

HOW MOBILITY IS CHANGING THE RHYTHM OF AUSTRALIAN RETAIL

IT'S HOW
WE CONNECT



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1.0 EXECUTIVE SUMMARY

OMNICHANNEL SHOPPING BEHAVIOUR IS NOW WELL ESTABLISHED IN AUSTRALIA. RETAILERS NEED TO TURN THEIR ATTENTION TO INTERACTING WITH THE KEY ENABLER OF OMNICHANNEL SHOPPING – THE CONNECTED MOBILE DEVICE.

The rise of the Omnichannel shopper is inextricably linked to the growth in smartphone and tablet usage. Our research shows Australia is one of the most mobile-centric countries in the world, with smartphone penetration at 70 per cent and tablet adoption at 44 per cent, up from 30 per cent in 2012. And these mobile devices are now firmly embedded in every stage of the path to purchase – as evidenced by the fact that in the last 12 months 72 per cent of consumers have searched for goods and services on their mobile device and 25 per cent have made a purchase on either their tablet or smartphone.

More importantly, the mobile device has created a different kind of consumer. The mobile-enabled shopper is addicted to immediacy. They expect information, transactions and customer service from retailers right now. We have seen that they will even use their mobile devices to get these things while in a store if they can't get them from the retailer in person.

The mobile-connected consumer is now firmly in control of the rhythm of retail. Traditional retailer-centric methods of communicating with shoppers, like the paper-based catalogue, are becoming increasingly unimportant, with only 12 per cent of consumers using catalogues as their initial source of purchase research.

While many retailers have already embarked on a program to build mobility into the shopping experience, there is still a significant gap between the mobile services that consumers want and what retailers provide. For example, 57 per cent of Australians would find being directed to relevant products or departments while in a store either very useful or useful, but none of the retailers we surveyed offer these facilities. 62 per cent of Australians would be either very willing or somewhat willing to try paying directly from the mobile, but again only 6 per cent of the SMEs and none of the large businesses we surveyed currently offer those facilities.

Some retailers are also beginning to use mobile devices as an integral part of their operational infrastructure to improve everything from how information is shared with team members, to queue management and speed of payments. Our research showed that large retailers, in particular, have plans to add more of these facilities in the coming year.

Retailers have long known the importance of word of mouth. Today, social media is the new word of mouth and it is increasingly being accessed on mobile devices. In 2013, smartphones overtook laptop computers as the most popular device for accessing social media. And it's not just about opinions. 20 per cent say that they use social media to research products and services that they wish to buy, with 58 per cent of these research events resulting in a purchase. Once again, there is a gap between consumer and retailer behaviour especially among smaller retailers. Despite the ubiquity of social media in Australia, only 30 per cent of small and 47 per cent of medium-sized retailers are using it in their business.

To succeed in this increasingly mobile world, retailers must change the way they think. A smartphone or tablet is not just a means of communicating, but can also be a powerful tool for enhancing the in-store experience, reaching the right customer with the right message at the right time, collecting valuable data, and improving operational efficiency.

2.0 WELCOME TO AN OMNICHANNEL WORLD

IN THE LAST YEAR, THE AUSTRALIAN RETAIL INDUSTRY HAS BEEN ABUZZ WITH TALK ABOUT OMNICHANNEL.

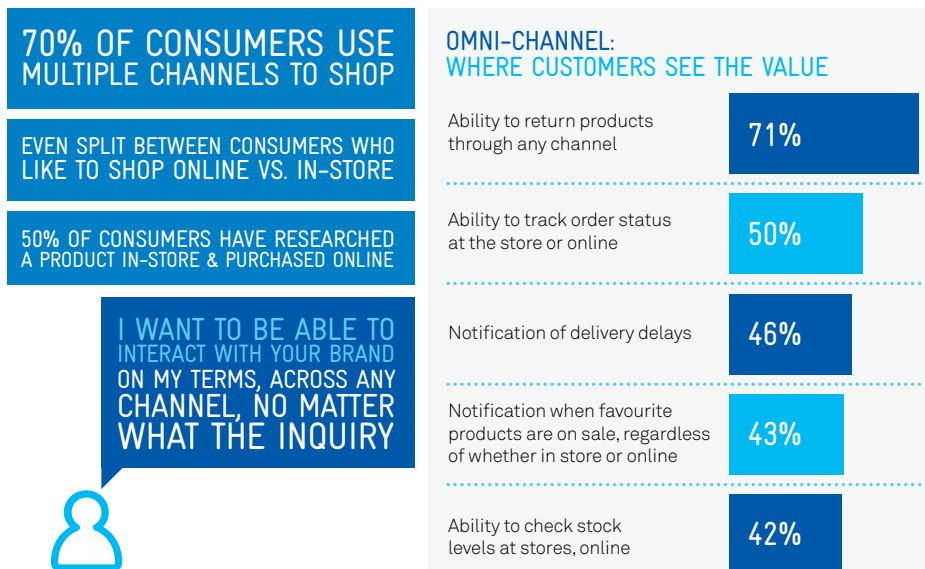
Omnichannel describes the idea that most customers are not online or bricks and mortar loyalists – they'll shop through multiple channels in the same category. Online and bricks and mortar are not competing channels, but are complementary parts of an Omnichannel.

The concept of Omnichannel retail is well established overseas. Last year we researched Omnichannel in the Australian market and demonstrated that the conditions for Omnichannel retailing definitely exist in our market. In our whitepaper "How to join the Omnichannel shopper in transforming Australian Retail," we found that:

- 70 per cent of consumers use multiple channels to shop.
- In most retail categories, there is an even split between consumers who like to shop in a store, online or do both.
- 36 per cent of Australians had shopped online and in store with the same retailer in the previous 12 months.

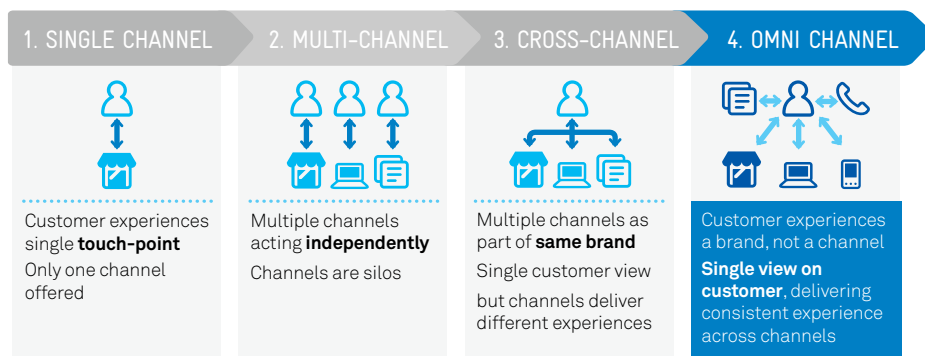
The existence of the Omnichannel shopper changes the role of the retail store. For the Omnichannel shopper, some things are better done online and some better in store. Online is better at delivering functional benefits like range and price while the physical store is better at delivering the emotional benefits associated with service and in-store ambience. But wherever they shop, what the Omnichannel consumer wants is a consistent brand experience (see Charts 1 and 2).

Chart 1: Consumers are 'going omni-channel' for an 'anytime, anywhere' experience



Source: "How can you join the Omnichannel shopper in transforming Australian retail" Aug 2012

Chart 2: The Omni channel consumer has changed the role of the retail store



SOMETIMES I LIKE VISITING THE STORE, JUST TO EXPERIENCE THE PRODUCT
THEN I MIGHT BUY IT ONLINE LATER

2.0 WELCOME TO AN OMNICHANNEL WORLD

2.1. WHEN THE WORLD CHANGES, RETAIL CHANGES

The rise of the Omnichannel shopper is inextricably linked to the growth of the smartphone and tablet. With a smartphone in their pocket and a tablet in their hand, shoppers can for the first time genuinely shop on the move. They don't have to be in a shop or at a desk. With their smartphone and tablet, they have a variety of shopping possibilities at their fingertips 24/7. The new mobile shopper can even shop with another retailer while they are in your store.

Changes in the external environment always have the potential to change the way people shop. In the 19th century, the Industrial Revolution created a new urban middle class who didn't want to shop in the markets anymore and the department store was born.

In the 1960s, mass adoption of the motorcar created the supermarket and the shopping centre. In the late 1980s, computer technology came to retail and the consequent ability to control supply chains led to the rise of discount department chains like Walmart and fast fashion concepts like Zara. In each case, retail was never the same again. More importantly, retailers who hung on to the old way of doing things eventually disappeared.

Mass adoption of smartphones and tablets represents a major change in the external environment. At Telstra, we wanted to understand the implications of the new mobile-connected shopper for retailers. How do these shoppers behave?

What communications do they find most valuable? And how much are they influenced on the path to purchase by interactions with their mobile devices? Most importantly, we wanted to find out what retailers will need to do to be successful in this new mobile-connected world.



3.0 THE AUSTRALIAN MOBILE SHOPPER

SMARTPHONE ADOPTION IS STILL RISING STRONGLY IN AUSTRALIA. WE ARE PREDICTING THAT PENETRATION WILL REACH 75 PER CENT BY THE END OF THIS YEAR, PUTTING THE NUMBER OF SMARTPHONES IN THE MARKET AT 17 MILLION.

3.1. MOBILITY IN AUSTRALIA: THE STATISTICS

According to research done by Tomi Ahonen Consulting and analysis from Mary Meeker & Informa data, in April 2013, Australia's population of smartphones had already passed 70 per cent penetration. The only country outside of Asia with higher penetration is Sweden. Penetration in the UK is 56 per cent and in the USA 54 per cent.

Adoption of tablets is rising even faster. By year end, we are predicting that there will be 10.5 million tablets in Australia, representing approximately 44 per cent of the available market. This is up from 30 per cent penetration in 2012 (see Chart 3).

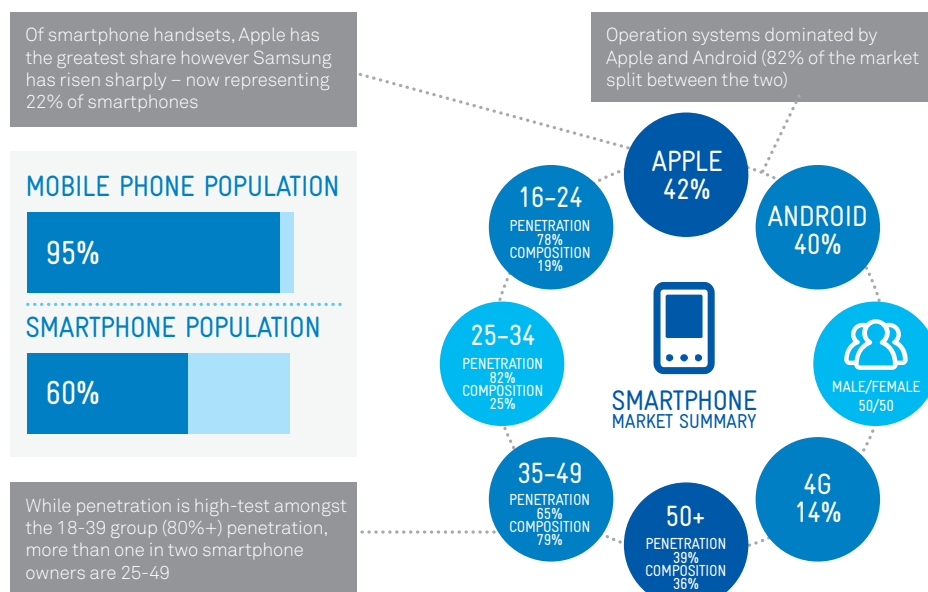
The Telstra Smartphone Index showed that while Australian smartphone penetration is highest amongst the 18-39 group (80+ per cent), more than one in two smartphone owners are aged 25-49. Penetration is also greater among higher income groups. 79 per cent of those earning over \$80,000 p.a. and 56 per cent of those with incomes below \$80,000 p.a. own smartphones. The two dominant operating systems for smartphones are Apple's iOS and Android, with each holding around 40 per cent share of the market. Apple handsets still lead the market, but Samsung's handset share is rising sharply (see Chart 4).

Chart 3: Mobility in Australia



Source: Sensis® e-Business Report Sweeney Research – 2013
Base: All consumers

Chart 4: Smartphone market summary 2012



Source: Telstra Media Smartphone index 2012 November 2012 – The Nielsen Company
Base: Mobile phone users 16+ n= 12, 119

1 <http://communities-dominate.blogs.com/brands/2013/04/rare-national-smartphone-market-data-via-mary-meeker-analyzed-further-and-reported-also-per-capita-b.html>
2 SOURCE: Sensis® e-Business Report Sweeney Research - 2012
3 TELSTRA MEDIA SMARTPHONE INDEX 2012 NOVEMBER 2012 - THE NIELSEN COMPANY

3.0 THE AUSTRALIAN MOBILE SHOPPER

3.2 MOBILITY AND THE PATH TO PURCHASE

Mobile devices are important to retailers because they can be used just about anywhere on the path to purchase. When the consumer begins their journey, they can use the mobile device for researching products, categories, retailer locations and capabilities. Once the purchase decision starts to frame itself, the mobile device can then be used to find reviews and ratings of their chosen product or retailer. If customers opt in, retailers too can use mobile devices to send marketing messages to their customers on upcoming special events or sales. Messages can be accurately delivered if location-based technologies in mobile devices are incorporated.

Once in the store, the mobile device can be used as a tool to navigate the shop floor, to find information about stock availability, or extra information on products being considered. The mobile device can also be used as a payment mechanism, either online or in store; post purchase, it can be used to buy extra items, access customer service or start the whole process again.

Chart 5: Mobility and the path to purchase



4.0 MOBILITY IN AUSTRALIAN RETAIL – THE CONSUMER VIEW

4.1 OUR RESEARCH

Our consumer research consisted of a telephone survey of 800 randomly selected respondents across Australia. Quotas were applied to provide for adequate representation in each age group and gender. Quotas were also applied on location to ensure coverage across metropolitan and regional areas in each State and Territory. The interview fieldwork was conducted in March and early April 2013. The data was weighted by age and gender within location so that the results are reflective of the actual Australian population.

4.2 WHAT AUSTRALIANS ARE DOING WITH THEIR MOBILE DEVICES

Our research shows that 58 per cent of mobile phone users have used their device to connect to the Internet in the last 12 months. If we look at smartphones in isolation, then the number is 86 per cent. Use of smartphones to connect to the Internet is much stronger in younger demographics: 95 per cent of smartphone owners under 40 have accessed the Internet on their phone, compared with 72 per cent of smartphone owners aged 40+.

Of those who have accessed the Internet, a large percentage are using the experience to conduct path to purchase activities. 79 per cent have used their phone to browse for products. 38 per cent have used their phone to find information out about a retailer. 36 per cent have compared prices online while shopping in a store, and 25 per cent had made a purchase on a smartphone or a tablet.

When are consumers using their smartphones? The answer is “virtually all of their waking hours.” The Telstra Smartphone Index showed that almost one in two connected smartphone users (i.e. smartphone users who connect to the Internet) are connected at any particular point in the day. This means that retailers wanting to reach smartphone users do not have to pick a particular time to do so.

Chart 6: Which of these activities have you done in the past 12 months

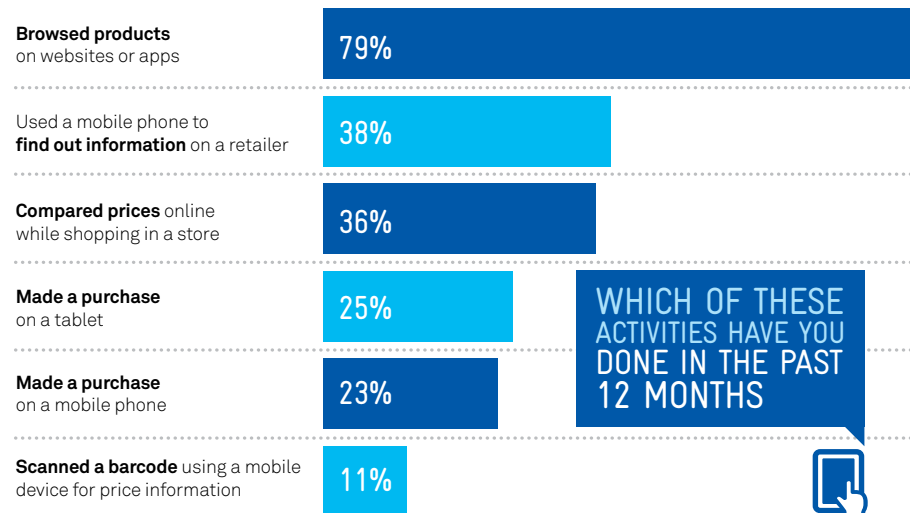
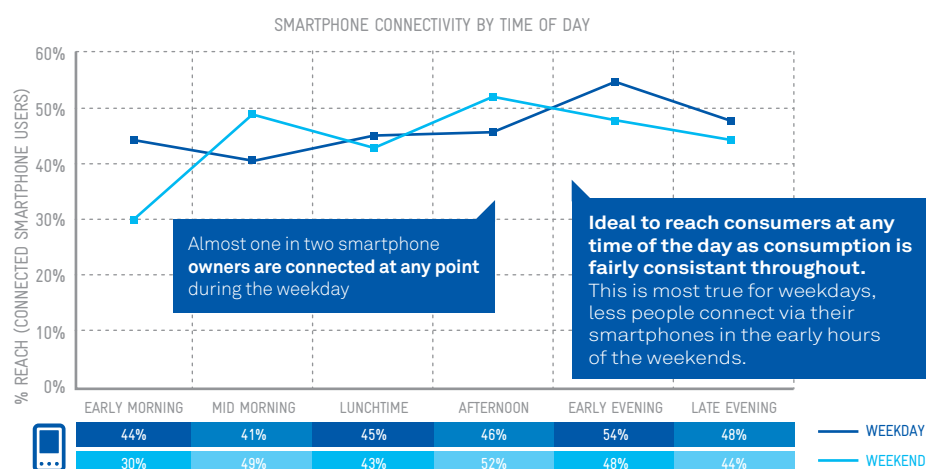


Chart 7: Tablet consumption rises throughout the day and peaks in the evening

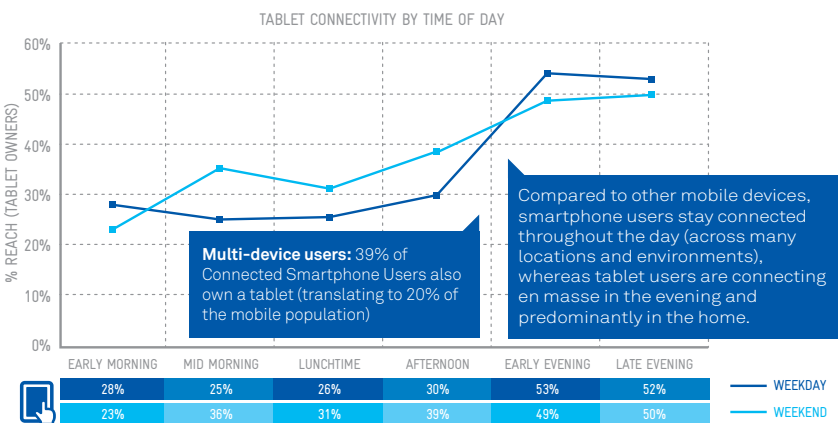


Source: Telstra Media Smartphone index 2012 November 2012 – The Nielsen Company
Base: Connected smartphone users

For tablets, usage patterns are slightly different, with users connecting en masse in the evening (see Chart 8). This opens up interesting cross-promotional opportunities with other media such as TV. According to the Smartphone Index, 39 per cent of connected smartphone users also owned a tablet in 2012.

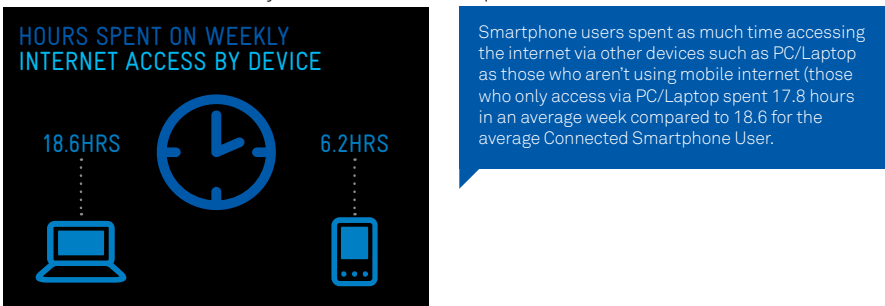
The use of mobile devices to connect to the Internet is incremental to the population's use of the Internet (see Charts 9 and 10). Smartphone users spend as much time accessing the Internet via other devices (such as a PC or laptop) as those who aren't using mobile internet. Those who only access the internet via PC or laptop spend 17.8 hours online in an average week compared with 18.6 hours for the average connected smartphone user.

Chart 8: Tablet consumption rises throughout the day and peaks in the evening



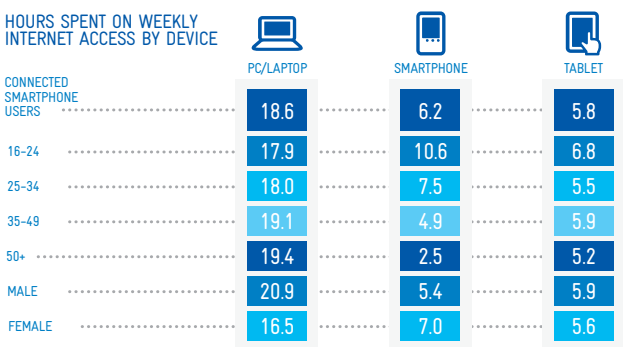
Source: Telstra Media Smartphone index 2012 November 2012 – The Nielsen Company
Base: Connected smartphone users who own/access the internet by the following devices – PC/Laptop and Smartphone

Chart 9: Mobile connectivity has increased time spent online



Source: Telstra Media Smartphone index 2012 November 2012 – The Nielsen Company
Base: Connected smartphone users

Chart 10: Females and young consumers spend the greatest amount of time on smartphones

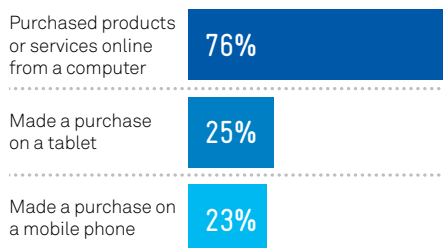


Source: Telstra Media Smartphone index 2012 November 2012 – The Nielsen Company
Base: Connected smartphone users who own/access the internet by the following devices – PC/Laptop and Smartphone

4.3 PURCHASING ON MOBILE DEVICES

Online purchasing is a growing phenomenon. Last year, we reported that the proportion of Australians purchasing online by all methods was 66 per cent. This year, we have broken online shopping down by device and found that purchasing by computer alone is 10 per cent higher than last year's result (now 76 per cent). In addition, significant numbers of consumers (although these could be the same people) are purchasing via their mobile device (see Chart 11).

Chart 11: Which of these activities have you done in the last 12 months?



Base: Online Australians

It is interesting to note that the overall incidence of purchasing via tablet is higher than for smartphones, even though there are double the number of smartphones in the market.

The incidence of purchasing via mobile device varies by category.

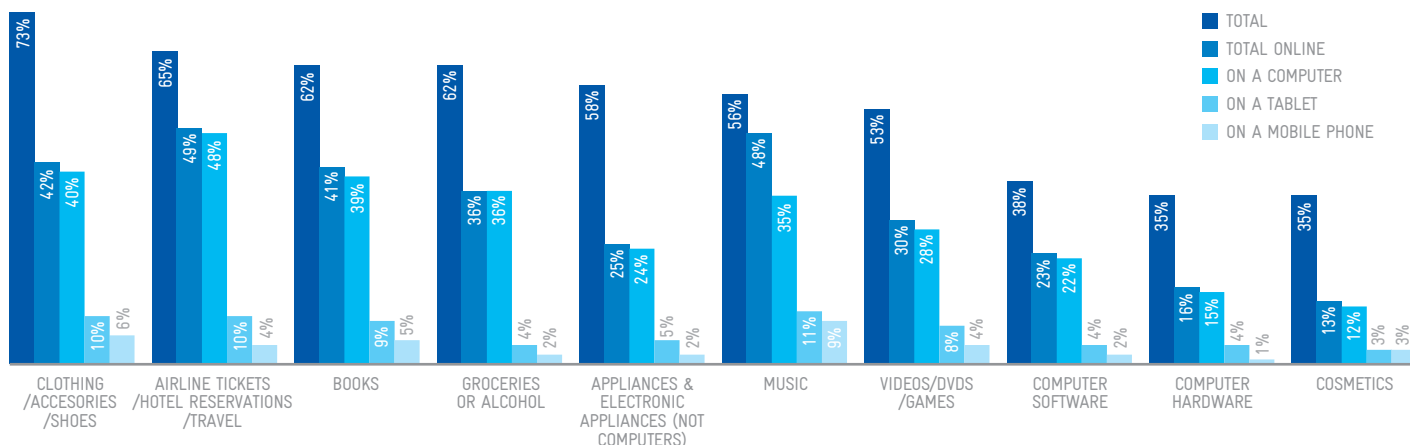
As shown in Chart 12, each category is represented by five columns. The first column shows incidence of purchasing in the category using any method including in a store; the following four columns show the incidence of purchasing in the category online overall, on a computer, tablet and mobile phone respectively. For example, this means that in the Clothing/Accessories/Shoes category, 73 per cent of Australians have made a purchase using any method in the last 12 months. 42 per cent have done so online. Online methods of purchasing are made up of, 40 per cent on a computer, 10 per cent on a tablet and 6 per cent on a mobile phone.

The percentages do not add up because, as we demonstrated in last year's Omnichannel report, most consumers use multiple methods to purchase in the same category i.e. those who buy Clothing/Accessories/Shoes via computer, mobile phone and tablet are also likely to have made purchases in a store.

This chart shows that the incidence of purchasing on mobile devices is more important for some categories than others. The youth orientated and digitally delivered category of Music shows the highest incidence of purchasing on tablets and smartphones with 11 per cent and 9 per cent respectively of Australians having done so in the last 12 months. Next highest in purchase importance for mobile devices are Clothing/Accessories/Shoes, followed by Books and Travel. Least important categories for purchasing on mobile devices are Computer Hardware, Computer Software and Groceries/Alcohol.

The percentage of those purchasing online using a mobile device relative to those purchasing online using a computer also varies between categories. Music is again by far the most important category for online mobile purchasing relative to online computer purchasing, but a similar pattern exists in Cosmetics.

Chart 12: Which of these have you purchased in the last 12 months?



Base: Online Australians

4.0 MOBILITY IN AUSTRALIAN RETAIL – THE CONSUMER VIEW

4.4 MOBILE DEVICE USAGE IN A RETAIL STORE

Chart 13 shows how mobile devices are being used in retail stores. The sample used here is the total population, which means the percentage of smartphone users engaged in these activities will be considerably (about 35 per cent) higher than those shown here.

The key takeout from this is that there are large numbers of shoppers in stores using their mobile devices to shop – whether retailers offer mobile facilities or not. The activities of these shoppers indicate that they are using their mobile devices very close to the point where they are going to make a purchase decision e.g. checking out prices, reading reviews, looking for stock availability information and actually buying. (This highlights the importance for retailers of a social media strategy. See section 5).

The mobile device is highly influential when it comes to making a purchasing decision. Of those who have used their mobile device in a store, 51 per cent say it has changed their purchase decision. There is a strong skew towards men in this activity (see Chart 14).

A smaller percentage have actually paid or collected loyalty points in a retail store using their mobile device (see Charts 15 and 16), but we feel that is indicative of the lack of opportunity to do these things using a mobile device in mainstream Australian retail.

Retailers considering offering mobile payments in their store should be encouraged by the fact that there is very strong willingness by Australians to give it a go (see Chart 17).

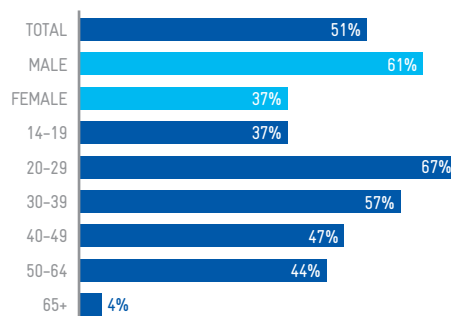
61 per cent are very willing or somewhat willing to pay with their mobile in a store, compared with 36 per cent who would not consider it.

Chart 13: Whilst in a retail store have you ever used a mobile device to:



Chart 14: Has the use of a mobile phone in a store changed your purchase decision in the last 12 months?

GENDER AND AGE



Base: Those that have used a mobile device in a retail store

Chart 15: Have you ever used a mobile phone to pay for goods or services in a retail store?

GENDER AND AGE

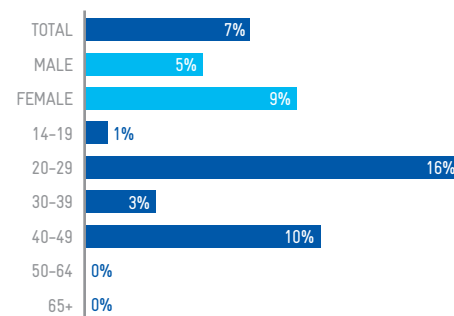
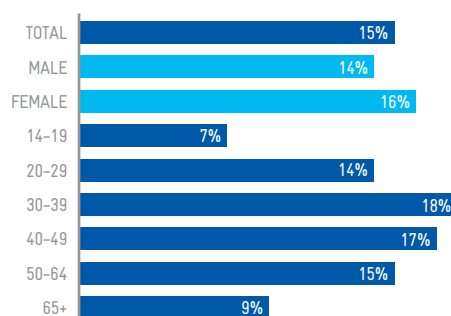


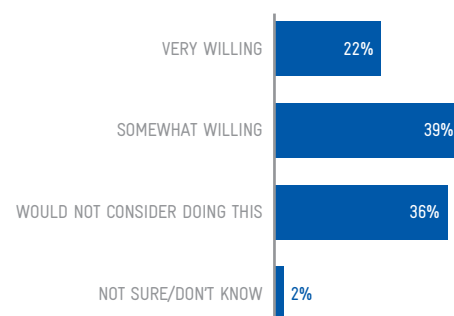
Chart 16: Have you ever used a mobile phone to store loyalty cards, points or coupons?

GENDER AND AGE



Base: Those that have used a mobile device in a retail store

Chart 17: How willing would you be to use your mobile phone to pay for goods or services and store loyalty cards?



4.5 MOBILE SERVICES DESIRED BY SHOPPERS IN RETAIL STORES

When we asked Australians who access the internet what services they would like to see retailers offering in stores, we found that the focus was on the practical services that would help improve the shopping experience.

The service seen as most useful in retail stores is free WiFi. 68 per cent of Australians who access the internet from their phone would find this very useful or quite useful. This is despite the fact that many mobile phone plans include generous data allowances.

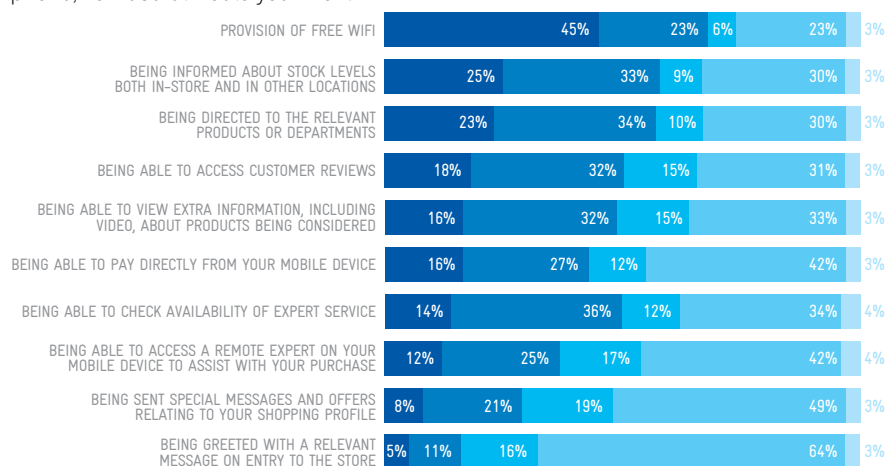
The next most desired services are all to do with improving the shopping experience. Shoppers want to be informed of stock levels, be directed to relevant parts of the store, have access to customer reviews, get extra information on the purchase they are considering and be able to pay from their mobile device.

When it comes to marketing, few people say they want it on their mobile device. This means retailers need to engage with the customers and offer genuinely attractive marketing in order to encourage them to opt in to receive these materials. It is worth getting this right as the evidence is such marketing often works when people do receive it (see Charts 19 and 20).

31 per cent of all respondents have noticed advertising on their mobile or tablet with a skew towards 20-29 year olds and higher income groups.

Of those who have noticed marketing on their mobile device, 17 per cent have made a purchase as a result of that advertising (see Chart 21).

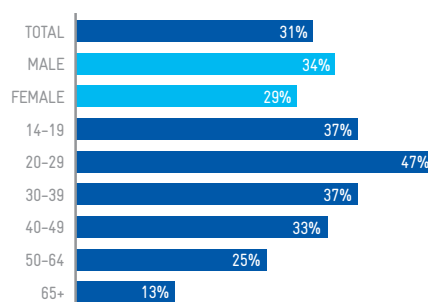
Chart 18: If retailers offered you the ability to access the following services on your mobile phone, how useful would you find it?



Base: Online Australians

Chart 19: Do you notice advertising on your mobile phone or tablet?

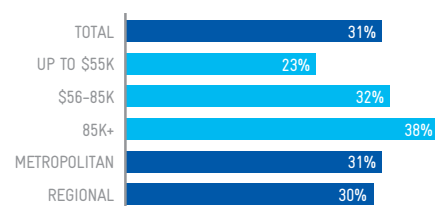
GENDER AND AGE



Base: Online Australians

Chart 20: Do you notice advertising on your mobile phone or tablet?

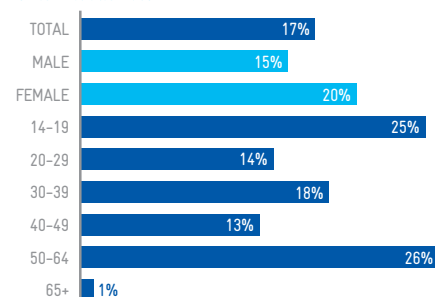
INCOME AND LOCATION



Base: Online Australians

Chart 21: Have you ever made a purchase because of advertising on your mobile phone or tablet?

GENDER AND AGE



Base: Australians that notice advertising on their mobile devices

4.0 MOBILITY IN AUSTRALIAN RETAIL – THE CONSUMER VIEW

4.6 MOBILE DEVICES AND THE PATH TO PURCHASE

Our final question was about how retail purchases are researched. We wanted to see the relative importance of various research methods and how they lead customers on the path to purchase (see Chart 22).

By far the most important research tool for today's shopper is the computer, with 58 per cent reporting it as the method used for initial research into potential purchases. The other methods of research such as going to a store, reading a catalogue or using a mobile device (tablets and smartphone combined) are about equal at 12-13 per cent.










































Even when the computer is not the source of initial research, it is still the most important source of follow-up research for consumers. Catalogues are much less important either as an initial research source or a further research source than might be expected given the resources devoted to them by Australian retailers. Consumers who do their initial research on mobile devices find catalogues particularly irrelevant.

Mobile devices are most important in the path to purchase when consumers do their initial research on them.

When initial research is done on a tablet, it ends in a purchase on a smartphone or tablet 24 per cent of the time, but 29 per cent of the time when the initial research is done on a smartphone. It is also worth noting that in addition to researching and buying, 34 per cent of connected smartphone users have used their device to respond to other forms of advertising like TV, billboard, magazine, radio and online media.

One of the most important features of this chart is that it demonstrates that wherever the path to purchase starts, it still overwhelmingly ends in a retail store.

Chart 22: The path to purchase. "Thinking about your most recent purchase that required research, which of these did you use to research that purchase?"

INITIAL RESEARCH		FURTHER RESEARCH		PURCHASE
 ONLINE 58%		 29%  24%  10%  6%		 54%  41%  2%  1%
 INSTORE 12%		 36%  22%  11%  2%		 90%  7%
 CATALOGUE 12%		 53%  40%  6%  5%		 76%  19%
 TABLET 9%		 54%  40%  15%  13%		 46%  28%  2%  22%
 MOBILE 4%		 39%  23%  14%  8%		 41%  30%  23%  6%

5.0 MOBILITY IN AUSTRALIAN RETAIL – THE RETAILER VIEW

5.1. OUR RESEARCH

The business research consisted of a telephone survey of 263 retail businesses, covering small, medium and large retailers, and conducted in conjunction with the June 2013 Sensis® Business Index. Businesses were drawn from metropolitan and regional areas around Australia. Results were weighted to reflect the business population distribution to ensure that the sample reflects the business population distribution, using the Australian Bureau of Statistics Business Register, as at June 1998. Interviewing was conducted in late April/ May 2013. For the purposes of the following charts, Small to Medium Enterprises (SME) have 0-199 employees while large businesses have 200+ employees.

5.2 MOBILITY AND RETAIL OPERATIONS

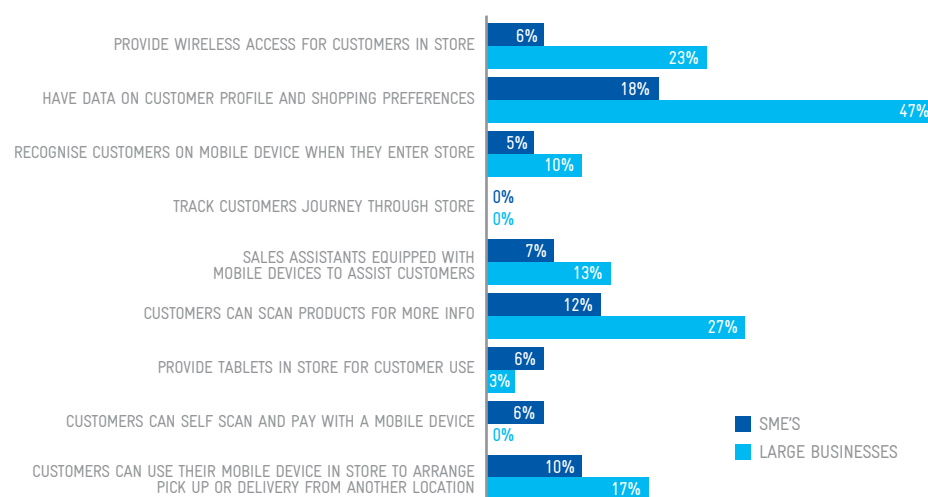
Retailers have the opportunity to interact with their customers' mobile devices on the path to purchase and to use mobile devices to improve productivity in their own operations. Just as mobile devices can be used in every stage of the path to purchase, so too can they be used in every aspect of retail management. Whether for rostering, training, merchandise management, customer service or facilitating transactions, mobile devices can play a part in both improving the customer experience and improving operating efficiency.

Our research shows that some Australian retailers have grasped the potential of the mobile device and are using it to serve their customers better and improve their operations, but for most there is a long way to go.

Free WiFi is the service that mobile-enabled customers would most value if provided by retailers. 68 per cent of Australians would find this either very useful or quite useful (see Chart 15). Our research shows that only 6 per cent of Small to Medium Enterprises (SMEs) and 23 per cent of large businesses have these facilities today (see Chart 23). The next most desired services are those that would allow the mobile device to be used as a shopping tool to improve the shopping experience. 58 per cent of Australians would find information on stock levels either very useful or quite useful (see Chart 18), but only 10 per cent of SMEs and 17 per cent of large businesses provide these facilities. (see Chart 23)

48 per cent would find extra information including video about products being considered either very useful or quite useful (see Chart 15), but only 12 per cent of SMEs and 27 per cent of large businesses provide these facilities. (see Chart 23) 29 per cent of Australians would find being greeted with relevant messages on their mobile either very useful or quite useful (see Chart 15), but only 5 per cent of the SMEs and 10 per cent of the large businesses offer these services (see Chart 23).

Chart 23: Retailers current use of mobile devices



Source: June 2013 Sensis® Business Index
Base: All retail businesses

5.0 MOBILITY IN AUSTRALIAN RETAIL – THE RETAILER VIEW

Perhaps the biggest opportunities for retailers to better serve the mobile-enabled customer lie in store navigation and payments. 57 per cent of Australians would find being directed to relevant products or departments while in a store either very useful or useful, but none of the retailers we surveyed offer these facilities. 62 per cent of Australians would be either very willing or somewhat willing to try paying directly from the mobile, but again only six per cent of the SMEs and none of the large businesses we surveyed currently offer those facilities.

Mobile devices have also started to find their way in to the operational infrastructure of retail businesses (see Chart 24). Seven per cent of SMEs and 13 per cent of large businesses surveyed have equipped their staff with mobile devices so they can assist customers. Of those, 48 per cent of SMEs and 75 per cent of large businesses include stock information on the provided device. In addition, 18 per cent of SMEs and 25 per cent of large businesses allocate tasks to their staff via mobile, whether the device is provided by the retailer or not.

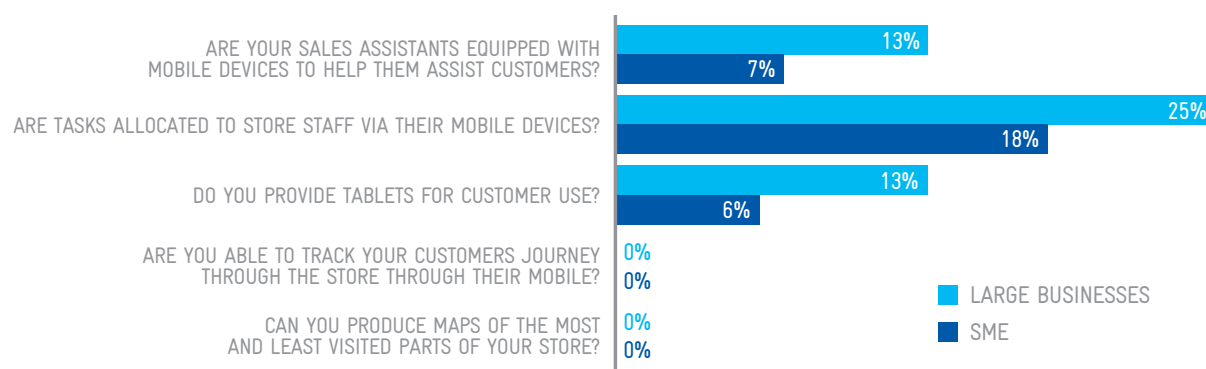
Retailers can use tablets in store to provide customers with product information, expert advice or to place an order when a sales assistant is not available. This improves labour productivity and customer service. Six per cent of SMEs and 13 per cent of large businesses have deployed tablets in this way.

Perhaps the biggest potential benefit to retailers in engaging with their mobile-connected customers is that once customers opt in to a digital relationship with a retailer, their devices are recognised by the retailer, and a rich source of data becomes available. Shopping activities including the physical movements of customers through the store, can be followed in real time, which has benefits for both the retailer and customer. Retailers can alert customers to particularly relevant offers or opportunities as they progress on their path to purchase.

This can even happen as they move around a store or in a shopping mall in close proximity to the store. Retailers can also map the most visited parts of their floor plan by known mobile devices, which can help in optimising store layout and visual merchandising for customers. However, none of the retailers we surveyed are logging and recognising mobile devices to interact with their customers in this way.

This is despite the fact that 18 per cent of SMEs and 47 per cent of large businesses do collect data on customers shopping profiles and preferences from other non-mobile sources.

Chart 24: Use of mobile devices in retail operations



Source: June 2013 Sensis® Business Index
Base: All retail businesses

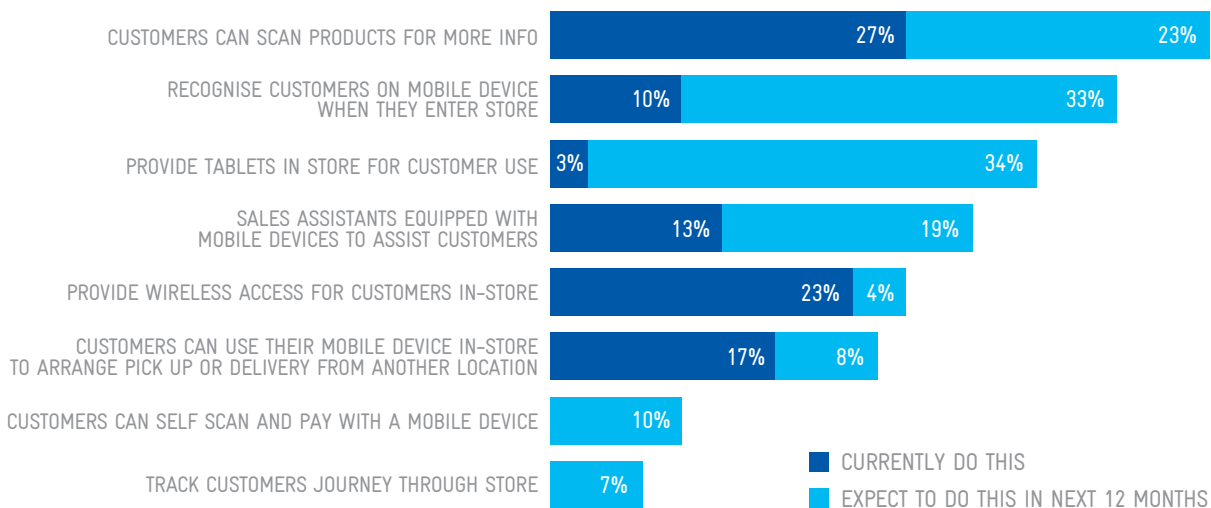
5.3 THE EXPECTATIONS OF LARGE RETAILERS

Large retailers expect to increase their use of mobile devices in their operations in some key areas in the next 12 months (see Chart 25). 34 per cent say they will be adding tablets for customer use. 33 per cent say they plan to be able to recognise a customer device that has a known digital relationship with the retailer, as it enters the store and seven per cent say they will then be following the customer's progress through the store. 23 per cent say they will be providing customers with the facility to scan products to get more information and eight per cent say customers will be able to arrange pick up or delivery from another location using their mobile.

19 per cent say they will be providing mobile devices to sales team members to assist customers and 10 per cent say they expect to allow customers to pay directly from their mobile device.

The most desired service for mobile devices by customers is free WiFi. Only four per cent of large businesses plan to add that facility in the next 12 months.

Chart 25: The expectations of large retailers



Source: June 2013 Sensis® Business Index
Base: All retail businesses

6.0 THE IMPACT OF SOCIAL MEDIA

THE IMPACT OF NEW TECHNOLOGIES ON THE RETAIL SPACE AND THE OPPORTUNITIES THAT THEY PRESENT FOR RETAILERS WHO ADOPT THEM EFFECTIVELY IS WELL ENCAPSULATED IN THE ADOPTION AND USAGE OF SOCIAL MEDIA BY AUSTRALIAN CONSUMERS.

In 2013, the Yellow® Social Media Report found that 65 per cent of online Australians use social media, with 45 per cent of online Australians using it at least daily, up from 36 per cent in 2012. Some 95 per cent of social media users have a Facebook site, and spend, on average, seven hours a week on it, up an hour in the past year.

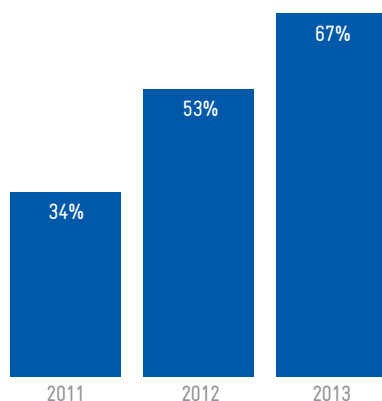
It is important for retailers to note that it is not just the adoption of social media in recent years that is important; it is also the increase in the intensity of usage that will advantage retailers who successfully engage with customers and potential customers via social media. Australians are increasingly using social media to exchange information on retailers and other businesses, to connect and engage with them and to do business with them.

For retailers, **social media has become the digital word of mouth**. On average, Australian social media users have 258 friends and followers but have only seen 47 per cent of them face to face in the past year. Being more likely to interact with someone online indicates that the recommendations and conversations that people now have on social media fill a similar need that word of mouth had in the past. The digital word of mouth can be much faster and louder than conventional word of mouth ever was, amplifying both the good and the bad for retailers.

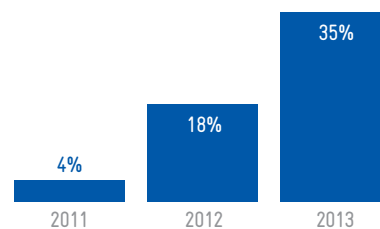
And the reality of this is that although there can be some risks in social media, these can be effectively managed as part of a well-designed social media strategy. Overall, however, the incidence of negative impacts from retailers that have adopted social media is very small, with less than one per cent reporting a negative impact. The positive opportunities are much larger – some 45 per cent of retailers that had adopted social media reported that the impact had been positive on their businesses.

Understanding the overlay of social media usage with mobile device usage is critical for retailers. In 2013, smartphones overtook laptop computers to be the most popular device for accessing social media. Some 67 per cent of social media users access social media on a smartphone, up 14 per cent since last year (see Chart 26). The impact of mobile devices in general is even larger, with 35 per cent of social media users using a tablet, and overall 76 per cent of social media users using some type of mobile device to access sites.

Chart 26: Social media users accessing media on:
SMARTPHONES



TABLETS



Source: Yellow® Social Media Report 2013
Base: use social media (65%)

While there is an inherently “social” aspect to social media, there is also significant business-related usage that provides significant opportunities for retailers. Some 25 per cent of social media users say that they use social media to connect with brands and businesses, and 20 per cent say that they use it to research products and services that they wish to buy, both growing in the past year. Fashion, electrical goods, computers and cosmetics were the types of products most likely to be researched on social media. When asked about the most recent time they had used social media to research a product or service, 23 per cent of consumers conducted their research solely on a mobile device, with a further seven per cent using both mobile devices and computers.

The real impact of social media can be seen in the proportion of instances where research on social media lead to a purchase (see Chart 27). In 2013, some 58 per cent of social media research events resulted in a purchase taking place. This trend has been increasing significantly, up from 40 per cent in 2012 and 36 per cent in 2011.

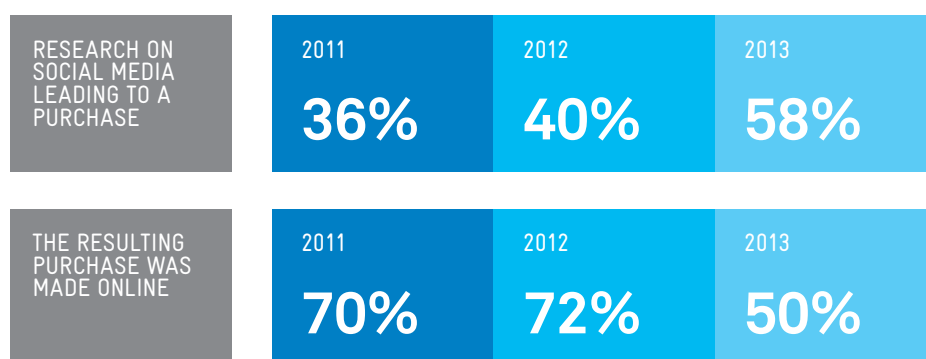
Importantly too, half of the resultant purchases were made online, with the other half being made in a physical store.

Social media is driving purchases in the bricks and mortar world, so the opportunities for bricks and mortar retailers to be part of this space are very appealing.

Also important for retailers is to note that consumers will be talking about their business on social media, regardless of whether the retailer has a presence or not. Some 25 per cent of Australian social media users reported that they provided online ratings, with 19 per cent of those reporting that they provided ratings of retail stores. Almost three-quarters of all social media users reported that they used online reviews or blogs, on average reading four reviews or blogs before making a purchasing decision. By comparison, some 28 per cent of social media users contributed blogs or reviews, with six per cent reporting that they had reviewed or blogged on retail stores.

So the case is compelling for retailers to develop strong strategies incorporating both social media and mobile into their businesses. Consumers have already adopted these technologies strongly, and businesses that have taken the step to connect with them socially on their device of choice are already starting to reap the rewards.

Chart 27: Research on social media leading to a purchase



Source: Yellow® Social Media Report 2013

Base: Australians that used social media to research products and services

7.0 IMPLICATIONS FOR RETAILERS

7.1. THE NEW BUYER-LED RHYTHM OF RETAIL

Our research shows that the rhythm of retail is changing. Retail activity is based around a calendar of events such as Christmas, new seasons, school holidays, Valentine's Day, Mother's Day, and so on. These calendar events don't change much from year to year and won't change in the future, despite what might happen with technology. But while the calendar determines the basic structure of activity for a retail organisation, the rhythm of most retail businesses is driven by the catalogues that support these activities.

The paper-based catalogue that ends up in your letterbox or newspaper consumes an inordinate amount of energy for a retail organisation. The initial brief for the brochure that you receive today probably took place about six or eight weeks ago. For six to 12 weeks before that, the buyers will have been working on deals to make sure their product categories are prominently featured. Finance will be involved to make sure funds are available for these special purchases. Then, once the release date gets close, logistics need to ensure that everything featured in the catalogue is delivered to stores in special quantities to suit the promotion. At store level, displays need to be arranged to a planogram, point of sale material needs changing and staff trained in the key selling points of the new promotion.

It's a lot of work but for what? We have already seen that consumers feel that there are much better ways to research a purchase. On top of that, a paper catalogue is a static document. It can't react to the market. This means that the day a catalogue lands in a letterbox, it is already out of date. Print and distribution deadlines, which may be 10 days before the catalogue release date, mean that some of the offers can be obsolete even before they get to the letterbox.

Catalogues generally do create a sales lift, but only for a short time. For most retailers, three or four days seems to be the average, and a proportion of that lift is due to having new stock, well merchandised, and on display in the store. Three or four days of sales lift seems a poor return on what could be anything up to five months of work to produce the catalogue.

The underlying problem with the paper-based catalogue is that it doesn't match the behaviour of the modern mobile connected customer. Internet-enabled mobile devices have addicted a generation of consumers to immediacy of information, transactions, customer service, and more. In the past, the retailer was in control of when you shopped, what products you could see and when you could get a special price – now it's the consumer who's in control. The mobile connected customer wants to shop anytime, anywhere. We have seen that they will even shop using their mobile device with other retailers when they are in your store. They have found better sources of information than catalogues and those sources are vast and immediate. Retailer activity will always be built around calendar events, but as the mobile connected customer changes the rhythm of retail we need to reassess the ways we promote to them.

7.2 DESIGN A CROSS-PLATFORM CUSTOMER EXPERIENCE

In our 2012 Omnichannel report, we talked about the importance of optimising online assets for mobile devices. As smartphone and tablet adoption increases, it's now essential that retailers recognise the different uses that smartphones and tablets serve on the path to purchase. The smartphone is completely portable and is always with the consumer. However, the screen is small and the keyboard, whether virtual or actual, is even smaller. Smartphones are good for sending customers messages and great for use as an in-store, shopping assistant.

They can be used to scan products to get more information, to get directions to stock or services, as well as to pay for goods if that service is available.

The tablet is better for situations where the customer is sitting down and has more time to consider information. We have already seen that tablet usage peaks in the evening when consumers are likely to be doing other things like watching TV. For retailers, this means the assets optimised for tablets should contain more detailed information – they should take advantage of the bigger screen size and the opportunity to interact with the customer more. There would seem to be a great opportunity to cross promote between tablet-based assets and relevant TV shows.

App development is one of the keys to the success of a retail mobility strategy. Telstra partner, Kony, is the industry's leading mobile and multichannel application platform provider. Kony develops a suite of customisable pre-built apps, the Kony Platform, and a comprehensive mobile application management solution, which give companies the confidence and control to quickly build apps once and deploy everywhere – across all mobile devices and operating systems. Kony Mobile Retail is a suite of secure, internationalised and pre-configured modules with functionality based on best practices in the retail industry. It is configurable, extensible and offers universal integration, allowing you to provide a highly personalised, branded mobile experience for your customers. For a closer look at Kony Mobile Retail in action, visit www.kony.com/retail.



7.0 IMPLICATIONS FOR RETAILERS

7.3 USE MOBILITY TO ENHANCE THE IN-STORE EXPERIENCE

Our research shows that consumers are already using their mobile devices to shop while they are in stores. If you have not built mobility into your in-store experience, then your customer may well be shopping with another retailer altogether. However, there are a number of things retailers can do to ensure that when customers use their mobile in store it is to shop with them.

Free WiFi and customer engagement

Free WiFi is the most desired service in store for mobile by customers. 68 per cent of Australians would find this either very useful or quite useful but our research shows that only six per cent of SMEs and 23 per cent of large businesses have these facilities. We have already talked of some of the informational and marketing benefits of offering a WiFi hotspot, but all of these benefits rely on engaging the customer i.e. getting them to connect and spend time with your app while in your store.

Making the connection with relevant content

So that customers opt in and engage with free WiFi, retailers first need to give their smartphones a reason to get their smartphones out of their pocket. This can be done using compelling messages on digital media screens placed around the store.

Once the customer joins the WiFi network, relevant content is the key to sustaining the engagement. In larger stores, or formats with low face-to-face service levels, a way finder is seen by customers as very valuable. 57 per cent of Australians would find being directed to relevant products or departments either very useful or quite useful, but none of the retailers we surveyed offer these facilities. Our research also shows that shoppers want to be informed of stock levels, have access to customer reviews, get extra information on the purchase they are considering, and be able to pay from their mobile device.

What represents value to customers will vary by retail format. An example of content developed by partner Mandoe Media for a specific retail category is a “smartphone sommelier” for liquor retailers. The “smartphone sommelier” allows the customer to enter their meal choice into the app and have it recommend matching wines from the store.

In some formats, the most engaging thing you could send your customers is promotional or informational video. Through Telstra’s investment and partnership with award winning, online video innovator Ooyala (Frost and Sullivan, Top Customer Value Enhancement 2012), organisations are able to create engaging online video experiences across all types of devices, with features including branded video players, social video sharing and click to buy.

The need for speed – the instant app

When it comes to engaging the customer on their mobile device, you don’t have long to do it. According to Google, the average number of apps per smartphone in Australia is 27. With this many apps to choose from, it’s not always easy for consumers to find the app they need when they need it.

In addition, consumers may have resisted downloading a particular retailer’s app because it required personal information that they are not prepared to distribute widely. Then there is the added time involved in having the app load, signing in, etc. What is likely to be far more effective for retailers is the concept of the “instant app” developed by Telstra partner Mandoe Media. This is an app or suite of apps that appears on the phone the moment the customer joins your store’s free WiFi network.

Instant apps are quick and frictionless in execution for the customer. For the retailer, the instant app makes it much less likely that customers will browse other retailer’s sites while in your store. An additional benefit for customers is that the instant app is anonymous and does not require the submission of personal information to use it. A number of Australian retailers have adopted the concept of the instant app, including Priceline who are currently (2013) rolling out the technology nationally.



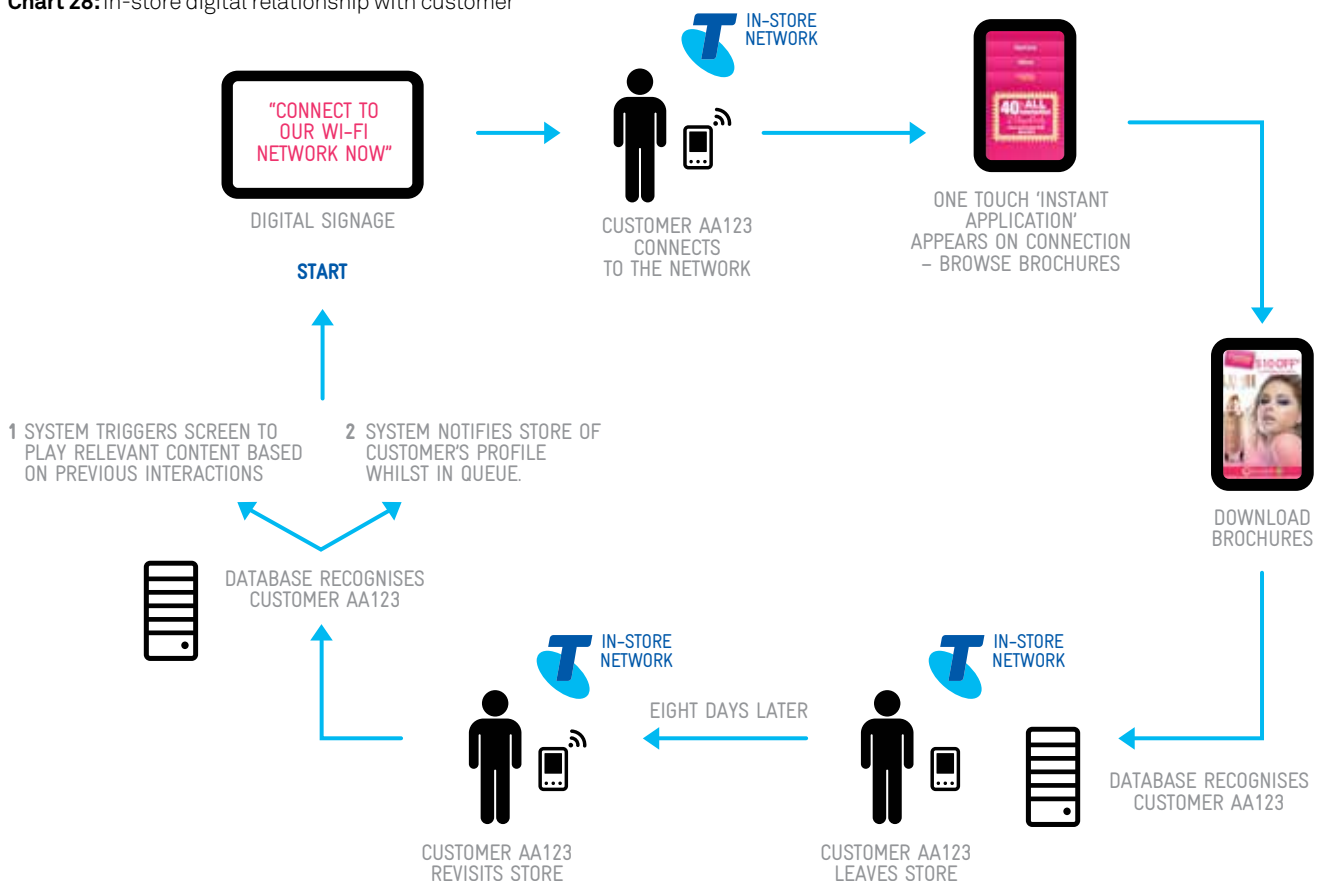
Use the data to improve the shopping experience

Once a customer has chosen to opt in and engage with the mobile content you have provided, you have unlocked the real value of the free WiFi hotspot. The enhanced shopping experience means it is more likely that browsing will result in a sale or that an intended sale becomes augmented with extra items. It is also more likely that customers will feel inclined to opt in to a digital relationship with the retailer.

Once customers reveal themselves to a retailer via their mobile device, it opens the door to a raft of analytics more associated with online retailing than bricks and mortar retailing. With customers' approval, retailers can begin electronically recognising customers as they enter a store, and then build up patterns of visitation for specific customers. By putting all of this information together, retailers can match customer visits with their purchase history and design a shopping experience that is going to be much more valuable to both parties.

The process of customer engagement in store is illustrated in Chart 28.

Chart 28: In-store digital relationship with customer



7.0 IMPLICATIONS FOR RETAILERS

7.4 MANAGE THE MESSAGE

Mobile devices are built to send and receive messages. They can do this whether in a store or outside a store. They send and receive their messages via cells and in addition many smartphones have built-in GPS. This opens up some intriguing possibilities for sending messages to customers.

We have already mentioned the potential for greeting customers as they enter a store and sending them relevant content as they continue their shopping mission. But messaging need not be limited to the walls of the store. Using technology from Telstra partner Whispir, it is possible to send messages to selected groups of customers directly when you have their permission to do so. Whispir's tailored message templates and pre-defined distribution lists allow retailers to send targeted messages simultaneously via SMS, email and voice. Feeds can be taken from one system and used to automatically populate an event with content in another system.

Whispir has obvious applications in marketing communications, but can also be used by retailers in operations to facilitate more efficient rostering, training and swift dissemination of key messages to team members. In an Omnichannel world, Whispir can also make home delivery more effective. By messaging customers on their smartphone at the time a delivery is scheduled, the chances of a successful first time delivery are increased.

7.5 STORE AND ANALYSE THE DATA

Retailers collect a lot of data. Since the introduction of computers into retail in the 1980s, it has been possible to capture data on every transaction made in store at an item level. With the introduction of loyalty schemes like Fly Buys or Everyday Rewards, the amount of data multiplied as retailers were able to link each of these transactions back to an individual shopper. If retailers are successful in meeting their customers' expectations around privacy and are able to get their customers to opt in and engage with the content, the advent of the mobile connected shopper will multiply the amount of data available to retailers yet again. If customers opt in, data can be collected on multiple aspects of a customer's physical shopping behaviour, including their proximity to a store.

As well as being large in quantity, the data collected will not come in evenly. At peak trading times and when promotions are in full swing, much more data will be collected than on quiet trading days. Retailers need to be able to dial up and dial down capacity as required rather than investing in costly fixed infrastructure. This means Cloud computing becomes a viable option.

Telstra Connected Clouds provide access to world-class infrastructure, software, applications and services across Australia's largest communications network. Retail organisations benefit from secure ICT that's up-to-date, as well as simple budget and resource management. You can scale software, servers and storage to meet changing requirements and only pay for what you use, freeing capital to invest in your business. With your solutions securely backed up in the Cloud, your ICT is also far more resilient.

Equally important as storage is the capacity to analyse the data. For the first time, retailers have the capacity to merge real-time data collected from mobile devices with existing CRM databases to create on-the-fly, one-to-one marketing campaigns for their customers. Retailers should choose trusted partners to help them select an appropriate solution for their needs.

7.6 MOBILITY IN RETAIL OPERATIONS

As well as their role in engaging and building the relationship with customers, mobile devices have a role to play in improving the efficiency of retail operations. Here are some examples of how mobile technology can transform retail operations.

Rostering remains one of the most time consuming and frustrating tasks for retail managers, especially in times of peak trade or when the pool of casuals is diminished due to school or university exams.

Whispir have developed a messaging system that allows retailers to automatically message all qualified staff members, in order of preference, to offer them particular shifts. The system will also remember the best way to get messages to individual team members, be that SMS, email or voice, and transmit the message accordingly.

Keeping staff up to date with the latest features and benefits of products and services is always a challenge. At Best Buy in the USA, every product on display has a QR code that is scannable with a smartphone. This is great for customers, but equally good for team members who can teach themselves about products when time permits during the day.

Nobody enjoys queuing. Queues are particularly hard to manage in retail formats where high levels of service are required and transaction times are long. If you are a travel, telecommunications or insurance retailer, it is not unusual for a transaction to take 20 minutes or more. Furthermore, these high service level transactions are usually the type of transaction in which the customer requires your full attention and even the best team members can only serve one at a time. Under these circumstances in peak trading periods, it is inevitable that customers will need to wait for some time before being served. It's also inevitable that from time to time there will be walk-outs. And, as all retailers know, once customers have left your store there is no guarantee that they'll come back.

To reduce queues and improve customer service, some retailers have put the whole Point of Sale System (POS) into a mobile device. This allows team members more opportunity to engage with the customers and, importantly, to give them all the information they need to progress the transaction without having to go back to a static POS counter.

C. Wonder

Take for example, C. Wonder – an innovative chain of women's fashion stores based in New York City. The "C" in C. Wonder stands for Customer, and unsurprisingly, the customer is at the core of C. Wonder's product design and store experience. This focus on the customer led C. Wonder to deploy tablet based POS in their stores. "C. Wonder is applying technology solutions to redefine 21st Century retail, including the unexpected benefit of not waiting in a long line at a traditional cash register. Mobile point of sale frees up associates to assist shoppers at any place in the store where they are inspired to make a purchase," says Mattias Douhan Vice President of IT, C. Wonder.

Auchan

A mobile POS is one thing, but Italian supermarket chain Auchan have used the smartphone to put the POS effectively in the hands of the customer. For some time, Auchan's customers have been able to self-scan items as they put them into the cart using a portable reader provided by the retailer. The readers are then able to communicate with special checkout stations, allowing customers to pay for their groceries without having to take any further action.

As a next step, Auchan wanted to develop a service that would replace the reader device with the customer's own smartphone. Now, whenever the customer enters the superstore, their phone connects to a secure, encrypted wireless network. The customer scans a QR code displayed near the entrance, waits for the "OK" and begins shopping.

The Auchan app won an award at the EuroSYS fair in Düsseldorf as the most innovative element in a shopping experience.

7.0 IMPLICATIONS FOR RETAILERS

T Shop

The Telstra T Shop network consists of over 360 stores in every state and territory of Australia. T Shops sell a full range of Telstra products, from prepaid mobiles, to Pay-TV. Like many retailers in Australia, the management of the T Shops have noticed a change in the rhythm of retail.

Stephen Eyears, Director of Operations for Telstra's Retail Channels says: "We are seeing a rapid globalising of our marketplace. Overseas trends in all facets of retail have been slow to make it into our market place, but that is now picking up pace. I think this is partly due to some of the international brands building a presence in Australia and of course the progressing of online shopping anywhere, anytime".

This has translated to a change in expectations of a retail shopping experience. "I think customers feel better informed about features and benefits, pricing, and your brand. Social media is fuelling this. And we have an explosion of choice, a need for speed with a time poor 'I need it now' mentality. Customers are also more demanding and expect solutions that are tailored to them, not just what we have to sell or the way we want to provide service. None of the trends are bad. They provide us with fantastic opportunities."

When looking for ways to serve customers better and cut down on waiting times, the T Shops turned to mobile devices for the answer. The first implementation involved tablets and an application called "Floor Manager". The "Floor Manager" application takes the customer's details while they are waiting for service and offers to automatically send them an SMS when a team member is available to serve them. This allows customers to get on with the rest of their shopping rather than waste time standing in the store. The system has the added benefit of being able to automatically greet "tech bar" customers who have an appointment.

Andrew Smith, General Manager of Retail Innovation & Efficiency says: "The 'Floor Manager' application allows our staff to be able to understand our customer's needs before we service them, to ensure we're totally prepared and be able to serve our customer's beyond their expectations." But there are also benefits for management in the data collected from the system. "'Floor Manager' enables us to provide world class retail analytics, including sales to service ratios, sales conversion rates, average handling times, service query information, queue management and sales breakdowns," says Smith.

After the success of "Floor Manager," more mobile device-based initiatives are soon to be implemented, including a tablet-based POS program. This will allow customer advisers, and those of Telstra partners, to access all systems and operational tools required to complete the end-to-end customer interaction without leaving the customer's side. It will also allow advisers to explore products and services with the customer, complete the activation, capture the signature and email the receipt and contract. The POS tablets will also be able to communicate with each other, allowing for a warm handover that's not only verbal, but includes the transfer of any content or data that's been discussed.

In the end, it's not about technology for technology's sake. It's about results for the customer and increased efficiency for the retailer: faster service, greater ability to tailor information and comparisons, depending on what the customer is seeking, valuable data, and lower operating costs.



Floor Manager

8.0 CONCLUSION

MOBILE DEVICES ARE THE NEW SHOPPING COMPANIONS OF CHOICE FOR AUSTRALIAN CONSUMERS AND ALSO HAVE A SIGNIFICANT ROLE TO PLAY IN THE EFFICIENCY OF RETAIL OPERATIONS.

Mobile devices such as smartphones and tablets offer retailers the opportunity to serve customers better and make retail operations more efficient. To take advantage of this opportunity, retailers must:

- Start with the customer and understand where mobile devices will be of most value in their particular format. Is it through speeding up the shopping mission, providing extra information on stock availability or providing vouchers for special deals?
- Understand the different roles of the smartphone and tablet on the path to purchase. The smartphone is completely portable and always on hand whereas the tablet is better for communicating rich data to customers when they are sitting down. Different apps need to be developed accordingly.
- All mobile apps need to be relevant to the consumer and work across the plethora of mobile devices and operating systems that are available to consumers.
- Understand that the real value of an in-store WiFi hotspot is in building a digital relationship with the customer. Encouraging customers to join a digital relationship will require a digital media strategy and engaging content. It will also require a frictionless engagement for time-poor shoppers, pointing to the superiority of instant apps for in-store use.
- Develop a mobile messaging strategy for customers outside the store that leverages the mobile device's unique ability to identify its location. With their approval customers can be messaged directly with different calls to action.
- Make sense of the massive amounts of extra data on consumer behaviour that will become available to retailers through mobile devices, and use this data to both improve the shopping experience for customers and lower cost of retail operations.
- Recognise the vital role of social media, particularly on mobile devices, in facilitating digital word of mouth conversations. Social media can influence every stage on the path to purchase.
- Use every opportunity to incorporate mobile devices into operational infrastructure to improve information flow to team members, improve transaction times for customers and reduce operational costs.



Hand Held POS

9.0 ABOUT THE AUTHORS



Gareth Jude

Gareth was born in the UK and educated in the UK, USA and Australia. He has spent over 20 years in a variety of senior sales, marketing and general management roles including two years as CEO of an Australian sporting goods retailer and seven years in the DSE division of Woolworth's, responsible for group-wide merchandise management, marketing and store planning. In addition Gareth has spent a number of years consulting to retailers, as well as lecturing in retail at Sydney, Macquarie and Shanghai Jiao Tong Universities.

In 2011 Gareth was appointed Retail Industry Executive in Telstra's Industry Development team.

Gareth holds a Master's degree in management from University of Technology, Sydney.



Christena Singh

Christena Singh joined Sensis in 2003 as the author of the Sensis® Business Index and the Sensis® e-Business Report, and has been writing the Yellow™ Social Media Report since its inception in 2011. As well as authoring and providing media commentary on Sensis' major public economic and technology reports, Christena is also passionate about communicating the success of Australian small and medium businesses, and how the adoption of technology has helped them grow. Prior to joining Sensis, Christena worked for the Federal Government on small business policy and its role in the Australian economy.

The Sensis® Business Index is the flagship of Sensis' SME research program. Since its inception in 1993, the Sensis® Business Index has been one of the most extensive and comprehensive surveys of small businesses, with its findings regularly reported in the media and quoted in parliaments across the nation.

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IT'S HOW
WE CONNECT

