

A woman with dark hair, wearing a black and white striped shirt, is holding a silver smartphone. She is using it to pay with a handheld payment device held by a man's hand. The device is dark blue and black. In the foreground, there is a glass of coffee with foam and a silver moka pot on a wooden table. The background is blurred, showing a cafe setting.

WEBLOYALTY & CONLUMINO

THE MOBILE CONSUMER

OCTOBER 2015

webloyalty





Introduction

Contents

The Mobile Consumer
Prepared for Webloyalty | October 2015

Foreword	3	The value of mobile	
Summary	4	Summary	24
Key recommendations	5	The value of mobile	25
 		Mobile spending by device and platform	26
Mobile ownership		Mobile spending by sector	27
Summary	7	Mobile spending by age group	28
Mobile device ownership today	8	 	
Mobile device ownership over time	9	Implications	
Mobile device ownership by demographic	10	Mobile and the store	30
 		Future technologies	31
Mobile shopping process		Case studies	32
Summary	12		
Shopping activities undertaken	13		
Frequency of shopping	14		
When is shopping done?	15		
Where consumers shop on mobile devices	16		
Shopping while on the move	17		
Abandoning purchases	18		
General barriers to mobile purchasing	19		
Frequency of shopping on mobile	20		
Spontaneous purchases	21		
Methods used to make spontaneous purchases	22		
Paying with mobiles	23		



This research has been commissioned by Webloyalty to provide retailers with insight into the how mobile consumers are shopping and reshaping the world of retail.

About Webloyalty

Webloyalty is a leading reward programme provider working with major online retailers to help them build stronger, more profitable relationships with their customers. Through our membership programmes we help our online retail partners' customers save hundreds of pounds a year while providing the partner with an additional revenue stream. As well as incentivising customers to make repeat purchases at the partner's site, members can also earn cashback and get great deals on everything from fashion to electronics to travel, at hundreds of top online stores.

Webloyalty was established in the UK in 2007 and has since expanded into France, Spain, Ireland, Brazil, the Netherlands, Turkey, Australia and Belgium.

About Conlumino

Conlumino is a retail research agency and consulting firm. Our work focuses on all aspects of retailing and consumer behaviour, which we deliver through bespoke reports, projects and presentations. We work with many of the world's leading retailers, property firms and those in the financial sector to help them maximise success through developing a thorough understanding of the sector and its likely future performance.

Webloyalty

2 Harewood Place, London W1S 1BX
+44 (0)20 7290 1650
enquiries@webloyalty.co.uk
www.webloyalty.co.uk

Conlumino

7 Carmelite Street, London EC4Y 0BS
+44 (0)20 7936 6654
hello@conlumino.com
www.conlumino.com



- The age of the mobile device is now very much upon us. Smartphones are now ubiquitous having experienced astronomical growth since the release of the first iPhone in 2007, while the number of tablet users has been doubling year-on-year and almost half of all UK adults now own one.
- The rapid growth of mobile devices with the broader functionality of smartphones and tablets has meant that consumers now use these devices for a very wide range of activities, from timekeeping to photography, entertainment and banking. Shopping has also become a key mobile activity.
- Conlumino estimates that, in 2014, approximately 3% of all retail sales by value were made via a mobile device. That figure is set to rise to 9% by 2019, representing sales of just under £32bn following growth of 231%.
- To put that into context, we expect overall retail sales growth to be just 8% over this period and online sales to grow by 45%, making mobile by far the fastest growing retail segment.
- In 2014, consumers aged 25-44 accounted for 51% of all spend made via mobile devices and that is set to grow to 58% by 2019, driven primarily by growth in the 35-44 age group.
- Although there is a realisation among many retailers that mobile is an important channel that is set to grow, the mobile channel does come with a cost - the cost of the investment required to create mobile sites, apps and the other necessary technical infrastructure.
- However, this investment is arguably worth it, as in five years time we forecast the mobile channel will be worth the equivalent of over thirty thousand physical stores. This does not necessarily equate to that number of closures, especially since the advent of services such as click and collect have revolutionised the role of stores in the multichannel spectrum, but it does demonstrate that stores must evolve to service this new demand.
- Inevitably, practices like showrooming (where consumers visit stores to view products, before purchasing online) will lead and has led to some sales shifting online and to an intensification of price competition, but there are a number of ways that mobile can be used to enhance the instore experience for consumers. With almost three-quarters of consumers using their mobile while out and about, not doing so would be to miss a major opportunity.



- The growth of mobile devices has been one of the most important developments in retail over recent years and, with device penetration having soared, its impact on the retail sector is really starting to be felt. While we are no longer at the beginning of the mobile age, it will be many years before the channel reaches maturity. As devices increasingly become optimised for shopping and consumer fears over the security of the mobile shopping process are eased, sales will continue to dramatically outperform the wider retail market. No retail sector is likely to be immune from these developments, so retailers must cater to the needs of the mobile consumer to remain relevant.
- One of the key benefits of mobile for both consumers and retailers alike, is the ability to shop anywhere and at any time. While this is a huge opportunity for retailers, presenting them with vastly more opportunities to engage with consumers that simply would not be possible through stores and standard websites alone, it is not without its challenges. One of the most important of these challenges is the level of competition mobile drives. Mobile has ensured that the separation between physical and online retail has become increasingly indistinct, presenting online retailers with the chance to bring the battle for sales right into the territory of their physical counterparts. At the forefront of this development is the practice of showrooming, a process mobile has arguably exacerbated by giving consumers the ability to price check the competition while in store.
- Just as online retail was set to be the scourge of bricks and mortar stores, before click and collect turned the tables, retailers are starting to discover that mobile technology is not just another way for online retailers to steal a march on their rivals by bringing the internet to their doorstep. When consumers use it out and about, they can be targeted by mobile marketing, engaged and entertained by initiatives such as augmented reality or derive the benefits of convenient services such as click and collect and mobile payments. There is little that bricks and mortar retailers can do when consumers are shopping in their homes or workplaces on a laptop, but with mobile, shoppers are often on their turf, and there a myriad of ways for these retailers to offer something for them that pureplays just cannot. It should not just be about developing m-commerce and competing in the same space, but an opportunity to compete with internet rivals by pressing home the advantages of the store.



Mobile ownership

The devices we own



- **The age of the mobile device is now very much upon us.** Smartphones are now ubiquitous having experienced astronomical growth since the release of the first iPhone in 2007.
- **Tablet ownership has taken off more recently**, with the number of owners effectively doubling every year since 2012, thanks both to growing levels of innovation and an array of more affordable devices hitting the market. Growth has already started to tail off slightly, though by 2019 we expect that tablet penetration will be at a similar level to where smartphones are today, at around 62% of UK consumers over the age of 16.
- That said, **ownership is not equal**. Smartphone penetration, for example, decreases with age. While 88% of 16-24 year-olds own one, that number falls to just 14% of those aged 65 and over.
- And despite a flood of more affordable devices coming to the market in recent times, **tablets show a significant skew towards more affluent consumers**: 56% of AB* consumers own a tablet compared with less than a third (29%) of DEs.

* Social grade classification:

AB: Higher & intermediate managerial, administrative, professional occupations

C1: Supervisory, clerical & junior managerial, administrative, professional occupations

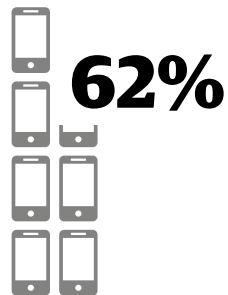
C2: Skilled manual occupations

DE: Semi-skilled & unskilled manual occupations, unemployed and lowest grade occupations

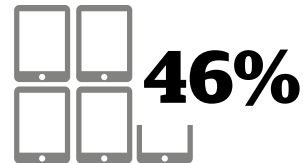


Today, almost two thirds of people own smartphones with nearly 50% owning a tablet

What devices people own % of consumers



Own a smartphone
August 2015



Own a tablet
August 2015

Type of tablets and smartphones owned August 2015

Type of smartphone	%
Apple iPhone	42.3
Samsung	21.4
Microsoft	11.1
HTC	9.4
LG	9.4
Sony	7.2
Nokia	6.2
Blackberry	5.8
Lenovo	5.1
Other	3.6
Huawei	1.3

Type of tablet	%
Apple iPad	39.4
Samsung	16.5
Microsoft	15.5
Kindle Fire	10.2
Google Nexus	6.5
Sony	6.5
LG	5.4
Other	1.5
NVIDIA	1.2
Asus	0.8

Definitions:

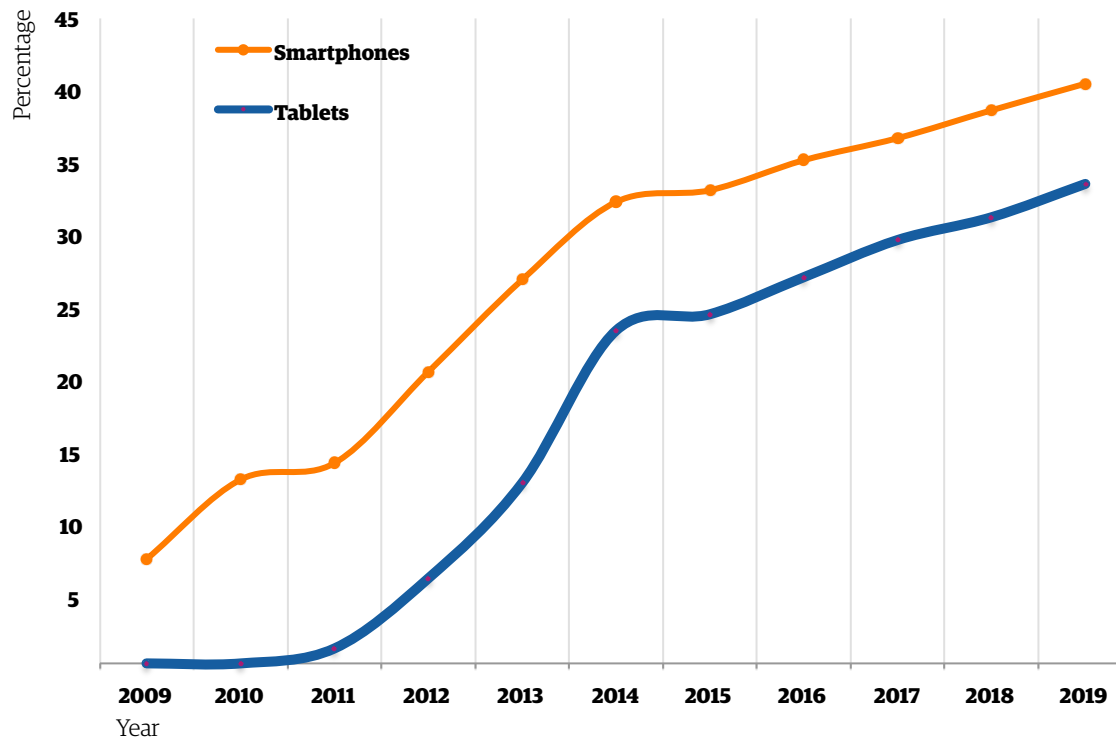
Smartphone: Any telephone handset running an open operating system, including Symbian (6.1 and above), Android, IOS, Blackberry, Palm, Windows mobile or Linux. Typically, these devices also have the capability to offer third party software, more commonly referred to as applications or "apps". They are distinguishable from tablets by having a screen size of less than seven inches.

Tablet: A mobile computer with a single panel with a touchscreen and a screen size of seven inches or above. These devices typically offer a much broader functionality than e-readers including web browsing, email, third party software and applications, streaming TV and more. Examples include the Apple iPad, Kindle Fire and Tesco Hudl.



Around 33 million people over 16 own a smartphone today, by 2019 this will be up to 40 million

Device ownership over time Millions of consumers aged 16+



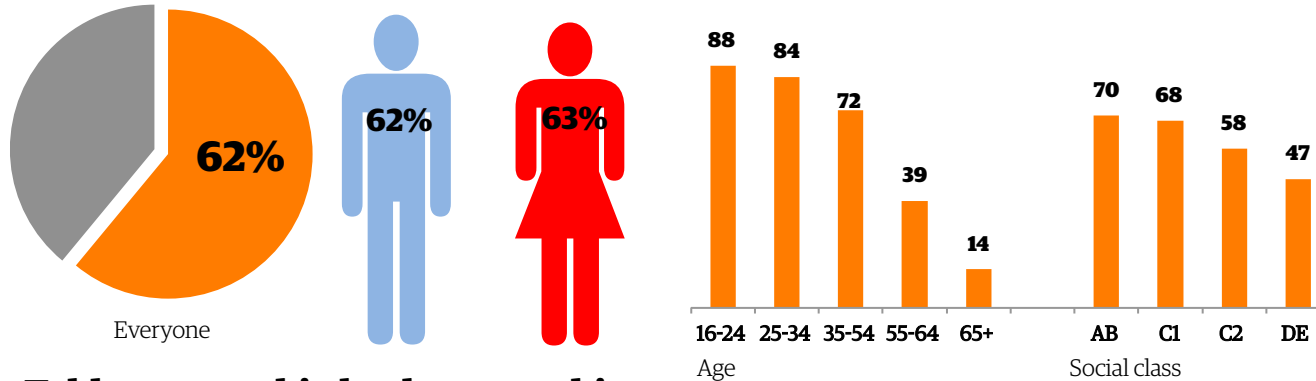
Smartphone penetration has rocketed since the UK release of the first iPhone in November 2007, rising from around 14% of consumers (aged 16+) in 2009 to a little over 61% in 2014. By 2019, we forecast that about three-quarters of consumers over 16 years will own a smartphone.

Tablet ownership has taken off over the past few years with the number of owners effectively doubling every year since 2011/12, thanks both to growing levels of innovation and an array of more affordable devices hitting the market. Growth has already started to tail off slightly, though by 2019 we expect that tablet penetration will be at a similar level to where smartphones are today, at around 62% of consumers aged 16 or over.



Although the number of smartphone users aged over 65 has grown over recent years, only 14% own a device

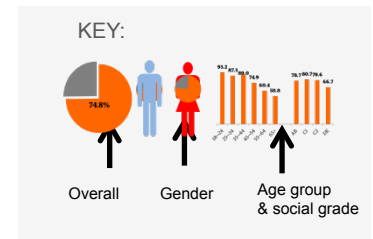
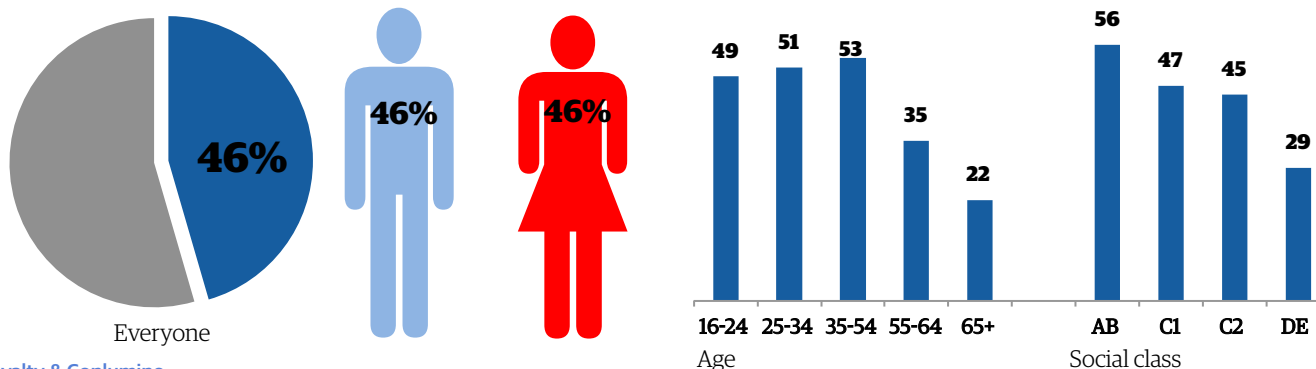
Smartphone ownership by demographic



Smartphone penetration decreases with age. While 88% of 16-24 year-olds own one, that number falls to just 14% of those aged 65 and over.

Despite a flood of more affordable devices coming to market in recent times, tablets show a significant skew towards more affluent consumers: 56% of AB consumers own a tablet compared with less than a third (29%) of DEs (see page 7 for definitions).

Tablet ownership by demographic





The mobile shopping process

How the mobile consumer shops

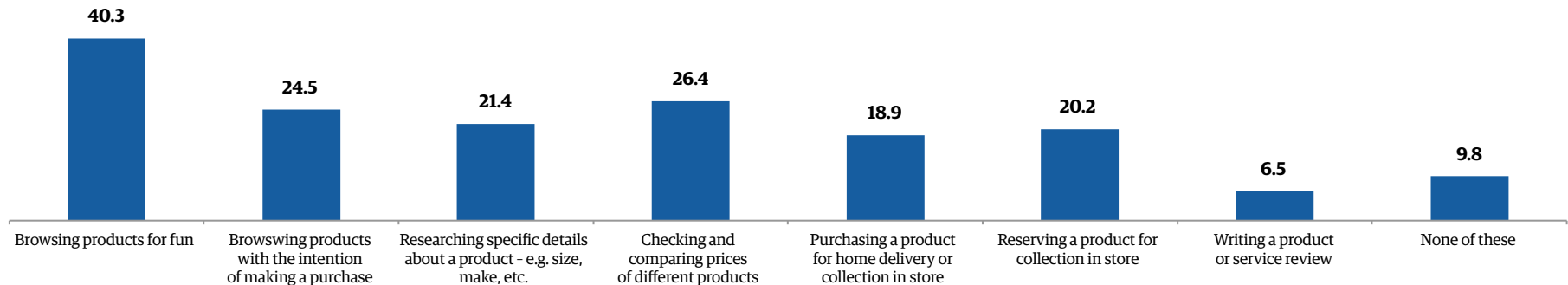


- The widespread use of mobile devices means that they are now a key tool for shopping. Indeed, overall some 90% of smartphone owners have used their devices for at least one aspect of the shopping process.
- For tablet owners this figure is even higher at 97%. While this may seem surprising, this is mainly because in many households tablets have now replaced laptops or desktops as the primary means of accessing the internet.
- Despite mobile devices being 'mobile', it seems that the vast majority of shoppers are, in fact, using them at home. Indeed, 84% of those who undertook some part of the shopping process via a mobile device did so from the comfort of their own home.
- The most common location or situation to shop on a mobile device while at home is in front of the television; over half of mobile consumers say they have done this.
- Of course, mobile users do make use of their devices in other places. Almost 30% say they use them to shop while at work, perhaps bypassing their company's online firewalls or security. Just over 38% use them while out and about at coffee shops or while on holiday.
- Notably only 14% of consumers use their mobile devices to shop while on the move - commuting on public transport or while a passenger in a vehicle, for example.
- Given the purpose of mobile devices, this lack of enthusiasm for shopping while on the go may seem surprising. This is compounded by the fact that the vast majority of those who do browse while on the go and find something they wish to buy actually make the purchase at a later time, and sometimes on a different device or channel.
- The challenge for on-the-go shopping appears to be threefold:
 1. Many consumers find the connection speed too slow or too inconsistent.
 2. A large number find the screen size too small to make an informed purchase or to complete the transaction.
 3. Some come across retail websites that are not optimised for mobile. There are clearly some major barriers which prevent mobile being truly mobile when it comes to shopping.
- As well as being a tool for shopping, mobile devices allow consumers to make spontaneous purchases: and 43% say they have done this in some way or another. Given the preference for shopping while watching TV, it is unsurprising that the largest prompt for a spontaneous purchase was television advertising.
- While Apple Pay has now launched in the UK and PayPal has been around for a while, two thirds of consumer have yet to make payment via their mobile device in a physical store.

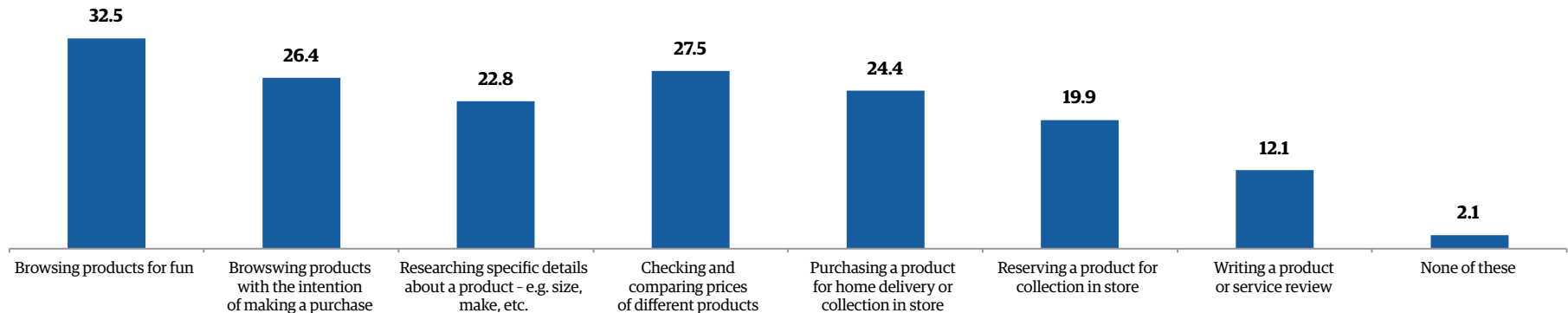


90% of have used their smartphones for some part of the shopping process; the figure is 97% for tablets

Percentage using smartphones for...



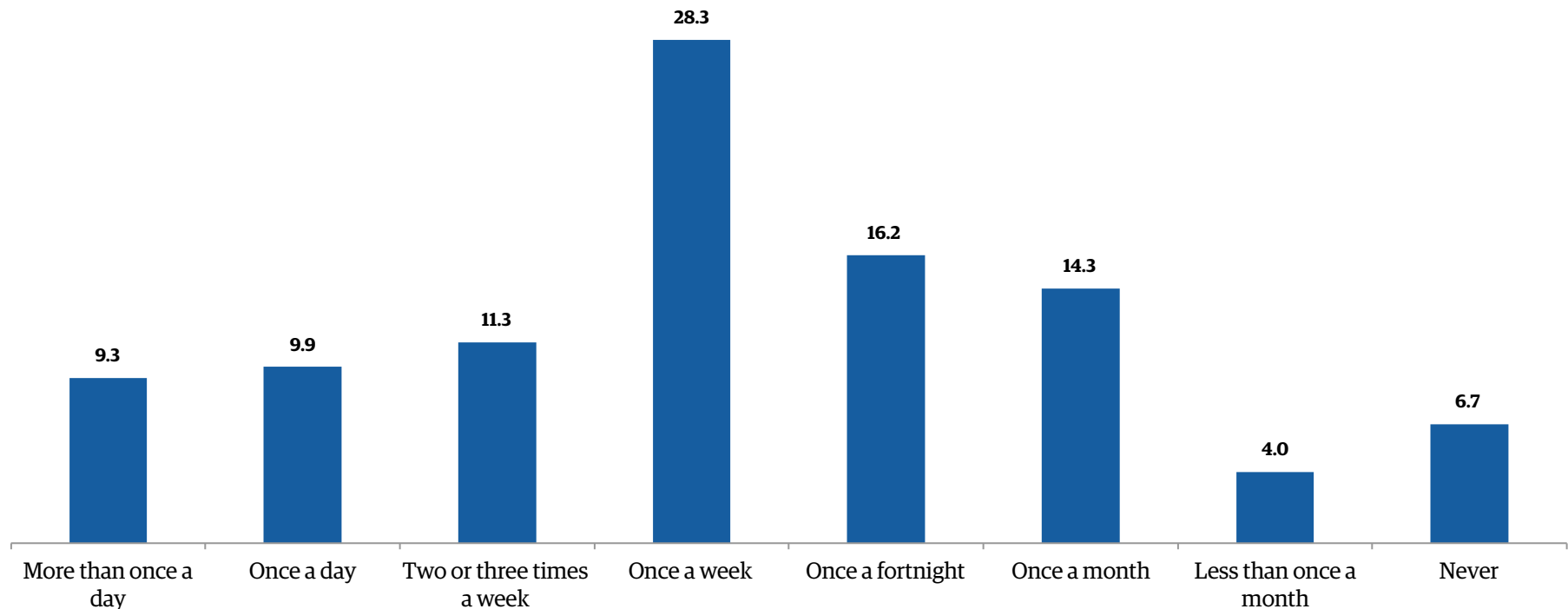
Percentage using tablets for...





Well over half of consumers shop via their mobile devices at least once a week

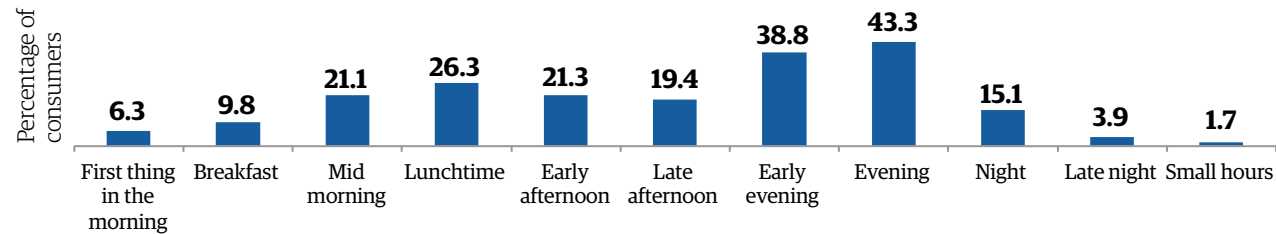
Frequency with which people shop via their mobile devices
% of consumers, includes all aspects of shopping including browsing, reviewing, etc.





Shopping via a mobile device peaks in the evening between 8 and 9.59pm, usually when most people are watching TV

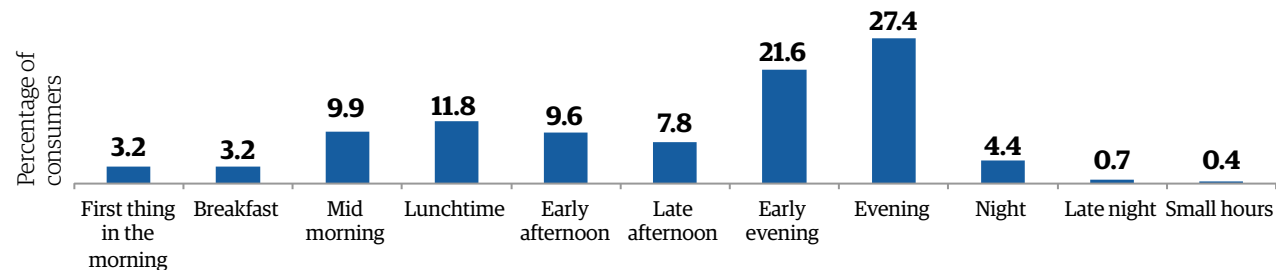
When do consumers shop via mobile devices?



Shopping via a mobile device peaks in the evening (between 8pm and 9.59pm) with 43% of consumers shopping during this time and just over a quarter (27%) doing the majority of their shopping at this point in the day.

Another much smaller peak occurs at lunchtime, when 26% shop on their mobile devices before spend drops off slightly in the afternoon.





When do consumers do the majority of their shopping on mobile devices?





One in eight consumers shops on their mobile device while at home, the majority of them do it in front of the TV

Locations and situations where people have shopped on their mobile % of consumers

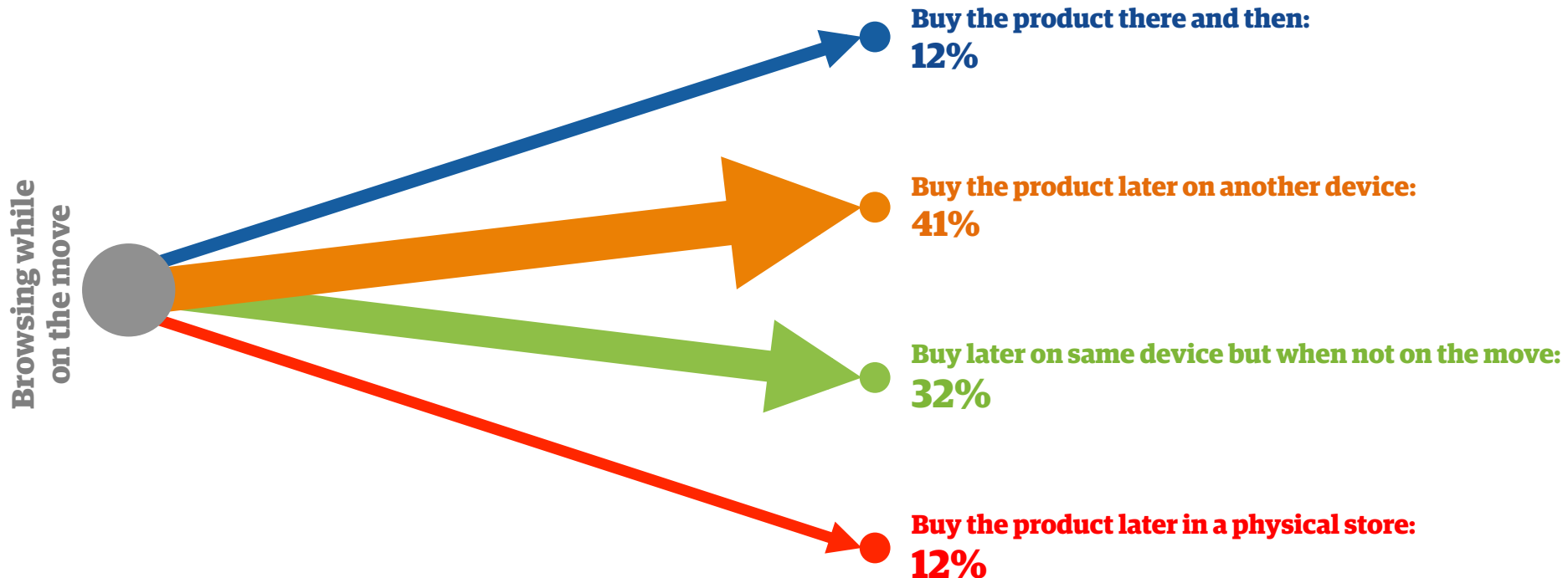
 At work 29%	 At home 84%	 On the move 14%	 Out and about 38%
In meetings Sitting at desk On lunch or coffee break On a bathroom break Other location at work	While watching TV In bed In the bath On a bathroom break In the kitchen In the garden or shed Other location at home	On the train On the tube/metro In a car or taxi On the bus On aircraft with Wi-Fi Other on the move	In shops or on high street In coffee shops, etc. On holiday Other location
2.8% 10.9% 20.3% 1.1% 2.9%	59.6% 33.1% 4.1% 3.7% 16.8% 4.3% 22.9%	9.5% 3.4% 5.6% 11.2% 1.2% 5.8%	15.9% 20.3% 12.3% 7.4%

By far the most common individual situation or location consumers cited for shopping using their mobile devices was while watching TV. While nearly a third use their mobile to shop at work, fewer people use mobiles while on the move - possibly because they have difficulties with connection speed and consistency.



Only a minority purchase products on their mobile device while on the move; most purchase later on

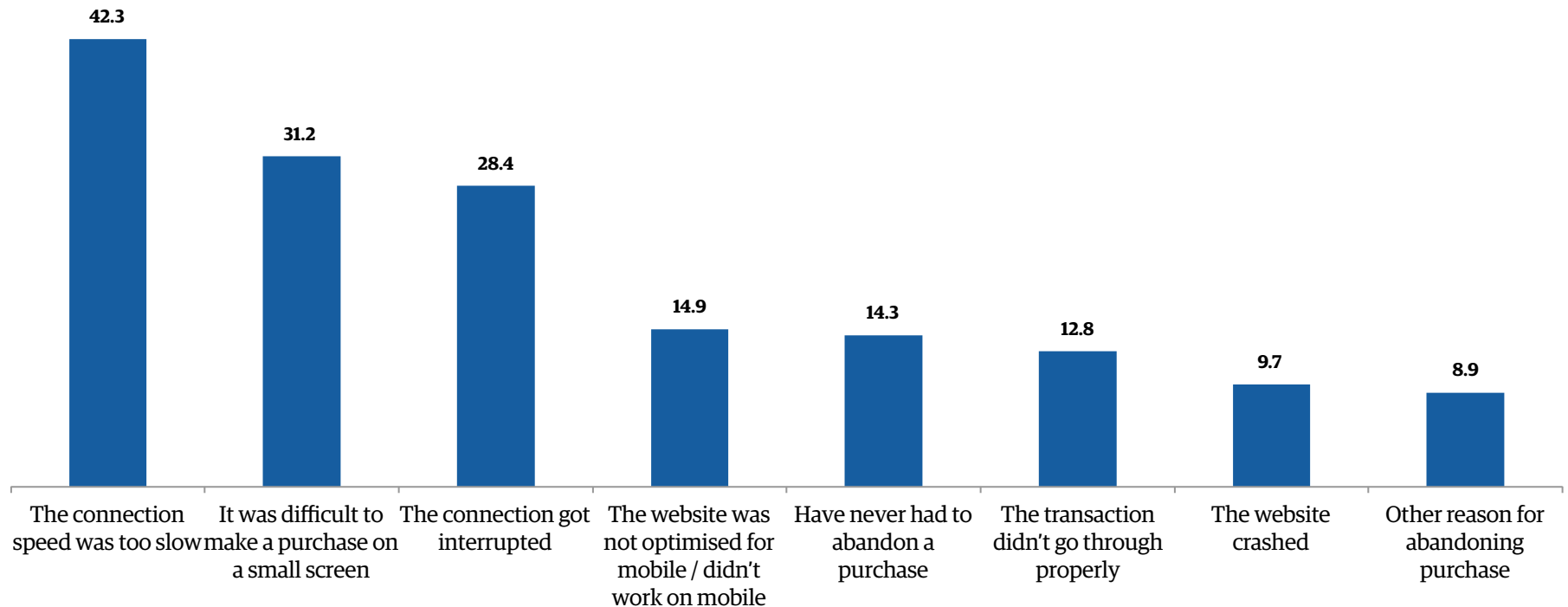
What consumers who find a product they want to purchase while shopping on the move do next...





Smaller screens and slow connection speeds are the two main reasons for abandoning purchases on mobile devices

Reasons consumers have abandoned purchases on their mobile devices % of consumers





Security is still a major concern when it comes to buying via mobile devices

Security	Ease	Products
I don't like paying for products on a mobile device 22.4%	The process of shopping on a mobile is fiddly 16.5%	Mobiles don't allow you to see the products clearly 15.5%
I do not feel secure when shopping via mobile 22.3%	I just dislike the process of shopping via mobile 13.8%	It is difficult to get a true feel when shopping via a mobile site 12.8%
	It is easy to make a mistake when ordering on a mobile device 6.3%	Mobile sites don't have the full range of products 2.2%
	Mobile sites are poorly designed 2.2%	
Device issues	Lack of engagement	Speed
Shopping uses too much of my data allowance 6.7%	I like to have personal contact when I shop 11.6	Shopping via mobile takes too long 11.6%
I don't really know how to use my mobile device for shopping 6.2%	Shopping via a mobile isn't very engaging 7.2	It takes too long to enter information like addresses and card numbers 9.0%
I don't have a good enough connection to allow me to easily shop online 3.9%	Using a mobile takes the fun out of shopping 6.9	Websites tend to be slow on my mobile 6.6%
My mobile device is incompatible with many websites 3.3%		
My mobile device doesn't work very well 3.1%		



Food and grocery and entertainment are the most frequently shopped categories via mobile devices

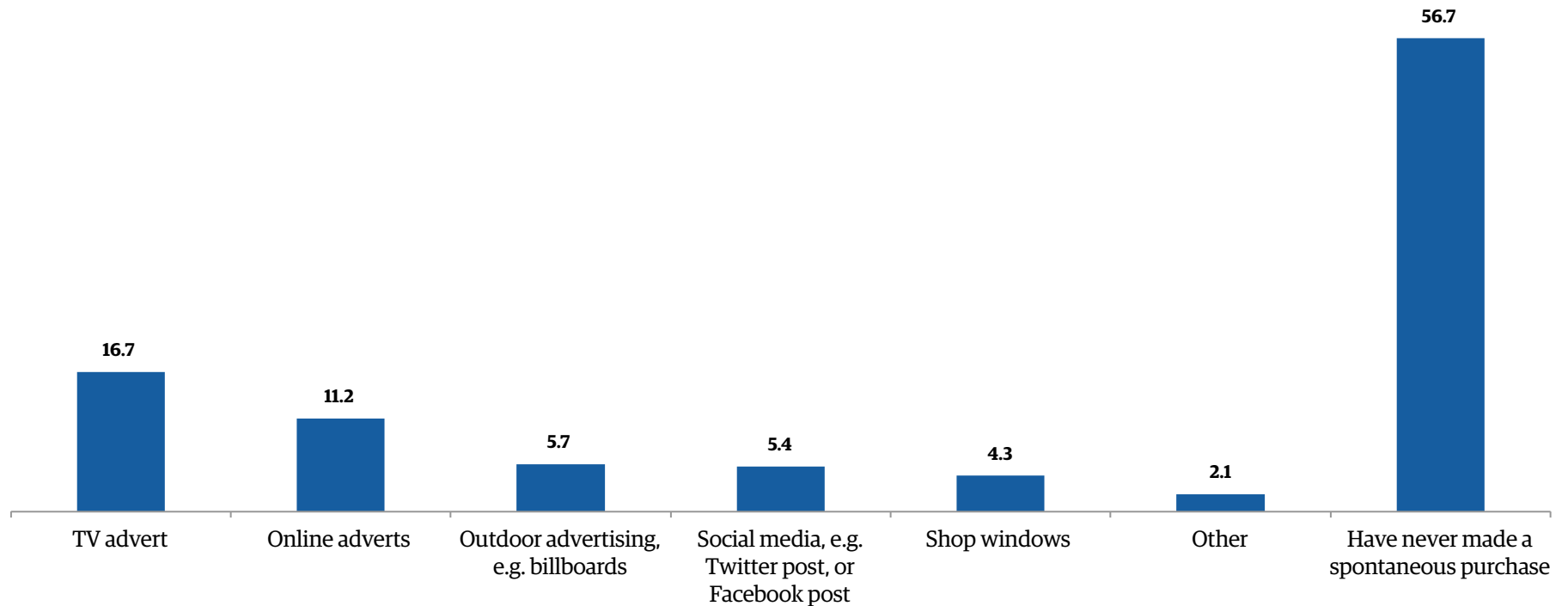
Frequency with which people purchase certain products via their mobile devices % of consumers

	Every week or more frequently	Around once a month	Once every couple of months	Once every three months	Twice a year	Once a year	Less frequently	Never
Food and groceries	2.3	5.4	3.1	0.5	0.5	0.5	0.1	87.6
Fashion	0.4	1.5	5.6	7.8	2.3	1.2	1.8	79.4
Electricals and appliances	0.0	0.0	0.8	0.9	1.2	3.5	2.2	91.4
Health and beauty	0.9	1.4	2.2	1.9	0.5	0.5	0.0	92.6
Entertainment (music, films, games - physical and digital)	2.6	3.3	4.5	5.6	1.4	1.1	0.4	81.1
Books (both digital and physical products)	0.4	0.9	6.5	4.3	1.2	0.1	0.0	86.6
Homewares and furniture	0.0	0.3	2.3	2.1	3.4	0.5	0.2	91.2
DIY and home improvement	0.0	0.0	1.2	2.3	0.1	0.2	0.4	95.8



A sizeable 43% of people have made a spontaneous purchase on a mobile device as a result of seeing advertising

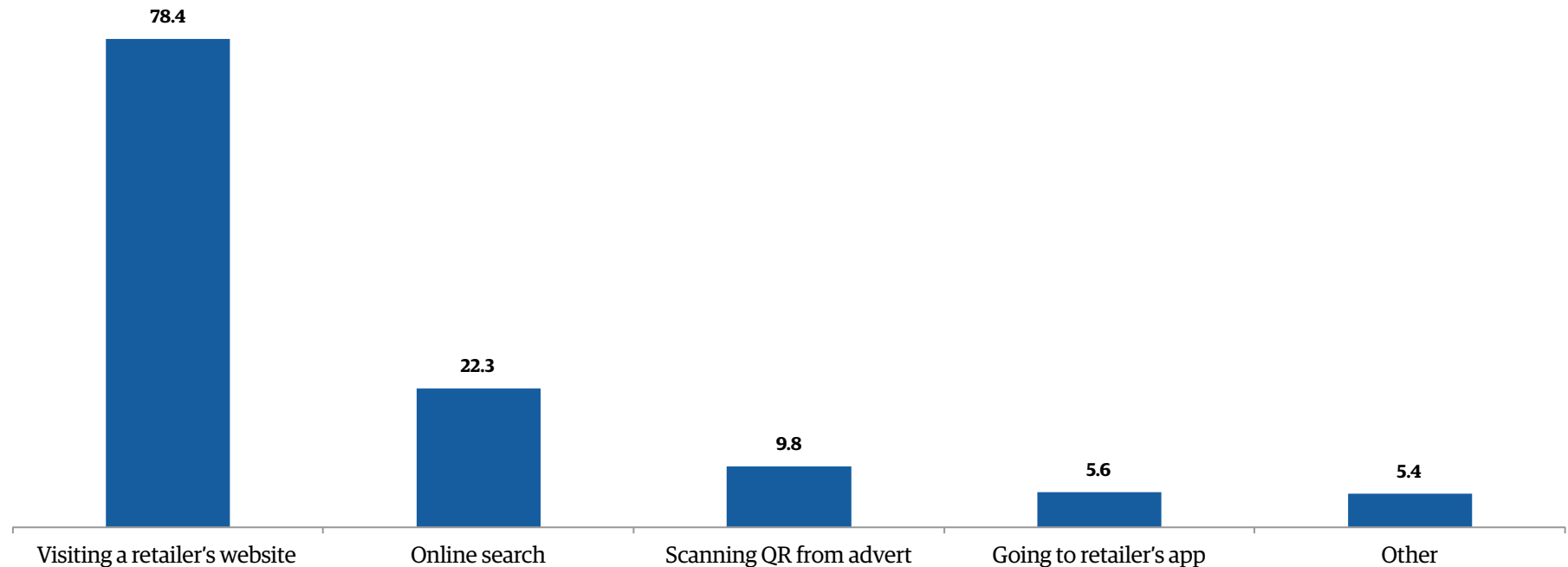
**Consumers who have made a spontaneous purchase on mobile as a result of seeing types of marketing
% of consumers**





Retailers' websites are the first port of call for most consumers making a spontaneous purchase via mobile

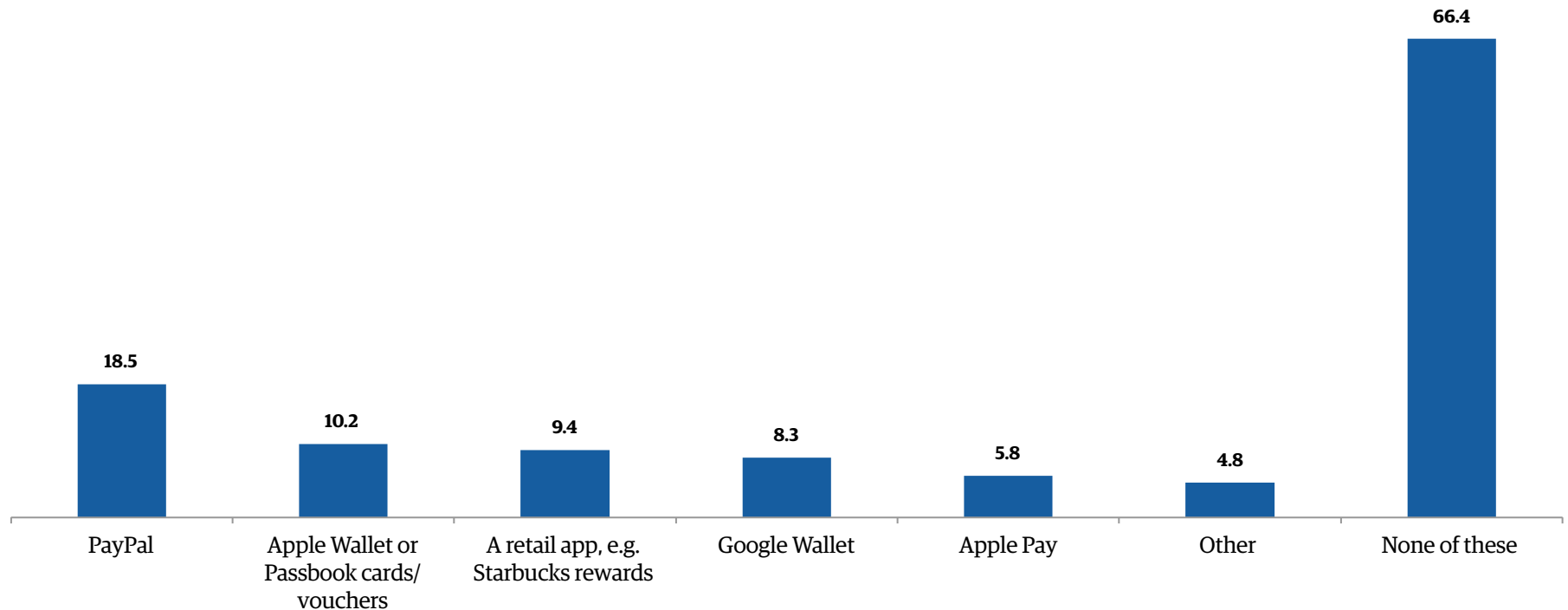
Methods used to make the spontaneous purchase % of consumers





Two thirds of consumers have never used mobile devices to pay for goods when in store

Methods used to pay for goods via mobile devices when in stores % of consumers





The value of mobile

Spending on mobile devices



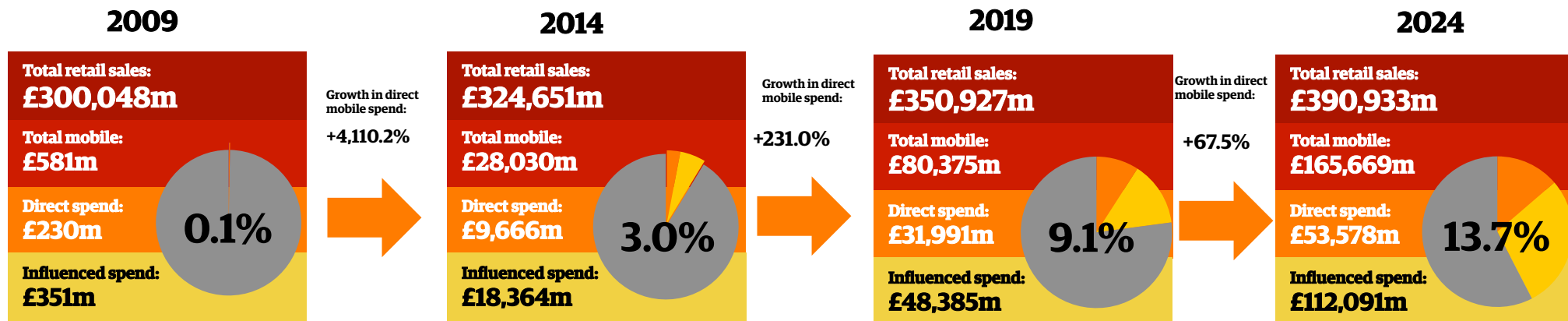
- **Mobile is experiencing rapid growth.** Conlumino forecasts that, by 2019, 9% of all retail sales by value will be made via a mobile device, up from 3% in 2014 and representing sales of just under £32bn following growth of 231% between 2014-19. This rapid growth will come against the backdrop of growth of just 8% in total retail sales over this period and overall online sales growth of 44%, making mobile by far the fastest growing retail segment. Furthermore, sales made by mobile devices are set to reach approximately £53.6bn by 2024, or just under 14% of overall retail spend, as laptops and desktop computers are increasingly marginalised as a medium for online shopping.
- **Mobile's value extends beyond direct transactions.** Mobile sales can be split into two parts: direct sales which are sales transacted on a mobile device and indirect sales, which are sales made somewhere other than a mobile device, but for which a mobile has been used for and influenced some part of the purchase process, such as checking prices or undertaking research. By 2024, mobile influenced spend is forecast to reach £112bn, meaning that almost half (42%) of all retail sales will involve a mobile device in some way or another.
- **Tablets account for twice the proportion of mobile sales as smartphones.** Despite a much lower ownership rate, tablets represent more than twice the proportion of mobile sales as smartphones, with their larger screens making these devices much more suited to performing tasks such as shopping online. However, as smartphone screens get bigger, their utility as a shopping device increases and we expect that, in the coming years, their relative importance to the mobile sales channel will increase.
- **Entertainment and books is the sector with the highest mobile penetration** at 17% of the market. As the largest retail sector by some distance, food & grocery also takes the biggest slice of mobile spend with £2.6bn in sales made via mobile devices in 2014 and £8.8bn forecast for 2019. The convenience of being able to shop on the go and build and edit orders on the move, means that mobile devices are likely to be the principal driver of online growth in this sector over the next five to ten years.



Conlumino estimates that in 2014, approximately 3% of all retail sales by value were made via a mobile device. That figure is set to rise to 9% by 2019, representing sales of just under £32bn following growth of 231% between 2014-19. This rapid growth will come against the backdrop of growth of just 8% in total retail sales over this period and overall online sales growth of 44.5%, making mobile by far the fastest growing retail segment.

Sales made by mobile devices are set to reach approximately £53.6bn by 2024, or just under 14% of overall retail spend, as laptops and desktop computers are increasingly marginalised as a medium for online shopping.

Mobile sales can be split into two parts: direct sales which are sales transacted on a mobile device and indirect sales, which are sales made somewhere other than a mobile device, but for which a mobile has been used for and influenced some part of the purchase process, such as checking prices or undertaking research. When direct sales and indirect sales are combined, we can see that the influence of mobile is actually significantly more far reaching, accounting for about £28bn of retail spend in 2014 or just under 9% of the total. By 2024, mobile influenced spend is forecast to reach £112bn, meaning that almost half (42%) of all retail sales will involve a mobile device in some way or another.



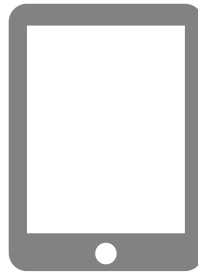
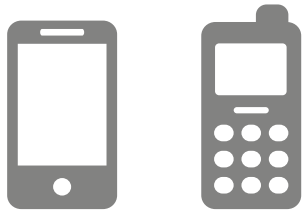
Figures in the orange box refer to spend transacted via mobile devices, figures in the yellow box represent indirect sales i.e. sales which are made somewhere other than a mobile device, but for which mobile has been used for and influenced some part of the shopping process. The total mobile spend refers to the combined total of direct and influenced spend. The charts show direct and influenced spend as a proportion of all retail sales, with the figure referring to the proportion of direct spend within all retail sales.



Mobile spending by device type and platform

Direct spending per device:

Growth (2014-19):

+243.5%**+232.1%****+64.1%**

Mobiles/ Smartphones

2014
2019

£2,882m



£9,901m



Tablets

£6,522m



£21,660m



E-readers

£262m



£429m



Despite a much lower ownership rate, tablets represent more than twice the proportion of mobile sales as smartphones, with their larger screens making these devices much more suited to performing tasks such as shopping online. The trend towards larger phone screens and the growth of the hybrid device (such as “phablets” and laptop/tablet convertibles) is likely to continue to blur the lines between these different devices, however. As smartphone screens get bigger, their utility as a shopping device increases and we expect that, in the coming years, their relative importance to the mobile sales channel will increase.

Currently, websites accessed via a mobile browser represent the largest slice of mobile sales at almost two-thirds, though the increasing take up of mobile apps is likely to mean that they will continue to grow in importance.

Direct spending via platform in 2014:

Websites

£6,510m

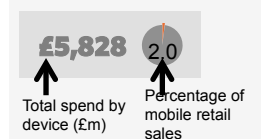


Apps

£3,156m



KEY:



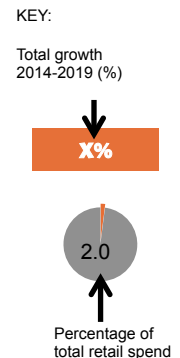
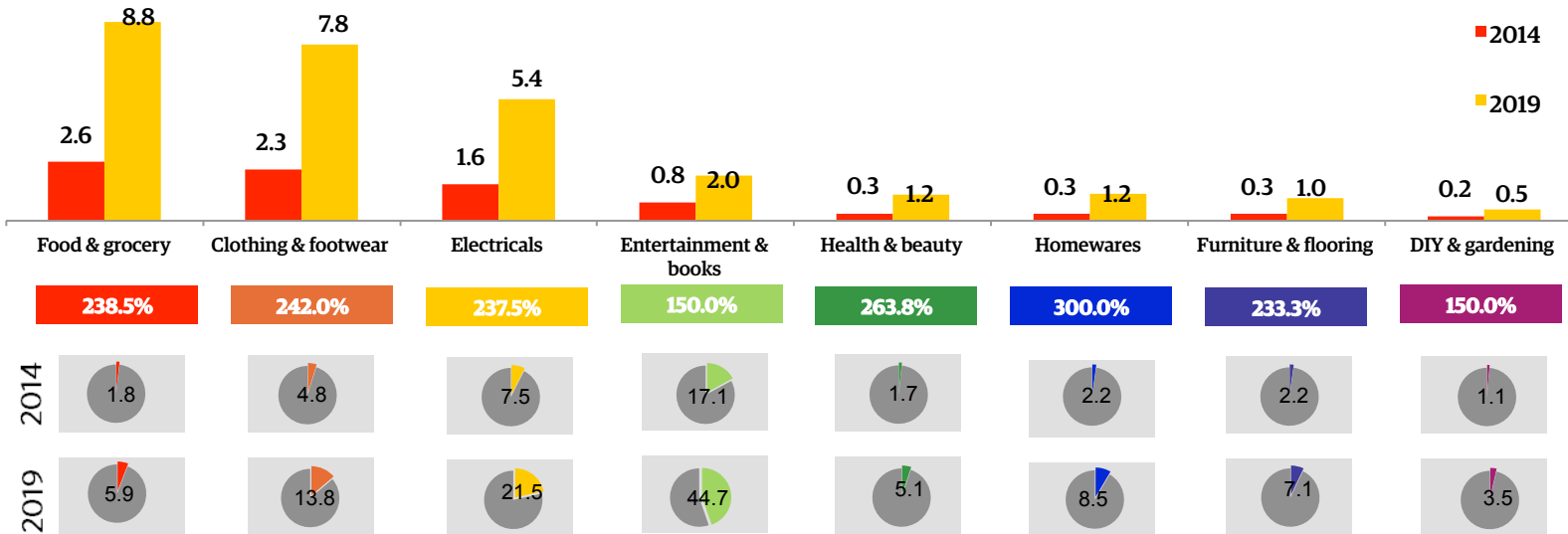


Entertainment and books is the sector with the highest mobile penetration at 17% of the market. Given the already high penetration in this category, growth is expected to be relatively subdued compared to other sectors - particularly as spend increasingly shifts towards other connected devices such as smart TVs - though a growth rate of 150% over the next five years is still significant.

As the largest retail sector by some distance, food & grocery also takes the biggest slice of mobile spend with £2.6bn in sales made via mobile devices in 2014 and £8.8bn forecast for 2019. The convenience of being able to shop on the go and build and edit orders on the move, means that mobile devices are likely to be the principal driver of online growth in this sector over the next five to ten years.

Even sectors like clothing & footwear, which traditionally rely heavily on the instore experience, will not be immune from the growth of mobile. In fact, clothing & footwear will be one of the fastest growing sectors for mobile as the highly visual nature of mobile devices makes them ideal for browsing, something which is integral to the process of shopping for fashion. It is also a sector which is highly conducive to impulse purchases, with the ability to shop wherever and whenever on a mobile device fulfilling that desire for instant gratification.

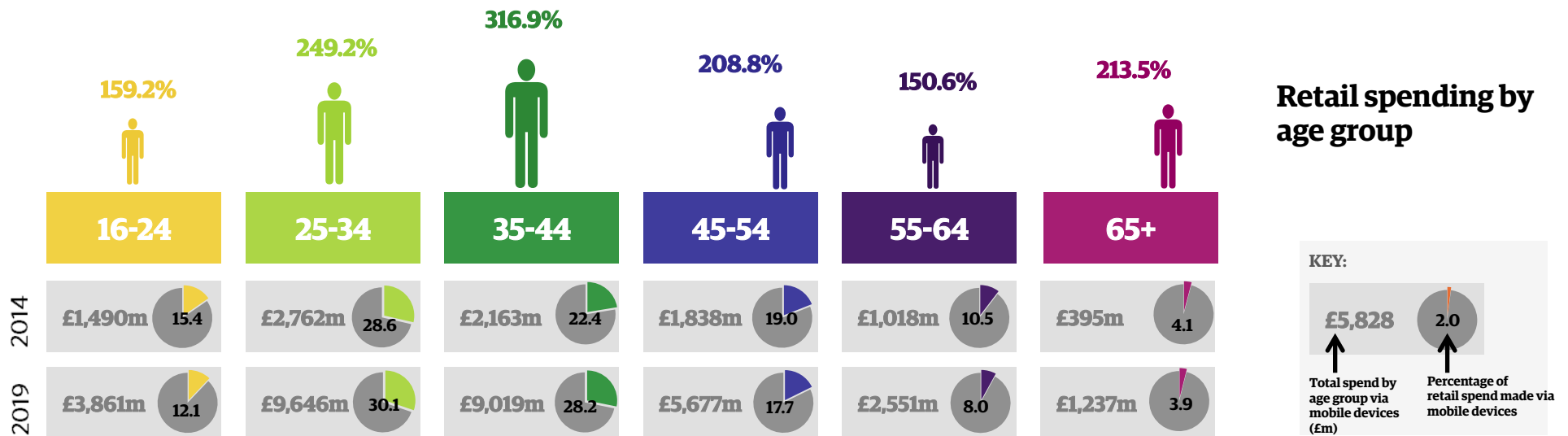
Mobile retail sales by sector (£bn)





Over the next five to ten years, an ageing UK population, allied to the fact that the disposable incomes of younger consumers are likely to be among the most pressured, is set to mean that the baby boomers will represent the vanguard of retail spending. When it comes to spend via mobile though, it is younger consumers that are leading the way. In 2014, consumers aged 25-44 accounted for 51% of all spend made via mobile devices and that is set to grow to 58% by 2019, driven primarily by growth in the 35-44 age group.

Having been significantly slower to adopt the latest mobile technologies than their younger counterparts, those consumers in the 65+ segment have begun embracing mobile technology more readily, with penetration rates shooting up over the past couple of years. However, they are still some way behind other age groups and accounted for just 4% of all mobile spending in 2014. Despite the highest forecast population growth by far, spending via mobile devices by those aged 55 and over will still shrink as a proportion of all mobile sales over the next five years as older consumers continue to show a reluctance to relinquish the social benefits of actually visiting shops in person.





Implications

Consequences of the rise of mobile



The rise of online shopping is forcing retailers to fundamentally re-evaluate of the role of stores in their proposition. Now that mobile has entered the mix too, the picture is complicated still further.

The diagram below shows what the value of direct mobile sales equates to in terms of store numbers and floorspace. In five years time we forecast the mobile channel will be worth the equivalent of over thirty thousand physical stores. This does not necessarily equate to that number of closures, especially since the advent of services such as click and collect have revolutionised the role of stores in the multichannel spectrum, but it does demonstrate that stores must evolve to service this new demand.

2009

Direct mobile spend is the equivalent of

338 stores
(0.82 million sq ft)

2014

Direct mobile spend is the equivalent of

9,774 stores
(23.75 million sq ft)

2019

Direct mobile spend is the equivalent of

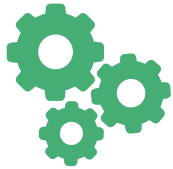
30,005 stores
(72.89 million sq ft)

Store size information comes from Conlumino's internal calculations and data



There is little doubt that mobile technologies have wide reaching implications for retail as a whole and, in particular, the role of the store. Just as online shopping itself was seen in many quarters as sparking the beginning of the end for the store until the development of click and collect conclusively demonstrated that its survival can actually be supported rather than hindered by the growth of online, so retailers must escape any notions that mobile is inherently bad for store retailing. Inevitably, practices like showrooming, which holds highly negative connotations among bricks and mortar retailers, will lead to some sales shifting online and to an intensification of price competition. However, there are a number of ways that mobile can be used to enhance the instore experience for consumers; indeed, with almost three-quarters of consumers using their mobile while out and about, not doing so would be a missed opportunity.

Making the shopping process easier



A good example of how mobile is being used to help ease the shopping process for consumers is Hointer Jeans in Seattle. The store operates as a hybrid between a traditional retail store and a warehouse. Customers use their mobiles to scan e-tags fitted to the jeans, with items then being sent to the fitting room thanks to a robotic back-end.

IMPACT ON STORES: HIGH

This represents one of the more extreme examples of how mobile technology can be used in store as it virtually negates the need for human store staff. Designed particularly with the kind of hassle-free clothing shopping favoured by male shoppers in mind, the store boasts several advantages for retailers, including low running costs and, because the store in itself acts as a kind of warehouse, it eliminates some of the costs associated with having a standalone warehousing and distribution network to fulfil online orders. Just like a warehouse, the stores are quite basic, though the functional nature of the instore displays means that they require only a very small square footage.

As a marketing tool



Mobile devices offer excellent opportunities for location-based marketing. Knowing where consumers are at any given time is of course going to be key to this process, which is where winner of the John Lewis JLab scheme, Localz's micro-location technology, comes into its own. The service allows the retailer to pinpoint the precise location of shoppers enabling it to send personalised offers relevant to where the consumer is at any given point in time.

IMPACT ON STORES: MEDIUM

Increasingly retailers are looking to be more targeted with their promotions to help them stand out from the crowd. Location-based marketing is one way of doing this and is a relatively low cost way for retailers to reach consumers directly while they are out and about. It can be used to increase the efficiency of the multichannel process instore by allowing the retailer to know when a click and collect customer has come in to pick up their order, thereby speeding up instore fulfilment.



As a way to make payment

Technology giant, Apple's innovations are typically key in convincing consumers to engage with new technologies. The company's entry into near field communication (NFC) payments is likely to increase the popularity and adoption of mobile payments among consumers, potentially revolutionising the instore payment process. As well as NFC payments, enabling users to pay for goods they have bought in store via apps is likely to become increasingly commonplace. The PayPal app, for example, is already accepted in around 8,000 UK shops and Shell recently announced that customers will now be able to use it to pay for fuel without leaving their cars.

IMPACT ON STORES: MEDIUM

As well as reducing time spent at the cash tills and potentially making queuing a thing of the past, the rise of mobile payments is likely to reduce the space needed for payment areas instore, freeing up square footage for other features to enhance the customer experience, such as product displays or service desks.



To engage and entertain

As more consumers become habitual mobile shoppers, technologies that increase engagement and entertainment value in stores are likely to be in high demand. Consumers will have more opportunities to use their Smartphones instore, with greater use of Augmented Reality and enticements to share experiences on social media. Argos has enlivened its catalogue by enabling users to convert static images to interactive content using the Blippar app on their smartphones, while Asda recently ran an Augmented Reality monster hunt in store as part of its Halloween promotional activity. App users can also browse recipes, play games and take advantage of the latest offers. Using AR effectively allows retailers to create a seamless customer journey between stores, online and mobile in a fun and engaging manner.

IMPACT ON STORES: MEDIUM-LOW

Creating an exciting, engaging experience is likely to be key to the stores of the future as they compete with the powerful pull of online shopping. Mobile is a great way to draw the two worlds closer together and shift the advantage back in favour of bricks and mortar, by offering something users just cannot get through the online experience alone.



As much as existing devices are used extensively to help us shop, the ways in which these devices are used is likely to evolve. Moreover, it is likely that new devices will also come into play over the next few years. Indeed, today's more impatient consumers are the inspiration behind a wave of new technologies and ways to shop. Wearable devices promise even more instant gratification than mobiles by eliminating the need to reach into a pocket or handbag, visual search helps to match consumers with products when they are out and about, and shopping wands have arrived to take the hassle out of shopping for everyday staples.



Smart devices

- Despite the recent rather high profile demise of Google Glass in the UK as it was taken off the market to be re-developed, there is little doubt that wearable technology is starting to have a more meaningful impact on consumers.
- Retailers are certainly seeing the potential, with Tesco becoming the first to introduce a Google Glass enabled service for its shopping app, while Amazon launched a voice activated shopping app for Android smartwatches in late 2014.



Visual search

- Social media sites with a strong visual element, like Pinterest and Instagram, are already playing a significant role in retail, acting as a showcase and wish list generator for products. Visual search takes this one step further. By combining image recognition technology with search algorithms, social network integration and specific mobile technologies such as NFC, visual search allows users to take a photo of a product they see while out and about, whether in a store or otherwise and, within moments, have a series of search results for retailers that sell that product or products of a similar style.



Shopping wands

- The desire for convenience from time-poor shoppers is one of the principal drivers of technological innovation in retail and Amazon Dash is a prime example of this trend. The free device automates the process of creating a shopping list as through either voice activation or barcode scanning, products are added to the user's shopping list on their Amazon Fresh account.
- Online grocery shopping has already taken much of the burden out of the weekly shop, but this device goes one step further than that, by simplifying the process of compiling the shopping list itself.



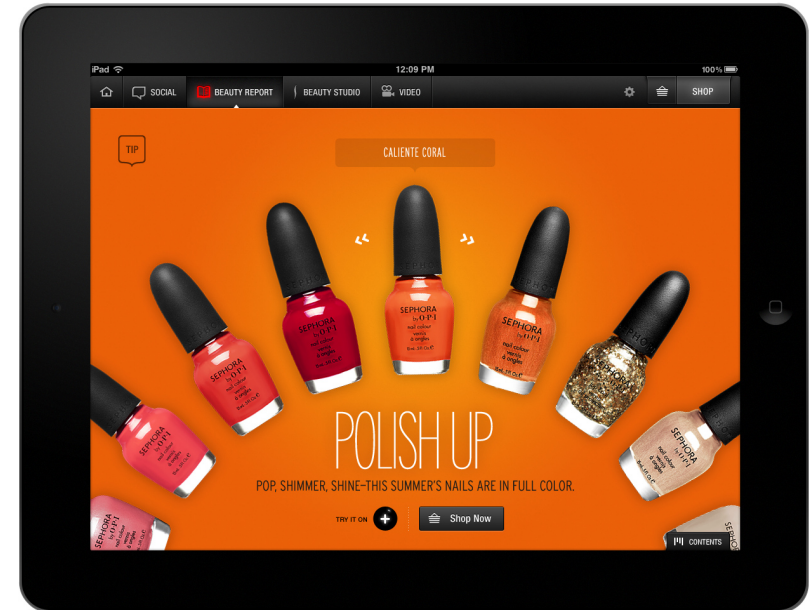
Use mobile to drive loyalty

Mobiles have often been viewed warily by retailers, thanks in large part to the threat of showrooming - something Amazon in particular exacerbated when in 2011, it offered consumers a 5% discount when they price-checked its products in a competitor's store. However, rather than a hindrance, mobiles can actually be an asset to stores if used properly. Sephora's loyalty scheme, Beauty Insider, integrated its mobile app with Apple's Passbook so that its loyalty card pops up on consumers' phones whenever they are near a store. The app contains information on past purchases, which, once in the store, shop assistants can use to recommend products that go well with products that the user has already bought.

Property company, Land Securities, is also using mobile to drive customer loyalty in its Trinity Leeds shopping centre. The Love Trinity Leeds app has recently been expanded to incorporate a loyalty scheme featuring exclusive store promotions and tailored discounts. To take advantage of the scheme, customers share a barcode on the app at the point of sale and the more they use it, the more offers they will receive. Retailers signing up to the scheme can also view the data from the app to gain valuable insights on how their customers are shopping.

Harnessing the power of social media

On the social media front, Next celebrated its 7,000 strong blogger network with a #ChangingRoomSelfie competition in summer 2014. Capitalising on the 'selfie' phenomenon, the competition saw bloggers snapping and sharing their favourite Next outfits from the comfort of a Next changing room. It is a highly effective way of not only transmitting brand appreciation across multiple audiences, but also disseminating its reputation via numerous blogger communities that Next does not even have to directly manage.





Methodology

About this research



- A combination of consumer research, secondary research and market forecasting were used to compile this report.
- Consumer research in this report is based on a survey conducted with a UK nationally representative poll of consumers. 2,031 consumers were interviewed during August 2015 and questioned about their use of mobile devices and shopping.
- All numbers relating to expenditure and forecast expenditure of retail are taken from Conlumino's own retail model. This is updated on an ongoing basis with inputs from official sources (such as the British Retail Consortium and Office for National Statistics), retailers' results and trading updates, other secondary sources and industry surveys, Conlumino's ongoing programme of research into consumer spending and habits, and underlying economic drivers and trends. Conlumino analysts both model and interpret this information to provide guidance on the likely future direction of retail expenditure at an overall, sector and category level.
- Unless otherwise stated, all sources of information are derived from Conlumino's own research and should be referenced to Conlumino/ Webloyalty.

webloyalty



Webloyalty

**+44 (0)20 7290 1650
enquiries@webloyalty.co.uk
2 Harewood Place, London W1S 1BX**

Conlumino

**+44 (0)20 7936 6654
hello@conlumino.com
7 Carmelite Street, London EC4Y 0BS**