlackBerry." Parker adds that the level of security provided by the BlackBerry solution gives JLP "greater reassurance as to the kinds of communications and information we allow to go out to mobile users. The fact that the connection is encrypted and the devices can be wiped remotely is crucial."

JLP plans to upgrade to BlackBerry Enterprise Server v5 later this year in order to take advantage of the built-in high availability meaning that planned or unexpected downtime can be avoided. "The BlackBerry solution is already very reliable. As a result it has become such an important operational system that we want to be able to take availability to the next level," says Parker.

Finally, JLP considers the BlackBerry solution to be highly cost effective. "Half an hour a week of time savings is sufficient to pay for the device and the subscription," he says. The next step is to identify applications that could allow JLP to provide mobile users with access to other corporate systems. "Getting even more value out of our investment in the BlackBerry solution is a high priority at JLP," says Parker.

# New design rules

*How should retailers go about designing for mobile devices rather than working on websites? Jonathan Wright investigates.*

**ACROSS THE ROAD** from the Apple store in Bristol's swish Quakers Friars, there's a queue. Security guards linger, but you suspect the worst they're going to have to do is to contend with outbreaks of nerdy enthusiasm as, on a warm day in June, eager early adopters wait to be among the first to get their hands on the new iPhone 4.

It's easy to understand the Mac-heads' enthusiasm. The iPhone is the device that's made the smartphone a mainstream proposition. How has Apple achieved this? Simple, says Patrick Furse, head of digital brand experience at agency Bray Leino. "Why is iPhone so successful? Because it's just so damn easy to use and it's so very easy to spend money on it," he says. To look at that another way, the iPhone is fun, a word rarely if ever applied to the Blackberry. No wonder we're currently going through a phase where everyone thinks they have to have an iPhone app. This is the future, right?

Yes and no. Yes, in that by stealing a march on its rivals, Apple has offered us clues as to what a world where we use our smartphones for more and more tasks will look like. No, in that these are the earliest of days in the mobile revolution. Look beyond Apple's carefully stage-managed marketing fizz

and it's by no means certain that we're inexorably headed for an iFuture.

The reality is far more complicated for those designing for mobile devices. Designers have never enjoyed the luxury of working for a single uniform platform, says Furse. Rather, they've had to contend with a plethora of different handset interfaces and network interfaces. And then there are interfaces for the different software applications on the phone. "Essentially, where we have been has been a very complicated set of non-standard user interface standards that aren't actually standards," he says, with a hint of exasperation.

## THE FLASH FACTOR

This isn't something that's about to change any time soon. To take one much publicised example, Apple's refusal to support Flash is inevitably going to affect those developing mobile sites, including luxury brands that have previously relied heavily on Flash in website builds.

But where, in previous years, such technical problems might have made companies cautious about investing in mobile, that's no longer the case. Instead, in the wake of the

iPhone's success – and, it might be added, in anticipation of increased uptake of the iPad and other next-gen tablet PCs – companies are increasingly committing resources to tackling and working around such problems. Or at the very least, they're asking agencies to make them an app. As Patrick Furse says, "We're in a little bit of a honeymoon, I-just-want-one-of-those period."

For some brands, this isn't necessarily a bad choice: if most of your customers use iPhones and your budget is limited, why invest in other handsets? However, simply getting an app is the wrong approach if it skips key questions. These include: what handsets are our customers using? And, more importantly still: what's our mobile strategy?

"I think the starting point is what the retailer is trying to do," says Robert Thurner, commercial director of mobile specialists Incentivated. "Are they trying to attract new customers? Are they sitting on some mobile numbers already perhaps that they don't know what to do with? Are they looking to develop long-term loyalty campaigns? Are they looking to run mobile commerce? Depending on what the objective is, there's a whole range of opportunities." How you answer these questions has a direct bearing on design decisions, sometimes at a deep technical level.

## THE MOBILE WEB

That's especially true if the answers lead you towards investing heavily in mobile. An example that's often cited of how to do mobile well is Marks and Spencer. This year, the company launched its full commerce mobile website, which works across different devices. Simply looking at the interface, it's slick and seamless, but that's because there's a lot going on behind the scenes. According to Christopher Smith, creative director of design company New Toy, who worked on the project, the site is optimised to work differently with 10 key groups of handsets, ranging from Apple products to the Nokia N-Series.

This doesn't just have advantages when it comes to happy customers who can view the site without it crashing. It also gives M&S a platform – literally and metaphorically – on which to build. "It makes a lot of sense to make your initial investment in mobile internet," says Smith. "The main reason for that is purely because of the coverage it gives you, and the number of handset types and handset groupings, and therefore the number of different demographics you can hit."

Mark Cody, channel business manager, interactive sales with $O_2$, broadly concurs, pointing out that a well-designed mobile site can replicate many of the best features of apps. "By developing a specific mobile website that's been optimised for mobile you have the ability to reach almost any one with a mobile phone, regardless of if it is a smartphone or not," he says. "With the latest mobile browsers allowing feature-rich services like access to the camera, you can develop a mobile site that looks and feels very much like a mobile app."

The wider context here is that many in the industry think we'll soon be leaving the era where apps are the thing to have (although it's worth noting this assessment is disputed by some). Instead, the more important developments in the medium term will likely be in mobile web.

Take a step back and it's particularly fascinating to realise that it's M&S, hardly a brand associated with the cutting

## What the experts say

### Cost issues
"There was a perception [a couple of years back] from the companies we contacted that to include mobile as part of your marketing mix or integrate it across your business was difficult and costly to do. Interestingly enough, for those companies who had been using mobile for a couple of years, it was in fact easier and more cost effective than they has originally thought."
*Mark Cody, channel business manager, interactive sales with $O_2$*

### End of the hardware era
"We are moving away from that world of hardware and boxes and networks and stuff like that, and moving much more in to the development of experiences that take advantage of mobility and location."
*Patrick Furse, head of digital brand experience, Bray Leino*

### Using commuting time
"For the public transport commuting population, transactional mobile commerce makes total sense. Being able to purchase your daughter's birthday present and book your flight for next week's business trip on the way home from work frees up spare time in the evening that would otherwise have been spent buried in front of the laptop. This equals happier wife and kids, which equals happier me."
*Peter Sheldon, product marketing manager, Elastic Path*

### Multi-channel mobile
"Brands should be thinking about mobile as a channel with lots of smaller channels within that – and the core examples are mobile web, messaging, which is one thing that should never be forgotten, using SMS and MMS to develop a kind of effective CRM solution as well, and applications."
*Christopher Smith, creative director, New Toy*

### Personal objects
"If you want to develop a long-term dialogue, mobile is a good way to do it because you can personalise everything. We don't share our phones, which means that we can track every bit of mobile interaction and track it back to the one individual."
*Robert Thurner, commercial director, Incentivated*

edge in terms of its public image, making the running here. If Middle England is ready for mobile, what does that tell us?

One thing it probably suggests is that companies need to get mobile right for fussy customers who are unlikely to forgive mistakes easily. Robert Thurner of Incentivated also worked with M&S on its development of mobile and he points out that the company didn't suddenly jump in with an all-singing, all-dancing site. Rather, the company built things up gradually, initially sending branded messages to customers to test the response. When this showed that even conservative customers were open to M&S talking to them via mobile so long as they weren't bombarded, the company looked at how to build its database of mobile numbers via such touchpoints as advertising, promotions and social networking.

## Digital presence

The move to a world where there's an increasing overlap between the digital domain and the real world may lead to some wholly new problems for retailers to deal with, suggests Patrick Furse. It's all down augmented reality, where people put a layer of information over an environment, a layer that can be accessed via mobiles.

"I think there are some interesting conversations to be had about the ownership of that space," says Furse. "If I'm at Topshop on a high street, right now there's nothing to stop me or anyone creating a massive campaign for River Island in the virtual space that attaches to the real space outside my shop."

As for the idea that we'll never see such technologies because they'll be too 'noisy', Furse isn't so sure. "Most people who are adopting this technology and are likely to adopt it are quite happy with lots of noise. I know that's a bit of a generalisation, but they tend to be the kinds of people that want to see the thing that sits on top of this real stuff and they quite like being in that sort of augmented space."

Indeed, he suggests, people may create augmented identities to represent them in such spaces, much as they do with games. Imagine, he says, "a kind of strange mixture of the cosmetics industry plus social media plus avatars". There may even be money to be made here. "If you think about what people spend on cosmetics and cosmetic surgery, it's not that much of a leap to think about what people might spend on a semi-virtual presentation of themselves that gives them a better haircut," says Furse.

"I think the important point here is if you're going to do something with mobile, you really need to start by building your own mobile database and getting permission from customers to start sending them outbound messaging," says Thurner.

### A NUMBERS GAME

The biggest companies, says Thurner, can create databases of mobile numbers that run into the millions. These figures point the way to another key issue. Whatever route companies take to use mobile, this is about a lot more than pushing out odd bits of marketing bumph. A database of so many customers, each of whom has given you the number of a gadget that's unique to them and which they carry around all day, is a treasure trove of information.

To make the most of the opportunities this presents requires thinking about how this database can be made to work with, for example, CRM systems. It also requires retailers to think about how mobile works in conjunction with other channels, existing websites and bricks-and-mortar stores.

In practice, this doesn't necessarily even mean utilising new technologies. While SMS used wrongly can be intrusive, Mark Cody of O₂ points out that it's a cost-effective way of, for example, confirming a delivery slot, an example where you're sending out information that people need to have. The deeper question here is have you got the underlying technology right, so that you can make such ideas reliably work in practice?

All that said, we're ultimately headed for a future where mobile devices, specifically because they are so personal and we carry them around with us, may increasingly become the glue that binds together our interaction with the digital world. Indeed, technology guru Mary Meeker of Morgan Stanley this year caused a stir when she predicted that within the next five years "more users will connect to the Internet over mobile devices than desktop PCs".

### CHANGE IN THE AIR

Again, we're drawn back to the central idea of a future where mobile is evermore important, yet the frustrations of designing for mobile are all too real. Is there a way round this beyond throwing money at the problem? To return to the idea of doing your research, it's all too easy to get sidetracked by such issues as screen size and different kinds of phones.

Take a step back and it's actually far more important to think about what your customers do with mobile. Think about how many customers you see in a supermarket messing around with smartphones, says Peter Sheldon product marketing manager of eCommerce company Elastic Path, what can you do as a retailer to make their lives easier via mobile? How about an in-store map showing where products are located? Or a shopping list? How about individually tailored promotions?

"The mobile should be seen an extension to other channels, not a competitor," says Shedlon. "This is a key point for retailers who must make sure that the mobile development is not outsourced or developed in an organisational silo. The mobile development team need to collaborate with all the existing channels – web, offline, direct sales, b2b, call centre, etc – to identify how the mobile can drive sales for each. The mobile channel can have a huge effect on customers' cross-channel shopping habits."

Sure, he adds, "Mobile may cannibalise some sales from the traditional web browser, but this now a price of admission. Not having a mobile site will just turn your customers to your competitors that do."

And that's just today. Looking ahead, to a world where mobile devices are evermore powerful and new technologies such as tablet PCs become commonplace, mobile will continue to develop. In a few years time, for example, it's by no means too fanciful to imagine consumers walking through city centres where augmented reality hoardings and personalised sales messages are just part of the noise of the everyday world. Increasingly, there will just be digital worlds that we access via different devices, depending on where we are and what we want to do.

And as for all those tiresome questions surrounding interface design, it might be that we'll one day look back and ask what all the fuss was about. Looking at the development of games consoles, Patrick Furse says that one way to view the success of the Wii, and the launch of Microsoft's Kinetic, is to see them as devices where the interface has, as far as possible, been simplified or done away with entirely. Might phones go the same way, perhaps operated by voice commands?

"It's about getting people to participate," he says. "How do you do that? Well, remove all the difficult stuff. And what's the difficult stuff? Well, usually it's the user interface and even the best user interface is an obstruction." As so often with interface design, before you get carried away with an agency's idea for an all-singing app, it's at least worth considering the idea that less is `more. ▪

# Coming up with the goods

*How do you best show off stock on mobiles devices, where screens are typically small and customers are accessing information on the move? Chloe Rigby investigates.*

**HOW DO YOU** convince customers to buy a product that you can only show on a tiny screen? And, given the size of the screen, how do you decide which to put on that screen in the first place? Those are just two of the questions currently occupying merchandisers as they try to figure out just how best to show off their goods on mobile devices.

It's a conundrum that's far from solved – and chances are that it will continue to perplex the professionals for some time. Even those at the cutting edge admit there's nothing certain yet about the best merchandising approaches to mobile. Ask Joris Beckers, chief executive of merchandising experts Fredhopper, what the most effective way to merchandise by mobile is, and the answer is simple. "I think in all honesty nobody really knows," he says. "Mobile is so new we're at the very beginnings of understanding it."

In the meantime, experimentation is still the name of the game.

## MERCHANDISING FOR MOBILE PHONE

As retail has progressed into the 21st century, the space that shopkeepers have to show off their wares has become ever smaller. Even with the many square feet of space that a shop boasts, few modern retailers can display everything that they offer. The advent of the website reduced the space available to show off goods to a single screen, although rich media allows retailers to show all the colour options, to zoom and spin an item, and show it on a model.

Now on a smartphone, the space available is smaller still. At two inches wide and three inches high, the iPhone screen size, for example, is more generous than some of its rivals. That's really not much space for showing off retail products, but it's not likely to get larger any time soon, given that most users carry their phones in their pocket and that larger screens eat up power, draining the battery.

So how can retailers use the confines of a mobile screen to their best advantage? Few have yet committed themselves to making a decision on this, since most UK retailers have yet to produce a mobile website or app, but of those that have, there seem to be some key directions.

## CATALOGUE IT

Walk into a store and even the shopper who is just browsing won't start looking randomly through the shelves to find something to wear. Instead they'll head for a relevant department – just as they would in a paper

catalogue. The website focused in on that by giving browsers different categories to browse through from their PC screen, capturing their attention with images and with video. The mobile approach gets a step closer in and concentrates, simply, on what would be the sidebar, or global map, of the website.

Essentially, it's an interactive catalogue approach, where customers must continually narrow down their choice in order to be presented with ever-more focused groups of goods that they're looking for. Thus, a visitor who goes to the M&S mobile website to look for a kettle, can find one by clicking through three categories and their subsets: technology, household electricals, kettles. When I tried it, I was ultimately presented with 14 choices, a manageable selection to scroll through. But keep it short – for an overlong list could prove off-putting rather than of use to customers.

## What the experts say

### Hitting the target
"I think it's all about targeting. It has to be. A mobile phone is simply a little screen and it won't be a big one because you don't want to put a big screen into your pocket. Phones won't grow. But we all want to see relevant information – and what's relevant to me is different to what's relevant to you. So that means targeting."
*Joris Beckers, chief executive, Fredhopper*

### Search is key
"Cellphones are so small that it must be the most narrow, minimal experience possible. Search becomes even more important."
*Sheila Dahlgren, senior vice-president, marketing, Adobe Scene 7*

### Editorial decisions
"Retailers must become editors and make difficult choices on what content to include in their recommendations: ratings and reviews, product images and others."
*Darren Vengroff, chief scientist, Rich Relevance*

### The personal touch
"The mobile is the most personal device that a consumer owns and any communication that is not individually tailored and relevant will be quickly dismissed and subsequently ignored."
*Patrick Kennedy, chief executive, Sidebar*

When it comes to the product image itself, pictures used on websites can be resized for use on mobile sites, while there is also the opportunity to add a detailed examine or zoom function to this – even though it is shown on a small screen. It's important, says Sheila Dahlgren of Adobe Scene 7, which specialises in software that automatically resizes and re-colours pictures for different uses, that the quality of picture used is good enough to allow for this. "Digitally examining the product is still one of those critical things you want to do in a mobile device," she says. "That's one of the key visual merchandising elements, being able to examine the product. You don't want a low resolution mono image so you need to drill down still further to see details in a clear picture." The ability to scroll is another important feature here – so that an image that doesn't fit on a screen can still be examined in detail.

### KEYWORD SEARCH

Other shoppers, of course, will know exactly what they want – and reflecting this is an approach that works well on mobile, since a small smartphone can harness the power of a vast catalogue.

Thus a powerful search is key to the mobile app or website. The Argos app (see case study) offers users the ability to find any of more than 25,000 items through its catalogue number, check if it is in stock in the local branch, reserve it and go to collect it.

"The keyword search becomes critical because you have to really know what you want from a mobile device," says Dahlgren. "It really is tough to solve the browsing issues in a small screen. Will that change? I don't think so. Search becomes even more important when you're in a small narrow environment."

We can also look forward, she says, to rich media over the smartphone. After all, if viewers can watch a video clip on a phone, they can watch a catwalk show or similar event. "It'll all ladder up, the bigger the screen the richer the experience. But smartphones can still have a fantastic rich experience."

### PERSONALISATION

Another approach is to make the mobile view as personal as possible. This, believes Joris Beckers of Fredhopper, will be key to the future of mobile.

Amazon, rather than showing their entire catalogue when a visitor opens an app, will show a single item. But what could that single item be? Beckers suggests a top offer of the day could be shown to an individual who opens the app for the first time, but once a buying history is established, more personal selections can be generated, based on the retailer's database and experience of the customer. Not only is a mobile smaller, he says, it's also more individual. "Mobile is even more discriminating because it only allows you to show maybe one product on a screen," he says. "Mobile requires targeting, and that requires understanding of customers. It starts with understanding customer needs and segmenting them. It's not rocket science, it's pretty simple."

Essentially, he says, this is marketing rather than merchandising – but it is an approach that retailers who want to use mobile effectively must learn to use effectively. But, he warns, expect to see things change quickly. "What we see in mobile now is a replication of the web," he says. "I don't think that's going to be the future. But that's the state of it right now."

### RECOMMENDED PERSONALLY

As well as personalising content, retailers can personalise offers. They can be delivered either by email or shown to shoppers when they open the retailer's mobile interface.

# By the end of 2010, 1 in 5 people will own a Smart Phone.

## Case study: Argos

Everyone who's been into an Argos store will know that there's a pretty bulky catalogue to leaf through in order to find the particular item they want to buy. Some 19,300 items are shown in the Argos catalogue, of which 15,000 can be bought in store. But more than 25,000 items are available through the company's iPhone and iPad app.

"We need to get customers to the right product as fast as possible," says David Tarbuck, head of multichannel development at Argos. "We did look at our product categorisation to make sure it reflected what we thought customers wanted to see on the iPhone device. We looked at what it would be like if we just put the pure website categorisation, we talked to customers and went through journeys on the device to find out if you were looking for something how you would find it."

The solution gives customers a number of different ways to find an item. From the home screen, customers can look up an item through the catalogue number. Alternatively they can browse through 13 categories, drilling down through successive categories to smaller groups of products that can be viewed more easily on a phone screen.

Users can also view the latest offers, while three of the best offers are illustrated on the home screen as well.

Tarbuck says: "We've looked at the size of the device, the screen resolution, saying what information can we get into this space that won't be a very small version of the website but is clear, legible and usable so customers know when they're looking at the image that it's a reasonable representation of the product. It may be a different size to the one they're looking at online because of the constraints of space but we need to make sure we show the price clearly and any savings we have on there."

In addition, he says, customers are very interested in seeing reviews and ratings information, as well as whether it's in stock. The geo-location capabilities of the iPhone mean that the app can also identify the customer's nearest source of stock and tell them if it is available there to be collected, using real time stock checking. If it is, they can reserve it for collection immediately.

In its first three weeks, there were more than 500,000 downloads of the app on both iPhone and iPad. Seven of the top 25 reserved produce ranges were camping-related.

And with that traffic, comes advice, says Tarbuck, on how to improve the app and the customer journey. "We're getting a lot of information from customers about how they're using the device, which normally we have to go and ask for. It's great to know customers are engaging with us, a journey we started by asking for customer product reviews – and now customers are using that channel to give us feedback."

So, when an individual visits a mobile website or app from their mobile phone, their appliance is recognised as that of a previous customer and the site can present them with offers that are relevant to them, based on previous searches or purchases.

That, says Darren Vengroff, chief scientist at Rich Relevance, a specialist in dynamic personalisation for eCommerce, benefits retailers and consumers alike. "The introduction of mobile shopping applications, such as personalised product recommendations on a retailer's mobile web interface is a win-win for retailers as well as the cross-channel consumer who is shopping anytime, anywhere and anyplace, increasingly with mobile devices."

However, he points out, there is more pressure on retailers to get it right first time. The shortage of space on mobile phone screens means that customers must be engaged by the first recommendation – since it could be the only one they immediately see. At the same time, he says, slow-loading pages will also be a turnoff for consumers.

Patrick Kennedy, of intelligent mobile merchandising business Sidebar says it's important to remember that "for the most part, shopping on a mobile device can often be a painful experience". This means that while online retailers might use personalisation and recommendation to upsell and cross-sell, on a mobile phone it's important that personalisation makes the process easier. "It is essential," he says, "that personalisation be woven into the user experience as a method of discovery to enable consumers to quickly find what they are looking for before they abandon the store due to frustration."

## MERCHANDISING FOR DIFFERENT NEEDS

Retailers can also gain by considering the way that customers use phones in a different context from PCs or laptops. Rather than using a phone to discover and decide whether to buy an object, for example, customers might be walking around a competitor store checking a price. Then the picture of the item serves only to confirm that they are looking at the same thing they have in front of them.

Or, as Adobe Scene 7's Dahlgren explains, a primary use of a mobile site is currently simply to find the nearest shop. Thus the store locator is one of the more critical features – and should be easy to find.

But retailers can also benefit by using some of the advanced functionality that mobile phones can bring. By downloading an app, for example, consumers can turn their mobile into a barcode scanner. Sidebar's Patrick Kennedy says: "A retailer could harness this technology to offer instant price comparison, offer instant incentives to win the sale and remember this behavior in order to better understand a consumer's interests for future visits."

## THE IPAD EXPERIENCE

But since the introduction of the iPad earlier this year, the mobile experience doesn't have to be about the very small screen. The more generous proportions of the iPad, the first of what's expected to be a wide variety of tablet computers, have been welcomed by newspaper and magazine publishers who see a screen that gives them the space to manoeuvre. This gives room, says Dahlgren, for catalogues to be used online. An Adobe Scene 7 survey carried out earlier this year found that the use of catalogues was indeed one of the top features that retailers were planning to develop for mobile.

For when a catalogue is shown on a touchscreen it can become enormously interactive, allowing consumers to leaf through the pages, touch an item they like in a picture and be taken straight to it.

Such a use also reuses to great effect the work and expense that's gone into producing a catalogue, says Dahlgren. And, she says, they're particularly well suited for the tablet format. "Tablets are more convenient than holding a laptop and more portable but with 100 catalogues in one little device as opposed to carrying a stack of paper."

Certainly, merchandising for mobile can seem difficult and off-putting. But by thinking differently and adopting a new approach there are many new ways that retailers can and will show off their products to great effect on a smaller screen. And arguably, this is an exciting time to be doing it – when all the benchmarks for use have yet to be set and innovation is the only way forward. ∎

# *The universal remote*

*We live in an era when customers increasingly want to use mobile devices to access the digital world, but what are the implications of this new landscape for retailers operating across different channels? Arif Mohamed reports.*

**THE MOBILE PHONE** is increasingly seen as the remote control for people's digital lives, offering the ability to combine work and leisure, social networking, and, of course, shopping. Meanwhile, new and exciting developments are coming into play, including augmented reality and location-based features, mobile vouchering and payments, and interactive content. As a result, there are fantastic opportunities for retailers to interact with customers in new ways and clinch that valuable sale.

However, the challenge is to integrate mobile with the other channels and back-end systems, to drive traffic from one part of the business to another. We're not at this promised land quite yet, but some retailers are developing innovations that will pave the way for others.

A recent Ipsos MORI online study of 1,046 UK consumers, on behalf of Sterling Commerce, confirmed that shopping habits are becoming more mobile-centric. When using a mobile device to shop, a large number of respondents wanted to search for products in specific stores; reserve a product for in-store collection; and review and change shopping basket items created via a home computer, as well as check out from their mobile device.

Consumer appetite for mobile shopping is growing, but David Hogg, retail marketing executive at Sterling Commerce, warns, "It is unlikely that a consumer would use a small device such as an iPhone to carry out their weekly shop or to choose an outfit for an important

event. However, the mobile phone is a great option for urgent purchases, such as forgotten birthdays and anniversary presents, to perform on-the-spot comparisons when out shopping or price checking, or to monitor sales and promotions."

In other studies, Juniper Research has calculated that the global mobile marketing and retail sector will exceed £5.5 billion by 2012. This comprises mobile advertising, coupons and smart posters, which display product information when users tap them.

Juniper's recent *Mobile Marketing and Retail Strategies* report found that retailers were already starting to exploit the mobile channel through advertising campaigns on the handset and by issuing money-off coupons. The market for these two activities alone is forecast to grow by half in the next two years.

Report co-author, Howard Wilcox, says, "Our research and interviews showed that location-aware technologies will play a key part. Companies like Google and IBM are seeking to exploit the knowledge of where users are located to enable retailers to offer in-store shoppers a rich set of capabilities such as personalised special offers. As a result we're forecasting the mobile coupons market to double to exceed £2.25 billion in 2012."

## STYLE OVER SUBSTANCE

Yet while it's clear mobile commerce is maturing fast, experts advise that a good customer experience holds

the key to winning and keeping customers. Rob Tarrant is managing director of Brandbank, which supplies online imagery, data and technology to major brands such as Coca Cola and Unilever, and most major FMCG retailers, including Asda, Sainsbury and Tesco.

His view is that too many retailers are choosing apps as a flashy and exciting way of developing their mobile commerce strategy, when the truth is that only around 15 per cent of the UK mobile market is made up of smartphone users. "Retailers need to move beyond their 'appsession' towards developing proper browsers designed for use on 'normal' – that is, non-smartphone – mobile phones," he says.

He adds that mobile shoppers are currently forced to access web pages that were originally designed for large-screened computers, and constantly zoom in and out on different sections of the screen to obtain all of the product data and imagery they need to make an informed purchase. "It's is both difficult and annoying, especially if the consumer has a slow connection speed or bad reception. The result is many potential customers just give up and a retailer loses a sale," Tarrant comments.

The answer is to source the appropriate imagery and product data when developing a specific mobile commerce site. Retailers should also remember that products, images and user-generated content like reviews may appear one way on a 17-inch monitor, but they will be completely different on a mobile browser.

Another major element that can give buyers a bad user experience is poor payment mechanisms, says Tarrant. "Even on an iPhone, which has a better web-browsing experience than many other devices, desktop checkouts can be a usability nightmare," he says.

A payment process that has been optimised for mobile users is imperative if retailers actually want to drive sales through mobiles, says Tarrant, and until this check-out challenge has been sorted for all mobiles, or until near-field communication becomes mainstream, mobile retailing has little chance of getting off the ground.

## CONTEXT IS KING
Getting your presentation and payment right is important, but another critical issue with mobile is understanding the context in which someone uses it, argues Gus Desbarats, chairman of design consultancy TheAlloy, and chairman of the designers' trade organisation British Design Innovation. He says that successful apps and mobile websites recognise the need to provide specific information that is relevant and timely to someone in the mobile environment. "Users do not need the same information they would get on a PC, they need relevant information for where they are and what they are doing," says Desbarats.

So, an example of a successful mobile app would be Thetrainline, which recently served its millionth enquiry on its app. This is because finding out what time your train is leaving is helpful information if you're on the move, because it has an immediate application.

Retailers need to put themselves into the minds of a consumer when they are mobile, says Desbarats and take into account the fact that time, attention span and

### Case study: Mobile couponing: the next step?

The concept of mobile couponing is increasing in popularity in the US, especially among the younger generation, and may well gain traction in the UK in the near future. A recent study by Honeywell found that two thirds of 18-34-year-olds in the US would be receptive to receiving and redeeming bar-coded coupons via their mobile phones.

Barcode scanning technology is advancing, allowing retailers to scan coupons directly from a customer's mobile device display at the point of sale, eliminating the need to carry paper print outs.

Andrew Donn, regional sales director northern Europe at Honeywell Scanning & Mobility, says, "The US retail scene has a more advanced coupon culture than Europe does, in terms of special offers and promotions. This side of the Atlantic, we're not so used to seeing special offers on paper tickets, we prefer to get our offers online."

But Donn adds that it makes sense for mobile couponing to take off in Europe next. "Everyone has a mobile phone, so passing up opportunities to target people this way is wasting a valuable resource," he says.

Honeywell is currently working with airlines such as Lufthansa on mobile tickets. It recently started working with fast food chains on mobile couponing systems, featuring till-based scanners equipped with 2D imaging to read barcodes from mobile phones. These will enable food retailers to send special offers to customers' phones, redeemable using a till-based scanner.

patience will all be limited. Mobile's key benefit over the PC is a constantly updated location, and this enables retailers to communicate with customers in a more contextual way, perhaps offering time-sensitive information that relates to a physical store's opening times, or 'happy hour' period. And in terms of space, augmented reality can enable people to locate and identify products on the shelf, or get directions to a particular store.

In this sense, the mobile experience needs to be different from the web experience, encompassing relevant content in the context of a mobile user. If this consideration is taken on board when building a mobile presence, the experience can be as feature-rich as it needs to be.

"The great mistake people make is trying to replicate the PC web on the mobile phone," says Desbarats. "Using a customer's location is the most important opportunity here. This enables any retailer, however big or small, to market itself to a relevant audience. The coffee shop on the corner of the street can market itself only to the people who are nearby."

Mobile vouchers have proven this model, with the success of Vouchercloud and FourSquare. But there are risks involved with vouchering, despite it being highly effective in driving cross-channel activity from mobile to store or the web.
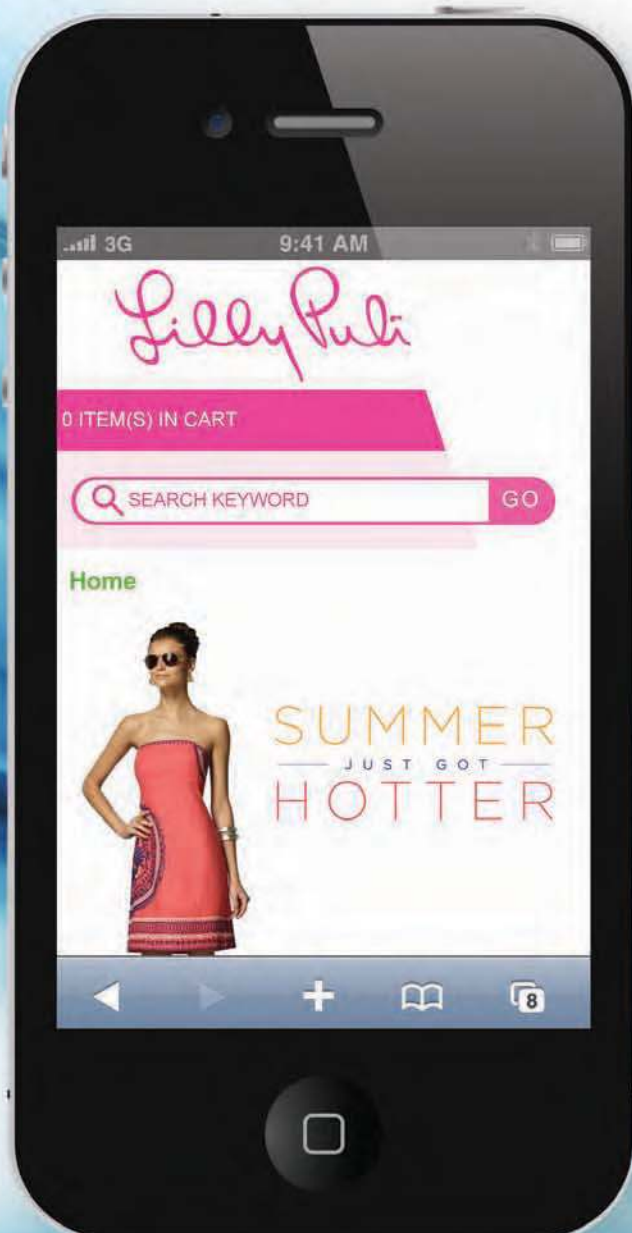
The risk of mobile vouchering is that it spams users with dozens of non-relevant offers. Consequently, the challenge for retailers will be to ensure their offers are relevant to users, particularly in terms of location and customer preferences, so they can build brand loyalty whilst raising incremental sales.

## TAILORED INFORMATION
The mobile channel also gives retailers a new way of providing buyers with relevant and personalised information. Mobile price-comparison and extended information hold great potential for use in-store, believes

Pontus Kristiansson, chief executive and co-founder of Avail Intelligence, which specialises in maximising the value of visitor traffic to eCommerce sites.

Bricks-and-mortar retailers should use mobile commerce as an opportunity to equip their stores with features they otherwise lack in an attempt to keep customers from going elsewhere, he says. For example, it's difficult for stores to offer the extensive product information available to consumers online. But mobile commerce can plug this gap by giving shoppers easy access to a wealth of information, including consumer reviews, while shopping in store.

Kristiansson adds: "Often it is difficult for consumers to make a return visit to a store, particularly if it's located in a different area. Informing shoppers about the online and mobile alternatives as they leave the store is essential, preventing otherwise satisfied customers from spending elsewhere."

However, multi-channel retailers must be wary of features that churn, or even worse cannibalise, sales between channels, he points out. Mobile price comparisons, for example, may very well cannibalise in-store sales as shoppers discover they can save money by ordering elsewhere.

## WHAT THE FUTURE HOLDS

Moving forward, enhancing the user experience will be vital as more and more users flock to mobile platforms. Tim Dunn is head of marketing services at Mobile Interactive Group, (MIG) which is responsible for M&S's new mobile internet site, and the highly successful Britain's Got Talent (BGT) iPhone app.

Although not a pureplay eCommerce application, the BGT app, designed and delivered by MIG's Kilrush Application Studio (KAS), illustrates effective use of multiple channels. It also had more than 200,000 downloads in its first four days of availability in April.

The app enables viewers to access BGT content, news and Facebook and Twitter streams. But more importantly from a retail perspective, it has been monetised via integrated sponsorship packages and rich media. Domino's Pizza took lead sponsorship, enabling viewers to order pizzas and have them delivered directly to their door via the app.

The secret of success with mobile is to meet customers where they are most comfortable, says Dunn. "Huge numbers of users are moving to the mobile net which means opportunities for both mobile apps and the mobile web. The mobile web offers a fast and fully featured user experience, whilst mobile apps can give a smoother, flashier and top-of-the-range user experience, says Dunn.

One food retailer that has a highly profitable iPhone app is noodle bar Wagamama, whose app enables users to key in their food order, pick a store, and pick it up. "It's absolutely fantastic, but for many retailers, it's difficult to join up store and back-end systems," observes Dunn.

Beyond the app, the future of multi-channel is augmented reality and better integration with store and eCommerce systems, he says. Once retailers have the right technology in place, it will be easy to give customers

### How can retailers improve the mobile shopping experience?

#### Integration matters
"Retailers need to integrate mobile effectively into their cross-channel strategies. Even though a consumer may shop through a mobile phone, it is by no means the key channel for purchasing. In fact, it actually encourages consumers to visit and buy from other channels."
*David Hogg, retail marketing executive, Sterling Commerce*

#### Ease of use
"The best way that retailers can adapt to their consumers' maturing mobile usage is to make it as easy as possible to buy from them. When buying something on a bog-standard mobile, you don't want lots of fancy videos or graphics that will slow the connection speed down."
*Rob Tarrant, managing director, Brandbank*

#### Location, location, location
"Retailers need to think carefully about the mobile experience, highlighting the benefits of mobile such as location and immediacy, and overcoming the limitations such as lack of keyboard and the short attention span of the user."
*Gus Desbarats, chairman, TheAlloy*

#### Usability factors
"Time and time again, usability has been shown to triumph over advanced graphics and multimedia. Existing business models for online shops or service websites cannot simply be directly transferred onto the smart phone. The user specifications differ."
*Pontus Kristiansson, CEO, Avail Intelligence*

#### Life on the move
"Consider the customer's time and location: are they on the train? Are they going to buy now or later? How do you communicate with users when they are most accessible, which tends to be between 12 and four? Do you send a text, email or app notification? It's all about convenience and customer choice."
*Tim Dunn, head of marketing services, Mobile Interactive Group*

location-sensitive apps that overlay their browser with an augmented reality layer, showing store location information on-screen, and personalised, location-specific special offers.

Augmented reality, with its melding of physical and digital worlds, holds out huge promise for multichannel retailers, argues Dunn. "We see a really bright future for augmented reality and many smartphone makers, Samsung in particular, are embedding default support for it in the next generation of devices. It's up to retailers to get their back-end systems up to date. After that, it's simple to add the data layer."

Getting back-end systems fully optimised, it might be added, is a key issue for dealing with whatever innovations in presentation and display that lie ahead. ■

# *Making mobile commerce a reality*

*Get past the hype surrounding mobile and your company's shiny new app, and there are key issues for retailers to address surrounding such issues as payments and security, advises Chloe Rigby.*

**IT'S EASY TO FORGET** about the nuts and bolts of mobile commerce when the board is excited about the front-end app or mobile website. But the logistics, IT and, most importantly, the payments will ultimately be essential to making mobile commerce work.

Moreover, the portability of a mobile phone means that it can be leveraged in new and innovative ways that eCommerce has not previously operated – to the advantage of customer and retailer alike.

## IN-STORE OPTIONS

Not only is the smartphone an Internet shopping tool in itself, it also has other uses too. Because it has GPS, for example, it can be used as a locator device, to show retailers when a customer is nearby in order to send out relevant offers and attract them into the store.

Once in the store, smartphones can be used as barcode readers, giving users insights into the products before them. The Barcoo app, though currently available only in Germany, allows users to find out the ethical information about an item they're viewing – from how a producer treats its staff to the carbon footprint of a product.

In the same way, retailers can use the barcode or RFID tag information on products to give customers more information. By linking shelf-located barcodes to stock availability, for example, customers can find out whether an item is in stock.

This, however, requires real-time stock updates, or retailers risk that the last item is sold while a potential customer believes it's still available. In turn, such stock updates can be used for automated ordering.

One example of the way the barcode can be used in stores – as well as in advertising – came as far back as 2007. Fashion retailer H&M ran an advertising campaign both outdoors and in magazines with embedded 'semacodes'. By photographing those codes with their mobile phone camera, shoppers could link directly to buy the clothes. Similar codes were sewn into the retailer's clothing ranges, allowing people who liked the clothes to find out more about them – even when they weren't in a shop.

Some retailers may fear, says Chris Hoskin, chief marketing officer at eCommerce developer Salmon, that giving too much information to customers through in-store barcodes can potentially be counter-productive. What's the upside for a retailer, for example, in giving customers the means to carry out price comparisons with rivals? But, he says, "Mobile commerce developers working for astute brands will not be fearful. Instead. they will focus on giving their customers personalised experiences and offerings based on customers entering a store and knowing their customer intimately."

Indeed, by giving customers the best service they can, retailers can get a step ahead of the opposition in a different and more welcoming way. Hoskin suggests that powerful mobile handsets can also help store operational teams in areas such as stock checking, product information and promotion sharing.

## LOGISTICS

Another area where the mobile phone brings new levels of convenience is the logistics process. At one end, customers can use it to reserve goods while they are on the move, in

order to pick up them in store later. This has been a success for Argos, with its Check and Reserve app (see merchandising section on p14). Salmon's Chris Hoskin says, "It's a great example of different channels complementing each other and making the overall shopping experience more compelling."

After the purchase, the mobile can provide a flexible tool to keep customers informed during the logistics process. Confirmation of delivery time can be sent to the phone as an SMS message, allowing the customer to confirm or change delivery times until relatively soon before the consignment is due to be made. But it can also be used for other parts of the logistics process, says Hoskin. "In terms of a customer touchpoint strategy, developers can add tremendous value by offering customers not only mobile-based 'where is my order?' statuses, but also digital receipts, and simply access to warranty information and services."

### PAYING YOUR WAY

But it's only when consumers find an easy way to pay over mobile that mobile commerce will see the mass take-up expected in coming years. While only 2.1 per cent of UK adults currently shop by mobile, according to the Ovum and Verdict Research report (see strategy section on p26), the size of the transactional mobile commerce market is expected to increase dramatically over coming years. The key to unlocking that potential, says the Ovum report, will come "as UK consumers get used to paying for goods on their handsets." So just how will payment take place over a mobile phone?

For while there are a variety of ways to pay by mobile, none of them has yet reached that important mainstream tipping point.

Some are still costly and others are insecure and therefore off-putting for buyers. Some retailers ask buyers to text in credit card details, while others involve making a voice call to give details – both solutions with potential security issues. And buy over mobile from an existing eCommerce website and users will find themselves going through the fiddly and frustrating process of inputting credit card details via a mobile phone keypad.

But there are other approaches that do already work well. One model sees customers who have already registered their payment and mobile phone details on a website via their PC confirm future payments via mobile simply by entering the last four digits of their credit card number. Existing customers who want to pay the London congestion charge, for example, text in the last four digits of their card, and from that the system recognises their pre-registered car registration number.

Meanwhile, the Apple App Store model sees customers register with iTunes from their PCs before buying individual apps simply by inputting their password, confirming a sale but without any need to re-enter credit card details.

And when users visit Amazon.com they are automatically presented with its 1-Click payment method, whereby existing customers are asked to sign into their account, using user name and password, and register their mobile number under 1-Click payment. From then on, transactions from that phone for delivery to the default registered address and for payment with the default registered credit card can be

## What the experts say

### Tracking and planning
"Mobile commerce developers should be considering how in-store tracking and planning can be optimised by using mobile devices. Each of these areas helps customers."
*Chris Hoskin, chief marketing officer, Salmon*

### Device limitations
"Mobile phones are brilliant, but they're less attractive for entering large chunks of data such as credit card details, a three-digit code, name and address. That's really quite difficult to do."
*Alex Meisl, co-founder and chairman, Sponge*

### The coming revolution
"We believe the mobile device will become the most commonly used access device for a whole range of services. Therefore payment and authentication are going to become critical."
*Nick Ogden, chief executive, Voice Commerce*

### Lessons from Africa
"A lot of emerging markets, and South Africa is a good example, have jumped straight past fixed-line telephony and large PCs to mobile for reasons that include economy. That's meant people have innovated around mobile and mobile solutions much more readily because it's the channel most consumers have been using. We've learnt lessons from those markets we'll be looking to apply back to the UK."
*Paul Coxhill, marketing director, Ukash*

confirmed with just one click of a button. Already this payment method has been adopted by Hallmark in the US, and there is talk that Amazon will licence it further afield.

The judgement has to be that some retailers, au fait with and serious about the demands of a mobile audience, are already making it easy for shoppers to buy on their phones. And yet, as yet, most are not. Is it because of the cost and development work of designing a payment solution? Because there are cutting-edge solutions already available off the shelf. However, retailers will need to weigh up the costs of using such solutions against the benefit of selling by mobile.

### SPEAK YOUR PAYMENT

One of those comes from Voice Commerce and harnesses the use of voice biometrics. The company, headed by Nick Ogden who helped eCommerce take off when he launched the WorldPay payment solution, is a registered Payment Institution. This year it became the first UK Payments Institution to be accepted as a principal member of Visa Europe.

Its Voice Pay system is a centralised account where credit card and mobile phone details are stored alongside voice biometrics. When a Voice Pay user clicks on a mobile website or app in order to pay, they receive a mobile phone call. The system asks the user to say their name to identify themselves and will then speak the details of the transaction for the user to verify by saying their voice signature. The transaction is then confirmed by text message to the phone. Transactions

## Case study: PayPal

Perhaps the most widespread payment app for mobile is that from Paypal. PayPal's Send Money application was unveiled in March, version two of an app that has grown quickly in uptake.

In 2008, consumers spent $25 million in mobile transactions using PayPal but in 2009 that rose sharply to $141 million. By 2015, says PayPal, consumers are expected to spend $119 billion through their mobile phones, providing great potential for the payments firm.

The Send Money app's main retail function is to pay for eBay purchases. But it also has a number of innovative features that have made it popular in everyday money management. Those features include 'bumping' two iPhones together to move money from one PayPal account to the other. The app can also be used to pay for eBay buys as well as to split restaurant bills between groups of friends or to send money as a gift.

Rather than a standalone application, the app functions as just another way that PayPal customers can access their centrally stored account. It requires a pin or password in order to prevent unauthorised use.

"Today, you leave the house with three critical things: your phone, your wallet and your keys," says Osama Bedier, PayPal's vice president of platform and emerging technology. "PayPal Send Money lets consumers access their wallets through their phones. Because with PayPal, the wallet lives in the cloud – the mobile phone is just one device customers can use to access it."

Features include the ability to pay recurring bills by mobile phone, as well as a global currency calculator for international payments.

are guaranteed by Voice Commerce, giving both customer and retailer security. The system is also part of an eCommerce and mobile commerce platform, ON4, that can be set up immediately.

Nick Ogden, chief executive, says: "The advantage this has over conventional eCommerce is that most of us don't have enough arms to be able to hold a smart phone and a credit card, and key in all the information at the same time.

"This takes away the requirement to key in any card data at all into any device. It also adds a massive level of security as we call the purchaser back it effectively means someone's cell phone can't be spoofed. Mobile phone networks can only direct a telephone call to an existing cellphone sim, and while you can spoof cellphone calls to make outbound calls it won't make incoming calls so it's incredibly secure."

### PUT IT ON YOUR MOBILE PHONE BILL

All four of the UK mobile phone operators, Vodafone, Orange, O2 and T-Mobile, support the Payforit billing tool. The tool doesn't require individuals to sign up for the service, or to register any details. Customers deciding to pay by Payforit are taken to a Payforit screen and follow the instructions on screen. The amount is then added to a mobile phone bill.

Security lies in the fact that payment pages are hosted by Approved Payment Intermediaries, rather than by merchants, and that it operates with in the Trusted Mobile Payment Framework.

As yet, only micropayments of up to £10 can be made through Payforit, and generally it's mainly been used to pay for ringtones and other downloads.

### DEVELOPING FOR THE FUTURE

Also in the offing are mobile wallets, from providers such as Ukash. Ukash sells vouchers in convenience stores that can be bought for cash. The vouchers are redeemed online or by mobile phone by typing in their 19-digit number. If a voucher isn't spent in one go, a change voucher is automatically generated.

But the company is now working on taking that a step further, by developing a wallet solution that's currently being piloted and will be integrated into a merchant's website. "Users wouldn't have to type in the 19-digit code when paying for goods, but would select Ukash as an option and immediately redeem the credit from their wallet," says Paul Coxhill, marketing director at Ukash.

He also believes Ukash's solution will provide a useful way to handle micropayments, expected to grow as others follow the *Times* and *Sunday Times* in small one-off charges for access to content.

Coxhill says: "I think consumers increasingly are going to demand the ability for all their different devices to be joined up. I think there is a danger of thinking of the mobile channel as something very separate, distinct from your other channels. We don't see it like that. Sitting behind the mobile and normal website should be the same account."

Alex Meisl of Sponge agrees: "Mobile shouldn't be seen as a standalone communications medium. It is part of the digital experience. Most people who are interacting with a brand or retailer on a mobile phone are probably already interacting with a brand via that website."

Contactless payment is already a reality for Barclaycard customers in the UK, and trials have already taken place for mobile phones with enabling chips in them to be used themselves as credit cards through near-field communications (NFC).

And as soon as next year, says Voice Commerce's Nick Ogden, there will be a transition to mobile phones becoming credit or payment cards in their own right. He adds: "Today through someone's Voice Pay account we could almost allocate a Visa card or Mastercard number to someone's mobile phone number, so it becomes a virtualised card and, yes, then interlinking that to NFC technology on the handset as well so you've got your wallet and phone in one device – that will happen. That's not futuristic, that's reality and round-the-corner stuff."

And once the phone and wallet have become one, what happens when it inevitably gets lost? That's also under development, says Ogden. "There is one telecoms firm we're working with whereby if you do lose your phone you go into the shop, say I'm Nick, I've lost my mobile phone, my wallet and all my other possessions, I have a contract with you and they'll say can you give me your mobile phone number, they'll say yes and give it to them, they'll then hand you a mobile phone, authenticate yourself and they'll give it back with all of your data on it on the assumption you've been using their data back-up services.

"You can only do that using voice biometrics as a method of authentication because no fingerprint readers or iris scanner capabilities are yet available on mobile devices. It's like a £20 note with a piece of elastic on it."

The reality with payments is that some enthusiastic consumers are already using their smartphones to buy from websites that don't have mobile checkouts.

But the slowness and difficulty of typing all the details must preclude such an approach from taking off. Yet once mobile payment becomes mainstream that's all set to change. This may happen quicker than many commentators are currently predicting. ▪

# Apps versus the mobile web

*Everyone can see the benefits of having a mobile retail strategy, but should you go down the apps route, the mobile web route or stick to simple SMS? Well, you need all three to fulfil mobile's real potential, says Paul Skeldon, editor of M-Retailing.net, Internet Retailing's new title on mobile commerce*

**WHAT SELF-RESPECTING** retailer is currently not entertaining the idea of having a mobile strategy? Mobile is both literally and metaphorically everywhere. Research by retail analysts Verdict and telecoms specialist Ovum, suggest that mobile commerce will double in value in the next three years, topping some £275 million in the UK by 2013. But how are retailers who are struggling with the complexities of mobile going to make this happen?

Even £275 million might not sound like much in the grand scheme of online retail's existing £21.2 billion annual income in the UK, but mobile's benefits already go way beyond the tangible.

The key is to understand that mobile in retail offers not just a new channel to market, but more a solution that acts as the glue that holds together all the retailer's channels, as well as providing unprecedented data-gathering capabilities, customer service tools, payment mechanisms, marketing channels and even social networking opportunities.

But with mobile looking to fill in so many gaps in the retail experience, getting it right is a challenge, and one that a surprising number of brands are shying away from.

## THE FIRST STEP

The obvious first port of call when looking to take things mobile has been the iPhone app. Many retailers – perhaps driven by a board of directors who all have iPhones… – have opted to develop simple apps for this one device. These apps offer everything from a simple store locator right up to barcode scanning, stock checking and location-aware offerings with built-in adverts.

And this is brilliant: it demonstrates just what can be done with a mobile phone around a retail brand and a handset and really cements mobile's role in the retail world. But only for those users, around 3.8 million people in the UK, lucky enough to have an iPhone.

Of course, with the 4G iPhone about to drive 'normal' iPhones into the mass market, the iPhone app may yet turn out to have been a shrewd investment. However, while offering a great toe in the water of mobile retail, simply having an app really doesn't play to the mass-market appeal that is one of mobile's real strengths.

Nevertheless, some do see it as the first simple step towards building a true mobile presence. Laurence Pichot, head of Shopping.com France and the company's head of mobile development, believes that an app is a great way to get started with mobile because it can test the waters for how to shape the consumers' mobile experience. Knowledge gained can be developed and expanded as a company gains confidence and experience with dealing with the mobile needs of its consumers.

Of course, there are other apps-friendly devices out there, all running different operating systems: Google's Android platform, Nokia's Ovi and a host of third-party

## Data Gathering

One of mobile's key benefits to the retail sector is that it offers unprecedented access to consumers – it is in their pocket, after all – and, conversely, it offers an unrivalled and personal view of the shopper. In short, it is every CRM manager's dream come true.

While much has been made of how retailers should be looking at going mobile for transactional reasons, many overlook just what can be gleaned in less tangible, but no less valuable, benefits such as customer's data.

And here the apps-versus-mobile web debate gets interesting. In both cases, the server needs to know what handset it is dealing with and the retailer can also, through the network operator, get a handle on where the user is geographically, but apps win hands down in terms of the extra data they can then supply to a mobile retailer.

Mobile apps provide a rich source of consumer data that goes far beyond that of the desktop browser, including handset manufacturer, model, mobile network and location as well as user interactions with the application, points out Alistair Crane, CEO of multiple-platform apps developer Grapple.

"Businesses with their finger on the pulse will use this mobile data to adapt and refine the mobile commerce experience, in some cases on the fly, by changing the data feeds, such as offers and promotions," says Crane. "All too often, brands with a strong online presence think they can replicate their success through a 'launcher' app, a downloadable icon that launches the mobile browser when clicked rather than a native application. Unexpected user experiences often result in mass drop-off, so retailers need to keep a close eye on mobile traffic and look for points of disconnect, often found when a complex/new payment mechanic is introduced.

And data can help understand how apps work, believes Crane. "All too often, the perceived success or failure of an app is judged on downloads, a valid metric for paid applications due to the direct correlation with revenue generated. However, free apps present an entirely different set of challenges and should monitored on level of engagement such as time spent and information given as well as frequency of interaction, uses per week/month – all of which correspond to consumer propensity to buy."

apps developed for other smartphones including Blackberry. These can broaden the appeal of mobile commerce app development, but they each need to be developed individually and rolled out and marketed through separate apps stores.

While this can turn the idea of a nice simple app as a taster for what an brand can do with mobile into a huge multi-device nightmare, there are companies out there that are looking to help businesses harness the power of multiple platform apps.

UK start-up Grapple offers to develop your apps for you and make them run near enough the same on whichever platforms you want, making for an economic way to develop a mobile apps strategy that appeals to a much broader church of users than just iPhone.

"Using technologies like ours, it's possible to target practically all mobile users and fully exploit the capabilities of their mobile devices while offering them a rich experience," says Ed Lea, CTO of Grapple.

But apps still have their detractors, both from those that think that a mobile strategy should be more simple and those that think it needs to be more ambitious and embrace the mobile web.

### KEEP IT SIMPLE

"Many people mistake having an iPhone app for having a mobile strategy," says Jonathan McDonald, formerly of Blyk and now a mobile consultant with strategy company JME.net. "Nothing could be further from the truth. Having a mobile strategy is more about looking at how you can use often the lowest common denominator aspects of mobile to drive your existing business."

One of the easiest things to get any company started on a mobile retailing strategy is to look at the functions of mobile phones that are most widely used – both to offer your mobile services to the widest audience, but also to make development of said service easier.

"Retailers get overwhelmed by mobile and what they need to do: apps for at least four different operating systems, the mobile web, location based services, WAP-push, mobile rich media advertising: the list goes on," says Tim Satchell, commercial director at InfoMedia Services. "Instead, why not just use SMS? It's a simple toe in the water and is a great first step for expanding into mobile with little work."

For a retailer with no loyalty scheme in place, text marketing and simple SMS-based competitions can be a really effective way of building a database of consumers and their mobile numbers, details of their handsets and their shopping preferences, explains Satchell. "Then, when the time is right you can start building on this with apps and mobile web services."

But where the real conflict lies is between those who think that a mobile strategy can start with an app and grow, and those who believe that serious mobile retailers should go straight for the mobile web option, utilising what they have online and optimising for as many web-enabled devices as possible.

# STREAMLINE YOUR PROCUREMENT PROCESS WITH THE INTERNET RETAILING *JUMPSTART*

Procurement is painful not simply due to the difficulty in assessing answers, but the much more important issue of 'getting the right question'.

The Internet Retailing procurement "JUMP START" programme will take a short, sharp, intense look at some key procurement issues - but our focus is upon identifying and presenting the key questions you should ask, rather than presuming to advance some generic, one-size-fits-all maxims. All solutions are individual, and our "JUMP START" will help you get to the heart of the questions for you.

*Fast-track procurement programmes*

# JUMPSTART

*An INTERNET RETAILING event*

If you are a leading supplier and want to present your products and services to room full of multichannel retailers and ecommerce professionals in a educational and quick fire format then please contact us at **robp@stjohnpatrick.com** or call on **0207 933 8999**

The half day events include:
Fraud & Payments – 9th Sep
E-commerce – 23rd Sep

The intense half-day format will give you both insight, briefing and a chance to meet with other retailers. It will give you either a fast-track to create your own commercial procurement process, or even allow you to benchmark your existing or intended supplier against the market's best offerings.

## Register at www.internetretailing.net/jumpstart

## What the experts say

### On the move

"Mobile is part of a much larger strategy to let shoppers shop on the go, at home or in store – and mobile is the glue that holds all this together."
*Sienne Viet, social and mobile commerce development manager, M&S plc*

### iPhone plus

"We launched on iPhone in the US as it had 50 per cent of the smartphone market out there, but we aren't going to restrict ourselves to that: Android is picking up and we will develop an app for that too then look at other operating systems. Our view is that more and more people are going to have smartphones – by 2011 there will be more smartphones than regular phones – so apps are a long-term strategy for us."
*Laurence Pichot, managing director and head of mobile, Shopping.com France*

### The fragmentation factor

"We're in danger of a very fragmented mobile web appearing where some sites will only work on specific mobile devices. Until there is a unified mobile web experience that can deliver the same quality and functionality as native apps, apps will remain dominant."
*Ed Lea, CTO, Grapple*

### Integrating mobile

"Mobile isn't a standalone thing, it should be totally integrated into the whole of your business, whatever strategy you adopt, that is crucial."
*Ariel Lüdi, CEO, Hybris*

### EARLY MOVER

Leading the charge here is über-retailer Marks & Spencer. It has become the first major UK high street retailer to roll out a web-based mobile-retailing strategy, integrating it fully into its current online and in-store offerings, and optimising it for 6,000 web-enabled handset types.

"Mobile web is the most democratic way for consumers to shop," says Sienne Viet, social and mobile commerce development manager at M&S. "Any web-enabled mobile phone can get access to our products and services and buy them."

What M&S has done (see boxout for details) is seamlessly to bring together its web, store and mobile offerings into one service. Whether you are shopping on the web or on the mobile web versions of M&S online, you get the same service, optimised for whatever handset you come in on.

Mobile web offers greater flexibility for most commerce applications, especially for those that have an existing eCommerce strategy, believe mobile web's protagonists. It offers the advantages of 'develop once and serve many' – with some tweaking to allow optimisation on different handsets of course – and it allows for much easier updating of the site. If you have an app, argue those that favour mobile web, then any minor update then requires the user to download an update of the whole app. Mobile web means you fix it once in the cloud and everyone gets the latest version.

### MOBILE WEB'S LIMITATIONS

But for all that mobile web has going for it, there are problems, as Ed Lea, CTO at apps developer Grapple points out: "Mobile web has never been able to deliver what users want and expect of it. Apps have been able to deliver. The major mobile OS vendors are improving mobile web extensively, but not necessarily in a very consistent way. We're in danger of a very fragmented mobile web appearing where some sites will only work on specific mobile devices. Until there is a unified mobile web experience that can deliver the same quality and functionality as native apps, apps will remain dominant."

Whatever route you chose to take into the world of mobile commerce, the key thing is to understand how to make it fit in with your existing commerce engines: so that you aren't building a separate databases of both consumers and stock and that you can link it all together. M&S's mobile web strategy works because of the investment put into building a commerce engine that works across all channels, says Ariel Lüdi, CEO of commerce engine maker, Hybris. Your strategy also needs to embrace both commerce and browsing, Lüdi believes and you have to serve up the right offering to the right handset.

"Mobile isn't a standalone thing, it should be totally integrated into the whole of your business, whatever strategy you adopt, that is crucial," he says. ∎

## Case study: M&S goes mobile

Marks & Spencer (M&S) has become the first major UK high street retailer to go properly mobile, with the launch of a mobile-optimised version of its main eCommerce site. Customers on the move can now shop on a site that has been developed specifically to enable them to search, browse and buy easily from any of 6,000 web-enabled mobile phones or devices.

The site will always be in sync with the main M&S website so that customers can log into their regular web-account and manage their shopping basket from their mobile. There is no need to download an app or any software – users simply type www.marksandspencer.com into their phone's browser.

"This is a major step forward in mobile retailing. Mobile-optimised shopping sites have been done before by specialist retailers, but M&S entering the market with 21 million customers, one of the UK's most recognised brands and a well-known range of products changes the mobile retail landscape," says Dave Hughes, director of M&S Direct.

"Even before the site has launched, hundreds of thousands of customers are already shopping with us on their mobile phones and market data is telling us that this will soon be millions. The new site allows these customers to browse and buy from their mobile device without the frustrations that come with trying to do the same on a traditional website.

"We expect customers to buy a wide range of products on their mobile, from suits and dresses right through to technology and can see gifting-on-the-go, flowers and hampers for example, becoming extremely popular."

Launched in 2000, www.marksandspencer.com is one of UK's top ten retail websites, with more than four million customers. Customers will find more than 24,000 products – including clothing, home and furniture, technology such as TVs and iPods and gifts such as flowers and food hampers – and almost all of the functionality from the main M&S website.

# *Getting to know you…*
## *close up*

*The mobile phone offers unparalleled opportunities for retailers to engage with customers, but it's important to be careful you get these communications right, discovers Chloe Rigby.*

**A MOBILE PHONE** is a uniquely personal device. It's the one gadget that users tend to carry with them wherever they go, from home, to work and beyond. It's the gadget that's allowed to interrupt anywhere, any time. That makes it a great way to communicate with customers.

Certainly research suggests that as yet, the mobile phone is most useful for multichannel retailers as a marketing tool. According to a recent report from Ovum and Verdict Research, the amount of money spent through mobile commerce is not yet significant. But while only 2.1 per cent of the UK adult population use their mobiles to shop online, 11.5 per cent use them to research the market, with 3.8 per cent researching and interacting with retailers while out shopping.

It's important to use the mobile carefully as a way of contacting customers. For some customers, contact by mobile phone feels like an intrusion, especially when it comes

at an inopportune moment. For others, it's an opportunity. Retailers and brands who want to talk to their customers this way must therefore get to know their customers, building a special relationship with them, and one that gives them specific permission to be in touch in this way.

### INTERACTING BY MOBILE
Any relationship benefits from regular contact – too long out of sight, and a brand or retailer will soon be out of mind too. And that could risk losing valuable sales. But there's a skill in determining how often that contact should come, and in what form it should be.

There's a wide range of options for contacting customers via mobile, particularly in view of the shift in smartphone usage. Now, it seems, with fast adoption of the iPhone, Android-based smartphones and more recently the iPad,

coming on top of the already popular Blackberry and even the iTouch, customers are simply more likely to have a smartphone or device they can use to read emails, use apps or visit websites on the go.

Sandy Martin, senior manager of express programmes at car rental company Dollar Thrifty, says her company has seen a real demand from customers to access its services by smartphone, and it's responding to that. "We are seeing a lot more people with smartphones who are able to book online on their phones and we want to be able to accommodate that," she says.

Significant business has come from customers who search for the company on Google and then click on the telephone number to call. "That has grown exponentially for us in the 90-120 days that we've been really focusing on that," says Martin. "That's led us to make sure we're in the mobile space."

Key to a successful customer engagement strategy, she believes, is to contact customers in the way that they, individually, want to be contacted. And that points to making mobile contact possible. "We're working on a social and mobile strategy to put all the pieces together and create that customer-type contact. We're then more able to contact and talk to them through the channel that they prefer."

But more than simply gaining permission to contact via mobile phone, mobiles can be the origin of the permission to market both by phone and in other ways. Scott Olrich, chief marketing officer of Responsys, which is working with Dollar Thrifty on the implementation of its strategy, sees this in action.

"Large airlines like South West Airlines," he says, "are doing a lot in the airport, thinking about it as a place where customers are and where we have the opportunity to interact with them." Thus rather than simply optimising a website for mobile and email permission capture, customers can also be encouraged to text in their email address and mobile number, giving permission to market across both channels.

But how exactly should that contact best take place? Through a call, text, or email actively delivered by the marketers, or through an app, signed up for by the customer?

Calls and texts certainly have a place to play when it comes to contacting people who have already shown a commitment to the retailer. A call might confirm an appointment, a text might notify of a delivery slot, but both can be intrusive when they're not expected. But for general marketing, the choice is more clearly between the app and the email.

## EMAIL, THE 'KILLER APP'

According to Olrich, the "killer app" for mobile contact is email. For although people have been receiving and reading emails on their mobile phones for years, it's only recently that it's become easy to interact with emails, clicking through from a message to make a purchase, compare a price or simply clicking on a phone number to call it.

He adds: "The user experience you can have just with email on your iTouch or iPad is absolutely more compelling. We're seeing a lot of increased results just as a result of viewing email, first on the iPhone and now on the iPad. I think

### Mobile marketing

Mobile marketing can prove an effective way to win new customers. Earlier this year, a study from Juniper Research predicted the market, which includes mobile advertising, coupons and smart posters, will be worth more than $8 billion worldwide by 2012.

Certainly Zavvi.com found mobile marketing effective when it won more than 10,000 new customers through just such a campaign. It ran a poster campaign as Zavvi relaunched online under its new ownership, The Hut Group.

The mobile marketing campaign was devised initially to measure the effectiveness of the poster campaign, which ran across London, predominantly on the tube network.

But more than that, says Richard Chapple, commercial director at The Hut Group, it also helped to align the brand with Zavvi.com's target audience. "We were trying to pitch – and continue to do so – for Zavvi to be a young and slightly male brand in terms of its approach and communications style. We thought that was again a way of reinforcing that fact that we are connected to youth consumers, out there looking for entertainment. But we also wanted to use a mechanic where we were giving something back."

Thus the posters encouraged people to text in and enter a draw to win £1,000. All entrants received a unique code sent to their handsets to obtain a £1 discount on any order placed on the Zavvi.com website.

During December 2009, 24,000 discount codes were issued and more than 19,000 were redeemed. More than £150,000 of revenue was raised, and 10,000 new customers added to Zavvi's database. Demand exploded, said Chapple, when the code became viral on the Internet, and was posted on increasingly popular forum sites.

"Using a simple mechanic to engage Zavvi.com's audience was key to the campaign," said Alex Meisl, chairman of Sponge. "By offering an easy-to-enter promotion, which was quick and cost-effective to set up, successfully generated a significant number of new customers in a short timescale at a low cost."

Mobile marketing is a mechanism, says Chapple, that the company would consider using again, both for Zavvi.com and other Hut Group brands. One improvement it would like to develop though, possibly by building a system internally, is a more cost-effective way to deliver the text messages.

Chapple says: "For most online retailers, mobile commerce and the pending explosion of smartphones are something people are keeping their eye on, although the percentage of users is still quite small overall. We'll definitely be considering what we do there and using those channels to market our sites and our white label partners as effectively as we can."

it will be the biggest area of transaction growth for customers."

Email has the double advantage of being less intrusive than a text message while also capable of conveying more through images and graphics than a simple text message can. An email, after all, doesn't beep loudly it arrives. And checking email over a phone is something a user must do actively rather than passively allowing it to arrive. So even though a mobile phone can be used to receive texts and emails, email arguably has the advantage of seeming less intrusive.

It's also more of a mass-market approach. Most people can receive email via PCs, even if they don't have a smartphone, thereby widening out the total number of people likely to benefit.

## USING APPS TO BUILD TRUST

Think of engaging with customers over a mobile phone, and apps will immediately come to mind. It's certainly a marketing method that can be used in a much more

subtle, helpful way. ATG's Frank Lord points to the app from French DIY store Castorama, which allows users to measure a room and use those measurements to work out how many boxes of tiles or gallons of paint they'll need to decorate that space.

In this way, the app has a wider use than simply a straight sales tool. It's become useful to daily life. Once part of a customer's daily life, it's a logical jump to assume individuals are more likely to use a retailer whose application they already have when there is a purchase to be made. Thus retailers can successfully hold customers' attention even when there's no immediate purchase to be made.

"Innovative retailers," says Lord, "are trying to figure out a way to engage with their clients in a means that goes beyond the typical shopping basket or browsing behaviour. They're trying to provide value to their clients that translates into brand loyalty."

The Amazon app takes a similar approach, with its Amazon Remembers feature. Users can take a photograph of something they need to remember, store it and Amazon will find a link to the product or something similar. It's a useful repository for information independent of any purchase – though when it comes to buying an item, it seems likely users will turn to Amazon first.

Adam Boyden of Conduit, a marketplace for browser-based apps and alerts, has insights that transfer to the mobile phone. He says that what makes a good app is understanding what will interest end-users. "Most people make the mistake of trying to change the behaviour of the consumer in order to adapt to whatever they want," he says. "I think that's the wrong way to go about it. The better way is to really understand what provides value to the consumer, either in easing functionality, making life easier, providing up-to-date information and then package that so that's it's easy for them to consume." An app, he says, doesn't try to replicate the website experience. Rather, it can provide an easy way to drive consumers to the full website.

Thus, he says, an eBay app that provides alerts on items users are bidding on or watching improves the eBay experience for customers, while also driving traffic to its main website.

Richard Chapple, commercial director of The Hut Group, praises the Ocado app. He says it steals a march because it allows users to catch up with their groceries wherever they are, even with a weak network connection. "It's a phenomenal way for someone who's time-poor to allow them to organise themselves," he says.

And it's this idea of adding something to a customer's life that seems to be the ultimate aim for engaging with them over their mobile phones. After all, filling inboxes with irrelevant junk mail costs money and is most likely to lead to customers unsubscribing from a data list. Equally, a badly designed app does nobody any favours. So it's important to make sure that databases are properly segmented and targeted with relevant offers, whether they're delivered by email, text or through a mobile website, and that both communications and apps add value.

As you'll see in our merchandising section (p14), perhaps it's nowhere else more important to personalise in this way than on mobile, where the size of the screen doesn't lend

## What the experts say

### New ways to talk
"Our vision is that mobile gives a retailer an opportunity to have greater exposure to their client base at a time when they may not have access to a traditional computer or be near a store. It gives them a way to interact with the company. The most innovative retailers are figuring out ways to make that interaction happen on a fairly regular basis."
*Frank Lord, vice president of ATG in Europe, Middle East and Africa*

### The smartphone revolution
"We are seeing a lot more people with smartphones who are able to book online on their phones and we want to be able to accommodate that."
*Sandy Martin, senior manager of express programmes, Dollar Thrifty*

### Information or sales?
"Our advice first of all is to identify how your customers are engaging and interacting with your business. Are you trying to provide access to products in order to inform your customer or are you trying to do something that's fun and builds the brand. Or is it about mobile commerce, are you looking to convert sales?"
*Mark Adams, sales director, Portaltech*

### Apps that work
"Where businesses will win is if they can develop apps that are easy to use, fast, not resource-hungry but deliver a good experience and most importantly save you time."
*Richard Chapple, commercial director, The Hut Group*

itself to showing more than a few items. There's no profit in showing a man's suit to a female customer – and that is destined to send the email to the trash bin.

### FINAL THOUGHTS
But ultimately, with mobile commerce still in its infancy, does it really matter if a retailer has a strategy for engaging with its customers over the mobile phone?

According to ATG's Frank Lord, it does, for not having one can positively damage customer relationships. Not only, he says, are they "missing an opportunity to connect with clients," but more seriously it can, he says, "alienate" customers.

"If a customer is trying to get in touch with a customer service problem or is having trouble finding a store, and you don't have a good mobile experience you can potentially alienate your customer. Five years from now I think not having a good mobile experience will be the same for most companies as not having an online presence."

Christine Bardwell, senior retail technology analyst at Ovum, agrees. She says: "As consumer affiliation with mobile commerce increases, retailers will need to decide if they're going to be pioneers in the market and meet consumer expectations, or wait and risk being behind the curve as many were with eCommerce." ■

**THERE ARE** parallels between mobile commerce as it is today and the emergence of the fixed-line web back in the late 1990s. Companies are increasingly aware they need to get involved, but sometimes it seems hard to find the expert advice that's needed. Should you opt for apps? Is the mobile web the way to go? Should you roll out slowly? Should you embrace mobile and put it at the core of your business? How will this space pan out in the next five years?

As yet, there are no clear answers to many of these crucial questions, but that's not a matter for despair. Better to focus on the fact that many companies have started to deal with the issues here. The glass is half-full not half-empty, and myriad opportunities lie ahead.

That said, these are also difficult times, something acknowledged by our interviewees, a surprising number of whom likened the current situation to a gold rush, where companies are making investments that may not pay off. Much, that is, as happened during the dot.com boom.

Still, these same experts are united in saying that fortune favours the bold. Especially as the bold now have experience gathered during the race to get online at the turn of the millennium. We may be dealing with new digital technologies here but we're self-evidently far more adept at doing business in virtual worlds than we were 20 years ago.

Looking ahead, this reservoir of knowledge is going to become even more crucial as mobile devices of all sorts become the glue that bonds together our digital experiences. Whatever the specifics of the way things pan out, it's clear we'll increasingly exchange information, use social media and, yes, buy goods with these devices.

Just in case anyone's in any doubt by the way, it's not an optional extra to get involved in mobile, certainly in the medium-term. More than this, as Patrick Furse of Bray Leino says, we may be heading for a future where we have whole new digital identities that we project via mobile devices. Yes, this is some way in the future, but it's just one small example of the way that mobile will link with social networking. So far, so deeply personal.

But then there will be the devices we share. The iPad is just the first in a new generation of tablet computers. We're already very close to the day when shoppers will routinely sit around in cafes, comparing or looking at goods online via their mobile devices, canvassing opinion before they buy.

This is what we mean by a cross-channel world where buying decisions are no longer neatly divided between, say, web and the shopping centre. Throw in augmented reality, digital kiosks in stores, and location-based marketing and it's clear we're headed for a radically different retail environment to the one we had even 10 years ago.

To reiterate, we're not sure exactly how this will work out, but we can be certain of one thing: anyone who's not thinking seriously and strategically about mobile yet is possibly betting the company on a huge oversight.

*Internet Retailing* and its sister title m-retailing.net, edited by mobile expert Paul Skeldon, will of course be here to report on how all of this develops in the coming months and, indeed, years.

This supplement is the sixth in *Internet Retailing*'s series of supplements. Each explores the big issues facing e-retailers today through six key aspects: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement.

We welcome your input and suggestions for future themes at editor@internetretailing.net

Chloe Rigby and Jonathan Wright
chloe@internetretailing.net
jonathan@internetretailing.net

# Helping you join it all up

Make O$_2$ the single supplier for your business.
Call us on **01375 390953** or email **o2@mtws.co.uk**
or text **More** to **60600**

A *Telefónica* company

We're better, connected    O$_2$