



Migrating to the Mobile Store

Handheld Applications Emerge as Integral Component of New Store Designs and Customer-Centric Strategies

The checkout counter has traditionally been the focal point for retail store design. In an effort to make finalizing purchases as seamless as possible, the mindset had always been to make the POS lanes highly visible and place them front and center in the store. That thinking has been challenged in recent years as leading edge retailers have shifted attention first and foremost onto their products.

A New Advantage, from a New Approach

Jesse James Garrett, author of *The Elements of User Experience* and a founding partner of consulting firm in Adaptive Path, noted this shift in a recent manifesto on his blog titled *Six Design Lessons From The Apple Store*, "One thing is completely obscured from view as you enter the store: the cash registers. It feels more like walking into a hands-on museum than walking into a retail store. Sure, Apple wants to sell products, but their first priority is to make you want the products. And that desire has to begin with your experience of the products in the store."

This product- and customer-centric approach is being driven to a higher level by the advancement of mobile store technology. Deploying key POS functions in handhelds delivered directly to customers both personalizes service and speeds transactions, while reducing the need for a prominent central checkout. This is especially true with full service devices that incorporate wireless credit-card readers that enable customers to complete their transactions without waiting on a separate line or being handed off to a second representative.

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Industry research shows the majority of retailers are planning to keep pace with this trend by deploying mobile store technologies within their walls. According to AMR Research’s April 2008 report *“Advanced Selling Technologies: On Your Mark, Get Set, Go,”* mobile store technologies will proliferate to include 72% of all retail locations by 2010, with the average number of devices per store jumping from four to 16.

Mobile store technologies offer numerous competitive advantages, including dramatic improvements productivity and customer satisfaction. As noted in the *“Mobile NFC Payments: The Next Wave for Customer Centricity”* report from Aberdeen Research, best-in-class retailers that embraced mobile technology increased transactions by 20%, and had a customer satisfaction rating of 82, well above the industry average.

Mobile technologies are also well aligned with evolving consumer behavior and expectations. There are more than four times as many mobile phones sold as PCs. More than 80% of the U.S. population now owns a mobile device and they are increasingly adding the mobile web into their cross-channel shopping patterns.

For these reasons, mobile store technology is becoming a competitive necessity. *“The urgent case for mobile store technology has been the operational efficiencies it brings,”* says Kevin Kerr, principal technologist for mobility for Microsoft. *“Couple that with its quick ROI, and short training cycle, and you have a more urgent case. Quite simply, mobile technology has the ability to change store environments.”*

While mobility is more accessible and arguably more impactful than ever before for retailers, it cannot be implemented with haste or lack of long-term planning. The mobile store will seamlessly connect employees, operations and customers, but retailers need to carefully consider how mobile store technologies will integrate with their existing POS hardware and software as well as their CRM system.

In order to highlight the opportunities mobile store technologies present and also help retailers prepare for the migration to the mobile store, this white paper will:

- Examine current deployments of mobile technology at retail;
- Layout five of the fast payoffs from mobile store adoptions;
- Present perspectives from leading industry analysts;
- Provide a checklist of the key considerations retailers need to weigh before migrating to mobile store.

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Making the Case for Mobility

Mobile store technology has evolved substantially over the past two decades. Dan Hopping, President and CEO of Next Retail Group, a leading consultancy that has been involved in more than 24 “store of the future” projects, says the key differentiator between today’s implementations and those in the late 90’s is that mobility is now approached holistically rather than as a band aid for specific problems.

For example, Hopping points out most early mobile experiments were focused exclusively on line-busting or supply chain and inventory management applications. This disparate approach limited success rates and often created more headaches for IT departments as well as the store operations teams asked to deploy the mobile solutions.

In contrast, today’s successful mobile store strategies have advanced beyond adding a separate handheld application and now typically make mobile devices an integral component of the store strategy. New mobile applications have the ability to connect employees, databases and POS functionality on one device, to handle a wide range of applications. Recent data from AMR Research’s November 2008 presentation on “How Retailers Are Using Their Budgets to Drive IT Innovation,” shows price checks (52%) product detail look-ups (42%) and inventory replenishment (36%) top the list of planned applications.

Scott Moreland, Principal, Retail Industry Solutions for Motorola Enterprise Mobility Business, says the expansion of applications now available on mobile devices is quickly redefining the definition the mobile store. “Where mobile solutions were once only deployed for inventory and price management, many new solutions are being developed to support additional retail functions — from store management, to assisted sales, to converged data and voice communications, to customer service in general.”

This broadening of mobile store applications and their perceived role has been enabled by developments in the underlying technologies. Duncan Taylor, Director of Product Management, Store Systems for Epicor, says the development and integration of the Microsoft.NET platform into mobile applications has been a driver into retailers viewing mobile as part of its overall store systems strategy. Just as .NET optimizes standard POS appliances and other in-store applications, it also enables retailers to run many of those same software applications on their mobile devices. “We are now seeing a lot more customers looking at mobile applications as an integral part of their POS go-forward strategy,” Taylor says. “Retailers are taking an aggressive look at the standard register deployment numbers, and looking to augment or even replace standard registers with mobile devices in increasing numbers.”

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Scott Moreland, Motorola

In doing so, retailers are looking to leverage the benefits of mobility available to both themselves and their customers. According to Dan Hopping, “Mobile technology drives customer satisfaction up and overall operations costs down. I don’t know of any retailer planning for the future that is not including mobile technology.”

The Move to Mobility: A Competitive Edge

Although the economic downturn in the second half of 2008 caused retailers to reevaluate some IT spending, there are solid indicators that mobile applications will stay on the “must have” budget list.

Two AMR reports released in 2008 predicted a huge increase in mobile devices. The first is the aforementioned IT Innovation report. Store hardware, POS and peripherals are still expected to account for \$3.8 million per retailer, according to that report. The second came from AMR’s “The State of Cross-Channel Operations: 2008” presentation.

“Retailers are investing in mobile technology for two main reasons,” says Chris Fletcher, Research Director for Customer-Facing Technologies at AMR Research. “They want to use handhelds for mobile POS purposes and, second, they want sales associates to be able to search inventory immediately. They are investing in it right now. It will be a very important development in cross-channel retailing.”

Mobile also syncs well with current retailer needs to connect workforces, improve employee productivity, and choosing IT projects that have a fast ROI. The AMR *IT Innovation* report puts mobile technology in the top three retail IT investment priorities, along with analytics and in-store Web stations for the next two years.

Motorola’s Moreland believes customer service initiatives will play a large factor in the migration to the mobile store. “Looking beyond the assertions we see in the AMR study, we hear the voices of retailers that are targeting a variety of customer service innovations to provide a means of differentiation among their competitors,” he says. “Mobile technologies enable new levels of service to be delivered at the point of decision in a retail environment. Mobile solutions like Assisted and Guided Selling, Merchandise Locator, and Mobile Web Portals for product information provide tools for sales associates to more efficiently answer questions, address concerns, and make incremental sales while enhancing the customer experience unlike any other technology.”

Next Retail’s Hopping says, “I look at it this way: When it comes to the sales associate, a smile is worth 10 profit points. Knowing the customer’s name is worth 10 more. But mobile allows them to know a lot more about the customer than they do right now. How many points is that worth?”

Five Mobile Proof Points

Mobility is clearly touching a wide area of the retail business, but analysts suggest retailers focus on core areas as they look to demonstrate fast payback from a mobile implementation. Retail Touchpoints has identified the following five common paybacks of adopting mobile store technology:

- **Line busting:** Mobile devices are now designed to allow associates to complete or partially complete transactions on the sales floor, which are recorded in the customer database and connected to loyalty programs. In addition to making associates more productive, line busting applications also reduce checkout time around busy periods, which has proven to be a big driver of increased customer satisfaction.

- **Customer inquiries:** Not only can mobile applications increase customer satisfaction through checkout speed, they also enable the sales associate to stay with the customer. This is particularly important in specialty retailing, where associates are frequently required to check inventory availability. Instead of saying “I’ll be right back” to the customer who is shopping for a pair of shoes, the sales associate can simply use the mobile device to check size, color, and other style options.

“When a sales associate has to look at a clearance rack and tell a customer whether or not that blouse is available in a size 8, you can spend a lot of time searching for that answer,” says Aberdeen Research retail analyst Ben Ream. “Mobile technology can save hours a day for a sales associate. It can deliver so many different valuable services.”

- **Cross-selling:** Inventory information and product look-up applications enable sales associates to quickly recommend complementary products, along with their pricing and availability. The customer that came in to return a pair of shoes can easily see accessories or even new items. In this way, a simple, single sale can become more valuable with mobile access.

- **Mobile CRM:** Some mobile applications can access a complete customer profile with purchase history via the new generation of devices. This not only enables the associates to capture data but also to advise on loyalty program rewards redemption and relevant promotions.

- **Workforce optimization:** Mobility enables managers to communicate immediately with sales associates via text messages, to assign tasks remotely or reassign personnel to another part of the store. Applications also allow managers to view the day’s priorities and key communications via mobile Web access. Further, updated information about inventory and pricing can be sent to the most relevant associates at the most relevant time.

Using a consistent application across the store simplifies other operational issues such as future application development and maintenance, and provides a shorter learning curve for sales associates.

“Consider all the things you’re currently doing at the cash or POS station that are wasting time, and could be done more efficiently directly with customers as they are making purchase decisions, rather than at checkout time,” says Epicor’s Taylor. “For example, having to move over to the countertop POS for capturing customer information or order management keeps people waiting. For this reason, mobile is more effective because it allows the sales associate to get that information if necessary, and be engaging. It’s also easier to collect and maintain data if the customer isn’t being inconvenienced.”

Key Considerations

As with any new technology or system upgrade, compatibility and ease of integration are critical considerations for mobile deployments. Ideally, a mobile application should be able to run the same comprehensive POS software used throughout the store. Running disparate applications puts retailers at risk for service disruptions and slow downs of key business processes. Using a consistent application across the store also simplifies other operational issues such as future application development and maintenance, and provides a shorter learning curve for sales associates – all of which ultimately reduces the total cost of ownership for a mobile implementation.

From a technology standpoint, industry experts suggest all mobile applications should be:

- **Easy to integrate with enterprise applications:** The mobile system should not be seen as a foreign device and an incompatible separate system by store employees, or by the incumbent POS system. It should integrate smoothly with CRM databases and current network standards.

“I’ve learned that technology for technology’s sake is not necessarily a good thing for retailers,” says Aberdeen’s Ben Ream. “But mobile technology is not one of those questionable technologies. It has immediate value and immediate benefit for all associates, but it must be integrated properly.”

- **Resilient:** The system should be retail-hardened and ready to stand the rigors of the sales floor. If a mobile system is too fragile for the retail climate, it will likely result in downtime and be counter-productive for associates and store managers.

- **Highly configurable:** If the mobile system is easy to configure, employees typically have a shorter learning curve. This is also key in factoring the frequent changes required to POS systems and in preparing for future system upgrades.

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“The key to implementing a mobile system is really to leverage the platform that has the most consistency,” says Microsoft’s Kerr. “I don’t think we’re in the business of designing one-off platforms, and we have a good track record in mobile. Mobile devices can be upgraded.”

- **Component-based:** The mobile system should not be a burden to the IT and operations departments. A component-based system typically uses more logical approaches and avoids requiring software developers to write new code for every new application.

- **Easy to upgrade:** Retailers should not invest in a mobile system with built-in obsolescence. Logical client upgrades may be necessary as new applications are developed.

“Predicting upgrades is key because retailers need to understand how you are going to spend the budget you have, especially if that budget has been cut, as many retailers have seen,” says Lee Holman, Principal Analyst with IHL Consulting Group. “Define what the mobile store concept means to you, and buy accordingly. Retailers will need to consider mobile payment systems, mobile commerce, and mobile in-store devices. It’s very important to nail down the difference between mobile POS and the mobile store. Both are important, but the mobile store will have a bigger impact.

- **Secure the data:** The wireless network that powers mobile devices must be PCI compliant to enable the secure extension of data throughout the retail operation. This is especially critical for mobile POS applications as retailers need to protect sensitive transaction and customer data. Following the recent rash of wireless security breaches which have occurred with major retail brands, security at all access points needs to be a priority before mobile applications are rolled to the store.

- **Properly planned, developed and supported:** “In making investments for mobile technologies we would strongly encourage retailers to consider both the wireless infrastructure and the mobile devices when enabling a strategic solution,” says Motorola’s Moreland. “Ease of deployment, long term cost of ownership, manageability, security (including PCI Compliance), and capabilities should all be considered. Technology providers that understand the retail business and support a solution portfolio that is broad enough to enable each role within the store with the right device for the job should also have strong ecosystems of business partners and software providers that can provide solutions to enable the success of any initiative.”

Conclusion

The momentum behind the mobile store is too powerful for any retailer to ignore. The combined forces of technology, competition, and consumer lifestyle are forcing retailers to keep pace and compelling them to include mobility as part of their overall store systems strategy. Research has shown mobility can be a “killer app” based on its ability to allow sales associates to act from enhanced customer and product knowledge.

However, for all the advantages mobile applications provide to sales associates and back office managers, retailers are at risk if they rush in and implement point solutions that don't integrate with other key enterprise applications. A line-busting application that actually slows down the transaction because it can't communicate with the existing POS system could easily outweigh any positive impact mobility can deliver. Integration, implementation, simplicity and vendor reputation are also critical considerations.

Analysts stress the mobile store is becoming an important competitive priority. Security issues will need to be addressed, but they will be — pushed by customers' ongoing demand for efficient service and choice.

AMR's Fletcher agrees: “I think the day will come in the not-too-distant future when a customer won't even have to walk very far into the store before a sales associate knows who they are, and what their preferences are. Mobility will enable a much higher level of cross-channel service.”



About Epicor

Epicor Software Corporation provides software and services for the real-time global specialty and general merchandise retailers who seek to streamline processes, maximize profitability, deliver best-in-class customer service, and conduct “business without barriers” in today’s challenging retail environment. Leveraging the combined strengths of Epicor | CRS and NSB, Epicor offers:

- A powerful end-to-end solutions suite
- 400 leading retailers
- The #1 POS in North America*
- Global presence
- 35 years of proven success
- Solutions for all tiers

Our solutions leverage advanced Microsoft.NET technology, Service Oriented Architecture (SOA) and Web Services, and are proven in use to improve business operations and meet the evolving merchandise and service expectations of today’s cross-channel shoppers. They are available in fast-track Xpress packages, and through fully hosted Software as a Service to serve local and regional chains as well as multi-channel global brands.

For more information, please visit www.epicor.com/retail or email retailsolutions@epicor.com.

* Market share (evaluated by LakeWest Group and IHL Group), excluding grocery and convenience.

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