HOW **MOBILE ENGAGEMENT**
IS REINVENTING **BRICK AND MORTAR RETAIL**

What are retailers learning about the influence of mobile POS, clienteling, and other apps on the way associates perform and consumers shop?

Brought to you by:

Integrated Solutions For RETAILERS

Sponsored by:

Honeywell

HOW MOBILE ENGAGEMENT IS REINVENTING BRICK AND MORTAR RETAIL

Judging by the trade press, retail mobile mania is in full swing, and it's imperative to maintaining the relevance of the brick-and-mortar store.

New research from CFI Group[1], however, indicates that just 27% of consumers have been on the receiving end of assistance from mobile technology-wielding retail associates.

In some segments, like grocery stores, the figure is far lower, with just 13% of consumers having been assisted by mobile device-enabled associates. Large-format value stores fared slightly better, with just more than a quarter of consumers reporting having been assisted by an associate with a mobile device. Traditional department stores performed best with 31% of consumers having been assisted by a mobile-enabled associate for purposes other than checkout.

These figures are troubling, because the consumer-led revolution in retailing demands mobile engagement in stores. Further, consumers who are engaged by mobile device-wielding associates are far more likely to spend more and evangelize the brand. In fact, among 18-to-44 year-olds, more than half (55%) say they're likely to favor a store with advanced mobile capabilities. A full 43% of customers in all age groups indicated they would favor a store with advanced mobile capabilities. How does that favoritism manifest itself? Robust mobile capabilities result in consumers driving further to a retailer (24%), their willingness to pay slightly more (20%), buying more per visit (39%), and shopping more with that retailer in general (66%).

Mobile engagement increases your customer pull radius, creates an opportunity for positive price differentiation, increases your customers' basket size, and increases the frequency of customer visits. What's more, consumers are eager to engage. In fact, 41% of respondents to the CFI Group survey indicated that, given the choice, they would actually prefer the retailer provide them with a device to use while shopping.

Yet, well under a third of retailers are executing on any type of mobile engagement effectively.

In this paper, we'll further explore the rationale for mobile device and application deployment in brick-and mortar retail.

WHAT'S DRIVING THE CHANGE AT BRICK-AND-MORTAR?

McKinsey and Company reports that six years ago, more than 60 percent of phone use was for talking; today, that figure is less than 20 percent.[2] Today, data-driven activities like Web browsing account for a majority of smartphone use, and much of that use is retail research oriented. Already, about half of all smartphone owners use their devices to conduct retail research, says McKinsey, and the authoritative research firm expects that in the near future, more consumers will seek to use their smartphones and tablets to research and complete transactions as well. Mobile retailing is transforming the buying experience, and retailers are under intense pressure to accommodate the change.

But why? What's behind consumer adoption of mobile devices as shopping aids? We've identified two specific drivers of the mobile mayhem we're currently witnessing in retail, and the dangers they present to merchants that are unwilling or unable to act on them:

- Better access to information. With instant, any time, virtually anywhere access to product and pricing data, the typical consumer is better equipped for self-assistance and quick to discount the notion that the store associate can provide her any value. This is problematic on several fronts. First, it creates a prime opportunity for the consumer to "showroom,"

[1]CFI Group, *Retail Satisfaction Index,* 2013
http://cfigroup.com/resources/industry-studies/retail2/retail-satisfaction-barometer-2014/
[2]McKinsey & Company, *Developing a fine-grained look at how digital consumers behave,* 2013
http://www.mckinsey.com/insights/telecommunications/developing_a_fine-grained_look_at_how_digital_consumers_behave
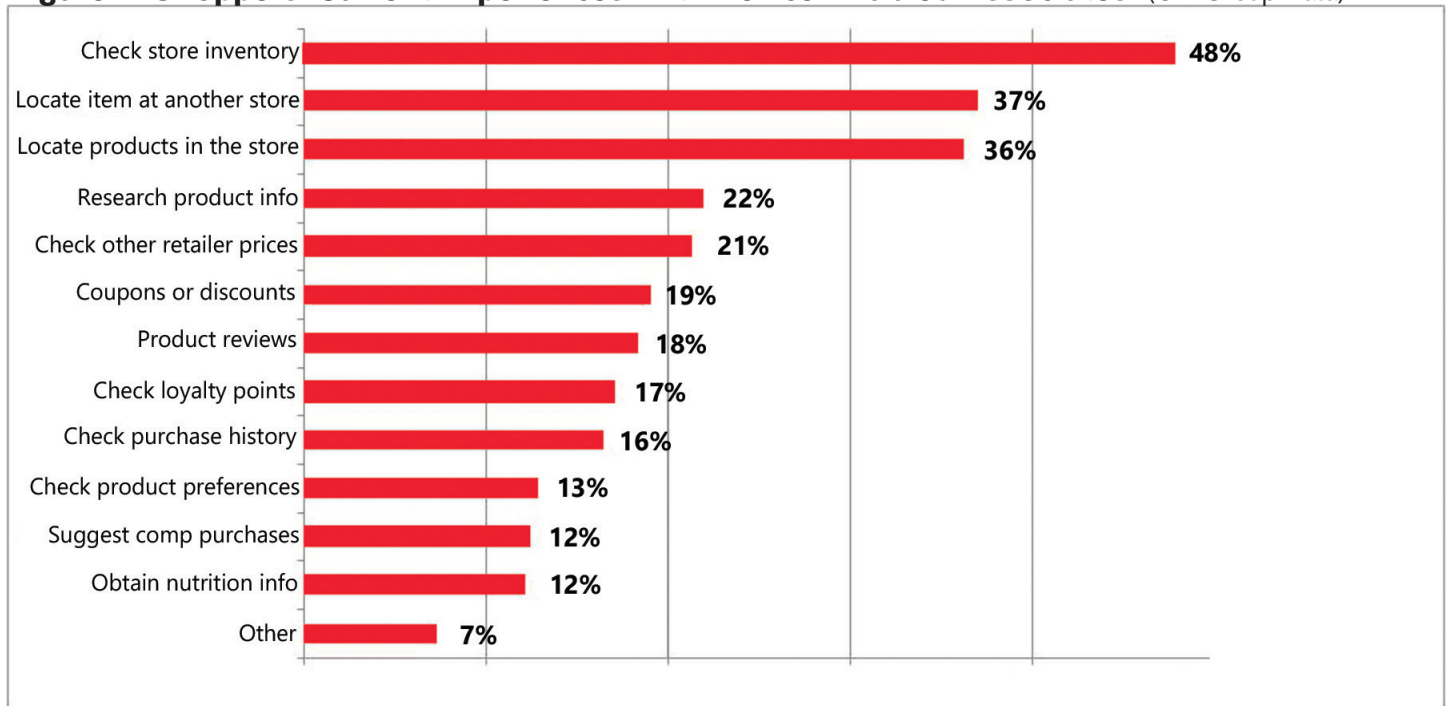
or research products and compare prices among competing retailers as they shop in a specific store. Left unchecked, this visibility into competitive pricing creates intense price competition, a sure race to the bottom in formats outside of dollar and discount. Second, the more consumers become convinced that with the aid of their mobile devices, they are their own value-added shopping assistants, the more withdrawn the store-level associate will become. Which leads us to the second driver of consumer dependence on mobile shopping aids...

• Disengaged associates. The lack of customer/associate engagement in traditional retail settings is a vicious cycle. An already disengaged associate base (71 percent of employees were "not engaged" or "actively disengaged" at the end of 2011, according to Gallup[3]) is further disengaged by a digitally-engaged consumer base. Despite the retailer's best efforts to gain lost ground through mobile consumer engage-

ment, such as shopping assistance apps and mobile Web sites, the 2012 PwC report *Customer Engagement: Reaping The Rewards of Digital Outreach*[4], indicates that improvements in employee engagement—not digital engagement—lead to 34 percent of performance improvement. Further, according to the Gallup *State of the Global Workplace Report*[3], aggregates across several industries show that companies operating in the top-quartile in terms of employee engagement post a median profitability 22 percent higher than those operating in the bottom quartile.

Clearly, a lack of associate engagement and the proliferation of consumer-held mobile devices are inflicting major change—and in some cases, damage—on retailers. The problem is only exacerbated by the degradation of store associate headcount as a percentage of revenue; as retailers seek to run leaner, the natural result is further decline in customer engagement.

Figure 1: Shoppers' Current Experiences With Device-Enabled Associates (CFI Group Data)

Check store inventory	48%
Locate item at another store	37%
Locate products in the store	36%
Research product info	22%
Check other retailer prices	21%
Coupons or discounts	19%
Product reviews	18%
Check loyalty points	17%
Check purchase history	16%
Check product preferences	13%
Suggest comp purchases	12%
Obtain nutrition info	12%
Other	7%

[3]Gallup, *State Of The Global Workplace*, 2013
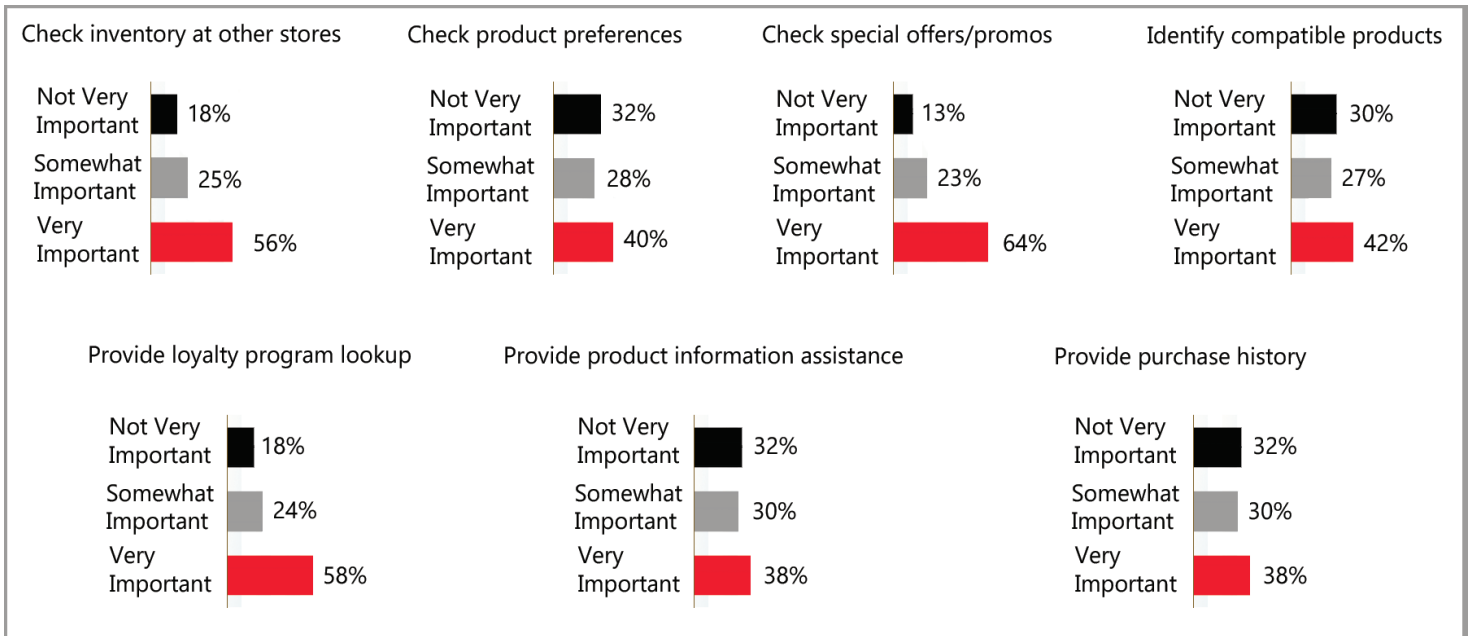http://www.gallup.com/strategicconsulting/164735/state-global-workplace.aspx
[4]PwC, *Customer Engagement: Reaping The Rewards of Digital Outreach*, 2013
http://www.pwc.com/en_US/us/private-company-services/publications/assets/pwc-gyb-customer-engagement.pdf

Figure 2: Shoppers' Desired Experiences With Device-Enabled Associates (CFI Group Data)

Check inventory at other stores
- Not Very Important: 18%
- Somewhat Important: 25%
- Very Important: 56%

Check product preferences
- Not Very Important: 32%
- Somewhat Important: 28%
- Very Important: 40%

Check special offers/promos
- Not Very Important: 13%
- Somewhat Important: 23%
- Very Important: 64%

Identify compatible products
- Not Very Important: 30%
- Somewhat Important: 27%
- Very Important: 42%

Provide loyalty program lookup
- Not Very Important: 18%
- Somewhat Important: 24%
- Very Important: 58%

Provide product information assistance
- Not Very Important: 32%
- Somewhat Important: 30%
- Very Important: 38%

Provide purchase history
- Not Very Important: 32%
- Somewhat Important: 30%
- Very Important: 38%

Having ascertained the one-two-punch of the disengaged associate in an increasingly mobile environment, what can retailers do to alleviate it?

OPPORTUNITIES FOR IMPROVEMENT
It's quickly become cliché, but the first step to reengaging digitally-inclined consumers is to listen to them. Consumer demand tells us that the relevance of the store—and its associates—in the digital age requires customers, devices, and associates to find common ground. Let's take a closer look at the current state of mobile assistance provided to customers by store associates in contrast with the consumers' desired assistance.

Comparing Figure 1 (page two) and Figure 3 (above), we see a clear disconnect. Consumers want personalized assistance and access to loyalty program and promotions information. They want clienteling, which is highly dependent on mobile devices, data access, *and* retail associate engagement. Yet CFI data reveals that most retailers have done little more with their mobile deployments than enable inventory visibility. For the most part, other mobile applications that consumers seek leave shoppers, quite literally, to their own devices.

Of course, enabling the associate support that consumers seek requires technology. It requires retailers to empower their disengaged associates with mobile devices and data access that's at least on par with the features and functionality of those in use by the consumer.

HOW PROGRESSIVE RETAILERS ARE LEVERAGING MOBILE FOR COMPETITIVE DIFFERENTIATION
While enabling associates with mobile devices and applications that meet the implicit demands of consumers is the cornerstone of creating competitive differentiation, the device itself is just one aspect of the store-level change brought about by mobile. Several leading retailers are dramatically redesigning their stores to support the new operational functionality of their mobile rollouts. Checkout lanes that once lined the front of the store have given way to tablet-wielding associates and small self-service kiosks placed strategically throughout the sales floor. The change subsequently gives way to more high-value merchandise, a more inviting store atmosphere, and along with comprehensive associate training, gently nudges employees into engagement with consumers.

HOW MOBILE ENGAGEMENT IS REINVENTING BRICK AND MORTAR RETAIL

Retail associates are increasingly using tablets to customize consumer interaction and digitize the interactive nature of product selection. Some are even turning the flow of the retail experience on its ear—from the back of the store to the front—with the mobile device and the associate operating it serving as the nucleus of the consumer experience.

Clienteling and assisted selling applications lend especially well to mobile, particularly in complex selling scenarios and service-oriented retail where merchandise can be customized, such as mobile phones, custom footwear and accessories, and eyeglasses. Where there is a screen and a scanner, progressive retailers are realizing that in the hands of a well-trained associate, traditionally passive technology tools can be transformed into active selling tools.

Still, while customer-assisted selling, or clienteling, falls more directly in line with aforementioned consumer demands of in-store mobility, even simple line busting POS applications have proven their merit, helping retailers recapture revenue that would have otherwise left the store due to long lines.

Device choice is predicated on application intent. Image-based clienteling and product customization likely requires a tablet-sized screen.

HOW MOBILE DEVICE DEPLOYMENT CHANGES THE ASSOCIATE DYNAMIC

In virtually any flavor of retail mobile device deployment, the associate is pivotal to the equation. With an average part-time retail associate turnover rate of 67 percent[5], product training without the benefit of mobile digital intelligence is a foolhardy and expensive endeavor. In addition to dramatically reducing the product information learning curve and expanding the associate's "knowledge" base, it's proven that mobile enablement results in more satisfied and well-disposed associates. One need look no further than the difficulty retailers are having implementing BYOD (bring your own device) policies among their associates: the BYOD phenomenon is rooted in an "if you can't beat them, join them" mentality. Retailers, recognizing that many of their associates—especially millennial employees—are predisposed to use their own mobile devices

"With an average part-time retail associate turnover rate of 67 percent, product training without the benefit of mobile digital intelligence is a foolhardy and expensive endeavor."

[5]Hay Group Survey, 2012
http://www.haygroup.com/ww/press/details.aspx?id=33790

to assist customers, began implementing BYOD policies to manage associate device usage and application access while on the clock. This reality, combined with the consumer desire for retailer-provided mobile shopping aids, underscores the clamor for mobile device deployment in the retail industry. For reference, IHL group predicted in early 2014 that mobile POS shipments would grow 95 percent by year's end, marking 108 percent growth in North America.

CONCLUSION

In-store mobile engagement does more than keep the store relevant. It builds the store's contribution to sales. Based on the aforementioned consumer feedback from CFI on shoppers' propensity to favor mobile-enabled retailers (and to show that favor by traveling farther, spending more per item, buying more items, and visiting more often) consider the following equation in your terms:

- Increase customer count due to larger pull radius of 5 miles =
- Average retail price increase of 2% =
- Average item count increase of 5% =
- Average visits per year increase of 10% =

Using these loose formulas, the advantages of mobile device deployment, and more importantly, mobile device execution, are clear. The most relevant and differentiated brick-and-mortar retailers will be those who leverage their associated and their mobile devices to create uncommonly pleasant customer experiences.

ABOUT HONEYWELL

Honeywell Scanning & Mobility is a leading manufacturer of high-performance image-and laser-based data collection hardware, including rugged mobile computers and bar code scanners. Our product portfolio is one of the broadest in the AIDC industry, providing you with solutions for vertical markets such as retail; healthcare; and transportation and logistics. We complement our innovative products with advanced software, service and professional solutions that enable customers to effectively manage data and assets. Honeywell products are sold worldwide through a network of distributor and reseller partners.

1 800 782 4263
www.honeywellaidc.com

ABOUT ISR

Integrated Solutions For Retailers is the premier source for technology solutions in the retail industry. Our goal is to help retail executives make informed decisions about technology and operations solutions for every sales channel. The magazine and website provide insight on how retailers can achieve critical business objectives by integrating leading-edge solutions across the entire retail enterprise.

1 814 897 9000
www.retailsolutionsonline.com

---

[6]IHL Group, 2014
http://www.ihlservices.com/ihl/press_detail.cfm?PressReleaseID=78

Brought to you by:

Integrated Solutions For RETAILERS

Sponsored by:

Honeywell