

# The mobile shopping boom

WHITE PAPER



# The smartphone is everywhere

Today, 76% of UK consumers own one (up 5 percentage points in a year), two thirds of people use their phones to access the internet and 4 in 10 internet users say it's their most important device for doing that. <sup>1</sup>



Think that's all just for surfing and social? Consider these facts:

- ✦ UK mobile commerce was worth £27 billion in 2017 <sup>2</sup>
- ✦ Over Christmas 2017, mobile payments made up more than half of all ecommerce payments<sup>3</sup>
- ✦ By 2020, it's predicted that two thirds of all UK ecommerce purchases will be made on mobiles (worth £4 billion)<sup>4</sup>
- ✦ UK mobile advertising expenditure grew by 44% in 2016 (the latest available data) to £3.9 billion.<sup>5</sup>

## THE TOP LINE

**IN FACT, MOBILE COMMERCE – SHOPPING USING A SMARTPHONE OR TABLET DEVICE – IS FAST BECOMING THE PREDOMINANT WAY TO SHOP ONLINE.**

And, UK consumers lead the way. In 2017, London was PayPal's top city worldwide for mobile payments and 7 of the top 10 cities in Europe were in the UK.<sup>6</sup>

Convenience is a big driver of this behaviour and shoppers are frustrated by websites that don't work well on the small touchscreens of a typical smartphone.



# Small businesses are missing out

People's shopping habits are changing, but many small businesses are not.

Over one third (41%) of small businesses do not have a business website, often because they believe they are doing well enough without it. And, of those that do only two thirds (67%) have a site that is optimised for mobile, i.e. that will automatically adapt to the needs of a small touchscreen.

These findings come from research recently conducted for PayPal by Censurwide. The research, conducted with 2,000 online shoppers and 2,000 small business owners, identified a growing expectation gap between what shoppers expect and what small businesses provide.

This report explores these findings and looks at the steps UK small businesses can take to meet the demands of more mobile customers.



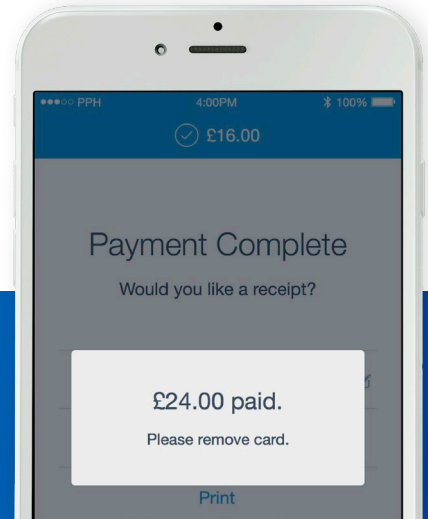
## THE TOP LINE

“WITH MOBILE WEB BROWSING OVERTAKING DESKTOP FOR THE FIRST-TIME IN 2016, IT IS MORE IMPORTANT THAN EVER THAT BUSINESSES ADAPT. BRIDGING THE GAP BETWEEN CUSTOMER EXPECTATION AND WHAT BUSINESSES ARE OFFERING NEED NOT BE DAUNTING. THERE ARE SMALL CHANGES BUSINESSES CAN MAKE TO GIVE THEMSELVES A BOOST, AND THE TOP ITEM SHOULD BE MAKING WEBSITES MORE MOBILE FRIENDLY FOR SMARTPHONE OR TABLET. SHOPPERS ARE INCREASINGLY FRUSTRATED BY WEBSITES WHICH REQUIRE THEM TO PINCH THE SCREEN TO ZOOM IN AND SCROLL ENDLESSLY TO FIND MINIATURE CHECKOUT BUTTONS.”

Nicola Longfield, Director of Small Business, PayPal UK

# The online opportunity

We spoke to **2,018** online shoppers. Here's what we found.



## THE SMARTPHONE IS THE FAVOURITE DEVICE FOR ONLINE SHOPPING

4 out of 10 shoppers browse daily for goods or services using their smartphones. This is even higher for 16 to 44 year olds, where it rises to 6 in 10 (57%).

When it comes to buying rather than browsing, most online shoppers (51%) are purchasing either weekly or monthly on their smartphones. However, 1 in 8 say they buy things daily.

For both browsing and buying, the most popular time is 6.00pm to 10.00pm and most people (80%) prefer to make purchases from the comfort of their homes. Shopping on the move is most popular amongst 25 to 34 year olds, but even here, only 1 in 5 (20%) say it is their preferred time for shopping.

### SMALL BUSINESS INSIGHT

If you want to grab shoppers' attention, remember that your competition is not just other online sellers, but the television, too. Most browsing happens on a small, smartphone touchscreen while sitting in front of the larger TV screen. Use crisp, professional looking images on your website to catch and hold shoppers' attention.

## THE TOP LINE

"PEOPLE SHOP WITH THEIR EYES. ESPECIALLY IN THE EVENING, WHEN WE RECEIVE MOST OF OUR ORDERS. THEY'RE NOT PLOUGHING THROUGH THE PRODUCT DESCRIPTIONS EVERY TIME."

James Washington, founder and owner of GadgetPark

## MOST MOBILE CITIES IN EUROPE

UK cities lead the way in mobile commerce. In 2017, 7 of PayPal's top 10 cities for mobile payments were in the UK.

- 1 — London
- 2 — Berlin
- 3 — Hamburg
- 4 — Birmingham
- 5 — Munich
- 6 — Manchester
- 7 — Glasgow
- 8 — Liverpool
- 9 — Bristol
- 10 — Leeds

# Mobile commerce is about convenience

Shoppers value convenience. In our research, 6 in 10 (57%) said the biggest benefit of shopping on their mobile device was its “instant availability” – your phone is never far from reach.



Four in 10 (42%) said that “speed of use” of their mobile device was better than other options. Shoppers reach for their mobiles when they need to purchase something quickly or at the last minute. This is true for 44% of all online shoppers and 51% of 25 to 34 year olds. Mobile is also the option when shoppers can’t find what they want on the high street (26%).

## BUT, CONVENIENCE CAN BE DASHED BY FRUSTRATION

If mobile commerce is driven by convenience, then it’s no surprise that shoppers get frustrated when their online experience becomes inconvenient. The biggest issues for mobile shoppers are:

- ✦ Websites that are not mobile-friendly (36%)
- ✦ ‘The screen is too small’ (35%)

Other important frustrations include having to enter too many contact details (18%), needing to remember login details (17%) and a complicated checkout process (13%). The whole experience needs to be as simple as possible when shoppers are using a small screen. Younger shoppers are less tolerant. Lack of web optimisation was the key frustration for 50% of 16 to 24 year olds.

## THE TOP LINE

**OUR GROWTH ON MOBILE, COMBINED WITH THE EMERGENCY USE OF OUR PRODUCT, MEANS ANYTHING THAT REDUCES THE NEED FOR ADDITIONAL ADMIN, ADDITIONAL DATA FIELDS OR DATA CAPTURE IS IMPORTANT TO OUR CUSTOMERS.”**

Alan Inskip, CEO of Tempcover Motor Insurance



# Familiarity and trust are important, too

Four in 10 (40%) online shoppers say they “would purchase items/services from brands or websites that I have not heard of before”, but...

Two thirds (65%) say they would “only purchase from a website using an online payments option/brand I recognise e.g. PayPal, WorldPay”.

The need for a recognised payment brand was even higher for mobile shoppers, at over three quarters (77%). In recent research, 1 in 4 consumers expressed “concern about the security of financial and personal details” as a barrier to shopping online. A slightly larger proportion expressed “concern about identity theft and fraud”.

A digital wallet (like PayPal) is the preferred payment method for 1 in 3 (33%) online shoppers.

## SMALL BUSINESS INSIGHT

Convenience and confidence are key. When shoppers have an idea, they want to find the answer as quickly and smoothly as possible. If you don't have a website, if your website doesn't adapt to the needs of smartphone users or if you don't offer a recognised payment method, customers may simply buy elsewhere.

## THE TOP LINE

OVER THREE QUARTERS (77%) OF MOBILE SHOPPERS WOULD ‘ONLY PURCHASE FROM A WEBSITE USING AN ONLINE PAYMENTS OPTION/BRAND I RECOGNISE E.G. PAYPAL.’



# Looking ahead



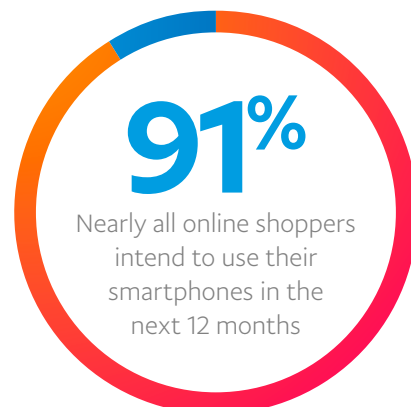
Nearly all online shoppers (91%) intend to use their smartphones 'the same or more' in the next 12 months.

For tablets, the figure is lower, at 82%, and younger age groups are most likely to say they will use their tablets **less** over the next 12 months. One third (32%) of 16 to 24 year olds and one quarter (26%) of 25 to 34 year olds say they will use tablets less.

According to Ofcom, fewer people than last year consider a tablet device to be their most important device for accessing the internet (down from 20% to 16%) while tablet ownership has remained flat at 58%.<sup>8</sup> In fact, in the latest Ofcom research, every other device dropped in popularity while the smartphone increased.

## SMALL BUSINESS INSIGHT

With smartphones now the favoured device for online shopping and set to grow to two thirds of all UK ecommerce by 2020<sup>9</sup>, tailoring your business to the mobile market is key. Many large retailers are already taking a 'mobile first' approach to their online strategy, ensuring they prioritise the needs of their mobile customers, first.





# Small business perspective

At the same time as speaking with online shoppers, we also spoke to 2,001 owners of small businesses. These were mostly well-established. Only 3% had been in business for less than one year and 83% had been in business for over two years.

The research shows a clear and growing expectation gap between what shoppers are seeking and what many small businesses provide. Many small businesses appear to be missing the opportunity to win new (and retain existing) customers by having a web presence that works for the growing number of customers who only use their smartphones to shop online. And, as the use of mobile continues to grow, these businesses risk losing existing customers to more convenient competitors. [This is what we found.](#)

## SMALL BUSINESSES RISK MISSING MOBILE COMMERCE

Four out of 10 (41%) of small businesses do not have a business website. However, 3 in 10 (28%) of small businesses sell through an online marketplace (6 in 10 Retail, Catering & Leisure firms) and 6 in 10 (60%) use social media to promote their business.

The top reasons given for not having a website are:



## SMALL BUSINESS INSIGHT

Even if your business is doing well today, your customers are increasingly shopping (both browsing and buying) online. Your existing customers may not be buying online from you today, but will they find a more convenient competitor tomorrow? And, how many potential customers will never know about you because you are invisible to them?

## IS YOUR SITE MOBILE-READY?

Of those who have a business website, 2 out of 3 business owners say their site is optimised for mobile viewers. That suggests that only 30% of all small businesses have a mobile-optimised website. The figure varies by sector. IT & Telecoms businesses (89%) and Architecture, Engineering and Building firms (83%) are most likely to be mobile-ready. Only 62% of small businesses in Retail, Catering & Leisure say their website is mobile-optimised.

## SMALL BUSINESS INSIGHT

Simply having a website may not be enough if visitors have to pinch and stretch and scroll the screen to see what you offer. The smartphone is, undoubtedly, the preferred device for searching the internet and its popularity is growing across all age groups. But, people are frustrated by sites that don't work well on mobile. How many potential customers will simply pass you by? And how many regular customers might find a competitor's site more engaging?



# What does mobile optimised mean?

A mobile-optimised website automatically adapts and reformats itself for the device it is being viewed on.



Images and text are resized and rearranged for the size and relative dimensions of the user's mobile screen. Navigation and data entry are simplified and tailored to touchscreens with larger, simpler icons. By optimising for mobile, site designers often focus on simpler, cleaner product images and concise text, to provide the best possible user experience.

If you are uncertain of the difference, or of how important it is, put yourself in your customers' shoes with these two tests. Firstly, compare your own website on a PC-based browser and on a smartphone. Using your phone, try navigating through your site as if you were a customer and

note any frustrations. Secondly, do the same exercise with a well-known, big-brand ecommerce site such as [johnlewis.com](http://johnlewis.com). Many brands will automatically re-direct you to their dedicated mobile site (in this case [m.johnlewis.com](http://m.johnlewis.com)). You can see how the user-experience adapts to the device you're using. And, at the bottom of the John Lewis mobile site, there is an option to visit the desktop site, so you can easily compare the experience of using a desktop site on a small screen.

If you'd like more information or help with becoming mobile-ready, try our [Make Money with Mobile page](#).

# Online Payments

If you sell online, then the payment stage is critical.

In our research, less than half (45%) of all small businesses with websites accepted online payments. Businesses in Retail, Catering & Leisure were much more likely to accept online payments at 68%. Of those who do, three quarters (76%) said that PayPal is the method most frequently used by online shoppers. This aligns with the finding that many shoppers (especially mobile shoppers) will “only purchase from a website using an online payments option/brand I recognise e.g. PayPal, WorldPay”.

Dave Newton, the CEO and co-founder of online ticket pioneers WeGotTickets, found that the payment options provided were critical: “We know a lot of people prefer to use PayPal on their mobile devices. We could see that customers went right through to the payment stage and they’d still not made their final decision. One factor in a decision not to continue was the available payment options. People don’t want to get their card out of their wallets in full view of everyone. Making mobile transactions more straightforward was important – and PayPal definitely does that.” For businesses that do not offer an online payment option, the overwhelming reason (given by 4 in 10, 42%) is that “customers don’t shop/buy our product/service offering on mobile’. However, 4 in 10 businesses also say that they never review the payment methods that they offer. In fact, only one third (35%) review their payment offer at least annually. In today’s dynamic market, those businesses risk missing changes in customers’ preferences. This is supported by the fact that less than a third of small businesses ‘believe that the way customers want to pay is changing’. Even in the Retail, Catering & Leisure sector only 4 in 10 (43%) see a change. And yet, the change is happening. In 2017, PayPal processed 2.7 billion mobile transactions globally, worth \$155 billion – an increase of more than half (52%) over 2016.<sup>10</sup>

## SMALL BUSINESS INSIGHT

Shoppers’ preferences are changing faster than you may think. Just think about how popular contactless payments or smartphone banking apps have become in the last couple of years. Whether online or on the high street, shoppers are balancing convenience with concerns about security. When mobile shopping, any requirement for text entry, whether contact details or long card numbers, is a particular frustration. If you sell online, consider the payment preference of mobile shoppers:

- ✦ A recognised and trusted payment provider
- ✦ A simple, touchscreen friendly payment process
- ✦ Minimal data entry

## THE TOP LINE

“OUR TRANSACTION ABANDONMENT RATE REDUCED BY 27% FROM THE DAY PAYPAL WENT LIVE. WE ARE NOW SELLING TICKETS THAT WE WOULDN’T HAVE BEFORE.”



Dave Newton,  
CEO and co-founder of  
WeGotTickets

# Bridging the expectation gap

There are two aspects to improving your engagement with a more mobile audience: you can ensure your site is optimised for mobile, and you can adapt your marketing and selling in line with your audience's behaviour.



## Get mobile-optimised

Your website may look great when you view it on your office desktop PC, but to a typical shopper sitting on their sofa at 8pm with their smartphone, things can look a bit different. As the founder and MD of [Prezzybox.com](https://prezzybox.com), Zak Edwards says:



"Encouraging our team to browse and test [our] site on their mobile devices, the same way our users do, has been a great exercise. It's hard to keep up with everything. PayPal give us peace of mind from a development perspective that they are up to date with fast and ever-changing mobile technology which takes a bit of pressure off us."

## THE TOP LINE

"I'M ALWAYS ON MY PHONE, SO WE KNEW THE SITE HAD TO WORK WELL FOR MOBILES. WE HAD THE IMAGES PLACED SIDE-BY-SIDE, SO THAT USERS DIDN'T HAVE TO SCROLL CONSTANTLY."



Victoria Molyneux,  
founder of Want  
That Trend



# Tips for mobile best practice

In our guide make money with mobile, we included these 8 tips for best practice in mobile design:



## Think mobile first

Treat your mobile site as a project in itself. Don't try to simply translate your old desktop site.



## Perfect your mobile payment process

Streamline your payment process to reduce basket abandonment. Allow guest checkout, minimise text entry and use a payment solution that's mobile-optimised.



## Simplify navigation

Minimise data entry, clicking or zooming. Use big buttons, larger font and a fixed navigation bar.



## Consider a mobile app for your loyal, repeat customers

Apps can be particularly effective when used for building and rewarding customer loyalty. When well-designed, they provide a platform to establish and deepen customer connection.



## Include your phone number

Include your phone number frequently, especially where users might experience problems, on information pages and throughout the checkout process.



## Always have your Add to Basket and Checkout buttons on screen

Have them in the same corner of every page and make it easy for customers to purchase.



## A picture's worth a thousand words

Pictures are powerful. Use simple, uncluttered and professional product images to sell your goods.



## Support a wide range of devices

Check your mobile site on a range of devices, browsers and screen sizes; from a 'in' smartphone screen to the largest tablet.

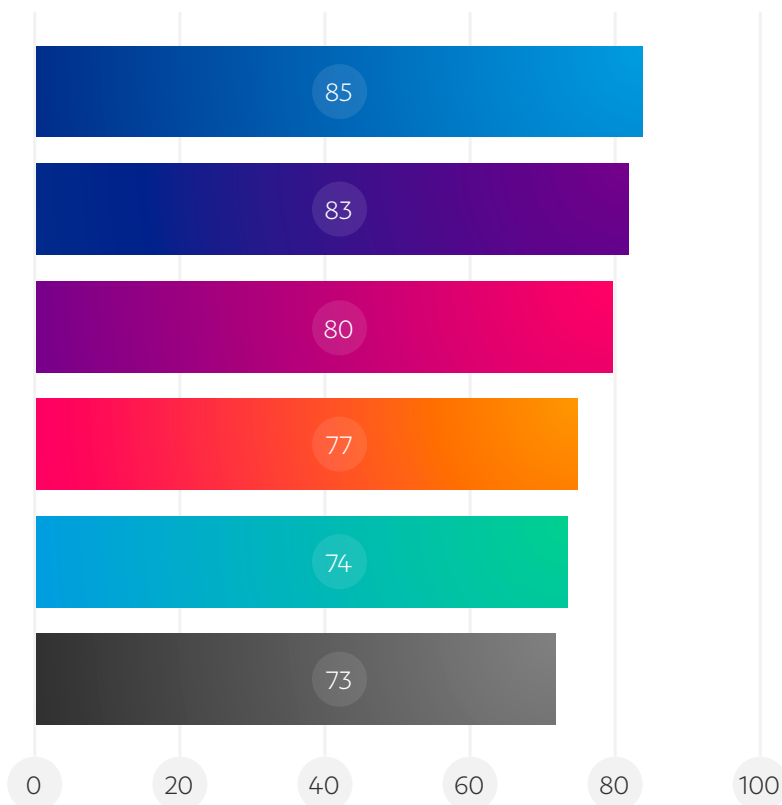
Learn more about making money with mobile, and download the guide, on our special [site](#).

# Be where your customers are

Design is important, but there are other things you should also consider.

Think how you can be at the right place and time with exactly what shoppers are seeking. When asked “What type of advertising is most effective in encouraging you to purchase something using your smartphone or tablet (rather than in person or using another device)?”, 3 in 10 (30%) shoppers said an email they’d seen on their mobile device. Two in 10 (20%) mentioned links to products or services on social media.

The research also found that gifts are the category most often purchased on mobile. Other popular categories include:



- Gifts
- Clothing, accessories or shoes
- Books, films, games or music
- Electronics or gadgets
- Leisure and entertainment
- Travel and holiday

## SMALL BUSINESS INSIGHT

Our research also found that 6 in 10 (60%) of small businesses already promote their businesses on social media. Overall, Facebook is the most popular with shoppers and small businesses but be sure to check where your customers prefer. For example, if you sell to other businesses, then LinkedIn might be a better platform (41% of small businesses use LinkedIn to promote their business).

Promoting your products at the peak shopping time of 6.00pm to 10.00pm, on the channels where shoppers are most receptive will improve the chances of shoppers visiting your site, especially if your promotion is linked to an important and current event like Easter, Back-to-school or Christmas.



For more information on marketing your business, try our guide [How to sell like Christmas all year round](#).

# About the research



Unless otherwise stated, the research findings in this report come from primary research undertaken on behalf of PayPal UK by Censuswide. You can learn more about the research, [here](#).

The research comprised two online quantitative surveys, one for online shoppers and the other for small business owners. The surveys ran between 11th and 16th August 2017.

The online shopper sample consisted of 2,018 online shoppers with the following profile:

- ✧ Based in the UK
- ✧ 16+ years old
- ✧ Own or have access to a smartphone or tablet
- ✧ Purchased goods or services online on a monthly or more frequent basis

The sample of small business owners consisted of 2,001 individuals with the following profile:

- ✧ Based in the UK
- ✧ With 1-50 employees
- ✧ Business owners only





## References

<sup>1</sup> Ofcom (2017), The Communications Market Report, <https://www.ofcom.org.uk/research-and-data/multi-sector-research/cmr/cmr-2017>

<sup>2</sup> Centre for Retail Research (2018), Online Retailing: Britain, Europe, US and Canada 2017, <http://www.retailresearch.org/onlineretailing.php>

<sup>3</sup> Dan Schulman, PayPal CEO (2018), interviewed on CNBC 23rd January 2018, <https://www.cnn.com/video/2018/01/23/paypal-ceo-were-seeing-a-massive-move-towards-mobile-payments.html>

<sup>4</sup> OC&C, PayPal and Google (2017), The Mobile Mandate: How retailers must adapt in a mobile-first world, <http://www.ocstrategy.co.uk/en/Insights/STU/The%20Mobile%20Mandate>

<sup>5</sup> Ofcom, 2017

<sup>6</sup> PayPal internal data (2018)

<sup>7</sup> PayPal and Business Insider UK (2016), Security issues are a barrier to e-commerce adoption, <http://uk.businessinsider.com/security-issues-are-a-barrier-to-e-commerce-adoption-2016-11>

<sup>8</sup> Ofcom, 2017

<sup>9</sup> OC&C, PayPal and Google, 2017

<sup>10</sup> PayPal, 2018



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