2017 Mobile Commerce Outlook Report

How retailers can evolve to meet rising consumer demands for mobile
Introduction

Retailers, get ready—consumers are challenging you on the mobile landscape. They are increasingly adopting the mobile app as their channel of choice for online shopping. As a retailer, you will need to establish new, value-added relationships and take full advantage of mobile engagement and revenue opportunities.

In 2016, 211 million Americans identify as online shoppers, which is expected to increase to 217 million in 2017. Among those online shoppers, about 136 million—about 64%—identify as mobile buyers, completing transactions via mobile. Now, mobile buyers are expected to rise to 147 million—almost 68% of online shoppers in 2017.

In order to meet consumer expectations that extend through mobile technologies, retailers must unify customer data from multiple retail channels to meet service and fulfillment expectations; and retailers must deliver targeted, personalized mobile marketing campaigns that drive revenue through mobile apps and mobile-optimized website.

Currently, mobile-optimized websites are a vital part of a retailer’s digital presence, but they are only one piece of successful mobile marketing and retail strategy. A dedicated mobile application is emerging as a key technology among leading digital retailers.

Additionally, retailers are using push notifications to step beyond traditional mobile marketing. Push notifications allow them to establish not only a new marketing channel but a means to become an active part of customers’ lives, in real time; forming a personalized, mutually beneficial relationship.

This report is based on the results of an on-site survey delivered to leading industry professionals attending the Mobile Shopping Summit in October 2016. The research identifies opportunities for retailers to increase customer loyalty, and build mobile strategies that will enable their success, including:

- Personalizing the mobile experience using customer data
- Improving customer relationships with push notifications
- Enabling targeted marketing for mobile shoppers
- Increasing customer engagement and lifetime value

Table of Contents

Introduction .................................................................................................................................................. 2
About this Study ........................................................................................................................................ 3
The Mobile Retail Landscape .................................................................................................................. 4
Adopting Mobile Apps & Push Notifications .......................................................................................... 5
Expectations for 2017 ............................................................................................................................. 7
A New Partnership: Evolving with Your Customers ............................................................................. 8
Works Cited ............................................................................................................................................. 8
About ....................................................................................................................................................... 9
About this Study

Although 28% of companies did not identify with any of the industries suggested, 69% of respondents claim to represent retailers, including specialty retailers (26%); general ecommerce (12%); apparel (8%); software and analytics (7%); hardware, electronics, and appliances (6%); department stores (5%); and more.

WHAT INDUSTRY DOES YOUR COMPANY REPRESENT?

68% of companies polled identify themselves as multi-channel companies, and 16% of companies identify as being online only. Together, this means 84% of companies are engaged in selling online. Another 12% of companies identify as manufacturers, while only 4% identify as companies of a different type.

WHAT IS YOUR COMPANY TYPE?

WHAT ARE YOUR ANNUAL ONLINE REVENUES?

41% of the companies polled have an annual online revenue of less than $50 million, part of the majority of companies represented—61%—who have annual online revenues of less than $250 million. However, 22% of companies have annual online revenues of over $1 billion, so that the degree to which these companies are selling online might vary greatly, especially considering 68% of them are multi-channel retailers.

Online retailers have opportunities to create seamless experiences across channels—such as mobile-optimized website, mobile apps, and marketing channels like push notifications. Meanwhile, multi-channel retailers retailers can build upon in-store customer experiences through mobile campaigns that provide special offers personalized using customer data from their many channels. In order to succeed in integrating mobile marketing and retail into a broader strategy, retailers must understand the unique aspects of mobile channels, how they are used by customers, and the specific marketing strategies effective in these areas.
The Mobile Retail Landscape

Currently, retailers are struggling to overcome a gap between customers merely browsing on their mobile devices versus completing purchases via mobile. Retailers’ mobile-optimized websites, when used by consumers as only an information resource, are often only one destination in a customer’s broader search across the retail landscape, which limits opportunities for sales that might be captured with a more compelling mobile strategy.

Although half of companies claim that 41% - 80% of their total online traffic comes through mobile devices, 53% of all companies claim that 20% or fewer of their total online sales come from mobile devices.

Retailers can make smarter investments in mobile marketing strategies that drive conversions on mobile devices by seizing opportunities that might be fleeting—such as consumer browsing—or by creating opportunities that might not have previously existed. Unlike PCs, mobile devices are an active part of consumers’ everyday lives, so that retailers can not only reach customers directly but build genuine relationships with them, in real time.

But despite these growing incentives, retailers appear to be in only a transitional period in terms of increasing their mobile marketing investments.

Retailers are witnessing an increase in mobile traffic, but that isn’t necessarily driving a higher budget for mobile marketing initiatives. A small majority (52%) of companies claim they plan to spend only 1% - 20% of their marketing budget on mobile initiatives in 2017. Very few companies—no more than 15%—will spend 50% or more of their marketing budgets on mobile initiatives.

Nonetheless, as 40% of companies plan to spend 21% - 80% of their marketing budgets in this way, mobile is already an important investment for many retailers.
Adopting Mobile Apps & Push Notifications

Two increasingly important components of building the mobile customer relationship and capturing sales that might otherwise be lost to a customer’s broader search are the mobile app and corresponding push notifications.

**Mobile-optimized websites normalized in retail**

Mobile-optimized websites are a foundation to any online strategy, establishing a presence for customers using a browsing application on his or her mobile device. Additionally, mobile-optimized websites are available to a wider variety of consumers who will not necessarily download a mobile application. For retailers, they are typically easier to create and maintain than a mobile application.

Now, retailers have multiple options for optimizing their mobile websites. They can adopt a responsive website, for example, which represents the same channel as a retailer’s standard ecommerce website, rendered differently to accommodate the interfaces of any mobile device and its browser. With responsive websites, retailers can streamline processes by collecting customer data, fulfilling orders and carrying out marketing campaigns on any device through a single website.

**Mobile-dedicated websites** are another option for retailers. Whereas responsive websites bring together processes associated with retailers’ mobile and standard online channels, mobile-dedicated websites—designed exclusively for mobile devices—enable retailers to render content and functionality unique to mobile users.

85% of companies claim to have utilized a mobile-optimized website in 2016, indicating they have all but normalized in the industry; while only 46% claim to have utilized a mobile app this year, regardless of whether or not it was their own.

**Which of the following did you utilize for mobile in 2016? (Select all that apply)**

- Mobile-optimized website
- Mobile app
- Push notifications
- Loyalty programs
- Product availability
- Personalized offers
- Beacon technology
- Touch-ID payment methods
- Price comparison
- Wearables
- Advanced data collection / IoT
- AR or VR
- None of the above
- Other

**How high a priority is getting a mobile app for your business?**

- Very high priority
- High priority
- Moderate priority
- Low priority
- Very low priority
- Not at all a priority
- I have a mobile app

Retailers appear to be divided in terms of their plans to invest in mobile apps. While 22% of companies claim they already have a mobile app, the remaining companies are stratified between considering it a very high priority and considering it not a priority at all.

However, it can also be said that 61% of companies either have a mobile app or consider it at least a moderate priority for their business.
Key advantages of mobile apps

Unlike websites, mobile apps offer key advantages to both retailers and consumers. For example, retailers can add value to customers’ shopping experiences by developing loyalty programs that work through their apps, and even subsequently through customers’ devices themselves, if they agree to terms and conditions.

For retailers, mobile apps help build brand awareness by establishing themselves in customers’ mobile app ecosystem. In general, retailers can create engaging, real-time experiences in which both the retailer and the customer participate, establishing a relationship with the customer rather than using intrusive marketing.

Already, retailers are utilizing tools that contribute to building the mobile customer relationship via mobile app. As seen in Figure 7 above, these include push notifications (32%), loyalty programs (30%), product availability (27%), and personalized offers (23%).

Push notifications and the mobile customer relationship

Push notifications—mobile alerts that come from mobile applications—are proving to be an essential tool in building that relationship with mobile customers, and driving customers to mobile sales, typically via retailers’ mobile applications. Push notifications provide an additional, uniquely mobile channel for a retailer’s loyalty, product availability, and personalization programs to enhance the retailer’s active relationship with customers.

According to Oracle, retailers who use push notifications effectively—so that the notifications are a helpful resource to consumers, rather than intrusions or vehicles for spam—are selective in what they distribute, and drive notifications with valuable communications and offers by tapping into customer data unified through multiple channels into their CRM database. They are useful and informative, and can utilize specialized features like geotargeting or local push technology to deliver useful content.

With these techniques and others, the retail brand becomes one of service and convenience, where customer preferences establish the push notification as a prompting tool rather than traditional marketing. And because push notifications are tied directly to mobile apps, they represent an advantage and distinction from responsive websites.

“We’re committed to helping mid-market and enterprise merchants take advantage of the unique selling power of apps by providing a complete mobile commerce solution. Retailers that aren’t fully leveraging the mobile opportunity are missing out on the incredibly valuable – and untapped – mobile shopper segment, as well as the unmatched effectiveness it provides as a direct communication channel with customers. Beyond the initial acquisition of a customer, apps offer sustained engagement with those users, significantly increasing customer loyalty and retention. Simply catching up to competitors with a mobile offering isn’t enough anymore. These brands must break out within their industries by providing customers with streamlined, user-friendly mobile experiences - specifically, the kind of experiences you can only achieve with a dedicated mobile app.” – Marc Biel, CEO, Shopgate
Expectations for 2017

WHICH OF THE FOLLOWING DID YOU UTILIZE FOR MOBILE IN 2016? (SELECT ALL THAT APPLY)

| Technology                  | Utilization
|-----------------------------|-------------
| Mobile-optimized website    | 85%         |
| Mobile app                  | 46%         |
| Push notifications          | 32%         |
| Loyalty programs            | 30%         |
| Product availability        | 27%         |
| Personalized offers         | 23%         |
| Beacon technology           | 11%         |
| Touch-ID payment methods    | 11%         |
| Price comparison            | 10%         |
| Wearables                   | 8%          |
| Advanced data collection / IoT | 8%          |
| AR or VR                    | 8%          |
| None of the above           | 7%          |
| Other                       | 1%          |

WHICH OF THE FOLLOWING DO YOU PLAN TO UTILIZE FOR MOBILE IN 2017? (SELECT ALL THAT APPLY)

| Technology                  | Utilization
|-----------------------------|-------------
| Mobile-optimized website    | 73%         |
| Mobile app                  | 51%         |
| Push notifications          | 45%         |
| Loyalty programs            | 42%         |
| Product availability        | 37%         |
| Personalized offers         | 39%         |
| Beacon technology           | 23%         |
| Touch-ID payment methods    | 26%         |
| Price comparison            | 18%         |
| Wearables                   | 14%         |
| Advanced data collection / IoT | 11%         |
| AR or VR                    | 11%         |
| None of the above           | 6%          |
| Other                       | 1%          |

Above is the previously seen Figure 7 compared with Figure 9. According to the data, in almost every case, more companies have plans to utilize these technologies in 2017 than have done so in 2016. Most notably, 13% more companies plan to utilize push notifications; 12% more plan to utilize loyalty programs; 12% more plan to utilize product availability; and 14% more plan to utilize personalized offers.

Alongside all of the other technologies discussed, mobile app adoption jumps by 5%, from an existing 46% of companies to 51% of companies who intend to use mobile apps in 2017. Mobile-optimized website utilization is expected to drop by 12%.

In an example described by Andrea Anderheggen, Shopgate Founder & Mobile Commerce Expert, “push messages tailored to the customer increased the opening rate by almost 300%, and in some sectors by 500%,” citing Urban Airship. He goes on to note that customers will soon be segmented by gender, activity level, device type, and region, among other factors, which will increase targeting opportunities.

Retailers are now prioritizing their business goals in terms of mobile app adoption in a way that aligns with its outstanding benefits, most of which can be enhanced by the strategic use of push notifications.

WHAT BENEFIT WOULD MAKE YOU MOST INTERESTED IN INVESTING IN A MOBILE APP? (SELECT ALL THAT APPLY)

| Benefit                         | Utilization
|---------------------------------|-------------
| Increase in conversion rate     | 62%         |
| Better customer engagement      | 56%         |
| Increase in customer retention  | 52%         |
| Increase in average lifetime value | 44%     |
| Increase in average order value | 34%         |
| Better reviews                  | 27%         |
| Push notifications              | 19%         |
| None of the above               | 9%          |
| Other                           | 1%          |

When considering what benefits motivate companies to adopt mobile apps, 62% of companies highlighted an increase in conversion rates. This metric, a universal goal of all online retailers, has a slight lead over the 56% of companies who want to improve customer engagement and the 52% of companies who want to increase customer retention. Upon including the 44% of companies who want to increase the average lifetime value of customers, it is evident that the mobile app and push notifications combination is a winning strategy for these retailers.
A New Partnership: Evolving with Your Customers

The past few years have shown remarkable growth in the use of mobile devices to interact with retailers, where sales from smartphone devices have already grown by 53% year-over-year in 2015, according to Forrester. But mobile shoppers interact differently with brands than other online shoppers, and have evolving expectations.

Retailers who have successfully launched a mobile application with push notification programs have seen results in terms of conversion rate increases and customer retention. In many cases, the strategic use of segmentation, targeted marketing, and customer data to launch value-added notifications and drive customers to mobile apps improves customer relationships and customer perceptions of retailers’ brands.

Now, Statista reports that mobile retail sales are expected to more than double between 2016 to 2019, from about $116 billion to about $267 billion. To meet consumer demands, retailers must begin viewing their customer relationships as partnership roles, and utilize customer data to deliver the best and timeliest opportunities to customers directly to their mobile interfaces—and any other channel that may emerge in the years to come.

Works Cited


About Shopgate

Shopgate offers everything online retailers need to be successful in mobile. Our leading software-as-a-service (SaaS) enables online stores to easily create, maintain and optimize native apps and mobile websites for the iPhone, iPad, Android smartphones and tablets.

By seamlessly integrating with over 60 of the world’s most popular eCommerce platforms and mobile payment companies, we transform eCommerce stores into new-era mobile experiences. This cultivates an environment in which online customers can shop anytime, anywhere.

Our apps are supported with a full suite of app marketing services, provided by our expert mCommerce team. Services include marketing strategy review, app store optimization (ASO), push notification campaigns, targeted app downloads and design packages.

With offices in the U.S., Germany and Poland, Shopgate is backed by a team of devoted eCommerce professionals, accomplished founders and investors, who share a passion for innovation and mobile commerce, while maintaining a strong focus on customer satisfaction. Our founders’ track record is distinguished by several revolutionary and commercially successful ventures.

At Shopgate, we create mobile apps that change the way retailers and consumers interact. We’re looking for people who share the same passion for creating remarkable mobile experiences.


About Mobile Shopping

Since 2007, Mobile Shopping has been the must-attend forum for digital executives looking to refine mobile strategy. World class networking opportunities and in-depth research support retail industry & brand growth. Each year, we bring together this select group of decision makers in our unique collaborative environment, creating the conversations that matter around omni-channel engagement.

Our audience consists of 250+ senior mCommerce & eCommerce professionals from diverse industries, including but not limited to; Apparel, Accessories, Sporting Goods, Beauty, Consumer Electronics, Home Furnishings, Food & Beverage, Media, Luxury, Travel, Department Stores and more to find solutions to their top challenges.

Learn more about Mobile Shopping: http://mobileshopping.wbresearch.com/

About WBR Digital

WBR Digital, connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.

To learn more about WBR Digital’s full suite of content, lead generation, and digital branding services, click the link below.

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