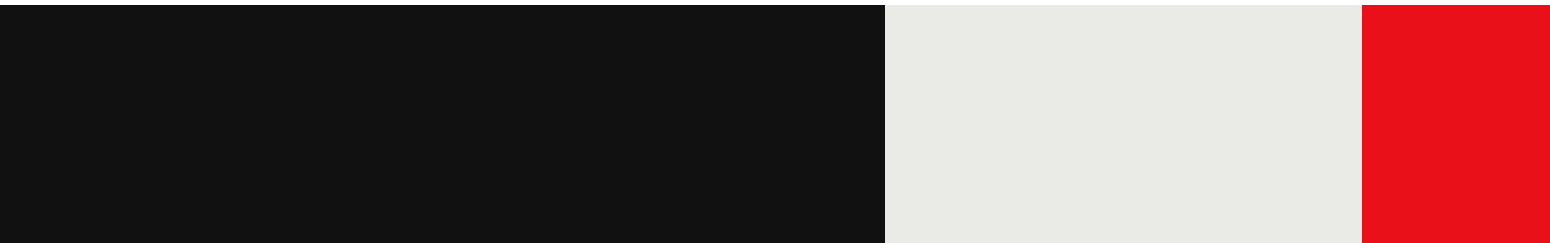


Reimagining Retail: How shopping on our mobile devices is changing and why car commerce actually makes sense

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss why folks are shopping more on their mobile devices and the role of mobile in-store. Then, for "Red-Hot Retail," our analysts give us some spicy predictions about the future of mobile shopping. Join our analyst Sara Lebow as she hosts analysts Carina Perkins and Yory Wurmser.

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Episode Transcript:

Sara Lebow:

Hello listeners. Today is Wednesday, February 7th. Welcome to Behind the Numbers: Reimagining Retail, an e-Marketer podcast. This is the show where we talk about how retail

collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is Shopping on Your Mobile.

First, let's meet today's guests. Joining me for this episode we have senior analyst, Carina Perkins. Hey Carina.

Carina Perkins:

Hi Sara.

Sara Lebow:

Also back with us for the first time in a while is principal analyst, Yory Wurmser. Welcome back, Yory.

Yory Wurmser:

Hey Sara. Glad to be back.

Sara Lebow:

Glad to have you back. Okay, let's get started with free sample.

Our did you know segment where I share a fun fact, tidbit or a question. I've got a quiz for you, a question for you. Do either of you know, remember in what year the first iPhone was introduced?

Yory Wurmser:

It was 2007 I think, right? Or is it-

Sara Lebow:

Karina, are you going to agree with Yory?

Carina Perkins:

I was going to guess 2004, but that might be a bit early.

Sara Lebow:

That is a bit early. Yory is right. It's 2007. How'd you know that one, Yory?

Yory Wurmser:

I cover mobile. I mean it's-

Sara Lebow:

All right. Fair enough.

Carina Perkins:

Yory knows everything.

Sara Lebow:

Yory did his homework. Yeah, when Steve Jobs introduced the first iPhone, he said, "We are all born with the ultimate pointing devices, our fingers, and iPhone uses them to create the most revolutionary user interface since the mouse." So there you have it. We have a revolutionary user interface surrounded on our fingers. Did that make sense? I don't know. When Steve Jobs said it, it made more sense, which is why he introduced the iPhone and I did not.

Okay. Now it is time for our next segment, retell me this, retell me that where we discuss an interesting retail topic. Today's topic is shopping on your mobile.

Mobile commerce is increasing in share of total retail sales in both the US and the UK. In the US, mCommerce will make up about 7.5% of US retail sales this year, 7.5%. In the UK, that's about 10 percentage points higher at 17% of total UK retail sales. That's according to our forecast. In both places mobile adoption is definitely growing in double digits in the US, single digits in the UK. So to start off, what is driving that adoption?

Carina Perkins:

So I think I'm just going to start by calling out that difference that we saw between the UK and the US very quickly. Just because the UK is such a standout so it's actually fourth globally in terms of mCommerce as a share of total retail sales. So it's behind China where that number is 41.8%, which is crazy, slightly behind South Korea and Indonesia where it's 18%, and then significantly ahead of the rest of Europe and the US as you said, at around 17%.

And there was a big surge in the UK and I think also in the US during the pandemic smartphone usage really went up at that point as well. And I think that was a bit of a driver is just people using their smartphones more. But also the experience is getting much better. So there's been quite a lot of developments in mobile technology. The mobiles themselves are getting easier

to use. There's faster processes. We've got things like 5G, better connectivity, and that's making the process kind of faster and more secure than ever.

And then we've also got on the retailer side things like autofill for address forms and one click payment and it's really reducing some of the frictions that were there for mobile shopping versus shopping on a desktop.

Yory Wurmser:

Yeah. And then I think that seamless payments is really big. When I did research on mobile commerce about five years ago, the conversion rates on desktop were about three times what they were for mobile. And that was in large part because it was really hard to put in your payment information, click. And as those payments have gotten a lot more seamless, that's taken away the major roadblock I think for buying, buying on your phone. So I think that's huge.

Sara Lebow:

Yeah, I'm ashamed to say I've already made two mobile purchases today. When I woke up this morning, I had a notification that said that my prescription was ready to renew. I could just buy that with a tap on my phone. And then I bought something on Amazon. Same deal. It was just a matter of making sure that the right credit card and address were selected.

Carina Perkins:

Yeah. And I think that's another thing, we're using our mobiles for so much more than just phone calls. Now, we're using them for social media. That's driving some impulse buying. You tend to browse on your mobile and so that's also driving some sales. But like you said, we're using it for things like healthcare as well. And I think all of that has the potential to just increase mobile sales.

Sara Lebow:

Okay. So obviously mobile commerce isn't new, even if this recent uptick is, but certain features of it definitely are. What are the biggest factors that are changing right now aside from mobile wallets, which you've already mentioned?

Carina Perkins:

So on the social media side, we've got TikTok Shop that's arrived in the US now and it's been in the UK for a while. That's driving massive traffic. I think I read one Adobe study that said referral traffic from TikTok content to UK retailer websites grew by 378% between January 2022 and May 2023. So that's huge.

Sara Lebow:

And does that not include the native purchases within TikTok where you're not even leaving?

Carina Perkins:

No, that's referral content. So that's referring them to the retailer website. So I don't think that will even include the actual TikTok Shop purchases where you stay on the site.

And then you've got shopping apps like Temu and SHEIN in the UK. I've got another UK data I'm afraid. Total time spent on shopping apps was 500 million hours in 2023 versus 300 million hours in 2019. So the more shopping apps, these Chinese ones especially, they're kind of really cheap. People are spending a lot of time on them and that's driving more spend on the mobile.

Sara Lebow:

Are the Temu and SHEIN apps fun to browse? Have you used them at all? They seem kind of overwhelming to me, but they're definitely driving shopping.

Carina Perkins:

I find them a bit overwhelming personally because there's so much choice, but I think that's also exciting for younger consumers for sure.

Yory Wurmser:

I think one other factor is just that marketplaces are getting, I mean we've always had Amazon on our phones, but I think there are more and marketplaces out there that are being used including things like you mentioned the Chinese shopping apps, but Klarna has its own marketplace. Instacart has its own marketplace. You've got a lot of apps that have tacked on marketplaces that I think are driving some commerce as well.

Sara Lebow:

Yeah. And then there's also technical innovations. So like AR and virtual try-ons. Wayfair has some feature where you can make the couch appear in your living room or maybe that's Ikea

or maybe that's both.

Carina Perkins:

Some of the social media platforms have been experimenting with that as well. So Snap is quite big on AR. And I think all of those things that make shopping on your mobile, actually it's reducing more of a friction than shopping on the desktop. You can actually visualize it on yourself, you can visualize it in your room. That's again going to really drive mCommerce sales.

Sara Lebow:

Yeah, agree.

Carina Perkins:

Another thing is loyalty programs. So especially in the UK, we've seen retailers really hone in on their loyalty programs and a lot of them have digitized their loyalty programs and they've launched them through apps. So again, you've got people engaging, spending more time on the mobile. And that includes using their mobile in store.

Sara Lebow:

That makes sense. I mean it's in retailers best interest to get you in their apps, right? Because then they get your data and that turns into dollars when it comes to selling ads for their retail or on their retail media network.

Carina Perkins:

Yeah, for sure.

Sara Lebow:

You mentioned in store use of retailer apps. That's definitely real. I definitely do that. Last year at our summit Target's retail media network, their Roundel retail media network president, Sarah Travis said that 75% of Target guests browse on its app or website while shopping in store. And I'm pretty sure that number goes up to something like 93% when they talk about Gen Z shoppers in particular. So what is happening there? What's the role of the cell phone in stores?

Carina Perkins:

I think a lot of it, there was an Airship and Sapio Research study that said similar number of around 77% of US consumers visit a retailer's website from their smartphone when shopping in store and 75% use their app. I think a lot of that is trying to access loyalty programs, discount coupons, perhaps compare prices, read reviews. Obviously you've also got mobile payment in store now so you can pay with your digital wallet when you're in store.

So I think just that mobiles are really the bridge between digital and in store, and as retailers develop their apps and as more of the functionality is being developed, it's kind of driving sales on both sides.

Yory Wurmser:

It's an important point that this in-store use of mobile doesn't count towards mCommerce and it indicates that the impact of mobile shopping is a lot bigger than just around commerce numbers.

Sara Lebow:

Yeah. Especially when you talk about when you get into payments because we don't include point-of-sale payments via mobile in those mCommerce numbers, but they definitely involve using your cell phone and making a purchase. I mean, I'm an Apple Pay adopter. I was a holdout for a really long time until I started taking the subway more and more and that became available. So it's like driving those ease of use places and especially driving deals in particular is how you get the payments to actually take place within the app.

Okay. That is all we have time for in the first half. So let's move on to our next segment, Red Hot Retail.

This is our guests' opportunity to give us their very specific and potentially risky predictions on a topic. The predictions can be mild, medium, spicy or extra hot if they dare. The higher the spice level, the riskier the prediction. Carina and Yory will each give us two predictions for the future of mobile shopping. We've talked about where it's come from. Now let's talk about where it is going. Carina, why don't you go first with a spice level and a prediction.

Carina Perkins:

Sure. I'm going to start with one that's probably low or medium spicy and that is that social media is going to drive more mCommerce sales in the future. We know that Gen Z are already using social media to discover new products, to research new products, and I think that's only

going to increase. And as platforms become more sophisticated in how people can complete sales on platform and in their different advertising formats, I think we're really going to see that.

So shoppable videos, one example, it's a really powerful way to drive mobile conversion. I've seen some studies that say it can boost conversion rates by as much as 30%. And TikTok is currently testing a new feature to make all videos shoppable. So it would automatically identify objects within a video and then encourage viewers to find similar items on TikTok Shop. So I think that's a really kind of obvious one for the near future.

Sara Lebow:

Yeah. I think TikTok is sort of in this battle where they're seeing how much less fun, more annoying they can make the experience on their platform before it actually affects use. Making every video shoppable makes a lot of sense from TikTok's perspective. It might make a lot of sense from some brand's perspective, but not every brand's perspective. And some might actually need to get on TikTok to make sure that their products are the ones actually being shopped. But from a user perspective, it just exacerbates this feeling that everything on TikTok is now an ad, which was a problem for Instagram when that platform started feeling that way.

Yory Wurmser:

Yeah. And antisocial platforms are also innovators. They're some of the first major platforms to introduce things like AI and AR, augmented reality and things like that. So I think that, just their role as innovators is important for driving commerce as well.

Sara Lebow:

I think that leads us into our next prediction. So Carina, why don't you give us another spice level, another prediction?

Carina Perkins:

Yes, that does nicely lead me into my next one, which is another medium spice, which is that AI and AR technology is going to drive more mCommerce sales in the future. So as we've already discussed a bit already, we've seen retailers and brands and social media platforms experimenting with augmented reality, virtual try-ons or the ability to put furniture in your

living room. And I think that's really going to drive more conversions on mobiles as that technology becomes more sophisticated.

And from an AI perspective, I think as they become more sophisticated in terms of personalized product recommendations and personalized loyalty offers, things like that, I think that's really going to boost impulse buying and mCommerce spend.

Yory Wurmser:

Yeah, and AI also has a couple other ways it might influence mCommerce. One is through just chat. You can sort of just very seamlessly, especially on your phone, just ask about a particular product and get answers rather than having to type in stuff. And that's one way.

And the other way is just a more seamless shoppable media, just the way it can identify a product within other media, whether it's a video or if it's an image, and then make that clickable, I think that could contribute quite a bit as well.

Sara Lebow:

Yeah, I mean it definitely makes it blurry like what is an ad and what isn't now? This is an area where I feel like Snap has a lot of cool innovations, but a lot of trouble actually monetizing on them. Snap definitely has cool AI and cool AR, but it's not a place I think of as a shopping outlet. And that might just be my age, but I don't know, it's not where I go to shop.

Yory Wurmser:

Yeah, for sure. I mean TikTok and Meta with Instagram and their chats, they're all introducing a lot of these features as well.

Carina Perkins:

For sure. I mean TikTok and Instagram and Facebook ranked higher when it comes to shopping on social media, but like Yory said, they're starting to follow on now and introduce some of these functionalities themselves.

Sara Lebow:

Okay. Yory, why don't you give us our next spice level next prediction.

Yory Wurmser:

All right, so I think this one might be a little bit spicier than Carina's. Hers I'm 100% sure she's on target with them. This one is, my first prediction is a little bit more out there, and that's just that I think mCommerce through cars is going to become a lot more important.

The idea here is that the main way that people connect to the internet into cars is still through a tethered app that is like CarPlay or Android Auto. And that's going to change a little bit as car systems get more sophisticated, but people have really shown an interest to connect to internet through to cars. And as CarPlay in particular gets more integrated into the car, starts having media associated with it, I think you're going to see commerce options pop up. And that's going to increase as independent media goes to different screens in the car and as autonomous driving becomes a little more common. So I expect mobile commerce through these apps like CarPlay and Android Auto to increase in the next few years.

Sara Lebow:

This is where I'm less convinced. Right? I agree that it'll increase because it's starting at such a low point. And maybe, probably. This is because I don't drive. But what are people buying in their cars? What are the products that people are thinking about shopping for while driving?

Yory Wurmser:

Well, right now, almost nothing. I mean there are few where you can buy parking, but as these programs develop and as apps within them do develop as well, I think things like travel is going to increase. Ordering ahead of quick service restaurants, things where mobility makes a difference, I think that there's going to be a lot of commerce generated that way.

And then if you get autonomous driving or you get people in the backseat or passenger seat having their own screens, which you already do and able to play games or shop, you could actually see the type of commerce you're seeing on smartphones right now. So there's a lot of potential there that I think is coming.

Sara Lebow:

Yeah, I'm sure a lot of parents are very excited about the potential for their kids making purchases from the backseat.

Yory Wurmser:

Right?

Sara Lebow:

Okay. Let's hear our final spice level. Final prediction.

Yory Wurmser:

Yeah, this one's really hot. I expect that new devices that are mobile are going to become more important for commerce specifically. I think smart glasses, Meta put out their Ray-Ban stories too. That's a really early version of a smart glass, a pair of smart glasses out there where it connects to Meta AI.

As these become more developed, as you start getting options on screens, as the cameras let you identify objects in the real world, it becomes a much more intuitive way for things like visual search and then buying straight from it. So I could see that really ticking off, but if there's some technological leaps that still need to happen for that to take place, but I think they're coming.

Carina Perkins:

Yeah. I really agree. If the technology's there, then this one could be a definite driver in the future because we've seen already how social media is driving discovery of products. So if those glasses could bring that into the real world, you see someone walking past you think, "Oh, I like their jumper, bring it up," and be able to buy it, I think that's got some real potential future application.

Sara Lebow:

Scary. I think that if the technology is there, it also has to be accessible because Apple just released its new Vision Pro headset, but it's what, \$4,000 right now or something? So I mean the technology is there. It might be cool. I do not know. I have not tried it, but it needs to be something that people can actually, first of all, purchase and second of all, carry around with them. Glasses you'll probably carry around with you. I currently am on my own face. A giant headset, not as much. So it needs to be something that people are willing to adopt in their day to day.

Yory Wurmser:

Look at the bright side though. If you can afford a Vision Pro, you can afford other stuff. It might generate commerce that way. Who knows?

Sara Lebow:

Yeah, investing in commerce because only the wealthiest people are buying it. Fair enough. That's one strategy.

Okay, that is all we have time for today, so thank you for being here, Yory.

Yory Wurmser:

Great to be here as always.

Sara Lebow:

Thank you Carina.

Carina Perkins:

Thanks for having me, Sara.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at Insider Intelligence. Thank you to our listeners and to Victoria who edits the podcast and mobilizes its production. We'll be back next Wednesday with another episode of Reimagining Retail, an e-Marketer podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.

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