Does Your Mobile Shopping App Stack Up?

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Retailers, Brands and Social Shopping Companies Face Opportunities and Challenges With Mobile Customer Engagement

Yankee Group's Mobile and Connected Devices Forecast & Monitor, October 2013, shows the staggering pace at which mobility is growing: There are already more than 195 million smartphones in use in the U.S., and that number is expected to grow to 250 million by 2017. The figures for tablets are equally impressive, with the current base of 80 million expected to grow to more than 280 million by 2017. With the exponential adoption of mobile devices such as smartphones and tablets, delivering an optimized mobile customer experience is the ultimate game-changer. Successful players must understand and anticipate shifts in user behaviors, desires and attitudes to optimize the experience and seize revenue opportunities. Yankee Group sees four top forces driving further investment in improving customer engagement (see Exhibit 1):

- **New kinds of consumers.** With 5 billion connected customers by 2015, influence, power and behavior continues to shift. According to Yankee Group's 2013 US Consumer Survey, September, 60 percent of respondents say they frequently use their mobile device for entertainment, 61 percent say their phone is highly important to their social lives and 57 percent say they use it to stay up to date on the latest information. Fifty-two percent of users download mobile applications frequently, yet many applications are forgotten because of anything from lack of value to user experience mistakes. Consumers today demand applications that are constantly updated, personalized and unique to meet their needs.

- **New kinds of experiences.** Yesterday's world was about one-way customer interactions; today's world is about engagement anywhere on any device to ensure a positive experience. Sixty-three percent of businesses are prioritizing mobile as a way to improve customer responsiveness, so mobile application makers must ensure an immersive experience. Situational context and personalization will become increasingly important through 2014. Any device can be tuned to its user, but true mobile context should encompass much more—including an individual user's location, stated preferences, behavior (e.g., purchases) and social interaction. By capturing this data, businesses can gather analytical insight while delivering a customized experience.
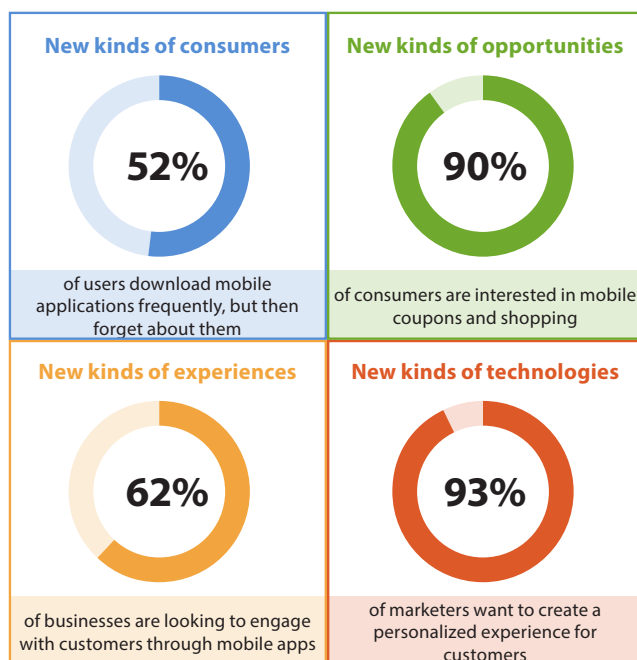
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- **New kinds of opportunities.** Sixty-two percent of businesses are looking to engage with customers on mobile apps, and those consumers want a range of features from mobile shopping and payments to gaming and productivity tools. With 90 percent of consumers interested in mobile coupons and shopping, there is a huge untapped opportunity to not only generate revenue, but also improve customer engagement and loyalty. Mobile applications can provide unique opportunities to reinforce brand, increase accessibility, push notifications and communication of special offers, generate repeat purchases, increase social sharing and develop rich profiles of customers.

- **New kinds of technologies.** Ninety-three percent of marketers are highly interested in testing multiple variations of apps to create a personalized experience for customers. With this kind of personalization, businesses can deliver a completely different level of customer engagement. One hundred percent of marketers versus 75 percent of IT personnel want to analyze customer segments and leverage that insight to further fine-tune mobile app marketing. Clearly, non-technical employees are desperate for new ways to analyze, optimize and personalize mobile applications. The good news is that newer technologies offer a paradigm shift that provides businesses with a platform to create winning mobile application experiences in the same way they can in the online world.

Exhibit 1: New Behaviors Create Opportunities and Challenges
Source: Yankee Group's 2013 US Consumer Survey, September, and 2013 US Enterprise Mobility: IT Decision-Maker Survey, September

New kinds of consumers

52%

of users download mobile applications frequently, but then forget about them

New kinds of opportunities

90%

of consumers are interested in mobile coupons and shopping

New kinds of experiences

62%

of businesses are looking to engage with customers through mobile apps

New kinds of technologies

93%

of marketers want to create a personalized experience for customers

Apps Win the Hearts of Mobile Consumers

Time spent using mobile apps continues to grow—our data illustrates that consumers now spend 60 percent of the time they spend on their phones interacting with mobile applications. Apps have one clear advantage over mobile Web sites: A well-made app will provide a much better user experience. Mobile applications typically focus on either generating income (e.g., mobile shopping applications) or supporting marketing, branding or customer service. Revenue mostly comes from charging for the app, in-app purchases and subscriptions or, less directly, advertising.

Native mobile applications present huge business opportunities. They are a strong strategy to not only acquire new customers, but also enhance loyalty campaigns. Businesses can deliver a completely different experience by harnessing key enablers such as cameras, local storage, push notifications, augmented reality, accelerometers, offline access and more. The end result is the potential to offer rich, highly interactive, personalized experiences.

As smartphones become an unavoidable presence in the retail world, everyone is vying to get closer to the consumer by using mobility for everything from customer acquisition to loyalty. But retailers, brands and social intermediaries end up competing against each other for customer mindshare when initiating mobile loyalty programs and applications:

- **Brick-and-mortar retailers are becoming showrooms for customers who want to buy online.** While retailers create their own mobile loyalty strategies for their customers, those strategies are usually disconnected from the brands the retailers sell.

- **Brands crave connection.** Brands without retail storefronts want to use mobile strategies to get closer to their customers, but they struggle with redemption.

- **Social intermediaries create friction in the value chain.** Daily deals, price comparison applications and social sites offer new ways to connect and empower customers, but they have proven to generate deal-motivated customers rather than driving repeat business from high-value customers.

Looking Beyond Download Data To Improve Customer Engagement and Loyalty

Smartphones bridge the divide between online and physical domains: Customers have the power of the Internet at their fingertips to enable smarter shopping. As these devices fundamentally change the shopping experience, retailers that do not get on top of the trend may end up sinking to an inferior market position.

The goal of a good mobile strategy is to get consumers to use the application frequently so that it creates an ongoing relationship. While all types of consumers are using mobile to enhance their shopping experiences, there is a core segment that is more likely to actively use applications. Yankee Group classifies users as "advanced" or "heavy" if they utilize e-mail, chat and Web browsing daily and/or weekly along with at least two of the following services: data file upload/download, online games, personalized applications, mobile payments, mobile TV, location-based services or GPS navigation, and/or video calling.

Exhibit 2 clearly shows that mobile shopping has entered the mainstream for this group. As shopping becomes an important part of the smartphone experience, Yankee Group data proves that retailers and brands must take advantage of the mobile opportunity.

Exhibit 2: Advanced Users Are Taking Mobile Shopping Apps to Heart
Source: Yankee Group's 2013 US Consumer Survey, September

	Advanced user	Average user
Use mobile apps for shopping, receiving coupons and checking reviews	66%	27%
Respond to daily deals	55%	20%
Receive text offers	55%	24%
Use reward program apps to collect and redeem points	55%	21%
Respond to location-based offers	50%	17%
Use a retail store's or brand's mobile app to pay for goods	46%	15%

Retailers must take another look at their mobile applications and the promotions of those mobile experiences. While businesses can use mobile analytics vendors to get a wealth of information about their own mobile application through measuring customer downloads and tracking potential customer usage within the application, retailers still need to answer questions such as:

• How does usage of my application stack up compared to that of my closest competitor?

• How do online retailers' mobile apps compare to brick-and-mortars' applications?

• What is the penetration of my application compared to that of my closest competitor?

Understanding real application usage data is much more valuable than just understanding download data. Some mobile analytics firms can help retailers and app developers answer the questions above, providing data to help them understand real mobile usage, improve mobile customer experience and gain a better return on their mobility

investments. For example, retailers can gain insight into usage versus downloads—if a customer has 50 to 60 apps on his or her phone but only actively uses 15, whose apps are they sticking with and whose are they forgetting about? There are many ways to measure customer engagement, but it's important to gauge real application usage data from real users. By doing this companies can find:

• **A mobile customer engagement benchmarking rate.** By measuring the percent of active weekly and monthly users, companies can gauge how frequently customers actually choose to use the application they downloaded. Companies can then compare the rate to that of their closest competitors to gain a true benchmark for usage.

• **Comparisons by region, operator, device and network type.** Understanding penetration and usage is critical for customer engagement. However, it's also essential for multinational businesses to understand usage in different regions, countries and even network types.

• **Trends over time.** While it's important to understand current usage, it's also important to understand usage over time. This can help answer questions such as how quickly a mobile app has been adopted or whether users were more active on a competitor's application at certain times of the year. All these insights can help tie usage back to business issues such as new app launches, new feature changes, new marketing promotion, etc.

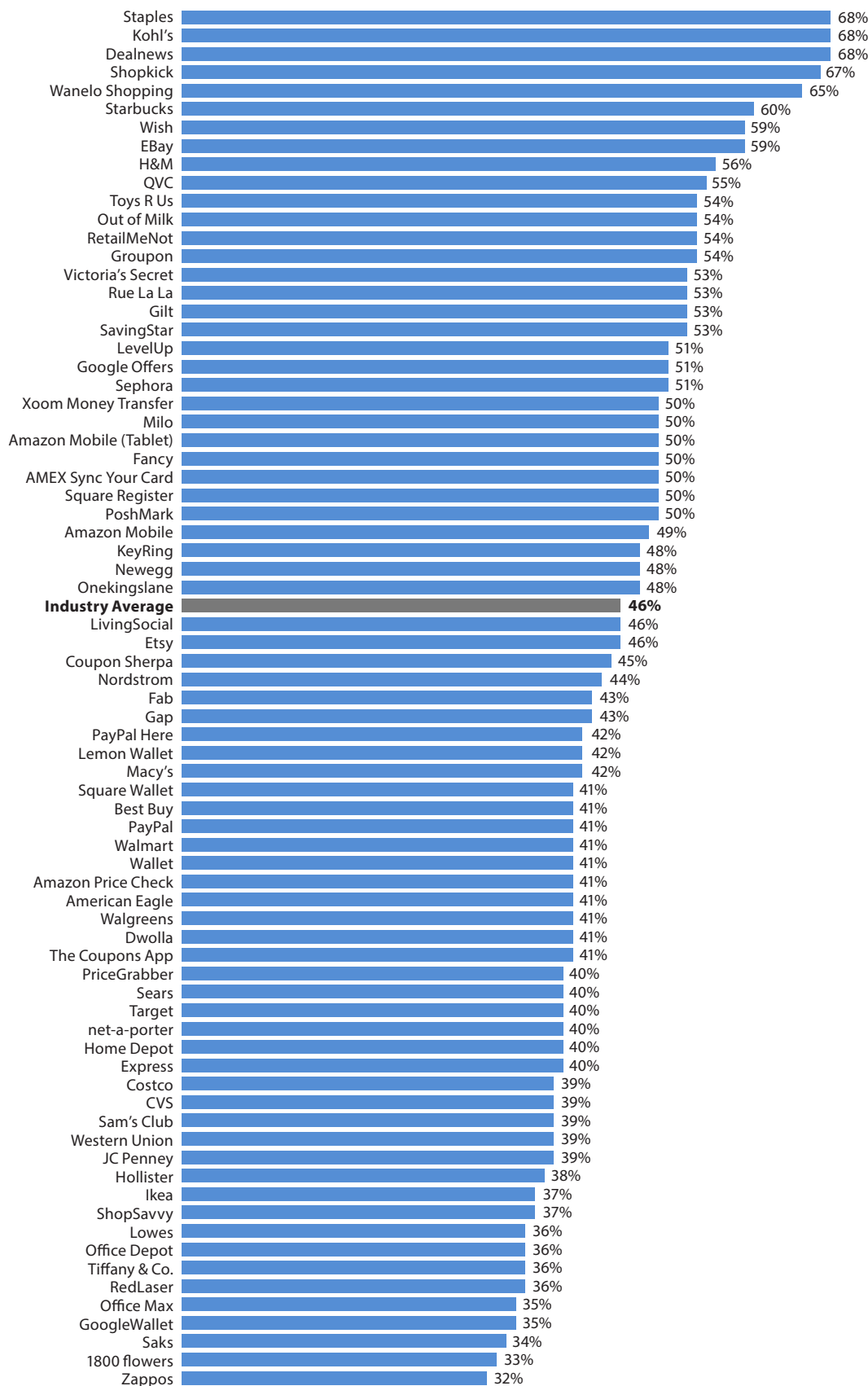## Putting Mobile Shopping Insight into Action

Yankee Group worked with data from one such analytics firm, Mobidia Technology, to explore how detailed usage information can help retailers and developers identify trends and targets in the mobile experiences they create.

Exhibit 3 on the next page shows the 11-month average usage rates for 80 leading apps across retailers, social shopping and deals, online shopping and payment vendors. We can see that a veteran in the space, Starbucks, maintains its leadership among the top retailers. Starbucks disrupted the market in spring 2009 with its mobile card app in 16 stores. It was so successful that it rapidly expanded the program nationwide by allowing consumers to pay with a bar code scanned at the point of sale. It remains the innovator that companies follow today by tying payments to loyalty to drive successful adoption.

Another leader, social shopping app Shopkick, was founded in June 2009 to bridge the worlds of mobile and physical retail. In August 2010, Shopkick launched the first mobile application that gives consumers rewards and exclusive deals at certain retail partners when they check into stores and malls. Kohl's, a leading retailer, launched a more significant mobile presence in 2010. Though its mobile application is relatively new, it demonstrates solid mobile customer engagement rates.

Exhibit 3: Mobile Shopping App Active Usage Rates Vary (11-Month Average)
Source: Mobidia, 2013

App	Rate
Staples	68%
Kohl's	68%
Dealnews	68%
Shopkick	67%
Wanelo Shopping	65%
Starbucks	60%
Wish	59%
EBay	59%
H&M	56%
QVC	55%
Toys R Us	54%
Out of Milk	54%
RetailMeNot	54%
Groupon	54%
Victoria's Secret	53%
Rue La La	53%
Gilt	53%
SavingStar	53%
LevelUp	51%
Google Offers	51%
Sephora	51%
Xoom Money Transfer	50%
Milo	50%
Amazon Mobile (Tablet)	50%
Fancy	50%
AMEX Sync Your Card	50%
Square Register	50%
PoshMark	50%
Amazon Mobile	49%
KeyRing	48%
Newegg	48%
Onekingslane	48%
Industry Average	**46%**
LivingSocial	46%
Etsy	46%
Coupon Sherpa	45%
Nordstrom	44%
Fab	43%
Gap	43%
PayPal Here	42%
Lemon Wallet	42%
Macy's	42%
Square Wallet	41%
Best Buy	41%
PayPal	41%
Walmart	41%
Wallet	41%
Amazon Price Check	41%
American Eagle	41%
Walgreens	41%
Dwolla	41%
The Coupons App	41%
PriceGrabber	40%
Sears	40%
Target	40%
net-a-porter	40%
Home Depot	40%
Express	40%
Costco	39%
CVS	39%
Sam's Club	39%
Western Union	39%
JC Penney	39%
Hollister	38%
Ikea	37%
ShopSavvy	37%
Lowes	36%
Office Depot	36%
Tiffany & Co.	36%
RedLaser	36%
Office Max	35%
GoogleWallet	35%
Saks	34%
1800 flowers	33%
Zappos	32%

Mobidia Technology also shared more detailed usage data on mobile shopping applications from around the world for a six-week period ending in October 2013. The data indicates that online retailers garner an overall industry average of 47 percent compared to traditional brick-and-mortar stores' industry average of 43 percent. This trend has been developing over the last few years. However, when we look at the details, we find that a few brick-and-mortar companies (see Exhibit 4) are breaking away from the pack by exceeding even the online retail leaders, Amazon, eBay and Craigslist (see Exhibit 5).

Exhibit 4: A Few Brick-and-Mortars Are Leading the Mobile App Charge
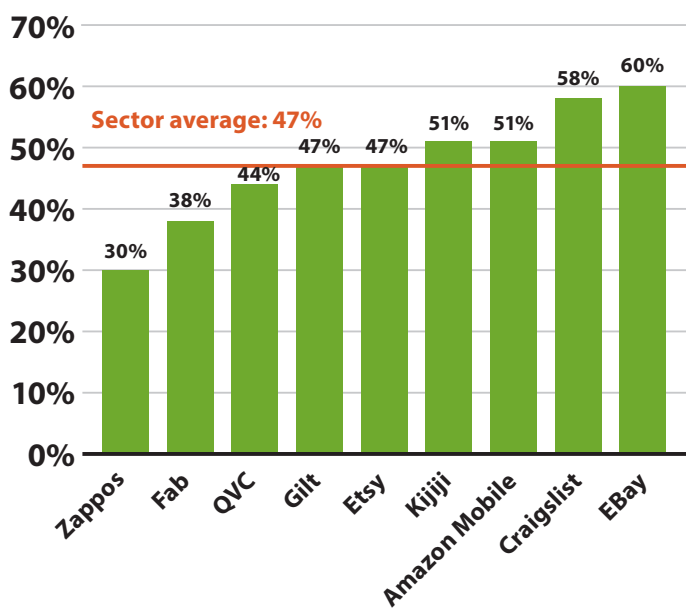Source: Mobidia, 2013
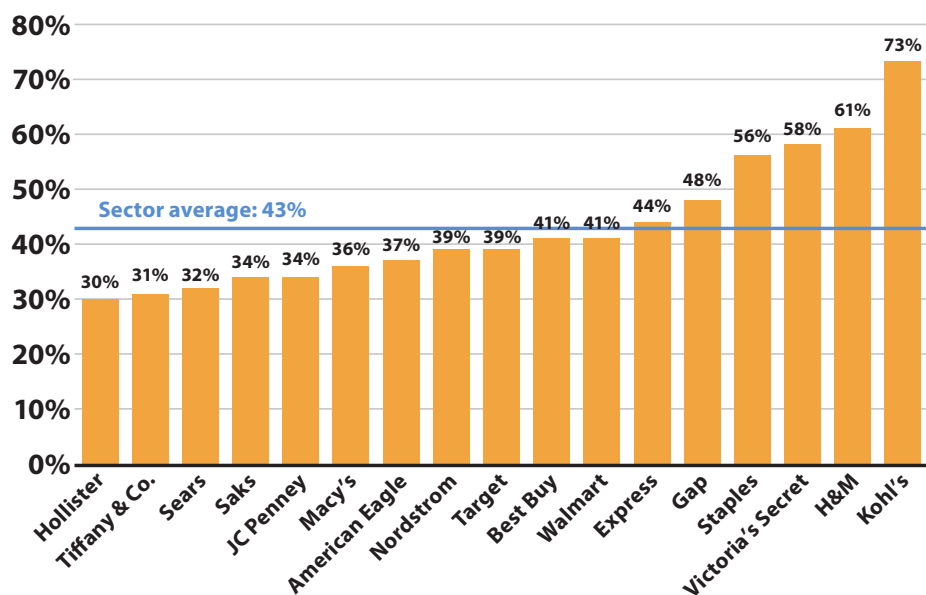
Exhibit 5: Online Retailers Show Strong App Usage, but Still Lag Some Brick-and-Mortars
Source: Mobidia, 2013

Kohl's and H&M actually break away from the pack with scores significantly higher than either the online retailers or other-brick-and mortar companies. Both companies have a high percentage of active mobile users compared to competitors such as Gap, American Eagle and Target, which receive scores closer to the monthly average. While we can't map demographic or user behavior data to understand the significant increase in engagement, Yankee Group insight on the demographic data of mobile users does map to the typical customer for both these retailers. However, it's not just the demographic that drives their success—it's also their mobile applications. Both H&M and Kohl's have mobile apps that deliver rich shopping experiences that go beyond price lookups to harness key enablers, including omnichannel experiences such as inventory checks, rewards, lookbooks and cross-channel shopping tools. Interestingly, Macy's and Nordstrom also have been very vocal about their investments and strategies for their mobile applications, but they both come in under the industry average. In the case of Macy's, this may be because many of the retailer's unique shopping experiences are still in the pilot phase within its flagship store. Nordstrom's challenge, on the other hand, is all about demographics; luxury retailers such as Burberry and Nordstrom have mobile consumers, but they don't have as many frequent shoppers as Kohl's does. However, that does not mean luxury retailers should ignore the mobile trends—in fact, it's the direct opposite. Yankee Group data supports the luxury market embracing mobile: While the age demographic skews to an older generation, the income bracket is clearly aligned with advanced users who expect a unique mobile experience.

Another category that is very popular within the mobile shopping experience is social shopping deal applications such as Shopkick, ShopSavvy and DealNews. The average engagement rate in this sector is 49 percent, beating both online and brick-and-mortar scores (see Exhibit 6). One of the leaders, Shopkick, actually partners with leading brick-and-mortar retailers to target loyal shoppers, not just deal-sensitive shoppers. The company creates a cross-channel retail experience that also rewards companies with points. Retailers such as Target, Macy's and Best Buy have their own retail app but participate in the Shopkick social app as well.

Exhibit 6: Social Shopping App Usage Trumps That of Retailers' Apps
Source: Mobidia, 2013
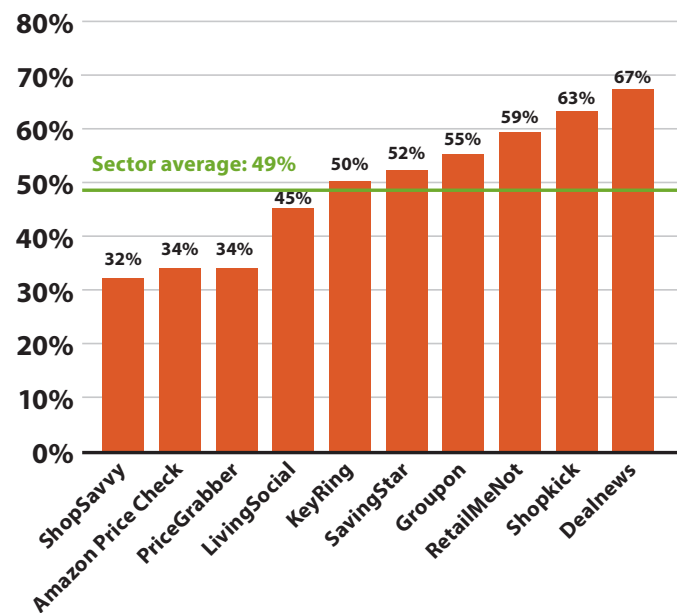
The experience a mobile shopper has, or expects to have, with a mobile shopping app will continue to play a role in how much of the mobile shopping market retailers are able to capture. When we look at mobile app engagement over almost a full 12 months, we can see that all apps have high and low weeks (see Exhibit 7 on the next page). While Yankee Group doesn't track specific internal retailer campaign schedules, retailers could use data like this in conjunction with information about their strategic campaigns such as SMS messaging, special promotions and other efforts to evaluate marketing effectiveness.

While application discovery is still a big concern among retailers and brands, the exhibit indicates that Hollister did very well on launch with many users but was unable to maintain that customer engagement over time. On the other hand, leaders H&M, Victoria's Secret and Kohl's maintained high user engagement throughout the year.

**Exhibit 7: Brick-and-Mortar Retailers Have Peaks and Valleys Over Time**
Source: Mobidia, 2013

Gap   H&M   Hollister   Kohl's   Macy's   Victoria's Secret
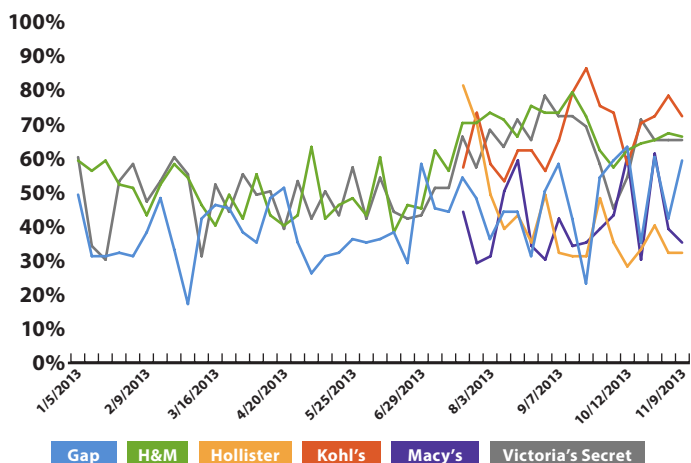
Mobidia's data also provides insight into usage by OS type—for example, Android versus iOS. While many companies had on average a 3 percent difference between iOS and Android (with iOS coming out on top), the companies shown in Exhibit 8 register significant differences in engagement rates across the platforms. Interestingly, H&M, Victoria's Secret and RetailMeNot are leaders overall primarily due to their strong iOS applications. However, the platform-specific data shows that these companies must address their Android mobile app experience because there is a significant gap in usage, which could mean a less-than-stellar customer experience for Android users.

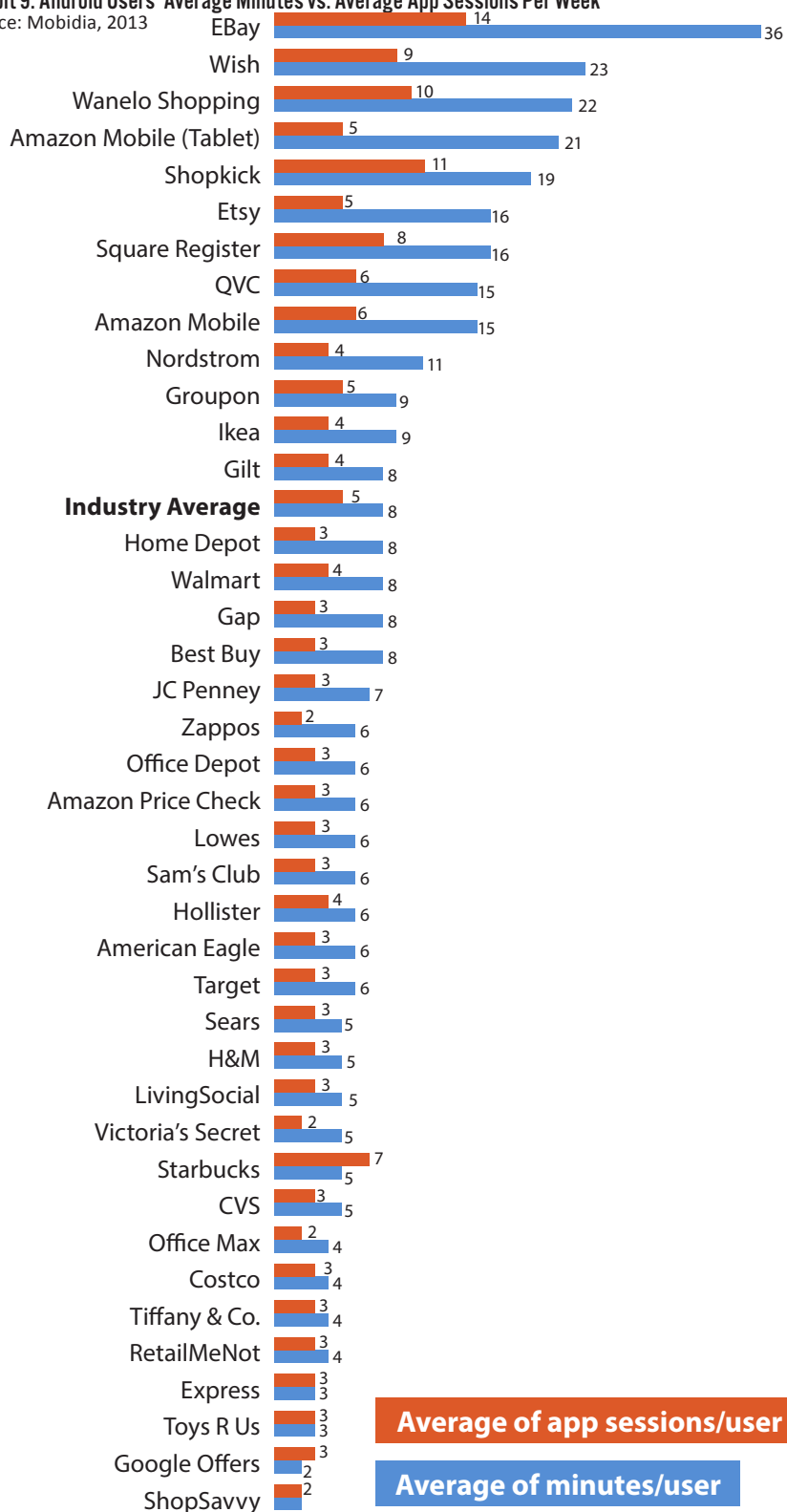**Exhibit 8: Some Retailers Provide a Poor Experience on Android vs. iOS**
Source: Mobidia, 2013

Android   iOS
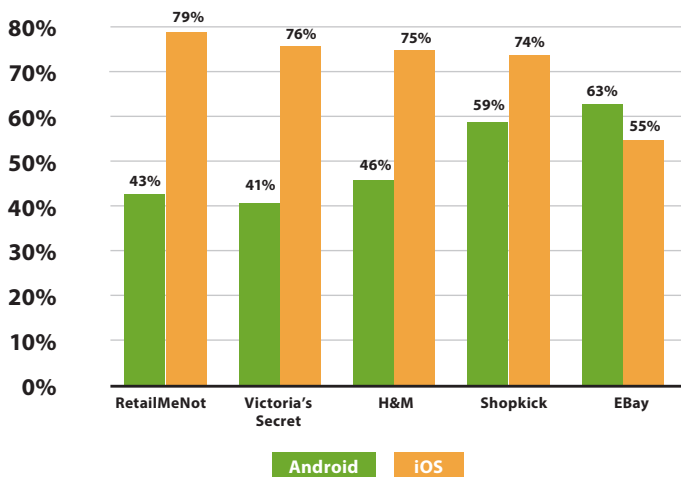
It is possible to look further into the Android usage by studying the number of user sessions along with the length of time a customer engages with the app (see Exhibit 9 on the next page). We find that leaders struggling with active user adoption on the platform—RetailMeNot, Victoria's Secret and H&M—also demonstrate poor performance in number of application sessions. However, eBay and Shopkick results remain consistently high. User engagement rates for deal apps and online shopping apps also show not only higher average usage, but also more time spent in-app. While we don't know whether performance is a factor, considering the data aligns with active users, we can infer that a positive customer experience is the reason for longer engagement times and not slow performance of the applications.

Exhibit 9: Android Users' Average Minutes vs. Average App Sessions Per Week
Source: Mobidia, 2013

App	Average of app sessions/user	Average of minutes/user
EBay	14	36
Wish	9	23
Wanelo Shopping	10	22
Amazon Mobile (Tablet)	5	21
Shopkick	11	19
Etsy	5	16
Square Register	8	16
QVC	6	15
Amazon Mobile	6	15
Nordstrom	4	11
Groupon	5	9
Ikea	4	9
Gilt	4	8
Industry Average	5	8
Home Depot	3	8
Walmart	4	8
Gap	3	8
Best Buy	3	8
JC Penney	3	7
Zappos	2	6
Office Depot	3	6
Amazon Price Check	3	6
Lowes	3	6
Sam's Club	3	6
Hollister	4	6
American Eagle	3	6
Target	3	6
Sears	3	5
H&M	3	5
LivingSocial	3	5
Victoria's Secret	2	5
Starbucks	7	5
CVS	3	5
Office Max	2	4
Costco	3	4
Tiffany & Co.	3	4
RetailMeNot	3	4
Express	3	3
Toys R Us	3	3
Google Offers	3	2
ShopSavvy	2	

Conclusions and Recommendations

Apps have one clear advantage over mobile Web sites: A well-made app provides a much better user experience. Great apps not only help retailers acquire new customers, but they also enhance loyalty campaigns. Today's world is about enabling engagement anywhere on any device to ensure a positive experience. Situational context and personalization will become increasingly important through 2014 as marketers aim to create immersive experiences. Any device can be tuned to its user, but true context-based apps should encompass much more—including an individual user's location, stated preferences, behavior (e.g., purchases) and social interaction. By utilizing all this information, businesses can capture analytical insight while delivering a customized experience.

Retailers looking to improve mobile customer engagement for mobile shoppers should pay close attention to the app strategies of leading-edge retailers such as H&M and Kohl's. Yankee Group recommends:

- **Use competitive insight to benchmark the experience.** Ninety-three percent of marketers place a significantly high importance on the ability to use data to track and measure user experience and see customer retention and engagement. This is 20 points higher than their IT counterparts. They need a broad spectrum of data to make clear business decisions about the state of their applications and to learn from apps created by their competition.

- **Track engagement over time and avoid aggregating as much as possible.** The old saying "the devil is in the details" is definitely true with customer engagement data. For example, are there specific times, locations or devices that are garnering poorer results? Usage data can be overlayed on internal data such as campaigns, mobile user experience and other to understand the broader picture.

- **Compare app sessions and minutes per user for deeper insight.** While today this data is   only available for the Android platform, that is still a potentially large user base where the latest figures show Android OS penetration is about the same if not higher than iOS. Also, Android adoption is relatively higher among young adults. The younger generation is much more demanding with a higher probability to abandon an app that has proven difficult to use.

About the Author

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Sheryl is the director of Yankee Group's Enterprise Research group, with expertise in customer-centric strategies. Kingstone's research helps businesses improve sales effectiveness, customer loyalty and acquisition. Specifically, she helps enterprise clients make decisions regarding the use of technology, business processes and information to boost sales and optimize top-line business performance. She also assists vendors with custom research projects, messaging and positioning, as well as product road map evaluations. Kingstone researches and writes on the top trends in marketing and sales effectiveness and customer-centric processes, and evaluates all CRM application and delivery strategies.

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