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Codes open new front in retail wars

By Jonathan Birchall in New York

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US retailers have become engaged in a battle for hearts and mobiles.

As leading retailers, including Walmart and JC Penney, continue to grapple with the potential of the internet, the proliferation of smartphones has inevitably caught their attention.

Three years after Apple launched its first iPhone, mobile connectivity is shaking up the way retailers do business, not only online but in their stores.

"Unlock the code," says the poster in the window of a Best Buy consumer electronics store on New York's Fifth Avenue. Beneath is a pixelated black and white square - a QR, or quick response code - that can be scanned by a smartphone camera to link the device to the retailer's mobile website.

For retailers, the black and white square is sign of dramatic changes under way as a growing number of customers arrive in stores equipped with smartphones that give them access to the internet.

"I think its one of the most exciting developments in retail," says Scott Silverman, head of Shop.org, a national online retailers group, of the impact of mobile connectivity on retail. "You have all the abilities that you have with online shopping . . . and you can take that into the store."

Customers of the US retailers are already using the phones not just to make online purchases but to check prices at other retailers, to look up information on potential purchases, and to receive digital money-off coupons that can be scanned at check-out. "Everyone needs to get past this idea of buying things on this small little screen," says Mr Silverman.

"There are so many other things that the small screen can do right now."

Thirty-one per cent of all mobile phones sold in the US in the first quarter of 2010 were smartphones, according to NPD, the consumer data group, up from 21 per cent in the same quarter in 2009, which give customers enhanced access to internet services.

Compete, which produces a quarterly study of smartphone usage, found that two thirds of users had researched information about stores on their phones, while half of them had used phones to look up product reviews.

More strikingly for retailers, one-third had used their devices while in stores to compare prices at rival retailers. Only 28 per cent had used the phones to make purchases.

"We are definitely seeing a lot more being used for research than for shopping," says Danielle Nohe, an analyst at Compete.

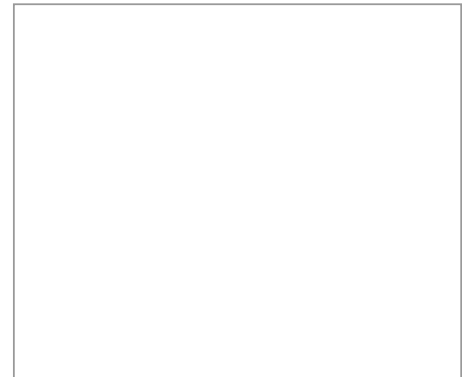
TheFind.com, an online search engine, found that 2m of the 30m searches during last year's Christmas shopping season in the US were made from mobile devices.

Siva Kumar, founder and chief executive, says a surge of mobile useage on Black Friday - the day of the post-Thanksgiving sales - to 200,000 from 5,000 last year showed "people were checking prices while they were in the store".

Over the past 18 months, leading US retailers including Walmart, Sears and Gap have responded by launching mobile versions of their websites, together with shopping and browsing applications for iPhones and BlackBerrys.

Now they are rapidly exploring ways to tie their brands into Facebook and other social networking sites, and pursuing a range of other initiatives aimed at delivering marketing messages and promotions to smartphone wielding companies.

Retailers such as JC Penney and Sephora have embraced Facebook's new initiative that enables users to populate their Facebook pages with product information, images and



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The retailers are, in part, responding to a challenge to their traditional grip on instore information from a plethora of independent services and smartphone apps.

Shopsavvy, for example, is one of a range of apps that deliver price comparisons, reviews and product information, based on scanning a product's identifying bar code.

Snaptell, now part of Amazon, delivers customer reviews, ratings and information to customers in response to camera-phone images of books, CD or other media product.

"The retailers can't be absent from that conversation," says Mr Silverman.

Smartphones also intensify the risk that shoppers will choose to visit retailers' physical stores to view products, followed by a purchase made from a rival, lower-cost retailer online.

But Mr Silverman argues that this kind of price transparency already exists on price comparison search engines such as Pricegrabber, and TheFind.

"If you talk to folks, price plays a role but its not the final factor. Brand and trust are really important as well. So I think the brand promise; service; trust; these are all tools that the retailers will use to win sales."

Much of that battle, argues Mike Boylson, chief marketing officer of JC Penney, will be waged on mobile phones. "We really believe that the handset is where the future interaction is going to be between the customer and the retailer," he says.

Dialling into customer needs

*Sephora, the cosmetics retailer, used QR codes this year to link customers' phones to the website of its Tarina Tarantino cosmetics line. The retailer also has a mobile phone link for customer generated product reviews. Customers can upload favourite products and comments to their Facebook page.

*The North Face, the outdoor brand and retailer, has launched one of the first location-based, or "geo-fenced" marketing programmes with a system developed by Placecast, sending marketing messages to customers near its stores, or attending sporting events, or visiting recreation areas such as mountains or lakes.

*Mass retailers, including Kroger, the supermarket, and Target, the discounter, have begun issuing money-off "digital coupons" on the internet that can be downloaded to mobile phones, and scanned against purchases at their store checkout.

*Best Buy, the electronics retailer, and Macy's, the department store, are working with a start-up called Shopkick on an Apple and Android app that will offer location-based coupons.

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