Mobile POS 2017: What Reality Looks Like

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Introduction

Mobile technology in retail, more particularly Mobile POS, has been the source of a tremendous amount of buzz since coming on the scene a handful of years ago. When it first came on the scene, there was a great deal of talk about how Mobile POS would replace traditional POS. And to a very strong sense it has among the smaller mom and pop retailers. At the enterprise level, however, we have seen more of a side by side role. This has affected the numbers. The number of shipments among the smaller retailers are now leveling off but for enterprise we are just getting started.

All that said, mobility has been transforming how retailers and hospitality providers interact with customers. The seminal moment was the release of the iPad. And it was not so much the device, but the price point of $499 that opened the door for retailers to begin looking at mobile devices for associates and potentially as a replacement for POS. This is true in spite of the fact that the device is neither retail-hardened nor enterprise-friendly.

In this report we have our traditional categories of Retail Hardened Handhelds, Consumer Handhelds, and Tablets. We have extended the data this year to also show shipments and installed base for fixed mobile devices, which are those like iPads or other tablets that simply act as a POS replacement. They are mobile devices but fixed in place due to a lower up front price point than POS. We contrast this to the number of units being shipped and installed that are truly mobile devices.

In all the reader will get shipments and installed base across North America as well as a forecast through 2021. While we mention vendors in this report, we do not provide market share or units for those vendors. For this information we refer you to our Mobile POS Vendor Share study that comes out quarterly for hardware share that actually reviews total shipments by vendors and by segments around the world. Then the Mobile POS Software Share study that provides market share by software vendor.

Four Stages of Mobile Details

At **Stages 1 and 2** (mobile for managers and associates), the market is additive related to POS in that new mobile devices are coming into the store, but there is no impact on the number of traditional POS devices.

Stage 3 (Mobile POS) is the game changer for POS and in certain segments has become a major disrupter to overall POS shipments going forward. In general, however, mobile POS is best used where transaction speed is not as critical as mobility and customer engagement at the transaction.

Stage 4 (leveraging the customer device) may have an effect on total number of POS devices, but not for several years. This makes the most sense in transaction environments where customers bring their own bags.

The use of one or more of these stages is entirely dependent upon the retailer's individual desire for the technology and their willingness to transform the manner in which they interact with the customer. The aforementioned slower adoption of **Stage 3** is due in part to a variety of reasons, including:

- EMV solutions for mobile are not ideal and are kludgy, so EMV installs are delaying mobile deployments.
- Retailers are working towards a unified commerce back end system to feed the Mobile POS, ecommerce, and POS platforms. Most retailers have focused on this first as it is a core issue of growth and survival.
- Apple's continued challenges to date in "enterprise-friendliness" have also caused delays, though IBM's relationship with Apple may help this in the future.
- Mobile POS requires new layouts of security cameras, payment islands, etc.. Those remodels are costly.

In this report, we provide worldwide and North American shipments and installed base for each of the handheld categories outlined for Stage 3 for North America. We also forecast the shipments and installed base for these devices through 2020.

Retailers can utilize the data to measure their own plans against what we are anticipating, as well as what competing retailers are considering. Vendors, for their part, will be able to utilize the data in as a tool to gauge the most likely areas of investment by retailers and how to refine their strategies.

Key Definitions

➢ Segment Definitions

- **Food / Grocery** – Stores that sell food and grocery items, regardless of store size.
- **Drug Stores** – Stores that sell personal care and medicinal goods.
- **Superstores / Warehouse Clubs** – Large, austere stores such as Costco, Sam's Club, also includes stores like Walmart Supercenters and Super Target.
- **Mass Merchants** – Like a Superstore, but only carrying non-food items or limited food items and using a front-end checkout. Also includes Discounters / Dollar Stores.
- **Department Stores** – Traditionally larger format stores, upscale in products and including hard and soft goods with department style checkout.
- **Specialty Category Killers** – Stores that focus on a particular hardgoods product line. Includes DIY, Auto Parts, Books, Sporting Goods, Pets, Furniture, Electronics, etc.
- **Specialty Others** – Stores that focus on a particular softgoods product line. Includes Apparel, Accessories, Footwear, etc.
- **Convenience / Gas** – Includes gas stations and forecourts.
- **Table Service Restaurants (TSR)** – Includes Pubs, Bars and Restaurants with sit-down service.
- **Quick Service Restaurants (QSR)** – Includes Restaurants generally described as fast food.
- **Lodging** – Includes Hotels, Motels, Resorts and other Accommodation facilities (non-Casino).
- **Entertainment: Casino/Cruise** – Includes Casinos, Gaming facilities and Cruise Ships.
- **Entertainment: Theme/Theater/Sports** – Includes a wide variety of facilities such as Movie Theaters, Stage Theaters, Theme Parks, Sporting Arenas, Museums, Zoos, etc.

➢ Tier Definitions

- **Tier I** – Annual revenues in excess of $1 Billion.
- **Tier II** – Annual revenues between $500 Million and $1 Billion.
- **Tier III** – Annual revenues of less than $500 Million.

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➢ Mobile POS Hardware Definitions

- At IHL we believe it is important that we state clearly the definitions of what we are classifying as a Mobile POS device. For the purposes of our analysis, we are defining it as a handheld device that is deployed primarily for transaction processing purposes. It may have the POS application running on it, or it may be networked to the POS application running on other terminals in the store (or in the Cloud). Although the device may be used for other functions (messaging, inventory counts, price checking, etc), its primary purpose is to allow employees to check customers out with their purchases.
- We identify three specific types of devices.
  - **Tablets** – These are touch-enabled devices that have a form factor ranging roughly between a DVD case and a marbled-cover school composition book. These devices are typically manufactured by those who also manufacture PC's, notebook computers or cell phones.
  - **Consumer Handhelds** – These are typically consumer-grade cell phones or PDA's.
  - **Retail Hardened Handhelds** – These are devices, typically manufactured by POS manufacturers, that are designed to withstand the environmental and drop testing that typifies retail hardening.
- Then we add this year two ways in which mobile POS is used.
  - **Fixed Position Mobile –** This is a tablet-like device that is simply used as a fixed position POS replacement. You see this in coffee shops and many smaller retailers. They use a consumer tablet in an fixed spot with peripherals connected as a way to lower upfront costs for POS. These devices tend to be replaced 2-3x faster than traditional POS but frees up capital in startups.
  - **Truly Mobile Devices** – As the name implies these are mobile devices that are used in a mobile scenario for POS, not fixed to a single location.
- Finally, we count only those devices that are actually deployed in the enterprise; we do not count those devices that are in pilots or labs.

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How We Got Here

This Mobile POS study leverages a variety of resources available to IHL, including our WorldView IT Sizing model (for market sizing and forecasts) and Sophia, by far the most comprehensive source of not just validated leads, but key wisdom for smart decisions in the retail industry. These tools, coupled with the vendor and retailer relationships we have cultivated though the years, enable us to "get our arms around" this market.

Further, the annual Store Systems Study that we do with RIS News (The Brave New World of Unified Commerce) serves as a source of some of the data we use for this study. Simply, we ask hundreds of retailers about their spend plans and preferences for a wide assortment of IT for the coming years. This data is aggregated by retail tier and by retail segment, and the overall report represents the very first retail IT study released each year, corresponding with NRF.

Our Mobile POS Hardware Vendor Market Share product also serves as a source for data for this study. This product is very data intensive and can go as deep as shipments by segment by region by operating system or processor-type. The data is also available simply in aggregate by vendor worldwide or by individual region. Included are historical data back 2 years and projections forward for the next 6 quarters by vendor.

Our hope is that vendors and retailers can utilize the data contained herein to track and regain lost revenues by fixing these issues. . For more information on this study, please see our website or contact us at +1.615.591.2955.

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Thank You

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