



# **The Impact of Mobile in Retail**

## Benchmark Report 2012

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# Executive Summary

While consumers adopt mobile technologies at a breakneck pace, retailers tell us that **mobile's primary ability is to enhance the overall value of the brand**. This is a new development for 2012, and is highly encouraging news. What is problematic, however, is that much of what retailers share in the following pages of this report – their actions – does not line up with this purpose. Instead, many of the findings of this research that the current purpose of a mobile strategy is to serve merely as an extension of the existing eCommerce offering.

## Key Findings

- Though retailers overwhelmingly want to **enhance the overall value of the brand** via mobile solutions, their top-rated technology is to extend already-existing eCommerce functionality to the mobile channel. For now, avoidance of price and product conflicts across channels seems a lofty-enough goal.
- Retailers underestimate just how much consumers have already integrated mobile devices into their current lifestyles: 52% of retailers believe that mobile devices are used – at any point along the myriad paths-to-purchase modern consumers travel – **less than 25% of the time**.
- Most retailers are no longer as concerned that the technology is advancing faster than they can understand it.
- Winners have much higher expectations of Mobile Shopping's influence in the next three years.
- A surprising number of respondents have no plans to implement “barcodes to check price or availability”. Price transparency is real, thanks to Amazon's Price Check and Ebay's RedLaser applications; retailers clearly need to embrace the capability.
- Almost 40% more Winners than all others see mobile as a way to better understand consumers' new paths to purchase. This finding tees up what RSR thinks will be one of the top issues of the next two years- the “harmonization” of digital marketing with more traditional marketing in the omni-channel retail model.
- Winners are most in favor of enabling WiFi access for employees (72% vs. 50% for all others). However Wifi access for *customers* continues to be a very low priority for ALL retailers. The problem isn't just that retailers *aren't* implementing Wifi in their stores but that they don't yet even *see the value* it can bring their brand.
- Even if **budget** is available, retailers are having an increasingly difficult time finding the **resources** needed to manage all of the available mobile opportunities. For the best performers, **project prioritization and manpower have rapidly become the #1 enemy within**.
- The majority of retailers are putting a lot of faith in what a streamlined technology platform – across all channels – will ultimately do for them. Winners are even more bullish on the value.
- Fewer Winners are concerned about their IT departments' technical capabilities, while at the same time looking for **more support** from their IT team. Quite simply, Winners put more stock in their IT'ers, and know their input is critical to enhanced mobility efforts.
- Retailers self-identify the most valuable component of any new mobile initiative is that it be on a “write once/deploy many mobile development platform” (24%). The second-most

budgeted technologies echo the first: 21% of retailers are budgeting for device provisioning and management services. While its encouraging that almost one-quarter of retailers are preparing to deal with the complexity of mobile application deployment, it also points out that most retailers fear that devices and platforms are destined to change too quickly. ***This is what is keeping retailers on the sidelines from enacting more exciting mobile projects.***

## **BOOTstrap Recommendations**

While retailers continue to wait and see which consumer-facing mobile technologies will stand the test of time, they have less hesitation with employee-based usages. To help facilitate with both, we offer baseline, pragmatic recommendations at the end of this report. Within, we point to the ways that retailers can derive value from a single executive tasked with the mobile experience, gain insight into consumer's complex paths-to-purchase, put price transparency higher on their list of priorities, and use mobility to re-focus on their employees.

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# Research Overview

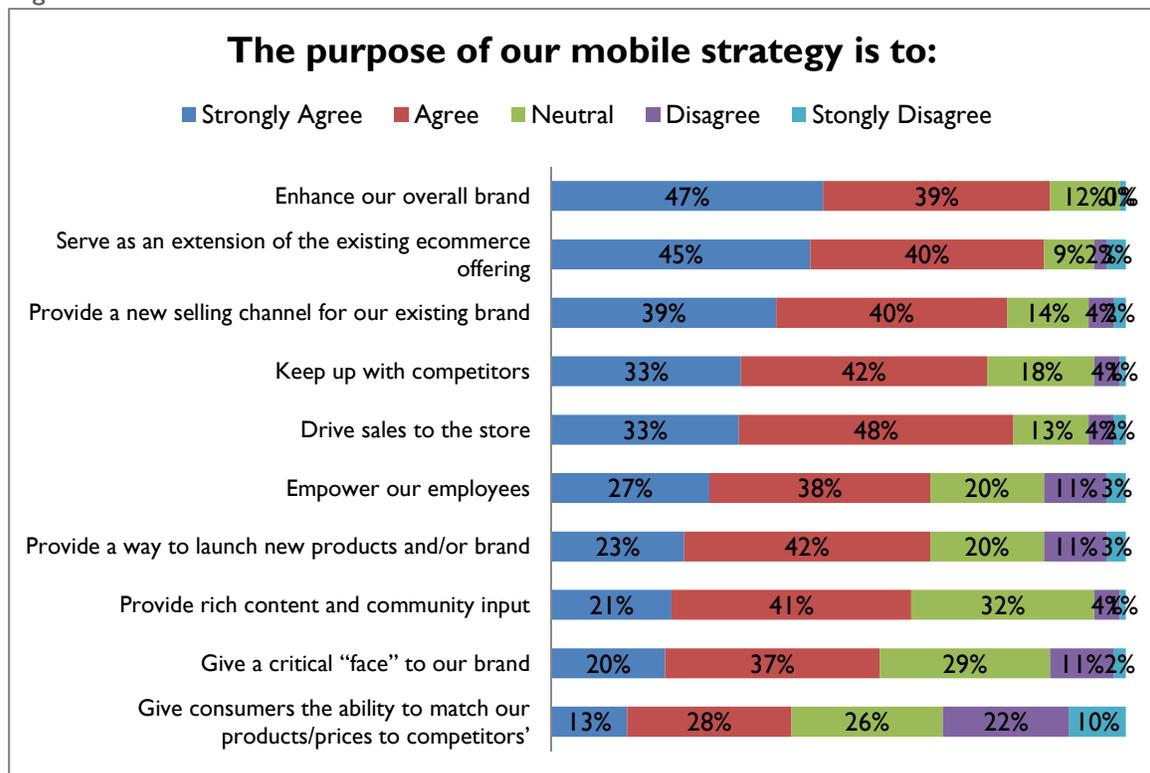
Engage in any current retail-related conversation – whether about online commerce, the supply chain, or the store - and the discussion will quickly turn to **mobile**. The disruptive nature of new mobile technologies is virtually unprecedented in retail history, scaling at a pace even faster than eCommerce did, and the reason is simple: consumers love their mobile devices, and are adopting them (and their tremendous functionality) at an amazing rate.

But for all of the conversation, the truth is that retailers have been hard-pressed to know which way to take new mobile initiatives. Yes, tablets and smartphones can empower the workforce, but which mobile-armed functionalities will be the most effective, and just importantly, which will provide the greatest leverage in the field for the longest period of time? There is a lot of risk to enterprise-wide adoption of a bleeding-edge technology if its value and longevity cannot be guaranteed. Consumer-facing mobile initiatives bring even greater unforeseeable variables.

As a result, many retailers have chosen to wait-and-see, and their reticence applies not only to customer-facing mobility solutions, but those that are workforce-facing, as well. This is why we set out to conduct this research; to identify where retailers are in their mobile plans and just as importantly, to identify lessons for the way forward, drawn from the approaches of the best performers.

Immediately, we are presented with a paradox. When asked to rate the level they agree with various statements about mobility’s role in the retail experience, retailers’ top-rated response is that **mobile’s primary ability is to enhance the overall value of the brand**. (Figure 1).

Figure 1: Best Intentions



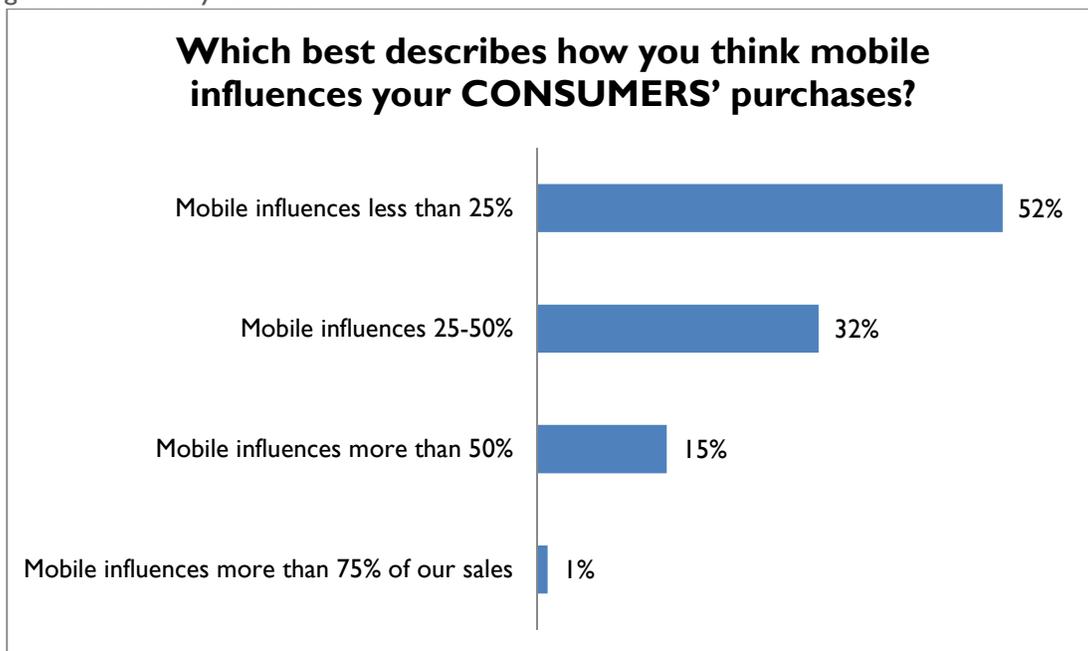
Source: RSR Research, December 2012

Unto itself, this is hardly a problem. In fact, **enhancing the overall brand is precisely how retailers should be viewing the tremendous value that new mobile technologies afford.** What is problematic, however, is that much of what retailers share in the following pages of this report – their actions – does not line up with this purpose. Instead, many of the findings of this research are in closer alignment to the second-most popular choice in Figure 1: that the current purpose of a mobile strategy is to serve merely as an extension of the existing eCommerce offering.

## Paradox #2:

The next paradox relates to retailers' cognizance of just how much consumers have already integrated mobile devices into their current lifestyles. We were very specific in our line of questioning, asking one question about the percentage of sales that culminate in the mobile channel (more on that later), and another about percentage of sales **influenced** by the mobile channel. As Figure 2 shows, 52% of retailers believe that mobile devices are used – at any point along the myriad paths-to-purchase modern consumers travel – **less than 25% of the time.**

Figure 2: Reality Check?



Source: RSR Research, December 2012

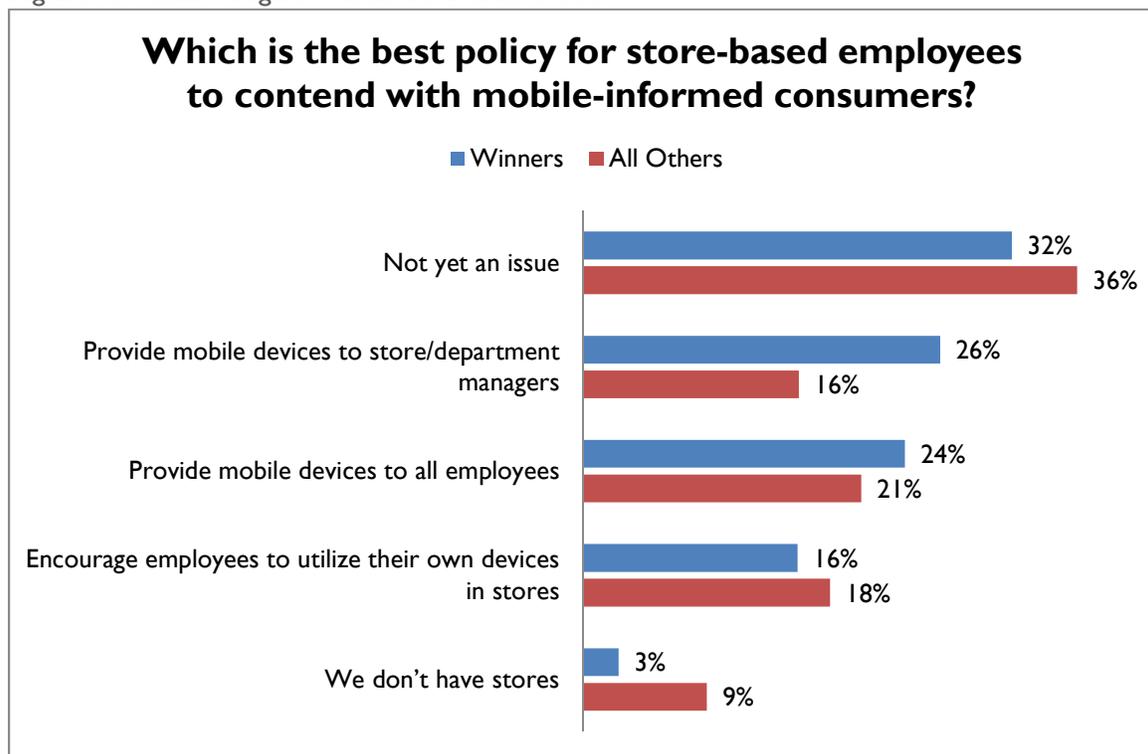
RSR strongly believes that the numbers in Figure 2 are very low compared to the reality of mobile's current role in the consumer's paths-to-purchase. While it is difficult to quote precise numbers on just how frequently consumers enlist their personal mobile devices during the shopping process (including product research, reviews, availability, social network feedback and price comparisons), multiple quantitative consumer studies have gauged consumer mobile-device use. One such study is a 2012 IBM study of over 28,000 consumers in eight mature economies (Australia, Canada, France, Italy, Japan, Spain, the United Kingdom and the United States) and seven growth economies (Argentina, Brazil, Chile, China, Colombia, Mexico and South Africa). The study showed that 45% of consumers use two or more technologies to shop (usually a combination of PC-based Internet search and mobile), superseding the 40% that use only one technology (PC), and 10% that don't use any technology. The IBM study showed that "seventy-

one percent of consumers we surveyed said they were willing to shop digitally ... (and) 85 percent of shoppers globally said that social networking can save shopping time by allowing them to connect and get recommendations from like-minded individuals whose opinions they value.”<sup>1</sup>

## The Power of Denial

Because the vast majority of our retail respondents operate stores (85% operate stores, 83% operate online channels and 64% operate social channels while only 41% operate a dedicated mobile commerce site), we wanted to know how retailers perceive their store-based staff’s ability to service the new mobile-empowered consumer in stores. As Figure 3 shows, the most common retailer response is that is not yet an issue. Again, we disagree.

Figure 3: Can’t Fight What You Can’t See



Source: RSR Research, December 2012

However, for those retailers who **do agree** that their employees are struggling to meet the needs of newly-empowered shoppers, it is worth noting the differences in how they plan to make their store associates more valuable to consumers: the best performers (Retail Winners, explained in just a moment), are more likely to provide mobile devices to store and department managers than competitors with average or lagging sales (26% to 16%).

## Defining Winners and Why They Win

RSR’s research always focuses on a category of retailers we call “Retail Winners”. Our definition of Retail Winners is straightforward. We judge retailers by year-over-year comparable store/channel sales improvements. Assuming industry average comparable store/channel sales growth of **five percent**, we define those with sales above this hurdle as “Winners,” those at this

<sup>1</sup> *Winning over the empowered consumer: Why trust matters*, © Copyright IBM Corporation 2012

sales growth rate as “average,” and those below this sales growth rate as “*laggards*” or “also-rans.” It is consistent throughout much of RSR’s research findings that Winners don’t merely do the same things better, they tend to do different things. They think differently. They plan differently. They respond differently.

## Methodology

RSR uses its own model, called the “BOOT,” to analyze Retail Industry issues. We build this model with our survey instruments. [Appendix A](#) contains a full explanation of the methodology.

In our surveys, we continue to find differences in the thought processes, actions, and decisions made by retailers who outperform their competitors and the industry at large – Retail Winners. The BOOT model helps us better understand the behavioral and technological differences that drive sustainable sales improvements and successful execution of brand vision.

## Survey Respondent Characteristics

RSR conducted an online survey from October - November 2012 and received answers from 93 qualified retail respondents. Respondent demographics are as follows:

- Job Title:
 

Senior Management (CEO, CFO, COO)	22%
Vice President	13%
Director/Manager	49%
Internal Consultant	10%
Staff &Other	6%
  
- 2011 Revenue (US\$ Equivalent)
 

Less than \$50 Million	23%
\$50 - \$249 Million	18%
\$250 - \$999 Million	21%
\$1 - \$5 Billion	18%
Over \$5 Billion	20%
  
- Products sold:
 

Fashion / Short Lifecycle	37%
Seasonal	8%
Basics/Replenishment Goods	15%
Perishables	6%
Hard Goods (containers, party supplies)	9%
Consumer Electronics	9%
Durable Goods (furniture, cars)	5%
Other (food service)	11%

- Headquarters/Retail Presence:
 

USA	56%	64%
Canada	10%	35%
Latin America	3%	20%
UK	2%	15%
Europe	19%	30%
Middle East	4%	14%
Africa	0%	8%
Asia/Pacific	6%	21%
  
- Year-Over-Year Sales Growth Rates (assume average growth of 3%):
 

Better than average (Double digit growth)	17%
Better than average (Single digit growth)	29%
Average	39%
Worse than average (Laggards)	15%

# Business Challenges

## The Reset Moment

The retail industry is in the throes of a reset moment triggered by the massive consumer adoption of smart mobile technologies that has driven not only consumers' anytime/anywhere shopping behaviors, but also their eagerness to participate in a dialogue with communities of like-minded consumers and companies to find just the right solutions to their lifestyle needs. According to market studies, the rate of smart mobile device adoption since the introduction of the Apple iPhone in 2007 is 10X faster than that of the PCs in the 1980's, twice as fast as consumer adoption of the Internet in the 1990's, and 3X faster than that of recent social network adoption.<sup>2</sup>

After the last reset moment - which RSR contends happened in the late 1980's with the adoption of barcode scanning that in turn made it possible for retailers to achieve supply chain efficiencies and perfect product-oriented strategies - retailers have focused mostly on structure and operational efficiencies. While these are important, they deliver more value to shareholders than to consumers. But now, consumers are demanding much more, empowered by technologies that enable a fundamentally different shopping experience. Simply put, ***instead of the consumer coming to the shopping place, the shopping place comes to the consumer.***

In RSR's first look in 2011 at the challenges and opportunities associated with mobile in retail, it was clear that retailers were responding to the dramatic shift in consumer behaviors. According to the report, "the primary reason they are addressing a consumer mobile strategy is because they see that consumers are already there and using it as part of their shopping experience"<sup>3</sup>; in other words, "the consumer made us do it". In the 2011 study, over twice as many retailers rated that as the top business challenge (88%) compared to the 2<sup>nd</sup> choice ("Mobile technology is moving too quickly; we can't keep up" – rated at 41%).

In the time since our 2011 report, consumer mobile usage has only accelerated, and retailers have had to absorb the implications of mobile in the context of the overall Brand experience. Consumers now routinely use technology to investigate and select products and services before they go to a store and while they are in the store, and increasingly, mobile technologies are becoming the "first screen" that the consumer uses to start a dialogue with retailers. But mobile permeates the entire shopping experience. Recent consumer research by the Nielsen Company shows that the top four uses of smart mobile device for consumers are finding a store's location, checking price, researching an item before purchase, and reading a review of a recent/future purchase."<sup>4</sup> According to Nielsen, "it's no secret smartphone owners bring their handsets just about everywhere they go, and Nielsen found that mobile shoppers like to use their devices for in-store activities. In fact, 78 percent of mobile shoppers say they've used their smartphone to find a store, and another 63 percent have checked prices online *while shopping.*"

## Settling Into the Reality

Comparing results from our 2011 study to this year's look at the top business challenges, we can see that retailers are settling into a more sober and nuanced view of the challenges associated with Mobile (Figure 4).

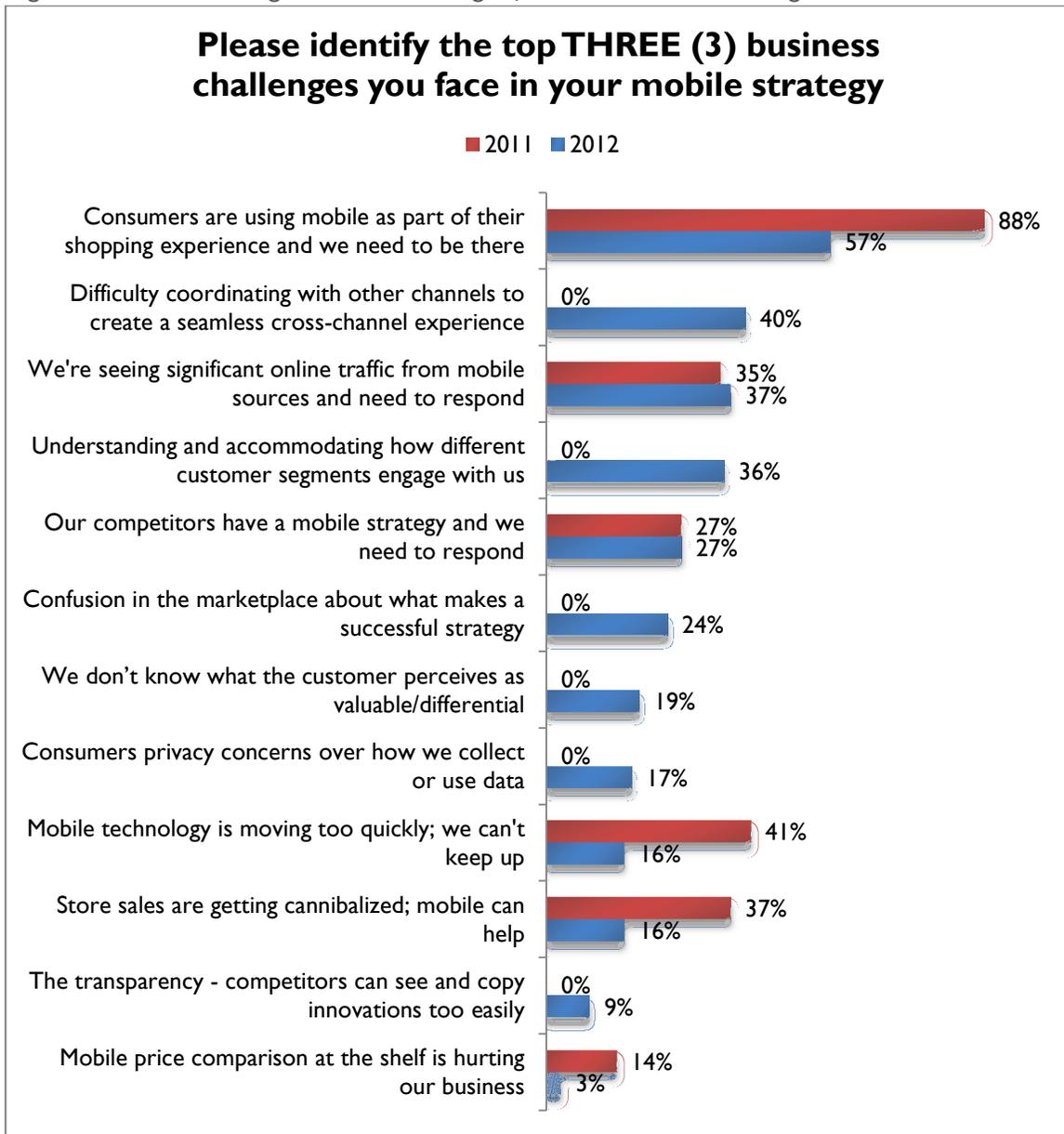
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<sup>2</sup> Source: Flurry Research, August 2012

<sup>3</sup> ***Keeping Up with the Mobile Consumer***, 2011 Benchmark Report, September 2011, © RSR Research LLC

<sup>4</sup> ***Mobile Devices Empower Today's Shoppers In-Store and Online***, [Nielsen Wire](#), December 4, 2012

Figure 4: A Maturing Understanding of the Mobile Challenge



Source: RSR Research, December 2012

While the challenge that “consumers are using mobile in their shopping experience and we need to be there” is still tops for all respondents of this study, other issues that are indicative of current state of retailers’ attempts to deploy a mobile presences vie for attention, including “difficulty coordinating with other channels” and “understanding how consumer segments engage”.

Interesting, there is little difference of opinion between Retail Winners and all other respondents about the top challenge. But for the #2 challenge, we see a different story: 40% of average and under-performers are concerned that “our competitors have a mobile strategy and we need to respond”, whereas that choice is important to only 13% of Winners. On the other hand, the #2 challenge for 50% of Winners is “difficulty coordinating with other channels to create a seamless cross-channel experience” (compared to only 32% of non-winners). This difference underlines

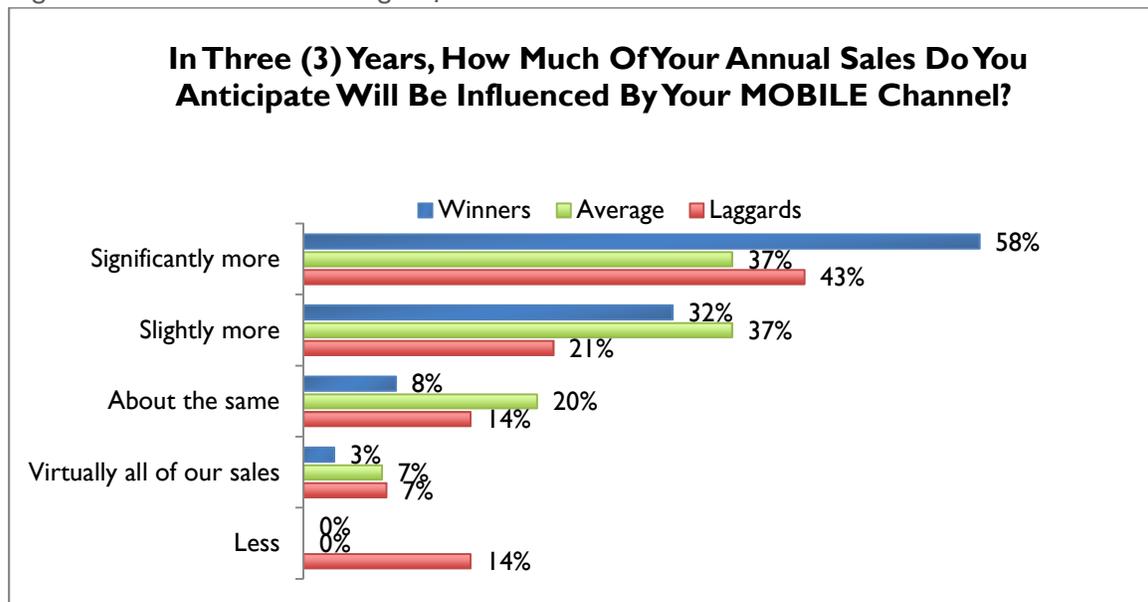
where these retailers are in the development of their mobile strategies. Winners are the competitors that average and laggard performers are so concerned about – they started earlier, and are farther ahead in their adoption efforts.

One aspect about mobile strategies is clear for virtually all retailers now; most are no longer as concerned that the technology is advancing faster than they can understand it. While in 2011, 41% of our respondents felt that “Mobile technology is moving too quickly; we can’t keep up”, now only 16% do – and that is true from both Winners and all others.

### The Role of Mobile in the Path to Purchase

In Figure 4, we also saw how fear of store sales cannibalization by the mobile channel has receded to the point of being unimportant – although that’s largely a Winners perspective (9%, compared to 42% for Laggards). Winners’ lack of concern results from a better understanding of the important role of content and community opinion in consumers’ omni-channel paths to purchase. Consumers investigate, select, pay for, and take possession of their purchases, typically using more than one “channel” to make a single purchase decision. The mobile channel is a powerful tool in providing content and community opinions to consumers in making their purchase decisions, even when they are in the store (the IBM consumer study found that “When consumers research products, the store is still the preferred destination *and is complemented by digital technologies.*”). Consistent with their understanding of mobile’s role in complementing the shopping experience, Winners have much higher expectations of its influence in the next three years (Figure 5).

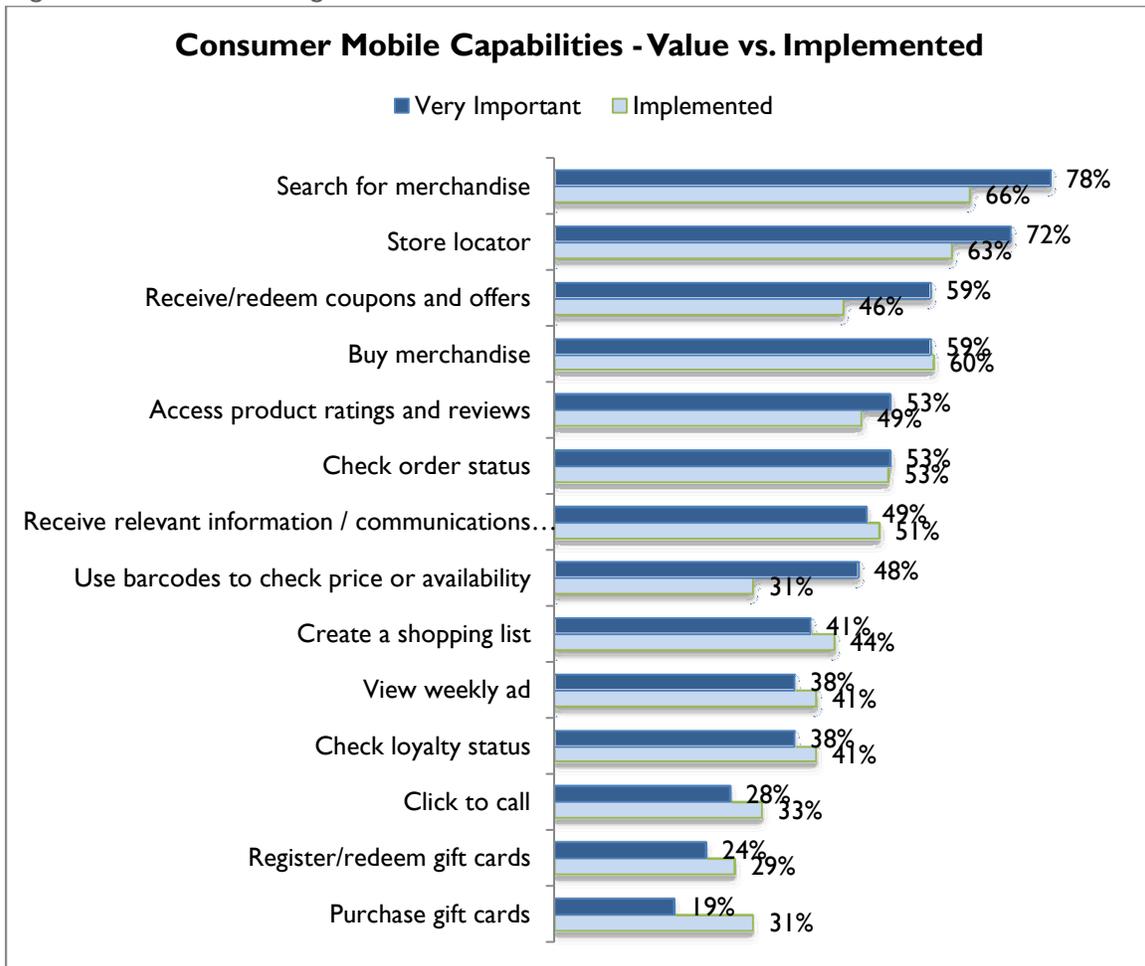
Figure 5: Mobile’s Growing Influence



Source: RSR Research, December 2012

The question is, do the mobile capabilities that retailers think are important track well to that expectation? The results of our survey don’t give a clear picture one way or the other. Although “search for merchandise”, “store locator”, “accessing product ratings & reviews”, “receiving relevant information”, and “price checking” are all geared towards assisting the consumer in making a purchase decision, “receive/redeem coupons” and “buy merchandise” are more about transacting.

Figure 6: A Mixed Bag



Source: RSR Research, December 2012

On the other hand, given that consumer price checking is arguably one of the most popular uses of mobile technologies in retail today, a surprising 20% of responding retailers – across all performance groups, have no plans to implement “use barcodes to check price or availability”. Both the fact that price checking is “very important” to less than 50% of survey respondents, and that 20% have no plans to implement such a capability is shortsighted. Price transparency is real, thanks to Amazon’s Price Check and Ebay’s RedLaser applications; retailers clearly need to embrace the capability.

As we will see later in this report, many retailers view their mobile capabilities as an extension of their existing e-commerce site rather than something new, and this may be influencing the importance given to proposed mobile features. But by taking such a view, retailers may be missing the biggest opportunities created by mobile.

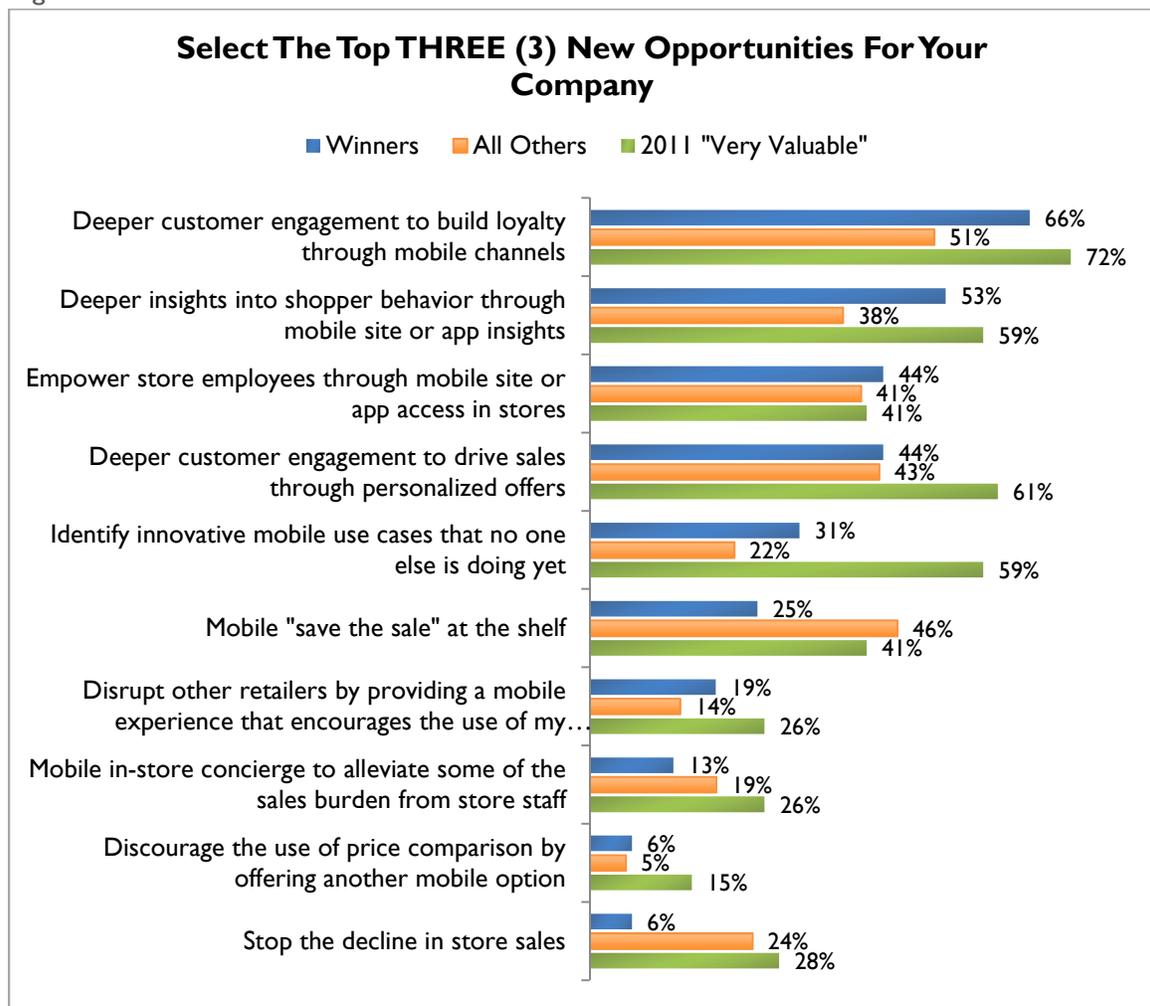
# Opportunities

## A Whole New Ballgame – or Behind and Running Out of Time?

The “dictionary” meaning of the phrase, “paradigm shift”, is “a radical change in underlying beliefs or theory”, and that’s exactly what is happening in retail today. While the traditional retail model is built on the assumption that consumers begin and end their shopping experience *in the store*, consumer mobile technologies have enabled more complex paths to purchase. Now, armed with information available anytime and anywhere, it’s a whole new ballgame, with consumers firmly in control of the dialogue– and retailers know that they ignore the new reality at their peril.

But the mobile opportunity isn’t new - when RSR first studied the topic in 2011, it was clear that retailers had already begun thinking about mobile’s impact to their businesses. One year ago, many retailers saw a new opportunity to identify innovative use cases that no one was using yet to more deeply engage with consumers (Figure 7).

Figure 7: Sober Re-assessment



Source: RSR Research, December 2012

What a difference a year makes. While the majority of retailers (and 2/3 of Winners) still see the opportunity of using mobile techs to develop a deeper dialogue with consumers that builds loyalty, far fewer see an opportunity to find innovative ways to reach customers or to make personalized offers, than they did in 2011. The reason for the drop off is simple and undeniable: companies like Amazon, EBay, Groupon, and others<sup>5</sup> have outscored them, and now it's a catch-up game – and retailers know they are running out of time at act.

One of the more interesting differences in how retailers see the opportunities is that almost 40% more Winners than all others (53% vs. 38%, Figure 7) see mobile as a way to better understand consumers' new paths to purchase. This finding tees up what RSR thinks will be one of the top issues of the next two years- the "harmonization" of digital marketing with more traditional marketing in the omni-channel retail model. In new generation marketing, retailers need to understand consumers' paths to purchase – which often begin outside of the store and often traverse several "channels" for a single purchase decision, so that they can intersect them at the right moment with the right value offers. ***This may be the #1 reason for retailers to develop a downloadable mobile app.***

But even though Winners want the insights that come from mobile, they may not fully grasp mobile's true potential. As we'll see in the Technology Enablers section of this report, most retailers – including Winners - prefer "an ecommerce site optimized for mobile access" vs. "a downloadable mobile app" as the best way to empower consumer mobile capabilities. While a website that is optimized for a mobile screen may work for transacting, it doesn't capture the geo-location information that mobile technologies can generate, as a mobile app can. That limits retailers' ability to send location-specific messaging to consumers along their path to purchase.

## What About Employees?

In RSR's December 2012 study on workforce management in retail, we said:

"To enhance the value of the in-store experience for consumers, RSR recommends that retailers 'wrap' customer service around standardized assortments. Aside from the instant gratification that comes from taking a product home after a purchase, it's the store employee that can make the difference to the in-store experience. But there's a long way to go before consumers are satisfied – and the purpose of the store is validated."<sup>6</sup>

If retailers don't address the pressing need to help make their employees *at least* as knowledgeable as consumers are about products, price, and availability, then the value of the store is limited to one thing – the instant gratification that comes with instant fulfillment. But as pureplay retailers such as Amazon attack that value with faster direct delivery, laggards will find themselves in an untenable position when it comes to the store and its employees.

The external evidence that they are addressing this challenge isn't encouraging. According to yet another study on consumer shopping behaviors in the wake of mobile, it was revealed that "many smartphone users said that they prefer using their mobile device rather than interacting with a

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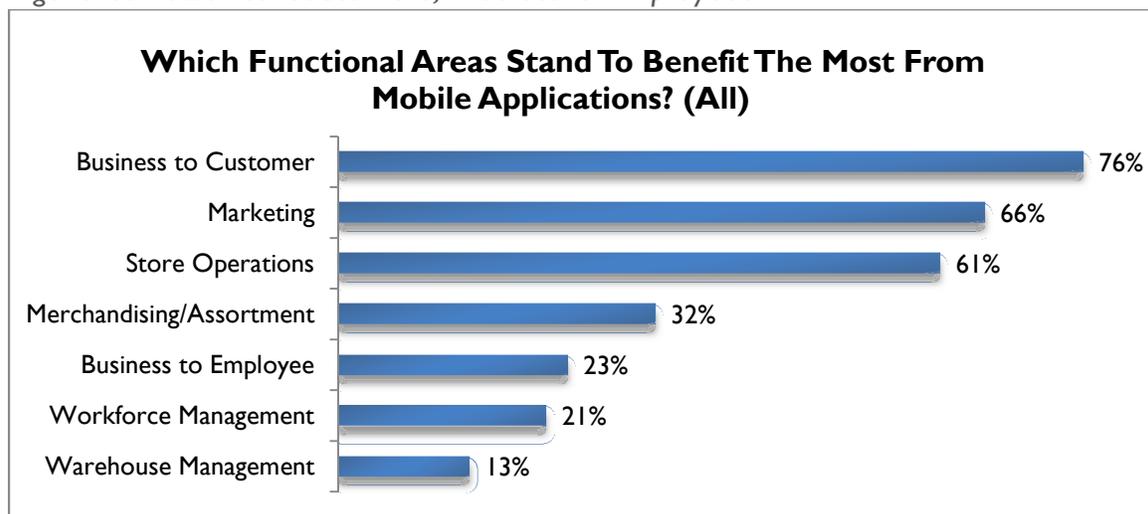
<sup>5</sup> According to [Nielsen Company](#), the ten most popular shopping apps in 2012 were: eBay Mobile, Amazon Mobile, Groupon, ShopKick, LivingSocial, Walgreens, Target, RedLaser, Out of Milk Shopping List, SavingStar Grocery eCoupons

<sup>6</sup> ***WFM 2013: The Store Employee in the Customer Age***, Benchmark Report, December 2012, © RSR Research LLC

store employee for simple tasks.... 73 percent favor using their smartphone to handle simple tasks compared to 15 percent who favor interaction with an employee.”<sup>7</sup>

But in our study of retailers’ attitudes, only slightly more Winners than all others (44% vs. 41%, Figure 7) see empowering their employees with a mobile app as a top opportunity, and the total response is virtually unchanged from RSR’s 2011 study result. That “faint praise” is reflected in who this year’s respondents think would benefit most from a mobile application (Figure 8). Business-to-customer, and in particular marketing to customers, are favored opportunities. The “Store operations” function (management) fares almost as well, but capabilities that ostensibly could be used by rank-and-file store employees, such as merchandising/assortment (for merchandise management and replenishment), workforce management (for tasks), and general business-to-employee communications, are not rated highly- even by Winners.

Figure 8: Power to Customers, Not Store Employees



Source: RSR Research, December 2012

This result falls far short of what we had hoped to see. As RSR concluded in the Workforce Management study, “An empowered customer demands much the same from the employees she engages with.” ***Retailers need to realize that the only way to accomplish this is giving the employee the same (or better) information as the consumer now has at her fingertips.***

### Network Access – But What Network?

In RSR’s May 2012 report on the state of the Store, we said:

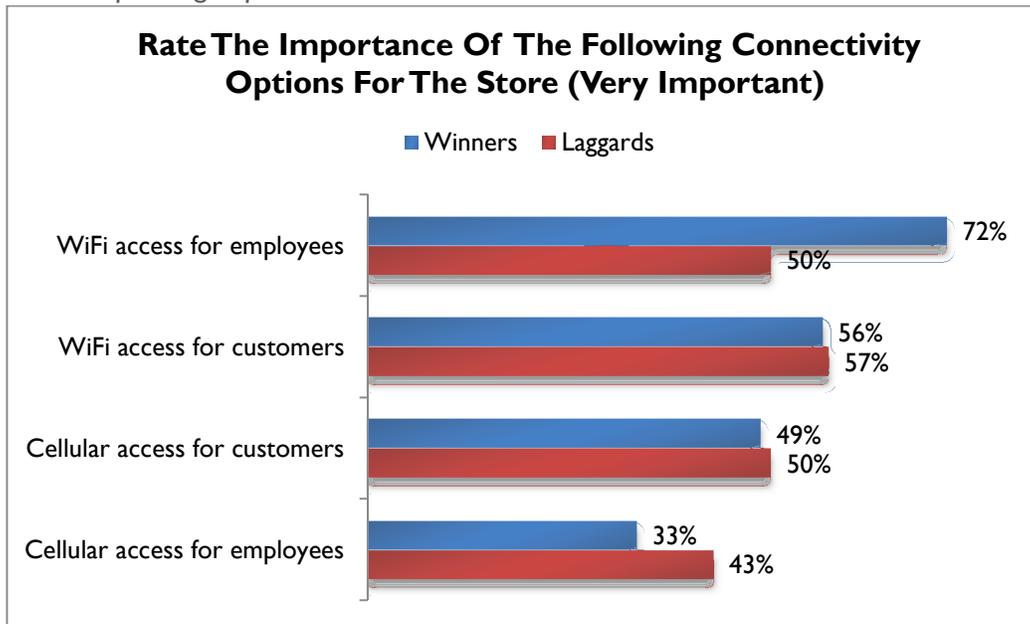
“It’s hard to talk about internal challenges that keep retailers from improving the in-store experience without mentioning the elephant in the room – lack of a wireless infrastructure... almost a decade after persistent broadband connectivity became ubiquitous, more than half of our respondents still do not have wireless available on the selling floor, either for employees or customers.”<sup>8</sup>

<sup>7</sup> [Accenture](#), Dec. 6, 2012

<sup>8</sup> ***The 2012 Retail Store: In Transition***, 2012 Benchmark Report, May 2012, © RSR Research LLC

While retailers may be challenged to provide greater network access (either WiFi or cellular) to the stores for employees or customers, at least ½ of our respondents see the importance (Figure 9). Without some sort of connectivity in the store, retailers can't hope to enhance the store experience with mobile. And while WiFi access is preferred for both employee and customer connectivity, it is also clear that retailers are getting past the notion of “wrapping the stores in tin foil” to inhibit customer cellular network access.

Figure 9: Opening Up the Network



Source: RSR Research, December 2012

Winners are most in favor of enabling WiFi access for employees (72% vs. 50% for all others). Contrasting that to the lack of interest in enabling mobile apps for employees leads us to infer that those retailers favor structured employee access to internal operational information, for merchandise management capabilities like shelf management, cycle counting, etc., more than for assisted selling. While access to internal corporate information will always be important, it doesn't address the need see what the consumer sees, which is at least as likely to be information *outside* of the “four walls” of the retail enterprise as that provided by the retailer.

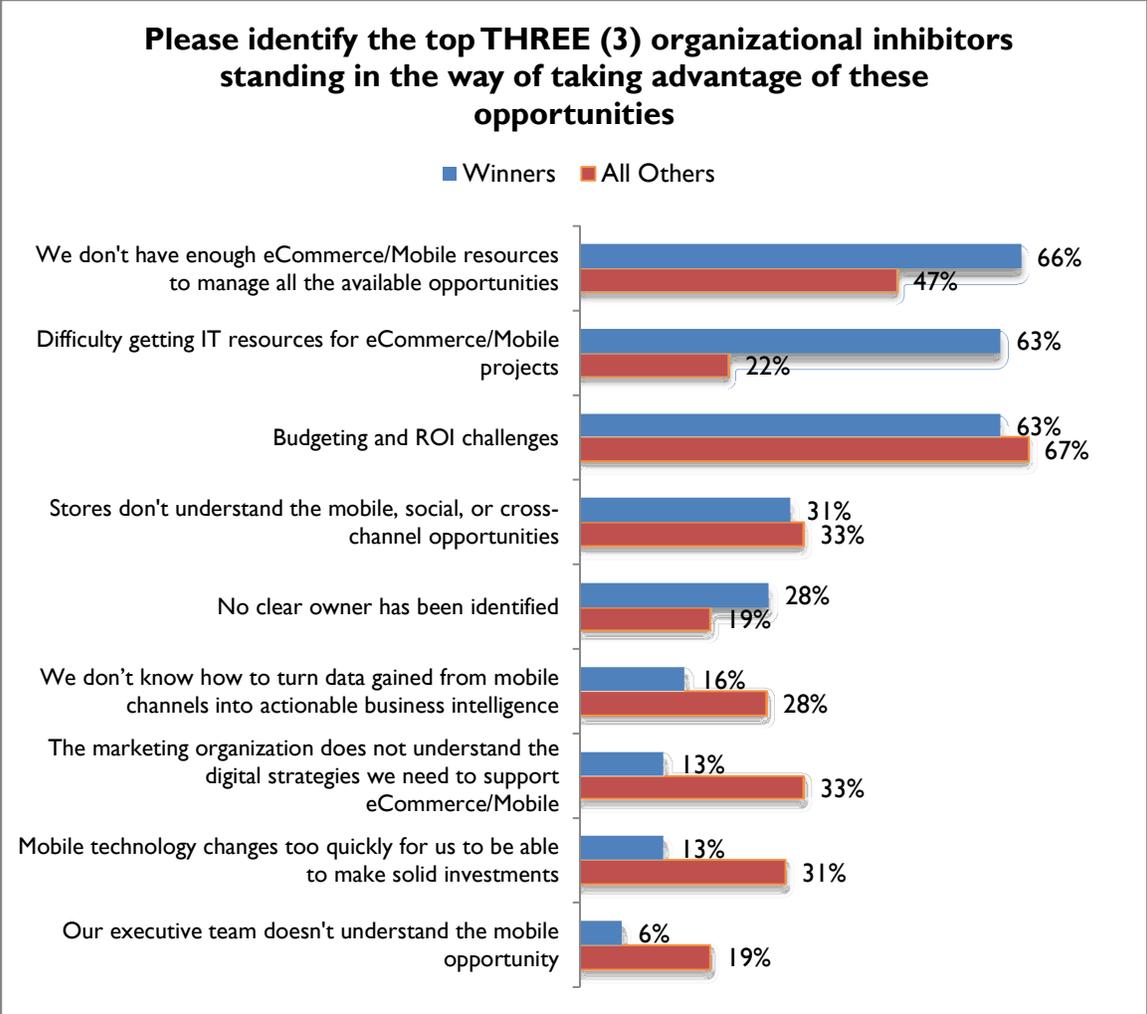
RSR uses a model we call “The 5 C's” to illustrate the role of information in a “customer-centric” retail model. **Consumers** search for **content** about products and services within the **context** of their lifestyle needs, checking what the **community** of like-minded shoppers has to say about their potential purchases, before engaging in **commerce** (the exchange of money for goods & services) with a retailer. There are important potential opportunities from enabling both employee and consumer access to content and community opinions *through* the enterprise network, even if the information resides beyond the company's direct control. First, the behaviors can be observed and analyzed. Secondly, consumers will access the information regardless of where it is from, and it is in retailers' best interests to be able to exert some quality control over the content. Finally, if employees are to be effective in assisting consumers, they need to see what consumers see, the way they see it.

# Organizational Inhibitors

## Continuation of a Trend

Our retail respondents confirm a trend we first saw emerge in last year’s study, and one which has been steadily becoming more prevalent in all of our recent digital channel research: even if **budget** is available, retailers are having an increasingly difficult time finding the **resources** needed to manage all of the available opportunities. The problem is even more pronounced for Retail Winners (Figure 10).

Figure 10: It’s No Longer Just About Budget



Source: RSR Research, December 2012

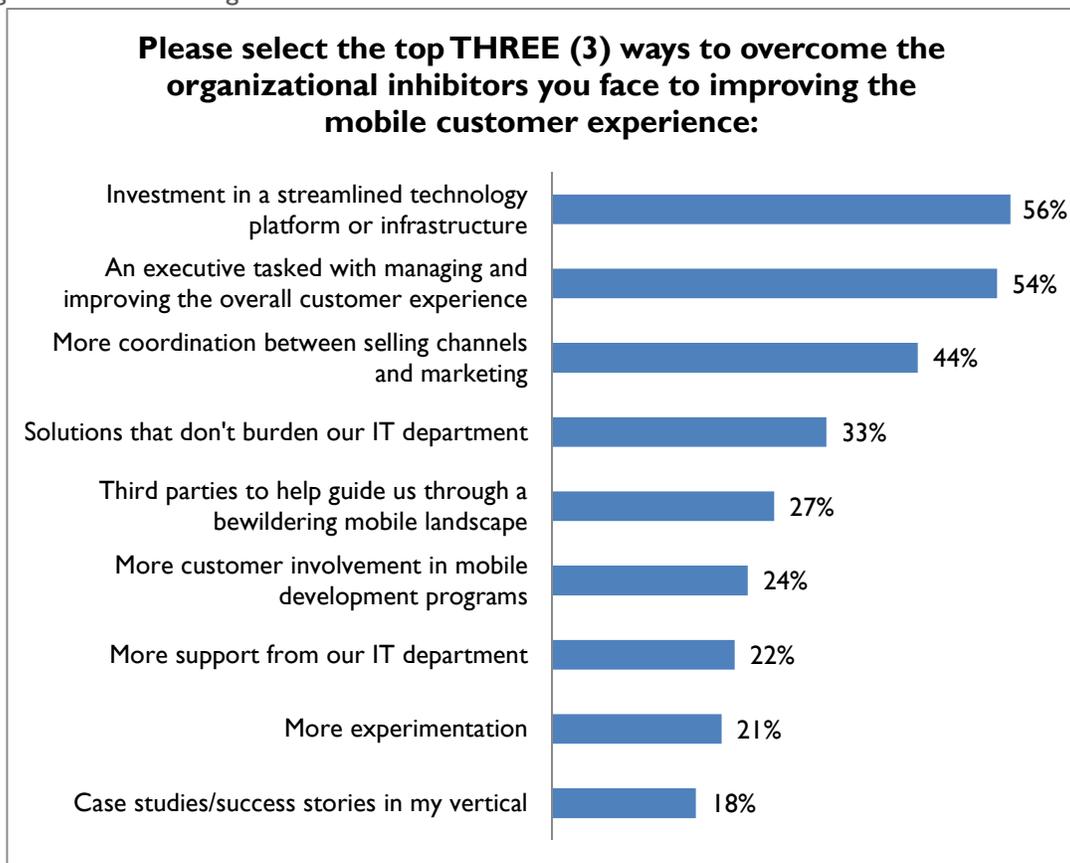
In fact, while budget certainly remains a top inhibitor for all retailers, more Winners report difficulty not only in managing the opportunities that today’s technologists have effectively brought to market, (66 vs. 47%), but also in getting the IT resources necessary to make the most out of any new eCommerce and Mobile projects they **can** take on. To give an idea of how quickly this issue has arisen, 63% of Winners cite it in 2012 – in 2011, only 37% of retailers identified it as an issue. For the best performers, **project prioritization and manpower have rapidly become the #1 enemy within.**

It is also interesting how few retailers report that lack of clear ownership gets in the way of forward progress (only 28% of Winners and 19% of average and underperforming peers): and, especially when considering that 85% of our respondents operate stores, how few retailers identified stores' lack of understanding of mobile, social, or cross channel opportunities as prohibitive factors. Together, this data is indicative of an industry that may still be viewing cross-channel opportunities narrowly, affecting the e-commerce channel but not the stores. We expect these issues to bubble up as the budget and manpower to tackle new mobile initiatives are secured.

## People, Processes, AND Technology

When it comes to getting past these inhibitors, retailers “share the love,” recognizing that a lot of current processes need improvement. However, while there is no one magic bullet, they are certainly putting a lot of faith in what a streamlined technology platform – across all channels – will ultimately do for them (Figure 11).

Figure 11: No Magic Bullet



Source: RSR Research, December 2012

In aggregate, retailers also maintain a steadfast belief that a single executive, tasked with managing and improving the overall customer experience, is vital to pushing their mobile programs forward. Last year's report was the first time we saw retailers gravitating toward this concept, and the 54% that identify a Chief Customer Experience Officer (or functional equivalent) this year are very much in line with the 60% who identified it as critical way to get past the

roadblocks they face just 12 months ago. Echoing what we said in 2011, it cannot be overstated how vital this customer experience manager is to helping retailers become “unstuck”.

Concern about the technology and staff required to support mobile pervades. However, as usual, some performance-related differences emerge:

- Winners are even more bullish on the value of a new, streamlined technology platform: 61% look to such an investment as a way to get past their current challenges, compared to 50% of all others.
- Winners also point to IT's role at a much higher rate than their peers: fewer are concerned about their IT departments' technical capabilities (29% of Winners are concerned about burdening their IT asset, compared to nearly 40% of average and lagging retailers), while at the same time looking for **more support** from their IT team (26% of Winners, vs. 19% of all others). Quite simply, Winners put more stock in their IT'ers, and know their input is critical to enhanced mobility efforts.

Retailers seem to be making headway in the necessary coordination between selling channels and marketing: in 2011, 51% cited it as a necessary means to move forward, a number that has fallen slightly to 44% this year. Does this indicate interdepartmental progress has been made, or have retailers lost a bit of focus on how important marketing's coordination is to the selling channels? Only time will tell.

Now let's see which specific technologies retailers plan to implement to help them realize their goals.

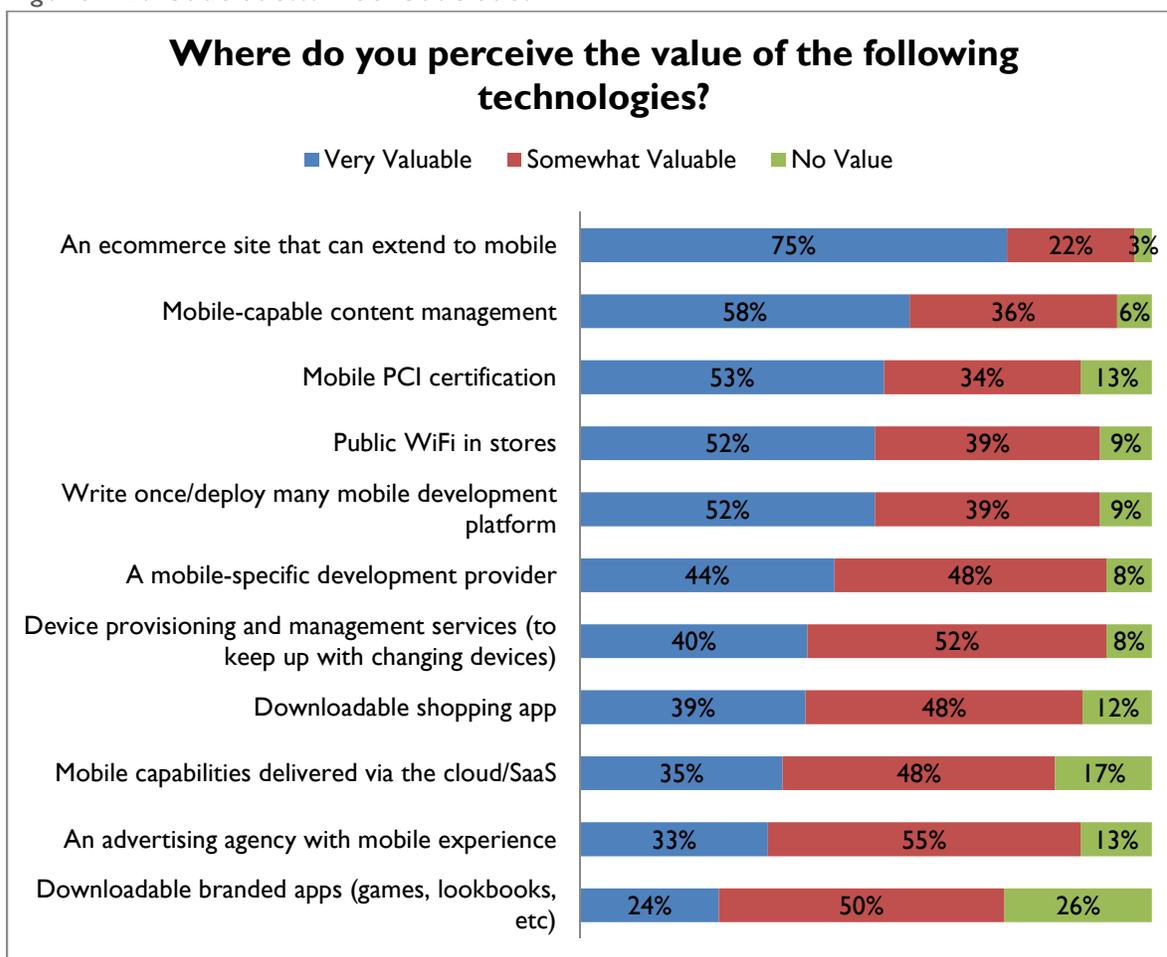
# Technology Enablers

## Keeping Up With Consumer Adoption

Retailers have never been known to be first out of the blocks with when it comes to new technology adoption. The reasons for this can be boiled down to one thing: with their narrow profits, retailers have no room for failure. However, the most fundamental aspect of the “reset moment” discussed earlier in this report is that it is consumer driven. Whereas the last “reset moment” (triggered by the widespread adoption of in-store barcode scanning) took nearly 20 years to accomplish, consumer-driven adoption of smart mobile technologies has occurred in 5 years. The speed with which this happened has taken retailers by surprise.

This study shows that **mobile’s primary ability is to enhance the overall value of the brand** to their consumers, but retailers are responding cautiously; the number top-rated technology is to extend the already-existing eCommerce platform to mobile (75%, Figure 12).

Figure 12: Cautious... Too Cautious?



Source: RSR Research, December 2012

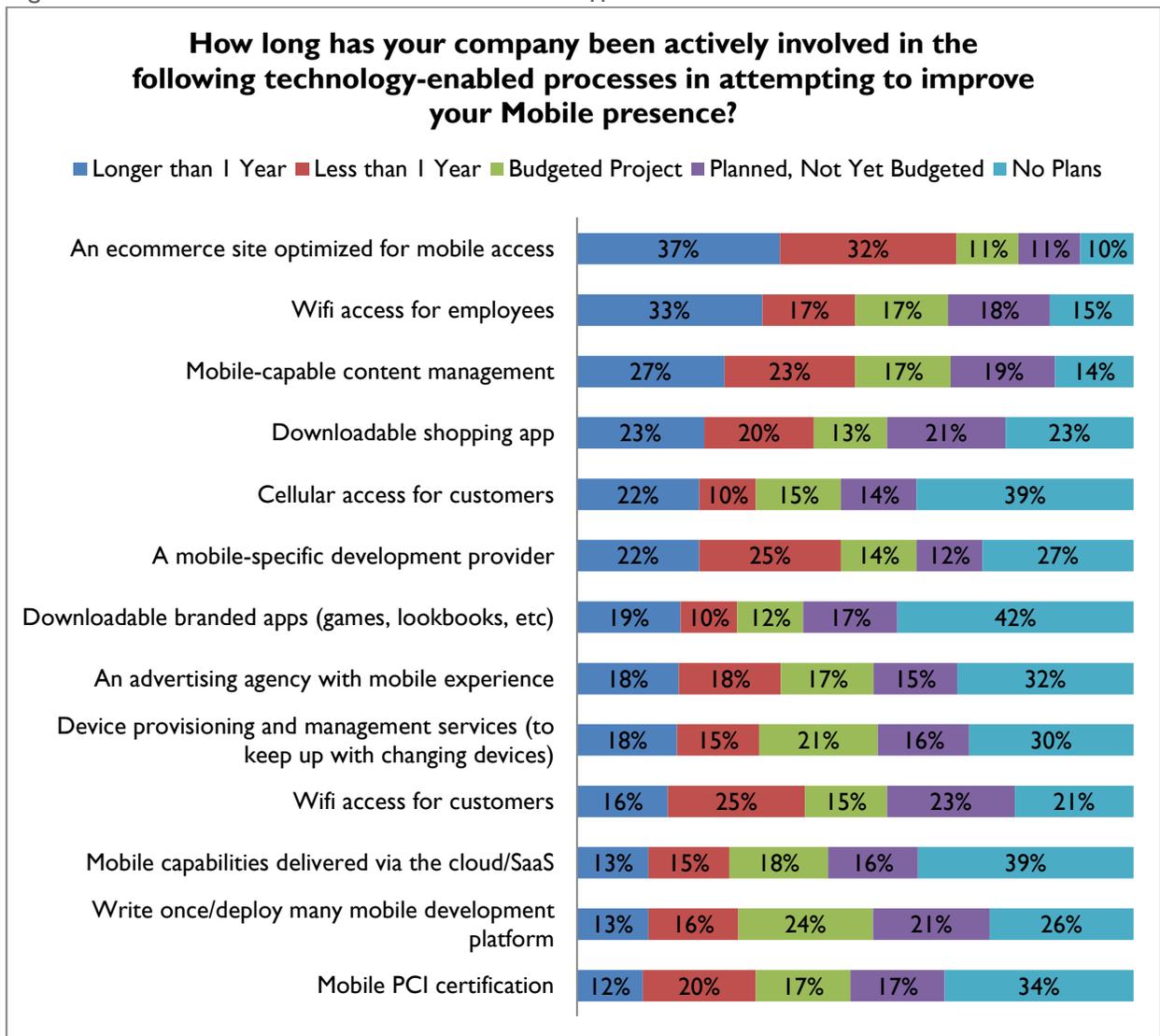
Looking at that result from a performance perspective, 84% of Retail Winners (even more than the 73% of laggards) say that an ecommerce site that can extend to mobile is very valuable. This is understandable, given that enabling the eCommerce site for mobile is the fastest way to get

something going – and Winners jumped on the mobile opportunity more aggressively than others. But as is often the case for very early adopters, the first implementation isn't always the best. Having seen mobile's potential to change the consumer's level of engagement and even the way mobile can affect how the overall brand fits into the consumers' lifestyles, as well as mobile's ability to enable better corporate communication and control with its employees, **simply extending the existing eCommerce site will not go far enough to realize the potential.**

## Not Yet

Perhaps of even more concern: the fact that retailers' investments so closely reveal their slow progress to date. Their use follows *directly* alongside their perceived value, and “an eCommerce site optimized for mobile access” tops the list of their current investment in creating a mobile presence (Figure 13). Once more, we see that the only bets retailers seem willing to take are the safest ones.

Figure 13: Real Mobile Presence Still Far Off



Source: RSR Research, December 2012

And while Wifi access for employees represents the second-most popular investment, Wifi access for *customers* continues to be a very low priority for retailers (even though the vast majority of our respondents to this survey operate stores). We at RSR have been steadfast in our position on the value wireless infrastructure affords. From our most recent Store Report:

*Just as a modern POS is the lynchpin for cross-channel connectivity, a wireless infrastructure is the lynchpin to real-time effectiveness... and Wi-fi for customers is becoming important as a tool for customer engagement within the body of the store. Rather than fearing showrooming, it would serve us to welcome customer interactions with friends within and outside the four walls of the store.*

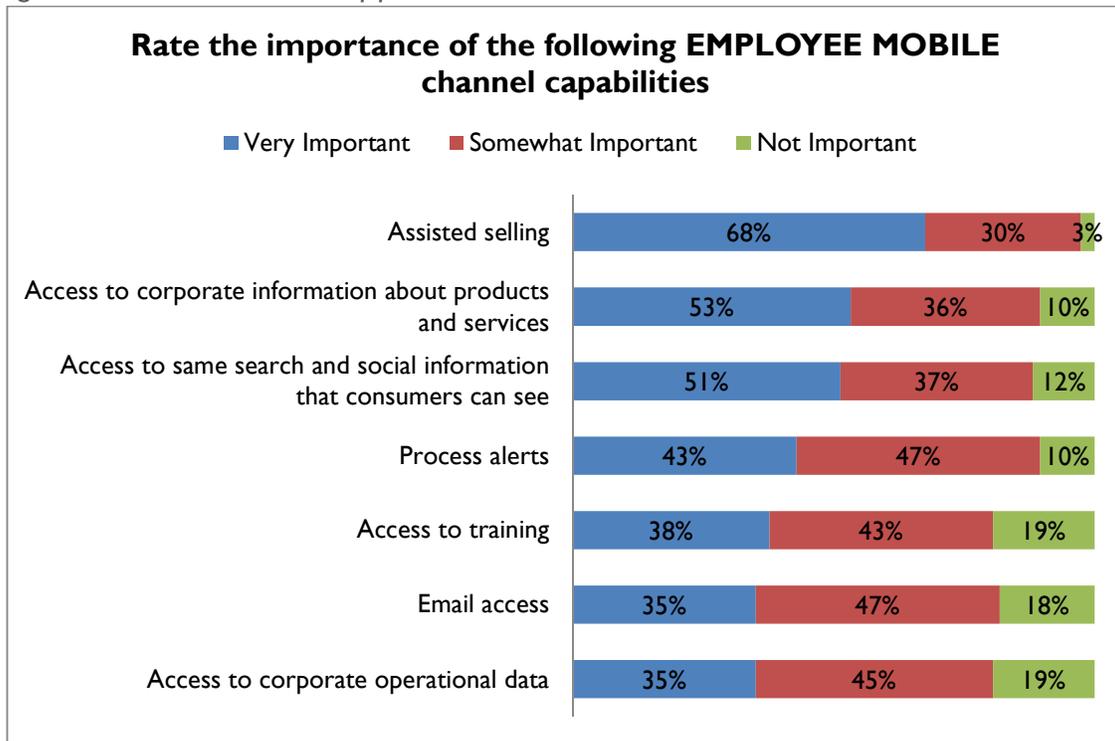
The problem isn't just that retailers *aren't* implementing Wifi in their stores (due to any number of reasons including cost of implementation, security concerns, etc), but that they don't yet even see *the value* it can bring their brand. As we saw earlier in this report, only 56% of Retail Winners see great value in providing public Wi-Fi in their stores - not much more than the 52% of the aggregate response. This is an issue that retailers need to address if they hope to engage in a digital dialogue with consumers while they are in the store.

Looking at budgeted projects on the books, we see the most valuable component of any new mobile initiative is that it be on a "write once/deploy many mobile development platform" (24%). The second-most budgeted technologies echo the first: 21% of retailers are budgeting for device provisioning and management services. While its encouraging that almost one-quarter of retailers are preparing to deal with the complexity of mobile application deployment, it also points out that most retailers fear that devices and platforms are destined to change too quickly. ***This is what is keeping retailers on the sidelines from enacting more exciting mobile projects.***

## **Employee-Facing**

While retailers continue to wait and see which consumer-facing mobile technologies will stand the test of time, they have less hesitation with employee-based usages. Which employee-facing mobile technologies hold the most promise? Those that empower associates to speak more intelligently to consumers about products and services, those that provide employees access to the same type of social information that consumers already have, and most importantly, those that help them assist consumers in the buying experience (Figure 14)

Figure 14: The Value is Apparent...

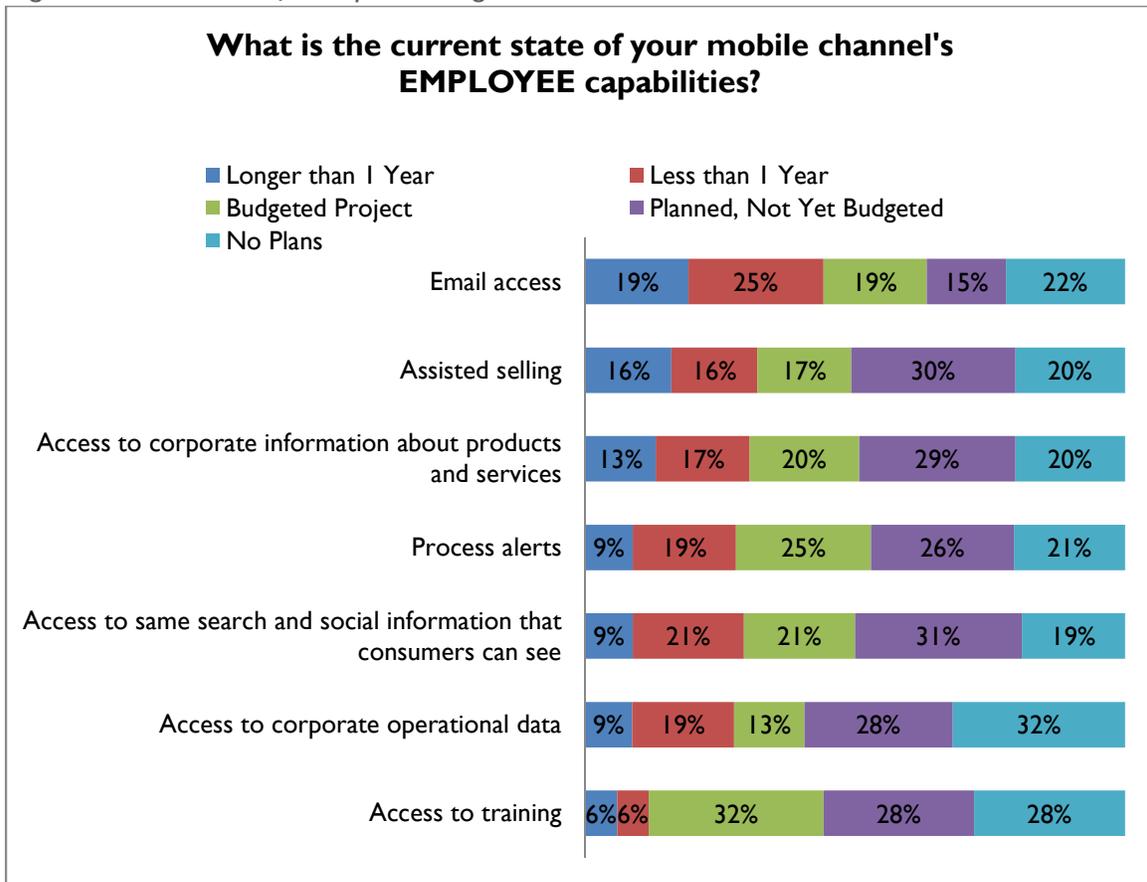


Source: RSR Research, December 2012

### A Common Theme

Of course there is a flip side to this potential value, and Figure 15 shows the bets retailers are willing to back up with investment. What is most interesting is a reiteration of a by-now common theme: retailers have set aside the most budget to invest not in the technologies that they most value, but instead, those which they deem the safest wagers.

Figure 15: ...Even if Adoption Lags



Source: RSR Research, December 2012

One of the clearest examples of this hedged-bet pattern can be seen via retailers' usage of mobile devices to give their employees access to training. While they rated it the **5<sup>th</sup>** (out of 7) most valuable use of employee-facing mobile technologies, it is the **number one** most budgeted project in the near future (32% of retailers have budgeted for employee access to training via mobile devices in the next 12-18 months). For Winners, this number is even higher at 39%. Why invest so heavily in what they identify as a low-value priority? Because it is safe investment, one they know they won't have to remake due to rapid device or platform progress any time soon.

Yet we maintain that while this caution can certainly be understood, the retail world is at a tipping point: as global economic uncertainty seems to recede and customers become only more empowered by their own mobile devices, there will be rewards – in the form of market share – for those retailers who are willing to take a more daring leap with the exciting, new, and consumer-facing mobile technologies that customers crave. Now is the time to be experimenting, even if only in small-format pilot programs to unearth new ways to delight the mobile consumer.

## BOOTstrap Recommendations

The evidence is everywhere, for all to see. Mobile technologies have become ingrained into people's daily routines. As those routines relate to shopping, consumers use their mobile techs to find the best solutions to their lifestyle needs by searching for **content** about products and services within the **context** of the need, checking what the **community** of like-minded shoppers has to say about their potential purchases, and finally by engaging in **commerce** (the exchange of money for goods & services) with the selected retailer. These activities can (and often do) happen in concert with web searches at home and in-store browsing. Mobile isn't so much a selling channel as the glue that brings all the other legacy selling channels together into one (hopefully) consistent shopping experience.

### Don't Deny Mobile's Influence

Retailers are under-estimating mobile's influence on consumers' buying decisions, perhaps thinking that they have time to meaningfully address the challenges and opportunities associated with putting the store into consumers' pockets and purses. Think again. External data from quantitative consumer studies show conclusively that consumers are using mobile as an important tool to making many or even most of their purchase decisions. ***Retailers should assume that all of consumers' purchase decisions will be made with the influence of information made available on mobile devices.***

### Put Price Transparency Higher On The List

Mobile technologies have made price transparency real for consumers, and its time for retailers to get with the program. In this era of price transparency, pricing is no longer an attribute of product, but it is central to brand and corporate strategy. Less than 1/2 of Retailers in this study indicate that using mobile to check price or availability is important to make available via mobile, and fewer than 1/3 have implemented such capabilities. While ultimately price can only be a negative (retailers get no points for getting the price right, but points off if its too high), not making price-lookup and comparison readily available is damaging to the Brand right now.

### Gain Insight Into Consumers' Complex Paths-to-Purchase

The #1 reason for developing a mobile application, even with all the complexity of multiple mobile operating systems, provisioning, and security that that brings with it, is that mobile apps can deliver valuable information to retailers about how and where consumers are making their ultimate purchase decisions. Smart retailers are looking at apps for more personalized communications, which includes opportunities for more targeted location-based offers. Just as importantly though is the fact that the mobile app can report back metrics that retailers can use to understand how consumers are interacting with the Brand. From a technology perspective, this is not trivial, since it entails capturing those non-transactional signals, relating them to consumer behaviors, analyzing them, and doing something useful with the result. But without such capabilities, much of the product selection process is invisible to retailers, since it happens outside of the store.

### Employees!

If the store is to remain relevant, employees need to know just as much – or a little more- than customers do about the available products and services. Retailers continue to give short shrift to the imperative of arming their own employees to promote the brand to consumers while they are

in the store. To fix that, retailers have to do several things, but it starts with connectivity: retailers must enable WiFi connectivity for their own people in the store.

## **Get Help**

One of the biggest inhibitors that Winners in particular are dealing with in addressing the mobile imperative, is the shortage of internal skills in either the eCommerce group or IT to pursue the opportunity. There is only one short-term solution for that, and that is to go out and find the talent. But that brings up the issue of a challenging ROI: retailers balk at investing too much in a direction that they are unsure of. This brings us back to our top recommendation, to not underestimate mobile's influence. It is hard for business people to accept that they don't control the adoption curve for these new technologies, but it is true nonetheless. Companies like Samsung, Apple, Google, Nokia, and others are more likely to affect the compelling case of mobile adoption, than anything that gets decided in the retailer's executive suite.

## **It's More Than eCommerce**

As we said in the preamble to our Bootstrap recommendations, mobile isn't so much a selling channel as the glue that brings all the other legacy selling channels together into one (hopefully) consistent shopping experience. That's a far-reaching statement, because it implies operational changes to all of the existing selling channels as well as the technologies that support them. It implies one enterprise-wide view of the customer, product, and inventory. To the extent that retailers have "verticalized" operations supporting the current selling channels (for example, separate organizations supporting the stores vs. eCommerce vs. the catalog), this can pose huge challenges for the retailer.

## **One Executive To Guide Them All**

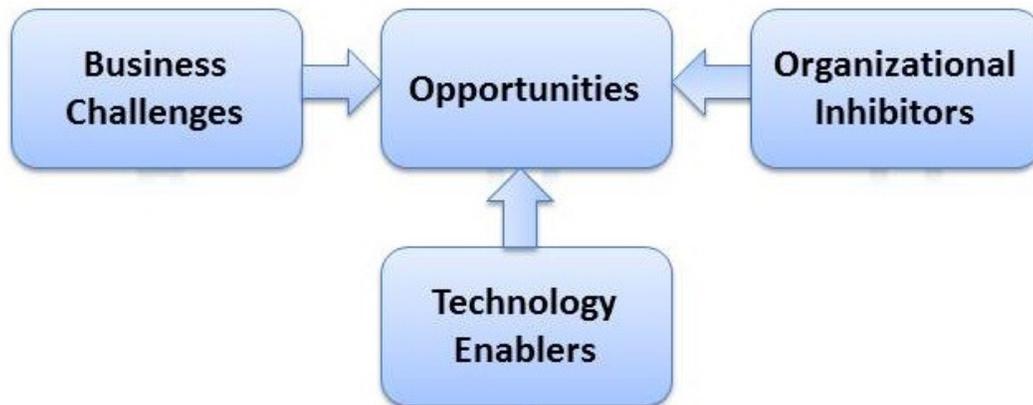
RSR has said this so frequently, that it should be "old news", but retailers must task one senior executive, reporting to the CEO, with the job of defining and managing the overall customer experience. Mobile makes it an imperative.

# Appendix A: RSR's Research Methodology

The "BOOT" methodology is designed to reveal and prioritize the following:

- **Business Challenges** – Retailers of all shapes and sizes face significant **external** challenges. These issues provide a business context for the subject being discussed and drive decision-making across the enterprise.
- **Opportunities** – Every challenge brings with it a set of opportunities, or ways to change and overcome that challenge. **The ways retailers turn business challenges into opportunities often define the difference between Winners and "also-rans."** Within the BOOT, we can also identify opportunities missed – and describe leading edge models we believe drive success.
- **Organizational Inhibitors** – Even as enterprises find opportunities to overcome their external challenges, they may find **internal** organizational inhibitors that keep them from executing on their vision. Opportunities can be found to overcome these inhibitors as well. Winning Retailers understand their organizational inhibitors and find creative, effective ways to overcome them.
- **Technology Enablers** – If a company can overcome its organizational inhibitors it can use technology as an enabler to take advantage of the opportunities it identifies. Retail Winners are most adept at judiciously and effectively using these enablers, often far earlier than their peers.

A graphical depiction of the BOOT follows:



## Appendix B: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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for more information.