

Enhancing mCommerce Capabilities and Customer Experience: Key Considerations



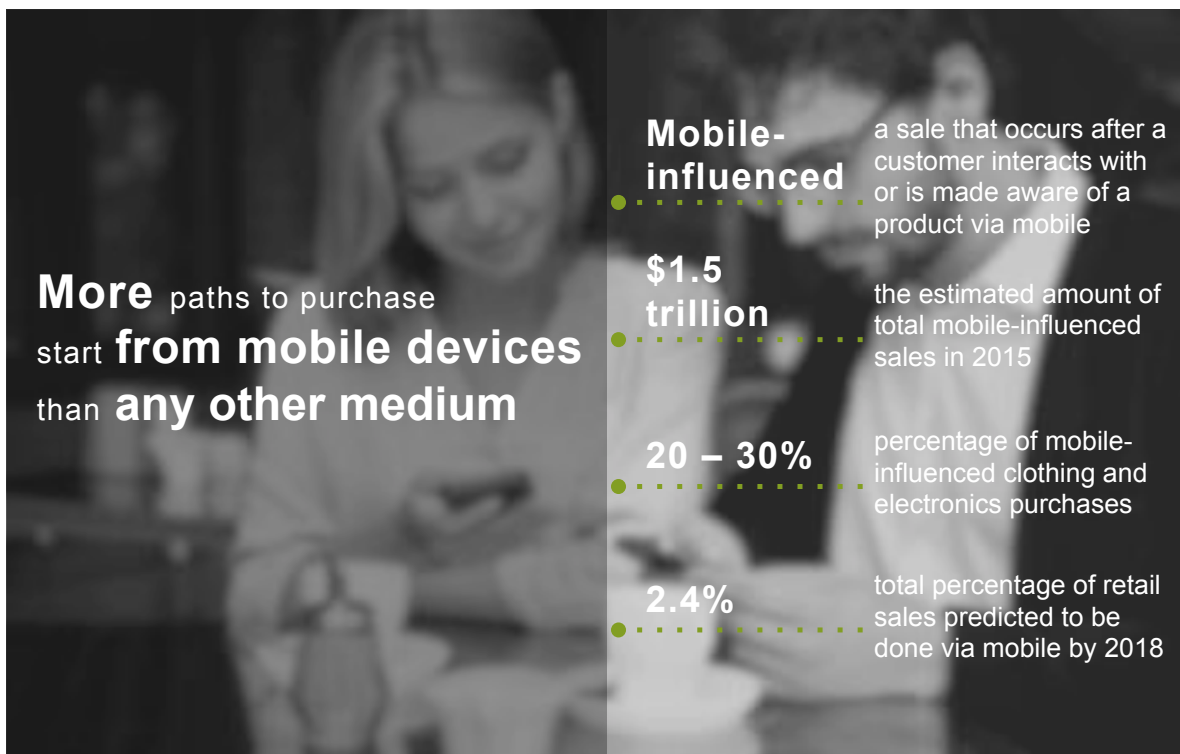
mCommerce

or mobile-based commerce
is increasingly becoming



Much like omnichannel, mCommerce is easy to conceptualize but hard to encapsulate, with numerous media outlets citing huge benefits and significant predictions, but few concrete lists of achievable design and implementation considerations. To provide context, while the term “mobile” is often used to describe any type of mobile computer, and can include any variety of cell phones, tablets and even laptops; for the purpose of this discussion, references to mobile and mCommerce are focused on cellular smartphones – which have become an essential component of everyday life for most consumers.

When it comes to mCommerce there are a few key numbers and terms with which you need to be familiar.¹



¹ All sources are listed at the end of this document.

Therefore, mobile will be both ***absolutely vital*** to nearly every retailer's success, yet simultaneously ***not likely to be a primary channel for completing sales transactions***.

While mobile as an engagement driver, purchase enabler, and shopping channel will be absolutely crucial to the future of retail, the use of a mobile device as the sole channel for making purchases is only a tiny fragment of overall retail sales. Despite the fact that the use of mobile to conduct transactions is expected to grow, it is still expected to remain significantly behind traditional online as well as brick-and-mortar sales.

US Retail Mcommerce Sales, 2012-2018							
	2012	2013	2014	2015	2016	2017	2018
Retail mcommerce sales (billions)	\$24.78	\$42.13	\$57.79	\$76.41	\$98.12	\$114.50	\$132.69
—% change	82.4%	70.0%	37.2%	32.2%	28.4%	16.7%	15.9%
—% of retail e-commerce sales	11.0%	16.0%	19.0%	22.0%	25.0%	26.0%	27.0%
—% of total retail sales	0.6%	0.9%	1.2%	1.5%	1.9%	2.1%	2.4%

Note: includes products or services ordered using the internet via mobile devices, regardless of the method of payment or fulfillment; excludes travel and event tickets; includes sales on tablets
Source: eMarketer, April 2014

171508 www.eMarketer.com

To see why this is the case, you must understand two key points:

- (1) There is a vital difference between shopping in a channel and buying in a channel.
- (2) Shopping is a journey, and mobile plays a key role in the customer experience.

The Difference Between *Shopping* and *Buying*

When optimizing an eCommerce site for mobile, it is important to understand that the mobile channel is largely becoming the initial, and often primary, “go-to” platform for individuals to connect with a brand. Thus, the task for retailers is not simply to make smaller web pages, but to engage customers and provide exceptional shopping experiences.

The channel should deliver on what customers largely expect: that it will be a place to shop and find product information, which may or may not also be a place to *buy*.

The rate at which consumers are utilizing the mobile channel to shop has increased significantly and will continue to do so. This has incredible implications for designers of mobile sites and applications.



One in three customers **use no other device than their cell phone** when researching product information.

Customers spend over **15 hours a week** researching on a smartphone.

Over half (55%) **plan to make a purchase** within an hour of performing that research.

Furthermore, 93% of people who use mobile to research an item **follow through with making a purchase**.

And (perhaps surprisingly) 82% of those transactions **happen in physical stores**.

The uniqueness, benefits, and limitations of the mobile platform necessitate optimization and tailored content, especially when considering visual elements and text sizes. Shrinking website graphics and advertisements often result in unreadable text, difficult links and ultimately, customer frustration.

Product images should be large and simple, have robust zoom and view options, all while not losing sight of key customer expectations such as product descriptions and reviews, which should also be easy to read and simple to navigate.

While delivering on these customer expectations has numerous benefits, the risks of

non-adoption are also surfacing, such as shopping cart abandonment, negative reviews, lost opportunities to capture incremental sales, and customer loss.

To underpin these risks, 73% of customers would end their shopping journey all together after experiencing a poor, non-optimized mobile site, potentially costing a retailer the entire sale. Even more critical, 57% of customers would not recommend a retailer after experiencing a poorly optimized mobile site.

The First Touchpoint of a Shopping Journey

The next step in understanding mobile-centric customer behavior is identifying where the channel fits in relation to the overall customer journey.

According to Google, a full 65% of customers use a mobile phone as the first stop on their path to purchase before shifting to another medium such as tablet or computer. This places mobile significantly ahead of any other technology as a customer's first interaction with a product or brand. Customers also react to mobile marketing and



coupons at a significantly higher rate, with redemption of SMS-based coupons occurring eight times more often than their emailed counterparts. This realization of mobile as the first step in a customer's shopping journey should be used to shape the experience and foster seamless integrations to other, more purchase-centric platforms.

Understanding and making this transition as seamless as possible through shopping carts, wish lists, or "send to" functionality not only greatly increases the chances that the customer purchases their entire basket, but also opens up

additional marketing opportunities and generates another (albeit non-unique) visit. Once a customer is ready to make the purchase, the focus shifts to making the checkout process as quick and easy as possible (read: short and simple). The primary expediting method here is a reduction in the number of steps it takes to process payment and select fulfillment preferences – when moving from mCommerce to eCommerce, this is typically represented by the number of clicks.

Click-Reduction: Not Just “How Many” But “When”

There has been significant thought capital spent on the importance of reducing the number of clicks involved in online shopping: viewing items, selecting attributes, reading reviews, choosing specific items and quantities, viewing shopping carts, making payments, and determining fulfillment (both in shipping and receiving). While reducing effort and clicks in each of these silos is important, their context within the overall shopping experience must also be taken into account.

Key Functionality to Minimize Abandonment



multiple payment options



Integration with partners to import customer information



option of account creation with auto-filled fields



initial entry of zip-code enables city and state auto-fill



3rd party payment options that fully utilize account information

Just as important, if not more so, than reducing the overall number of clicks is **when** those clicks are being mitigated. At the most basic, the most important area to optimize during an online experience is the time between item selection and checkout. Nearly 70% of customers who abandon a retailer’s site do so at this critical juncture.

Though the patent issues surrounding Amazon’s “1-click ordering” are largely a thing of the past, the functionality still remains best in class. How important can changing the checkout buttons be? As one CEO found out, it can be worth \$300 million a year.

Any opportunity to make the experience easier for the end user should be built into the overall design. Optimization at this point in the customer journey is one of the few areas that nearly guarantee positive sales impacts.

Cellular Providers and “Wait Time Abandonment”

For all of the work and understanding that goes into creating an exceptional mobile-optimized site, there is also an element that retailers cannot control: the end-user’s cellular provider. Shoppers with different providers, devices and plans can have vastly different experiences in accessing and consuming the same functionality and content.



The mobile channel typically has high frequency of access, lower time spent per access, and in general lower conversion than more traditional channels, with many gating factors coming from individual cellular environments. In terms of raw speed, access from many tablets, laptops, and traditional desktop computers happen over robust Wi-Fi or wired connections, which can mask a risk of “wait time abandonment” (i.e., the time a customer will wait for a screen to load before abandoning the site) for users outside of the home.

This type of abandonment is particularly devastating as it contains a two-fold negative impact to the retailer. First and at a minimum, the abandonment removes the user temporarily – and possibly permanently – from the channel; second, it creates a negative experience and / or a lack of confidence with the brand as a whole. As we covered earlier, these are (or were) customers who intended to make a purchase in the very near future, but now may do so somewhere else.

How serious is “wait time abandonment?” A mere three seconds of load wait will see a majority of customers abandon a site. Worse, abandonment skyrockets to nearly 100% if a page takes ten seconds or more to load.

With 70% of cell phone users preferring a mobile optimized site over an app they have to download, the pressure is on to deliver a great experience despite the limitations created by cellular networks.

In-store Wi-Fi access creates some buffer to challenges imposed by cellular coverage and device capabilities, however there are limits: consumers must be physically within the store and have their Wi-Fi turned on, access to the store's wireless network must be quick and easy, and any privacy concerns must be appropriately managed.

Brick-and-Mortar Benefits

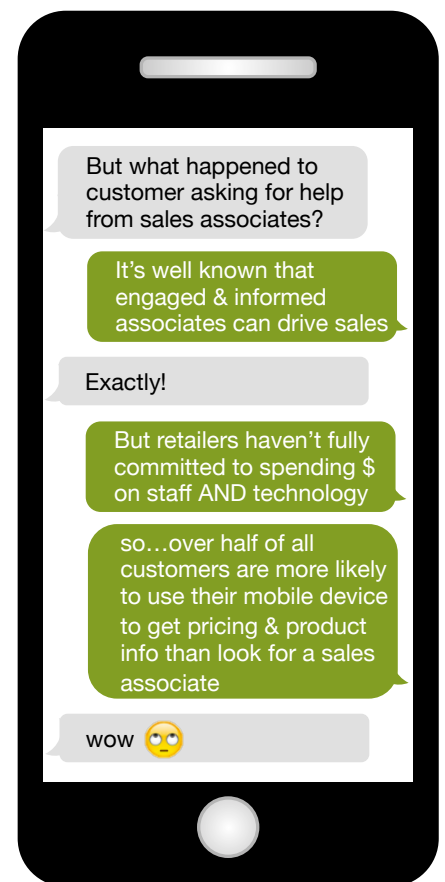
As the power of mobile increases both through increased interaction with mobile sites and increased adoption of the medium, top-line sales benefits to brick-and-mortar locations are likewise enhanced. We highlighted earlier that 93% of people who use mobile to research products actually carry through with purchasing the item(s) – and 82% of them do so within a physical store. Referencing back to a buzzword of prior years, “showrooming,” or the use of a brick-and-mortar store to see, touch, feel and test a product, which would then be purchased online, was seen as *the* preeminent threat of the digital era.

However, as mobile has continued its rise, “reverse showrooming,” or researching a product online to drive a purchase *in-store*, has become just as significant, with recent studies showing that as many as 80-90% of consumers who use their phones in physical stores reverse showroom prices, reviews and comparable products before making a purchase.

By the end of 2016, about half of all in-store sales will be influenced by mobile. This seemingly striking statistic is supported by a number of other data points that have already panned out:

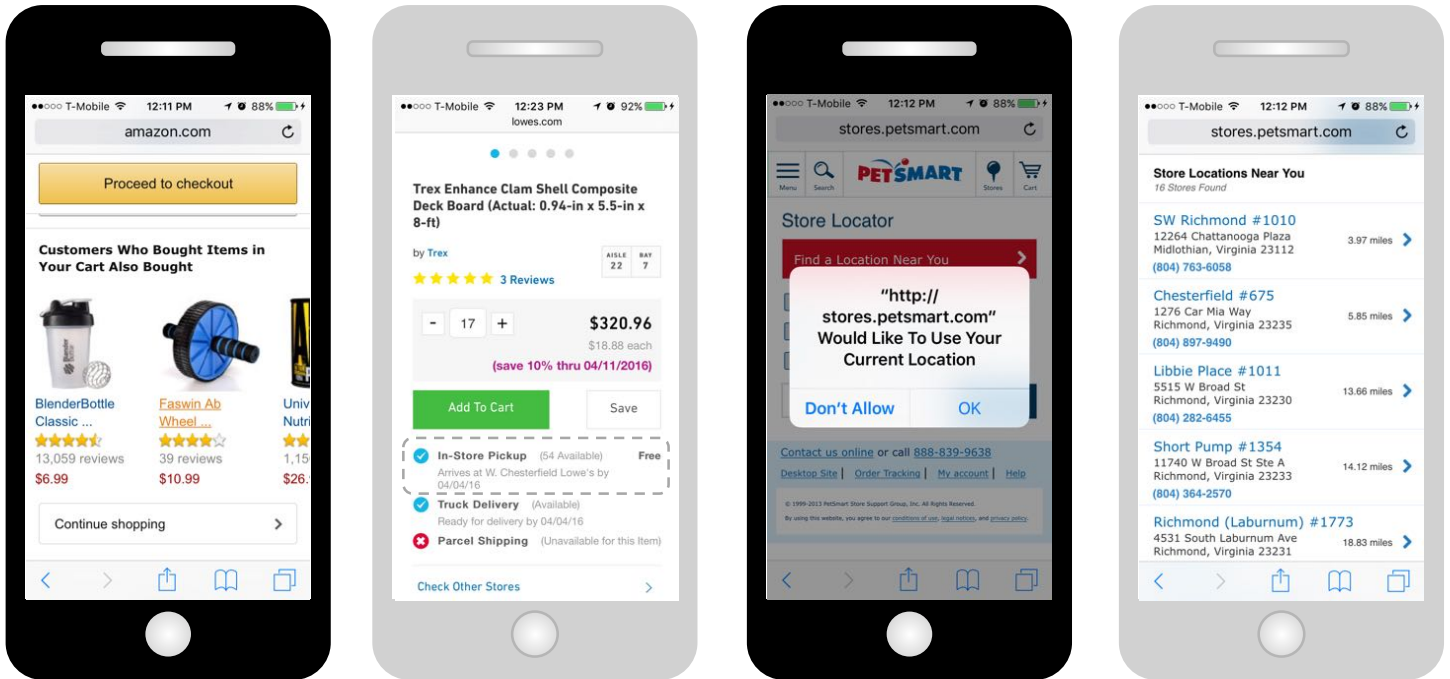
- 75% of customers access their cell phones while in physical stores
- 85% of customers who used a mobile site or app during a shopping experience made a purchase

Further, the data generated by customers using mobile apps or connected to the in-store Wi-Fi can provide insights into customers' shopping paths (and stops), purchases, showrooming, and other behaviors such as checking reviews,



social sharing, and writing product or location descriptions. There are also innovative technologies being explored and implemented which serve to gather more shopper information and provide specific and relevant offers, including inaudible tags embedded in audio files, advanced use of connected home devices (i.e., Internet of Things or IoT), and virtual shopping. These ultimately will capitalize on (and increase) consumer appetite for mobile experiences.

For customers not in stores, dynamic GPS features such as “Find a Store Near Me” (one of the most commonly used functions) can support customer purchase decisions by showing nearby stores and inventory levels, which in turn drive omnichannel capabilities such as pick-up-in-store, ship-to-store, and ship-from-store. Ultimately these integrations can save customers on shipping costs, allowing the retailer to be more price competitive, or simply provide data on customer locations for potential expansions or demographic analysis.



However, as we point out in other Parker Avery point of views, inventory accuracy must be addressed to deliver on expected inventory levels and avoid customer disappointment if the product is not actually in-stock. (Please see “Omnichannel

Inventory Accuracy: Implications and Customer Impact² and *“Inventory Accuracy: Fundamental Strategies for Getting it Right³.”*

Cross-shopping, market basket, and affinity information can also be gleaned from page browsing and history information, leading to insights on products that should be marketed together, suggested in complimentary item search prompts (like Amazon’s “Customers Who Bought Items In Your Cart Also Bought”) or add-on sale recommendations. This data would typically take robust t-log data (i.e., transaction log data from the point of sale system) and sales information crunched by an external provider then inferred at varying levels of granularity.

There are also significant marketing insights to be gained by understanding the social aspect of the shopping experience. Are customers sharing reviews on Yelp? Connecting via Facebook or Twitter? Snapchatting? Pinning styles to their profile? Customers should be encouraged to share their experience and their purchases via social media, both highlighting the brand while providing vital information on shoppers’ social media preferences. This data can then be accumulated and used in the development of marketing buys that target the most likely customers within each channel.

² http://www.parkeravery.com/pov_Omnichannel_Inventory_Accuracy.html

³ http://www.parkeravery.com/pov_Inventory_Accuracy.html)

Final Word

Non-adoption of mobile is a risky proposition in itself, but adoption without carefully addressing the elements we outlined here is potentially even more threatening. 2015 was the first year on record that smartphones became the most important tool for researching product and purchasing information, indicating that the tides have shifted towards a much more self-service type of shopping environment, at least during the initial stages of the customer's shopping journey. While mCommerce will not necessarily be the *purchasing* channel of the future, its importance for retailers cannot be understated.

Generation Z and Millennials already make up almost half of the US population, signifying that the pace of adoption, increased expectations, and dynamic change is only going to continue to rise. Now more than ever, mobile should be a critical element of every retailer's strategy. As the medium advances, so too will opportunities to provide exceptional customer experiences, deepen customer loyalty and increase sales.⁴

⁴ Sources used throughout this document:

- http://www.mobilepathtopurchase.com/wp-content/uploads/2015/11/Mobile_Path_to_Purchase_2015.pdf
- <http://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-retail-mobile-influence-factor-062712.pdf>
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The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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