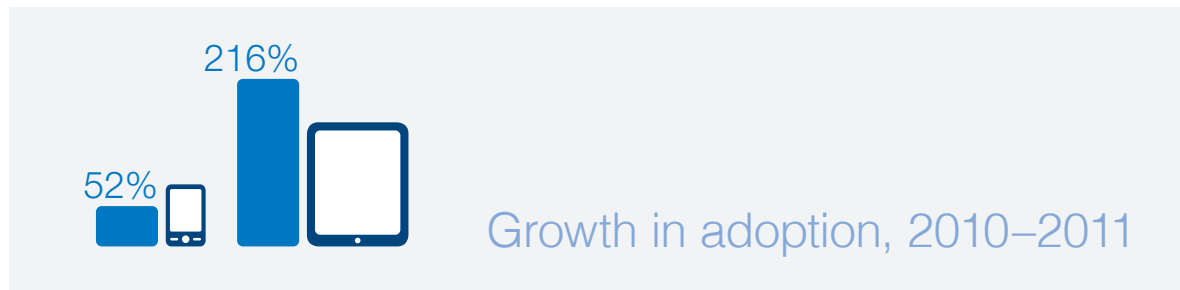


The multi-device mobile shopper. Highlights from a 2012 study of emerging retail behavior conducted by comScore on behalf of PayPal.



Key findings:

- Consumers are using smartphones and tablets for a broad range of commerce-related activities both at home and in store.
- People who own both tablets and smartphones tend to be more active in the purchase process and also report the highest increase in their e-commerce spend.
- Mobile devices are being integrated throughout the purchase process but consumers have strong preferences for which device they use at various stages. Among those who own multiple devices, more than one-third of purchases are started on one device and completed on another: PCs are still the preference for the actual purchase while phones and tablets are more likely to be preferred for shopping.
- Smartphones lead to more impulse purchasing, and increase price scrutiny as they enable consumers to purchase from online retail vendors while in a physical retail store – pitting physical retailers against online retailers in a dual of immediacy and accessibility vs. price.
- Accessibility is the key driver of on-device purchasing, but for a substantial number of consumers, concerns about security or complexity of the check-out process can hinder the sale.
- Overall there are high levels of satisfaction with purchasing via mobile devices and both single and multi-device shoppers report increased reliance on mobile commerce in the future.

Mobile shopping and commerce is going on throughout the day but has its own distinct “primetimes” for activity based on the device. PCs rule the workday while tablets dominate at home and peak in usage during television primetime. Mobile phones fill in the on-the-go gaps in between with steady usage throughout the day.



Key comScore Study Stats:



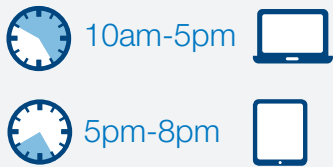
55% of smartphones are used for shopping activities in a brick and mortar retail store.



25% of dual devices shoppers have scanned a QR code or barcode in store.



Mobile tripled its share of total e-commerce in the past year – Q4 2010 was at 3% and Q4 2011 was at 9%.



PCs dominate working hours (10 AM to 5 PM); tablets rule the home (5 AM to 8 PM).



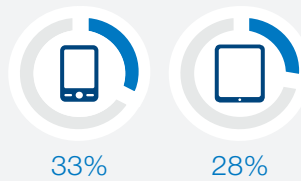
50% of online buyers who own a smartphone have used their smartphones to shop; 62% who own a tablet have used their tablets to shop.



9/10 of online purchases happen from home.



Half of mobile owners are shopping on mobile devices from home.



At home, 33% shop from their smartphone and 28% shop from their tablet.



2/3 of mobile shoppers are watching TV while they shop.



Top 5 tips for retailers

1. Embrace the multi-device shopper through both a mobile optimized site and a product search-friendly mobile app.
2. Use the data about how people shop on mobile – both what devices and by what times of day and modalities of shopping – to inform content selection and device optimization for tablets and smartphones.
3. Address “scan and scam” in-store shoppers by using loyalty programs including rewards and couponing, plus training sales staff to spot the behavior and help these shoppers get the info they need, so they don’t walk out the door or purchase from another retailer online.
4. Encourage mobile impulse shopping with universal sign-in (between the wired and mobile web) and simple check out through a known and trusted payment provider.
5. Mobile and location go hand in hand: use the power of geo-triggered services, like PayPal Media Network, to encourage in-store loyalty and on-site purchases.

Objectives:

PayPal commissioned comScore to help understand current awareness of and behavior in consumers’ usage of smartphones and tablets for shopping and making purchases online. In particular, the research would examine: the impact of mobile devices on consumer shopping behaviors; differences in the behaviors between those who own one mobile device versus those who own both a smartphone and a tablet; varying levels of consumer engagement with the devices, and impediments to purchase on the device.

Methodology:

comScore blended online retail behavioral data with data collected through a custom survey to provide a complete analysis of how connected devices are impacting consumers in the offline and online retail sphere. The data sources included the comScore PC Panel, Mobile Smartphone Panel, MobiLens Panel, comScore Device Essentials’ Tags and a custom survey. To accurately reflect some predisposition for online shopping, the base of respondents were smartphone and/or tablet owners who had conducted at least one online transaction in the past year. 1,450 respondents own smartphones, 768 own tablets and of those, 516 own both.



Introduction:

With the rapid adoption of smartphones – which now are at 45% penetration of all mobile consumers – and tablets – which are now owned by 15% of mobile consumers (comScore, January 2012) – millions of Americans are armed with portable devices that can be used in the shopping process. comScore estimates that 1 in 10 web content pages are now viewed on mobile devices and that mobile content consumption is growing in the double digits quarterly while the wired web is experiencing slight declines [see chart 1]. In just one year, comScore’s data shows that mobile tripled its share of e-commerce spend from just 3% in Q4 of 2010 to 9% in Q4 of 2011.

In this dynamic world, mobile devices have become a third screen of marketing (after TV and the PC). Their ubiquity and portability are key in how they are transforming the online and offline retail experience.

Where mobile devices are used and impact on retail

Mobile may connote that consumers are always in an “on the go” mentality, but the reality is that much of the usage of mobile devices (both smartphones and tablets) for commerce-related activity takes place in the home: 50% of respondents said they were using their mobile device for shopping while at home. Of these, 33% shopped via their phone and 28% via the tablet – tablets at this stage in their market adoption have much lower penetration rates. When asked what else they might be doing while shopping via a tablet/phone, 2/3 reported that they were watching TV while shopping via a mobile device, indicating strong potential for mobile to be used to take action on television marketing messages.

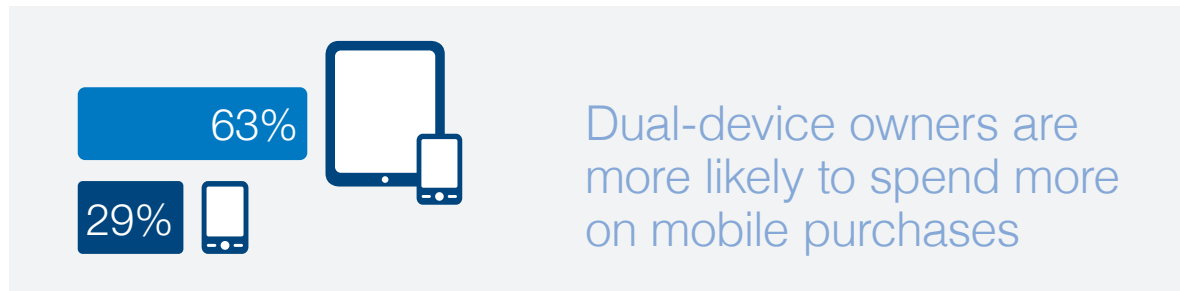


For those who use their mobile devices in stores – where smartphones predominate – mobile devices are used both to socialize products (51% took a picture of an item and 44% texted or emailed about a product) while 38% of smartphone shoppers scanned a barcode or QR code as part of the research process.

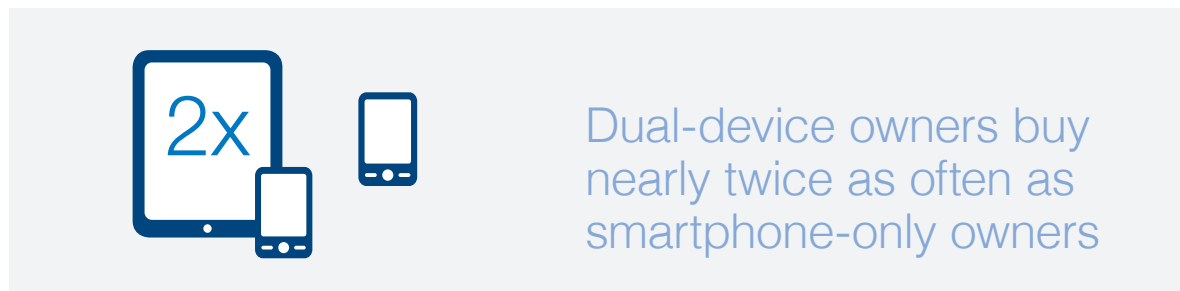


It's all additive: multi-device shopping behavior

People who own both tablets and smartphones are more likely to be active shoppers with those devices: 25% have scanned a QR/barcode while in store (as compared to 4% of smartphone-only shoppers) and 19% have compared prices online while in a physical store (as compared to 6% of smartphone-only shoppers) [see chart 2]. Does all this activity with mobile devices add to increased sales? Fifty-seven percent of multi-device shoppers reported increased on-device spending while 46% of smartphone-only shoppers reported a similar increase versus a year ago. One-in-five smartphone-only buyers reports that they would not have completed a recent purchase elsewhere had they not had the device with them.



Multi-device owners are much more engaged in the research process pre-purchase, with 84% saying they are more likely to research purchases as compared to 69% of smartphone-only owners. As considered purchasers, multi-device owners shop across devices with a relatively balanced use of each device: 24% prefer their smartphone for shopping, 27% prefer the tablet and 35% still prefer the PC [see chart 3]. In terms of making the actual purchase, the PC wins out as preferred buying platform by 49% but a healthy 22% prefer the tablet. More than one-third (34%) of multi-device owners tend to start shopping on one device and fulfill the cycle on others: 44% who started the purchase process on a smartphone completed it on the PC while 74% who started on a PC completed the purchase in store.



Multi-device owners are displaying one of the most challenging behaviors for retailers: 64% of them purchased (presumed) on a smartphone an item they were looking at in a physical store as compared to 28% of smartphone-only owners. Of course, the item could have been purchased from that same retailer, but also from another merchant online.



The power of the smartphone-only shopper: impulse shopping

As smartphones have more than 45% penetration of the mobile market according to comScore, it's valuable to look at smartphone-only shoppers and their distinct behavior. Fifty-seven percent of smartphone-only buyers report impulse purchasing vs. 44% of tablet-only buyers and 48% of multi-device buyers. Impulse purchasers are likely to be young (index of 169 for 18-34 against the total online purchaser population), affluent (index of 148 for HHI \$75K-\$100K) and slightly more male than female (131 index). This highly-desirable behavioral attribute is more pronounced among people who are full-time employed (126 index) and parents (131 index). For the challenging lifestyle demands of work and parenting, mobile devices likely provide a convenience factor in terms of purchasing.

Drivers to mobile commerce: accessibility & ubiquity

Mobile devices – especially smartphones – are rightly characterized by their “don't leave home without them” quality. Accessibility is the number one reason either smartphone (40%) or tablet (45%) owners say they are using them to make the purchase. Nearly 40% of either smartphone or tablet owners cite the fact they could use the devices on the go or during idle time as a major determinant of the purchase [see chart 4]. In this respect, mobile devices can be an incredible boon to merchants: in time-pressed lives they enable consumers to purchase whenever and wherever desired.

m-Commerce issues to be addressed

While phones have turned some consumers into e-commerce impulse purchasers, for others, there are impediments to the sale, most of which involve security issues. Forty percent of those who shop via smartphone (but do not complete the purchase) report that they are not likely to be making purchases via the device in the future due to security issues. A slightly lower proportion of tablet owners have these concerns (31%), possibly because they are more likely to be using the devices on home Wi-Fi encrypted networks. Interestingly, issues like the size of the screen are only an impediment for 21% of smartphone shoppers who do not buy.

In terms of what would encourage consumers to make purchases via connected devices, ease of process trumps all other responses: 65% said it would be ideal if they could make the purchase in a couple of clicks – only 59% of respondents feel making a purchase on a tablet is as safe as on a PC and only 40% feel smartphones are secure. For those who shopped via a smartphone but chose to purchase elsewhere, there still is a desire for products to be tangible: 51% simply wanted to see the product before they bought it. Once again, ease came into the equation: 37% said the check-out process was too complicated. In terms of payment choice (on either device), security of the payment, ease of use, and security of the site were nearly equal in importance, ranked by 78%, 77% and 77% respectively. Having an Express Checkout function with a trusted payment provider can address these issues.



Takeaways for retailers

The multi-device Shopper reveals both significant opportunities and challenges for retailers. With the rise of smartphones and the rapid adoption of tablets, consumers have been handed new ways to research and make a purchase and indeed these devices (especially smartphones) are bringing back the concept of impulse purchasing. This is welcome news for retailers stabilizing and increasing their business after several years of challenging economic times. But, with the increase in use of these devices, the purchase process is that much more complex. Multi-device shoppers have become the ultimate informed consumers. They use these devices in store to scan for product information and further for on-the-spot price comparison; creating what has been deemed retailers' worst nightmare. The latter behavior is pitting brick and mortar retailers against online merchants in a manner that can degrade retail loyalty in favor of pure price sensitivity.

How can traditional retailers use mobile commerce behaviors to their best advantage? Acknowledge that consumers can and will use the phones in store to get more information. Having an optimized mobile site and the ability to scan for more information is essential. Retail apps that reward these customers with exclusive offers for app usage – or encourage them to use that retailer's app in store – are best practices. Various services are available that can precision geo-target retail locations and have the capability to trigger offers based on retail proximity which can also encourage on-the-spot sales.

For both offline and online-only merchants looking to drive sales on mobile devices, it's all about ease of access to information, content that fits the constraints (and is optimized for the unique qualities) of that device, and finally, ease of the payment process. Consumer concerns about security are similar to those expressed at the end of the '90s when it was once thought that people would never enter their credit cards online. Merchants worked to educate consumers (and adopted best practices in data security) and thus e-commerce grew rapidly into the over \$200 billion dollar business it is today. Merchants need to make the checkout process simple, encourage impulse purchasing with one-click ordering for customers who have stored information, and above all, educate and stress secure and known payment entities.

