Mobile shift:
Why retailers need to adopt a mobile-first approach now to meet changing customer expectations
Developments in mobile technology combined with a continued evolution in social media culture have driven a change in the way consumers interact with their mobile devices and consequently engage with brands and retailers. While retailers continue to pour money into desktop interactions, consumers are pivoting to mobile as the most popular route to access the internet and the main channel that customers use across the entire purchase journey. From inspiration and product discovery to decision-making and ultimately transacting smartphones are now the primary touchpoint with businesses. For retailers, the implications of this shift are clear: mobile should be at the heart of digital strategies and digital product development. This mobile-first mandate is arguably the most significant consumer trend of recent times.
1. Customers increasingly dwell in the digital confines of the mobile world; therefore, so too must retailers

Globally, we’ve reached a tipping point with mCommerce (mobile commerce – sales made through smartphones and tablets). According to research, mCommerce accounts for about 35% of all online retail transactions this year, compared to 30% last year. Japan, the UK and South Korea continue to lead the globe, seeing the greatest proportion of mCommerce transactions relative to total eCommerce (online transactions). This trend is expected to continue, with mCommerce globally forecast to reach close to parity with traditional eCommerce channels by 2018.

Within mCommerce, contrary to the idea that tablets are the preferred mobile device for shoppers, smartphones account for a larger percentage of online sales. More interesting are perhaps the growth stats for these channels, with smartphone transactions reportedly growing at a much faster rate. The significant growth across both channels is hardly surprising considering consumers spent 117% more time on mobile devices in 2015 than 2014.

This shift to mobile shopping, and smartphones in particular, is reinforced by Accenture’s global consumer research report. Notably, 40% of global survey respondents admitted to shopping either more or significantly more through smartphones and tablets in 2015 than 2014. The survey also found that 27% of people expect to purchase even more via smartphone this year and 47% can’t wait to receive real-time promotions on their mobile phone while shopping in store (up 7% from 2014).

The leaders

Greatest proportion of mCommerce transactions relative to total eCommerce.

Nearly 50% for Japan, the UK and South Korea

Comparing smartphones to tablets

<table>
<thead>
<tr>
<th>% of online sales</th>
<th>% of sales growth</th>
<th>% of online traffic</th>
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<tbody>
<tr>
<td>14%</td>
<td>32%</td>
<td>15%</td>
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<tr>
<td>17%</td>
<td>53%</td>
<td>29%</td>
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</tbody>
</table>

Year over year growth in mCommerce transactions relative to total eCommerce.

The Netherlands: 39%

Australia: 49%
2. Having a mobile presence and being mobile first are two different things

"Customers want to be able to use mobile to search while they’re shopping, make comparisons, actually make the payment and then find ways to tie back into post-payment rewards accounts."5

Anuj Nayar
Global Head of Product Communications
PayPal

As a baseline, customers expect retailers to have a mobile presence—a functional app and mobile site. Yet this is something many retailers still have not successfully achieved. In the UK for example, a nation at the vanguard of digital commerce, less than 3% of retailers consider their mobile experience to be cutting-edge7. In fact, 20% of retailers still do not have a transactional mobile site and almost half do not support mobile responsiveness3. This in itself is detrimental, especially for millennials, as in the UK, the majority admitted that a poor mobile experience would make them less likely to buy other products from that company8.

However, functional apps and mobile sites alone will not drive customer adoption. Retailers need to go above and beyond by offering value-add, contextualized propositions that touch all aspects of the purchase journey, not simply focusing on the end transaction.

• Waitrose recently trialed a connected grocery scanner called ‘hiku’. The scanner lives in the customer’s kitchen and can be used to build shopping lists. For example, a customer runs out of milk, reaches for the scanner, scans the product and adds it to their Waitrose shopping list. The shopping list can then be managed through the Waitrose app and viewed online, or used as a shopping list in store. Accenture also ran a trial with the Australian supermarket Coles using the hiku scanner and received overwhelmingly positive feedback. 96% of trial customers said they would continue to use hiku because it made shopping at Coles simpler12. Hiku is powerful because it gives retailers a physical presence in their customer’s home, making them the first port of call when grocery needs manifest.

This example highlights how mobile can be leveraged to create new, rich experiences that go beyond a basic transactional app and thereby extending a retailer’s value proposition – no longer is shopping at Sephora a binary in-store or online experience.

• Starbucks is a market leader when it comes to a mobile-first mindset. Their relatively recent introduction of an ‘Order Ahead’ function allows customers to order and pay for items in advance of collection from the store. This functionality extends Starbucks’ reach into an earlier, previously untapped stage in the customer journey whilst offering customers a proposition with a clear benefit: skip the queue. More generally customers can use the Starbucks app at every stage of the customer journey, from ordering ahead and paying in store, to collecting and redeeming loyalty points. This range of convenient, value-add functionality gives customers little reason to leave the Starbucks ecosystem, hence it’s no surprise this is considered a major driver of growth for the company.

Mobile apps facilitate sales

80% of consumers’ time is spent on only 3 apps3.

21% of Starbucks’ sales are facilitated through their mobile app11.

Below are a few leading examples of how mobile capabilities are enhancing the overall retail experience:

• Beauty retailer Sephora has launched a range of augmented reality functionalities in the Sephora app that allow customers to virtually try on lip products, eyelashes and practice beauty tricks on their own face. Sephora claims that customers have digitally tried on over 70 million lip shades since launching in January 201610, demonstrating a significant early impact.
Provide a moment of delight.

At Accenture, we believe the following elements provide the right foundation for a mobile-first mindset and are critical to achieving this culture shift.

1. A mobile lifecycle – building a scalable and reusable mobile platform, using the principle of continuous integration and frequent releases is a prerequisite for a mobile-first experience. With an open API framework, retailers can decouple the front end from the underlying commerce services. Moving away from a desktop-first approach is often a significant change for retailers, as it requires the right people, processes and technology foundation.

2. An investment pivot – retailers should review their technology investment strategy to ensure alignment with changing shopper habits. With the right mobile lifecycle in place, it is possible to add mobile features with ease, receive real-time feedback and budget and plan for long-term growth. And with this approach, the investment is likely to become more incremental versus large and up-front.

3. Customer-led rapid prototyping – one of the best methods that support the development of new features is attempting to solve customer problems or provide moments of delight. It is critical to test all new ideas and features with customers early and often before any scaling or industrialization.

4. A foot in the future – it is important to continue scanning the market to understand new disruptive technologies, start-ups or trends that could enhance or put at risk your customer experience.
Looking to the future, it’s likely that mobile will be most significantly impacted by messaging apps and social media because of the sheer reach and customer base they support. Today, 6 out of the top 10 most used apps are messaging apps. For example, WhatsApp has over 1 billion monthly users and Facebook Messenger over 900 million users.

Messaging apps are being heralded as the ‘operating systems of the future’; platforms which could eventually mark the death knell for mobile apps. The beauty of messaging apps is that they enable customers to easily access the functionality normally siloed in individual apps without leaving the messaging app. As the app market becomes increasingly saturated, attempts to drive customers on to proprietary apps becomes increasingly difficult, hence messaging apps offer a convincing alternative.

At present, the most pioneering messaging app on the market is WeChat – a Chinese social messaging app with over 500 million active users. WeChat is more akin to an operating system than just an app – allowing users to access a spectrum of services from within a conversation. For example, within WeChat, users are able to order taxis, buy cinema tickets, check in to flights, access bank statements and more.

Facebook is following a similar strategy to WeChat, launching the Messenger Platform earlier this year. With many other companies following suit (e.g. Microsoft, Slack, Kik), the race is on to be the messaging platform of choice in the new ecosystem.

Retailers are taking advantage of the services provided in these platforms to interact with customers. Powered by a new concept, ‘chatbots’ are generally autonomous, using artificial intelligence to simulate a human conversation with the user for certain tasks, i.e. a chatbot could communicate the status of a customer’s order. However, not all chatbots are autonomous; a number are in fact just business employees at the other end of the conversation, utilizing the chatbot as a direct communication channel with customers. Going forward, it’s likely that chatbots will increasingly rely on artificial intelligence as the technology matures and the benefits begin to manifest.

A number of retailers are experimenting with chatbots. For example, Sephora released a bot to give users makeup tips and H&M’s bot gives customers outfit suggestions – both bots have been launched on Kik. Chatbots are expected to be available from most major retailers by mid-2017.

Reducing the friction between product discovery, decision and purchase, social media is also transforming how consumers engage with brands and retailers. In fact 32% of the world regularly uses social media, with 80% of it being consumed through mobile. This just highlights how major a marketing channel social media represents. Unsurprisingly, penetration rates tend to be highest for the younger generations (millennials) and lowest for older generations (boomers). Hence retailers need to think how best to meet the needs of their different customer segments, bearing in mind that a one-size-fits-all approach may not work for social media.

Using social media

Generational differences; percentage of people who use Facebook.

<table>
<thead>
<tr>
<th>Generational Group</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>18-29 year olds</td>
<td>87%</td>
</tr>
<tr>
<td>Over 65</td>
<td>56%</td>
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80% of social media is being consumed through mobile.
Retailers should use mobile to enhance the customer experience across the whole purchase journey

Many retailers tend to view mobile as merely an extension of online experiences. However, the real value of mobile lies in the notion that it “extends, augments and transforms the digital commerce customer experience.” This mandate has moved from a ‘nice to have’ to a strategic necessity as consumers increasingly rely on mobile devices, particularly smartphones, to facilitate all aspects of their daily lives, both digital and physical. Consumers have moved on and retailers need to catch up.

Consumers who said they were interested in using a ‘buy button’ to make a purchase via this site:

- Instagram: 14%
- Pinterest: 13%
- Facebook: 9%

Despite the strong statistics, at present social media plays more of an influencing role in the purchase journey, being a place where brands seek to principally connect and engage with customers rather than facilitate transactions. For instance, it’s estimated that only 1.5% of retail sales can currently be directly attributed to social media, but at the same time, social media has been the principal driver of eCommerce traffic to websites for over a year, ahead of organic search activity.

In a bid to commercialize colossal digital footfall, many of the social media incumbents have announced or launched ‘buy buttons’ on their respective platforms. For example, Pinterest recently introduced buyable pins, allowing customers to immediately purchase products from content on the platform - something that Snapchat has also started to do. However, customers aren’t overly enthusiastic about this functionality yet. And social media companies have been reticent about the effectiveness of eCommerce infrastructure given its relative novelty. Albeit less well suited to eCommerce than other social media platforms, it’s no surprise Twitter retracted its buy button early 2016. On the flip side, FlyAway BlueJay, a curated collection of fashion, accessories and home decor, claims to have achieved a 20% increase in sales courtesy of ‘buyable pins’, with 100% of those sales coming from customers who never bought from the company before, therefore highlighting the potential of social media eCommerce infrastructure.

Generally, social media plays an essential role in engaging a brand’s most loyal customers and attracting new ones. It’s still relatively early for social media eCommerce but it’s reasonable to predict that once the supporting payment infrastructure matures, the subsequent impact on sales will be significant. In turn, the role of social media will evolve in a retailer’s digital portfolio, from engagement space to eCommerce platform.
For more information on how to adopt a mobile-first approach, please contact:

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6. Consumer spending on mobile devices set to top £53 billion a year by 2024, Barclays, (13/04/15), http://www.newsroom.barclays.co.uk/r/3143/consumer_spending_on_mobile_devices_set_to_top__53_billion
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