Creating Differentiating Retail Experiences: Mobile Technology in the Hands of the Consumer

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INTRODUCTION

SHIFTS HAPPEN: THE TECHNO-SAVVY CONSUMER

Technology has increasingly penetrated consumers' lives. From computers and broadband at home, to cameras, phones and iPods when they're out and about, technology is rapidly becoming inescapable as part of daily life. And as technology becomes more integrated into the "everyday", one of the first activities impacted is the shopping experience. Every person is a consumer, and every consumer shops.

For retailers, this is a new and somewhat unexpected challenge. Retail, an industry that has typically been far more conservative than other industries when it comes to technology investments to support their business, is suddenly on the front line of how consumers use technology. When Girl Scout cookies have MySpace pages, when your customers know about your sales before your store managers do thanks to web sites like BlackFriday.net, and when a consumer can compare product prices and availability through a Google product search on their phone – while standing at your shelf... the balance of power in the retailer-customer relationship has fundamentally shifted. Consumers have it, and retailers don't.

Technology adoption is not universal among consumers, either across age groups or geographies. But within a generation that gap will potentially disappear. According to shift_happens, a now-viral video that was created to help Colorado educators understand how technology is changing education requirements, 70% of 4 year-olds have used a computer. One in eight couples that married in 2005 in the US met online.[1] In the last ten years, a completely new – and virtual – way of shopping was born: eCommerce. In some categories like software and music, the category has or will soon achieve more than 50% of its sales online rather than in a traditional retail store.

So what does this mean for that traditional retail store? In order to keep the store relevant to these informed consumers who are used to near-total visibility and access to information, the role of technology in the store is going to have to increase. The challenge for retailers is to figure out which technologies to use and what role they should play. This is not an insignificant task: consumers' adoption of technology is still evolving, and so the ways they bring that adoption to the shopping experience are still in flux. Providing a technology solution for a moving target is extremely difficult.

ENABLING THE CONSUMER BUYING PROCESS

THE ROLE OF CONSUMER-FACING MOBILE DEVICES

When consumers shop, they go through a "buying process." That process differs depending on the consumer, the category, and sometimes even the retailer. As they go through the process, consumers may tap multiple resources to make a decision – their friends, web sites (which may include search, shopping sites, a retailer's web site and/or those of competitors), and stores. For retailers, managing that process becomes critical. Every touch point in the process is an opportunity for a retailer to keep – or to lose – a customer.

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[1] The shift_happens video can be viewed at http://www.youtube.com/watch?v=ljbI-363A2Q

This means retailers must add far more value to the shopping experience than ever before. It's not enough to have basic product descriptions when consumers suddenly want to know the item's country of origin, or if the product they're looking at goes with a product they've already purchased, or if another store has the right size or color. Retailers are already investing in multiple approaches to solving this challenge, and it continues to be a pressing issue: when asked about the business challenges driving their in-store technology investments, respondents to an RSR survey rated consumer complaints about the in-store experience as their top challenge.[2]

Retailers and consumers alike face a dizzying array of technology choices from consumer-owned devices to retailer-provided kiosks, but with the increased penetration of wireless in stores, handhelds are becoming a very viable option for retailers looking to enhance the in-store experience. Because they are not bound to a certain department or category (like kiosks), mobile devices provide more flexibility to change and adapt to changing consumer behavior as the way consumers use technology in the shopping experience continues to evolve.

Our research shows handheld devices are very much on retailers' minds: survey respondents tell us employee-facing and customer-facing devices are both top priorities for improving the customer experience in-stores, ranking them as their second and third most important opportunities. Retail winners, those whose comparable store sales outpace the average, rate them even higher, as their top two priorities.[3]

The challenge in implementing consumer-facing mobile technology is consumer adoption. With employee-facing handhelds, training is required, and implementation is made to a captive audience. And while many a company has found the hard way that if employees don't like a new technology, they won't use it the risk is far greater for consumer-facing devices: if consumers don't like it, they may stop coming to your store. Getting consumer-facing technology right is much riskier and tricky to pull off.

THE RETAILER VALUE PROPOSITION

So why would a retailer want to undertake such a risky proposition? The reality is retailers increasingly have little choice. Employees simply aren't available to answer every question or help every customer. While consumers increasingly bring devices with them into stores in the form of mobile phones, that medium has a long way to go before retailers can effectively tap it for a rich customer experience. But beyond the basics, there are real value opportunities too.

Today's consumers are an anonymous bunch who, if you're lucky, will tell you exactly who they are through a loyalty card or payment method when they reach the Point of Sale. But getting this information while they're standing at the register is almost useless in influencing the transaction value of their shopping trip. Retailers with eCommerce sites have learned that there is a very rich and valuable stream

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[2] *"Technology Enabled Customer Centricity in the Store: Benchmark Report March 2007" by Paula Rosenblum. 84% of survey respondents rated consumer complaints about the in-store experience as having "some" or "a lot" of influence on their store strategy, the highest of any response.*

[3] *"Technology Enabled Customer Centricity in the Store: Benchmark Report March 2007" by Paula Rosenblum. 90% of retail winners rated employee-facing technologies as a top-3 opportunity, and 85% of winners rated customer-facing technologies as a top-3 opportunity, the top two responses.*

of information available about how consumers shop a web site: the clickstream data that tells you things like at which point a customer abandoned their cart. It reveals much more about the "why" behind consumer behavior online.

But at the average retailer, online transactions only make up less than 10% of sales, leaving more than 90% of sales without that increasingly important "why" data. Providing a customer with a handheld that they carry with them around the store presents an opportunity to fill in those blanks – consumers identify themselves when they pick up the handheld, and tracking the decisions made with the handheld gives you much deeper insight into how that customer engages with you when they are in the store. Also, web sites increasingly allow consumers to personalize how they get information. Retailers can actively shape the site to personalize offers and merchandise that the consumer sees based on past behavior. With consumer-facing handhelds, this capability is now available in the store as well.

The value of those personalized offers is not trivial. Manufacturers and retailers both are in search of increased relevance, and consumer-facing devices offer that through targeting of offers, and through the proximity of that offer to the moment of product selection. It also provides retailers an opportunity to present personalized cross-sell and up-sell recommendations. For retailers selling products with heavy information or research requirements, a consumer-facing device gives them an opportunity to package and present information to consumers while they're at the shelf in a way that maximizes the opportunities for incremental item sales.

THE CONSUMER VALUE PROPOSITION

All of these opportunities are wonderful – unless consumers don't use the device. **There has to be something in it for consumers or there simply will not be enough adoption to justify the investment.** We emphasize this because our research has shown that retailers consistently undervalue the impact of the value proposition for the consumer on a solution's success.[4]

For consumers to invest in learning how to use a new solution as part of the shopping experience, the solution must either save time or save money. For example, in the case of Modiv Media's implementation at Stop & Shop, the retailer had to run through several iterations of offerings before they figured out which offerings helped consumers the most – and found that pulling both of those levers together (saving time and saving money) had the greatest impact.

Consumer-facing devices, when linked with loyalty cards and online tools that consumers can use at home, provide a powerful means for saving consumers time by helping them manage replenishment shopping lists, and automatically organizing those lists to match the layout of the store. Also, because consumers scan and bag as they shop, they eliminate a time-consuming part of the checkout process – ringing up and re-bagging items. In a general merchandise/apparel environment, consumer-facing devices save time by providing inventory availability information, so that a consumer doesn't have to find an employee and then wait while they check inventory.

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[4] *"Getting Loyalty Back to Loyalty's Sake: Benchmark Report July 2007" by Nikki Baird. RSR Research conducted a survey of retailers on the state of their loyalty programs and found that 81% did not measure loyalty offer redemption – making it impossible for them to gauge whether consumers valued a particular offer or not.*

Modiv Media's implementation at Stop & Shop was initially achieving modest adoption through a consumer value proposition that focused primarily on saving time. It wasn't until they focused on the "saving money" side of the equation that they began to get adoption rates that really propelled the value of consumer-facing devices for both the retailer and consumers. They tapped into savings-conscious consumers by presenting them exclusive offers over and above what was already on sale in the store. A consumer using their handheld receives discounts and offers that they would not normally see as they shopped. Retailers and manufacturers benefit from the sales drivers and the data they collect on consumer behavior, while consumers benefit from relevant, targeted offers based on their purchase history and where they are in the store.

Also, retailers have an opportunity to evolve what solutions are provided through the device as consumers' buying behavior changes. Consumer-facing devices provide an access point that has the flexibility to expand – Do you need to add product search by ingredients? Item location? Availability at other stores? A call for assistance? These are simply software changes or additions, rather than a complete re-thinking of a technology solution.

MAKING CONSUMER-FACING DEVICES SUCCESSFUL

LESSONS LEARNED

The key to a successful implementation is making sure that whatever solution you put in the hands of shoppers balances both sides of the equation: it has a clear value proposition for both the retailer AND the consumer. If you follow your target customers' buying process and address the pain points in that process, then it's hard to miss on delivering success. But because retailer adoption is still relatively immature, retailers often don't know "what they don't know" about embarking on an implementation of customer-facing technology. Here are some of the lessons that early adopters have learned about what is needed to make an implementation successful:

- **Keep the interface simple.** Modiv Media's original vision for a consumer-facing handheld device entailed a very rich user interface and a lot of screen "real estate". A consumer using the device would have offers, a map, a running total on items scanned, and a shopping list all presented to them at the same time. Modiv Media found that it was too much. They stripped the interface down to the bare minimum, which enabled them to move to a smaller, lighter device. It meant giving up certain functionality – for example, deli ordering from the handheld – but made it much easier for consumers to use overall.

- **Get store associate buy-in.** In our research on technology investments in stores, retailers were interested in, but cautious about, solutions that were financed and provided by manufacturers.[5] The reason why? Because no matter who pays for it, ultimately store employees are going to have to deal with it. An employee who tells a customer they can't help them use the device is going to kill adoption just as rapidly as an employee who doesn't keep the handhelds charged up and ready to use. To get that buy-in, the work that employees have to do to keep the devices available and working needs to be minimal.

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[5] *"Technology Enabled Customer Centricity in the Store: Benchmark Report March 2007" by Paula Rosenblum.*

- **"Build it and they will come" does not work.** As with any program aimed at consumers, consumer-facing devices require marketing and in-store support. Not only does the retailer need to advertise the new solution, they need to have specially-trained people on hand to initiate adoption in the store. Case study after case study on consumer-facing technology in stores has shown that having "docents" – employees who are trained on how to help customers adopt and use the technology – on hand for anywhere from two weeks to a month significantly increases initial adoption, and maintains higher rates of adoption over time.

- **Make sure time savings benefits don't get lost.** It's easy to get excited about the opportunity presented by the adoption rate of consumers when savings becomes a major part of their value opportunity. But time savings is still a significant part of the equation. As consumer adoption rises, retailers need to make sure that the higher level of adoption doesn't tax the transaction at the end. Line management that segregates shoppers using handhelds from the rest of the crowd is important – as long as those lines don't get too long. Signage at the point of sale and placement and quantity of the pay stations are critical to managing customer expectations and keeping the time savings benefits intact as more and more consumers adopt.

STAYING FOCUSED

As consumers become more technology savvy, retailers have more compelling reasons than ever to use technology to enhance the shopping experience. While this is new territory, and relatively unexplored to date, there is a sure-fire way to make sure that you stay focused on success: if you stay true to what your customers want, and target ways to deliver value to them, then you can't go wrong.

APPENDIX A: ABOUT OUR SPONSOR

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APPENDIX B: ABOUT RSR

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, and thought leadership and advice on navigating these challenges for specific companies and the industry at large. RSR's services include benchmark reports covering the state of retailer technology adoption for topics ranging from merchandising and supply chain, store operations and workforce management, to customer-facing and multi-channel technologies. Custom research reports provide more in-depth views into topics of industry interest, and advisory services help retailers and technology vendors make the most of the insights RSR provides. To learn more about RSR, visit www.rsrresearch.com.