

SEIZING THE MOBILE RETAIL OPPORTUNITY

A mobile manifesto



The growth of web enabled commerce



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Over the past ten years, the Internet has revolutionised commerce.

It has given consumers access to new and more varied products. It has made it possible for SMEs to access new global markets. And it has dramatically increased price transparency and competition, so consumers can benefit from lower prices and better service.

But the speed of change we have seen over the past ten years is likely to be nothing compared to the change we will see over the next five.

Four key trends are likely to shape consumer behaviour and the future of retail over the next few years – mobile, local, social, and digital. Each of them is significant in and of itself. But taken together, they have the potential to completely alter the future of retail and the way we do business.

The most important of these is mobile because it moves us towards a world where we will be connected all the time. Consumers now have in effect a 'store in their pocket' and the ability to perform all sorts of functions on a single device – everything from shopping, store location, shopping lists, in-store price comparison, self-scanning and self-checkout, earning loyalty points, and redeeming vouchers and coupons.

Mobile shopping represents a massive economic opportunity for the UK, promising to deliver a £4.5bn boost to Britain's economy by 2016, and a further £13bn by 2021 according to Verdict research, commissioned by eBay. The volume of mobile internet data is tripling every year and the Government expects it to increase 26 fold by 2015.

In the future, we anticipate that all consumer spending will in some way be influenced by the Internet, mainly through mobile devices. As a result, phrases like e-commerce or m-commerce will become increasingly meaningless. There will just be commerce.

We believe passionately that the Internet is an enormous opportunity for UK plc, and that the Internet – and specifically the mobile Internet – is the new growth story for retailers. We are therefore offering a series of recommendations on how policymakers and industry can support these developments and make the UK a world leader in web enabled commerce.

Faster mobile broadband, better coverage



Already, more people use their smartphones to shop in the UK than anywhere else in Europe. But despite the future potential of web-enabled commerce, the Verdict research warns that UK retailers and the wider economy are missing out on at least £1.3 billion as a result of consumer frustrations with patchy coverage, unreliable connections and slow connection speeds

If mobile commerce is really to take off, Britain needs next generation mobile broadband.

The UK auction of new 4G licences for mobile broadband services will deliver a significant boost for m-commerce, resulting in a huge financial dividend for the UK economy. In its consultation on the auction of new 4G licences, Ofcom explicitly mentions the importance of 4G services in supporting video streaming, social networking, mobile gaming, instant messaging and email. Likewise, 4G also has the potential to stimulate growth and innovation in mobile retail, but this is absent from the consultation.

Britain is in danger of lagging behind. Sweden completed their auction in 2009, Germany last year, Italy did theirs in September and France will finish theirs this year. Meanwhile, the US has already seen the rollout of 4G services to consumers. However, Ofcom recently announced that the UK 4G auction has been postponed to the end of 2012. If 4G is to be rolled out in 2013, it is therefore vital that there are no further delays.

According to detailed research commissioned by eBay, consumers strongly favour action to reduce the cost of mobile broadband provision as the most important form of policy intervention, followed by action to provide better broadband coverage on major transport routes so that consumers can go online when on the move.

Retailers can play their part too. We believe that it will increasingly be in retailers' interests to offer better in-store wi-fi coverage to enable consumers to access the Internet to perform a variety of functions via their smartphones.

Separately, Ofcom has announced plans for the introduction of White Space technology in the UK. This nascent technology - which works by searching for unused areas of the airwaves or gaps called 'White Spaces' that exist in bands that have been reserved for TV broadcasts - uses signals that can travel large distances and easily through walls, making it possible to offer wi-fi with up to twice the range of today's technology.

Recommendations

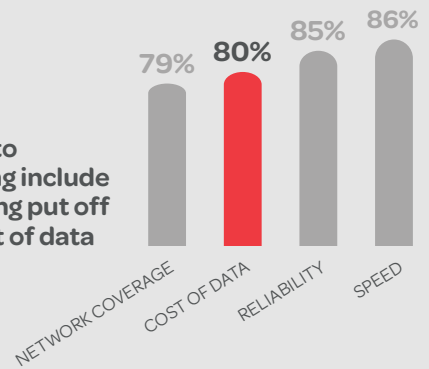
- **Ofcom should proceed with the auction for 4G spectrum as quickly as possible to enable the rollout of next generation mobile broadband in 2013.**
- **Ofcom should seize the opportunity to ensure that there is a competitive market in mobile broadband and that all potential players should have an equal chance of purchasing sufficient low-frequency spectrum in order to guarantee the quality of service and speed of connection for consumers.**
- **As 4G is rolled out, Ofcom should prioritise improvements to broadband coverage in rural areas and on transport routes such as railway and roads.**
- **It must be made easier for smaller companies to access spectrum by encouraging more spectrum trading and maximising the benefits of licence-exempt spectrum, as has happened for technologies like wi-fi and Bluetooth.**
- **Ofcom should proceed with the development of White Spaces technology; and retailers should offer better wi-fi coverage for mobile broadband in-store to respond to consumer needs.**

£1.3 billion

potential mobile revenue being missed by UK retailers and the wider economy

Supporting cross-border trade

Major barriers to mobile shopping include consumers being put off by the high cost of data



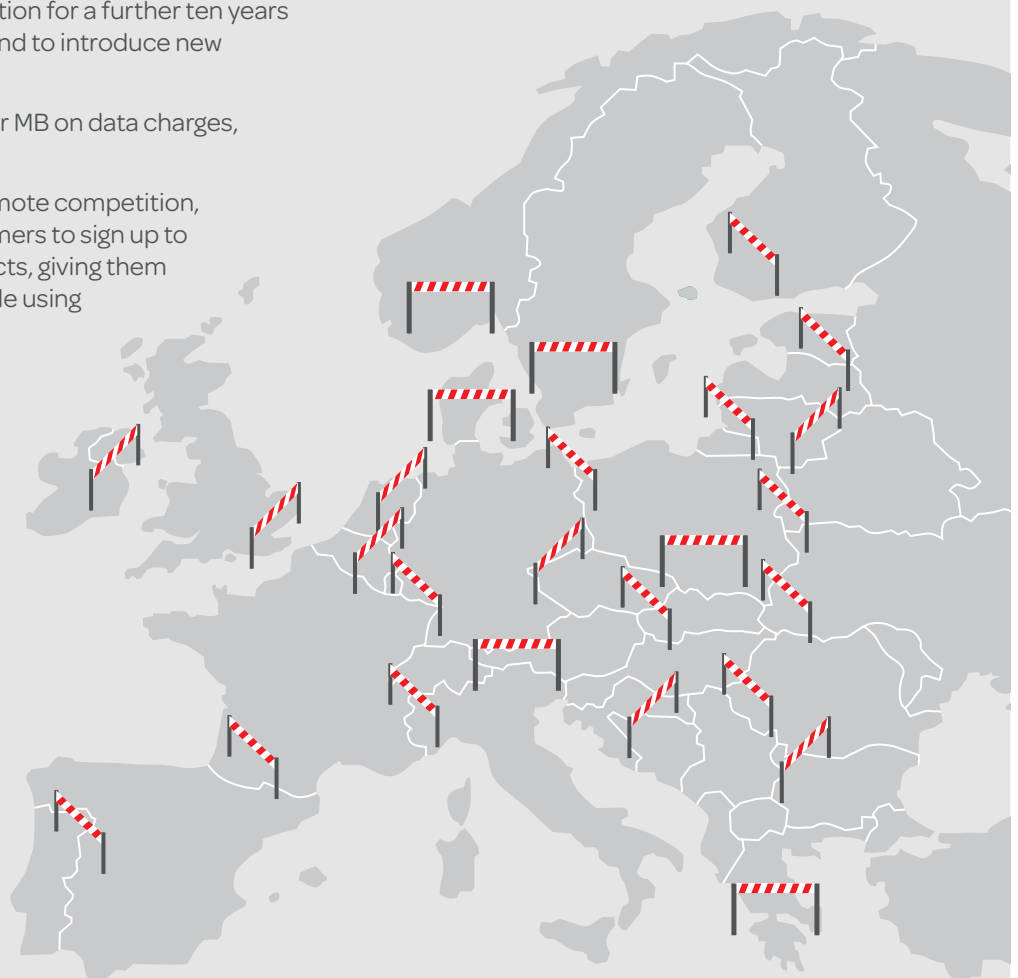
Mobile has the potential to boost cross-border trade as people shop using their smartphones whilst abroad – whether for store location, receiving local offers, price comparison, or payment. But one of the biggest remaining barriers is the prohibitive level of data roaming charges. Although network coverage (79%), the reliability (85%) and speed (86%) of mobile internet connections rank highly as barriers to mobile shopping, consumers are also heavily put off by the cost of data (80%).

The European Commission has announced a major crackdown on what it describe as “outrageous” charges for using the internet when travelling in the EU - for example, requiring operators to send texts to customers on roaming costs, and a default cap of €50 to avoid the shock many consumers have experienced by running up excessive charges. The Commission is now proposing to extend the Roaming Regulation for a further ten years when it expires in June 2012, and to introduce new provisions including:

- A new price cap of €0.90 per MB on data charges, falling to €0.50 by July 2014.
- Structural measures to promote competition, such as the ability of consumers to sign up to new mobile roaming contracts, giving them access to lower charges while using the same number.

Recommendations

- **We support the European Commission’s proposals to introduce structural reforms to the mobile data market and to lower costs still further. However, we would urge European policymakers to reduce roaming costs even further and faster. The proposed caps will still leave these charges equivalent to €100 for a gigabyte of data by 2014 – a hundred times greater than the current rate enjoyed today by UK consumers. We believe the Commission should aim to reduce wholesale data rates to around a third of the level envisaged for 2014.**



Mobile and local

27

Businesses who operate across the EU have to deal with 27 regulators

Mobile technology enables new local services. For instance retailers are able to offer consumers deals based on their proximity to a retail store and other services such as store location, local offers or price comparisons, inventory checks and more convenient click and collect opportunities.

The benefits to smaller retailers – with or without an established high street presence – are also clear as targeted mobile advertising enables retailers to attract footfall to their store from consumers using mobile devices.

With the growth of these local commerce services, data protection will matter more and more when you are dealing with issues such as people's geo-location data. Many consumers will want more control over how their information is processed, and they will want assurances that businesses will keep their data secure.

There have been other privacy concerns raised about targeted advertising. However, we believe it is possible to meet these concerns by giving consumers greater transparency about when they are being served such advertising and control to enable them to turn it on when they want it and off when they don't. The IAB Europe Online Behavioural Advertising Framework is a good example of this approach.

Recommendations

- **As the EU Data Protection Directive (DPD) is reviewed in 2012, regulators need to be careful about undermining new and innovative forms of online advertising that will support the sort of legitimate content distribution which policymakers rightly want to encourage, and local retailers who want to take advantage of new mobile technologies.**
- **The EU also needs to ensure that, as the DPD is revised, the country of origin principle, which says that when businesses are trading cross border with consumers, it is the law in which the business is established which applies – continues to apply in respect of EU privacy law. Businesses, particularly those who operate across the EU, need the stability which comes from having to deal with only one national regulator, rather than 27.**



Mobile payments

61%

of consumers DON'T shop through their mobile because of concern about personal and financial information

Not only will phones be used to pay for products purchased through the mobile Internet, but smartphones will also play an increasingly important role as a payment device in store as a mobile wallet, by simply swiping a mobile device or even bumping mobile phones together.

Mobile also offers the potential for better shopping experiences throughout the purchase lifecycle – from receiving appropriate and timely offers from retailers, through to easier ways to pay and the ability to adjust how they pay after a consumer has received their goods.

At the moment, there are some challenges associated with the greater uptake of mobile payments, although none of these is insurmountable:

- **Mobile users worry about the security of their personal information.** According to research conducted by Forrester Consulting on behalf of PayPal (July 2011), 61% of consumers don't shop through their mobile because they are concerned about their personal and financial information. But there are payments and existing virtual wallet providers, such as PayPal, that are focused on building trust because they remove the need for shoppers to enter personal payment card details into new and unfamiliar sites. Retailers, payment providers and mobile network operators must continue to work together to build consumer trust if this market is to grow.
- **Mobile payment is complex.** Building a simple, trusted mobile payments ecosystem in the UK is a key stepping stone to convincing consumers to shop through their mobiles.

Recommendations

- **As technical and security standards are developed, it is important that these foster innovation by allowing for as much interoperability as possible between different payment providers.**
- **As competition in payment services increases, consumer and merchant choice must be allowed to continue to drive growth and adoption of the next generation of commerce and payments technologies. Standards must not give rise to walled gardens or be allowed to act as barriers to a level playing field for safe, consumer-friendly payment services. Consumers must be allowed to pick their winners among digital wallets and digital service providers must be free to offer their customers their wallets of choice.**
- **Network providers, manufacturers, government and retailers should work with existing bodies like Get Safe Online to educate consumers about how to use the mobile internet safely.**



An open mobile internet

“Replacing the open Internet with two-tiered networks will stifle competition”

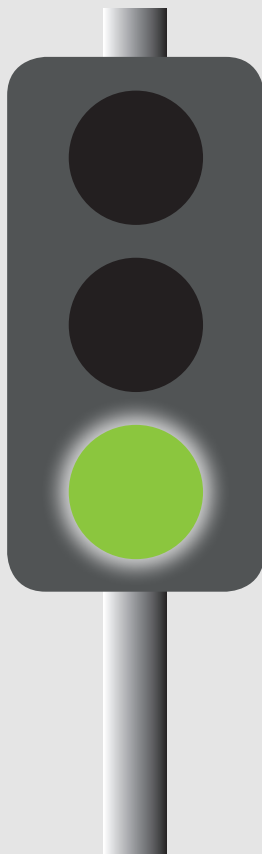
One of the most important pre-conditions for the growth of the mobile internet is allowing innovation to flourish. An open mobile internet is absolutely central to that goal.

eBay believes that replacing the open Internet with two-tiered networks will stifle competition, allow broadband Internet operators to advantage content they own themselves, and potentially lead to national “preferences” in many countries. Creating a “fast lane” on the internet will dramatically change the internet as we know it for the worse. This principle applies to mobile broadband just as it does to fixed-line broadband.

Consumers want to be able to access the Internet from anywhere and from the device of their choice. Net neutrality principles should exist regardless of platform or network. This is also important as cloud computing becomes more prevalent.

Recommendations

- **Net neutrality should mean that broadband Internet carriers – both fixed line and wireless – are not allowed to discriminate between data going over their Internet network based on the source or ownership of the data. For example, blocking, throttling or degrading non-affiliated content should be clearly prohibited.**
- **We understand the desire of Ofcom to avoid overly prescriptive ex ante regulation. However, we do not agree that it is sufficient to rely solely on ex post regulation. If ex post regulation is to work effectively, there need to be clearly understood ‘rules of the road’. We therefore urge Ofcom and the European Commission to adopt formally the same rules on net neutrality already adopted by the US Federal Communications Commission.**
- **It is important that broadband providers are transparent about how they manage traffic on their networks. But transparency and competition amongst access providers is not enough to guarantee net neutrality. We therefore urge Ofcom to devote further study as to how ex-post facto regulation would work in enforcement terms.**
- **We also urge Ofcom to develop further proposals to make it easier for consumers to switch broadband providers. We note that this is the subject of further work by Ofcom.**



Optimising for mobile

75%

of mobile users would spend more through their mobiles if more websites were optimised

Too often, retailers see mobile retail as nothing more than an extension of internet retail. In reality, mobile creates opportunities to build new applications which enable new consumer behaviour and can unlock new economic potential. But today, the industry is falling short – and nowhere is this clearer than the failure of retailers to develop optimised sites which harness the potential of mobile. According to Verdict Research, three quarters of mobile users would spend more through their mobiles if more websites were optimised.

Recommendations

- **Develop a strategy to optimise all areas of the business around the new mobile channel.**
- **Create a site that is optimised for every potential platform and access point that consumers will use.**
- **Use mobile applications to enhance the shopping experience: from simple things like product location and providing enhanced information to more complex solutions like augmented reality.**



Skilling up for next generation mobile

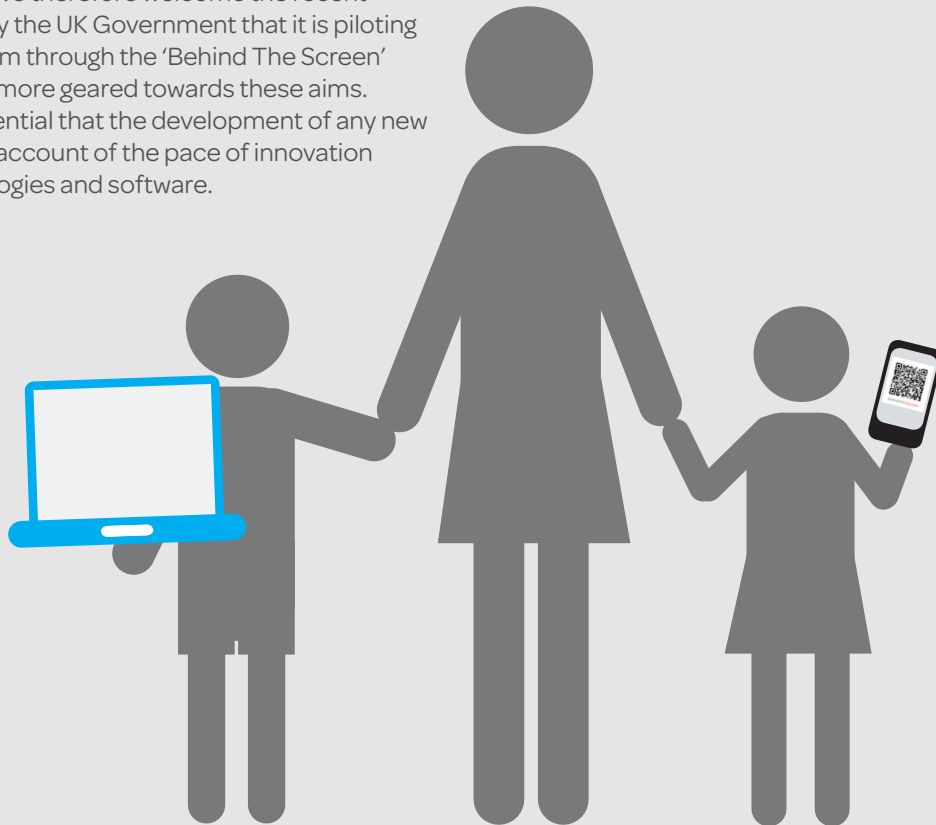
44%

fewer applicants to computer-related degrees in the UK since 2001

Increasingly, we will see further waves of innovation in the mobile space driven by platforms opening up to developers who can create new software and new technologies. If Britain is to take advantage of this opportunity, it needs to improve IT education in schools, teaching children not just about digital literacy and how to use computers but also about how they work and how to develop software for them. Unfortunately, applicants to computer-related degrees in the UK have declined by 44% since 2001. We therefore welcome the recent announcement by the UK Government that it is piloting a new IT curriculum through the 'Behind The Screen' initiative which is more geared towards these aims. However, it is essential that the development of any new curriculum takes account of the pace of innovation in mobile technologies and software.

Recommendations

- Any new curriculum should focus not just on teaching children about computers but also about mobile devices to ensure that UK students learn how to develop new technologies and software for the next generation of mobile devices.



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