

Executive Summary

“Consumers are now buying more and more via mobile devices.” We’ve all heard this claim, and others about the potential of mobile to enhance consumer experience around the store. But small and medium-sized retailers, in particular, often have their doubts about whether mobile is relevant to their particular consumers. They also worry that, if mobile does prove to be relevant, they will face the major expense of replacing their large-scale e-commerce platforms.

A new approach addresses both of these concerns. It dramatically reduces the investment required to add advanced mobile capabilities by reusing components from existing e-commerce platforms. This same approach also makes it easy and affordable to put together a proof of concept (POC), so that retailers can test their ideas on their own consumers and in their own environment before they go ahead.

The mobile trend

Consumers’ rapid uptake of mobile devices is an old story, but the scale of the impact on consumer products and retail businesses is still news: mobile is now making a major contribution to their online trade. Research by IMRG and Capgemini¹ has separated mobile sales from overall retail sales for the first time. The research shows that since Q1 2011, while total online retail has averaged around 15% growth, figures excluding mobile have seen a steady decline, flatlining in Q2 2013. The same research also reveals that 23% of all online retail sales in Q2 2013 came from mobile devices.

As more and more fingers tap smartphone screens, mobile becomes an increasingly significant channel for doing business. Consumers want to transact business via mobile devices – and when they do, they expect a mobile experience that’s consistent with other channels.

For retailers, mobile offers opportunities to enhance the shopping experience. A mobile device provides location and contextual information that can create a more relevant experience – especially in store – and significantly increase the chances of purchase. For example, it’s already possible for a smartphone to present a boarding pass automatically at an airport departure gate; similarly, a supermarket could (with permission) present wine offers as the shopper passes the wine aisle.

Why retailers are hesitant

It looks good on paper – so what are retailers waiting for?

A common reason for hesitation is the size of investment that seems likely to be involved. Many retailers have already spent £5m or more on an e-commerce platform, and don’t have the budget for another such project. Retail and consumer products companies expected to spend an average of only 1.5% and 2% of their revenues respectively on IT (including operating expenses) during 2013² – that’s around £15m for a retailer turning over £1bn. (By contrast, banks and other financial institutions expected to spend 6.8% of their revenues on IT.)

Another reason some retailers are hesitant is that they know the uptake of mobile technology varies between demographic groups, and wonder how important the trend is for their particular consumers and environment. If your market is mainly middle-aged or older, for example, you may have reservations.

It’s no wonder that the retail and consumer goods sectors are reluctant to embark on major new technology investments, particularly with incomplete information about the payback. The good news is that it is now possible to create a rich mobile consumer experience for relatively little outlay by building on existing e-commerce investments.

Cutting the cost of mobile development

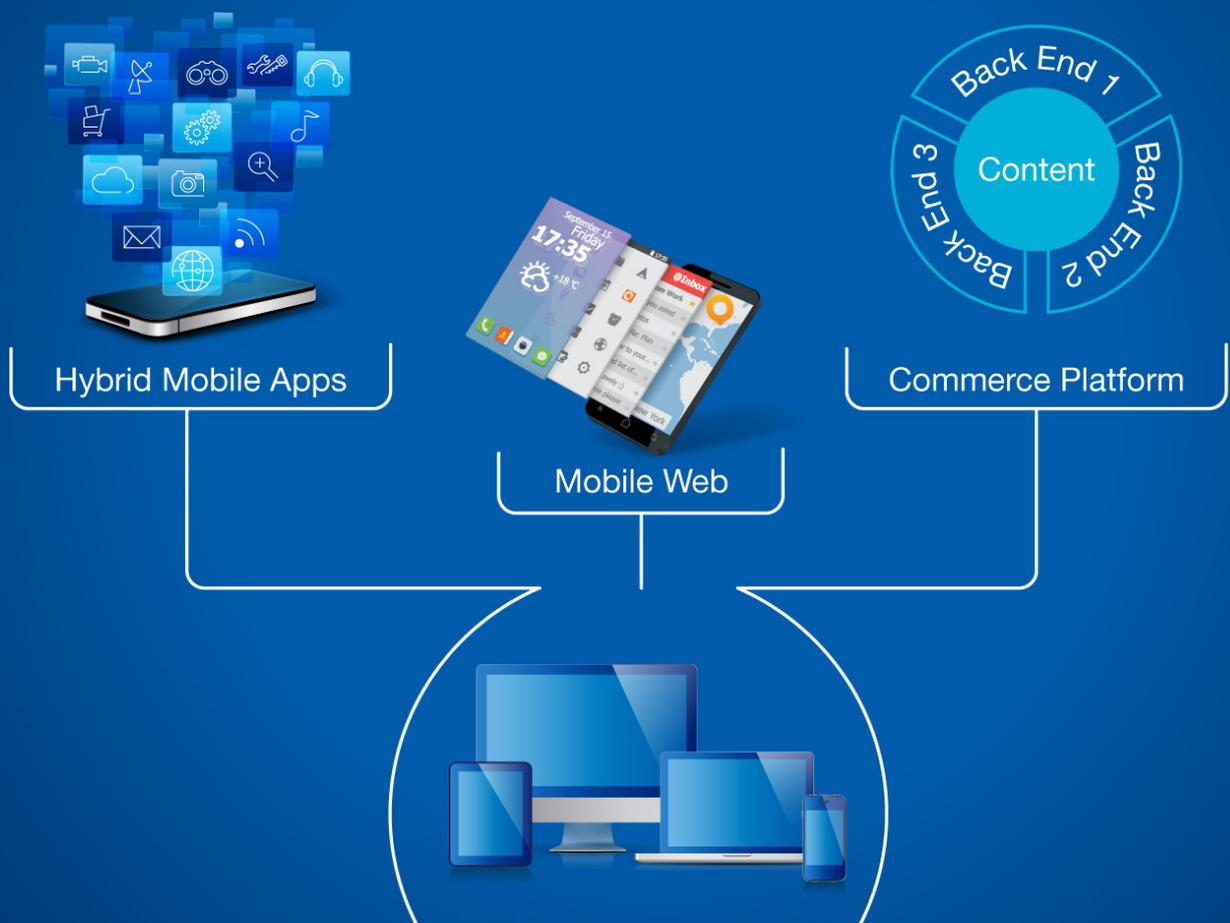
New tools make it possible to reuse web components from your existing e-commerce platform to produce “hybrid” mobile applications (see panel). These sophisticated applications can cost just a few hundred thousand pounds, as opposed to the millions typically required to build e-commerce platforms – and you can be live in as little as three months.

¹ IMRG and Capgemini, Tipping point reached in e-retail, as mobile now accounts for all online growth, September 2013

² Gartner IT Key Metrics Data, February 2013

With hybrid mobile applications, a rich mobile consumer experience becomes affordable

Consumers transacting via mobile devices usually use either a mobile-optimised website or a mobile application, as shown in the diagram. Until recently, these options were associated with two separate disciplines: mobile-optimised websites were developed on e-commerce platforms, whereas mobile applications were generally developed separately by agencies using specialist mobile platform tools. This disintegrated approach leads to inconsistent consumer experience between the channels available to the consumers and also increases costs in terms of development and operations of the applications.



Now, the barrier between mobile-optimised websites and mobile apps is breaking down. Leading technology vendors have introduced tools that make it possible to reuse components from existing e-commerce platforms to build so-called hybrid mobile applications. These provide a consistent mobile consumer experience without the cost of "traditional" mobile applications. Facilities can include geo-fencing solutions that send targeted offers, assisted store navigation, mobile payments in-store and content-based brand sites.

There are other benefits too: the development and maintenance process is simpler than for a traditional application, it's easier to make experience consistent across channels, and you increase the return on your existing investment in e-commerce.

Evaluating the proposed solution with minimal cost and risk

Even though this approach is relatively inexpensive, you won't want to deploy a full-scale solution without first testing your ideas in your own environment and with your own consumers. Numbers on a business case spreadsheet can't tell you whether your particular consumers will actually use a given capability.

The approach described above can be used to build a quick POC that can be deployed in-store as a pilot and used to explore the impact of proposed mobile capabilities on consumer experience. You'll learn whether your consumers like the application, and how they use it. The feedback you'll get will help you tailor the solution to your audience if you decide to go ahead.

The investment required for a POC like this is quite modest. A typical POC, say a clienteling³ solution, can be developed and deployed in eight to twelve weeks.

The approach in action

Travel company. For this client, we prototyped a hybrid application, reusing components of the existing e-commerce platform to provide mobile capabilities, and thereby achieving a consistent consumer experience across channels. The company subsequently decided to redevelop all of its consumer mobile applications using the same approach.

Fashion retailer. In eight weeks, we built a POC to enable this retailer to test the consumer experience provided by a mobile-based clienteling solution, on its own consumers at its own stores. The client has subsequently deployed the solution live in a flagship store. It has also embarked on a wider digital transformation programme, having established that the investment will produce a worthwhile payback.

³ Clienteling can be defined as an interactive and engaging method of selling to customers at stores using digital devices.

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