

Mobile Retailing Drives Bandwidth Demand

Another set of uses for video is emerging – and another reason to ready your network for more traffic.

By Steven S. Ross ■ *Broadband Communities*

Time to add more fiber to more cell sites. We're on the verge of a revolution in mobile retailing. After attending the National Retail Federation's annual Shop.org conference as well as the Direct Marketing Association's annual meeting, I can tell you that marketers simply assume there will be enough mobile bandwidth for the on-demand video they are readying. Users are already accessing mobile video and interactive sales pitches on phones and on tablets through apps, Web links and QR codes.

Various sources have produced conflicting reports on the topic, but they all agree that so-called m-commerce is growing fast, even though bricks-and-mortar store sales have been flat since 2007 and overall online sales are up only slightly. Some details will help local providers navigate local situations:

Census estimates of monthly and annual retail sales, based on surveys of 5,000 retail chains and establishments, show overall retail sales flat since 2007 in current dollars, at over \$4 trillion. Knock out food, autos and auto parts (none of which have huge Internet consumer sales volumes, for obvious reasons), and the figure drops to about \$3 trillion a year.

Over the past 20 years, retail sales roughly doubled in current dollars while population increased about 30 percent. Once inflation is factored in, retail sales were actually flat in real dollars throughout that period as well – product and food prices did not keep pace with other sectors, especially energy and medical.

HOW MUCH GROWTH?

Retail trade associations generally estimate that online sales account for

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roughly 3 percent of all retail sales, which would put online retail at more than \$120 billion a year. But that number appears low.

Morgan Stanley predicts that m-commerce alone will be 2 percent of all U.S. retail by next year and that online retailing overall will be 5 percent. However, that estimate is probably too low as well. Indeed, Internet marketing research company ComScore says online commerce overall accounts for nearly 8 percent of all U.S. retail sales and that 2.4 percent of mobile users already access retail services on their phones daily.

ComScore also says Internet retail sales volume grew by nearly 15 percent in 2010 over 2009, in a bad economic climate. Larger retailers (the Internet Retailer 500) grew by 18 percent from 2009 to 2010, but all that growth was really Amazon.com, which grew by 39.5 percent, in part through acquisitions.

Forrester (which does a lot of the research for the National Retail Federation) reports that m-commerce will grow 39 percent a year through 2016 from a small base of about \$6 billion by year-end 2011 to \$31 billion just 5 years from now.

But eBay alone expects its own mo-

bile business to grow to \$4 billion this year, doubling from 2010. As it is unlikely that eBay accounts for two-thirds of all mobile marketing today, the real mobile market is already well above Forrester's \$6 billion estimate.

If online buyers have to pay sales taxes directly to vendors, the growth of m-commerce may slow. But lack of sales tax is roughly balanced by shipping cost; online sales growth would decline if a sales tax were directly levied but would still outpace bricks and mortar.

Even if that were not so, the explosive increase in mobile commerce will inevitably lead to an "arms race" in mobile advertising, as it has in other marketing venues. In fact, the race has begun: more multimedia as advertisers strive to stand out from the clutter of their peers. Early signs are that advertising-related video and other multimedia to mobile devices, especially phones, could soak up more bandwidth than entertainment video by the end of 2014.

Will the 2 GB-per-month mobile limits some big telcos have implemented slow growth somewhat? Probably. But m-commerce growth is still about the only growth around. Embrace it. ❖

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