

WHITE PAPER
SEPTEMBER 2012

**THE UK OPPORTUNITY
FOR 'TOTAL MOBILE'
MULTI-CHANNEL MARKETING
FOR RETAILERS**

MOBILE-
**THE SHOP IN
YOUR POCKET**

Published by Velti - The leading global technology provider of mobile marketing and advertising solutions.

Researched and written by **mobileSQUARED**



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1. Executive Summary

Mobile has made a huge impact on the global retail industry. Consumers now browse, search and purchase products via their mobile device whenever and wherever they like. It's a consumer driven market and as customers become more comfortable purchasing via mobile their expectations of the mobile brand experience are developing.

Retail brands need to match expectation with quality of experience and this means planning and delivering an optimised mobile strategy to deliver an engaging customer experience that is easy and intuitive to navigate, providing a seamless and enjoyable experience of shopping with the brand on over 12,000 different smart mobile devices.

Key findings from our research indicate that over 50% of UK consumers would opt-in to receive smart direct mobile communications with their favoured brands, citing retailers as the second most trusted sector. So for brands who are scratching the surface of mobile, it's time to take a good look at whether you are optimising the channel for the half of your customers who want to hear from you using it. It's set to skyrocket over the next 60 months and market share will be directly linked to the quality of strategy and delivery or there are some big potential risks associated with not being ready.

The research study aimed to gain key industry insight into consumer minds and behavior, to explore consumer habits and expectations, and to build an accurate step by step picture of the customer journey. The research also intended to gauge their willingness to receive branded communications and understand how and when they wish to be communicated with via mobile.

1.1 Ten Consumer Insights Retailers Should Know About Mobile...

1 Building trust with consumers

25.6% of respondents see retailers as a 'trusted' brand and would accept branded communications via mobile if delivered according to their opt-in terms.

2 Frequency of communications

Of the 25.6% respondents who said they wanted to receive retail branded communications; 10.5% would welcome monthly communications; 22.8% weekly; 41.9% daily and 24.7% multiple daily communications.

3 Identify communications hot spots...it's lunchtime, home time and own time

There are two daily optimum communications hot spots - the most effective time for branded communications being between 12 - 2pm (12.8% of respondents), 5 - 7pm (13.1% of respondents), with weekends (11.6% of respondents) having a broader appeal than weekdays (4.2% of respondents).

4 Technology and reaching your opt-in audience - it's skyrocketing - a 50% increase forecast in the next 5 years

Total opt-ins for the retail sector is forecasted to rise to 7.97 million as of 4Q 2016, rising from 5.33 million in 4Q 2011 (an increase of 49.5%). As smartphone adoption continues to increase, consumer's expectations to connect to their most trusted retail brands via mobile will increase.

5 Driving consumer response

Consumers are expecting dialogue and a more conversational tone – if brands want to drive customer interaction they will need to get this right.

6 Relationship building

It is critical for retailers to develop a lasting relationship with each and every opted-in consumer to build interaction. Using the most important words in any language – their name (and all the other data we can layer into their mobile profiles).

7 Device preference

By 2016, smartphones will account for 80% of retailer opt-ins. It's going to revolutionise loyalty, engagement and brand devotion. Retailers need to understand the devices their customers use; how they use them and can't afford to overlook the role of feature phones either; strategies need to be device agnostic and work for all of them.

8 Early adopters

Women are the early retail adopters when it comes to mobile shopping and signing up to receive branded communications. Of those respondents that have already signed up for branded communications from retailers, 21.2% were female versus 15.3% male. There is a balanced split between males (26.3%) and females (25.5%) that intend to sign up.

9 Know your customer demographic: They are young, not so young and middle aged

Those that fall into the 18 – 24 age range are most likely to opt-in to receive branded communications from retailers, with a direct correlation between diminishing appeal and age group; for example branded communications would appeal to almost 35% of 18 – 24 year olds, a little over 30% for 25 – 34 year olds and almost 15% of 45 – 54 year olds.

10 Internet enabled devices

Messaging and email penetration is currently at 100% of the opt-in database and our research estimates that 95% of these opt-ins have an internet enabled device, therefore a retailer not investing in a mobile site is missing a major opportunity of engaging with their consumers.

2. Consumer Insights:

2.1 Overview

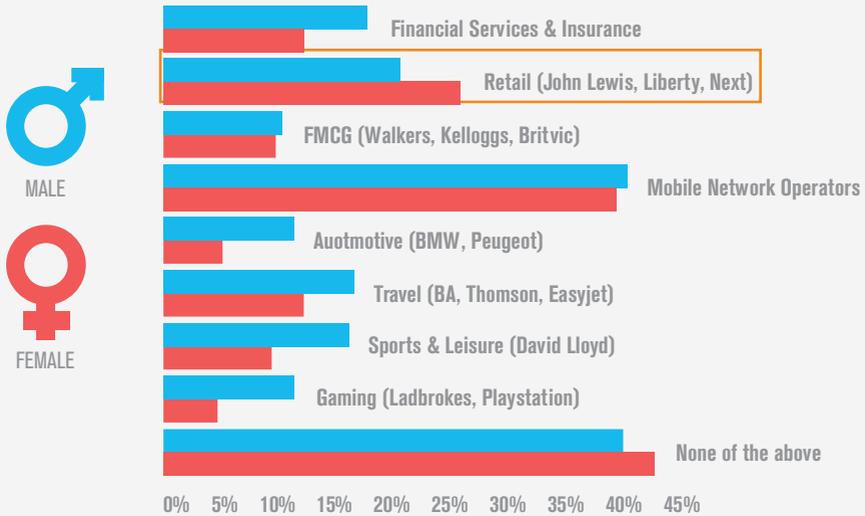
Retailers cited as trusted source for branded mobile communications

Retailers need to capitalise on the immediate and rapidly expanding opportunity of 'Total Mobile' Multi-Channel Marketing, which presents an unprecedented channel to develop a one-to-one relationship with consumers. If you do not take advantage of this customer engagement opportunity, you risk others moving faster into the space and seizing market share.

Research reveals that consumers in the UK are ready to receive multi-channel brand communications. Velti defines Multi-Channel Marketing (MCM) as the process by which a brand can deliver a single communication to the broadest reach of its opt-in database across a multitude of channels – SMS/MMS/email/social media/app. The term “communication” refers to an on-going relationship with a consumer based on dialogue and exchange.”

'Total Mobile' describes true end-to-end optimisation of a brand's relationship with its customers through multiple devices across the purchasing and affinity cycles. It includes how a brand integrates this strategy with all other brand marketing. The research concluded that mobile's ability to perform every aspect of MCM – messaging, email, social networking and in-app push notifications - coupled with the element of real-time and immediacy, makes mobile the primary receptacle for MCM. After the mobile network operators, retailers are the most popular brands that consumers will welcome communications from.

2.2 Which Type Of Companies And Brands Do You Trust To Communicate With Your Mobile Device?

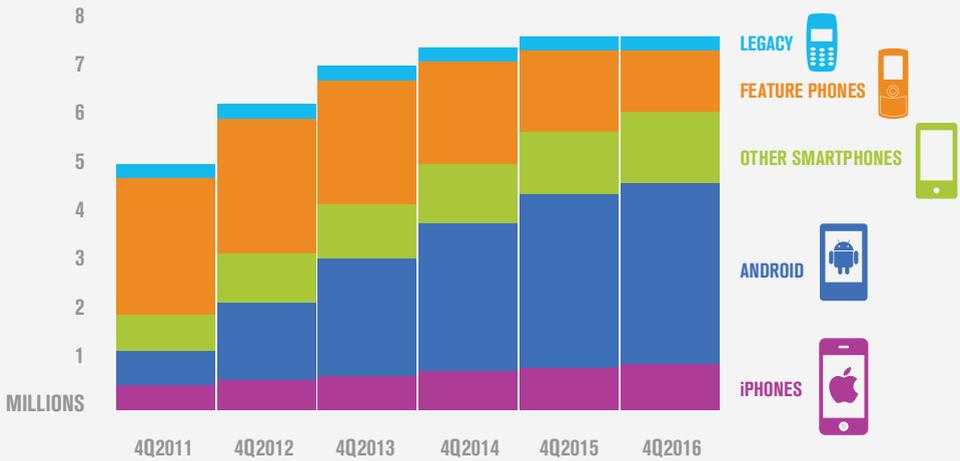


Source: mobileSQUARED for Velti

'Total Mobile' MCM relies on retailers' customers opting in to their database to receive information. A total of 25.6% of respondents to the survey said they wanted communication from retail brands, which equates to 5.33 million of the total opt-ins as of 4Q2011, rising to 6.46 million by the end of 2012. What's even more significant is that 10.5% of those respondents would welcome a monthly communication, 22.8% a weekly communication, and a staggering 41.9% daily and 24.7% multiple daily; that means almost two-thirds would welcome at least one branded communication from a retailer on a daily basis.

The consumer appetite for branded communications from retailers is only going to increase. Total opt-ins for the retail sector is forecasted to rise to 7.97 million as of 4Q2016. By applying the total of mobileSQUARED's UK opt-in device breakdowns to the retailer sector research data, the opportunity in this sector highlights that retailers will potentially reach a total opt-in audience of 3.3 million smartphone users by the end of 2012, compared to 3.14 million featurephone (and legacy device) users. By 2016, smartphones will account for 80% of the retailer opt-ins.

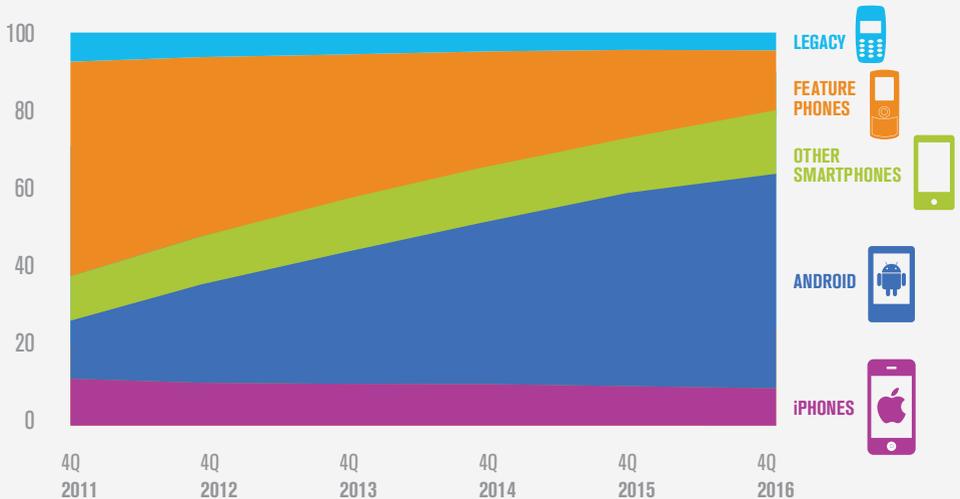
2.3 Retail Opt-Ins, By Device



Source: mobileSQUARED for Velti

An alternative view, as presented below, visually highlights how a retailer should approach the development of its 'Total Mobile' MCM strategy, and must not overlook featurephones and therefore not just focus on launching an app.

2.4 Retail Opt-In Device Universe

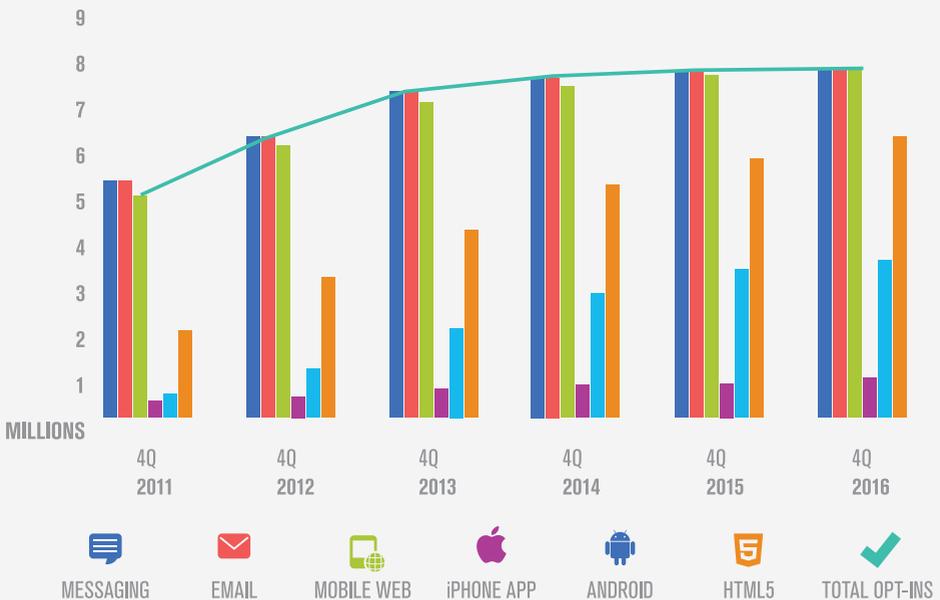


Source: mobileSQUARED for Velti

For example, any retailer overlooking feature phones as part of their 'Total Mobile' MCM strategy in the immediate future will do so at their peril – or at the behest of the majority of their opt-in database. With messaging and email penetration at 100% of the opt-in database, that should be the focal point of any 'Total Mobile' MCM retail strategy, and with mobileSQUARED

estimating that approximately 95% of the opt-in database will have an internet-enabled device, rising to 100% over the forecast period, a retailer not investing in a mobile site will miss a major opportunity of connecting with their database – not to mention the possibility of attracting random browsers to their mobile site and potentially encouraging them to opt-in.

2.5 Multi-channel Marketing (MCM) Reach Via Mobile

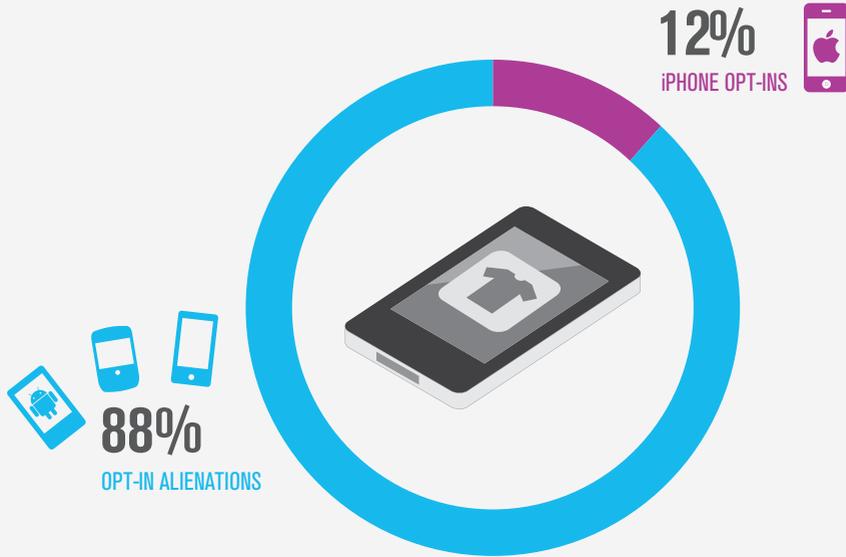


Source: mobileSQUARED for Velti

Based on device knowledge, apps cannot feature as part of a retailer's 'Total Mobile' MCM strategy, unless of course the retailer invests in a cross-platform app strategy. Indeed, any retailer focusing on apps are missing a much broader opportunity. HTML5 will ultimately address this, as highlighted in the above graph, and as smartphone penetration increases over the forecast period, HTML5 will have a similar opt-in reach as that of messaging and (what will then be the traditional) mobile web site.

For the time being, retailers developing an app on iPhone, for example, and then promoting via its opt-in database could alienate the majority of its users. As highlighted in the graph below, a retailer adopting such a strategy would appeal to only 12% of its opt-ins, and could alienate 88%, potentially resulting in users opting out. It is therefore essential that retailers have complete visibility as to the device breakdown of its mobile database.

2.6 Reasons Why Retailers Should Think Beyond Creating an iPhone App In MCM

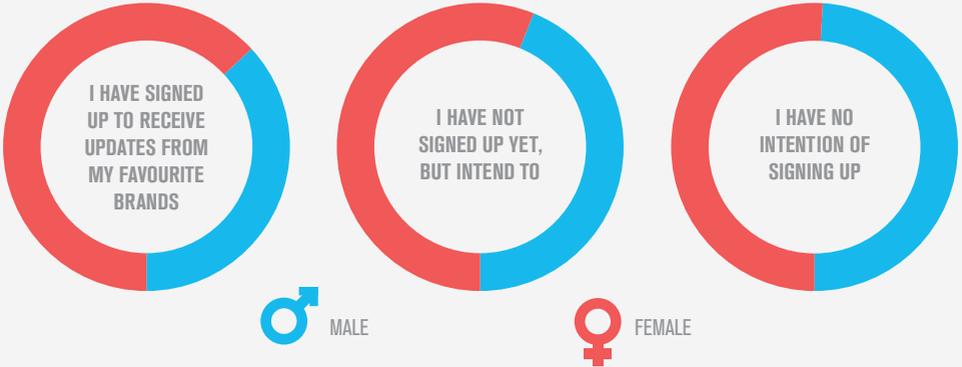


Source: mobileSQUARED for Velti

The good news for retailers such as New Look, Top Shop, Zara and Karen Millen, is that the research revealed females are the early adopters when it comes to signing up for brand communications. Of those respondents that have already signed up for branded communications from retailers, 21.2% were female versus 15.3% male. There is a balanced split between the males (26.3%) and females (25.5%) that intend to sign up.

Retailers targeting males will have to work a little harder to encourage male opt-ins in the short-term, but as the research confirms, there is also strong demand for branded communications from males.

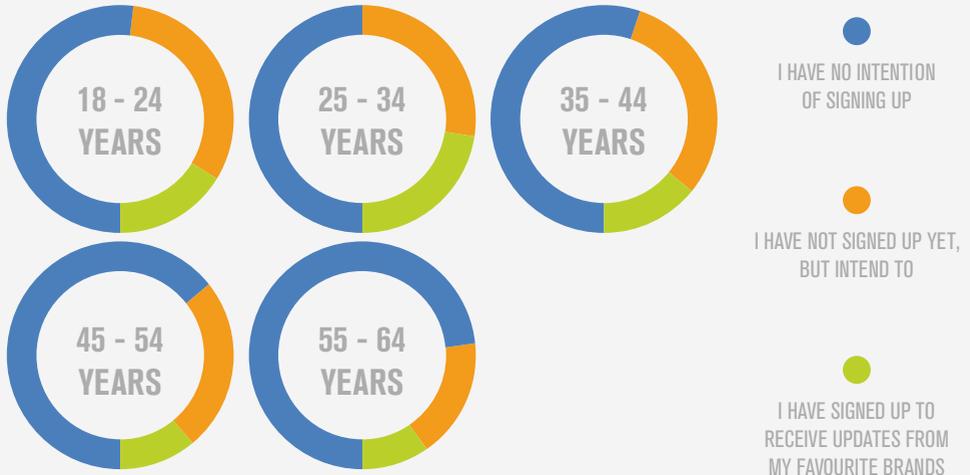
2.7 Do You Want To Hear The Latest News / Updates From Your Favourite Brands? By Gender



Source: mobileSQUARED for Velti

The 25-34 year olds are the most active in terms of signing up for brand communications, followed by the 18-24 year olds, and the 35-44 year olds. Similarly, those aged between 18-44 years are also showing the most intent.

2.8 Do You Want To Hear The Latest News / Updates From Your Favourite Brands? By Demographic

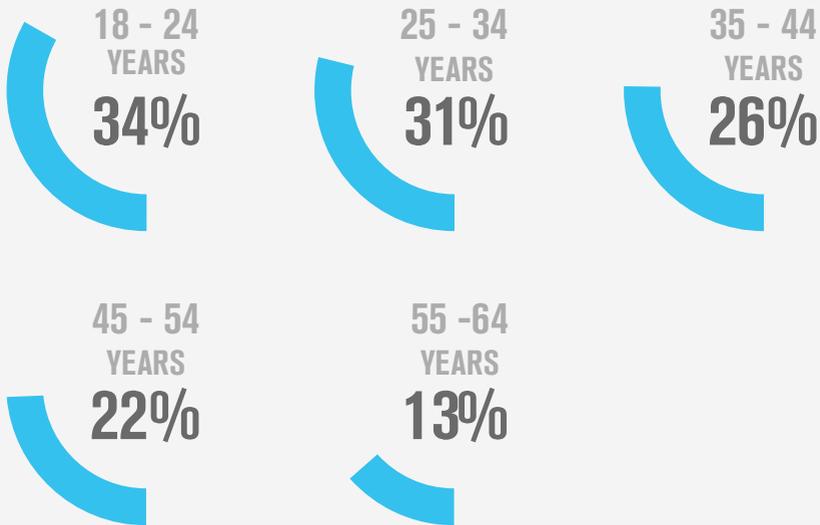


Source: mobileSQUARED for Velti

However, when the national demographic results were specifically split out by sector, it revealed that 18-24 year olds were the most likely to opt-in to receive branded communications from retailers, with a direct correlation between diminishing appeal and age group. For instance, retail-based branded

communications would appeal to almost 35% of 18-24 year old opt-ins, and a little over 30% of 25-34 year olds. That is not to say retailers targeting older demographics should not practice 'Total Mobile' MCM, when almost 15% of 55-64 year olds would welcome the service.

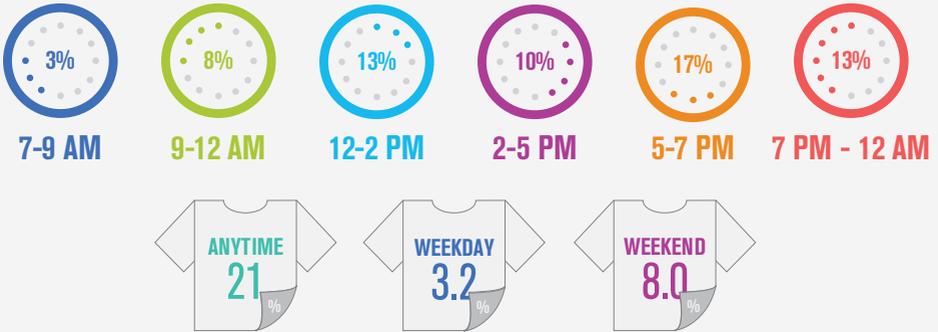
2.9 Which Demographic Is Most Likely To Opt In To Receive Branded Communications From Retailers?



Source: *mobileSQUARED* for Velti

The key to any 'Total Mobile' MCM communication for a retailer is understanding the most potent time to distribute communications. Velti research reveals that there are two peaks on a daily basis, the most effective time for a branded communication would be between 5pm-7pm, and 12pm-2pm. In addition, weekends have a broader appeal than weekday.

2.10 When Would You Most Like To Receive A Branded Message From A Retail Brand?



Source: mobileSQUARED for Velti

THE ABUNDANTLY CLEAR MESSAGE FROM VELTI TO ALL RETAILERS IS ACT NOW.

The research demonstrates there is a strong existing opt-in audience and indicates a growing appetite for MCM. With market conditions now ripe for brands to place a greater emphasis on mobile within their marketing mix, the 'Total Mobile' approach offers the best route for brands to truly understand mobile, learn how to exploit the channel, build stronger relationships with their audiences and grow revenues.

3. An Introduction To ‘Total Mobile Marketing’

Here's How We Do It

Velti specialises in building Total Mobile Marketing ecosystems from brands which mobilise data and social communities, mining transactional value from fans and followers and creating seamless campaigns that deliver phenomenal ROI quality checks to ensure they are fully engaged.

How We Work

We help brands and businesses capitalise on growing B2C mobile commerce whether this is for a light touch project or a full mCommerce solution. We can offer you an antidote to eCRM over-inoculation, turning databases into three dimensional communities, building transactions from your social communities – activating the shop in our pocket, creating purchase speed and building brand affinity.

Linking Brands To Their Customers

We help our clients open mobile as a channel, to bridge the gap between their sales processes and to publish 12,000 smart devices ensuring mobile access to their customers. The sales results are startling; some of our clients have seen 10% of their revenue resulting from mobile investment; in return for significantly less than 10% of their marketing budgets! We are also sensitive to the existing communications supply and ecommerce networks, plus we are experienced at integrating with existing systems, incorporating creative, media, digital and PR suppliers. Plus a number of marketing services agencies license our mobile CMS platform for their clients.

3.1 The Four Stages Of Mobile



Activation

Strategy, concept and first build from a standing start. Activation begins with your customers. We ensure your mobile strategy is developed to enhance the customer experience.



Acquisition

Services are live; we create awareness by adopting a performance marketing approach. Designed with your objectives in mind, we help you understand the right mobile tactics to deliver on your KPIs.



Optimisation

Through data, insight generation and campaign optimisation - Our results driven model ensures your campaigns are driving outcomes, and that experiences are personalised to the unique needs of your customer.



Retention

Tailored offers and rewards based on customer insight. We believe loyalty is more than a word, it's an ethos. Our retention campaigns are structured to keep your most valued customers engaged with your brand.

To find out more download your own free copy of 'The Mobile White Book' - <http://www.velti.co.uk/resources.html>

3.2 Our Retail Clients



3.3 Contact Us

Pick up your mobile and contact Matt Cockett, VP Sales and the Velti Retail team:

Matt Cockett: +44 (0) 7590 837 260
The Retail team: +44 (0)207 921 5599 or +44 (0)870 235 4042
Email: VeltiUKRETAIL@velti.com

4. About Velti

Velti is the leading global provider of mobile marketing and advertising technology and solutions that enable brands, advertising agencies, mobile operators and media to implement highly targeted, interactive and measurable campaigns by communicating with and engaging consumers via their mobile devices. The Velti platform, called Velti mGage™, allows customers to use mobile and traditional media to reach targeted consumers, engage the consumer through the mobile Internet and applications, convert them into customers and continue to actively manage the relationship through the mobile channel. Velti is a publicly held corporation based in Jersey, and trades on the NASDAQ Global Select Market under the symbol VELT.

FOR MORE INFORMATION, VISIT WWW.VELTI.CO.UK

5. Methodology

The research study aimed to gain key industry insight into the mind-set of the consumer and their behaviour - to explore consumer habits and expectations; to build an accurate step by step picture of the customer journey, to gauge their willingness to receive branded communications; plus to understand how and when they wish to be communicated with via mobile.

The consumer research was conducted by mobileSQUAREDs research partner Lightspeed in H2 2012.

The survey involved a nationally representative sample of 3,000 people in the UK.

All panellists join through a double opt-in registration process and participate in profile surveys covering a wide range of topics in key vertical markets. Timely profiling data consistently updated. Potential panellists must pass through a series of real-time, technology-driven verification checks during registration before they may join the panels. During the surveys, panellists pass through quality checks to ensure they are fully engaged.