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# MAGAZINE

# Technology & Tools: Mobile Force

You've finally embraced e-commerce. But are you ready for m-commerce? How to prepare for the next revolution in retailing.

**Features**    By Rob Bates, Senior Editor

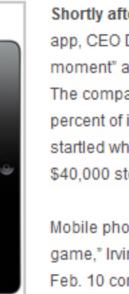This story appears in the May 2011 issue of JCK magazine

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Courtesy of Opiliosoft.com

**Pandora bead browsing on an iPad at Miami Lakes Jewelers**

**Shortly after Blue Nile released its** iPhone app, CEO Diane Irvine was hit by a "revelatory moment" about the power of smartphones. The company's mobile app now drives 25 percent of its traffic. But even Irvine was startled when someone pulled the trigger on a $40,000 stone—from a ski lift.

Mobile phones have "really changed the game," Irvine told analysts at the company's Feb. 10 conference call. "We see this as just exploding."

The growing use of smartphones—which Nielsen predicts will outnumber other types of phones by year's end—has profound implications for the way people live, interact, and shop. (The category includes BlackBerrys, iPhones, and Android-based devices.) Smartphones and tablet computers like the iPad give users the equivalent of a computer they can take everywhere, making information continually accessible in a way it's never been before.

Whereas in the past, consumers had two choices—buy something from a store or from their home computer—now they can acquire anything anyplace, anytime, anywhere. Years ago, jewelers, lamenting the commoditization of diamonds, conjured nightmares of a day when certed gems would be dispensed via vending machines. And yet, even the most pessimistic diamantaires never dreamed one day diamonds would be purchased from ski lifts.

The smartphone revolution has already impacted store counters: A National Retail Federation survey, conducted in the 2010 holiday season, found that more than one-quarter of smartphone owners used their devices to research or make holiday purchases. That number jumped to 45 percent among adults age 18–24. And a recent study from Chadwick Martin Bailey and iModerate Research Technologies found that 23 percent of smartphone owners bought something—anything from electronics equipment to TV shows—on their device.
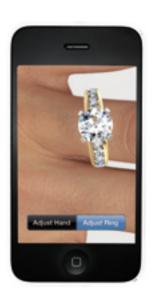
**(Clockwise from top left) A BlackBerry Froogle search for diamond rings; an interior view of Samuel Gordon Jewelers via Android; modeling rings via Stuller's Live Diamond Try-On iPhone app**

The advent of smartphone technology, concluded an NRF white paper, could be even more transformative for retail than the rise of e-commerce. "What e-commerce was roughly 10 years ago, m-commerce is today," says Sheila Dahlgren, senior director of product marketing for San Jose, Calif.–based digital company Adobe. After electronics, she adds, clothing, shoes, and jewelry were the most popular items purchased via mobile phones in the past 12 months.

Among the changes that smartphones could bring:

### Customers will be do more comparison-shopping.

While the Internet has already made comparison-shopping possible with the click of a mouse, smartphones arguably make it even easier.

Traditional retailers let people see and try on their products. But consumers can now have things both ways—they can interact with items in the store, then buy them online if they find them cheaper. (There's even a term for this kind of shopper: scan-and-scram.)

New apps such as RedLaser and TheFind allow scanners to instantly compare the price of an item by typing in its model number or scanning its bar code. They then spit back its price at national, local, and online retailers.

"Retailers like to call their stores 'boxes,'" says Greg Girard, program director for IDC Retail Insights, a Framingham, Mass., advisory and market research firm. "Now every store is a glass box. The consumer has complete visibility of what is happening outside the store. The smartphone becomes their window to the outside."

Smaller mom-and-pop shops generally aren't reflected in these read-outs—but they could be. Every jeweler is warily familiar with the customer who storms in with a list of diamond prices, having shopped at 10 different retailers. What if someone could do that from his phone? Local comparison sites are growing in popularity; one such search engine, Milo, was purchased in December by eBay. And Google's shopping search engine, Froogle, incorporates local retailers into its results.

Of course, comparisons are difficult for jewelry, where the product typically doesn't have bar codes and isn't mass-produced. But they can be done with "commoditized" products like certed diamonds, as the success of Blue Nile's app shows. Experts say this will make it more important to have unique or location-exclusive products.

"If a retailer is just selling the same product that is indistinguishable from a product that is sold elsewhere, then they are in trouble," Girard says. "That is why Borders is in trouble. They are just selling the same books that can be bought on Amazon. If you are selling something unique, you are far better positioned."

**Consumers will know more about what they buy.**

Some of the bar code apps don't just provide price comparisons, but also delve into the details of that particular product.

"In the past, if someone was browsing for something, they had to rely on the salesperson, or the placard, which usually doesn't have a lot of information," says Mike Wehars, president and CEO of New York City–based Scanbuy, a provider of mobile bar code solutions. "These apps talk about craftsmanship, how the product is made, so that the user is empowered to discover more about it. And they often trust the online source more than an inexperienced sales associate."

**People will pay for items with their phone.**

Could your phone become your wallet? This could be the future of commerce—and it may be coming sooner than expected. Starbucks has already developed an app that lets people pay for coffee with their phone. Others are sure to follow.

(Naturally, this raises security concerns: Lose your smartphone, and a tech-savvy thief could clean out your bank account. But new technologies may guarantee security beyond passwords by checking users' thumbprints, facial features—even how they walk.)

As mobile commerce matures, it could mean less space devoted to the familiar symbols of retail like cash registers and checkout lines. Already, salespeople at the Apple chain can fulfill a customer's purchase anywhere in the store. As STORES magazine recently wrote, "Waiting in line is so yesterday."

**Retailers will know more about consumers.**

New apps could gather information in a way that makes the shopping experience more efficient for both sides. "Imagine if you were a loyal shopper at Eddie Bauer," says Girard. "And every time you go into Eddie Bauer, they will know you, know your preferences, they may even know your size. Imagine being able to say, 'Last time, you bought this item. Here is something that goes quite well with it.'"

Smartphones can also be used to provide special offers. "Right now, when you go to the grocery store, they give you a receipt with a lot of coupons on the back," Girard says. "But that coupon is fairly distant from your next purchase. What if they give you the coupon right before your next purchase? It's a whole new dynamic."

Other apps could cull information about past purchases—much like credit card companies stockpile data about people's shopping patterns and sell that to marketers. So if a consumer has purchased a lot of Pandora lately, and they "check in" to their local shopping center using a location-based Web service like Foursquare, that mall's jeweler could try to entice them with a special coupon for charms.

Needless to say, some of these ideas make privacy advocates blanch; many Web surfers even find them a little unsettling. But if the history of the Internet has taught us anything, it's that people will sacrifice a little privacy for convenience and the chance to save money.

**Smartphones will make life easier for retailers.**

Smartphones may produce a few pitfalls—choosier customers are, of course, inevitable—but store owners shouldn't just be scared. Technology is being developed that could notify customers where spaces are available in a parking lot. Other apps could let brick-and-mortar stores offer the same perks as their online counterparts.

"Right now, when you go to Amazon, there are features that say, 'People who like this also bought that,'" says Girard. "Unless you have a really good sales associate, brick-and-mortar retailers really can't do that. But with the smartphone, you can deliver the same functionality right in the store."

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Adds Jason Taylor, vice president of platform strategy for New York City–based Usablenet, whose platform powers mobile sites for brands: "Technology is always heralded as the death of something." But the truth is, he says, new gadgets always "end up being a multiplier. Even before the Internet, people comparison-shopped jewelers. This maximizes their ability to do that. But it also allows retailers the ability to be in front of their customers 24-7."

## Go Figure

- *Some 71 percent of consumers with smartphones favor using their phone to find out if an item is in stock, while 17 percent prefer to get that information by speaking to an employee. (Source: Accenture)*
- *Mobile commerce will exceed $1 billion in North America in 2011—and will quadruple by 2014. (Source: ABI Research)*
- *Smartphones drive 5 percent to 10 percent of overall Web traffic. (Source: Usablenet)*

## Smartphone Bill



Courtesy of Samuel Gordon Jewelers
Samuel Gordon's custom-built app

Optimizing your website for mobile devices can be costly, warns Matthew Perosi, president of Totowa, N.J.–based JewelerWebsites.com.

"Mobile is such a new game that most Web programmers don't understand it," he says.

A good mobile site can cost as much as a regular site, he explains—although some companies that build websites offer the option to make the site mobile-enabled for as little as a couple hundred dollars.

Building an app, however, is far more expensive. Creating one from scratch can set you back as much as $40,000 to $50,000, says Perosi. But don't fret: There are easier—and cheaper—ways.

Samuel Gordon's Daniel Gordon built his app with MobileRoadie.com. The company provides templates that the user can customize; prices begin at $500 plus a monthly fee. "It is as easy as using Blogger or Wordpress," says Gordon. "I was able to do everything I wanted with it." The biggest problem? He doesn't own the app. "If I stop subscribing, I lose it."
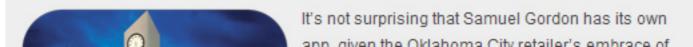
## Is an APP Right for You?

As mobile technology grows, many companies are wrestling with whether to build their own apps.

"It is neither too early nor too late to get involved in mobile," says Larry Joseloff, vice president of content for the National Retail Federation's Shop.org. Still, he maintains that mobile isn't for everyone.

"Retailers have different comfort levels, different needs, and different speeds," he continues. "You have to figure out what you want to accomplish, why you want to get involved in this technology. There are retailers who have wasted a lot of money building apps because they felt a little panicked. That is never a good reaction."

So far, panic hasn't spread to the jewelry industry; *JCK* found only a handful of jewelry-related apps at the iTunes Store. But the ones that are available show considerable creativity and a clever use of the medium. We downloaded five and took a test-drive on our iPhone.

### Samuel Gordon Jewelers



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Courtesy of Samuel Gordon Jewelers

It's not surprising that Samuel Gordon has its own app, given the Oklahoma City retailer's embrace of technology and social networking. The iPhone app—which launches with a glamorous picture of the store's interior—contains an online catalog plus constant updates of store news, photos, videos, and tweets. A fan wall doubles as a contest; the most active participants get a free gift. "People are fascinated with it," store president Daniel Gordon says of the app, which averages 250 downloads a month. "They go: 'Wow. You have an app?'"

### Miami Lakes Jewelers

This app from the Miami Lakes, Fla., store—suitable for both the iPad and iPhone—offers an online catalog that enables shoppers to browse a selection of Pandora beads, Hearts On Fire diamonds, and timepieces from the likes of Michael Kors. There is also, unusually enough, a shopping cart that lets surfers purchase these products through the app. "We have lines forming in our store for Pandora," says owner Miguel Gonzalez. "So we put up a sign which says, 'Why wait? Order the beads on your phone,' and they can do it there and then have lunch and it's ready for pick-up." Customers are impressed, he says: "This shows we are at another level."



Courtesy of Stuller

### Tiffany & Co.

Bathed in the jeweler's signature Tiffany blue, this appropriately elegant app includes a feature that can determine a wearer's ring size by placing a ring on the screen. Other features let browsers choose and email—though not price or purchase—engagement rings.

### Live Diamond Try-On



Courtesy of Opiliosoft.com

This clever offering from Stuller, which supports the Lafayette, La.–based company's Red Box Diamonds jewelry line, allows you to select a piece, snap a photo of your hand, view how the item looks on your finger—and from there, track down a local jeweler that sells it. According to Stuller's vice president of diamonds, Stanley Zale, the app has had 50,000 downloads and was recently featured as an Apple App Store Valentine's Day pick.

### Blue Nile

The dot-com giant's application lets customers browse diamonds from its 70,000-stone inventory, choose gems according to a sliding budget scale, and make purchases with PayPal. Perhaps its most innovative feature is the Dream Box. It randomly displays a Blue Nile ring, which can then be emailed to a friend or posted on Facebook as a "subtle hint to that special someone." Or not-so-subtle. The default subject line reads: "I dreamt about this ring."