

Moving to buy

Mobile phones are a familiar part of modern life, but retailers have been slow to utilise them for payment, loyalty and marketing schemes. David Adams considers whether this is finally starting to change

Is there anything a mobile phone can't do? For most of the 20th century phones were either those two-piece contraptions into which people shouted things like "Hello? Operator? Get me Scotland Yard!"; or Bakelite monsters that scared the dog when they rang. Now it's a portable voice and text communications device, a PDA, a camera, an MP3 player, and, in a growing number of places, a TV. What's next, an anti-mugger light-sabre?

Retailers have been trying to work out how to take advantage of the mobile phones' ubiquity for some years now, and product reservation and delivery notification services are proving a hit for a growing number of them. But they are yet to exploit its full potential for marketing and payment applications.

SMS could certainly be used for cost-effective, targeted, time-sensitive promotions, and to revitalise loyalty schemes – providing the consumer gives explicit permission. Retailers could even take advantage of the mobile operators' ability to locate individual phones. "Let's assume that midday on a Saturday is when you're going to find lots of your customers in and around a shopping mall," says Bradley de Souza, industry development director for communications, media and entertainment at CA, and formerly head of the mobile applications development team at O2. "You can then look up the numbers in your scheme to find out who's within a certain distance of the store, then send them an SMS offering a discount if they pop in." He believes some UK retailers will be running this sort of service within the next 18 months.

Using SMS instead of paper vouchers or coupons cuts production and distribution costs and eliminates a costly and annoying form of fraud. Yet it seems more likely that retailers, not consumers, are holding back development, because of the worry that there's a thin line between a marketing campaign and spam.

Loyal customers

Some are taking the plunge. Shop Scan Save is a mobile-based loyalty scheme launched in December 2005 at convenience retailer Jacksons (now owned by Sainsbury's), in northern England and based on a solution called M Bar Go, developed by The Light Agency. Customers join the Shop Scan Save Club by sending a text to a number (or an email via the Jackson's website), after which they are sent a membership barcode (or number).

They are then sent offers every week from brand owners, in text message or MMS format, which are redeemed at the till when the cashier scans the barcode or types in the number. Behind the scenes, the M Bar Go server communicates with Pacific Retail Systems' StoreTrader EPOS platform via XML, receiving details of

the customer's whole basket. This information is then passed on to the brands funding the offers for analysis. Tailoring can also take in an element of time sensitivity, with the value of an offer decreasing over time. The implementation won the *Retail Systems* award for EPOS innovation of the Year 2006 and there are further developments in the pipeline.

"What I can tell you is that we will be in 16,000 stores in the UK this summer, not with Sainsbury's, but with one of their competitors," says Marc Lewis, chairman and founder of The Light Agency. "We are also building infrastructure in the Americas at the moment, and I have a letter of intent on my desk from one of the world's biggest retailers, based in the US."

The Light Agency is also working with a major mobile handset manufacturer to develop mobile phones with RFID chips built-in that can be enabled if a consumer opts into similar programmes. "They can then use the RFID to redeem offers, collect points and make payments," says Lewis. "We expect that to go live in 2008." The company is also developing agreements with music labels and Hollywood studios with a view to using entertainment as a reward for purchasing behaviour.

"There is a future for this sort of technology, but it would work better for higher value goods like fashion items," says Mike Newman, managing director at Pacific Retail Systems. "In the convenience-sector ticket items are fairly low value, so you've got to aggregate offers. In a higher value store you could have some quite eye-catching offers."

But there are still some technical challenges to overcome, warns Paul Dagley-Morris, product manager for store solutions at BT Expedite. "We did a trial based on sending barcodes to phones for marketing purposes and we found we had to identify the manufacturer of the handset and send different messages," he says. "Unless you have some sort of universal standard it's hard work for the retailer. You also get people upgrading their phones every ten minutes."

If the barcode on a handset can't be scanned, and a code number has to be inputted manually, that creates another problem. "It can slow things down at the till," says Dagley-Morris. "That might be OK in places where transaction speed isn't important, but in something like grocery it's easy to imagine people getting cross."

Meanwhile, mobile phone payment solutions are being used elsewhere in the world: for parking spaces and congestion charging in Scandinavia, and as an Oyster card-type payment tool for public transport in Japan – where they can also be used to pay for goods

in station platform vending machines. But UK retailers have not been among the early adopters.

Last summer saw the launch of a hybrid mobile/internet payment system at HMV called Txt2Buy, which allowed customers to buy CDs, DVDs and computer games by texting ordering codes on advertisements for new titles. They are then sent a link to a secure mobile internet site where they can pay for goods with a credit or debit card and arrange delivery. Customers do not need to register for the service, but are offered the option of saving their card details to a secure mobile wallet to speed up future transactions. The solution is not actually being used at present, although a spokesperson at HMV says there are no plans to scrap it. This may be due to the fact that the company that provided the technology folded amid financial difficulties at the end of 2006.

In France, another remote payment solution offered by mobile payments specialist Upaid enables consumers to carry out mobile top-up or pay bills via SMS. It is being used for bill payment of Cofinoga credit store cards at Galeries Lafayette. When the customer receives their bill they can send an SMS confirming payment, using a password to authorise transferral of funds from a bank account.

Open field

But perhaps the most interesting innovation that could be used for payment applications is Near Field Communications (NFC) technology, which enables payment via chips in mobile phones that interact with NFC-enabled devices when held within about 10cm. They can also interact with in-store equipment or posters, allowing consumers to download product information. As previously reported in *Retail Systems*, trials are underway in various locations around the world, and development is being led by a consortium that includes Philips, Motorola, Visa, Nokia, and Mastercard.

"The big technology for next year is NFC," says Neil Garner, managing director at Glue4 Technologies. "We're going to be in a stage where there are pilots and trials everywhere, driven by network operators, the banks, and perhaps some of the large supermarket chains."

BT's Dagley-Morris is intrigued by the potential of NFC for in-store marketing. "It works with a really small proximity zone, so you've got to want the retailer to know that you're there if you scan yourself in," he says. "That's a good thing, because it means the consumer decides whether or not they receive promotion-type information. I've also heard that NFC is going to be compatible with RFID, so you could use the phone to scan an RFID tag on a shelf, to feed information back into the phone, or perhaps be directed to a website where you could do product comparisons."

But he also envisages more contactless payment applications in the near future, particularly for the purchase of low value goods like newspapers. "As soon as those capabilities start arriving I think retailers will push for it, because it's such a big benefit in terms of speed," he says. BT Expedite is also helping a major high street retailer pilot a contactless payment scheme at Heathrow's new Terminal Five.

So what are the realistic prospects for mobile phones in retail, in the near to mid-future? "I think in the next 18 months

we'll see very widespread adoption of the voucher system, just based in the interest we've seen from our customers," says Sarah Kellett, industry consultant for retail at Fujitsu Services. "I'm sure people will soon want to pay with their mobile phones, so long as it's secure. There are always situations when you haven't got the right coins, but you have got your phone."

So maybe mobile phones are indeed about to add yet another string or two to their very crowded bows. It will be interesting to see what happens in this area over the next couple of years. Might have to wait a little longer for that light-sabre though.

