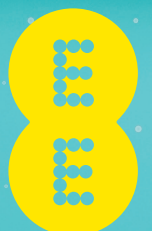


**CONNECTED RETAIL**  
HOW THE CONNECTED  
CONSUMER IS  
REINVENTING RETAIL



## 1. INTRODUCTION

Digitally-savvy connected consumers are driving an unstoppable retail revolution. In what are already challenging economic times, this mobile-driven disruption provides both threats and opportunities for retailers.

The UK retail sector is third largest in the world in terms of sales after the US and Japan, with sales totalling £321 billion in 2013. It contributes five per cent of GDP and is a vital part of the UK economy but retailers are facing unprecedented challenges that threaten their very survival.<sup>1</sup>

These challenges include:

### **Tough economic climate**

Consumer spending has been tightly squeezed by the biggest global economic downturn in almost a century, with several notable brands disappearing from the high street in the last five years. There are, however, definite signs of recovery; UK retail sales were up 3.9 per cent on a like-for-like basis in January 2013 on the year before, the strongest growth since March 2010.<sup>2</sup> Analyst Verdict is also forecasting 16.5 per cent growth in retail expenditure in the UK over the next five years – double that of the previous recession-hit years.<sup>3</sup>

### **The online threat**

Traditional bricks and mortar retailers are increasingly under threat from online-only rivals such as Amazon who are not hindered by the

**“RETAILERS ARE FACING UNPRECEDENTED CHALLENGES THAT THREATEN THEIR VERY SURVIVAL.”**

costs of a physical store footprint and can use their online agility to offer personalised deals and bundles that undercut the high street. We see this particularly in trends such as ‘showrooming’ where shoppers visit a store to touch, feel or try on a product before using their smartphones to search for the cheapest deal online. But this need not be a threat. We will explore later in this whitepaper how some bricks and mortar retailers are turning showrooming into an opportunity.

**“IT’S NOT ABOUT PHYSICAL STORES VERSUS ONLINE, IT’S ABOUT AN INTEGRATED OMNI-CHANNEL STRATEGY.”**

The next-generation retailer must enable customers to interact and engage with their business seamlessly across whatever channel and device they want to. It’s not about physical stores versus online, it’s about an integrated omni-channel strategy.

### **Connected consumer**

One of the biggest challenges facing retailers is the rise of the tech-savvy mobile-enabled, connected consumer. Just over half of UK adults now have a smartphone<sup>4</sup> and tech analyst IDC is forecasting tablets will outstrip both laptop and PC sales by 2015.<sup>5</sup> Increasingly smart and portable computing devices combined with widespread superfast connectivity through WiFi, 4G and broadband are driving a mobile-first generation of consumers.

According to Verdict, online spend in the UK via mobile devices will rise from £7.9bn this year to £23.1bn in 2018.<sup>6</sup> Mobile is one of the biggest factors in empowering this new connected customer and retailers must adapt their strategies to take advantage of this opportunity.

<sup>1</sup>[http://www.brc.org.uk/bis/default.asp?main\\_id=15](http://www.brc.org.uk/bis/default.asp?main_id=15)

<sup>2</sup>[http://www.brc.org.uk/brc\\_news\\_detail.asp?id=25798&kCat=8&kData=1#sthash.32YHedqc.dpuf](http://www.brc.org.uk/brc_news_detail.asp?id=25798&kCat=8&kData=1#sthash.32YHedqc.dpuf)

<sup>3</sup><http://www.verdictretail.com/retail-to-grow-16-5-over-the-next-five-years/>

<sup>4</sup>[http://stakeholders.ofcom.gov.uk/binaries/research/cmr/cmr13/2013\\_UK\\_CMV.pdf](http://stakeholders.ofcom.gov.uk/binaries/research/cmr/cmr13/2013_UK_CMV.pdf)

<sup>5</sup><http://www.idc.com/getdoc.jsp?containerId=prUS24129913>

<sup>6</sup><http://www.verdictretail.com/shopping-on-the-go-mobile-and-tablet-spending-set-to-soar/>

In this whitepaper we will explore these issues in more depth and look at how retailers can tackle these threats and exploit these new opportunities in the following ways:

- **Enhancing the customer experience** to generate loyalty and tackle threats such as showrooming.
- **Engaging with customers** and reacting to their needs through the real-time use of data to deliver a more personalised service.
- Increasing sales by **empowering employees** with mobile technology.

**“INCREASINGLY SMART AND PORTABLE COMPUTING DEVICES COMBINED WITH WIDESPREAD SUPERFAST CONNECTIVITY THROUGH WIFI, 4G AND BROADBAND ARE DRIVING A MOBILE-FIRST GENERATION OF CONSUMERS.”**

## 2. IMPROVING THE CUSTOMER EXPERIENCE

For physical stores to survive in this digital era retailers must provide a much more interactive customer experience. In this scenario the shop becomes much more than simply a place to browse and buy. It is about delivering an experience that is personalised for the customer, gives them added value and generates brand loyalty.

The elephant in the room for many retailers, however, is the trend of showrooming, with 21 per cent of shoppers using smartphones in-store to get the best price, 43 per cent reading reviews and 31 per cent comparing prices.<sup>7</sup> In the US, the electronics retailer Best Buy even removed product bar codes from its labels in stores so that price comparison mobile apps can't be used, while others have blocked cellular mobile signals and WiFi.

While the threat of losing sales through price checking apps is very real, this is a short-sighted strategy and one that is more likely to have the effect of sending customers elsewhere.

Denying customers connectivity in-store will only drive them away in the long-term. Cellular coverage is notoriously unreliable in the Faraday cage-like conditions of large stores and shopping centres, making WiFi the most viable option.

Providing a connected experience, through free in-store WiFi for example, can help increase footfall into a store and 80 per cent of shoppers say the availability of in-store WiFi would influence where they shop.<sup>8</sup>

Several big UK retailers, including Argos, ASDA, Debenhams, John Lewis, Ted Baker and the Westfield shopping centres, either already have or are looking at introducing in-store WiFi to help drive their business and help convert browsing into buying.

John Lewis tackles the issue of showrooming head on and encourages customers to test its price commitment in store with a price matching guarantee in its TV department and provides free WiFi to help them do online price comparison checks.<sup>9</sup> John Lewis reasons it is better to keep a customer with a sale at a slightly lower margin than lose them completely.

This connectivity then drives many other opportunities for improving the customer experience and boosting sales.

Argos is one retailer to react to the changing market. More than 40 per cent of its sales are now via digital channels, with 16 per cent via smartphones or tablets. But the physical store still plays a role in 90 per cent of transactions. As part of a digital first strategy Argos has launched a concept store in London that sees its famous laminated catalogue and stockchecker machine replaced by self-service iPads where customers can browse product videos and reviews. Free in-store WiFi gets its customers online and dynamic digital screens replace traditional posters. The store also integrates with other channels through a 60-second fast track

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<sup>7</sup>TNS, Mobile Life [http://www.tnsglobal.com/sites/default/files/whitepaper/tns-mobile-life-infographic-showrooming\\_0.html#sthash.R4SgH1V6.dpbs](http://www.tnsglobal.com/sites/default/files/whitepaper/tns-mobile-life-infographic-showrooming_0.html#sthash.R4SgH1V6.dpbs)

<sup>8</sup>JiWire Q4 Mobile Insights <http://www.jiwire.com/jiwire-reveals-mobile-audience-trends-about-the-connected-shopper-device-adoption-and-public-wi-fi-usage-in-its-q4-mobile-audience-insights-report/>

<sup>9</sup><http://econsultancy.com/blog/61918-q-a-john-lewis-on-the-ingredients-of-a-successful-multichannel-retail-strategy>

collection service for items ordered and paid for online or via mobile.<sup>10</sup>

### Apps

If the customer can get online easily in-store it is a way to increase uptake of the retailer's consumer app. This enables a two-way communication with the customer and enables the retailer to collect data that can be used, often in real-time, to offer deals and deliver a more targeted personalised experience. Customers in Debenhams, for example, can use its mobile app to scan bar codes to order things for home delivery, read reviews and ask friends what they think about a product from the comfort of the changing room.

### QR codes

According to research, just over a quarter (27 per cent) of smartphone users scan QR codes and 60 per cent of scanning in-store leads to a purchase. Department store John Lewis used a QR code wall in the window of a Waitrose store in Brighton in the run-up to Christmas 2011 offering passers-by codes for each of the 'top 30 favourite things for Christmas'. Products ordered through the QR code wall were available via its click-and-collect service at the store the next day.<sup>11</sup>

UK cycle retailer Evans uses QR codes in a more traditional way in-store with labels on all its bikes that enable customers to scan them to access product details and reviews online.

And it's not only bricks and mortar retailers using QR codes. Online grocer Ocado has followed the example of Tesco in South Korea with pop-up QR code shopping walls in high traffic locations such as the London shopping centre One New Change and another in Bristol.<sup>12</sup>

### Mobile payments

More and more customers want to be able to use their smartphones to pay for goods. Through initiatives such as Zapp, an app that is linked to

customer bank accounts and will allow millions of UK consumers to pay via their smartphones, or technologies like near field communications (NFC), mobile payment is fast reaching a tipping point that will lead to wider mainstream use. Beauty products retailer Sephora, for example, has developed an app for customers that enables them to use their smartphones to buy products and check themselves out.

### Augmented reality and digital signs

Digital labels can display the latest real-time information on products, including things like the number of 'likes' an item has received on Facebook, while virtual reality mirrors can display images of what garments will look like on customers and allow them to share those images with friends over social media.

British fashion retailer Burberry completely redesigned its physical flagship Regent Street store in 2012 around its digital strategy. Among the technology being used by Burberry is RFID chips embedded in clothing that can be read by mirrors in changing rooms to display more information and visuals on the item to the customer.<sup>13</sup>

There are many other emerging technologies retailers are exploring. One example is beacons, which are small Bluetooth devices deployed in-store that can communicate with nearby customer smartphones. Although still in their infancy, beacons give retailers the opportunity to deliver real-time personalised marketing messages and deals to customers while they are in the store and also to collect valuable data that can give deeper insight into consumer behaviour. These are just some of the ways retailers are improving the customer experience but this whole area is constantly evolving.

<sup>10</sup><http://internetretailing.net/2013/11/argos-unveils-store-for-a-digital-future-pictures/>

<sup>11</sup><http://www.rosenberg.co.uk/2011/11/john-lewis-opens-virtual-store/>

<sup>12</sup><http://www.thegrocer.co.uk/companies/ocado-pioneers-shopping-wall-technology-in-london-shopping-centre/220541.article>

<sup>13</sup><http://www.theguardian.com/fashion/2012/sep/12/burberry-london-shop-website>

### 3. ENGAGING WITH CUSTOMERS

Data just got big. Financial transactions, mobile phones, social media and the Internet of Things are generating vast quantities of structured and unstructured data. There will be more than 30 billion connected devices globally<sup>14</sup> and IDC predicts what it calls the 'digital universe' will grow to 40 trillion gigabytes - all by 2020.<sup>15</sup>

In a retail context this Big Data generated by the connected and mobile shopper is a fantastic opportunity to deliver new insights that can be used to inform smarter decision making and drive new business opportunities.

The two data sources of anonymised mobile network usage data and personalised data collected through in-store WiFi registration give deeper insights into and opportunities for the consumer purchase cycle.

WiFi data gives retailers information on in-store behaviour, which can be acted on to generate real-time opportunities to make a difference to the customer experience.

The network usage data, on the other hand, can be analysed to understand what customers or potential customers are doing either side of a store visit.

Combined, these data sources can help retailers provide a seamless customer experience across different channels and touch points, from researching a purchase at home on a tablet to going into a store to buy it and then sharing it with friends across Facebook and Twitter afterwards.

#### WiFi data

Just some of the examples of data from in-store public WiFi include breakdowns of new versus returning users, the number of users logged onto the WiFi service, in-store footfall and customer behaviour, mobile browsing behaviour and user demographics.

ASDA has implemented a branded free public WiFi service, provided by EE, for over 575 of its stores and now has 800,000 registered users across the UK, giving it powerful new

insights into its customers, their behaviour and needs. It enables the retailer to promote multichannel offers and take advantage of other retail innovation opportunities.

Using tools such as in-store location-based marketing and mobile messaging, retailers can use this data to deliver targeted and personalised real-time communications to customers. When there is a clear benefit to them, customers are happy to engage this way with almost three-quarters of shoppers (74 per cent) saying they are

happy for a retailer to send a text or email with promotions while they are using in-store WiFi.<sup>16</sup>

#### Mobile network usage data

Mobile network operators produce billions of rows of network usage data every hour, which includes how and where people use their mobile devices, socio-demographic breakdowns, mobile web and app usage, cinema, sport, social, location and travel information.

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<sup>14</sup><http://www.gartner.com/newsroom/id/2621015>

<sup>15</sup><http://idcdocserv.com/1414>

<sup>16</sup>On Device Research <http://ondeviceresearch.com/blog/can-mobile-save-high-street-from-online-competition>

This anonymised and aggregated Big Data can provide powerful customer insight into the real-life and real-time behaviour of groups of people outside the in-store experience, enabling retailers to play a greater part in the connected consumer purchase cycle than ever before.

Analysis of this mobile network data can help retailers isolate specific customer segments, identify when and how they plan shopping trips to physical stores and which alternatives are being looked at, giving them the opportunity to target and win customers that might have previously been lost before they even enter the store.

It can also tell retailers how different segments of customers travel to the store and what they are doing on their mobile device before and after their visit, which can help them make decisions about whether it is better to advertise on public transport, billboards or online and how best to allocate marketing budget.

What are the customer's other interests and, therefore, opportunities to cross- or up-sell or develop entirely new product lines? These are just some of the many examples and potential outputs of mobile data analytics.

The Westfield shopping centres in Stratford and West London use the mData mobile network data analysis from EE, which provides vital insight into the demographic profile of visitors, when those people visit, what mobile devices and operating systems they use and what online activity they are engaged in before, during and after their trip to the shops.

Just a small sample of the insights from mobile data analysis of Westfield visitors include:

- Westfield Stratford attracts a younger crowd (18-25) who travel in from further away than Westfield London.
- The Westfield London visitor profile is more constant, while Westfield Stratford changes, particularly around big events such as the Summer Stampede and Wireless festivals that see a big influx of young adults who have come in from further away.

- 37 per cent of Westfield app and website users do so onsite, showing that customers are price checking and looking for offers while onsite. We can see this through the top retail and commerce websites visited by shoppers while onsite at Westfield, which include Westfield.com, eBay, Amazon, Groupon, Wowcher, Ticketmaster, Asos and Argos.

- 63 per cent of Westfield app and website usage is by customers outside of the shopping centres as they research their trip beforehand.

This Big Data-based insight and resulting actionable recommendations have the potential for a huge positive direct impact on a retailer's bottom line and customer loyalty.

**“MOBILE NETWORK DATA ANALYSIS PROVIDES WESTFIELD WITH VITAL INSIGHT INTO THE DEMOGRAPHIC PROFILE OF VISITORS, WHEN THOSE PEOPLE VISIT, WHAT MOBILE DEVICES AND OPERATING SYSTEMS THEY USE AND WHAT ONLINE ACTIVITY THEY ARE ENGAGED IN BEFORE, DURING AND AFTER THEIR TRIP.”**

## 4. EMPOWERING SALES STAFF

Mobile technology also offers the opportunity to empower retail staff to deliver a smarter service, improve the customer experience and, ultimately, increase sales. It turns them each into a centre of excellence.

Apple is a great example of the changing role of the physical retail store. It was one of the first brands to embrace mobile point of sale and equip shop floor staff in its retail stores with handheld mobile devices to enable customers to check out from anywhere in the shop, eliminating frustrating queues.

And it's not just about point of sale. WiFi-powered tablets loaded with customised internal apps can help staff quickly dive into catalogues, price comparison, promo videos, customer reviews and feedback at the swipe of a finger. At the Nike pop-up store in Shoreditch, for example, sales staff were armed with tablets that ran apps to showcase the latest gear. These tablets can also be used as self-service aids for customers.

**“WIFI-POWERED TABLETS LOADED WITH CUSTOMISED INTERNAL APPS CAN HELP STAFF QUICKLY DIVE INTO CATALOGUES, PRICE COMPARISON, PROMO VIDEOS, CUSTOMER REVIEWS AND FEEDBACK AT THE SWIPE OF A FINGER.”**



## 5. THE CONNECTED RETAIL FUTURE AND NEXT STEPS

This is not a passing trend and we are at a tipping point that retailers simply cannot afford to ignore. By 2016 connected retail will influence 44 per cent of retail sales, according to analyst Forrester.<sup>17</sup>

Although much of what we have covered in this whitepaper is about in-store technology trends for bricks and mortar shops, the future of retail is across all channels. The connected consumer purchase cycle no longer follows the traditional linear path. An omni-channel strategy enables retailers to engage on a two-way basis with customers and seamlessly interact with them at any point of the discovery or purchase process, across any channel and device.

**“WE ARE AT A TIPPING POINT THAT RETAILERS SIMPLY CANNOT AFFORD TO IGNORE.”**

Here at EE, we recognise that mobile is far more than just equipping staff with smartphones and enabling them to check email on the go. In addition to the workforce it is about engaging with customers and connecting machines.

It is a holistic approach we like to call Total Enterprise Mobility and it recognises that one size no longer fits all and that simple commodity services will no longer do. We engage on a strategic basis to address your needs and connect your data, employees, customers and machines to deliver real business insight and value that directly impact the bottom line and customer loyalty.

In Connected Retail we have brought together unrivalled access to insight and data, vast tech experience, mobile devices and applications to develop bespoke solutions to achieve these goals and help retailers exploit the new opportunities in the age of the connected consumer.

<sup>17</sup><http://www.businessinsider.com/forrester-showrooming-is-blown-way-out-of-proportion-2012-6>

**We look forward to your feedback on connected retail and to enter into a discussion with you about the best way forward for your business.**

**Connected Retail puts some of the control back in retailer's hands.  
Contact us on 08000 790874 to discuss how we could help your organisation.**