STATE OF
RETAIL

SELLERS MUST SHORE UP THEIR ON-THE-GO CHANNELS TO SURVIVE

APPTIMIZE

CONTENTS

BUY NOW

INTRODUCTION

The mobile retail revolution has arrived. Today, more than half of U.S. consumers shop via their smartphones.[1]   These on-the-go shoppers spent an estimated 18 billion hours filling their mobile carts in 2018 alone, catalyzing year-over-year shopping session duration growth of 45 percent.[2] This widespread move toward mobile increased sales across the space, particularly during the biggest shopping day of the year, Black Friday, when mobile shoppers spent approximately $2 billion, including 500,000 first-time retail app users.[3]

The move toward mobile retail has precipitated a slew of brick-and-mortar store closures.[4] Ironically, ecommerce powerhouses such as Amazon are exploring the physical retail arena and opening stores infused with the latest technology. What does it all mean? While the emergence of mobile shopping has diminished the importance of the shop, it has not erased the concept of physical retail. Sellers of all sizes must therefore embrace the omnichannel approach and keep their brick-and-mortar footprints intact while also cultivating rich mobile experiences that meet the needs of modern customers, most of whom maintain high ecommerce expectations.

Here are some recent retail developments retailers must keep in mind while attempting to strike this delicate balance:

THE EMERGENCE OF OMNICHANNEL

Modern consumers leverage multiple shopping methods. The omnichannel retail model, which entails maintaining web, mobile and in-store sales apparatuses that feature cohesive branding and interconnected functionality, has emerged as a consequence and is evolving into an industry standard. Between August 2017 and August 2018, sellers in the global fast-moving-goods industry generated more than $1 trillion in sales through omnichannel strategies.[5]

Why are modern shoppers using multiple channels when they could potentially get all the items they want in one place? Each purchasing avenue fills a specific experiential need. For instance, more than 35 percent of consumers say they continue to visit brick-and-mortar retailers because they like handling items before committing to buy them, while 33 percent prefer mobile apps due to the frictionless, low-impact purchasing experience.[6] [7] Of course, few leverage one channel exclusively. In fact, consumers' shopping journeys are immensely complicated. Users regularly jump between channels and even combine retail channels in the same shopping session. An estimated 57 percent use mobile apps as they peruse in-store stock, for example.[8]

35%

Consumers who continue to visit brick-and-mortar retailers because they like handling items

33%

Prefer mobile apps

57%

Use mobile apps as they peruse in-store stock

THE EMERGENCE OF OMNICHANNEL

To adjust to this trend, retailers must gain an understanding of how customers navigate all sales channels and push them to their platforms of choice. Starbucks pioneered this strategy and now boasts a seamless digital environment that caters to online users and traditional customers who enjoy the in-store experience but also want to **take advantage of newer technology such as the digital wallet.**[9]
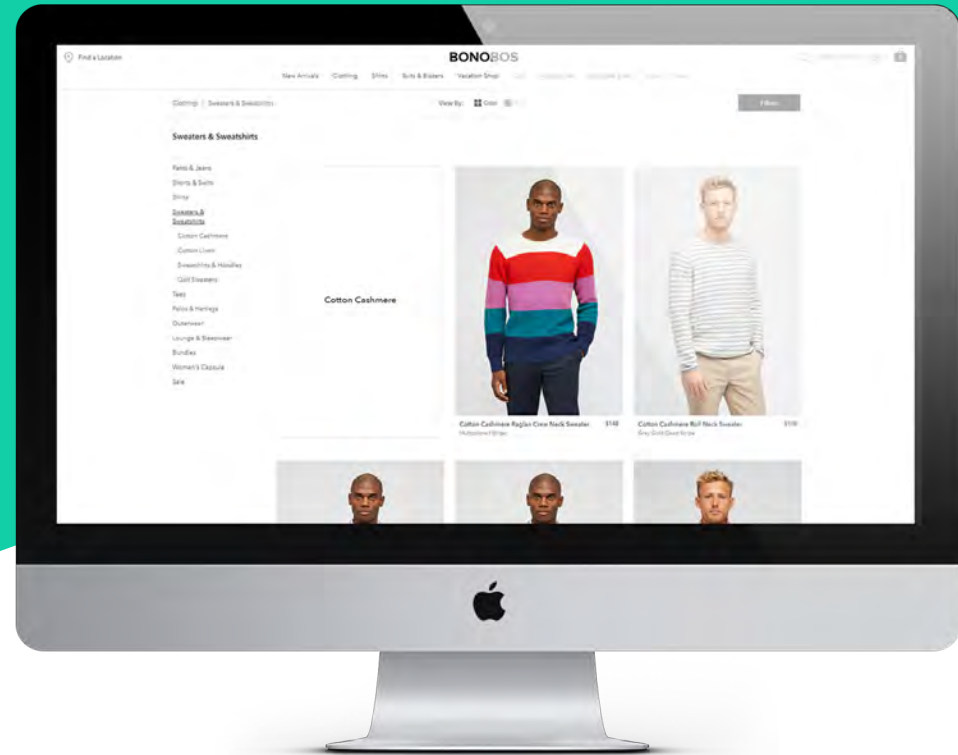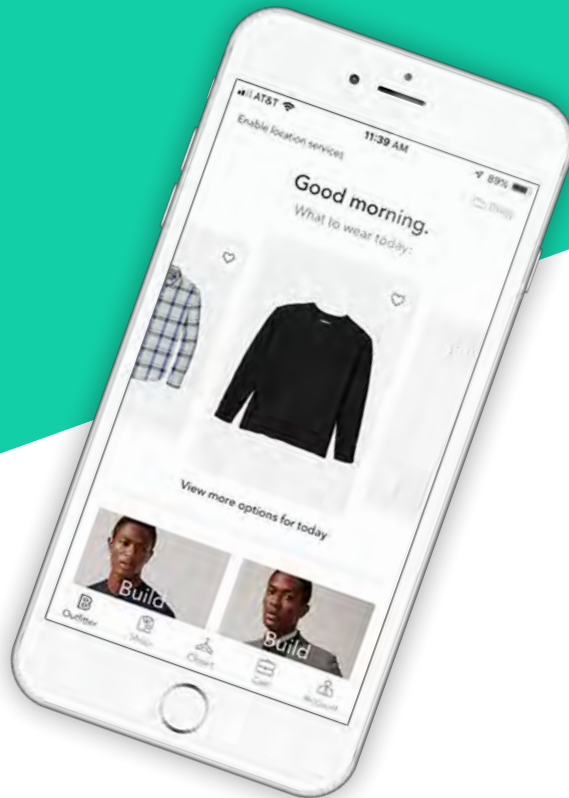
Fashion brand Bonobos experienced similar omnichannel success but through different means. Once an online-only outfit, the business entered the physical retail arena by establishing so-called guideshops, where customers can come to see the items in person, get advice from trained sales associates and place their orders.[10]

These and other retail companies have developed the blueprint for omnichannel success, which includes the creation of feature-rich mobile environments that integrate with other channels and ultimately give consumers multiple shopping options.
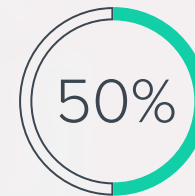
SHORTENING CUSTOMER ATTENTION SPANS

Consumer attention spans are shorter than ever. Consequently, the average user spends fewer than 60 seconds on any given mobile retail app.[11] A number of miniscule variables play into this equation, including loading time. Roughly 50 percent of users abandon online experiences that take more than three seconds to load.[12]

However, this situation is more a product of increased awareness rather than generalized digital apathy, as consumers still respond to content, even when delivered in short form. For example, videos briefer than two seconds are behind almost 40 percent of brand recall and one-quarter of purchase intent.[13]

60 seconds

Time the average user spends on any given mobile retail app

50%
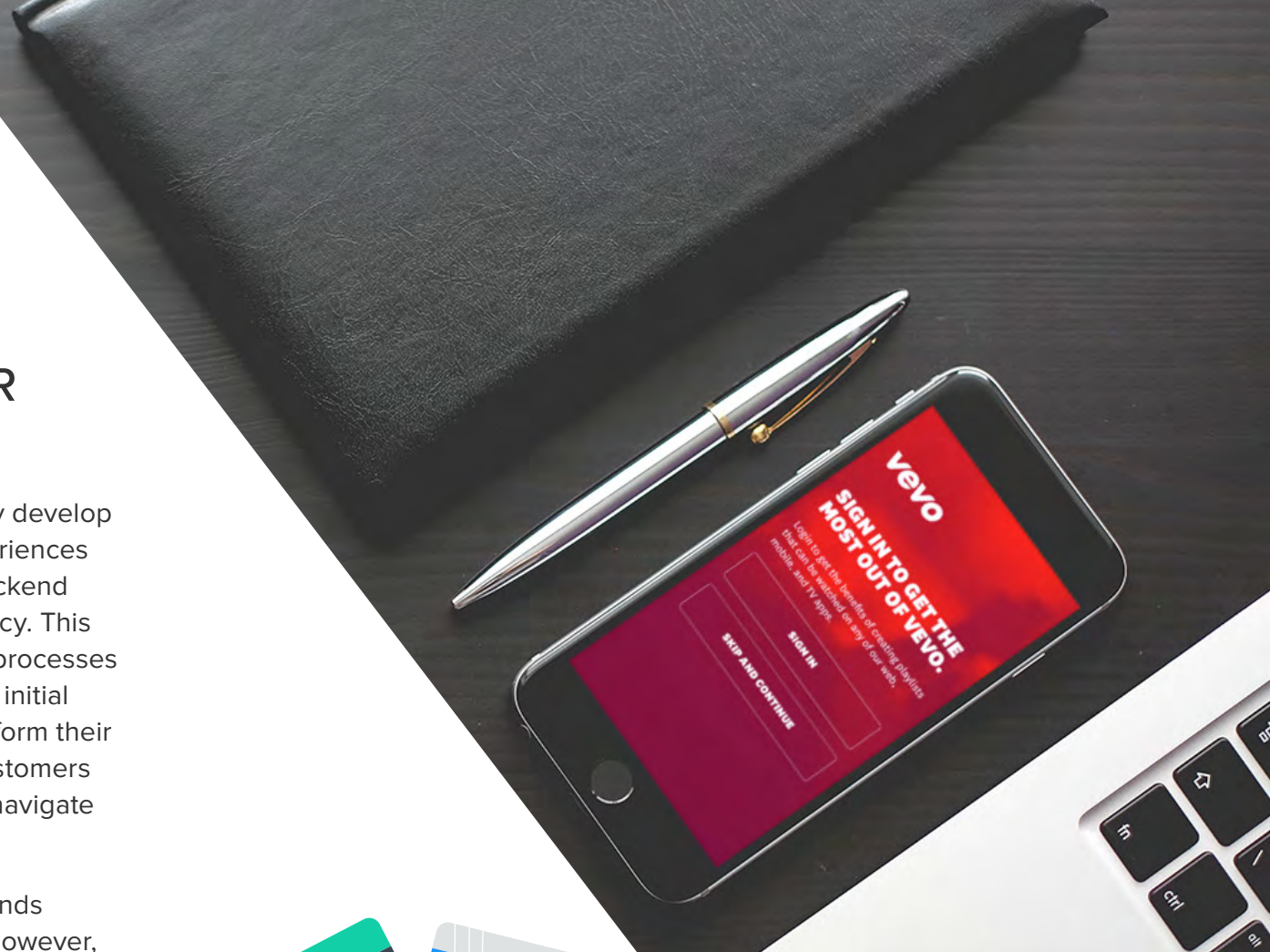
Users who abandon online experiences that take more than three seconds to load.

SHORTENING CUSTOMER ATTENTION SPANS

With this reality in mind, sellers must carefully develop and maintain seamless digital customer experiences with features that offer obvious value and backend components that facilitate speed and efficiency. This necessitates the usage of app development processes that emphasize the first-run experience - that initial release period during which users generally form their opinions. Onboarding is also essential, as customers generally avoid apps that feature difficult-to-navigate sign-up functionalities.

In its onboarding guidelines, Apple recommends that apps stick to the essentials in tutorials. However, experimenting is always best practice since what works for one app may not always apply to another. The video platform Vevo discovered that users downloading its app were already aware of the capabilities and found the four-screen tutorial frustrating.[14] So, the company began presenting a registration gate after the splash screen, an adjustment that resulted in more sign ups.

Onboarding is also essential, as customers generally avoid apps that feature difficult-to-navigate sign-up functionalities.

DEMAND FOR SEAMLESS, SECURE CHECKOUT RISES

Data privacy and security is a serious concern among modern consumers, 90 percent of whom believe businesses should maintain proactive information protection policies and mechanisms.[15] This widespread demand for digital security extends to the ecommerce realm, where 37 percent of shoppers abandon online shopping carts due to a perceived lack of online protection.[16]

At the same time, shoppers have little tolerance for onerous security measures that drag on the user experience. For example, an estimated 42 percent of millennials say they would visit online stores more often if there were not so many security measures during the checkout process.[17]

90%
Believe businesses should maintain proactive information protection policies and mechanisms

37%
of shoppers abandon online shopping carts due to a perceived lack of online protection

42%
of shoppers abandon online shopping carts due to a perceived lack of online protection

DEMAND FOR SEAMLESS, SECURE CHECKOUT RISES

Effective testing is the key to striking the right balance at the point of transaction. Sellers should take the time to evaluate potential checkout features and develop workflows that communicate the presence of security features but do not impede shoppers' momentum.

Amazon is perhaps the leader in this regard, offering a hassle-free experience while via one screen while allowing users to access its privacy and conditions of use policies. The ecommerce giant has even taken the streamline approach in its brick-and-mortar stores, where customers can **check out by simply scanning a QR code.**[18]

Big box giant Target also maintains an effective checkout experience, as patrons appreciate its mobile cart review and payment options, which **some believe outperform Amazon's offerings.**[19] Travel booking site Kayak provides a similarly strong mobile experience, reassuring customers making reservations via app by outlining its checkout security measures in a short message prior to payment.[20]
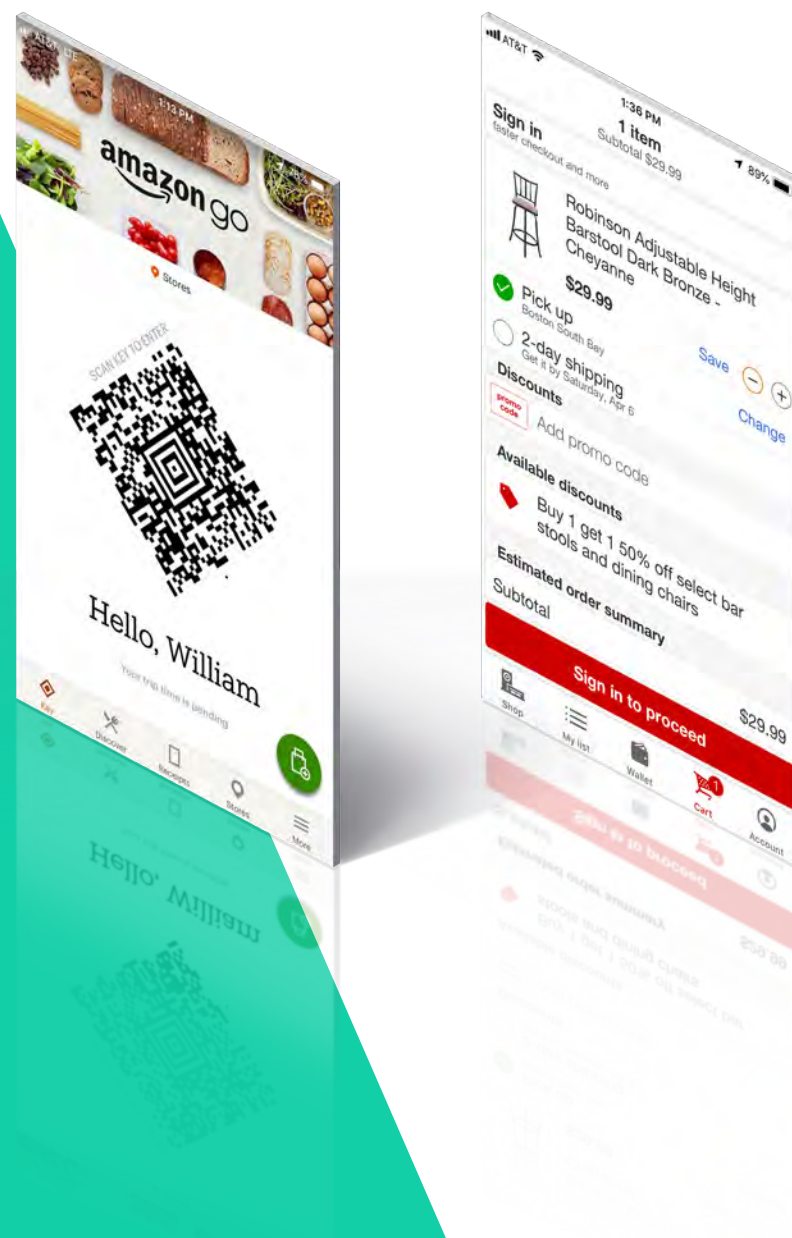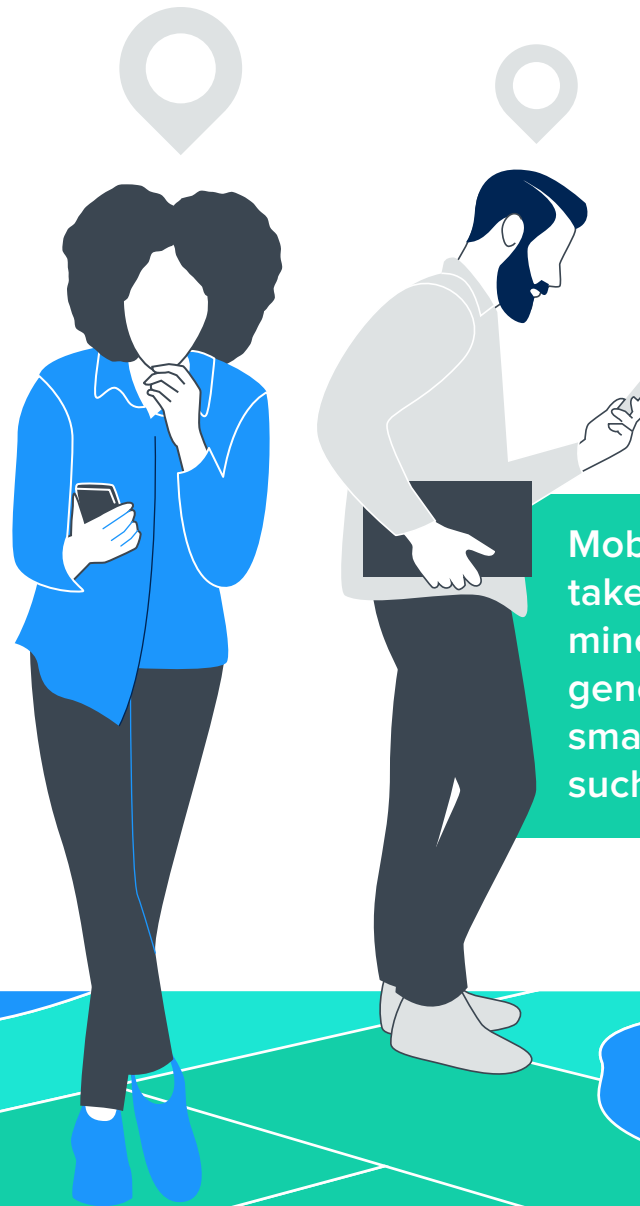
QUANTITATIVE CUSTOMER DATA COLLECTION

Effective data collection is essential to ecommerce success. However, best practices for gathering customer insights are changing. In response to recent privacy legislation like the European Union's General Data Protection Act, retailers are rethinking how they collect data and are in the process of shifting their strategies away from volumetric gathering, which can create immense risk within the enterprise, toward holistic data management.[21]

The technical machinations of customer information collection are evolving as well, with more retailers swapping in-store methodologies for mobile-based strategies that take advantage of easy-to-mine automated insights generated by stock smartphone components such as location services.[22]

Mobile-based strategies take advantage of easy-to-mine automated insights generated by stock smartphone components such as location services.[22]

QUANTITATIVE CUSTOMER DATA COLLECTION

Businesses within the retail have not choice but to adjust to these developments and cultivate omnichannel information-gathering workflows that center on digital shoppers. More than half of online marketers use this approach, including those working at Adidas, which has emerged as a veritable retail data collection powerhouse in recent years.[23] The athletic apparel seller, which experts for the Massachusetts Institute of Technology ranked among the smartest companies in the world, leverages customer interaction insights to create customized online content experiences that keep consumers engaged.[24] [25]

For example, Adidas' mobile app, which the company hopes will generate more than $4.5 billion in annual sales by 2020, features a chatbot named Einstein which uses customers' histories to recommend items.
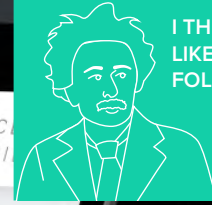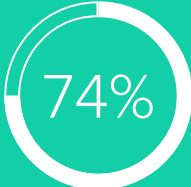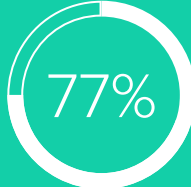
74%

Of sellers worldwide have launched loyalty programs

77%

Of consumers are interested in storing loyalty cards

THE EXPANSION OF LOYALTY PROGRAMS

In today's overcrowded retail marketplace, customer loyalty is paramount. For this reason an estimated 74 percent of sellers worldwide have launched loyalty programs that enable shoppers to collect redeemable points after every purchase.[26] A majority of such initiatives revolve around mobile apps, which are the ideal conduits for collecting transaction-based coupons and savings, as 77 percent of consumers are interested in storing loyalty cards on their smartphones.[27]

Investments in customer loyalty initiatives typically translate into bottom line growth by further encouraging mobile shoppers, an estimated 68 percent of whom make repeat purchases, to visit both on-the-go and web portals.[28]
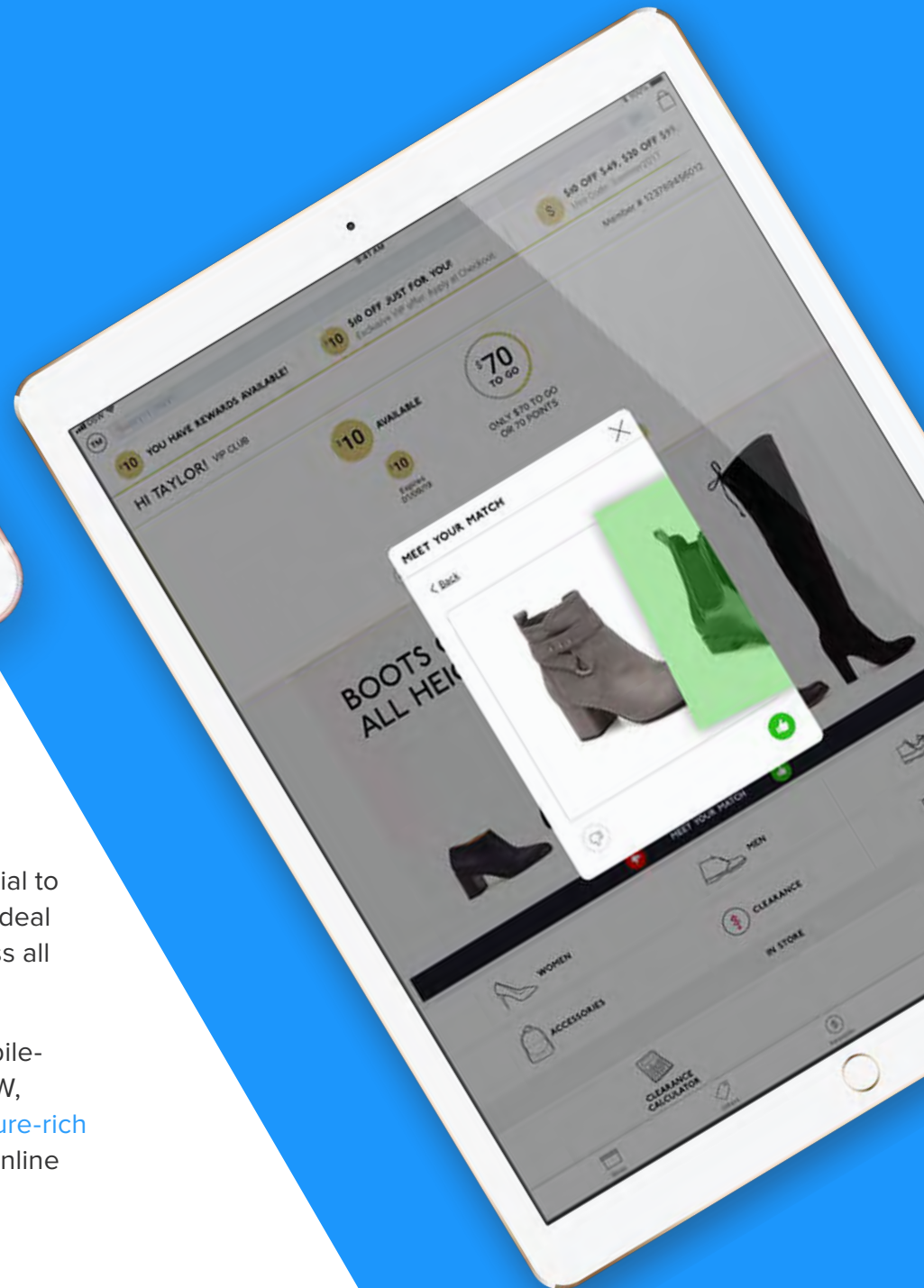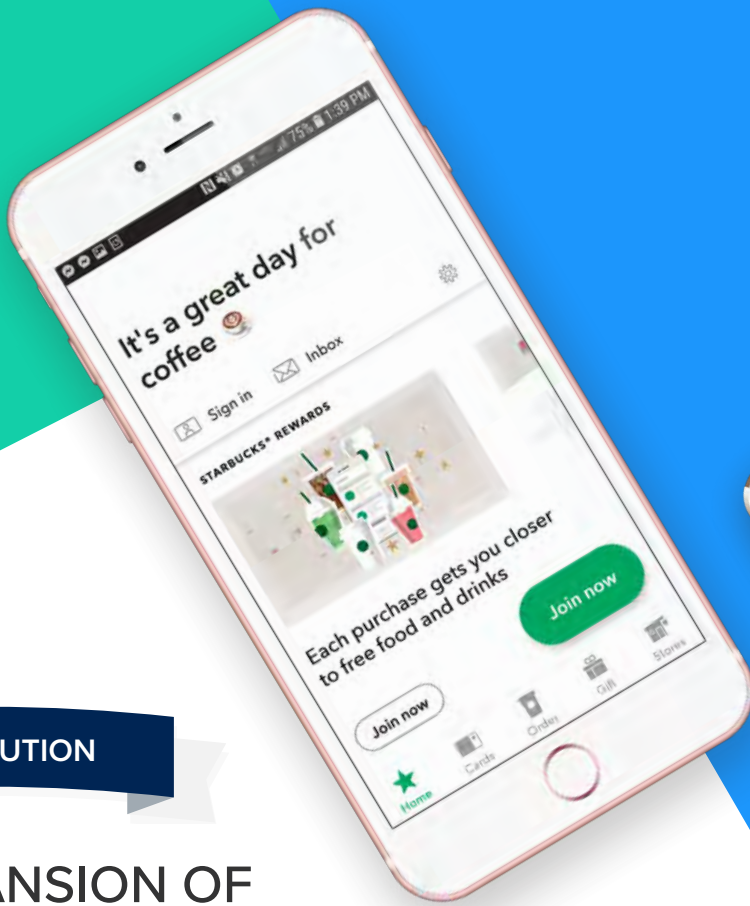
THE EXPANSION OF LOYALTY PROGRAMS

Creating an effective and rewarding loyalty program is therefore essential to success in the retail arena. As mentioned above, the mobile app is the ideal centerpiece for these efforts, allowing customers to collect points across all channels.

Unsurprisingly, Starbucks is the industry leader here, maintaining a mobile-driven loyalty program that boasts more than 15 million members.[29] DSW, which recently redesigned its 20 year-old loyalty program, offers a feature-rich mobile app wherein DSW VIPs can earn rewards for both in-store and online actions, including purchases and shoe donations.[30]

THE GROWTH OF SOCIAL MEDIA

Social media continues to expand exponentially. Facebook, perhaps the most prominent social media platform worldwide, maintains more than 1.5 billion daily active users, while Instagram, the fastest-growing social channel on Earth, boasts 1 billion active users.[31] [32] These sites and others are an essential part of the modern retail industry. Why? Advertising reach.

An estimated 6 million businesses advertise on Facebook, while another 2 million connect with users monthly through Instagram, where marketing pitches, delivered via influencers, are built into the experience.[33] [34] The latter platform could soon offer a native payment component that allows users to turn purchasing intent into action without breaking the social experience.[35]

f
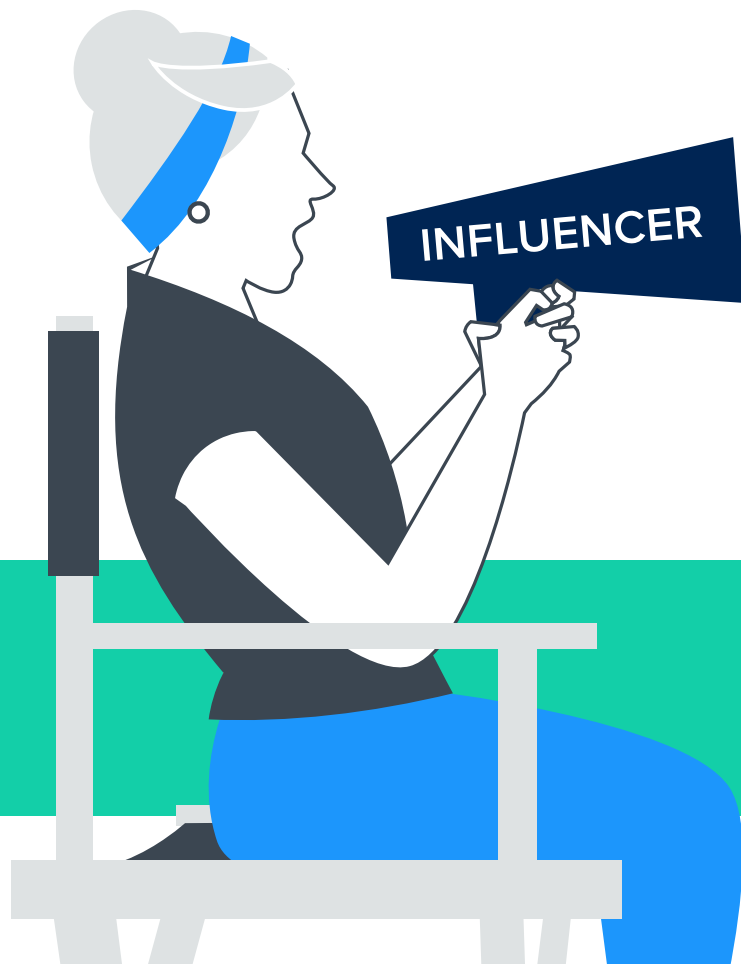
6 million
businesses advertise on Facebook

2 million
connect with users monthly through Instagram

Marketing pitches, delivered via influencers, are built into the experience.[33] [34]

THE GROWTH OF SOCIAL MEDIA

Retail companies must connect with these online communities by crafting mobile apps that can facilitate so-called social commerce through features that convert platform users into customers. Sellers such as Lego, Sephora and Staples are among the most successful brands pursuing this strategy.[36] Sephora is especially adept at this approach and uses the Instagram Stories feature to publish behind-the-scenes video while supplementing it with more polished content, including

beauty tutorials hosted by customers-turned-influencers.[37] These social offerings have enriched the cosmetics retailer's entire sales framework, including its mobile app, which consumers ranked the second-best on-the-go shopping portal available.[38]

Outdoor Voices, an emerging athletic wear company, sees similar success but takes a more interactive approach and actually converses with users before slowly pulling them into the sales cycle and pitching products.[39]
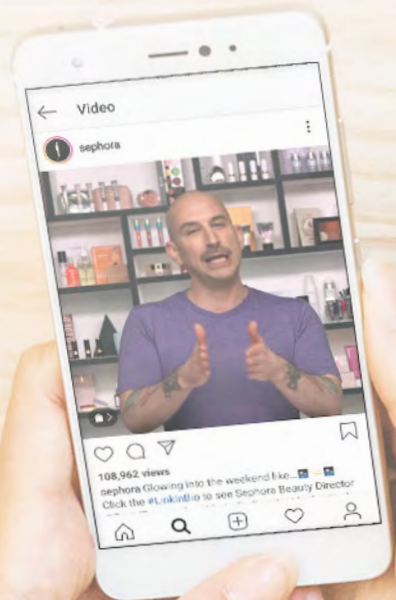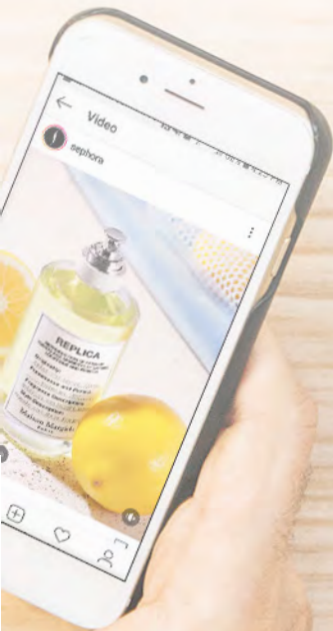
DEVELOPING MOBILE APP INNOVATION

Organizations navigating the retail space are increasingly looking toward innovative mobile ecommerce techniques and technologies that have yet to crystallize at scale. These include:

▶ Augmented and virtual reality: Fashion powerhouse Tommy Hilfiger was among the first businesses in any industry to deploy front-of-house virtual reality technology.[40] Today, brands like Ulta Beauty, Sephora and Ikea provide robust, mobile-driven AR experiences that enrich digital and physical shopping.[41]

▶ Mobile app catalogs: The single-app era could be coming to an end, as retailers like develop and deploy multiple portals with disparate purposes. Eyeglass seller Warby Parker is among the entities taking this approach.[42] The brand launched a new eye health app, which uses on-board smartphone cameras to generate prescriptions.

▶ Expanded internal technology groups: In addition to embracing these and other technical tools and IT strategies, retailers are investing more in internal technology development efforts. This includes retail leaders such as Walmart, which recently announced that it planned to hire 2,000 new IT staffers in 2019.[43]
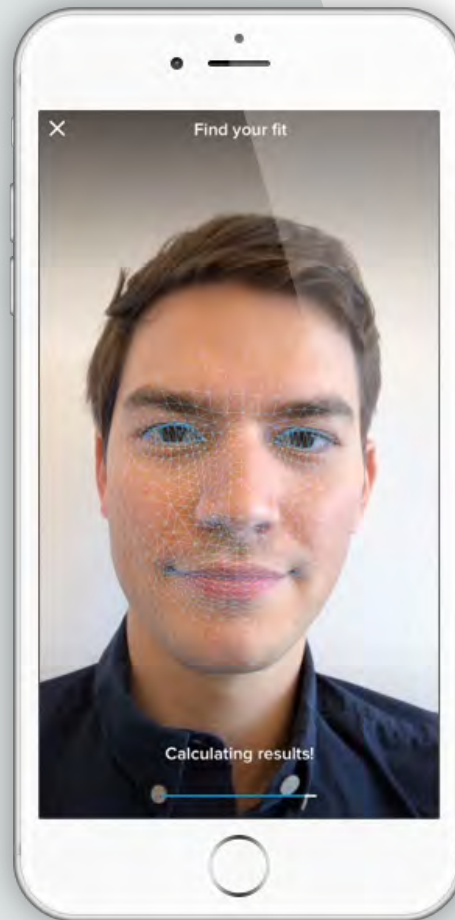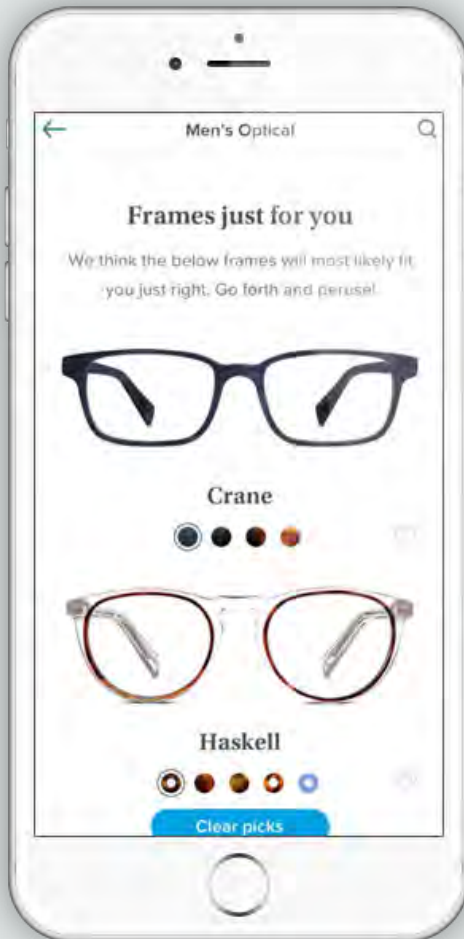
DEVELOPING MOBILE APP INNOVATION

To take advantage of these emerging mobile retail technologies, sellers must adopt methods that make innovation fast and lower risk. The most competitive companies today are using A/B testing, along with other methods such as minimal viable product identification, to allow the businesses to try out new ideas quickly. After all, most retailers cannot compete with the likes of Amazon on price, but they can provide a better, more tailored user experience. Especially as shopping shifts online and to mobile, no one can really predict what will go viral or be adopted by customers until they try it. A/B testing with solutions like Apptimize help to make that process faster, easier, and lower-risk.

SOURCES

1 Pew Research Center, "10 Facts About Smartphones as iPhone Turns 10," 2017.

2 App Annie, "The State of Mobile in 2019," 2019.

3 Sensor Tower, "Black Friday's Top Shopping Apps Grew 16 Percent Over 2017," 2018.

4 CityLab, "The 2018 Retail Apocalypse in 6 Charts and a Map," 2018.

5 Nielsen, "Omnichannle Fast Facts on The In-Store and Ecommerce Landscapes," 2018.

6 Big Commerce, "The Global Omnichannel Consumer Shopping Research Report," 2018.

7 Yes Marketing, "Data: Half of Consumers Use Mobile Apps When Shopping In Store," 2019.

8 Yes Marketing, "Data: Half of Consumers Use Mobile Apps When Shopping In Store," 2019.

9 Mobile Merchant, "5 Excellent Examples of Omnichannel Done Right," 2017.

10 Bonobos, "How Bonobos is Driving the Omnichannel Vision," 2017.

11 Jamapp, "New Report From Jamapp Reveals that App Users Who Do Not Purchase on the Day They Install Likely Never Will," 2016.

12 Google, "Find Out How You Stack Up to New Industry Benchmarks For Mobile Page Speed," 2018.

13 Nielsen, "The Nielsen CMO Report," 2017.

14 Apptimize, "Why Vevo Got Rid of Onboarding Tutorial Screens," 2015.

15 PricewaterhouseCoopers, "How Consumers See Cybersecurity and Privacy Risks and What to Do About It," 2018.

16 American Express, "Merchants Missing Out on Online Sales As Digital Security Concerns Influence Customer Purchasing Behavior," 2017.

17 Experian, "The 2018 Global Fraud and Identity Report," 2017.

18 The Atlantic, "Amazon's Checkout-Free Store Makes Shopping Feel Like Shoplifting," 2018.

19 Business Insider Intelligence, "The Mobile Checkout Benchmark Report," 2019.

20 Apptimize, "Kayak's Most Interesting A/B Test," 2014.

21 Capgemini, "How Can Retailers Prepare for the GDPR," 2018.

22 The New York Times, "Your Apps Know Where You Were Last Night, and They Are Not Keeping It a Secret," 2018.

23 Winterberry Group, "The Outlook For Data 2018: A Snapshot Into the Evolving Role of Audience Insight," 2018.

24 MIT Technology Review, "50 Smartest Companies 2017," 2017.

25 International Data Group, "Adidas Taps Data and Technology Smarts to Build Personalized Digital Engagement with Consumers," 2017.

26 Total Retail, "Top 100 Omnichannel Retailers," 2018.

27 Vibes, "2016 Mobile Consumer Study," 2016.

28 Retail Dive, "68 Percent of Holiday Mobile Shoppers Browse Via Optimized Sites Versus Apps: Foresee Executive," 2012.

29 Seeking Alpha, "Starbucks Q3 2018 Earnings - Earning Call Transcript," 2018.

30 Retail Dive, "DSW Restructures Loyalty Program," 2018.

31 Facebook, "Company Information," 2019.

32 The Verge, "Instagram Now Has 1 Billion Users Worldwide," 2018.

33 Facebook, "There Are 6 Million Active Advertisers on Facebook," 2019.

34 Instagram, "2 Million Monthly Advertisers on Instagram," 2017.

35 Ad Age, "Instagram is Quietly Introducing a Native Payment Option," 2018.

36 Hubspot, "The 17 Best Brands on Instagram Right Now," 2018.

37 Allure, "How to Join Sephora's New Squad of Beauty Influencers - Even Without a Huge Following," 2019.

38 Forrester Research, "The Forrester Retail Wave: US Mobile Apps Q1 2019," 2019.

39 Retail Dive, "How Retailers Are Rethinking the Customer-Brand Relationship," 2018.

40 The New York Times, "Tommy Hilfiger Introduces Virtual Reality Headsets for Shoppers," 2015.

41 Mobile Marketer, "Ulta Now Blends with Perfect for In-Store Beauty Try-Ons," 2019.

42 Quartz, "Warby Parker's New App Checks Your Vision and Writes Prescriptions Without a Trip to the Doctor," 2017.

43 Bloomberg, "Walmart Plans to Add 2,000 Staffers in Technology Group in 2019," 2019.

Innovation at the Speed of Mobile

Rapidly Iterate Across All Your Digital Experiences

Is your retail company intent on embracing the mobile revolution and creating effective on-the-go infrastructure? Consider connecting with Apptimize. We can help your organization experiment with workflows via our innovative A/B testing and future release management platforms.

Apptimize helps retailers bolster their customer experiences with an experimentation engine that will:

▶ Handle multiple iterations simultaneously and track efficacy.

▶ Work cross-platform to fully capture data and user behavior across all channels.

▶ Identify minimal viable product before release.

▶ Mitigate resource-intensive activities and risk.

▶ Respond to customers quickly with what works (and ditch what does not).

APPTIMIZE.COM

FACEBOOK

TWITTER

LINKEDIN

YOUTUBE