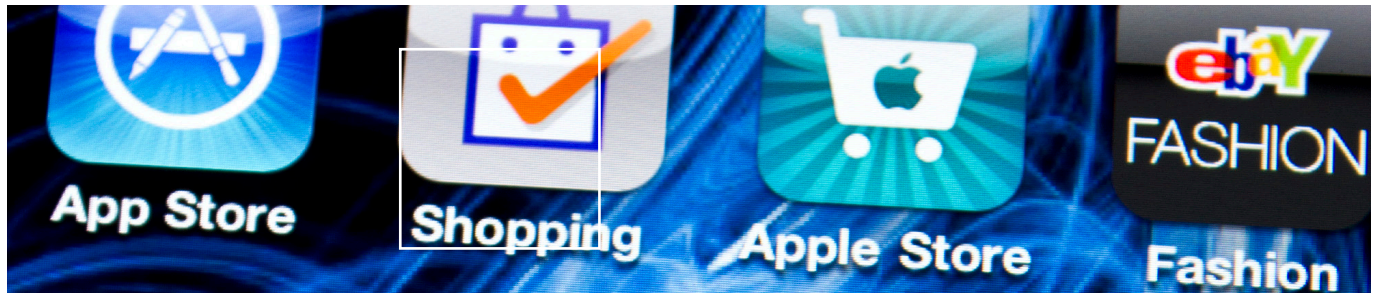# Let the Shop Come to You

mCommerce – Becomes a Business

Game-changing smartphone applications in the Consumer Goods and Retail industry are impacting the way consumers shop, communicate, access information, and plan their time. For retailers, at the end of the day, it's about how and where the consumer decides to spend his money. Smartphones will become the most important digital device for the shopper in the Consumer Goods/Retail transaction process – and more so as a sales channel (mobile order) than a payment channel (mobile payment). Today, there is a convergence of industries where successful retailers need to understand the dynamics and opportunities from the TIME industry, including technological feasibility. On the other hand, leading-edge technological mCommerce solutions can enable telecom operators to differentiate themselves vis-à-vis the consumer. They can also increase customer loyalty with their large corporate accounts by becoming enablers for new business models.

Your mobile phone – never leave home without it

Mobile phones are the remote control of our life and will become the primary device to access the web in the future[1]. We increasingly rely on them to manage our life, as convenience becomes paramount. Convenience is anything that is intended to save resources, such as time and energy, or frustration[2]. And what device is more convenient in that respect than the mobile phone and smartphone?

Today, 80 percent of stationary internet users also access the internet via smartphones on a daily basis[3]. In 2011, around 472 million smartphones will be sold globally, and that number is expected to increase to a staggering 982 million by 2015[4]. Today, of the 4 billion mobile phones in use worldwide, about 27 percent are already smartphones[5].

In the Consumer Goods/Retail sphere, there are already a variety of mobile applications focused on convenience:

- **Extended packaging:** Consumer access additional product information through their mobile phone

- **Mobile coupons and loyalty cards:** Mobile phones are used both to capture and redeem coupons and discounts, as well as replace or extend loyalty cards

- **M-payment solutions, including mobile self-scanning and check-out:** Consumers in supermarkets use their mobile phone, rather than a device supplied by the supermarket, to scan and check out products as they do their shopping

- **Mobile navigation:** Consumers can not only find a store in the vicinity, but also navigate inside a store to find the right product on their mobile shopping list

- **Mobile commerce:** A complete transformation of consumers' shopping behavior, enabling online transactions via the smartphone to replace a visit in a physical store

The more value-added the service or application on the mobile – the more convenient it is for the end-user, the higher the intensity of usage (see Figure 1 overleaf[6]). This results in a blue print for a retailer's mobile strategy.

Retailers have been somewhat hesitant to accept and adapt the mobile as a business channel. Perhaps they still recall the

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1 Estimated by 2014, BITKOM
2 http://en.wikipedia.org/wiki/Convenience
3 Ipsos Mobile Consumer Evolution 2011
4 BITKOM, IDC
5 IDC

6 (Source: GS1 and presentation 12th ECR day, Berlin, September, 2011)

Figure 1. Blueprint for a mobile strategy

first on-line grocery business, Webvan, which was named by CNET[7] in June 2008 the largest dot-com flop in history[8]. Why didn't food retailing via the internet take off as expected? From the consumer perspective, it did not provide the necessary convenience because they needed to be online in order to use it, it was impractical to carry a computer around to check the fridge or pantry, and it was not easily done during downtime, while waiting for a train or in an airport (note: we are intentionally leaving out handling/delivery cost in this equation).
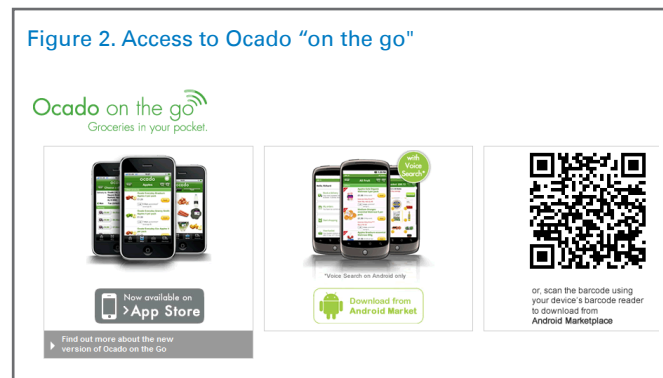
Game changers in modern food retailing

Some retailers have realized that the smartphone is a superior device to offer consumers convenience when grocery shopping. For example, Amazon has entered the online grocery business[9], and recently started to take advantage of the mobile channel by choosing to debut its new AmazonFresh grocery-shopping app on the Windows Phone 7 platform[10]. In Switzerland, Le Shop, daughter of retail giant Migros and leader in online grocery sales[11], is hoping to significantly increase its sales by offering their full catalogue as an app that works offline on iPhones and Android smartphones. Carrefour recently announced its launch of "mes courses" (my grocery shopping) app and is also entering the mobile commerce area[12].

Other more entrepreneurial companies are already tapping into consumers' desire to have shopping at their fingertips, by entering a new era of online retailing – the virtual store concept. The UK-based grocer, Ocado[13], was founded in 2002

and originally started as an online grocery channel[14]. In 2009, it became the first UK grocery retailer to release iPhone and iPod touch apps. Orders made using iPad and Android mobile devices with mobile checkout now account for 15 percent of total orders. There are several reasons for Ocado's success:

- Price matching of leading competitors (namely Tesco) on over 7,200 SKUs, selling over 21,000 SKUs
- 27 delivery slots daily in 1 hour windows; 95 percent of orders on time and 99 percent complete
- Complete offline catalogue available via app (see Figure 2[15])

Figure 2. Access to Ocado "on the go"

Today, Ocado continues its leadership in modern grocery retailing innovation, and is at the forefront of mobile commerce with the launch of a groundbreaking store concept at the One New Change shopping centre in central London in August 2011 (see Figure 3[16] overleaf).

7   Webvan was an online "credit and delivery" grocery business that went bankrupt in 2001. It was headquartered in Foster City, California, USA, near Silicon Valley. It delivered products to customers' homes within a 30-minute window of their choosing. At its peak, it offered service in ten U.S. markets.
8   http://crave.cnet.co.uk/gadgets/the-greatest-defunct-web-sites-and-dotcom-disasters-49296926/6/
9   http://www.thelocal.de/money/20100701-28225.html
10 http://www.mobileburn.com/news.jsp?Id=15551
11 http://www.leshop.ch
12 http://www.convertigo.com/en/about-us/press-a-news/250-carrefour-innovative-mobile-commerce-application-press.html
13 (http://www.ocado.com/theocadoway/award-winning%20service/iphone.html)

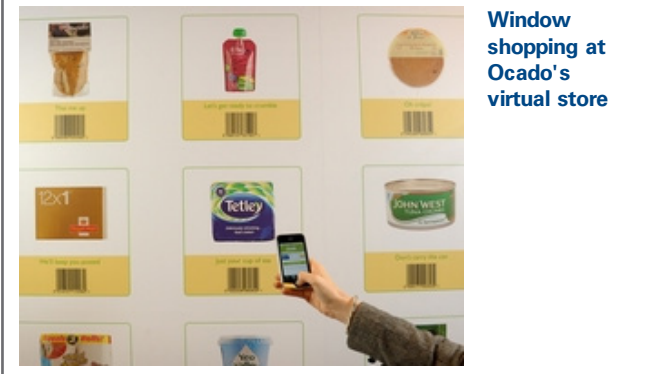14 http://www.ocadogroup.com/about-us/strategic-overview.asp
    Ocado is a unique and completely independent online grocer wholly focused on the home delivery of high-quality food, drink and household goods. At the end of 2010, Ocado had gross sales growth of 29% to £551.1 million even given the weak UK economy. Today, Ocando has an average of 15,000 orders delivered every day serving around 66% of British households, and as over 1.5 million registered users.
15 http://ocando.com
16 http://www.retailgazette.co.uk/articles/10214-first-virtual-store-from-ocado-opens-in-london

Figure 3. Ocado virtual shop at London's One New Change shopping centre

Window shopping at Ocado's virtual store

Figure 4. Home Plus subway virtual store

Using an innovative, integrated window display, the 'virtual pop-up shop' allows a customer to browse through products in-store, scan their barcode and then have them delivered to their door. All customers need to shop at the virtual store is an iPhone or Android device that supports barcode scanning and the Ocado On-The-Go app, which is available for free from the App Store or Android Market.

Interestingly, Ocado's competitor in the UK, Tesco, has experimented with a similar concept abroad by launching Homeplus in Korea – an award winning concept at this year's Cannes Lions Award Ceremony[17]. The Homeplus discount chain is a joint venture between Tesco, with a 94 percent share, and Samsung. The concept behind Homeplus is to make grocery shopping more convenient for busy, time-stressed urban residents in what has become one of the most work-focused countries in the world[18] (see Figure 4[19]).

In Germany, Europe's largest grocery retailing market, companies are trying to meet the public's demand for transparency with new apps that couple smartphones' barcode reading abilities with more information about products on the market. Consumers can find stores, create virtual shopping lists and even have a virtual diet coach control calorie intake. Currently, however, there is no company offering a shopping experience via apps connected directly to the retailer or via virtual stores.

Lessons learned from modern food retailing

There are several lessons to be learned from the success stories in food retailing. First, it works! Companies like LeShop and Ocado have proven that mobile commerce solutions can work in consumer goods retailing and that sustainable business models

can be created.

Second, business models need to be continuously adapted to new technological solutions. For companies like Tesco and Ocado, the future is already beyond the smartphone-based app to a new virtual shopping experience.

Third, in order for the mobile solution to work, market players need to develop a mobile strategy (Figure 1), integrating some principles that all our successful examples share:

- The solution has to work in harmony and in-sync with a range of tools and devices (internet, tablet, smartphone)
- The app should be able to work offline, with the catalogue available on the mobile device, acknowledging how consumers do their mobile selection and purchase
- Enable same-day delivery and customer-friendly delivery windows. In many countries, grocery shopping is still done at least 2-3 times per week, sometimes even daily. Mobile solutions need to function as close to the real world as possible

Conclusion – quo vadis?

In the 1990s, the focus of consumer retailers was on developing an online presence for the sharing of information between consumers and the retailer. The early years of 21st century were about copying and pasting the brick & mortar store into the online world, which was not an easy task (see example of the leading European media and entertainment retailer, Media Markt)[20]. Today, the smartphone is a game changer for modern consumer goods retailing. The smartphone has therefore driven a convergence between the fast-moving consumer goods and telecommunications industries – and both can profit from it!

17 http://www.youtube.com/watch?v=nJVoYsBym88&feature=player_embedded
18 http://freshneasybuzz.blogspot.com/2011/06/tescos-homebase-chain-in-south-korea.html
19 http://www.ibelieveinadv.com/wp-content/uploads/2011/06/tesco-subway-virtual-store.jpg
20 http://www.stern.de/digital/online/media-markt-und-saturn-online-ist-ploetzlich-geil-1710313.html

For the retailer, the focus should be on what new technologies enable them to offer their time-starved consumers; retailers need to be at the forefront and create store loyalty. The traditional concept of store loyalty and the internet performance indicator of stickiness holds true for the mobile world, as well. If a consumer is satisfied with one mobile retailing solution, he will think twice before using alternatives. How difficult and expensive would it be for Coop in Switzerland to challenge Le Shops' dominant position? Or for Tesco to challenge Ocado in the UK? Where are the leading German retailers?

There are a number of issues and critical questions a retailer has to address when initiating a move into mobile commerce:

- **Develop your business model and test it:** Which customer segments will be targeted? How to handle small drop sizes, returns and perishable goods through your supply chain? What will be the assortment and pricing strategy vis-à-vis the brick & mortar business (mark-ups, handling cost, minimum orders, etc.)? How to handle payments (in advance, via EC-/Credit cards, cash upon delivery, etc.)?

- **Create a comprehensive learning experience (for the retailer and its customers):** What is the best city for a trial? How to combine the mobile commerce strategy with intelligent use of social media to create customer trust, loyalty and an army of ambassadors? How to complete your mobile commerce strategy with virtual stores (static via classical signage à la Ströer or JC Lacroix or using active digital signage with flexible content solutions)?

- **Partner with telecom operators:** They are at the forefront of technology and interested in being associated with such a revolutionary concept, such as of modern retailing

For the telecom operator, mCommerce enables a new concept of business relations with both end-users and corporate accounts. Being at the forefront of technological solutions can improve the competitive position of a telecom operator – even if there is limited reach – and give the end-user additional reasons to buy rather than engaging in price wars (see Google and their wallet m-payment solution)[21].

Your mobile channel is a business – please treat it like one!

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21 Google is initially launching Wallet exclusively on the Sprint Nexus S, leaving AT&T/T-Mobile/etc. Nexus S owners waiting for their little taste of the future; http://techcrunch.com/2011/09/19/google-wallet-sprint