# NEXT-GEN RETAIL: MOBILE AND BEYOND°

**Next-Gen Retail: Mobile and Beyond** is one installment of Latitude 42s, an ongoing series of open innovation studies which Latitude, an international research consultancy, publishes in the spirit of knowledge-sharing and opportunity discovery.

Latitude°

December 2012

42° NEW ECONOMY

# WE ASKED MORE THAN 900 SMARTPHONE-ENABLED SHOPPERS ACROSS THE WORLD, "HOW WOULD YOU LIKE TO SHOP IN THE FUTURE?"



Photo: Marco Derksen

In 2012, Latitude conducted a large-scale, international study investigating shoppers' mindsets and motivations, current behaviors, and unmet needs. The study also assessed consumers' appetites for various new ways to shop and make purchases, both online and in-store.

Prior to launching the survey, Latitude engaged a few dozen early tech adopters in an online idea generation activity to collect "future requests" for  desirable retail experiences or interactions that may not currently exist, but that could be offered now or within the next few years. Select concepts from participants were included in the

quantitative survey to assess their desirability amongst a larger audience.

Survey participants (n=909) were ages 20-59, 50% male and 50% female, residing in the UK (50%) and the US (50%). All participants owned and used a smartphone at least once per week, while 65% also owned and used a tablet at least once per week (making these participants "dual owners"). All participants had at least minimal engagement with mobile shopping; they had purchased digital content from a smartphone or tablet and had also used a mobile device to shop for (not necessarily purchase) a physical product or experience.

**PLACES OF STUDY:**
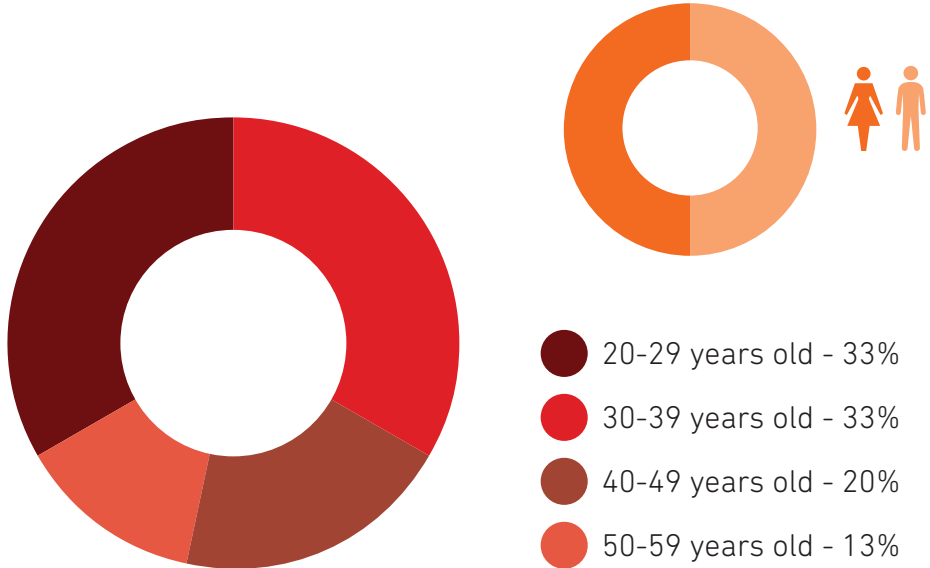
38° / 53' : UNITED STATES
51° / 31' : UNITED KINGDOM

**METHODS OF STUDY:**

HYBRID QUAL/QUANT SURVEY
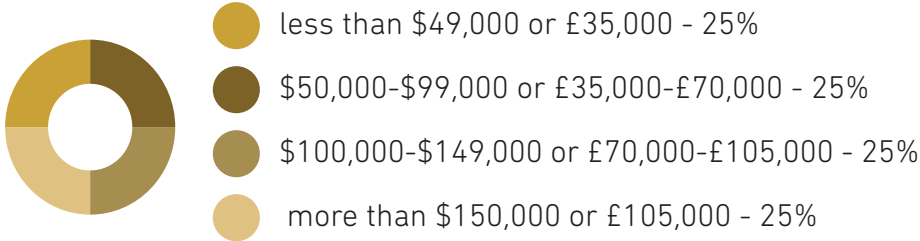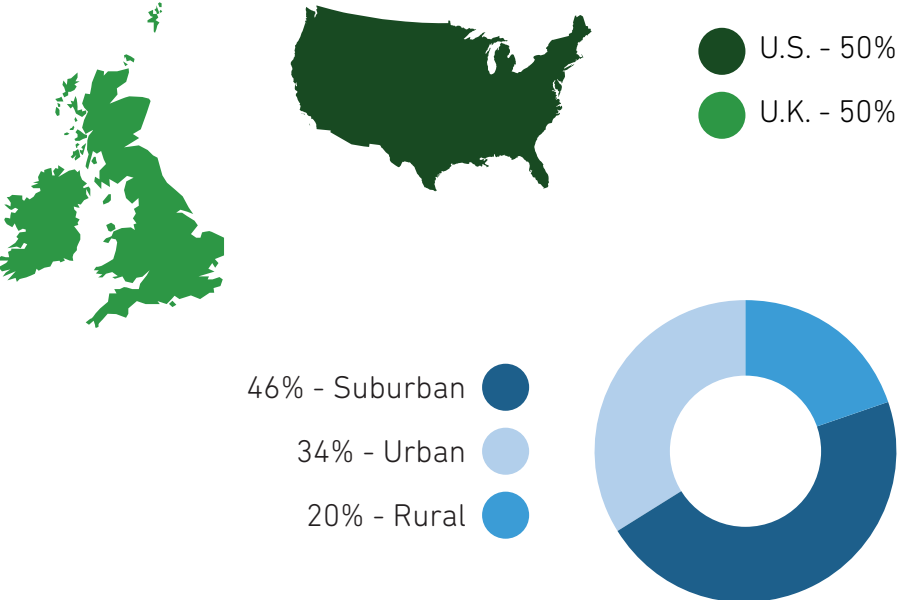GENERATIVE ONLINE ACTIVITY

# OUR SHOPPERS

## age + gender

- 20-29 years old - 33%
- 30-39 years old - 33%
- 40-49 years old - 20%
- 50-59 years old - 13%

## household income

- less than $49,000 or £35,000 - 25%
- $50,000-$99,000 or £35,000-£70,000 - 25%
- $100,000-$149,000 or £70,000-£105,000 - 25%
- more than $150,000 or £105,000 - 25%

## location

- U.S. - 50%
- U.K. - 50%

- 46% - Suburban
- 34% - Urban
- 20% - Rural

## mobile ownership & shopping engagement

**100%** smartphone owners

**65%** dual owners (smartphone + tablet)
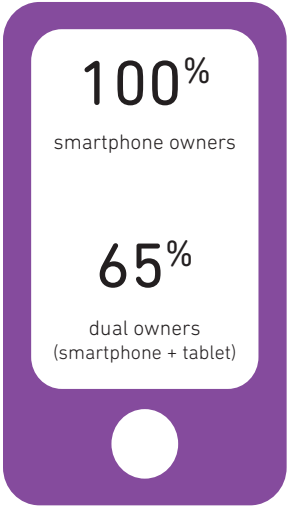
Participants had at least **minimal mobile shopping engagement**, meaning that they had purchased digital content from a mobile device and had shopped for (not necessarily purchased) physical products or experiences.

*Income brackets are roughly equivalent across the US & UK, based on World Bank data for purchasing power parity (PPP).

# OUR QUESTIONS

1. What benefits and barriers are people experiencing when it comes to mobile shopping?

2. What are some best practices for developing great retail experiences via apps and the mobile web?

3. How can mobile devices enhance both online and in-store retail experiences in the future?

# TABLE OF CONTENTS°

# mobile shopping
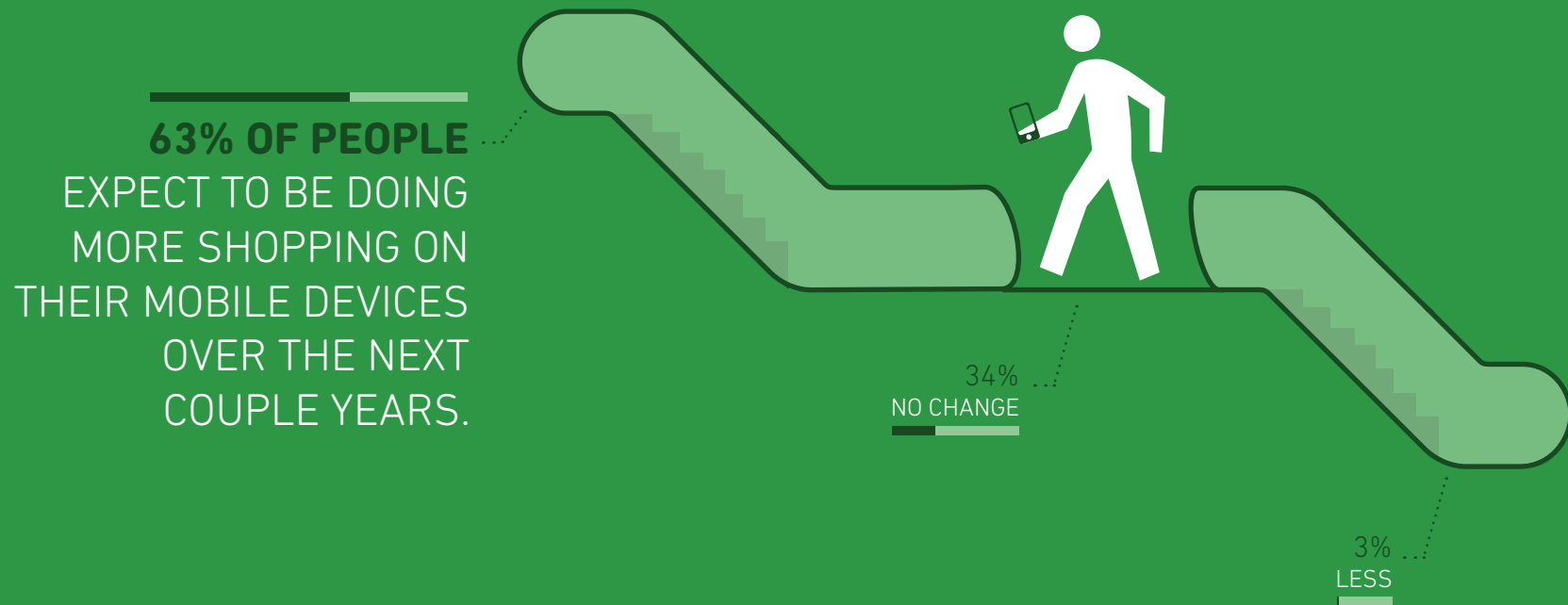## [mōbəl SHäpiNG] - noun

finding, discovering, browsing, researching, bookmarking, price-checking, comparing, sharing, tracking, or purchasing goods, services, or experiences—facilitated in whole or in part by mobile devices.

# THE STATE OF MOBILE SHOPPING°

**63% OF PEOPLE**
EXPECT TO BE DOING
MORE SHOPPING ON
THEIR MOBILE DEVICES
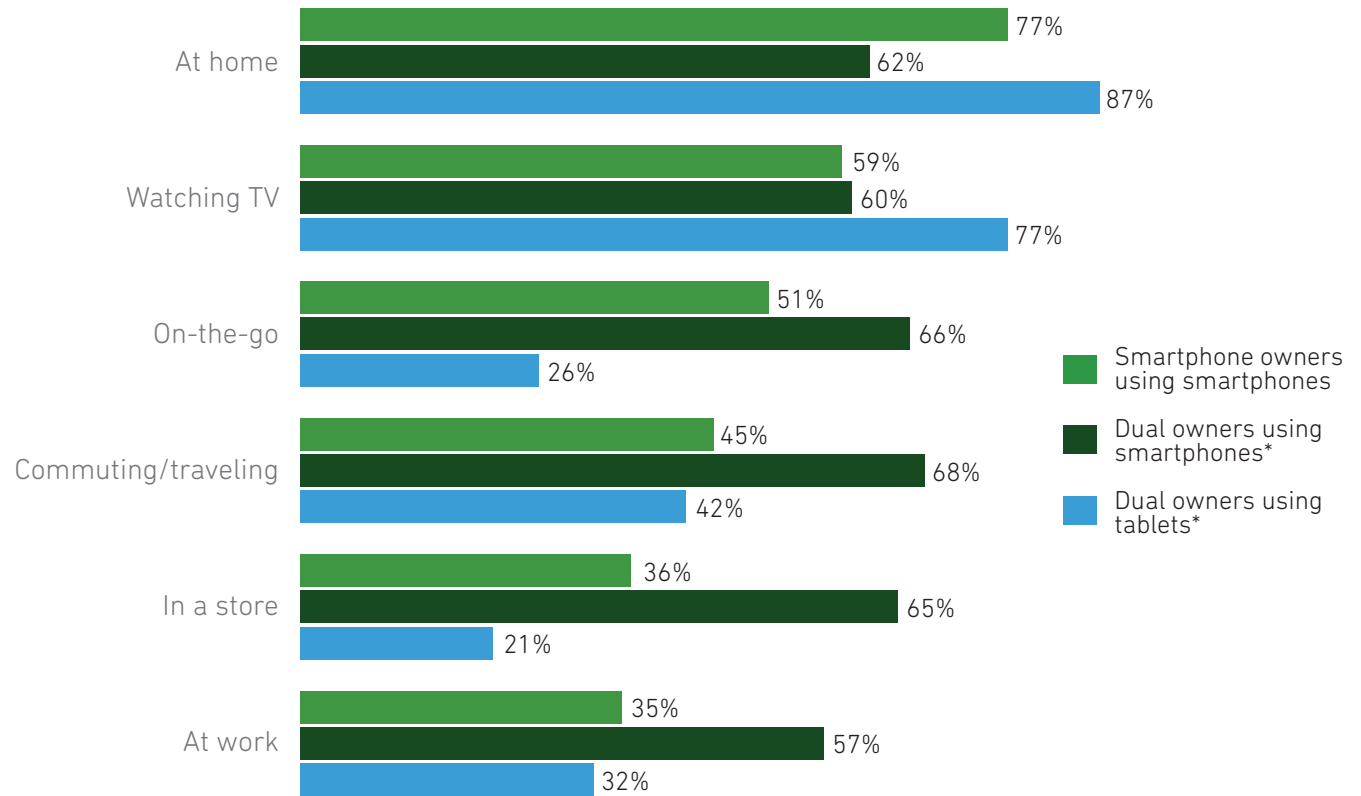OVER THE NEXT
COUPLE YEARS.

34%
NO CHANGE

3%
LESS

" These days, I use my laptop mostly at work—but my smartphone goes everywhere with me. I can look up information or buy something the instant it occurs to me, wherever I happen to be then. **Honestly, it's hard to imagine what life was like before**.

# MOBILE IS FOR MORE THAN JUST ON-THE-GO

**At home**
- Smartphone owners using smartphones: 77%
- Dual owners using smartphones*: 62%
- Dual owners using tablets*: 87%

**Watching TV**
- Smartphone owners using smartphones: 59%
- Dual owners using smartphones*: 60%
- Dual owners using tablets*: 77%

**On-the-go**
- Smartphone owners using smartphones: 51%
- Dual owners using smartphones*: 66%
- Dual owners using tablets*: 26%

**Commuting/traveling**
- Smartphone owners using smartphones: 45%
- Dual owners using smartphones*: 68%
- Dual owners using tablets*: 42%

**In a store**
- Smartphone owners using smartphones: 36%
- Dual owners using smartphones*: 65%
- Dual owners using tablets*: 21%

**At work**
- Smartphone owners using smartphones: 35%
- Dual owners using smartphones*: 57%
- Dual owners using tablets*: 32%

Legend:
- Smartphone owners using smartphones
- Dual owners using smartphones*
- Dual owners using tablets*

**77%** of dual owners typically shop on their tablets while watching TV, highlighting a whitespace opportunity for multi-screen shopping.

**Shopping Can Happen Anywhere**

Mobile shopping has seeped into our everyday routines—from work to home, and everywhere in between. Eighty-one percent affirm that, "because I have a mobile device, I'm constantly shopping."

**Mobile is Bringing it Home**

Somewhat unexpectedly, 77% of smartphone-only owners confess to shopping regularly from these devices at home, forgoing the larger screen and other niceties of a desktop or laptop computer. And, while dual owners prefer tablets at home, they're smartphone power-shoppers pretty much everywhere else. Sixty-five percent of dual owners have used a smartphone to shop while in a store, suggesting opportunities to better synthesize digital and physical retail experiences.
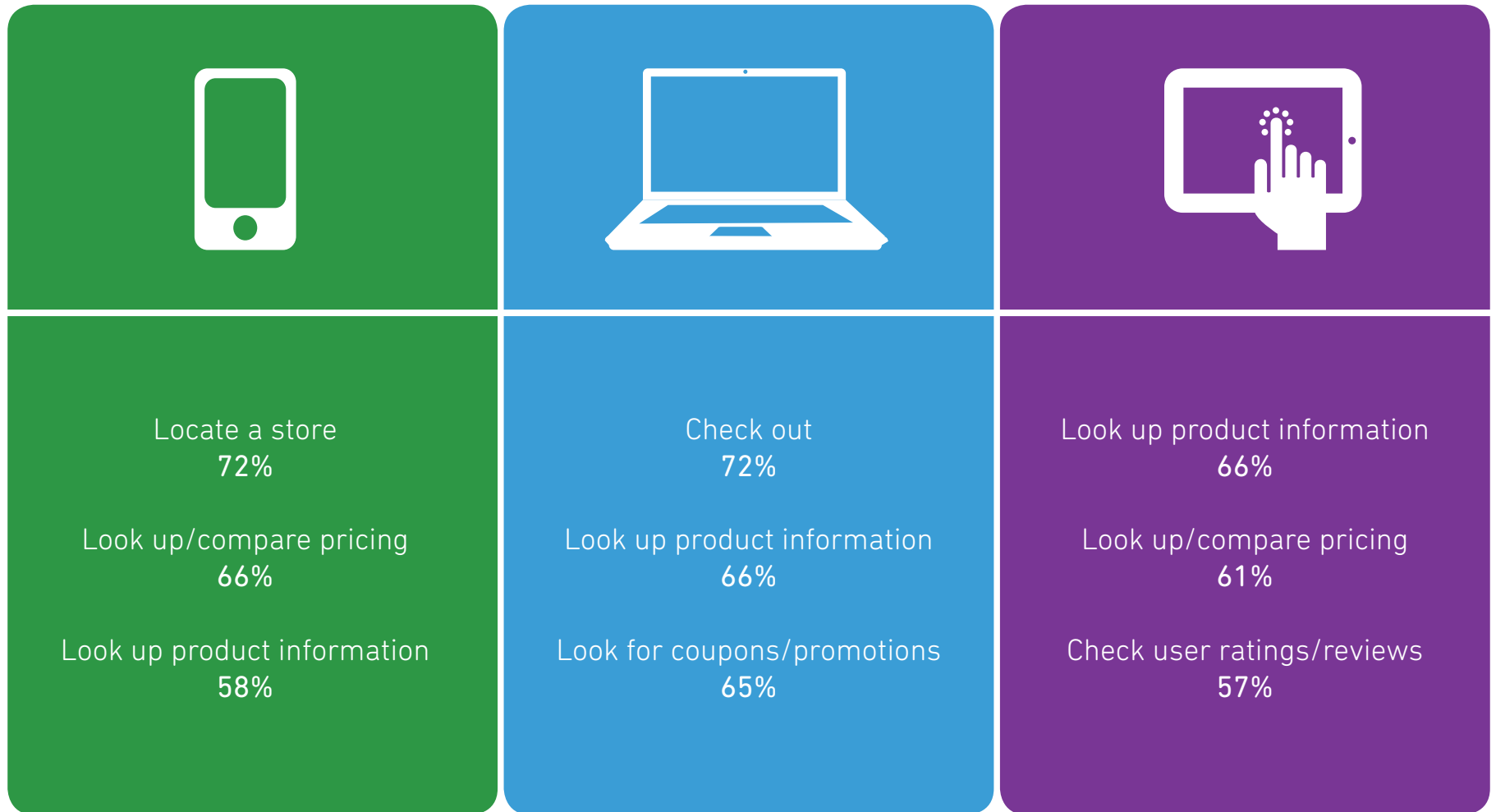
*Dual owners are defined as people who own and regularly use both a smartphone and tablet.

# DIFFERENT SCREENS FOR DIFFERENT NEEDS

## TOP SHOPPING BEHAVIORS BY DEVICE

| | | |
|---|---|---|
| Locate a store **72%** | Check out **72%** | Look up product information **66%** |
| Look up/compare pricing **66%** | Look up product information **66%** | Look up/compare pricing **61%** |
| Look up product information **58%** | Look for coupons/promotions **65%** | Check user ratings/reviews **57%** |

*Data displayed for only those participants who own all three devices (n=592).

# THE PSYCHOLOGY OF MOBILE°

**2 OUT OF 5 PEOPLE** HAVE MORE "ME" TIME OR FEEL MORE RELAXED, THANKS TO BEING ABLE TO SHOP WITH MOBILE DEVICES.

"

I'm definitely more efficient. Shopping is just sort of a background process that's always running. And I find cool, niche items that would've taken me forever to come across normally—**with way less stress and virtually no time wasted**.

# MOBILE MAKES ME SMARTER, FASTER, BETTER

BEING ABLE TO SHOP AND MAKE PURCHASES ON MY MOBILE DEVICE(S)
MAKES ME FEEL MORE _____ ABOUT SHOPPING AND MY LIFE



54%

68%

53%

informed relaxed
exploratory fun
money-smart
locally-aware spontaneous
efficient
connected social
catered to productive
satisfied

45%

67%

*Percentages represent the portion of participants who
identified with each of the descriptors above.

# THE BENEFITS OF MOBILE SHOPPING: TIME > MONEY

It saves me time
**73%**

I can find the best deals
**69%**

I can do it on-the-go
**69%**

I can do it while multitasking
**63%**

I don't have to wait in line
**55%**

*More women than men identify with the emotional and aspirational benefits of mobile shopping, such as feeling more satisfied and accomplished and having more fun.*

**Buying Time**

While mobile information needs are highly situation-dependent, more people cite saving time over saving money as one reason to shop via mobile, regardless of income. (U.S. shoppers are more deal-driven than those in the U.K. — 78% vs. 61%). Women tend to appreciate aspects of mobile that lead to more efficient or "productive" shopping; they are significantly more likely than men to go mobile because it eliminates waiting in line and because it's something they can do while multi-tasking or accomplishing other things. On the other hand, men are attracted to mobile because it streamlines shopping by offering better curated options—which means fewer items to sift through.

# MOBILE + LOCAL: SET ME UP FOR SERENDIPITY

## The Thrill of a Good Find

On-demand access to location-aware information (like Google Maps, Yelp, etc.) has certainly heightened people's awareness of the world around them. More recently, mobile developers have made it their mission to delight users by facilitating local discovery (with apps like Groupon, LivingSocial, and Field Trip). Forty-five percent of people say they discover more local places, products, and experiences because of their mobile devices. And it's hard to beat the rush of making a serendipitous discovery. When asked to recall a recent memorable purchase, 1 in 6 participants said the experience that came to mind was memorable because it was something completely new for them.

## Mobile Makes for an Open Mind

These kinds of discoveries deliver more than just a temporary "rush" or social currency; they're fundamentally changing *the way we think* about ourselves and the world around us. The vast majority (88%) of people agree that having a mobile device with real-time information makes them more spontaneous with shopping and, in general, more open to discovering new things.

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## DUAL (SMARTPHONE + TABLET) OWNERS ARE LOCAL EXPERIENCE ENTHUSIASTS*

In the past month, have you purchased daily deals or event tickets from your mobile device(s)?

56%

57%

15%

20%

- smartphone-only owners
- dual owners

Event Tickets

Daily Deals
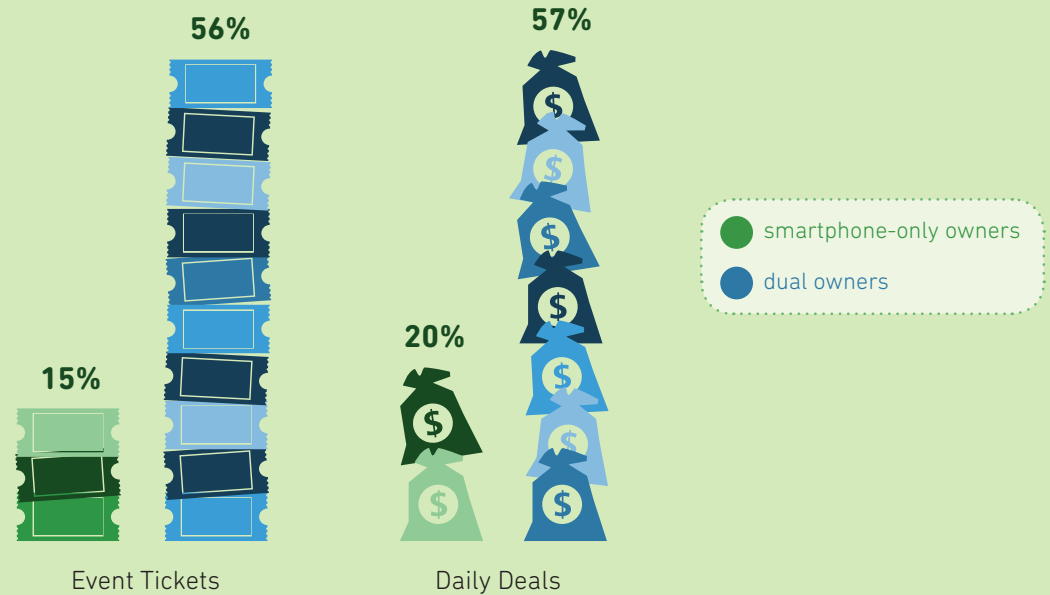
## PEOPLE WHO HAVE PURCHASED LOCAL EXPERIENCES VIA MOBILE ARE _____ THAN PEOPLE WHO HAVEN'T DONE SO:

- more likely to be urban dwellers
- more likely to have children
- more likely to cite "discovering new things" as a benefit of mobile
- more likely to say they're technologically "way ahead of the curve"
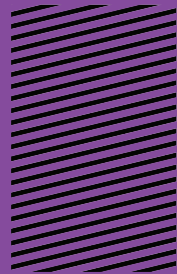- twice as likely to favor smartphones as a payment platform

*Local experience enthusiasts are defined as people who have purchased event tickets or daily deals via any mobile device.

## WELL-EXECUTED ALERTS WORK WONDERS

When I receive location-aware communications from retailers, I am more likely to…
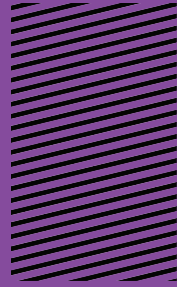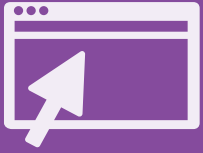
**52%**
visit the website

**50%**
visit the store soon

**20%**
make a purchase

**20%**
visit the store that day

# LEVERAGE LOCATION TO INSPIRE ACTION

**The Rise of an "Alert Culture"**

Many brands are tapping into shoppers' continuous receptivity and their willingness to multitask by feeding today's "alert culture" (e.g., via emails and push notifications that tout daily deals, flash sales, and other short-lived promotions), heightening the sense of urgency and excitement around making a purchase. Sixty percent of participants report that they're spurred to shop or make a purchase at least once a week because they've received a mobile alert (e.g., an email, text message, notification, etc.) from a brand or retailer.

**The Right Place at the Right Time**

Shoppers have mastered "pulling" information from mobile, and now they're looking for more. People expect smart, location-aware communications to reach them at the right times and places (e.g., when a recommended or sought-after item is nearby or on sale), exposing them to things that they'd genuinely be pleased to learn about. (Of course, this raises legitimate privacy concerns, but increasingly more people are willing to make the trade-off if they feel they're receiving something truly valuable in return.) More than half claim that a well-executed alert makes them more likely to visit the website or the store soon, while 1 in 5 say they're more likely to make a purchase or to make a pit-stop at the store *that day*.

# THE CONVERGENCE OF MOBILE & PHYSICAL RETAIL°

**60% OF PEOPLE**
HAVE USED A MOBILE
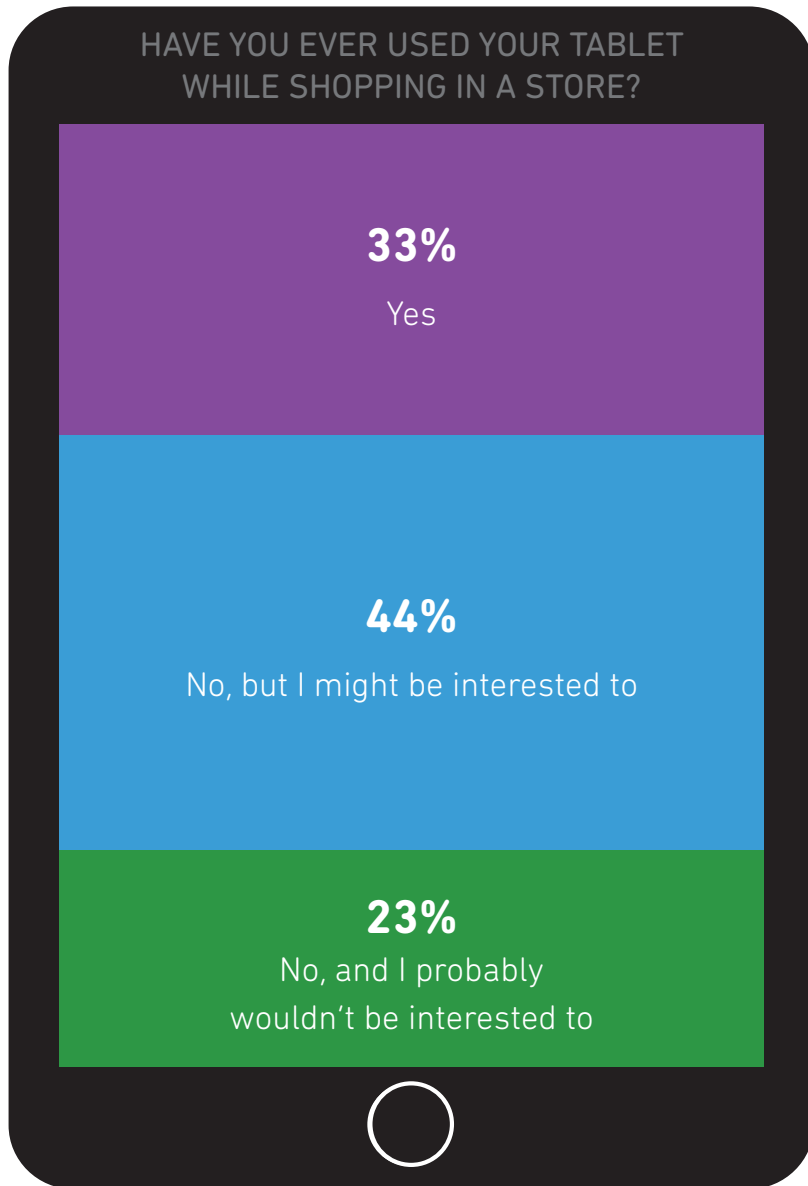DEVICE WHILE SHOPPING
IN STORE.

" One thing I like about online stores is that when you're looking at a product, the site will show you which other products shoppers have viewed and whether they ultimately buy the original item or another one. **If my smartphone could show me information like that when I'm looking at physical products, that would be fabulous.**

# IF YOU HAD TO DO ALL OF YOUR SHOPPING ONLINE, WHAT WOULD YOU MISS ABOUT SHOPPING IN STORES?

1. TRYING PRODUCTS IN REAL LIFE
2. IMMEDIATE ACCESS TO PURCHASES
3. GETTING OUT OF THE HOUSE
4. SHOPPING WITH FRIENDS OR FAMILY
5. WINDOW SHOPPING

52%

32%

39%

25%

39%

*Percentages represent the portion of participants who identified with each benefit of in-store shopping.

## HAVE YOU EVER USED YOUR TABLET WHILE SHOPPING IN A STORE?

**33%**
Yes

**44%**
No, but I might be interested to

**23%**
No, and I probably wouldn't be interested to

*Data displayed for tablet owners only.

# SHOPPERS EXPECT MOBILE TO IMPROVE THEIR IN-STORE RETAIL EXPERIENCES

**Offer Expertise, Not Just Information**

Shoppers are already using their mobile devices to look up product information, run price comparisons, and even make online purchases while shopping in a store. Retailers have an opportunity to leverage these behaviors by providing the information themselves that people are already looking for—or don't even know they want yet. With mobile, retailers can offer people the expertise that traditional, face-to-face customer service provides, but in a more personalized, real-time way. This might include an app that recommends other items in a store that would pair well with a specific piece, or one that already knows *your* personal preferences and provides a list of products (available in-store) based on that. Seventy-nine percent of shoppers are interested in the possibility of having digital content—product recommendations, demo videos, virtual "try on" simulations, and so on—delivered to their mobile phones while shopping in a store. In fact, 77% of dual owners have already used or would be interested to use their *tablets* while shopping in a store.

# MOBILE "FUTURE REQUESTS" FOR PHYSICAL RETAIL

## RECOMMENDATIONS

**82%** View similar products bought by others

**79%** Receive a list of a store's most popular items

## DEALS

**92%** Tap "smart" posters for coupons

## EFFICIENCY

**95%** Self-scan items for check-out

## PRODUCT INFORMATION

**94%** Compare products

**79%** Watch demo videos

## NAVIGATION

**87%** Access store maps to locate products

**86%** Be alerted when near a store with sought-after items

## CUSTOMIZATION

**79%** Virtually "try on" clothes

**72%** See if items' colors match

*Data represents the percentage of people who would be interested in each offering (n=909).

# PURCHASE & THE DIGITAL WALLET°

**51% OF PEOPLE**
FEEL VERY COMFORTABLE
MAKING PURCHASES FROM
THEIR MOBILE DEVICES,
WHILE 39% FEEL SOMEWHAT
COMFORTABLE DOING SO.

" I'd like to store all my bank and credit card details securely on my smartphone so I don't have to worry about carrying a lot of cards around with me. **Why do I need a real wallet anymore when I could have a digital one on my phone?**

# DUAL (SMARTPHONE + TABLET) OWNERS ARE POWER SHOPPERS

## They spend more online than smartphone-only shoppers

37%

25%
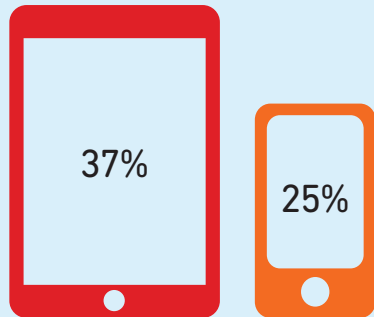
Significantly more dual owners than smartphone-only owners confess that they tend to buy more online or via mobile than they would if they were shopping in a physical store.

## They buy more across all categories of goods

When asked to recall mobile purchases from the last month, dual owners were significantly more likely to make purchases on both smartphones and tablets across nearly all categories.
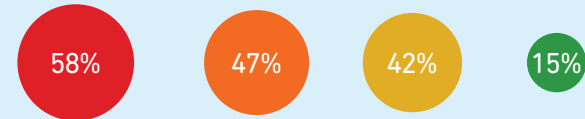
They also spent more money on their most recent mobile purchases than smartphone-only owners did ($50+ in the US & £80+ in the UK).*

# AND MOBILE IS GAINING GROUND WHEN IT COMES TO PURCHASING

## Dual owners are increasingly choosing mobile

desktop/laptop    smartphone    tablet    in person

58%    47%    42%    15%

Among shoppers with access to all four purchasing "platforms" above, traditional computers are (predictably) still the most popular way to check out—but mobile is rapidly closing the gap. In the near future, it's likely that mobile will overtake desktops and laptops.**

## Younger generations are paving the way
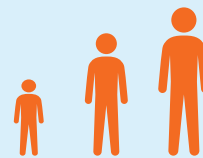
Predictably, younger generations feel more comfortable checking out via mobile, suggesting that mobile purchasing will become more second-nature, with privacy and security issues presenting less of a barrier for successive generations.

52% of all 20-29 year-olds cite smartphones as a favorite purchasing platform—significantly more than amongst 40-59 year-olds (37%).

*Dual owners were significantly more likely to have higher household incomes in the UK, but not in the US.
**Response options for favorite purchasing "platforms" were not mutually exclusive, but limited to two selections from these possibilities: laptop/desktop computer, smartphone, tablet, in-store.

**80%** of people would be interested in a "mobile wallet"

# MOBILE TRANSACTIONS ARE GAINING TRACTION

**Check This Out**

Seamless movement from "shopping" to "checking out" on a mobile device is quickly becoming a mainstream expectation amongst consumers. The majority of participants (85%) say that being able to shop on their mobile devices increases the likelihood of actually making a purchase. Moreover, 1 in 3 people confess that they tend to spend more when shopping online or via mobile than when shopping at a physical store. (Only 16% say they spend less.)

**The Fix is in the UX**

Concerns about storing and transmitting sensitive financial information via mobile aren't what they once were. In fact, when asked about barriers to mobile payment, consumers rank user experience as the number one problem; nearly half (47%) cite smartphones' small screen sizes as a deterrent, while only 40% have worries about the security of their financial information. Mobile sites' limited functionality (40%) and difficulty entering personal information (39%) also rank highly—cementing the notion that most barriers to mobile payment are endemic to the design of specific websites or apps. Pushing beyond occasional purchasing, shoppers are looking for a more comprehensive mobile payment platform. Eighty percent of participants say they'd be interested in a "mobile wallet"—particularly if it enabled them to skip on carrying cash or credit cards entirely.

**55%** of parents with children under 18 would be interested in a mobile app that allows them to approve their children's online/mobile purchase attempts in real-time.

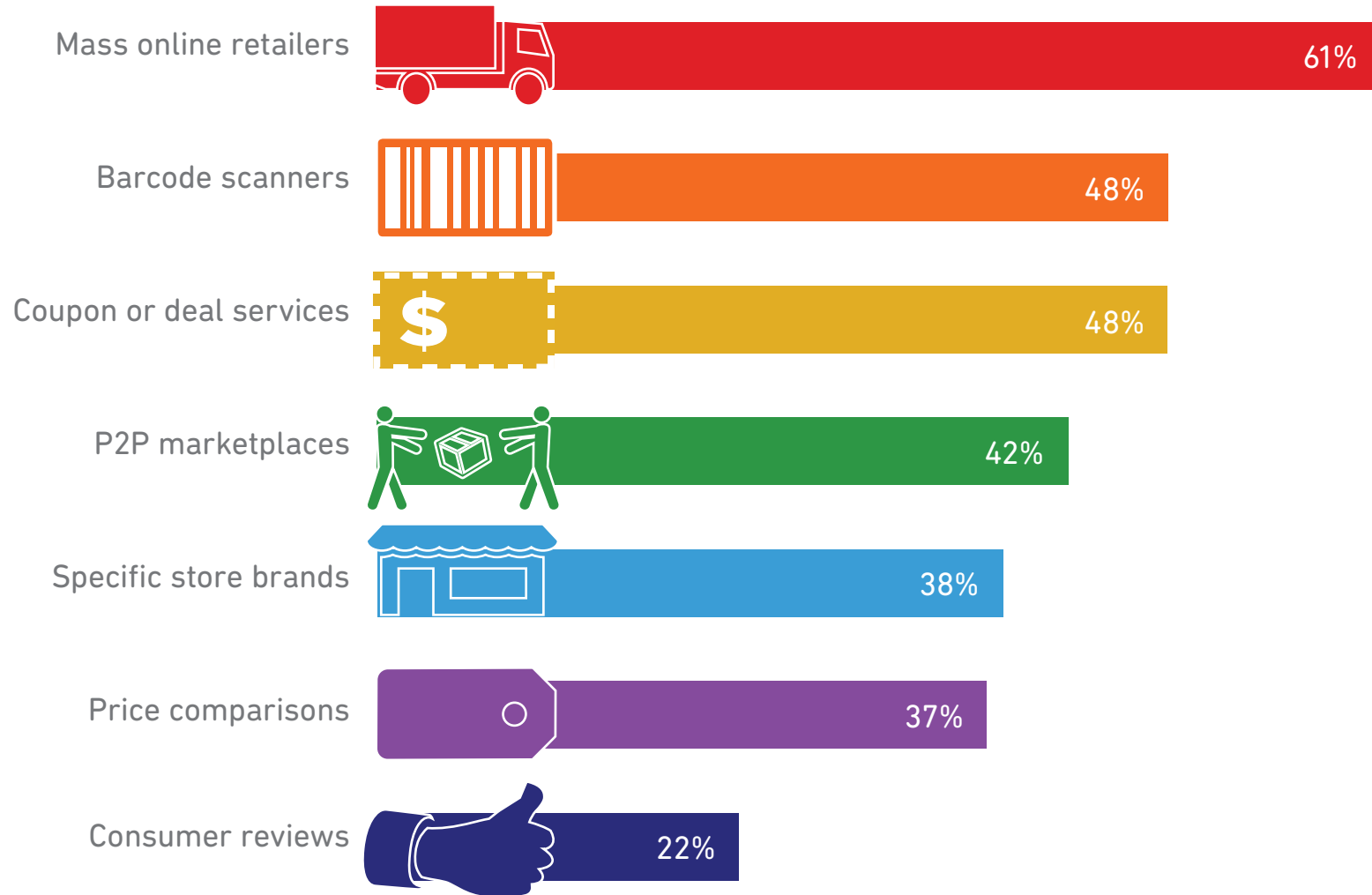# BEST PRACTICES FOR MOBILE EXPERIENCES°

**61% OF PEOPLE** HAVE A BETTER OPINION OF BRANDS WHEN THEY OFFER A GOOD MOBILE EXPERIENCE.

"A lot of shopping apps have too big of a footprint; that is, they're too clunky, intrusive, or ad-heavy relative to how much value they deliver. **They need to offer an experience that justifies taking up storage space on my phone**.

# SHOPPERS RELY ON MULTIPLE APPS TO MEET THEIR NEEDS

Which types of shopping apps have you downloaded?

Mass online retailers — 61%

Barcode scanners — 48%

Coupon or deal services — 48%

P2P marketplaces — 42%

Specific store brands — 38%

Price comparisons — 37%

Consumer reviews — 22%

# BEST PRACTICES°
## THE IDEAL SHOPPING APP WOULD...

**SELL STUFF, BUT GIVE INFORMATION.** With or without retailers' involvement, customers are *already* mining the Internet for the information they want at any given moment, particularly coupons, price comparisons, and user reviews. Brands and retailers who provide this information themselves have an opportunity to join the conversation, creating more touch-points for customer interactions.

**TAKE CONTEXT INTO ACCOUNT.** Shoppers increasingly expect brand communications to feel relevant both to *me* and to *this moment in time*. Apps should synthesize all available information—location, past purchases, browsing history, etc.—in an effort to really "get to know" each user.

**NOT TRY TO REPLICATE THE WEBSITE.** Apps that offer a sub-par experience relative to the main website are considered to be among the most "delete-worthy" by users. Follow the well-established cross-platform wisdom; different screens should offer different experiences.

**FOCUS ON THE ESSENTIALS.** When considering which functions to include in an app, striking a balance between "limiting" and "overwhelming" can be tricky. (And don't forget that "overwhelming" also tends to correlate with "oversized.") Many participants expressed that apps which hog precious storage space on devices are likely to have a lower chance of survival regardless. Brands and retailers should understand which features are "must-haves" for their specific communities, and cut out the bells and whistles.

**PROVIDE EXTRA PERKS.** While mobile shopping is rapidly gaining ground, users who engage with brands on an additional platform often feel that they're "insiders," and that additional incentives (or rewards) are in order. In many cases, special promotions or loyalty rewards are the primary reasons to adopt an app in the first place—and to keep using it.
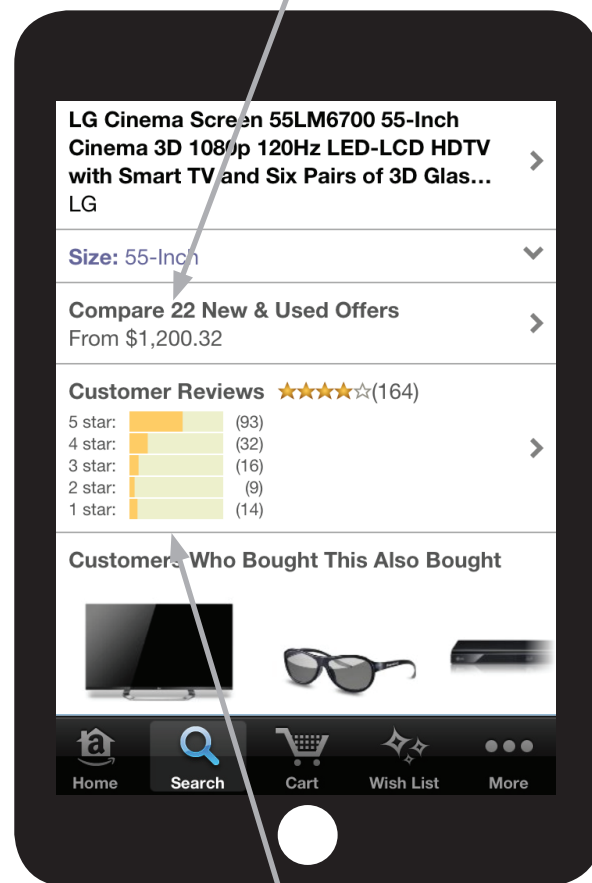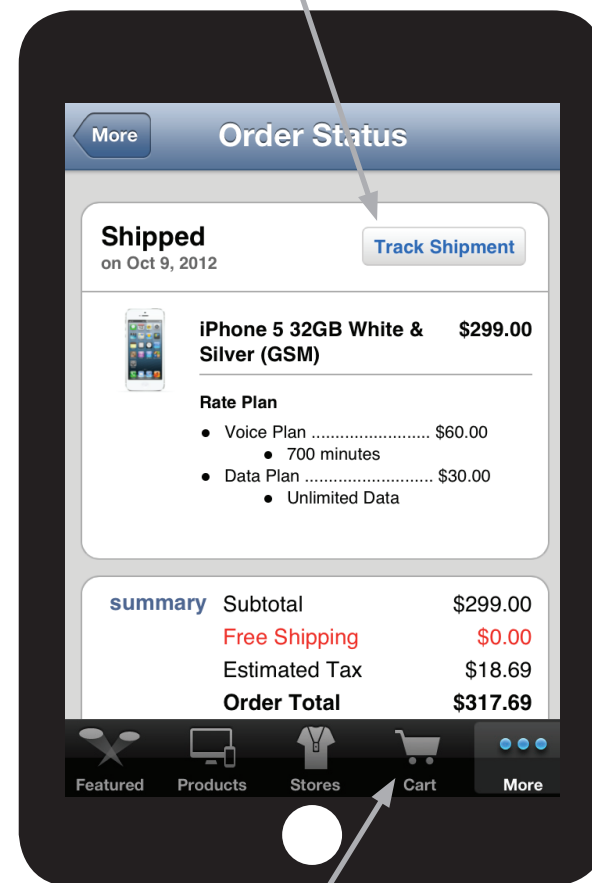
# MOST IMPORTANT FEATURES

COMPARISON SHOPPING
**35%**

SHIPMENT TRACKING
**26%**
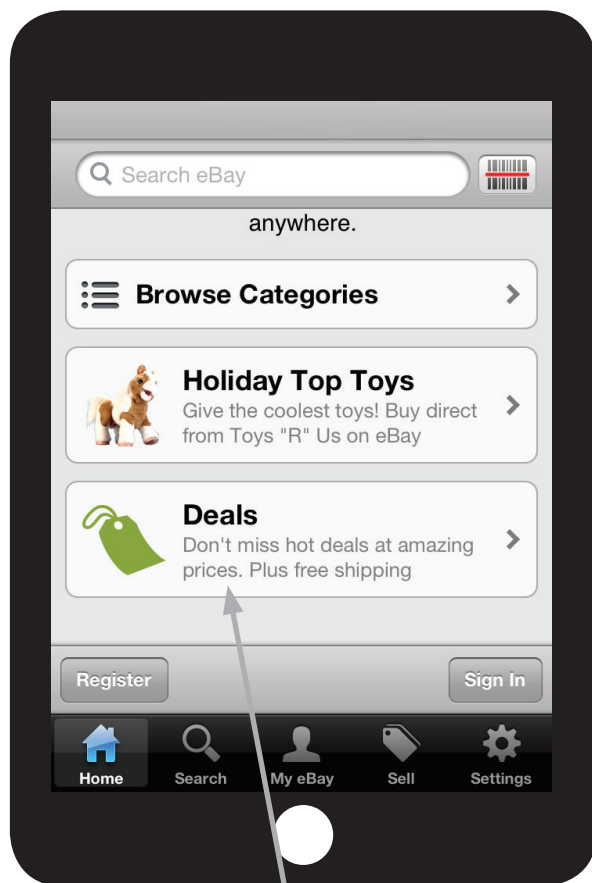


ACCESS TO COUPONS
**36%**

CUSTOMER REVIEWS
**31%**

ABILITY TO COMPLETE A PURCHASE
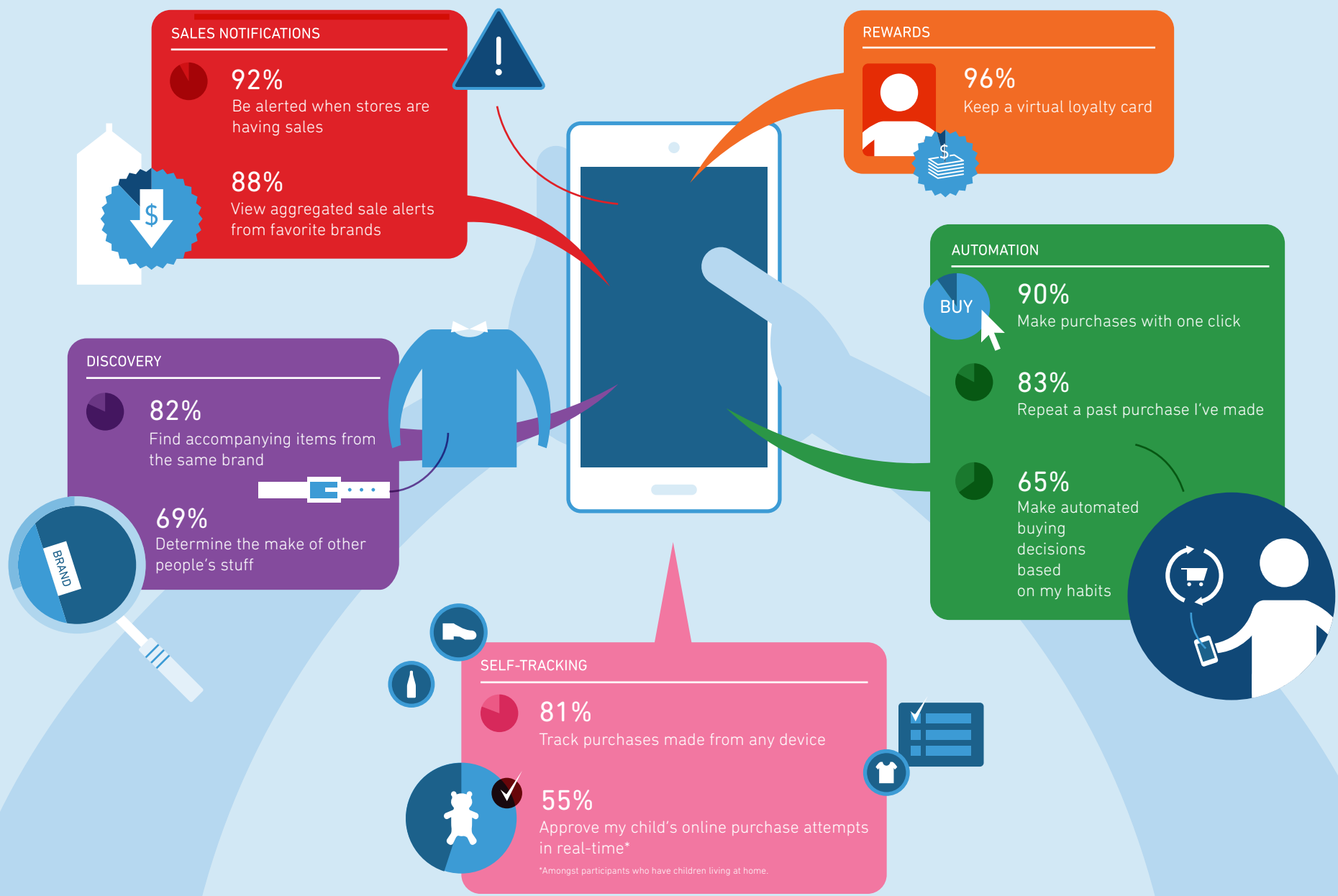**28%**

**TOP REASONS TO DELETE AN APP**

1. Not as good as the website    2. Kept crashing    3. Push notifications were annoying    4. Forgot about it    5. Didn't have the functionality I wanted

# MOBILE "FUTURE REQUESTS" FOR VIRTUAL RETAIL

## SALES NOTIFICATIONS

**92%**
Be alerted when stores are having sales

**88%**
View aggregated sale alerts from favorite brands

## REWARDS

**96%**
Keep a virtual loyalty card

## DISCOVERY

**82%**
Find accompanying items from the same brand

**69%**
Determine the make of other people's stuff

BRAND

## AUTOMATION

BUY

**90%**
Make purchases with one click

**83%**
Repeat a past purchase I've made

**65%**
Make automated buying decisions based on my habits

## SELF-TRACKING

**81%**
Track purchases made from any device

**55%**
Approve my child's online purchase attempts in real-time*

*Amongst participants who have children living at home.

*Data represents the percentage of people who would be interested in each offering (n=909).

# OPPORTUNITIES IN NEXT-GEN RETAIL

Photo: Macabre Photographer

## FOR MARKETERS:
### BE SERENDIPITOUS BY DESIGN

We no longer need to be in a transactional or need-based mindset (i.e., "I need this specific item") before considering a purchase; constant connectivity has made us more spontaneous and receptive with our shopping. However, it's still challenging for a brand to find the moment when its message will feel welcome and inspiring. With users' consent, retailers could track metrics that focus on the experience of shopping over the transaction, and which "learn" individual shopping preferences over time (e.g., I prefer to shop at specific times of day, when it's rainy, and when I'm traveling). They could also know my sought-after items, and alert me when I'm near a store that sells them. In this way, brands and retailers can begin to engineer that hard-to-come-by sense of serendipity around shopping.

## FOR RETAILERS & MOBILE DEVELOPERS:
### MAKE DIGITAL MORE PHYSICAL

A smartphone isn't just an "out-and-about" device or a fall-back when we don't have access to a larger screen; in fact, home is one of the most popular places to shop via mobile. As smartphones become a shopping cornerstone to more and more consumers, expectations about the range of functions that these devices can deliver will grow. The virtual shopping experiences that offer real value are likely to be those that approximate what physical retail does best: deliver a sense of immersion, gauge whether items fit with *me* personally, and afford opportunities to be social. Offerings like virtual dressing rooms (e.g., Xbox Kinect's AR fitting room, Swivel, etc.) designed for mobile, as well as 3D catalogs (e.g., "IKEA Now" app) are just the beginning as physical and digital realities become more enmeshed.

## FOR ONLINE RETAILERS:
### DON'T LIMIT SHOPPING TO ONE SCREEN

People want the ability to funnel ideas they collect throughout the day directly into their smartphones (which are always at hand) and explore them there. Given that media is a great source of ideas and inspiration, it's not surprising that most smartphone owners shop while watching TV—highlighting a significant opportunity for retailers, advertisers, and TV networks to offer "second screen" shopping integrations (e.g., "Watch with eBay" iPad app, History Channel's "Picked Off" mobile auction site, etc.). Viewers should be able to purchase instantly the clothes a character is wearing, a painting from her house, or even a trip to a place she's visited. Inspiration is becoming an increasingly powerful shopping trigger, and retailers have an opportunity to provide a direct outlet for it.

# Latitude°

Latitude is an international research consultancy helping clients create engaging content, software and technology that harness the possibilities of the digital world.

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## Coming Soon: The Future of Storytelling (Phase 2 of 2)

The next and final installment of Latitude's *The Future of Storytelling* study is a large-scale, international exploration focused on quantifying trends, opportunities, and key audience targets for second screen and transmedia storytelling across genres—including non-fiction and advertising. This study is currently in progress, and will be published in early 2013. Sign up to be notified by e-mail when Phase 2 findings are available:
http://latd.com/clients-us/#maillist

Explore findings from Phase 1:
http://bit.ly/FoS-study

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- Custom, multi-phased study designs that deliver on a range of goals
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