

A woman with blonde hair is shown from the chest up, looking down at a smartphone she is holding in her right hand. She is wearing a light-colored, possibly white, button-down shirt. The background is a blurred grocery store aisle with shelves of products. The entire image has a yellow-to-teal color gradient overlay.

SIX THINGS EVERY RETAILER MUST DO TO WIN IN MOBILE COMMERCE

Executive Summary

Just think, most of your customers—roughly 78 percent—already use their smart-phones in brick-and-mortar stores.¹ Many of them are using your shopping and loyalty apps, as well as those from other retailers and app providers. And roughly half of shoppers have approached the checkout with coupons on the screens of their mobile devices.²

It's a start.

But to capture your share of the sweeping change of mobile commerce (shoppers will make more than \$62 billion in retail purchases with their mobile phones by 2016), you need to remove the barriers that still remain between their mobile devices and your in-store systems.³

That means making your customers' mobile business your business: From their mobile browsing at home, to walking the aisles of your stores, then to the checkout lane, you need to become a partner in that process.

And based upon what we have seen through our analyses of in-store customer behavior, and data collected from observing millions of mobile shopping trips, we're headed down a great path, but there is still work to be done. Here are the six actions we consider necessary to create a smart, integrated, in-store shopping experience for your mobile customers:

1. Personalize offers, incentives, and other communications based on a shopper's past purchase history.
2. Harness real-time use of location and purchase behavior.
3. Create an intuitive, integrated mobile experience.
4. Remember that a mobile POS is NOT mobile commerce.
5. Set the stage for scalable, secure and simple in-store mobile payments.
6. Create scalable and intelligent loss prevention systems, optimized for the mobile experience.

¹ Source: Google. US Consumer Behavior & Smartphone Usage Stats.

² Source: eMarketer.

³ Source: eMarketer, 2012.

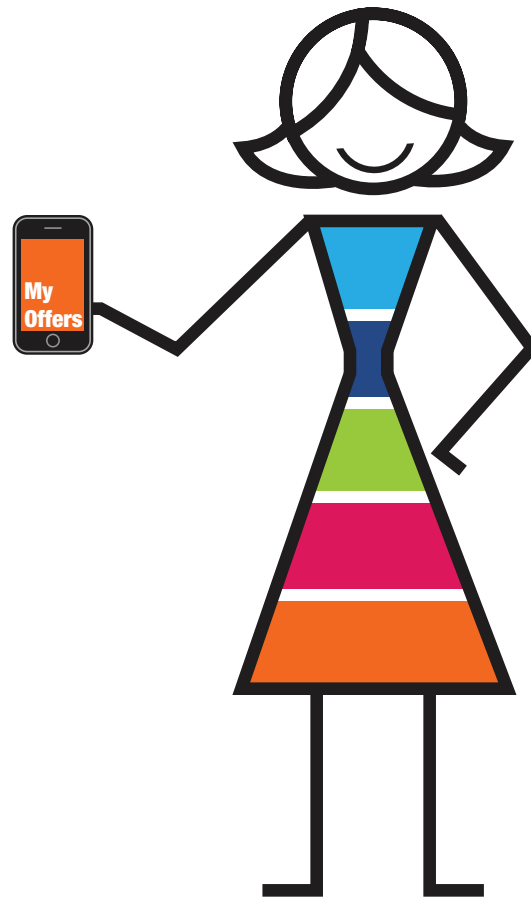
1. Personalize offers, incentives and other communications based on a shopper's purchase history.

Your spot-on offers through mobile devices will be rewarded with increased loyalty and share-of-wallet. Four in 10 smart-phone users have already redeemed a coupon on their mobile device.⁴ But to deliver real value, you must first analyze past purchasing behavior, demographics, customer location, inventory, interests and unrealized needs. By combining personalized offers with in-store mobile commerce, you will see a two-fold increase in adoption.

If you're on the road to mobile commerce development, or are not seeing the traction you expected when you first scoped out your mobile strategy, it is worth exploring the following:

- **Relevance:** The number of offers presented versus redeemed, and associated incremental sales.
- **Loyalty:** The increase in share-of-wallet from current and new shoppers.
- **Adoption:** Weekly usage of the app versus downloads.

The data will indicate the level of personalization your app delivers and its perceived value by customers.



⁴ Source: Harris Interactive survey (sponsored by Coupon Cabin). 2012

2. Harness real-time location and purchase behavior.

In the ideal mobile experience, shoppers receive contextually relevant real-time offers based on their location in the store and their current and past purchase-behavior.

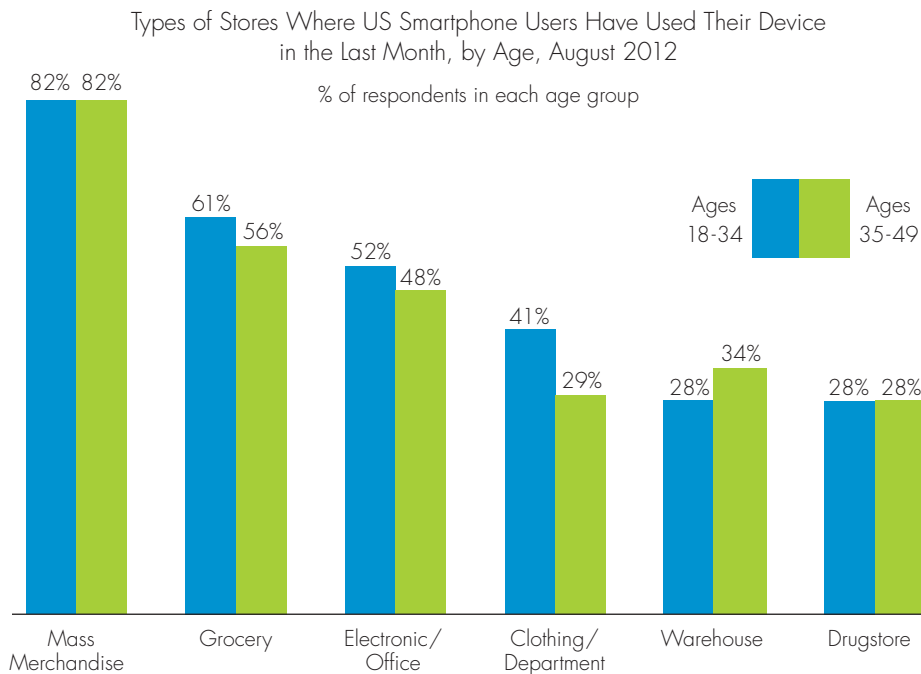
For example, the purchase of an apple pie may prompt an offer for ice cream when the customer arrives at that specific aisle. Or, the scanning of a single yogurt may drive an immediate upsell based on that shopper's historical purchase volume.

Customers are clamoring for these offers. Forty-one percent of shoppers already use mobile coupons at grocery stores and department stores, and thirty-nine percent use them in clothing stores.⁵

Yet turning this ideal scenario into a standard business practice requires the retailer to reinforce the value of the mobile app by anticipating the shopper's current and future needs and desires.

To deliver contextually relevant offers, retailers should ensure their mobile apps:

- Present real-time offers based on as many inputs as possible, such as location, basket contents, the day of week and purchase history.
- Anticipate future needs by suggesting specific products purchased weeks ago that likely need to be replenished.
- Deliver offers for products that are likely being purchased elsewhere.



SOURCE: Sprint. "Mobile Moment of Truth: Where, How, and Why Millennials Use Mobile In-Store," October 11, 2012

eMarketer™

⁵ Source: Nielsen, 2012

3. Create an intuitive, integrated mobile experience.

It is not uncommon for a retailer to offer different apps for coupons, payment, circulars, store finders, navigation and shopping lists. And then there are the scores of third-party apps vying for your customers' attention.

That glut of mobile apps threatens to overwhelm your customers, and might cause them to opt-out altogether.

You need instead to create a single, comprehensive and customer-friendly mobile experience for your shoppers.

For example, imagine the customer's delight when you've eliminated the need to toggle between a shopping list and mobile self-checkout; instead automatically crossing an item off the list after it is scanned during mobile shopping.

Activities US Millennial Smartphone Users Conducted on Their Device
While Shopping at Select Stores, August 2012

% of respondents

	Grocery	Warehouse	Mass Merchandise	Specialty Apparel	Electronics/office
Compare prices	61%	81%	81%	72%	89%
Find coupons	57%	41%	51%	43%	33%
Access shopping list	54%	34%	31%	15%	9%
Find recipes	51%	18%	21%	3%	3%
Send a text or email	47%	35%	44%	41%	35%
Search for product info	45%	50%	51%	32%	55%
Use digital coupons	43%	21%	39%	39%	26%
Take and/or send picture	38%	37%	43%	40%	28%
Read a QR code	29%	20%	27%	14%	27%
Find product reviews	26%	44%	41%	25%	62%
Receive alerts about details	22%	18%	20%	24%	17%

NOTE: n=350 ages 18-34

SOURCE: Sprint. "Mobile Moment of Truth: Where, How, and Why Millennials Use Mobile In-Store, October 11, 2012



4. Remember that a mobile POS is NOT mobile commerce.

All point-of-sale (POS) systems are moving to support mobile device purchases. However, they are primarily focused on the retailer's staff, not the customers. The features and functions of a cash register do not translate to a customer-facing mobile experience. Your customers are not cashiers.

For your mobile commerce app to scale, it needs to be built and optimized for the shopper. Virtually "stuffing" a cash-register into a smartphone, which is what mobile-POS does. It does not create a captivating mobile experience. However, you still need to be able to manage the everyday complexities of retailers such as BOGOs, inventory management and variable pricing. Here are a few examples:

When a shopper takes advantage of a BOGO offer involving the same items with different prices, they may scan the lower-priced item first or the higher one first. The key is to present the pricing in a way the customer expects, which is counter-intuitive to traditional mobile development. This correct price must appear for both items regardless of the order in which they're scanned (one full-price, one free).

Taking this example a step further, imagine the shopper who receives a phone call from home and learns they no longer need both items. Removing one of these items from their mobile cart should not be difficult or confusing—the price should adjust automatically. Through real-time transparency you build a better experience for the customer and boost overall satisfaction.



5. Set the stage for scalable, secure and simple in-store mobile payments.

Effectively managing this within the mobile app is key to driving adoption. Convenience and control are as important as relevant savings.

You need to establish a mobile payment infrastructure that ensures the fastest, most convenient checkout possible for your customers who pay with mobile devices.

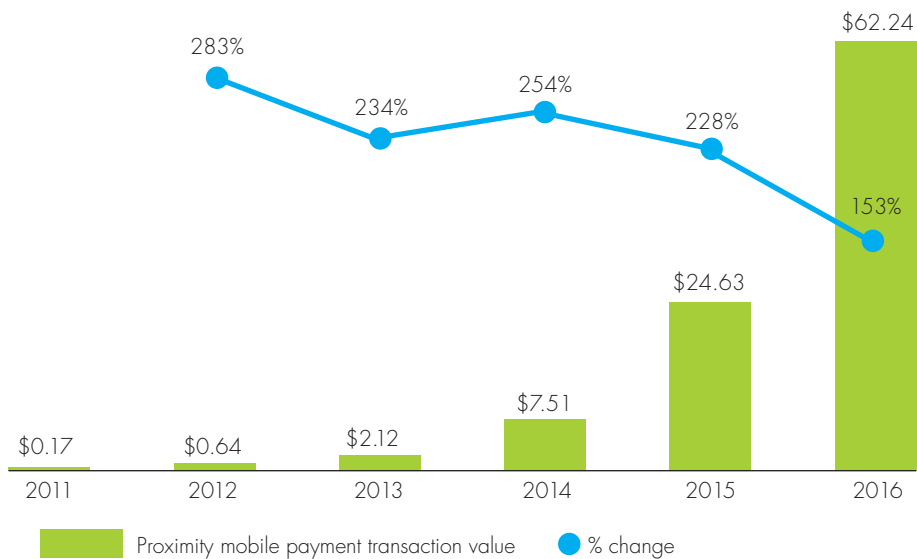
Within just five years, at least half of today's smartphone users will be using mobile wallets as their preferred payments method.⁶ However, customers currently ready to pay with their mobile wallets still find themselves in long self-checkout lines behind conventional shoppers.

So it is easy to see how the mobile-enabled shopper may scratch their head and potentially abandon the app due to the fact that the last stop in the shopping experience is fraught with frustration.

While there are pockets of innovation when it comes to improving checkout, such as offering express lanes for mobile shoppers, the ability to allow customers to make payments directly from their app will be one of the strongest differentiators a retailer can offer. This potentially enables lower transaction fees for retailers by boosting the number of shoppers using ACH.

As forward-looking retailers have discovered, offering this functionality requires minimal effort, especially considering the value it adds to the shopper's experience. Further, it's only a matter of time before mobile in-store payments are the rule instead of the exception.

US Proximity Mobile Payment Transaction Value, 2011-2016
Billions and % change



NOTE: Includes point-of-sale transactions made using a mobile device as a payment method, including by swiping a mobile device at a register or tapping a mobile device to complete transaction; excludes purchases of digital goods on mobile devices, purchases made remotely on mobile devices that are delivered late on, and transactions made via tablets.

SOURCE: eMarketer, September 2012

eMarketer

⁶ Source: Carlisle & Gallagher Consulting Group, 2012

6. Create scalable and intelligent loss prevention systems, optimized for the mobile experience.

Shrink is one of the biggest reasons why retailers may hold back from fully embracing mobile apps and integration. Why? Because of the misconception that mobile apps increase theft.

You want to mitigate the risks of bad behavior of a few customers, without alienating the majority of trustworthy, loyal customers.

An approach that creates deterrence, while limiting annoyance—should take into account the nuances of theft such as past audit results, extended delays between scans, too many voids, shopper status and other algorithmic triggers.



Key take-aways:

1. A true mobile shopping solution—one with intuitive self-checkout, payment and relevant communications during the shopping trip—presents a significant opportunity for retailers. At the moment, this opportunity is largely untapped. However, strategic retailers who invest in this technology will be able to dramatically increase loyalty while seizing a leadership position in this burgeoning market.
2. To deliver a truly delightful shopping experience, retailers need to develop a comprehensive mobile app from the shoppers' point of view. This single, integrated solution should accommodate the pre-shopping planning process, personalized savings and communications, the in-store/in-aisle experience, and check out. Mobile in-store apps that cater to the current needs of customers, while anticipating future needs, will become a natural part of the shopping experience.
3. Loss prevention is naturally a primary concern for retailers. However, leading mobile commerce solutions, with in-store m-commerce in particular, include the latest advances in technology that effectively deters theft.

About Catalina

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