



Mobile Shopping: The Future Of Retail Has Arrived

WHITE PAPER

What Is Mobile Shopping?

Mobile shopping enables anyone anywhere to buy anything they want.

For centuries, shopping meant traveling to a place of business and exchanging money for goods or services in a face-to-face transaction with the merchant himself. The rise of department stores and shopping malls made the purchasing process more streamlined (many products, and then many merchants, under one roof). The advent of e-commerce in the mid-90s meant that we no longer had to travel to the store, the store came to us in the form of websites where we could add goods and services to a virtual shopping cart and pay via credit card from the comfort of our home or office. E-commerce then gave birth to mobile commerce (or mobile shopping as we like to call it) and now the store doesn't just come to us, we carry the store with us in our bag or pocket or keep it next to our pillow at night. Mobile shopping enables anyone anywhere to buy anything they want, limited only by access to a smartphone or tablet, an internet connection and the pool of retailers offering mobile shopping experiences.

Mobile shopping is the future of retail and that future is already here.

Mobile Shopping Defined

When we talk about “mobile shopping” we’re talking about the shopping experience. Shopping is much more than exchanging money for goods and services. Shopping is sensory — think of a big box store on Black Friday vs. a Rodeo Drive boutique — and emotional — remember the very first thing you bought with money you had earned yourself? It allows us to both meet our basic needs and to express aspects of our deepest selves, sometimes with a single product.

At Mobify, we’re interested in how to provide consumers with the richest, most engaging end-to-end shopping experience on their mobile device of choice.

How It All Began

The term 'mobile commerce' was born at the inaugural Global Mobile Commerce Forum in 1997. The GMCF chairman, Kevin Duffey, defined mobile commerce as "the delivery of electronic commerce capabilities directly into the consumer's hand, anywhere, via wireless technology." He went on to describe it as "a retail outlet in your best customer's pocket," a description that is still relevant to how we think about the mobile shopping experience almost 20 years later.

The first examples of mobile shopping in action were two Coca Cola vending machines installed in Helsinki, Finland in 1997. They allowed customers to purchase soda via SMS text message. In 1998, Finnish mobile operator Radiolinja offered the first digital content for mobile purchase — ringtones. Japan joined the game in 1999, when NTT DoCoMo launched the first mobile-specific browser-based web service. Leap forward a year and the inaugural wave of mobile shopping apps for internet-enabled cell phones, including offerings from Amazon and HMV, hit the market.

Mobile shopping as we know it, however, didn't really take off until a generation of smartphones, which were themselves an evolution of the PDAs of the early 90s, emerged that had the capacity to run third-party applications and allow users to browse the web more easily and comfortably than older model phones. In 2008, a year after the release of the first iPhone, Apple launched its App Store. Within months, 10,000 apps were available. Blackberry and Android soon followed

suit with their own app stores. In 2010, Apple again shook up the tech world by debuting the iPad, which offered a screen size closer to that of a laptop, but the touchscreen interaction and increased portability of a phone. 2010 was also when smartphone sales outpaced PC sales for the first time. By then, savvy retailers had already seen the writing on the wall and were busy launching their own mobile websites and/or mobile apps. Now, those same savvy retailers are realizing that their mobile presence is an integral component of a shopper's engagement with their brand and are creating marketing strategies to support an omnichannel — a seamless integration of all a brand's marketing channels — shopping experience.

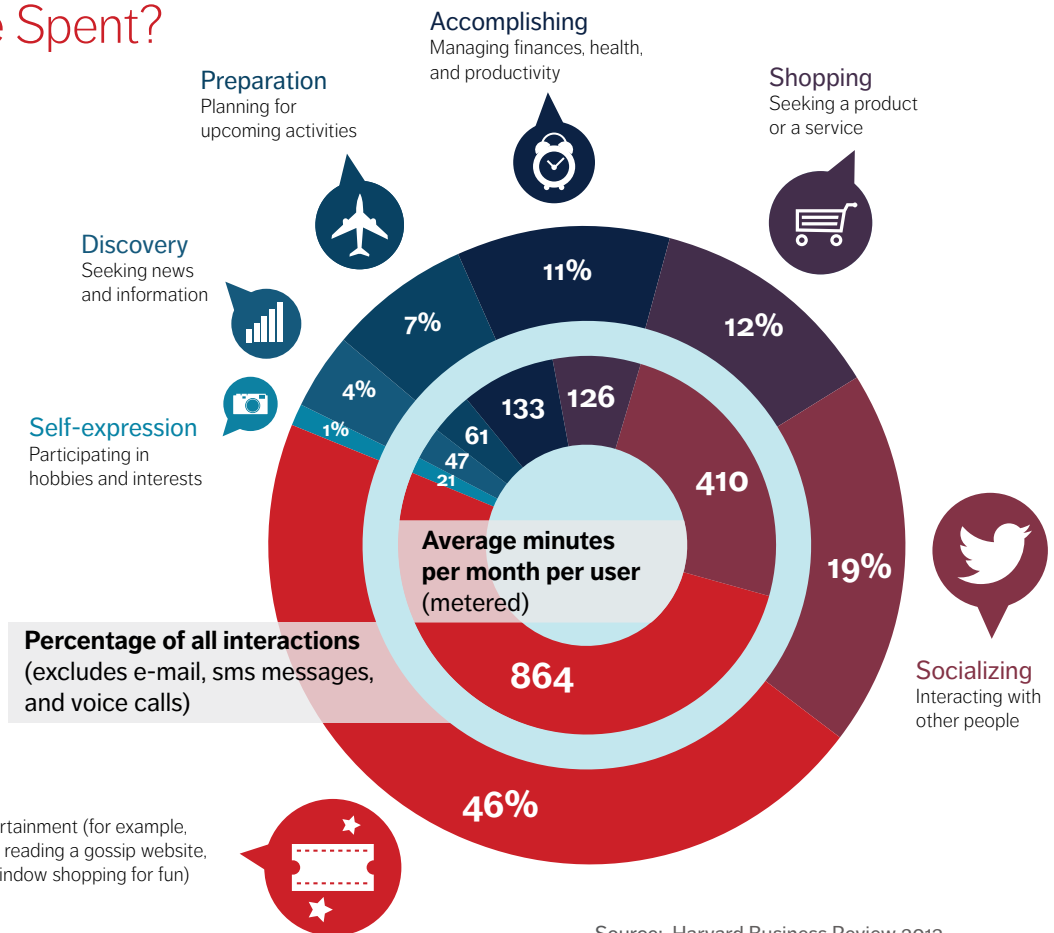
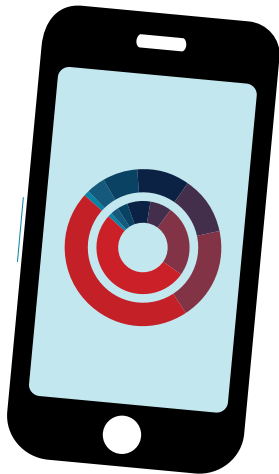
The mobile shopping landscape has changed enormously since its early days. Back in the late 90s when we were paying 99 cents to download a Backstreet Boys ringtone, who could have imagined a future in which in-store sensors detect your smartphone as you enter the front door and offer you product information or customized discounts as you browse the racks? Who could have envisioned a world in which hungry diners could order a pizza in the literal blink of an eye? Mobile shopping has moved from something discrete and transaction-based to part of a larger evolution in the way we seek information, interact with brands and make purchase decisions.

[Mobile is a] part of a larger evolution in the way we seek information, interact with brands and make purchase decisions.

A Brave New Mobile Device World

In a few short years, smartphones, those drivers of mobile shopping, have gone from a tech luxury to an integral aspect of daily life. In the US alone, 58% of adults own a smartphone. Not only do 65% of us sleep with our smartphones next to us, 80% check those phones each morning before basic tasks like brushing our teeth. In total, we spend a whopping 194 minutes staring at or interacting with our smartphones (151 minutes) or tablets (43 minutes) each day and that figure is increasing. In 2014, time spent on the mobile web increased 17% over 2013's numbers and use of mobile apps jumped a whopping 52%, according to comScore.

How Is That Time Spent?

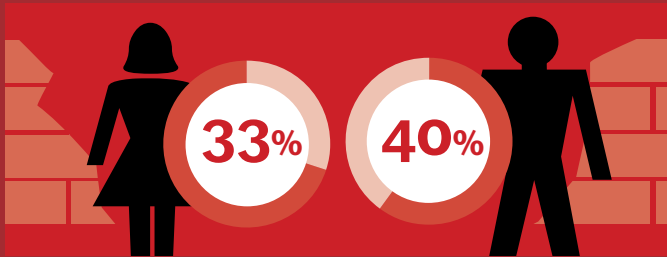


Source: Harvard Business Review 2013

Why Millennials Matter

While almost 60% of Americans own smartphones, that number jumps to 83% for Millennials. Not only do the majority of Millennials own smartphones, they're devoted to their devices. In fact, 96% of 18 – 24 year-old Millennials claim that smartphones are more essential to their daily life than toothbrushes or deodorant. **Millennial shoppers are also a prime prize for mobile retailers**

Millennials are more likely than other generations to make purchases via mobile marketing emails



33% of female Millennials and 40% of male Millennials wish they could phase out bricks-and-mortar buying entirely

74% of Millennials have made at least one mobile purchase



36% of Millennials have made a decision on whether to buy from a company or switched companies based on that brand's mobile app



The Mobile Shopping Economy

Traffic

More than 50% of e-commerce traffic is now driven by mobile, with comScore reporting that smartphones and tablets together account for 70% of a brand's digital engagement time with consumers.

Mobile shopping has grown 48% year-over-year.

Sales

In 2014, mobile shopping grew 48% year-over-year — three times more than e-commerce in general — to an estimated value of \$8B as of the second quarter of 2014. Mobile shopping now accounts for 11.1% of all ecommerce transactions, but that number jumps to 21% for the 500 leading merchants in global mobile commerce.

Adoption

In 2013, 29% of US smartphone users and 28% of tablet users reported making a mobile retail purchase, with apparel and accessories topping the list of product purchase categories. As well, 28% have showroomed (bought a product via mobile after checking it out in-store) within the last year and 41% have webroomed (done product research on a smartphone before buying at a bricks-and-mortar retailer).

The Truth About Tablet Shoppers

While tablet adoption rates lag behind smartphones (only about a third of Americans own them), the tablet demographic tends to skew older and wealthier than that of smartphone owners.

In addition to being an appealing demographic for retailers based on their household income, tablet users are also an easier sell than smartphone owners. The conversion rate for mobile sales for tablets is significantly higher than that for smartphones. And tablets don't cannibalize smartphone usage; people who own both devices don't spend less time on their smartphones than those who are smartphone-only.

Source: Sales Force

A Day In the Mobile Life



Meet Sarah. She's a mobile-savvy retailer's dream. As a female iPhone devotee, her mobile shopping conversion rate is higher than that of Android users and she spends more on each mobile purchase than her male counterparts. Here's how mobile makes Sarah's world go round.

7:00 AM

Like 80% of her fellow smartphone owners, Sarah wakes up with her smartphone within arm's reach. She fires off a few replies to comments posted on her latest Instagram pic.



8:00 AM

The bus seems to take forever, but Sarah scans *Vogue* to pass the time on her way to work.



8:45 AM

Waiting for the elevator to her floor, Sarah updates her daily tasks on Trello to keep her boss and colleagues in the loop about what she's working on.



10:30 AM

Coffee break! Sarah notices she's earned enough Starbucks Stars for a grande vanilla latte. Looks like that caffeine habit is finally paying off.



12:45 PM

Sarah's got an end-of-day deadline, so she opts to eat lunch at her desk. She opens up the Seamless app and ponders her sushi options.



5:15 PM

Her evening commute gives Sarah just enough time to browse Pinterest for dinner inspiration. It feels like a pasta kind of night.



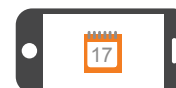
7:45 PM

A Twitter conversation about movie spoilers reminds Sarah that she needs to hit Theatres' mobile site to order tickets for Friday's date night.



10:30 PM

Before Sarah powers down for the night, she pulls up 24 Hour Fitness's site to check the time for tomorrow's early morning spin class. 6:00 AM it is.



Why Mobile Matters For Your Business

53% of retailers have identified mobile as a key strategic priority this year.

Venture capitalist Patricia Nakache boldly predicts that the first mobile-first startup to reach a \$100B valuation will come from the retail sector. But you don't have to be the next Amazon to understand and harness the power of mobile as a driver of revenue and customer loyalty. 53% of retailers have identified mobile as a key strategic priority this year and almost a third have already integrated their bricks-and-mortar, online and mobile channels. Here's why you should be among them:

Mobile shopping fundamentally changes the customer/retailer relationship

As Forrester Research Inc. aptly describes it, the customer journey in a mobile shopping world now includes multiple devices, takes place in multiple locations and is integrated with multiple other activities. This means your company's mobile shopping experience must account for the fact that a customer might be engaging with your brand via their mobile device from their home office or car, your physical store, a competitor's store, or standing in line at the deli. In each of these scenarios, shoppers are looking for different forms of engagement and types of information. They might check your stock of Le Creuset dutch ovens from their sofa, read reviews while eating lunch at their desk and want to pull up an in-store map once they're under your roof and confused about which floor housewares are on.

Your mobile presence can make or break a shopper's in-store experience

In a traditional retail environment, customers expect their mobile devices to be less of a second screen and more of a simultaneous one. Your target market will have their smartphones out while shopping and what they find will influence their purchase decision. 58% of shoppers would rather consult their phones for information than ask a sales associate and 62% believe the information they can dig up on their mobile device is more relevant and beneficial to their buying decision than in-store information or in-person interaction. Research shows that of those shoppers who conduct in-store product research on mobile, 20% decide to buy from a competitor, 22% decide to buy online and another 20% decide against buying entirely. Thus, retailers must ensure that their mobile

presence doesn't undermine or derail the buyer's journey, but supports it. The ease of use, the relevance of the information provided and the integration and congruity between your brand's physical, desktop and mobile real estate can be the difference between making the sale and losing a potential customer. Given that webrooming alone is predicted to drive \$1.8T in sales by 2017, the time to build out your omnichannel strategy is now.

**Your marketing strategy
needs to keep pace with tech reality**

68% of consumers say it is somewhat or very important that companies they interact with are seen as technology leaders. In today's retail context, that means developing and implementing a mobile-first

marketing strategy and creating a 360-degree brand experience that offers shoppers the information, access and incentives they want, when and how they want them, across all of your retail touchpoints – seamlessly. The research bears this out – 49% of customers say that better integration of their bricks-and-mortar, online and mobile presences is where retailers most need to improve the shopping experience. Brands that are or aspire to be mobile shopping leaders see technology not as a pernicious challenge to be solved on an ad hoc basis, but as an ever-growing array of opportunities to forge closer connections to their target markets. They understand that the omnichannel experience is here to stay and they embrace its potential.

Mobile Shopping Is Constantly Evolving

We'll continue to stay at the forefront of mobile shopping trends and technologies and keep you up-to-date via our website on our blog: mobify.com/insights.

If you would like to speak to a Mobify Representative, call: 1-866-502-5880 or email sales@mobify.com today.



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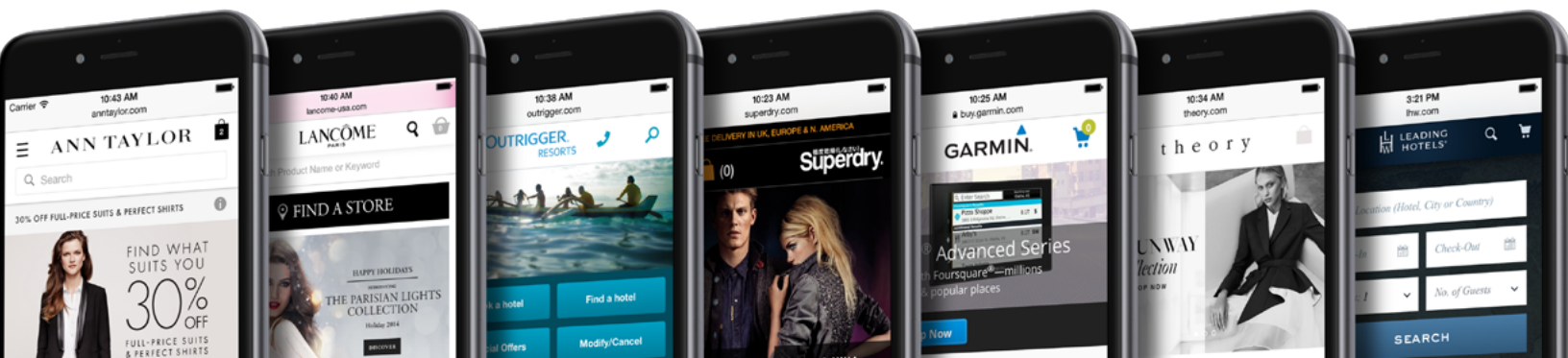


About Mobify

Mobify powers the mobile shopping experiences of leading global retailers like Ann Taylor, Crocs, Superdry, Eddie Bauer and Beyond the Rack.

Our platform enables online retailers to use all their existing digital commerce tools across smartphones, tablets, apps and in-store technology in a way that is fast to implement, easy to manage, and accelerates business growth.

Established in 2007, Mobify is a global technology company, with headquarters in Vancouver, Canada, and a network of partners in North and South Americas, Europe, Asia and Australia.



Endnotes

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