The mobile frontier

THE EXPONENTIAL GROWTH OF SMARTPHONES AND TABLETS IS HELPING E-COMMERCE TO EVOLVE AT AN UNPRECEDENTED PACE. DAVE WILLS EXPLORES THE OPPORTUNITIES FOR CORPORATE TREASURERS

On 29 June 2007, Steve Jobs changed the world as we knew it. The launch of Apple's first iPhone not only gave us 24/7 access to our email and the internet, it also kick-started the mobile e-commerce, or 'm-commerce' phenomenon. For nimble multi-channel merchants (those who connect to customers in a variety of ways, for example, in-store and online), the smartphone was a gift from on high: a new way to reach and interact with their customer base.

Soon, the market for apps (small, specialised programs downloaded onto mobile devices) exploded and retailers began to realise the true business potential of m-commerce. Consumer adoption of the mobile channel has only increased since, in large part thanks to the advent of tablet devices. In fact, a recent study by networking giant Cisco predicted that by the end of 2013, there would be more mobile-enabled devices (phones and tablets) in the world than human beings.

The UK is at the forefront of this mobile revolution, with October 2012 figures from Ofcom putting Britain's mobile internet usage at the highest of any developed economy. As Figure 1 shows, the UK's online shopping habits also far outstrip any of its global competitors, making it an advanced e-commerce market, which is prime for mobile expansion.

A new dawn for payments

The ascent of 'mobile' is also the greatest, fastest-moving innovation that the payments industry has seen in recent memory. Although the pace of technology change may be rapid, however, people and businesses take longer to adapt. So, while the payments industry is having to do some significant soul-searching – with rival technologies such as near field communication and mobile wallets battling it out for market share – corporates have the tougher job of devising a commercial strategy to address the needs of both the mobile-savvy consumer and the cheque-loving, bricks-and-mortar old guard.

'Omni-channel', an evolution of the multi-channel approach, is the latest buzzword being used to describe such a strategy. As the term suggests, simply interacting with consumers across one or two channels will no longer be sufficient to ensure your company's place at the front of the retail race (other than for very niche organisations). The secret to success, the futurologists and mobile experts believe, is to connect with and convert consumers across all channels in a seamless and consistent way.

Figure 1. Online shopping, value per head, per year (£)

	2007	2008	2009	2010	2011
UK	742	771	779	950	1,083
France	210	268	333	411	497
Germany	205	253	285	319	377
Italy	70	83	83	97	115
USA	443	455	494	567	620
Canada	229	251	246	318	350
Japan	225	272	349	456	527
Australia	411	406	468	667	842
Spain	112	97	107	136	169
The Netherlands	260	308	358	423	462
Sweden	384	463	578	668	747
Ireland	291	419	401	552	683
Poland	30	45	44	59	76
Brazil	16	26	42	56	66
Russia	15	25	26	37	49
India	1	2	2	4	5
China	1	0	2	8	17

Perhaps easier said than done when the territory is largely uncharted, and at a time when technology investment is hampered by the fiscal drag. Moreover, companies that introduce new channels and reinvent the retail experience digitally must counterbalance this by continuing to serve the consumer in the way that they expect from the brand. As one industry analyst puts it: "Consumers are focused on their needs, not on your channels."

One such need, which is understandably front-of-mind for today's consumer, is price. The omni-channel approach is designed to address the growing consumer trend of real-time price comparison: shoppers are increasingly looking at goods in-store and checking on their smartphone (then and there, on the shop floor) whether they could get a better deal online. They may do this using a barcode scanner app, on price comparison websites or by visiting large internet sites, such as Amazon and eBay, directly.

This trend, called 'showrooming', is eliciting a range of reactions from bricks-and-mortar retailers, with some companies introducing price-matching policies in-store, and a minority of others actually charging customers to browse their shelves or try on items of clothing. Of course, common sense points to the former as best practice, but either way, it is a useful illustration of how divisive innovation can be.

The weight of social expectation

What showrooming also demonstrates is the growing power that consumers have, thanks to mobile technology. Allied to this is the rise of social media – another hard-to-ignore development for businesses in any sector. As it matures, the social media channel is becoming a trusted resource for consumers looking for product reviews and recommendations, for example. Recent research from Forrester shows that almost a third (32%) of online consumers trust a stranger's opinion on public forums or blogs over branded advertisements and marketing collateral.

Clearly, times are changing, and corporates must, too, if they are to keep up with consumer demand and expectation. Moving to an e-environment and embracing mobile payment technologies as an alternative to cash presents companies with a significant opportunity to get to know their customers more intimately and, ultimately, to provide better customer service.

Big data, big benefits

Mobile technologies also have the potential to deliver a breadth and depth of data that can help to better inform your business decisions. Not only will companies be able to more closely track customer purchasing behaviours and conversion rates, for example, but visibility over cash flow will also be enriched. As such, treasurers should be challenging their banking partners to help them to develop their businesses through more intelligent data. For example, banks can have unique insight into consumer payment behaviours. And, importantly, this is not just data for data's sake; it is data that has a serious commercial value.

Another way that cutting-edge companies are making their data more comprehensive is by collecting so-called 'unstructured' data. This is social or human data that does not neatly fit into tick boxes. It is typically collected from social media sites such as Facebook or LinkedIn. A few pioneers are starting to use such social data in credit scoring to provide a clearer picture of an applicant. For example, money-lending sites are popping up across the globe, which assess consumers' social connections (for example, the calibre of their LinkedIn network) to boost their creditworthiness and help them to access credit from local financial institutions. This will be an interesting development for corporate treasurers to follow since counterparty creditworthiness looks set to remain one of their key responsibilities over the coming years.

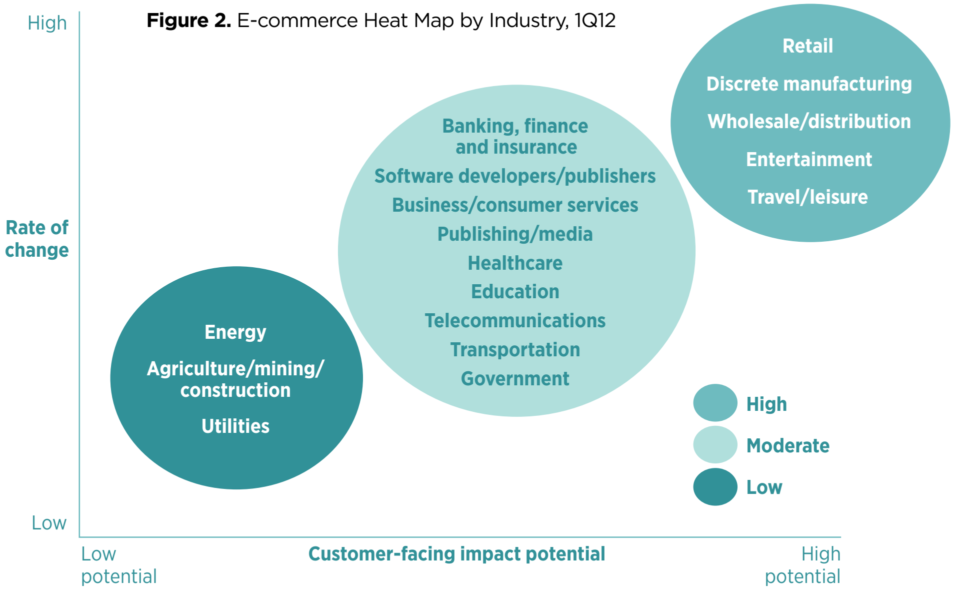

Figure 2. E-commerce Heat Map by Industry, 1Q12

FIGURE 2. SOURCE: GARTNER MARKET INSIGHT: THREE COMPELLING REASONS TO UPDATE YOUR E-COMMERCE PRODUCT STRATEGY. MARCH 2013

The future of payments

Finally, it is worth remembering that e-commerce, whether mobile or otherwise, is not only relevant to retailers (see Figure 2) or the business-to-consumer space. Indeed, e-initiatives could provide companies from any sector with efficiencies in the way that they purchase goods from their suppliers. A large proportion of business-to-business (B2B) purchasing is still carried out through paper invoicing, which is a laborious, resource-heavy and often inefficient process. Enabling B2B payments via card, usually virtually (through card-not-present transactions), can lead to a more streamlined supplier payments process that delivers cost savings and richer data, while freeing up resources for more value-added tasks.

In short, e-commerce is a great way to make your organisation easier to do business with. And given that mobile technologies are tipped to be the future of payments, it's certainly worth taking the time to consider your strategy now.

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