Thought Leadership White Paper

M-Commerce: It's about "Me" not just "Mobile"

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Introduction: Mobile Obsession

Consumers obsess over their mobile devices as they seek entertainment, social interaction and information. Almost like a second appendage, mobile devices are the center of gravity in a consumer's digital world. Case in point–a new condition has emerged called Phantom Vibration Syndrome (PVS) or "ringxiety".[1] People actually report feeling phone vibrations or other mobile phone-related sensations when none exist, even when not wearing a cell phone. The statistics do not lie. Ninety percent of Americans have their phones within 3 feet of them 24 hours a day (that includes sleeping, showering and any other activities).[2] The average consumer reports their lost or stolen wallet in 26 hours, but reports a lost or stolen mobile device in just 68 minutes.[3] Despite the bevy of statistics that highlight the humor in consumer digital behaviors, one thing is clear—the rapid proliferation of mobile technology was an inflection point that shifted power into the hands of consumers and permanently altered the relationship between shoppers and merchants.

In retail, mobile influence goes beyond mobile commerce. By 2016, mobile technology will influence over 20 percent of total retail sales, regardless of where consumers actually purchase products.[4] Retailers need to drive a consistent, seamless brand experience. They must follow a set of best practices and deploy technologies which allow them to avoid three common mobile commerce myths. Doing so will allow for deeper, longer lasting, trusting and loyal relationships with consumers.

Three Common Myths About Mobile in Retail

Retailers looking to leverage mobile technology to create a better shopping experience have a litany of mobile trend data, mobile solutions or mobile best practices on which to rely. However, a few common misconceptions remain. Avoiding these can help retailers use mobile technology to embrace consumers and associates in an effective and meaningful way.

Myth #1: Mobile Commerce Is All About Buying Outside the Store

Retailers have only begun to scratch the surface of the real value of mobile technology—its ability to connect merchants to consumers throughout the shopping process and bridge the digital and physical worlds. Mobile commerce is about more than enabling consumers to buy products outside of the physical store. Research shows that already 58 percent of smartphone users utilize their device for store-related shopping, 60 percent in-store and 50 percent on their way to the store.[4] In a recent study, Google found that 90 percent of smartphone shoppers utilize their phone for pre-shopping activities and over 80 percent utilize them in-store. In addition, the study found that shoppers that utilize their mobile device more while shopping ultimately spend more.[5] The specific shopping activities that consumers perform on their phones underscore the reality that, despite the mobile commerce hype, most shoppers utilize mobile devices as a proxy for basic PC-based web browsing [Table 1]. In addition, 82 percent of respondents said they use search engines to accomplish these tasks [Table 2], not retailer mobile sites or apps, further highlighting the gap between what mobile in retail *is* and what it *could (and should)* be.

Table 1:

PRIMARY MOBILE SHOPPING ACTIVITIES

Before	In-store
Find location/direction (58%)	Compare prices (53%)
Find store hours (57%)	Find promotional offers (39%)
Compare prices (44%)	Find location/direction (56%)
Find promo/offers (44%)	Find store hours (35%)

Source: Google. "How in-store shoppers are using mobile devices." April 2013

Table 2:

Primary Mobile Shopping Resource
82% SEARCH ENGINE
62% Store website
50% Brand website
21% Store app
20% Deal website

Source: Google

Extending shopping capabilities to a consumer's mobile device is a significant opportunity for retailers. Retailers should utilize mobile as more than just a sales channel. Retailers need to entice consumers to use mobile sites and applications for more than just finding stores. Offering mobile-based store layout and product location information, interactive QR codes and unique in-store mobile promotions are a few ways that retailers can connect further with their customers and take advantage of in-store smartphone use. Responding to the inevitable price comparisons and "showrooming" with programs such as price-matching allows retailers to retain customers and potentially capture incremental wallet share. Further, mobile activity generates unique contextual information that retailers can use to tailor marketing messages. By taking into account things like location, type of device and time of day, retailers can create and deliver relevant, personalized brand experiences that will drive greater consumer advocacy and lifetime value.

Myth #2: Mobile Is All About Paying Inside the Store

The second myth is that mobile payment inside the store is the killer application for retail. This does not mean that payment is not important; payment is the last interaction point before a consumer completes a transaction and the last opportunity for the retailer to make an impression on their customer. It is an opportunity to build and reward loyalty, and to entice the consumer to return.

Yet payment, in and of itself, provides little benefit to consumers. Most shoppers, regardless of generation, are comfortable using traditional methods of payment such as cash or credit/debit card.

As a topic of interest, in-store mobile payment has captured far more than its fair share of headlines, most touting the advantages to consumers and the potential for merchants to leverage the power of mobile for combining payment acceptance and the delivery of targeted promotions. Yet all the participating vendors have different solutions to something that few believe is actually a problem. Consumer comfort with making payments through mobile devices is growing, yet of the $14 trillion in annual global retail sales, very little is made through mobile payments or mobile wallets. The Western Union Company released its most recent Western Union Payments Money Mindset Index, a study of how consumers pay their bills, and found that mobile adoption is increasing with 12 percent of consumers reporting that they intend to pay more bills from their mobile devices in the future. Yet despite the increased intent, Western Union reports that mobile only accounts for 2 percent of the $2.1 trillion in annual U.S. household bill payments.[6] In addition, there was no indication that *intent* correlated with *preference*. The data does not support the assumption that consumers want to pay in-store using their phone versus a traditional payment instrument (e.g., card, cash, check). Globally, over 85 percent of transactions are still made in cash.[7]

The number of options represents one of the challenges to widespread adoption of mobile payments and mobile wallets. Well-funded major players like Google, PayPal, ISIS and MCX vie for consumer attention while credit card companies, banks and mobile service providers also offer (or have explored offering) their own mobile wallet and payment solutions. Each brings differing technologies—and related investments—to the store, further confusing both retailers and their customers. To-date, no one has established a clear lead in the mobile payments space.

Myth #3: Mobile Is All About Retailer Owned Devices

Many retailers are convinced that providing store-owned handhelds to consumers is the best way to deliver mobile self-service capabilities and overlook the advantages of leveraging consumers' personal mobile devices. Mobile self-scanning allows shoppers to speed up the checkout process, locate items, check pricing, find complementary products and take advantage of personalized promotions and communication. Retailers can maintain a real-time dialogue with consumers in-aisle and potentially drive down transaction costs by placing scanning in the hands of consumers.

Retailer-furnished devices carry high costs. In addition to the acquisition cost of the physical handheld devices, there are costs associated with device management, device security and charging/docking stations for when the devices are not in use. In addition, retailers investing in store-owned devices often gravitate toward either repurposed consumer-grade devices which are not ruggedized for retail environments, like iPads or iPods, or purpose-optimized handhelds that do not offer the power or usability of the latest consumer-oriented mobile devices.

Consumers today show an increasing willingness to continually upgrade to the latest technologies and have become highly sophisticated in their use of mobile devices and smartphones. This has driven a resurgence of interest in retail mobile technologies, including mobile self-service. They have an established level of comfort with their personal mobile devices and, as referenced previously, already use them in-store for a variety of shopping-related activities. Consumers now instinctively turn to their mobile device for information. Smart phones and tablets are already at the center of daily consumer digital activity, and ongoing enhancements in processing power, battery life and storage capacity will continue to fuel this trend. Forcing consumers to use retailer-furnished devices to scan products and shop in-store puts a second device into their hands, ignoring the inherent adoption and usability advantages of consumer-owned mobile devices.

Two trends will likely make personal smartphones even more indispensable to consumer digital activity and daily life. First, device consolidation will continue. Consumers are de-accessorizing, shedding 'extra' devices like cameras, remote controls, music players and GPS devices in favor of smartphone hardware and new apps. Second, the "internet of things" continues to grow. Wearable technology, home security systems and appliances have added to the global ecosystem of connected devices which could exceed 30 billion by 2020.[8] Consumers will need a quick and easy way to interact with this growing web of connected devices. Consumer smartphones—driven by feature-rich applications—already connect this 'Internet of Things' and will continue to be the point of convergence.

Summary

Mobile represents the true connecting point of omni-channel retailing. While the store remains the primary venue for discovering, comparing and purchasing products, empowered consumers increasingly demand personalization, convenience and control. Mobile technology enables this type of consumer participation in the shopping process and allows retailers to maintain a persistent connection to customers wherever they may be. Avoiding these common myths about mobile in retail allows merchants to focus investments on mobile solutions that provide both the best experience for consumers, as well as the greatest economic return.

For more information

To learn more about Toshiba's mobile solutions, please contact your Toshiba representative or Toshiba Business Partner, or visit the following website: **toshibacommerce.com**

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Printed in the United States of America,

RTW12541-USEN-01

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