The dawn of mobile influence

Discovering the value of mobile in retail
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As a retail executive, there are several specific questions you should consider when assessing the importance of mobile.

- **How can mobile drive value and incremental revenue for your business?**
- **What market impact is mobile expected to have — now and in the future?**
- **How quickly do you need to move?**
- **And perhaps most important, how do mobile-related opportunities stack up against other potential investments that are competing for your company’s limited resources?**

When it comes to mobile, many retailers focus primarily on sales transactions conducted through mobile devices, or mCommerce. But recent research conducted by Deloitte Consulting LLP shows that there may be a more effective approach for determining the impact of mobile and how it influences and drives sales in other channels—particularly in-store sales. According to our analysis, mobile (defined as smartphones for this analysis) influences 5.1 percent of all retail store sales in the United States—which translates to roughly $159 billion in forecasted sales for 20121. That projection far overshadows the $12 billion2 forecasted for mCommerce sales in 2012. And it’s just the beginning. Based on our research, the next four years are going to be huge for mobile. Its influence is anticipated to grow exponentially to 17–21 percent of total retail sales, amounting to $628–$752 billion in mobile-influenced store sales by 2016.

Adoption of mobile devices by consumers is growing by leaps and bounds. According to our study, roughly half of consumers surveyed currently own a smartphone3. This can give your competitors and other outside influencers an easy entry point into your store—and there is nothing you can do to stop them. However, you can take proactive actions to reduce the threat and start using mobile to your advantage. For example, investing in enhanced mobile apps can help you retain control of the customer experience and proactively support what information consumers have access to at each stage of the shopping process. This helps insulate your customers from outside influences and can significantly boost your in-store conversion rates. According to our study, the conversion rate in the store for shoppers who use a retailer’s dedicated app is 21 percent higher than those who don’t—most likely because such apps can provide a more relevant and tailored shopping experience that helps people make an immediate buying decision.
The mobile influence factor

To better understand the growing impact of mobile devices in the retail sector, Deloitte recently conducted an in-depth study asking consumers how they’re currently using their smartphones for shopping, and how they are likely to use them in the future. We found that mobile devices are already a major factor in retail—but not necessarily in the way most retailers think.

According to our research and analysis, the biggest impact of smartphones isn’t direct sales generated through the mobile channel, but rather the influence they exert over traditional in-store sales to drive in-store conversion and in-store average order size. To quantify this impact, we developed a metric called the mobile influence factor, which is derived from the following data:

- Nearly half (48%) of all U.S. consumers already own a smartphone, and that number is rising fast.
- Roughly 58% of consumers who own a smartphone have used it for store-related shopping.
- Among smartphone shoppers, the percentage who use their phone for shopping varies by store category, from 49% in electronics and appliance stores to 19% in convenience stores and gas stations.
- Once consumers start using their smartphones for shopping they tend to use them a lot — typically for 50-60% of their store shopping trips, depending on the store category.

Our proprietary methodology enables us to estimate the percentage of traditional in-store sales being influenced by mobile devices during the shopping process (figure 1).
The mobile influence factor varies by store category, depending on the smartphone adoption rate and frequency of use for that type of store (figure 2).

Next, we expanded our look across categories. We estimate that 5.1 percent of all in-store retail sales in the U.S. are currently influenced by mobile (based on a weighted average that reflects the varying sales levels for different types of stores). Multiplying this number by 2012 forecasted retail store sales of roughly $3 trillion suggests that mobile is already set to influence more than $159 billion in sales. And that’s just the beginning. We expect mobile’s influence to grow exponentially over the next four years, driven by a perfect storm of rising smartphone penetration, increased adoption by shoppers, decreasing barriers to use, and improved mobile functionality for retail applications.

**Figure 2 - Mobile Influence Factor by store category**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic/Appliances</td>
<td>49%</td>
<td>60.9%</td>
<td>8.3%</td>
</tr>
<tr>
<td>GM/Department/Warehouse</td>
<td>46%</td>
<td>52.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Clothing/Footware</td>
<td>38%</td>
<td>56.2%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Food/Beverage</td>
<td>35%</td>
<td>58.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Books and Music</td>
<td>33%</td>
<td>57.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Home Improvement/Garden</td>
<td>31%</td>
<td>53.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Sporting Goods, Toys, Hobby</td>
<td>30%</td>
<td>56.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Health/Personal Care/Drug</td>
<td>27%</td>
<td>58.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Furniture/Home Furnishing</td>
<td>24%</td>
<td>58.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Misc Including Office Supplies</td>
<td>22%</td>
<td>51.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Convenience/Gas Station</td>
<td>19%</td>
<td>56.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Weighted Average</strong></td>
<td></td>
<td>5.1%</td>
<td>17.2% - 20.6%</td>
</tr>
</tbody>
</table>

Source: Deloitte Mobile Influence Survey, March 2012

Note: The base for “Smartphone Shopping Adoption by Store Category” is survey respondents that own a smartphone and have ever used it to shop, either before they go to a store or in the store. The “Mobile Influence Factor” applies to all store sales in that category.
Mobile shoppers are the future of retail

Smartphone ownership and use is significantly higher among consumers who are 25–34 years old: 65 percent own a smartphone and 68 percent use it to help with shopping in a brick-and-mortar retailer. As these consumers get older, their use of smartphones for shopping is likely to remain steady or rise, even as younger consumers armed with smartphones enter their prime shopping years.

What’s more, our analysis reveals that once people start using smartphones for shopping, they tend to go “all in.” According to the study results, smartphone use for store-related shopping increases by 40 percent after the first six months of device ownership—further accelerating the incredible pace of adoption. Also, while initial use of smartphones for shopping varies widely by store category, once consumers start to use the device in a particular type of store, they tend to consistently use it for more than 50 percent of their trips within that category—regardless of what the category is. Plus, smartphones dramatically improve conversion rates. Our analysis shows that smartphone shoppers are 14 percent more likely than non-smartphone shoppers to convert in store. Those are powerful numbers.
The current influence of mobile devices on traditional in-store sales already far overshadows the value of direct sales on mobile devices, which is forecasted to be $12 billion² in 2012. And by 2016 we expect the influence of mobile will even surpass the fast-growing sales of the eCommerce channel. In fact, we project the mobile influence factor will reach 17–21 percent over the next four years, which will likely translate to $628–$752 billion (or an average of $689 billion) in mobile influenced retail sales.

Though mobile is still in its infancy, smartphones already play a greater role in planning and executing store-related shopping trips (used for 33 percent of all trips) versus laptops/netbooks (31 percent) and desktop computers (24 percent)³. And keep in mind that those other technologies have been around for much longer than mobile.

### Mobile-Influenced store sales vs mCommerce and eCommerce sales

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>mCommerce</td>
<td>12</td>
<td>31</td>
</tr>
<tr>
<td>Mobile influence on store sales</td>
<td>158</td>
<td>689</td>
</tr>
<tr>
<td>eCommerce sales</td>
<td>226</td>
<td>327</td>
</tr>
</tbody>
</table>

A new approach to mobile

Many retailers continue to focus their mobile investments on driving mCommerce—usually through the organization that runs the eCommerce channel, which itself is often still viewed as a separate business with its own P&L that is independent from the stores. In fact, 82 percent of the retailers surveyed state that the objective of mobile for their company is to drive revenue to their website. This view can make it difficult for a retailer’s mobile activities to get the attention or investment they require, and tends to limit the focus and scope of how retailers leverage mobile.

Given the large and growing impact of mobile devices on traditional sales, retailers should consider changing their approach to mobile. With 17–21 percent of store sales potentially being mobile-influenced by 2016—and higher-conversion rates driven by mobile—store-based retailers should consider mobile as a strategic imperative because it affects the entire business, not just online or mCommerce sales. Mobile should be used as a strategic lever to boost sales across the business. And it should be a C-suite issue, not a minor topic buried at the bottom of the eCommerce division’s to-do list.
There’s an app for that

When are you most likely to use your smartphone for a store-related shopping trip?

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than a week before the trip</td>
<td>10%</td>
</tr>
<tr>
<td>More than 2 days before the trip</td>
<td>17%</td>
</tr>
<tr>
<td>One day or the night before the trip</td>
<td>45%</td>
</tr>
<tr>
<td>On the way to the store</td>
<td>52%</td>
</tr>
<tr>
<td>While shopping in store</td>
<td>61%</td>
</tr>
</tbody>
</table>

Source: Deloitte Mobile Influence Survey, March 2012

Retailers should consider developing new or improved mobile apps that provide key tools and information to help and influence shoppers at each stage of the decision-making process—especially while in the store. Also, retailers should recognize that consumer needs vary by product and shopping trip, and customize mobile app capabilities accordingly. Smartphones are most likely to be used for store-related shopping when the customer is close to or at the point of making a purchase, rather than as a passive shopping device. Our survey results show that over 60 percent of mobile shoppers use their smartphones while in a store, and another 50 percent while on their way to a store.

For many smartphone owners, it’s not enough that you provide a mobile-optimized version of your website with basic product information and transaction capabilities. A more relevant and tailored in-store shopping experience using a retailer’s dedicated app/site can result in smartphone shoppers that are more loyal and valuable. Conventional wisdom says that today’s consumers merely use retail stores as a showroom before buying elsewhere. Our survey results echoed this threat, finding that 37% of shoppers surveyed that used a smartphone on their last trip used an external app or website (such as a price comparison tool or deal finder).

Despite this activity, our data also found that consumers want to interact with you – evidenced by the 34% of shoppers surveyed that used their smartphone on their last shopping trip used a retailer’s mobile app or website. In fact, our survey shows that 85 percent of consumers surveyed who used a retailer’s native app or site during their most recent shopping trip actually made a purchase that day, compared to only 64 percent who didn’t use the retailer’s app or site. That’s a huge increase (21 percent) in conversion rates.
The bottom line is this: If you don’t do it, someone else will.

And they’ll do it to your customers inside your stores.

The mobile landscape is changing and the pace of innovation is breathtaking. Retailers should consider investments now to leverage the mobile capabilities of today, while not getting left behind as mobile evolves and becomes an even more integral part of the shopping experience.

However, when it comes to mobile one size does not fit all. Retailers should take steps to understand their customers and how they shop within specific product categories. Based on those insights, retailers can develop appropriate mobile capabilities to support the needs of a smartphone-enabled shopper before, during, and after the shopping experience. Retailers that limit their mobile focus to mCommerce may be overlooking a significant opportunity.

Mobile is already having a major impact on store-based sales, and its influence is only increasing. By enabling mobile capabilities at each stage of the store-shopping journey, retailers can influence sales revenue and potentially improve conversion rates. Retailers can also significantly influence the customer experience—including what factors influence the customers’ buying decisions.
Survey Methodology

The survey was commissioned by Deloitte and conducted online by an independent research company between March 20-30, 2012. The survey polled a national sample of 1,041 random consumers and then augmented this sample with additional smartphone owners to reach a sample of 1,557 smartphone owners. Data was collected and weighted to be representative of a U.S. Census for gender, age, income and ethnicity. A 90 percent confidence level was used to test for significance. Below are the margins of error for specific sample sets in this study:

- **National Random Sample**—90 percent confidence—margin of error 2–3 percent (+/-)
- **Smartphone Owner Sample**—90 percent confidence—margin of error 2–3 percent (+/-)
- **Smartphone Owners Who Used on Last Trip**—90 percent confidence—margin of error 3–4 percent (+/-)
- **Smartphone Owners Who Used Retailer’s Mobile App/Site**—90 percent confidence—margin of error 7–8% (+/-)
Mobile Influence and Projection

The mobile influence factor is a proprietary methodology calculated for each store category using survey data on the consumers who own a smartphone and how frequently they use their smartphone to aid shopping in a particular store category. The mobile influence factor for each category is weighted by % of total retail sales attributed to that category to calculate the aggregate mobile influence factor.

The mobile influence factor projection was based on the projected increase in smartphone penetration from multiple sources, mCommerce and eCommerce growth rates, and estimated growth in adoption and frequency of use of smartphone shopping by store category.
Sources and notes

1. Total retail (store) sales for 2012 estimated by applying Economist Intelligence Unit YOY growth rate to the 2011 retail (store) sales estimate provided by the U.S. Census Bureau. The following retail categories were excluded from the total retail sales number:
   - Motor vehicle and parts dealer (NACIS Code 441)
   - Non-store retailer which includes online shopping and mail order houses (NACIS 454)
   - Food services and drinking places (NACIS 722)

2. eMarketer — US Mobile Commerce Forecast: Capitalizing on Consumers’ Urgent Needs


5. Deloitte analysis