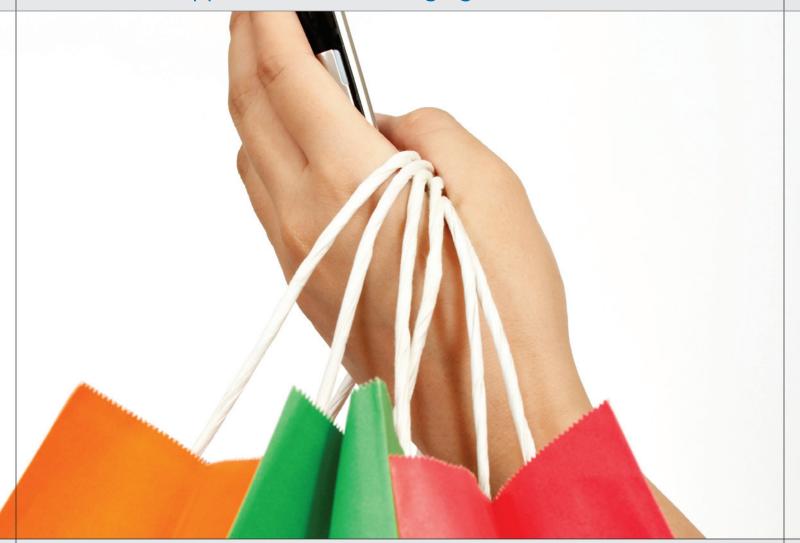
RETAIL'S MOBILITY IMPERATIVE

A Measured Approach to the Emerging Channel



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KEY FINDINGS

- Retailers are actively pursuing the mobile channel, with nearly three out of four having some kind of mobile initiative in place today.
- Nearly half of retailers say they want to capture "first-mover advantage" as their customers go mobile.
- Retailers are at varying levels of sophistication in terms of their mobile efforts. Fundamental tools such as mobile ads and mobile websites are the most common. Others are moving into more transaction-based and customer service-oriented applications. The most sophisticated are putting in place location- and context-based apps.
- For many retailers, mobile is much more than a "scaled-back" version of the Internet, as they take advantage of the ubiquity of cell phones and smartphones to create location-specific experiences.
- Retailers are determining which mobile devices and operating systems to support, relying primarily on the device's current and potential market share and the demographics of the device's user base.
- Retailers appear satisfied with their mobile efforts, with six out of ten saying their mobile channel returns are either
 meeting or exceeding expectations.

Riding the chairlift at of a major western ski resort, a customer of The North Face pulls out a smartphone and clicks on the retailer's specialty application, Summit Signals. The mobile software uses GPS technology to determine the skier's location, and the customer sees feedback on this specific mountain's terrain and recommendations on how to approach its trails. The outdoor apparel retailer uses this same technology to provide similar location-specific content for bikers, alpine hikers, rock climbers, runners, and kayakers.

Walking through the pet food section of a major discount chain, a customer receives a text message with a digital coupon good for 20% off Iams dog food. In this pilot program, the store has detected the shopper's presence in the pet food aisle, and knows that this particular shopper generally purchases Purina Beneful. For the retailer's marketing partners, this provides a chance to encourage a brand switch. For the retailer, it enhances loyalty from a customer who has opted in to participate in the mobile program.

Two teenaged girls rifle through the racks of tops in a major department store chain's juniors section. Stopping on one she likes, one girl takes out her phone and takes a picture of the shirt's bar code. On the screen of her phone she sees product reviews from other shoppers, and also gets a special offer on a pair of shoes to complete the outfit.

As he jockeys to make his flight at Houston's airport, a New York-bound traveler realizes he's forgotten to pack his laptop's power cord. He turns to his cell phone and brings up Best Buy's wireless website. He orders a replacement cord, finds the store location closest to his Manhattan hotel, and picks it up on his way to check in.

These are just a handful of customer interactions taking place—today—in the mobile commerce (m-commerce) channel. In each instance, a retailer uses mobile as a way to enhance customer engagement and loyalty. And it is the ubiquity of cell phones, smartphones, and other mobile devices that is leading a growing number of retailers to explore what additional opportunities await in the mobile space. But how are these initiatives faring, and what do the early results from these efforts have to say about the way forward?

Mobile's early adopters

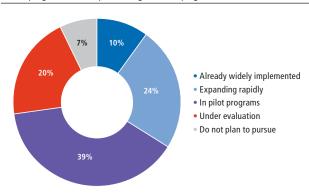
A 2010 survey of U.S. retailers conducted by Forbes Insights, in association with Research In Motion (RIM), found that nearly three out of four (73%) retailers now have some type of mobile initiative in place, while 20% are in the process of evaluating the mobile channel. (Fig. 1) Fully a third of retailers describe their early mobile efforts as either widely implemented (10%) or rapidly expanding (24%). These companies are the vanguard of the retail industry's efforts to target advertising, provide customer service, execute transactions, and promote sound customer relationship management via the mobile channel.

Retailers are becoming increasingly aware of the value of smartphone-equipped customers. Like they did with the emergence of the Internet, many retailers initially approached the mobile channel with a bit of trepidation. For example, some feared that cell phone-toting customers would use third-party shopping programs to find merchandise at a lower price. But over time, many have seen that as less of a threat than an opportunity.

Today, retailers are looking at mobile as another important customer touchpoint. Cell phones, smartphones, and other handheld devices are a convenient way for customers to gather more information about a retailer's products or even conduct transactions on a mobile basis. By extending e-commerce strategies into the mobile environment, retailers are taking advantage of their Web experiences to develop an integrated strategy that has the potential to create a unique mobile retail channel while also adding value to clicks from the Web and bricks of physical stores.

In-store shoppers can research products and prices on their handsets using cameras, bar code scanners, and other

FIGURE 1: Which of the following best describes your organization's interest and/or progress in the implementing or developing mobile initiatives?



mobile applications. Retailers can provide immediate incentives based on these searches or by knowing the specific in-store location of the shopper via geo-tracking. The customer can make the purchase in-store or over a mobile handset. The key is to provide methods to retain customer interest and loyalty via a consistent shopping and branding experience across channels.

In fact, according to Coda Research Consultancy, mobile e-commerce revenues in the U.S. are expected to hit \$23.8 billion by 2015, accounting for 8.5 percent of all U.S. e-commerce revenues, and 20 percent of global mobile e-commerce revenues.

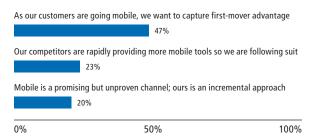
Why create the mobile channel?

In the Forbes Insights survey, nearly half of retailers (47%) viewed the implementation of mobile strategies as a way to capture first-mover advantage. (Fig. 2) That is, these companies believe that by being the first to enable mobile engagement, they earn a better chance of establishing intimacy and loyalty with their customers.

Michael Dupuis, vice president of marketing and operations at specialty retailer American Eagle Outfitters, Inc., said his group's goal is to create a full spectrum mobile channel. American Eagle Outfitter's core audience of 15-25 year olds is highly digital. "They live a mobile existence—they use mobile for everything from social networking to shopping," said Dupuis. And for this reason, "first mover advantage into mobile can be important."

However, he explained, the real value is the opportunity to create a seamless experience where all channels work together. With mobile, said Dupuis, "we are completing the circle. We're not only giving customers another way to connect with us, a means to remain in touch with us wherever they are, we are actually becoming more effective across all channels." In general, said Dupuis, "we are very excited about the rise of the mobile channel." Consequently, the company is pursuing a range of initiatives (see American Eagle Outfitters sidebar, page 5).

FIGURE 2: Which of the following statements is closest to your company's attitude/approach towards development of a mobile channel?



"[Our customers] use mobile for everything from social networking to shopping... first mover advantage into mobile can be important."

—Michael Dupuis, American Eagle Outfitters

Others are moving more deliberately. In some cases, forays into mobile may be viewed as a response to competitor actions—which is the case for 23% of survey participants. As a corporate communications executive for a mid-sized, youth-oriented specialty retailer explained, "We're seeing a lot of pressure to do something. We're just not sure what that is going to be."

With its competitors ahead of it, the retailer knows "there are things we need to do," the executive added. For example, purchases on the company's loyalty card are currently tallied up manually using a hole punch. That, said the spokesperson, "is something we could maybe address with a mobile device." But for now, the company is taking a go-slow, behind-the-scenes approach. As the spokesperson explained, "Call us again in six months and we may have something to share."

Still, one in ten respondents said they are not yet pursuing the mobile channel. As an executive from a holding company that manages a handful of regional retail chains explained, "we don't even have a toe in the water." According to the executive, the company has other, more pressing initiatives at the moment. For example, the group is looking for ways to enhance revenues and reduce costs. "Mobile," said the executive, "might be working for others, but doesn't seem to be something that would be all that effective for us, at least not yet." But is this retailer missing out on opportunities?

Tools for mobility

THE FUNDAMENTAL TOOLS: MOBILE ADS AND **MOBILE WEBSITES**

A cynic might describe the mobile channel as the Internet delivered at slower speeds on smaller screens. But in fact, mobile communications are something entirely different, and the opportunity exists to find out what works within the context of this new tool. The key advantages of mobile devices relative to the Internet are their portability and ubiquity. Cell phones and mobile devices are in the pocket or on the ear of nearly every customer or prospect. So the question becomes: given mobile's unique attributes, which capabilities should a retailer develop?

The simplest place to begin is with mobile advertising. As with the Internet, this is essentially a pay-to-play strategy. Retailers can buy space on other mobile websites or can pay for prominent placement on various mobile search terms. The question though is what happens when a mobile device user clicks on that banner ad or the search term's results? Advertising is one thing, but a company needs to be ready for interaction within the context of the mobile environment.

Some early adopters and their advisers suggest starting with two essential and complementary elements: a mobile website and an appropriate set of customized, downloadable applications. Newcomers to mobile often ask if one is more

important than the other. But if the goal is to create an integrated experience for the customer—if the goal is indeed a mobile channel—a retailer may need to create both.

A mobile website can be a slimmed-down version of a company's Internet site, optimized for mobile browsing. This might mean reducing the capability of the mobile site relative to the Internet site or even reducing the number of viewable items. Many get their start in m-commerce with just such an approach.

However, according to Kelly O'Neill, director of product marketing at ATG, whose software focuses on online and cross-channel commerce, the ultimate goal "is to provide an integrated experience between mobile, the Internet, physical stores, call centers—all points of customer interaction." In other words, a mobile website can be launched with limited functionality relative to the Internet, but the near-term endgame should be that anything customers can do on the Web, they should also be able to do with mobile. The two sites should be connected and customers should be able to shop and browse across both. When deciding how a mobile site and website might differ, O'Neill suggested that merchants should consider elements that are most appropriate to that channel—GPS or barcode scanning for the mobile shopper, for example.

AMERICAN EAGLE OUTFITTERS: AN EARLY ADOPTER STILL MOVING FORWARD



Michael Dupuis, vice president at specialty retailer American Eagle Outfitters, believes that AMERICAN EAGLE outfitters mobile marketing has become an essential component of his company.

Hoping to capitalize on its customers' propensity for mobile engagement, in August 2008, the company launched a mobile website. The idea, said Dupuis, "was to relate to our customers on their terms, offering them an additional channel for interaction."

But what began as an experiment has since turned into a decidedly successful extension of the the company's "lifestyle" brand. As Dupuis explained, "It's been a year and a half, and we now have several hundred thousand customers who have opted-in—and the number is still growing." Moreover, said Dupuis, "We now have sales—real sales—coming through the mobile site."

The formula that seems to make things work, said Dupuis, is consistency across channels. The mobile website, is built on an infrastructure that is very similar to the company's Internet site. The company's entire Web catalog is available on mobile, and, thanks to accompanying applications, the navigation is comparable. Similarly, whatever a customer has entered on the Internet is instantly accessible on the mobile website—and vice versa.

For example, if a customer begins an order on the Web, it can be completed on mobile—or the other way around. "The customer sees we have integrated the experience across channels—and all for the benefit of the customer," said Dupuis.

Though pleased with its progress in mobility, the company is by no means finished. American Eagle Outfitters is evaluating or running pilot programs encompassing a wide range of advanced mobile capabilities. "For a brand like ours," said Dupuis, "a mobile channel integrated with our Web presence and physical stores represents an incredible opportunity. This is just the beginning. There's no telling how much more we can do as this environment evolves."

That's also why many retailers simultaneously create native applications. With their smaller screens and largely "mouse-less" interfaces, mobile devices require significantly more work to accomplish similar tasks. Enter the native, or branded application. Retailers can enhance the mobile experience by giving customers downloadable tools that reduce the number of actions required to obtain and internet-comparable experience in a mobile environment.

Matt Johnston, vice president of marketing and community at the crowd-sourcing software testing company Utest, explained, "Good native applications have considerable intelligence and customization built-in. The customer downloads the application onto his or her own device, and now has a quick way to go where they need to go. Do they want to place an order, find a store, see their account, grab a coupon? Whatever they need, with a good app, it's right there."

INTERMEDIATE APPLICATIONS: MOBILE COMMERCE AND CUSTOMER SERVICE

Beyond mobile websites and native applications, pioneers in m-commerce are building a broad array of additional capabilities.

Basic native applications might include a store finder or an "order now" capability. More advanced applications are being developed to enhance both the mobile and the instore experience. For instance, a mobile device's camera can "Do they want to place an order, find a store, see their account, grab a coupon? Whatever they need, with a good app, it's right there."

—Matt Johnston, Utest

be used to take a picture of a product's barcode. Once the product is identified, the mobile device can become a conduit for a wide range of possibilities.

For example, in a furniture store, a customer might swipe the barcode of a couch. Now the application allows the user to view this same couch covered in a variety of fabrics. Or alternatively, in a clothing store, the same barcode could launch a program that shows an item in a range of colors or paired with suitable, complementary items. If the item is out of stock in this location, the application might be able to check inventory in other stores or initiate a purchase for home delivery.

Similarly, such a scan could provide the option of using the mobile device to view a product demonstration or whatever enhanced content the retailer believes will be relevant to the customer or prospect. Or the customer might be able

TARGET: GETTING BEYOND TEXT MESSAGES



Minneapolis-based Target is an early adopter of mobile interaction. The firm began integrating mobile text messaging into its marketing mix in 2005. Since then, its mobile strategies and practices have evolved considerably.

For example, the firm cut the ribbon on its mobile website in 2008.

More recently, Target launched a program of "scannable" coupons. As Leah Guimond, a Target spokesperson, explained, after a customer opts in, "we begin sending exclusive mobile offers straight to their phone." Each offer includes a barcode image that can then be scanned at any register. Initially piloted to customers at 20 stores in July 2009, the program was rolled out nationwide in March 2010. Such offers are not yet personalized "but that's something we may look into in the future," said Guimond.

And that's just for starters. The firm's mobile website enables access to shopping lists, gift lists, and wedding registries. Customers can also

browse the company's "daily deals," steeply discounted products with free shipping available for 24 hours only, or Target's weekly sales flyer. Mobile customers can also manage their gift card balances on their mobile device, or use features to help them find a store or even view current item availability and aisle location.

In general, said Guimond, the company recognizes that "more and more customers" are relying more and more on their mobile devices to communicate, gather, and manage information and generally enable their lives. Of course, there is a continuum of mobile users—some sophisticated and some more casual. But, said Guimond, "the company relies extensively on customer feedback" to expand and continuously adjust mobile offerings. Not all will be of interest to all customers, but the goal is always "to enhance the shopping experience" and the thus the customer relationship, said Guimond.

to use the scan to execute an in-store purchase or alert a sales associate for assistance, similar to what Target is doing (see Target sidebar, page 6).

There's literally no end to the possibilities. For example, at Kroger, pilot programs are up and running to embed the store's loyalty card into customers' mobile devices. A similar initiative at Ace Hardware sends coupons and other special offers to customers.

ADVANCED TOOLS: LOCATION AND CONTEXT TRACKING

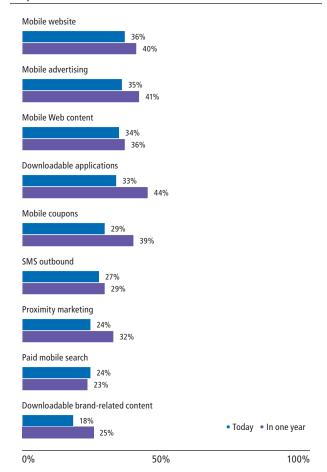
Further on the horizon, a number of retailers are experimenting with GPS-enabled proximity-marketing capabilities. (Fig. 3) Note that in each case the customers are aware their location is known to the retailer in question and that they have chosen to opt-in to the services.

An essential component of this type of app is relevance, and it is here that mobile commerce could potentially expand customer intimacy beyond location to also incorporate time, weather or other factors. Imagine if a retailer was able to detect not only a customer's location but could also infer his or her likely interests based on context—a coffee coupon for an early rising commuter (now being tested by Sonic) or a discount on a soundtrack recording for a person coming home from a musical theater performance.

One company working in this space is location-based advertising startup Placecast. A critical goal for retailers, said the firm's CEO Alistair Goodman, "is getting customers into the stores." Placecast is attempting to assist retailers and others in this regard by detecting customers and prospects as they enter variously defined "geo-fences." Highly relevant text messages are then delivered—again strictly on an opt-in basis—based on time, place, and other contextual variables.

Of note, said Goodman, is that such marketing has both immediate and longer-term benefits. "Location" and "context" are very powerful tools. A customer may not be of a mind to act on the SMS communication at the time it's received. But, said Goodman, people often remember where they were when an idea entered their minds. As such, said Goodman, the customer may not immediately respond, but "they make a mental note, then go back" at a later date.

FIGURE 3: What mobile tactics are you using today—and plan to be using in one year?



Mobile's risks and rewards

As more customers weave mobile interaction into their daily lives, retailers can gain greater insights into customer needs. This represents unprecedented opportunities for enhancing customer interaction and intimacy. Using the information from mobile tools, retailers can employ rulesbased rendering techniques to present highly customized, relevant, and timely offers.

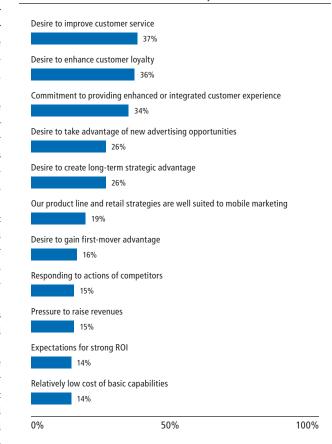
Moreover, by giving customers what they want—more ways to interact with their product and services providers—retailers strengthen their relationships. In fact, the survey shows that mobile initiatives are being driven by objectives such as improving customer service (37%), enhancing customer loyalty (36%), and a commitment to providing an enhanced or integrated customer experience (34%). (Fig. 4)

But challenges abound. Foremost, companies must strike the right balance between welcome interaction and unwanted intrusion. Certainly, customers want the ability to pull pricing, inventory, and store location information on their own terms. Similarly, they want to be able to execute purchases, view or update wish lists or shopping carts, or conduct related transactions from a mobile device. This is where data-rich mobile websites, native applications, and opt-in programs for interaction become essential.

However, what about outbound communications—the various coupons, suggestions, or other enticements sent by a company in the form of a text message? As Utest's Matt Johnston explained, companies should seek to anticipate and avoid the hiccups (such as spam and pop-ups) that plagued early Internet usage. The danger today, he said, is that consumers could become flooded with unwanted text messages and pop-ups from less than scrupulous or otherwise flawed participants within a fast-evolving mobile channel.

Companies that want to create long-term value within their customer and prospect relationships will respect customers' privacy and preferences. In fact, consultants such as Johnston in most cases recommend a system of double opt-in. Here, customers are given a chance to say "yes" or "no" to participation in a given mobile program. But once they have given consent, they are also reminded of the agreement and then given the opportunity to easily revoke such consent. Moreover, every SMS message to a customer should offer the option to cease such interaction through a simple return text.

FIGURE 4: What are the main factors that drive your mobile channel efforts?



Integrating across channels

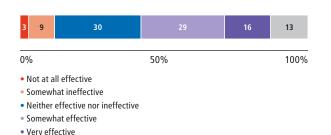
A key challenge for retailers will be building integration between their physical stores, Internet presence, call centers, and now mobile centers. Customers frequently have a single view of their relationship with a retailer. That is, no matter which channel the customer chooses, the expectation is that the retailer will know the history of the relationship. Moreover, this information should flow seamlessly from channel to channel. For example, if a customer creates a wish list on a website, that customer's friends should be able to access that same registry from any mobile device.

Largely owing to lessons learned during the development of the Internet, many retail executives already understand the need to coordinate across channels. So this time around, explained Daniel May, marketing manager at convenience store giant 7-Eleven, "Maybe things are going a bit smoother." (See 7-Eleven sidebar, page 11)

In any case, the survey bears this out, as 45% of companies said their integration of mobile with other channels is already either effective (29%) or very effective (16%). (Fig. 5) Similarly, 40% of responents said they expect their mobile efforts to be fully integrated with their other channels within the next year. (Fig. 6)

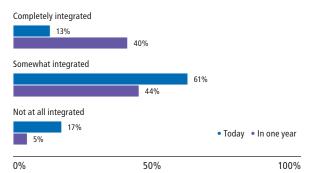
Another challenge for retailers will be learning how to compete in an era of instantaneous information flow. A handful of already popular applications, for example, allow a consumer to capture information from a barcode in a store and then see prices and availability from competing retailers. Like it or not, mobility represents an era of real-time pricing and service competition, meaning retailers will need to develop appropriate policies and strategies.

FIGURE 5: How effective are your mobile initiatives in terms of integrating with other channels?



Not applicable

FIGURE 6: How closely integrated are your mobile initiatives with your physical stores, website, and others marketing, sales and service channels?



Device support

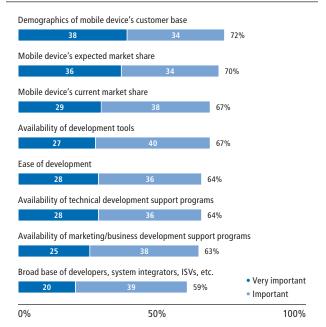
Retailers also must determine which mobile devices they intend to support. Given the plethora of different devices and formats—from older flip phones to the most recent app-driven smartphones—retailers need to stay focused on the issues on the platforms that will help them reach their target markets most effectively.

Most retailers are basing their device support decisions on the overall installed base of the various platforms. According to the survey, the top criteria for such a decision include a device's current and expected market shares. For example, 67% consider current market share either important (38%) or very important (29%). The figures for expected market share are similar. (Fig. 7)

But market share can't be the only consideration. User demographics may ultimately be as important for mobile marketing as they are in other forms of advertising and promotion. A retailer targeting a teen market, for example, will want to focus on platforms popular with a younger and potentially less affluent audience. In fact, survey respondents said the demographics of a device's customer base was a crucial support factor, with 72% of respondents rating this issue either important (34%) or very important (38%).

Finally, retailers will be examining how easy it is to develop applications and services for a given platform. Rounding out the key issues identified in the survey are ease of development (64%) and availability of development tools (67%). Having a broad base of developers, integrators, and other providers was slightly less important (59%).

FIGURE 7: How important are the following factors in terms of selecting what mobile device platforms you support?



Getting started

Retailers need to think in terms of how far and how fast their competing priorities will allow them to pursue this fast-evolving channel.

For those retailers seeking "first mover" advantage, the decision to pursue mobile was almost lightning fast. As American Eagle Outfitters' Dupuis explained, "The opportunity in our case was fairly obvious—this was something our customers wanted and needed and so we just had to go about getting it done."

A key challenge for others may be obtaining management buy-in along with the necessary development and operating budgets. Here, the news is both bad and good. The bad news: any organization that isn't already well on its way to developing mobile capabilities may already be behind. But the good news: early adopters have been doing their share of pathfinding. As such, the way forward for those yet to begin the journey or just launching pilot programs is significantly clearer.

There's even more good news. Many of the most demanding challenges have already been ironed out. For example, today, mobile websites can address the vast majority of smart devices by providing compatibility with a small and well-established array of mobile browsers. Also, a year or so ago, the universe of mobile-aware IT expertise—both

"Mobile coupons definitely drive visits."

— Daniel May, 7-Eleven

in-house and external—was fairly thin. Today, though the sheer volume of activity makes for a competitive marketplace, there are many more proven resources and development paths.

In the majority of cases, the push for mobile strategies begins with internal marketing executives—the case at 72% of companies surveyed. However, IT executives also play a leading role in initiating such strategies—the case at 59% of those surveyed.

In terms of ROI, many of the returns are intangible. For example, it would likely be difficult to gauge mobile's impact on the quality of customer service or customer satisfaction in general. Still, organizations are making the effort. According to the survey, 83% of companies that have invested in mobile are measuring its impact on customer loyalty, with 50% describing the effort as extensive. (Fig. 8) Similarly, 84% are measuring the impact on customer satisfaction, 60% extensively.

7-ELEVEN: RELATING TO MILLENNIALS



For convenience store giant 7-Eleven, Inc., the mobile channel is highly effective for driving store traffic. Teenagers and young adults, explained Daniel May, marketing manager and principal architect of the group's

mobile strategies, are very profitable customers. Meanwhile, they are also the most engaged in mobile.

Consequently, the company was keen to see what might be achieved by doing more in terms of mobile couponing and related mobile strategies. So they conducted a pilot program at 200 stores in the San Diego area. On an opt-in basis, customers received mobile coupons for items such as Slurpees and coffee drinks. And what the company learned is that "mobile coupons definitely drive visits," said May.

Today the company is seeking to expand on its initial success with more programs at more stores. The same group that assisted with the San Diego pilot is now working as 7-Eleven's mobile marketing agency. And in addition to the chain's fundamental products, now the group is hoping to work with suppliers and partners to create an expanded array of offers.

And while mobile can be highly effective in terms of encouraging site visits by the youth set, it is by no means the only option. 7-Eleven is also finding success through its relationship with an online gaming payment company, Kwedit. Kwedit facilitates payments between players for items such as virtual spells, characters, weapons, real estate, and other transactions. And as gamers come to the store to settle online debts, "they might as well get a Slurpee," said May.

But at the same time, many of mobile's benefits are directly observable. For example, companies can measure the number of hits on a mobile website, the number of queries for store location, or the number of mobile coupons redeemed. In addition, most mobile-focused companies are also keenly aware of the number of customer who optin for SMS messaging. And increasingly, say interviewees, mobile is actually generating sales.

Whatever benefits are being included in the analysis of mobile performance, companies are saying the results justify the investment. (Fig. 9) For example, 62% said their mobile-channel returns are at either meeting (45%) or exceeding (17%) expectations. Just 10% indicated their returns are below expectations with another 18% noting their returns are uncertain.

FIGURE 8: To what extent do you measure the following when considering the performance of mobile efforts?

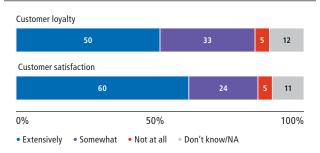
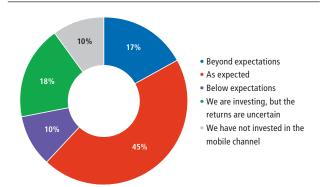


FIGURE 9: How are your investments in the mobile channel performing to date?



K&L WINE MERCHANTS: JUST THE RIGHT DEGREE OF MOBILITY



From its humble beginnings as a single location seller in 1976, San Francisco-based K&L Wine Merchants has grown to encompass three major locations and a massive Web presence. The com-

pany now offers over 6,000 wines from around the world, and has been called the best wine site in the country.

And over the past year, K&L noticed "that more and more, people were beginning to access our Internet site via smartphones: the BlackBerry, Android, iPhone, and others," noted Brian Zucker, owner and vice president. Recognizing that an Internet site doesn't make for the "best presentation" via mobile, the company decided to quickly roll out a mobile website. "It was a scaled-down version of the primary website," said Zucker. And while providing a real-time rendering of inventory in all

locations, the site offers "only limited functionality."

One component in particular is conspicuously absent from the mobile website: the ability to purchase. This, said Zucker, owes to a relatively unique characteristic of the group's business. That is, many of the firm's offerings are rare, existing only at one of the retail locations or the warehouses. So to create a fully functional, transactional, mobile capability, said Zucker, "would require almost too many business rules to be practical."

Still, the mobile website was an immediate success—not in actual sales, but in terms of furthering the purchase process. Zucker explained, "What we find is that 99% of mobile shoppers are just browsing. They see the wines they want, they email the link to themselves and then they order later."

CONCLUSION:

Time to get off the fence

Many retailers are at a crossroads in approaching the mobile channel. Early adopters are raising the bar in terms of customer expectations across a range of activities. From product availability and pricing to sales and customer service, if a retailer can't provide a mobile option, the business will likely migrate to a competitor. At nearly light speed, mobile capabilities have moved from nice to have to essential.

Retailers today need to maintain a viable mobile website if for no other reason than to be visible on product and location searches. It is also advisable to pursue mobile advertising and to provide native applications. Such tools can provide a range of benefits for end users, such as streamlined mobile keystrokes for performing searches or transactions on a retailer's mobile website. And because such applications are relatively inexpensive to create, retailers can barely afford overlooking any of the most popular mobile devices.

In all of this, outbound marketing messages, taking the form of text messages, can be a key component. Companies

can consider the most advanced capabilities, such as location-based or contextual messaging, or they can stick to the fundamentals. But whether choosing glitz or the tried and true, it will be important to always obtain ironclad customer buy-in, and then monitor and control the number and degree of messages to avoid overstepping the boundaries of any customer relationship.

Yes, the mobile channel is still in its infancy. And undoubtedly it will evolve in surprising, occasionally disappointing, but generally increasingly effective ways. Already, customers are embracing mobility as a means of interacting with preferred and secondary brands and product offerings. Retailers should similarly embrace mobility, finding the means to incorporate its advantages within the context of physical stores, Web presences, and related functions and activities.

In short, mobile represents a profound opportunity. The challenge today is finding its optimal implementation for any given brand and its accompanying customers.

METHODOLOGY

The information in this report is based on the results of a survey and one-on-one interviews conducted by Forbes Insights, in association with BlackBerry maker Research In Motion, in April 2010.

Forbes Insights surveyed 305 executives at leading U.S. retailers. 27% of respondents had C-level titles, and 49% were executive vice presidents, vice presidents, or directors.

All retail companies surveyed had multiple locations and annual revenues of \$100 million or more. They represented the following retail industry segments:

- Specialty soft goods (including apparel, footwear, and furnishings):
- Specialty hard goods (including electronics, hardware, and office supplies):
 29%
- Department stores: 10%
- Chain stores/mass merchandisers/discounters: 19%
- Supermarkets/drug stores: 11%
- Other retail: 10%



CHRISTIAAN RIZY
DIRECTOR

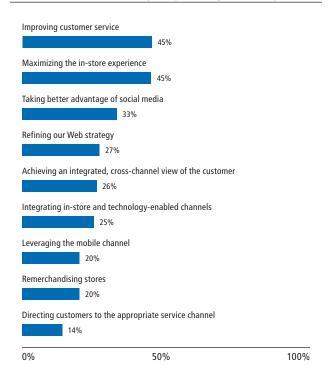
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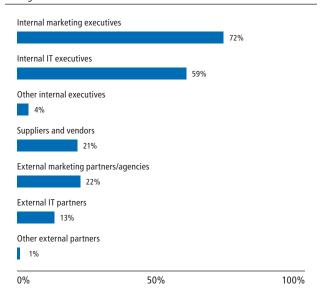
Additional survey findings

Over the next 12 months, what are your top marketing and channel priorities?



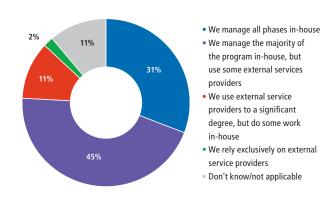
While leveraging the mobile channel does not rate as a chief concern, many of the top priorities—such as improving customer service or taking advantage of social media—are intrinsically linked to mobile.

Which of these groups is primarily responsible for initiating your mobile channel strategies?



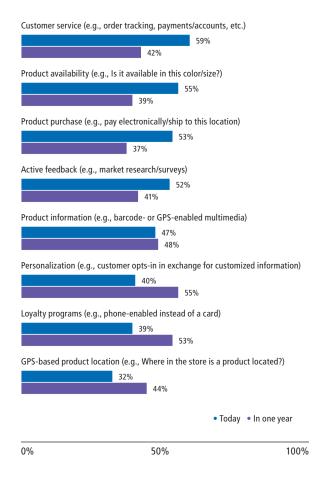
Internal stakeholders still drive mobile efforts for retail; strategies are set by internal marketing and IT teams...

What is your company's approach to managing its mobile initiatives?



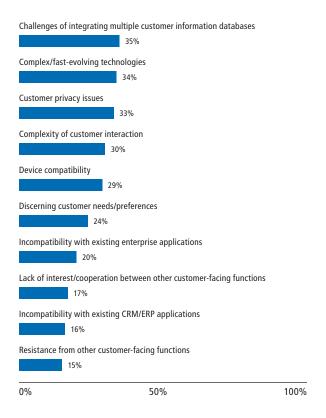
...while ongoing management is driven by in-house teams with some support from external providers.

Which types of mobile applications do you currently offer or plan to offer a year from now?



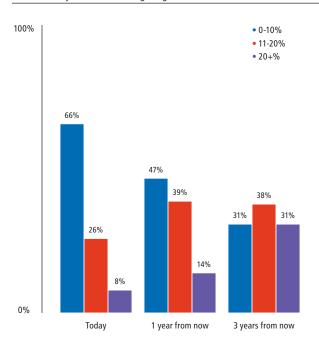
Over the next 12 months, retailers will be increasing their efforts to increase the value of mobility, shifting loyalty programs away from cards and into mobile apps, while further personalizing the mobile experience.

What do you see as the top challenges to integrating mobile initiatives with other customer/marketing programs?



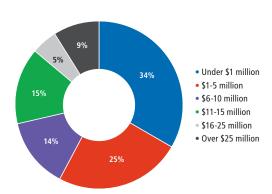
Although integrating mobile, Internet, phone, and in-store channels is a top priority for retailers, many challenges still exist.

How much of your total marketing budget is allocated to mobile initiatives?



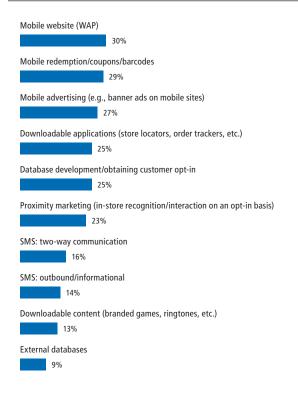
Over the next three years, mobile will get a significantly greater share of retailers' marketing budgets.

What is your total budget for mobile marketing in 2010?



Although mobile is not yet a top marketing budget item, nearly one-in-ten retailers is spending in excess of \$25 million on mobile this year.

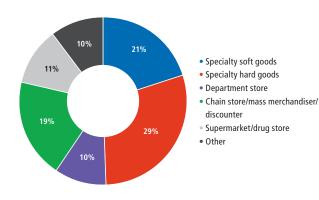
Where are you focusing the bulk of your spending on mobile initiatives?



Basic mobile technologies—such as mobile websites and mobile coupons—are the top budget items.

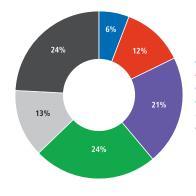
Survey Demographics

In which retail industry segment does your company belong?



Responses were split among the major retail segments.

What are your company's annual revenues?



• \$100 million to \$249.9 million

• \$250 million to \$499.9 million

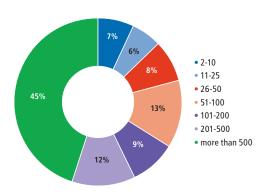
• \$500 million to \$999.9 million

• \$1 billion - \$4.9 billion

\$5 billion - \$10 billionMore than \$10 billion

More than 60% of responding retailers have revenues of \$1 billion-plus.

How many stores does your company operate?



Most responding retailers operate chains of more than 100 locations.

