

Retailers ready to capitalize on smart phones' surge

October 7 2010, By Maria Halkias

Millions of people no longer head home to sign on to the Internet to shop. And that number is growing as fast as iPhone, Android and BlackBerry mobile devices can be stocked in stores.

One in three mobile phones in the hands of American shoppers this [holiday shopping](#) season will be [smart phones](#) that empower -- and entice -- consumers in real time.

Last year, more than 60 million Americans were mobile Web users, up 33 percent from 2008, according to Nielsen. This holiday season, Nielsen predicts one-third of all mobile phones in use will be smart phones, up from 21 percent a year ago.

Consumers expect those little screens to deliver. They want [mobile applications](#) to mimic the best of their favorite store websites and to deliver strangers' quality ratings that they've come to rely on for advice in buying everything from a set of sheets to a hotel room.

If an item isn't on the rack, customers want to see what else is available -- a la the "people who bought this also bought" feature made popular by online retailers like Amazon.com. They want to comparison-shop without leaving the store. They want to know if an item is available at a different store. And, by the way, is it on sale?

The repercussions for both shoppers and retailers are enormous, said experts and technology vendors gathered at in Dallas last week for

Shop.org's annual summit of e-commerce companies. Shop.org is the digital division of the National Retail Federation.

Retailers can no longer strategize independently for their stores, websites and mobile shopping channels, said Mitch Joel, author of "Six Pixels of Separation" and president of Twist Image.

"It's all connected. People expect it, and it's not going away.

"Ten years ago, it was search engines. We know the trajectory and where it's going. Consumers are no longer thinking they have to go home to the Internet," said Joel, a keynote speaker at the event, which more than 3,000 people attended.

Heather J. Brunner, chief operating officer of Austin, Texas-based Bazaarvoice, said a phone is "just a mini-computer, and our challenge now is to transfer the Internet experience to a much smaller screen."

Her social media company develops and operates technology for online customer ratings and reviews. "We know that 80 percent of shoppers are looking at this content and now want it on their phones," she said.

So far, Bazaarvoice has pushed customer-generated reviews onto mobile apps for Best Buy, Home Depot, Macy's and QVC, she said.

There are other changes in store for shoppers.

San Francisco-based RichRelevance created an enhanced [iPhone](#) app for outdoor apparel retailer Patagonia that will change the way people shop for gifts, said David Selinger, the company's founder and chief executive.

"We'll expose relevant inventory that's not in the stores," said the former

head of research and development for Amazon.com.

When a shopper is browsing the app for a jacket or sweater, recommendations of similar items in other price ranges will scroll across the bottom of the screen. In the store, the app reads the bar code on the tag and offers an expanded selection. And if a customer is signed on to his Patagonia account, the app will automatically remind him what he searched for in the past from that category.

Second-generation bar codes are showing up in stores planning more smart phone capabilities, said Matthew Valleskey, director of marketing for Neustar. The Virginia-based company is the registry for five- and six-digit numbers that consumers use to vote for American Idol contestants or for opting in to receive text message coupons.

"You're going to see more shoppers using their phones in stores to do comparative shopping," he said.

Neustar is working on standardizing the new bar codes, which are square instead of rectangular. Those require smart phones but also provide richer content, he said.

Plano, Texas-based J.C. Penney Co. is converting many of its tags, Valleskey said. A spokeswoman said Penney isn't ready to discuss its mobile efforts for this holiday season. Mattress maker Simmons has added a second-generation bar code to mattresses in J.C. Penney stores. Smart phones read the tag and generate information and videos to help customers select from its Beautyrest line.

Darren MacDonald, chief executive of Pronto, a company owned by New York-based IAC, which also owns Dallas-based Match.com, is preparing a mobile app that generates product price alerts.

"It's a filter for as many products as you want to track, and when one goes on sale, we alert you," he said.

The iPhone-app generation "has higher expectations than what's on a website," Selinger said.

Privacy issues still have to be worked out to push mobile coupons onto shoppers' phones as they enter a store, he said. "I think we'll see some of that this year, not a lot."

And while checkout from the phone is now possible on Amazon.com and other sites that store personal information on the Web, using a smart phone as a checkout from any brick-and-mortar store is still in the future.

Boston-based AisleBuyer is working on an app that will take the place of a self-checkout station.

"It costs retailers \$150,000 to install the hardware for a self-checkout station, and it takes up a lot of square footage," said Andrew Paradise, chief executive of the company, one of 10 selected by PepsiCo to be part of an incubator program for its brands.

The app uses an existing cash register to print an electronically generated receipt, he said.

"We've built that leap from a bar code to e-commerce," Paradise said. His company is planning a test at a national retailer that he couldn't disclose.

The industry is getting ready for the consumer, experts said. Nielsen predicts smart phones will account for more than 50 percent of the market next year.

Some consumers will complain that mobile shopping isn't as fast as the Internet, as they did earlier with online shopping via computer. This time, Joel said, "the industry is plotting to move faster."

SHOPPING BY SMART PHONE:

Fifty-nine online retailers were asked what kind of information and alerts they offered through mobile apps or websites this spring and what they planned to offer by the end of the year:

- Product and price information: 42 percent in April; 36 percent by year's end
- Store information (hours, directions) : 31 percent in April; 31 percent by year's end
- Customer ratings, reviews: 25 percent in April; 44 percent by year's end
- Coupons: 20 percent in April; 31 percent by year's end
- Real-time coupons while customer is in store: 2 percent in April; 12 percent by year's end
- Alerts for in-store events, specials or sales: 20 percent in April; 31 percent by year's end
- In-store maps: 12 percent in April; 19 percent by year's end
- In-store product availability: 9 percent in April; 17 percent by year's end

- Easy payment options: 2 percent in April; 24 percent by year's end
- Access to loyalty program while shopping: 5 percent in April; 19 percent by year's end

SOURCE: Shop.org

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