





MAKE MOBILE WORK 4 U



Less of a choice and more like a mandate these days, mobile apps, loyalty and payment options are infiltrating your stores. Here's how to do it right.

BY JERRY SOVERINSKY





Way back in 2001, bursting with financial confidence

from an unexpected \$2,000 windfall, I called a stockbroker friend, asking him about stock prospects. “What about Apple, it’s trading at under 20 bucks?”

“Apple?” he laughed patronizingly. “It’s a Windows world,” he said, steering me instead to invest in a company that manufactured VCRs. It was October 22. I remember the date because the next day — the very next day! — Apple launched its first generation iPod.

You can guess the rest of the story: My VCR stock plummeted within a few months. And today, Apple (APPL) is trading at \$502.

It’s a classic woulda, coulda, shoulda story. Everyone has one. And most seem to involve technology. (Though my father-in-law’s involves a 1949 chance encounter along the Atlantic City boardwalk with Dinah Shore. “Damn brunch obligations with cousins,” he laments 63 years later.)

But for every Apple success story, there are dozens more Boo.com, GeoCities.com and Pets.com failures that make venturing into the tech space worrisome. Which is why, as mobile technologies gain acceptance in the marketplace, retailers are treading lightly, taking a wait-and-see approach or partnering with established brands that provide turnkey, if somewhat uniform solutions.

But the time to invest is now, say retailers and tech experts who have committed to the mobile space, pointing to a proliferation of nifty technologies and growing consumer acceptance.

The Case for Mobile

There’s hardly a print, web or broadcast promotion today that isn’t accompanied by a Twitter, Facebook, YouTube, QR code or other invitation to connect digitally. The interactive opportunities are prevalent, and for retailers looking to engage their customers, the investment in mobile is logical. Which

is precisely why Tonawanda, New York-based NOCO Express recently launched a mobile app, one that allows users to find nearby stores, register for promotional alerts, discover in-store promotions and send feedback about their store experience.

“[T]his will be the platform that new consumers will be looking to for purchasing and communications solutions,” explained NOCO Express Executive Vice President Michael Newman. “If we are not there, [then] in that world, we will not be able to compete.”

But adopting mobile commerce ensures far more than keeping pace with consumer preferences, explains Dekkers Davidson, head of mobile commerce business at Barclaycard U.S. It also allows retailers to fundamentally redefine the customer relationship, not just joining the conversation but directing its course.

“What’s very exciting if you’re a [c-store] retailer...mobile technology creates an opportunity to bring buyers and sellers closer together, and it gives sellers better control of that relationship,” Davidson said.

Citing mobile’s payment and location-based marketing capabilities, Davidson said mobile commerce is ideally suited to convenience retailing, an industry predicated on delivering speed-



MOBILE FACT

Thirty-three percent of smartphone owners have browsed for products via their devices but have not made purchases because of security concerns, according to Market Strategies.

of-service and immediate consumption. “For c-stores that have a high frequency of store visits and relatively low transaction value, it’s an ideal environment for mobile,” he said. “Mobile has a particularly helpful place to improve the marketing relationship and the shopping experience, [speeding] the process of payment and improving the way they are in touch with their customers.”

Especially as customers typically favor specific convenience stores based on location, mobile allows retailers to customize promotions and stimulate sales. “If you want to run some kind of program to get people to return frequently, you can do that,” Davidson said. “Mobile is all about personal marketing and improving the store experience.”

Isn't the Web Enough?

For those already invested in a costly corporate website, the question naturally arises: Isn't that good enough, especially as smartphones enable web connectivity?

Not really, said GasBuddy OpenStore's co-founder and CEO Jason Toews. “Websites don't prompt revisits...they change very little over time,” he said, adding that even when sites add content frequently, navigating the web is far clunkier than when using a dedicated smartphone app, whose function is dedicated to the shopping experience.

A scaled-down, mobile website is also an option, but that, too, falls short of the mobile app experience for consumers.

“[A mobile website] is better than nothing but not as sticky as an app,” Toews said. With an appealing app, “any time you load up your phone, you'll see that app...and coupons/deals

that pop up on the screen. People want to access information on the go and they want it convenient. The more convenient and enticing you make it, [the more] people will use it.”

First Steps

Recognizing the value of mobile commerce, the question then becomes one of direction, for one is indeed spoiled by choice. “[For mobile payments alone], there are more than 80 wallet options, either in development or pilot in the U.S.,” said Ben Love, vice president of mobile strategy for Cincinnati-based Vantiv LLC, a payment processing provider. “And by the end of the



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According to a Harris Interactive survey, 1 out of 3 people who receive mobile alerts are driven to a store; 27% of those make a purchase.

year, there could be 500, it depends on natural market behaviors.”

Navigating the field can be confusing, and Davidson recommends defining your needs before settling on a solution. “[Retailers] need to make sure m-commerce works for them,” he said. “Therefore, the first thing to do is define what business problem you are trying to solve. Is it to get more customers? Drive down interchange?”

As we noted last year, the interchange fee issue has been largely brushed aside during the rollout phase of mobile wallets, so dedicating efforts to a third-party app — Google Wallet or ISIS (when available) — could

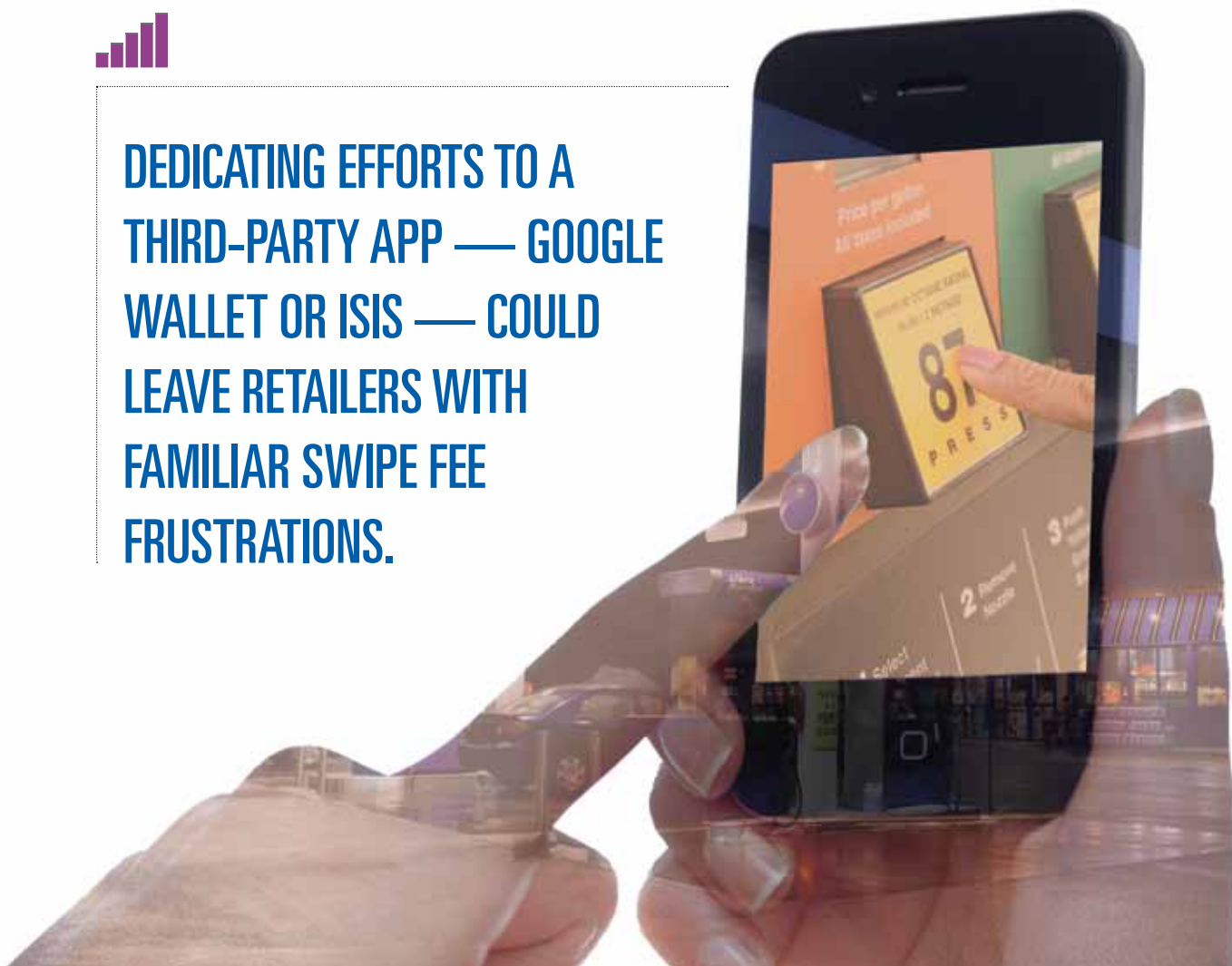
leave retailers with familiar swipe fee frustrations. Customer details are no longer exclusively held by the retailer but now held by that third-party app provider.

Love, however, doesn’t feel the latter is a significant concern for all retailers. “Smaller retailers are not building massive relationships, so Google Wallet, for instance, is fine,” he said. “However, larger retailers are going to want to maintain that close relationship and not [relinquish it to] a gatekeeper.”

Accordingly, he recommends participating in the new and pilot programs in the near future. “Try things out, nobody knows how it’s going to



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go but there are opportunities to build knowledge.”

Participation might not take anything more than checking in with a POS vendor, as many are firmly committed to the mobile payments space. “If a retailer has a strong POS vendor, then [mobile wallet] integration will happen with what they have in-house,” explained Bohdan Myroniw, director of business development for AJB Software Design Inc., an integrated payment solutions and services provider. “Most large vendors are looking to add mobile payments into their functional capabilities.

Find a Good Buddy

While a POS vendor may offer mobile payment options, mobile commerce involves more than just payments. As we noted earlier this year, there are loyalty considerations, as well as functionality that addresses the shopping experience.

GasBuddy offers gas stations and c-stores OpenStore, a turnkey mobile app that delivers everything *except* the payment option. It allows retailers to distribute mobile coupons, solicit customer feedback and integrate seamlessly with loyalty programs, with a branded interface that allows flexible customization.

With a roster of major retailers (Rutter’s, Family Express, 7-Eleven, NOCO Express) using OpenStore, there’s reassurance that the marketplace has already accepted the interface (indeed, Toews notes OpenStore has grown to more than 5,000 stores).

Turnkey mobile commerce expertise is what Weeds Port, New York-based Byrne Dairy looked for when implementing an OpenStore app for its 54 stores, a move that has resonated strongly and quickly among consumers. “We had been looking at creating



EXPLORE THE OPTIONS:

Gas Buddy, a third-party provider, offers turnkey mobile options to retailers such as Rutter’s. Murphy Oil USA, on the other hand, developed its own proprietary mobile payment program.



our own app, but because GasBuddy had success with other convenience stores and gas stations, we decided to work with them,” explained Byrne Dairy spokesperson Erin Welch.

In the first few months since the app launched, the company has “seen a lot of growth,” Welch said, a result she attributes to the ease of customer engagement. “Customer service is a big priority for us, customers text their experiences and it is handled right away in our office,” she said. “[The comment] might go to the store manager who will handle it personally...it’s a real benefit, we get straight to the issue.”

OpenStore integrates with all popular social media tools — “Retailers can push the same coupon out via the web, Facebook, Twitter and all smartphones,” Toews said — a ubiquitous form of en-

agement that is a cornerstone of the retailer-customer digital relationship.

Going It Alone

One retailer not deliberating third party options is El Dorado, Arkansas-based Murphy Oil USA, which launched its proprietary TxtPay (formerly known as MurPay) mobile payment program in April 2011 for use at its 1,100-plus Murphy USA stores. The program provides customers with a mobile payment option at the pump that’s triggered via a text message exchange (enabling nearly all cell phone users to participate), bypassing interchange and linking instead to a customer’s ACH account, according to Bill Deichler, payment solutions manager at Murphy USA.

The program was developed entirely in-house by Murphy’s IT staff, and it



encourages usage by offering a three-cent per gallon discount or the lowest 24-hour price, whichever discount is greater, a loyalty enticement that Deichler predicts will be a major mobile commerce pursuit.

"Everyone is trying to figure out how to reduce costs and increase value," he said. "[As a result], I think people will go down two roads: loyalty or geo-marketing." Deichler said his team isn't waiting for third-party options and additional payment solutions will most likely be developed in-house.

Evaluating Opportunities

With so many options out there, choosing a big name may provide peace-of-mind, but experts insist there's a necessary deliberation before evaluating the opportunities. And for that, Myroniw says NACS provides great insights at NACStech, among other events.

"NACStech is a great forum, and industry associations like NACS are great to see what's going on and what others are doing," he said. "You can go to the

event and see a number of solutions in the marketplace, as well as network with others to see who is doing what."

Davidson agrees with the networking approach, and urges collaboration, even among competitors. "Retailers can collaborate with one another because they have the same challenges. C-stores compete with one another in many ways but there are many areas where they don't," Davidson said. "In the technology world, collaborating with competitors is a familiar concept ...It has to be done within the law but it is increasingly common."

He cites ISIS, a consortium of mobile phone companies that compete with one another, as an example to demonstrate the workability of such a collaboration scenario. "It strikes me as plausible that retailers might do something similar," he said.

Caveat Emptor

The evaluation process and transition to mobile, even with a turnkey solution, is not without risk, says Anton Bakker, president and CEO of Norfolk, Virgin-



ia-based Outsite Network Loyalty Solutions, who says delivering a satisfying customer experience is paramount.

"The promise of emerging media and consumer expectations are quickly evolving and at times outpacing what technology can deliver," he said. "Consumers today expect to be recognized and rewarded whenever and wherever they come in contact with your brand. ...Programs that integrate the loyalty experience across all channels will be a consumer favorite."

Bakker said the mobile transition also presents organizational challenges, many a result of integrating the new and unproven technology with existing operations. "How do you even know what content is needed, what will work, what to measure, and how to evaluate results?" he asked rhetorically. "How do you deliver one experience across multiple channels?"

He said a turnkey solution can help address those concerns, as retailers benefit from an existing infrastructure and program, easing the effort on existing personnel.

Welch agrees, though she stresses the need for open communication among employees when a mobile commerce program is introduced. "Make sure the app is communicated to everybody," she said. "Have everybody download it and know how it works."

Finally, Bakker says that mobile commerce can often become "an expensive race to become yesterday's news," citing a marketplace that's filled with hundreds of thousands of apps. As such, he warns that a narrowly focused app might get lost among the multi-solution ones.

"As consumer expectations grew, so did the desire for the convenience of one-stop-shopping....Major players have realized this and are bridging brands and

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features into more universal-type solutions," he said. "Long-term retention and market share gains will come from providing a branded one-to-one loyalty experience within a popular, do-more app."

31 Lengths

No matter your comfort level or expertise with mobile commerce, it's undoubtedly a scary proposition for most, but one that Davidson said is filled with tremendous potential. But to realize those opportunities, one must adapt and begin looking at operations differently.

"Competing in the mobile age requires changing your game plan a little bit...even if you've previously won all the races," Davidson said, recounting the story of Triple Crown winner Secretariat.

"Secretariat had a reputation for lagging in the beginning and winning by a nose. But the final race of the Triple Crown at Belmont, the horse actually won in an entirely different fashion. Secretariat ran like a sprinter from the get-go, and he won that race by 31 lengths (breaking the Triple Crown margin-of-victory record), even though he ran the race differently," Davidson said.

"That's what made it so exciting."



Jerry Soverinsky is a NACS Magazine and a NACS Daily contributing writer.



MOBILE FACT

Eighty percent of mobile users prefer locally relevant advertising and 75% are more likely to take action after seeing a location-specific message, according to JiWire.