

Why Retailers Need an In-Store Mobile Strategy



AN INTERVIEW WITH:

Dave Sikora
Founder and CEO, Digby
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Digby is a provider of mobile commerce and marketing solutions for retailers. The company specializes in creating Web-based and on-device storefronts. David Sikora founded Digby in 2006 to facilitate the convergence of mobility and e-commerce. A veteran software marketer, Sikora has spent 25 years as CEO of several public and venture-backed private companies, including Pervasive Software, Question Technologies, Ventix Systems and Forefront Group. He spoke with eMarketer's Tobi Elkin about how retailers can leverage in-store mobile as more consumers shop in physical retail stores with their smartphones.

eMarketer: How can smartphones improve consumers' in-store shopping experience?

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Dave Sikora: Our premise is that retailers have three channels: catalogue, the physical store front and their Website. We believe that mobile is not only the fourth channel, it’s a unique channel in and of itself that unifies the other three. There are some really interesting opportunities, particularly in-store. The retailer is creating a more engaging experience in many ways that really

demands the use of the phone or mobile device.

Take the scanner. Consumers can shop in the store, use their phone to scan a QR code or a barcode and get more product information. When they do that, the retailer might offer a promotion for the product scanned. Consumers can add scanned products to a wish list or registry, that kind of thing. Going forward, I think we'll see more and more use of these types of bridge apps that retailers develop or hire someone to develop that are specifically designed to engage people in the store and have nothing to do with the retailer's Website. These are things that aren't even done on the Website. Retailers can also offer limited time promotions on various products

eMarketer: How can retailers keep people in the store engaging with their app versus price-comparison apps?

Sikora: That's a great question. There are really two kinds of apps. There's an app that's designed for the consumer where there's no brand affinity whatsoever. It's more of a price-comparison tool and you might use that. Retailers care that you have it but they want certain capabilities in their own app. They want their own app. In the context of that app, retailers can create an engaging experience and take the opportunity to keep you in the store.

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For example, say you have an app on your iPhone or BlackBerry, and there's a command on the app to check into the store. I check into the store, and now the retailer has created a branding event. By pressing that button, we've taken the logo of that retailer and posted it to various social media networks. And the screen will say, “Dave has now checked into xyz retailer.”

Simultaneously, I sent a message to the retailer so now they have a merchandising opportunity while the consumer is in the store. It's entirely up to the retailer what they want to do with it. They know they have you in the store so they can interact with you, send a text message, an e-mail or an alert within the app. For example, the alert might notify a consumer that if they purchase a particular product, they can get 50% off a related product.

Or they can think of it as a CRM [customer relationship marketing] integration. So, for instance, it can be used to thank a high-affinity customer for having the app on their device. It can thank them for checking into the store and offer a discount based on the consumer's purchase history. The retailer can analyze the consumer's past 12 months of purchases, frequency of store visits, average purchase value and determine how you spend per year. The retailer can offer as much as 15% off for a limited period of time, say an hour, if the shopper exceeds their average monthly basket size in that store visit.

eMarketer: What's the difference between apps like Shopkick and the kind of service Digby is working on?

Sikora: Our view is that if you're a retailer, you're going to have your own branded app. It's like your affinity card. Like a frequent-user card. It's multidimensional and allows you to check into stores and accumulate rewards

points and time-sensitive discounts. You can use the scanner to obtain more product information, but it emanates from your branded application.

eMarketer: If national retailers have their own apps, should they integrate them with apps from the Shopkicks of the world or other service providers?

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Sikora: We learned early on that there are two kinds of use cases in mobile. There’s the consumer-branded application, like a Shopssavvy or a Shopkick, and they have retail partners. But if you’re a retailer, what you really want is to have your logo on the deck of the consumer’s device. It’s our view that many of the functions within these individual apps will also be a part of the retailer-branded application.

If I’m a retailer, how do I know whether I should do store check-ins through Gowalla, Foursquare or Shopkick? What I do know is if the functions are in my app, I know exactly what’s going on and I can control it.

eMarketer: But there are so many apps now and people don’t necessarily have the bandwidth or inclination to download dozens of apps, let alone use them. Is it realistic to think that a consumer will download to their mobile device and actually use dozens of retailers’ apps?

Sikora: Why not? If you’re a retailer, you want to be directly involved with high-affinity customers, the top 5% or 10%. When they answer their phone or text you want them to see your logo in the corner of their eye, right? And you want to engage these customers. If you’re a top Best Buy customer and spending \$5,000 a year with Best Buy, I want to get that average annual purchase value up by engaging with you via my mobile app.

eMarketer: If you want to attract new customers or people who don’t really shop with you all that often, what’s the best way to use mobile in-store?

Sikora: Retailers should participate in whatever innovation might be happening out there. At the same time, don’t let that distract you from having your own mobile channel strategy that has your app all over it.

eMarketer: If retailers know the average time a person spends in their store, they can devise in-store mobile promotions to keep them for a little bit longer, right?

Sikora: When someone checks into the store with the app, retailers know what time they arrive and can offer 100 extra rewards points toward a discount or future purchase if the person browses a little longer or makes a specific purchase. If I’m a national retailer, I sell thousands of manufacturer-branded products, and having access to my customers’ purchase history within the app is the kind of proprietary information I want. The app becomes my own kind of

private in-store ad network.

eMarketer: What does a retailer do to lower the threat of consumers coming into the stores and using their smartphones to comparison shop? How retailers use an in-store mobile strategy to lower that threat?

Sikora: You have to have an in-store mobile strategy that's application-based. You have to have a mobile strategy that provides significant value over and above what people can do just by walking into your store and doing a price check. It's easy to go into Best Buy, pull out your phone and do comparison-shopping on Amazon. That's a threat.

But if I'm a retailer, I've got to find ways to negate this and provide value over and above buying on price. Maybe I decide to add video or Wi-Fi in my stores and I'll have video feeds around certain products. Or maybe I'll add real-time collaboration directly from the phone so that if customers are looking at a specific product and have questions, they can get answers from someone who's not even in the store. There are lots of possibilities.

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We tell retailers they don't want to become Amazon's off-balance-sheet showroom. Mobile can, to some extent, be the revenge of the physical retailers, because they have the investments in these stores, they have people coming into the stores and knowledge of those customers. They have some tremendous new ways of creating affinity with these folks. A lot of the retailers we're talking with view in-store mobile as a significant differentiation opportunity.

eMarketer: Are there other sorts of consumer behaviors that you've noticed in terms of cross-channel shopping? People have multiple channels from which experience and purchase products and services.

Sikora: Smartphones have reached a critical mass, and there's an expectation among consumers that they'll be able to engage with retailers in more than one way, shape or form. More and more people expect this. It's becoming more and more of an imperative.

eMarketer: What innovations do you see in this space in terms of in-store mobile shopping?

Sikora: You'll see a whole new ecosystem of use cases developed around location-based and in-store utilization of mobile devices empowering customers in the store. The use cases will illustrate how in-store mobile can facilitate rewards, engagement and sales. It's about showing retailers how they can leverage the investment they have in bricks and mortar. Retailers need a mobile strategy and an in-store mobile strategy, otherwise they risk becoming someone else's showroom.

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eMarketer: How might Apple’s new iPad change or enhance this form of cross-channel shopping?

Sikora: Our basic view is that the Web is not really designed for the iPad. It fits somewhere between the Web and the iPhone. While iPhone apps work on the iPad, the iPhone mode on there looks kind of silly. The iPad’s screen size is not designed for people who are walking around. The ideal use case for an iPad is to have someone seated and 100% engaged in the screen. There are going to be new opportunities created by the iPad, but it’s not the Web or the iPhone. The use case for an iPad is you’ve got a butt in a seat and the person using the iPad is engaged—100% focused on that device.

eMarketer: Your advice then to national retailers is that if they don’t have a branded app that they should create one soon.

Sikora: They must. And then they have to have an in-store mobile strategy. Otherwise they risk becoming someone else’s showroom. We want to empower retailers to extend their brand to mobile devices and platforms.