



The 2015 Mobile Opportunity: How Brands Are Shifting Their M-Commerce Strategies

A WBR Digital Whitepaper Presented in Conjunction with
Jumio and Urban Airship

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Executive Summary

Driven forward by technological innovation, the retail paradigm is in the midst of a significant shift. The proliferation of shopping channels has fundamentally impacted consumer behavior, creating a more diffuse shopping experience that is increasingly being carried out over multiple channels. Mobile capabilities are at the center of this diffusion; their ubiquity has opened up a wealth of new opportunities for retailers to market to and engage with consumers. Mobile has become a formidable commercial channel, posting a year-over-year growth rate of 47% in mid-2014 compared with 10% growth for desktop-based e-commerce. Moreover, through innovative mobile tools like shopping apps, location-based services, and mobile wallets, retailers can deliver hyper-contextual marketing messages to consumers, wherever they may be. Thanks to mobile, brands are more embedded than ever in consumers' daily lives.

Although mobile commerce is becoming an increasingly valuable revenue stream for retailers, mobile's greater significance may be as the nexus of the omnichannel shopping experience. As consumers have become accustomed to consulting many different channels prior to making a purchase, multichannel retail has become an anachronism. Brands are now focused on providing exceptional, consistent, and streamlined experiences across all channels – store, desktop, mobile, and call centers – with the understanding that consumers are accessing many of these resources nearly simultaneously in order to make purchasing decisions. These omnichannel strategies would not be possible without mobile capabilities, which follow digitally connected consumers wherever they go, offering brands unprecedented access to users.

Brands are also being confronted by difficult new challenges as they work to leverage m-commerce. As mobile commerce has continued to cement itself as a significant revenue source and the volume of mobile purchases grows, retailers have been faced with a greater risk of transaction fraud. Many brands have responded by building out robust anti-fraud measures, although mobile transaction security has not been a top priority for all businesses. For retailers both big and small, fraud protection is critical to maintain consumer confidence in m-commerce.

What follows is an analysis of the best practices and paradigm-shifting capabilities retailers are leveraging to drive revenue through mobile. Attention is paid to brands' shifting mobile priorities and opportunities, mobile transaction security, and mitigating shopping cart abandonment. The analysis is based on survey data collected from retail executives and professionals in a variety of industries. This data was collected on-site at WBR's 2014 Mobile Shopping Summit and through an online survey. The findings are based on the insights and practices of some of the world's leading brands.

Jumio on Mobile Security



Marc Barach

Chief Marketing and Strategy Officer

Jumio

Providing a secure, streamlined customer experience should be the number one priority for retailers who want to avoid shopping cart abandonment and succeed in m-commerce. But most retailers still have a long way to go in achieving this goal. One hundred percent of retailers surveyed report having lost customers at the point of checkout during the holiday season, with more than half (54 percent) losing one-third or more of their customers, and one in four (25 percent) losing two-thirds or more of their customers at some point during the checkout process.

With slight modifications to simplify the checkout process, retailers can easily stem this tide. One such technology is from Jumio, the online and mobile credentials management company. Jumio's BAM Checkout technology, which enables users to bypass nearly all manual key entry when completing a mobile purchase, greatly reduces checkout time and improves data accuracy, transforming mobile checkout from requiring an average of 75 manual key entries that can take nearly two minutes, to a card scanning solution that takes only seconds. BAM Checkout directly impacts a retailer's bottom line by increasing transaction completion rates by more than 10 percent.

Another way to increase transaction rates and checkout efficiency is increasing security during the mobile checkout process. Twenty-nine percent of retailers surveyed in the whitepaper have seen an increase in fraud in mobile commerce. This is supported by a recent Mobile Consumer Insights Study conducted by Jumio, which found that 51 percent of respondents failed to complete an attempted purchase on their smartphone/tablet because they didn't feel comfortable entering their credit card information. Strengthened security not only minimizes fraud, but also instills greater confidence into the consumer so that they're more likely to complete transactions.

As retailers navigate the ever-evolving mobile commerce landscape, it's crucial that they take the necessary steps to increase mobile user confidence, ease and overall satisfaction so that fewer customers abandon and more customers buy.

Understanding Mobile's Seismic Shift



Brent Hieggelke
CMO
Urban Airship

A year ago, many businesses saw the mobile majority arrive, where half or more of digital traffic originated from mobile devices. Now, mobile devices are projected to account for 53% of online shopping (IBM's Quarterly Retail Forecast) and 31% of all online sales on Thanksgiving (Adobe holiday shopping forecast).

Brands need to reflect this seismic shift toward mobile with equal shifts in their marketing efforts. Simply porting digital programs to mobile screens isn't enough. It's a fundamental new world of making consumers love your brand on mobile. While you must continue to do what you've mastered digitally—mobile web, search, digital merchandising, social,

email, advertising—simply optimizing these efforts for mobile won't keep pace with the way consumer behavior is trending. Unconvinced? Look no further than Flurry's recent analysis showing that more than 86% of mobile time spent is in apps, not mobile web.

In short, just as success online wasn't predicated on success in physical stores, success in mobile isn't predicated on success with websites. To succeed, retailers need to embrace designing for the new mobile paradigm: **mobile moments**.

Mobile is transforming consumer behaviors—ever-present, there at moments of need, inspiration and action. Brands need to move from hijacking mobile moments to sparking them. This means engaging customers in highly contextual moments throughout their day, rather than being there only after a need is recognized or worse, trying to fabricate a need by broadcasting to your audience.

Successful brands build engagement into their apps to provide value in customers' lives. They've shifted from a one-sided sales focus, to inform and inspire customers on their terms with relevant content and services. The REI Snow Report app is a prime example, bringing utility to shoppers. Pick favorite resorts and see the latest conditions, forecasts and trail maps. Select snowfall level and time of day to receive alerts that help plan for an adventure – a skier's dream.

Few brands exemplify the true impact mobile can have on customer relationships more than Starbucks efforts to build a mobile community and re-engineer its business for mobile with payments, tipping and, soon, "pay ahead."

Success in the mobile age requires a shift in marketing to emphasize relevance over reach, invitation over interruption and even a service and utility-oriented approach over sales. Marketing was a business-focused endeavor; going forward it will be a customer-focused one, based on their passions, in the moment.

Key Findings



Mobile is quickly becoming the lynchpin of omnichannel strategy and brands are prioritizing accordingly.

From app- and mobile website-based m-commerce capabilities to hyper-contextual marketing and bold new consumer engagement opportunities, mobile is the platform that connects every component of an omnichannel retail strategy. In order to take advantage of these omnichannel opportunities, brands are moving on 3 mobile priorities: integrating mobile with search and social; leveraging mobile to segment customers and personalize marketing messages; and digitizing the in-store experience with mobile capabilities.



As the ascendance of m-commerce continues, retailers expect revenue from desktop browsers, mobile browsers, and mobile apps to even out.

Although desktop browsers are currently the greatest online revenue sources for most businesses, respondents expect revenue to become more evenly distributed across desktop browsers, mobile browsers, and mobile apps over the next three years. However, in order to realize this revenue shift, retailers will have to solve the present mobile conversion gap.



The expansion of m-commerce and utilization of mobile Point of Sale devices has heightened mobile fraud concerns.

With both small and large businesses enabling their customers to make purchases on mobile devices, mobile transaction security has become a principal concern, especially during the holiday shopping season. Unfortunately, many businesses are not prioritizing fraud solutions in the mobile channel.



Given the context of mobile shopping, cart abandonment represents a key challenge for retailers.

Because many consumers are not completing the purchases they initiate on mobile devices, retailers are losing millions in potential revenue. Luckily, much of this revenue is recoverable, especially when customers are able to complete their purchases through other channels. This further underlines the critical role mobile plays in omnichannel strategies.



Research Findings

Shifting Priorities and Opportunities

The retail world's shift from multichannel to omnichannel has at its core one fundamental insight: consumers are not traveling down a single linear purchasing path, but rather are consulting multiple channels before making their purchasing decisions. Mobile connectivity has made the shopping experience more diffuse than ever by multiplying touch points and blurring the lines between marketing channels. Instead of following a singular "path to purchase," consumers have become part of a ubiquitous shopping ecosystem.

This is good news for brands, which are now more embedded in consumers' lives than ever before. However, the omnichannel paradigm also presents a myriad of unique challenges for retailers. Consumers now demand personalized experiences that are consistent across channels, which places new emphasis on retailers' ability to collect and appropriately act on consumer information. Similarly, retailers are working to make marketing hyper-contextual, getting the right message to the right prospects at the right place and time.

As the most ubiquitous channel connecting consumers with brands, mobile is quickly becoming the lynchpin of omnichannel strategy. Mobile apps, websites, and notifications follow consumers wherever they go, offering brands unprecedented access to prospects. Opportunities for engagement on mobile are abundant, which is why eMarketer expects mobile advertising spend to grow to \$31.5 billion by the end of 2014, a 75% increase from 2013.

However, advertising is just one dimension of mobile strategy. Although brands are leveraging mobile to serve many different purposes, the top mobile priorities are clear. First, retailers are looking to effectively integrate mobile with search and social, which helps create a more fluid experience for users. This integration is especially critical considering 70% of mobile searches lead to action on a website within one hour of the search, based on research by iAcquire. Retailers are also pushing for better customer segmentation through mobile, which enables them to deliver hyper-personalized experiences. Finally, brands are increasingly using mobile capabilities to help digitize the in-store experience, bridging the gap between digital and physical retail.



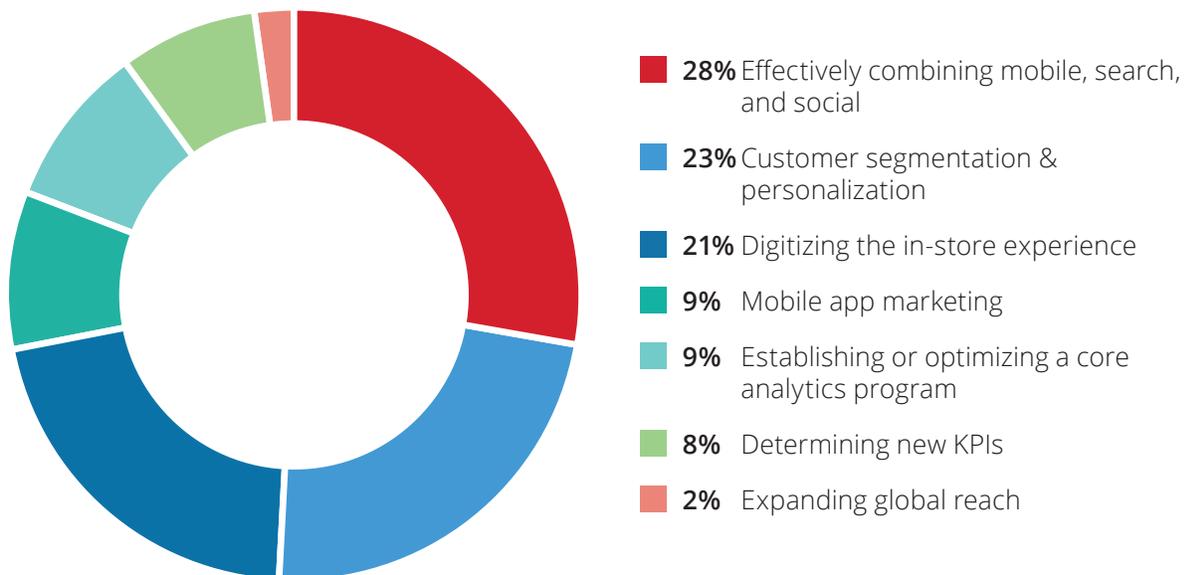
Retailers are focused not just on the potential of mobile as a buying channel, but as a critical component of a greater omnichannel strategy. In an omnichannel context, mobile can be a bridge between channels while also enabling retailers to personalize consumers' shopping experiences.

Technological innovation is the cornerstone of the omnichannel paradigm. This is particularly true for mobile capabilities, which have evolved rapidly over the past 10 years. The development of mobile commerce tools has proceeded in stages. Most recently, retailers have been focused on rolling out mobile-optimized websites and apps. As a result, 80% of survey respondents have active mobile websites and m-commerce tools, while more than half have Android or iOS apps. The next wave of innovation will likely center around more advanced capabilities like Bluetooth Low Energy (BLE) Beacons, mobile payment technologies, location-based services, and responsive design, while more invasive tools like QR Codes will begin to disappear. In the shorter term, however, retailers are focusing on improving the m-commerce experience and driving greater traffic to m-commerce sites.

Without a doubt, mobile has become an important marketing tool for retailers worldwide, but perhaps the most significant trend in mobile has been the ascendance of mobile retail sales. According to Forrester Research, mobile retail sales accounted for \$8 billion in 2013 (approximately 3% of all online sales, and less than 1% of total retail sales), although Forrester expects m-commerce to grow 33% annually through 2017. Despite the fact that mobile purchases currently only make up a fraction of all online retail revenue, survey respondents expect revenue to become more evenly distributed across desktop browsers, mobile browsers, and mobile apps over the next 3 years.

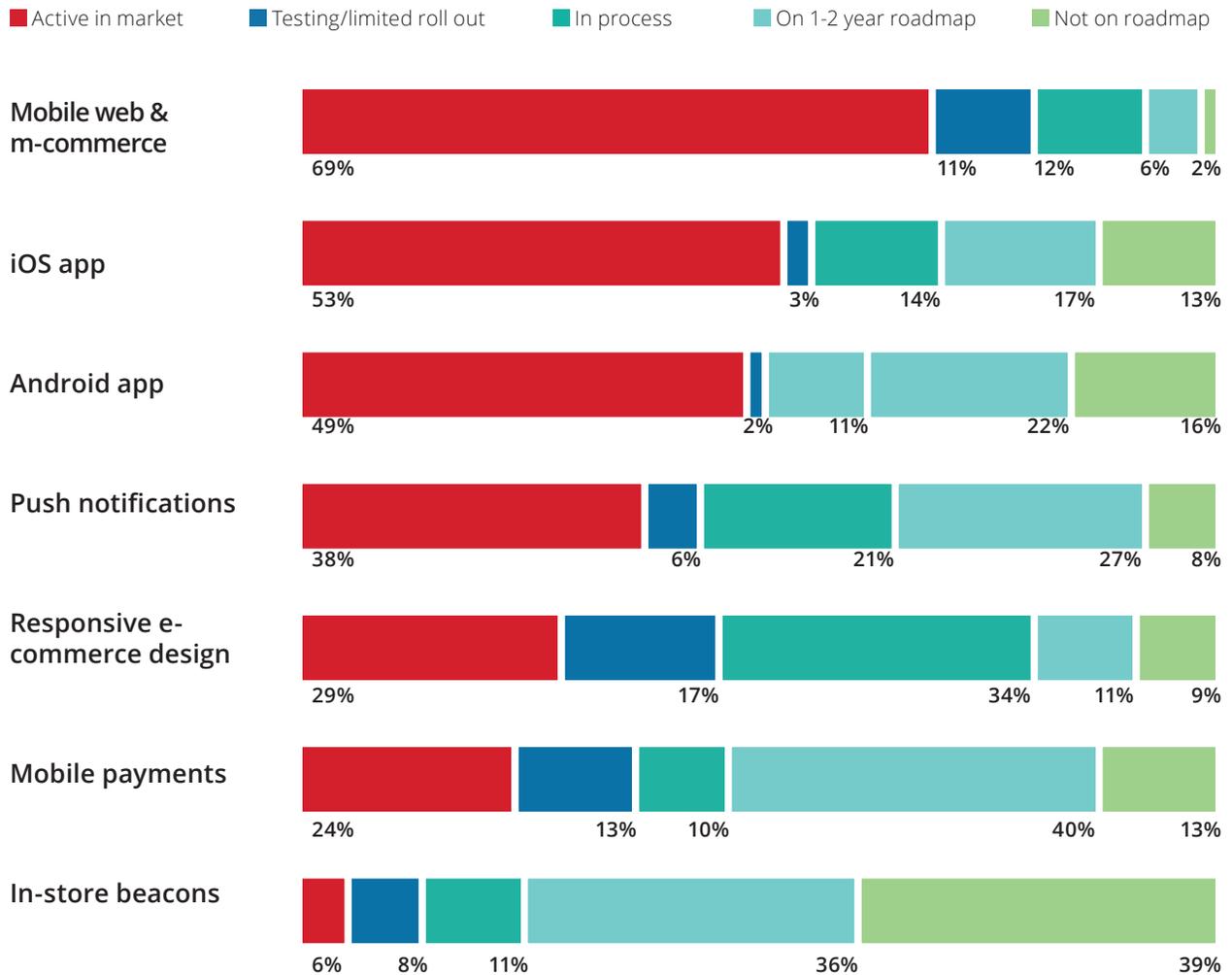
Over the next 12 months, marketers' top mobile priority will be more effectively combining mobile, search, and social, followed by improved customer segmentation and personalization.

What will be your biggest priority in mobile over the next 12 months?



Unsurprisingly, mobile web optimization and m-commerce tools have taken priority, while newer capabilities like mobile wallets and in-store beacons have lagged behind.

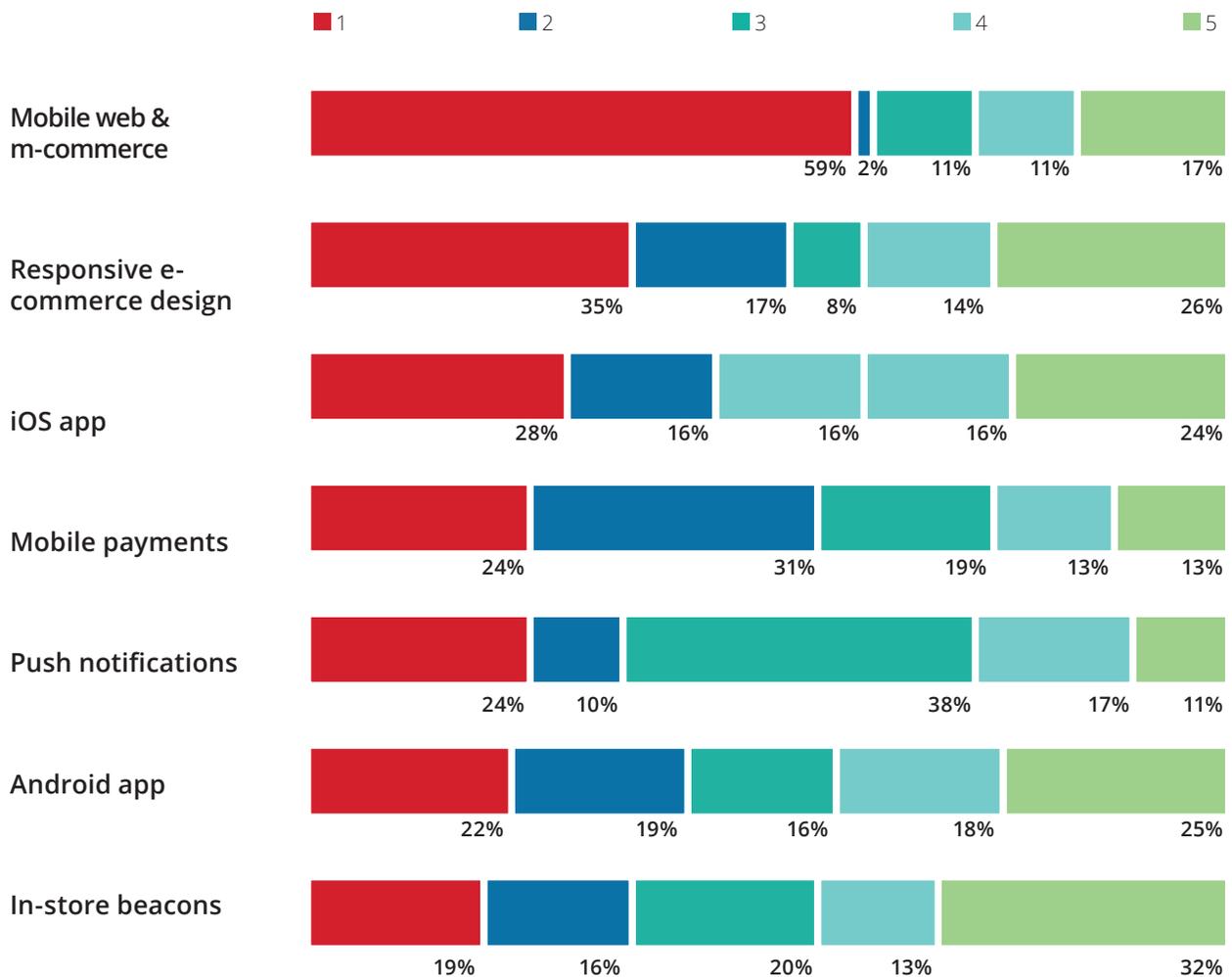
Describe your status with regard to the following mobile marketing initiatives:



It is no surprise that retailers are prioritizing m-commerce tools, as MarketLive estimates that smartphone m-commerce grew 141% in Q3 of 2014.

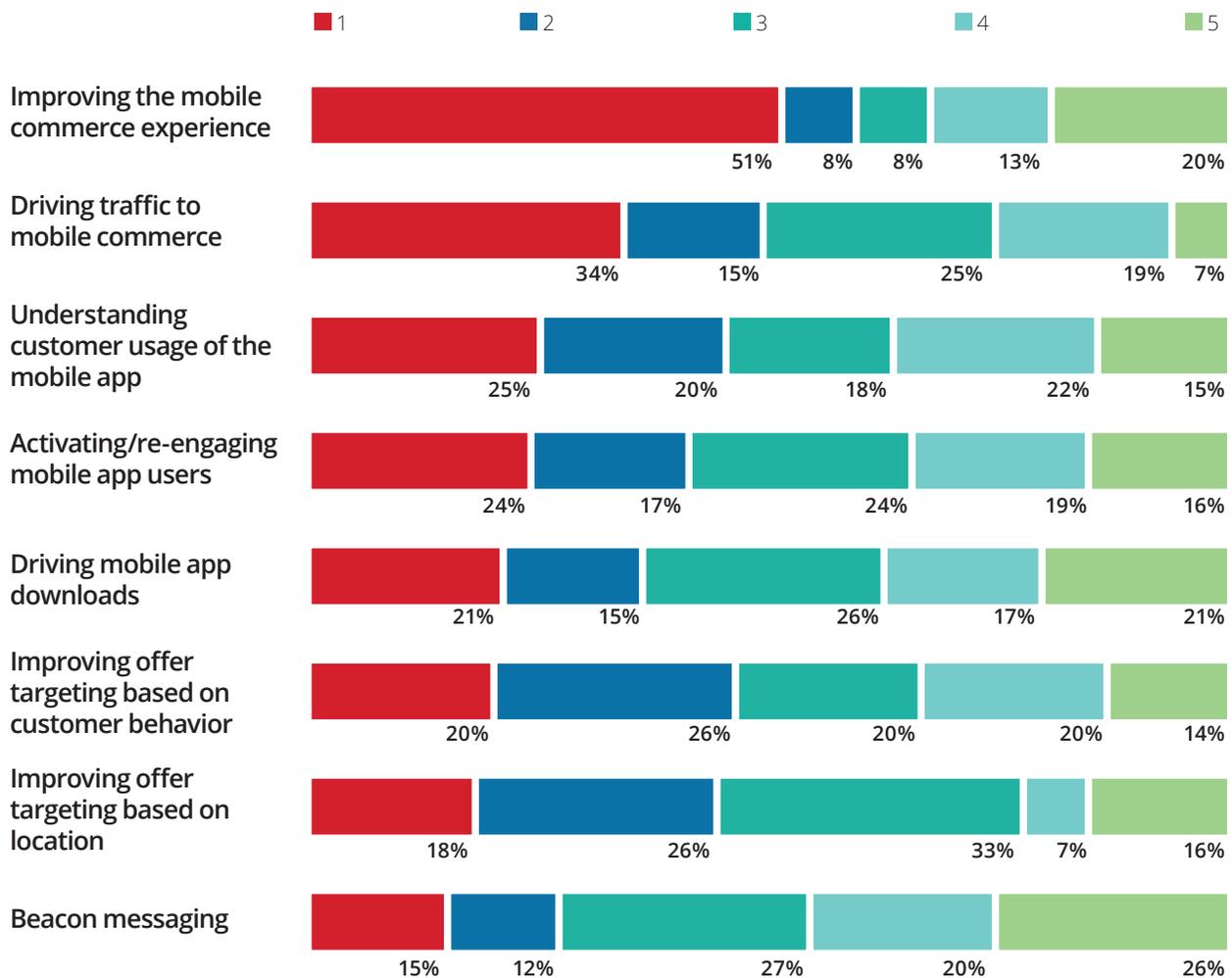
Mobile commerce and responsive design are the top 2 investment priorities for mobile marketers over the next 6-12 months.

Please rank your investment priorities for each of those initiatives over the next 6-12 months (rated from 1-5; 1 being high priority and 5 being low):



In the short-to-medium term, respondents see the enhancement of m-commerce experiences as the single biggest mobile opportunity.

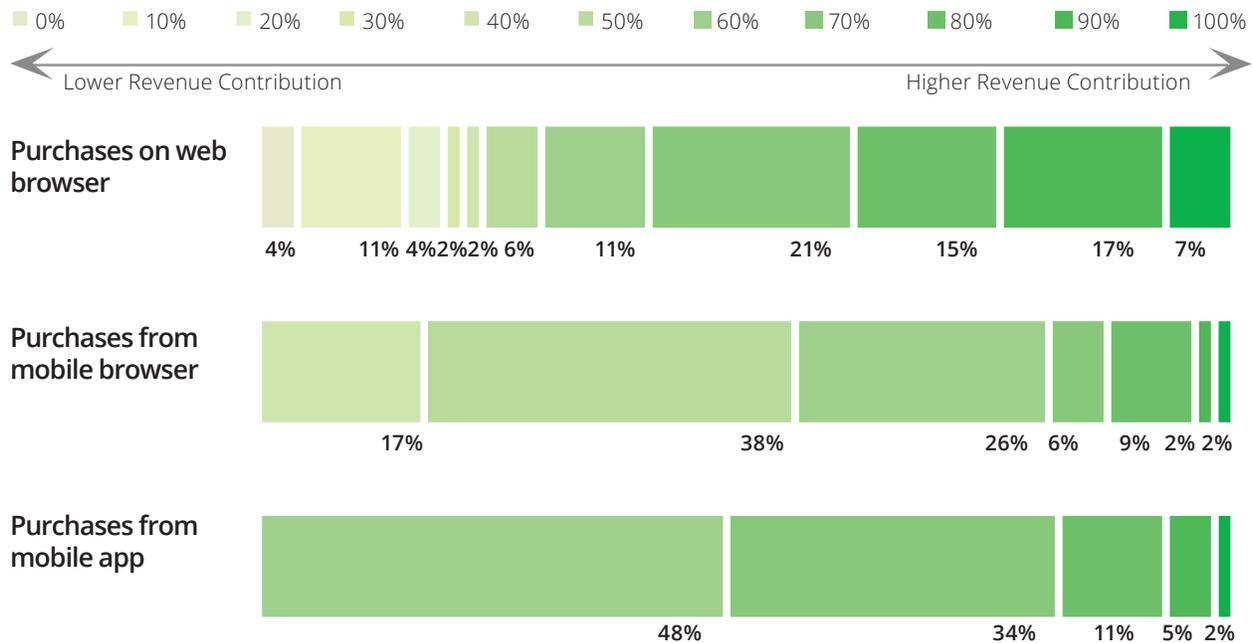
What do you consider to be the most important opportunity for your mobile strategy in the next 6-12 months? (Rated from 1-5; 1 being high priority and 5 being low.)



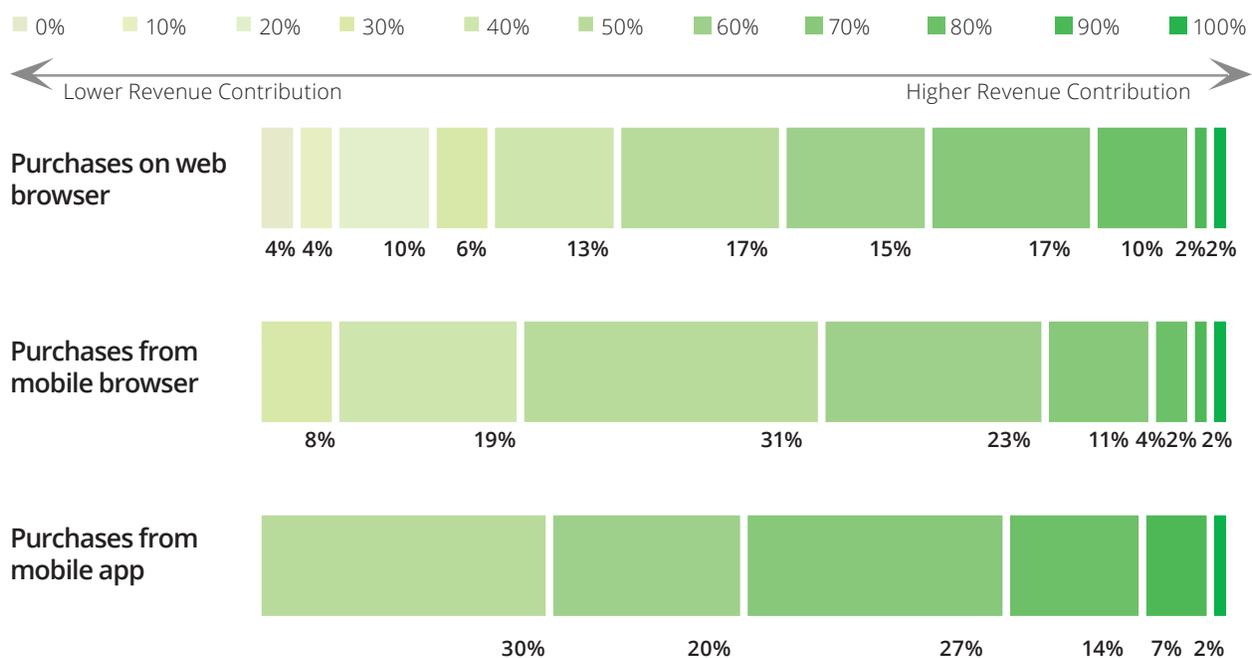
Although desktop browsers are currently the greatest online revenue sources for most businesses, respondents expect revenue to become more evenly distributed across desktop browsers, mobile browsers, and mobile apps over the next three years.

Estimate the percentage of revenue coming from each source below in the following time frames.

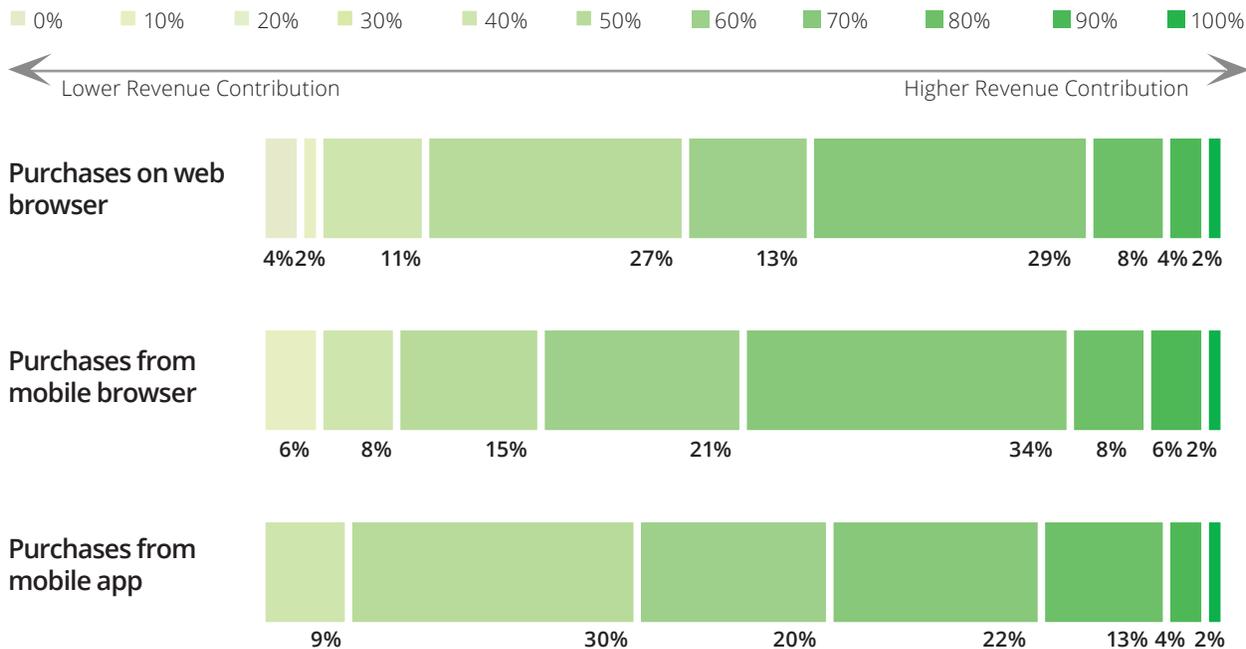
This Year



Next Year

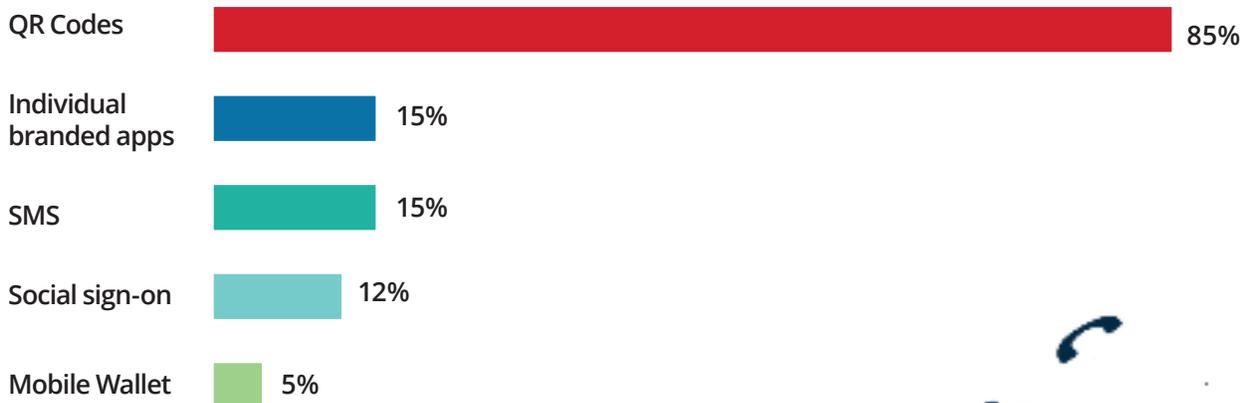


In 3 Years



Respondents overwhelmingly see QR Codes as the mobile technology that is most likely to disappear over the next 2-5 years.

Which mobile technologies do you believe will disappear in the next 2-5 years?



Because retailers have struggled to deliver timely, high-value messaging through QR Codes, it is not entirely clear what the value of those codes has been to consumers.

Security, Fraud Protection, and Customer Confidence: The Central Challenge

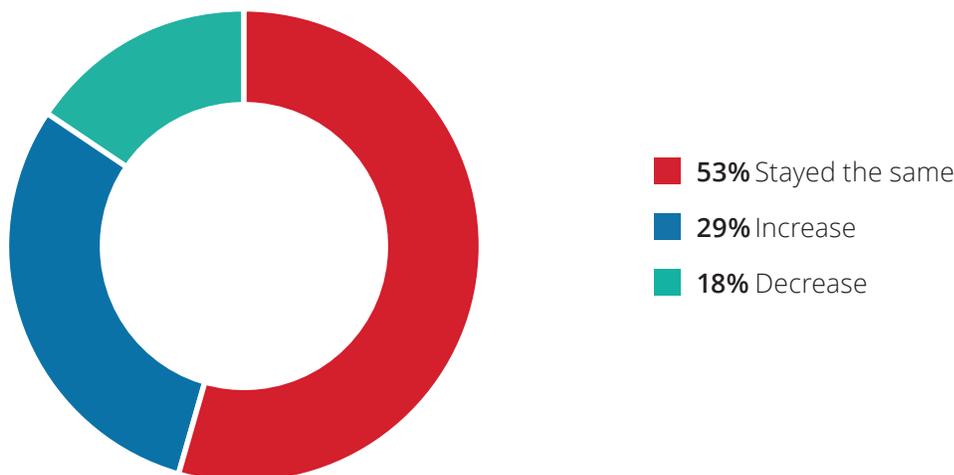
As mobile commerce has continued to grow, it has become the next frontier for fraud. Although more retailers than ever before are accepting some form of mobile payment, they are relying on fewer fraud solutions in the mobile channel. This is especially alarming given the expanded use of mobile point of sale hardware in retail store locations. In addition, many retailers see mobile as a riskier commercial channel than standard e-commerce. Survey respondents echoed this concern, with only 18% of those surveyed reporting a decrease in instances of fraud compared with 2013.

A focus on mobile transaction fraud is even more critical given the fact that the holiday shopping season is quickly approaching. M-commerce will play a key role this holiday season, with some companies estimating that mobile devices will account for up to 30% of all transactions on Cyber Monday this year. This trend will impact retailers of all sizes, with a recent LexisNexis study indicating that nearly 40% of small merchants are pursuing some sort of mobile commerce capability. This underscores the need for best-in-class transaction security, especially when considering that 40% of survey respondents agreed that fraudulent transactions occur more frequently during the holiday season.

Although fraud prevention remains a significant issue for online and multichannel retailers, few businesses are making transaction security a top priority over the next 12 months. In fact, preventing fraudulent transactions was the last among 4 main priorities for mobile retailers, whose top concerns were optimizing mobile sites, reducing glitches that impact the customer experience, and solving shopping cart abandonment. With so much risk currently associated with m-commerce, retailers must work quickly to build out the mobile-specific fraud prevention tools they need.

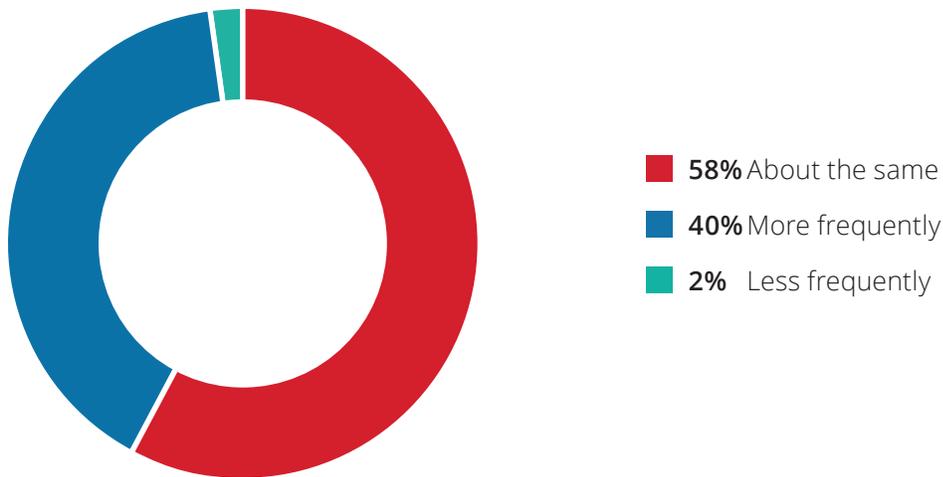
Most respondents reported that instances of fraud have remained relatively constant since last year, although 29% say they have seen an increase.

In the past year, have you seen an increase or decrease in instances of fraud?



Forty percent of those surveyed reported a higher incidence of fraud around the holidays.

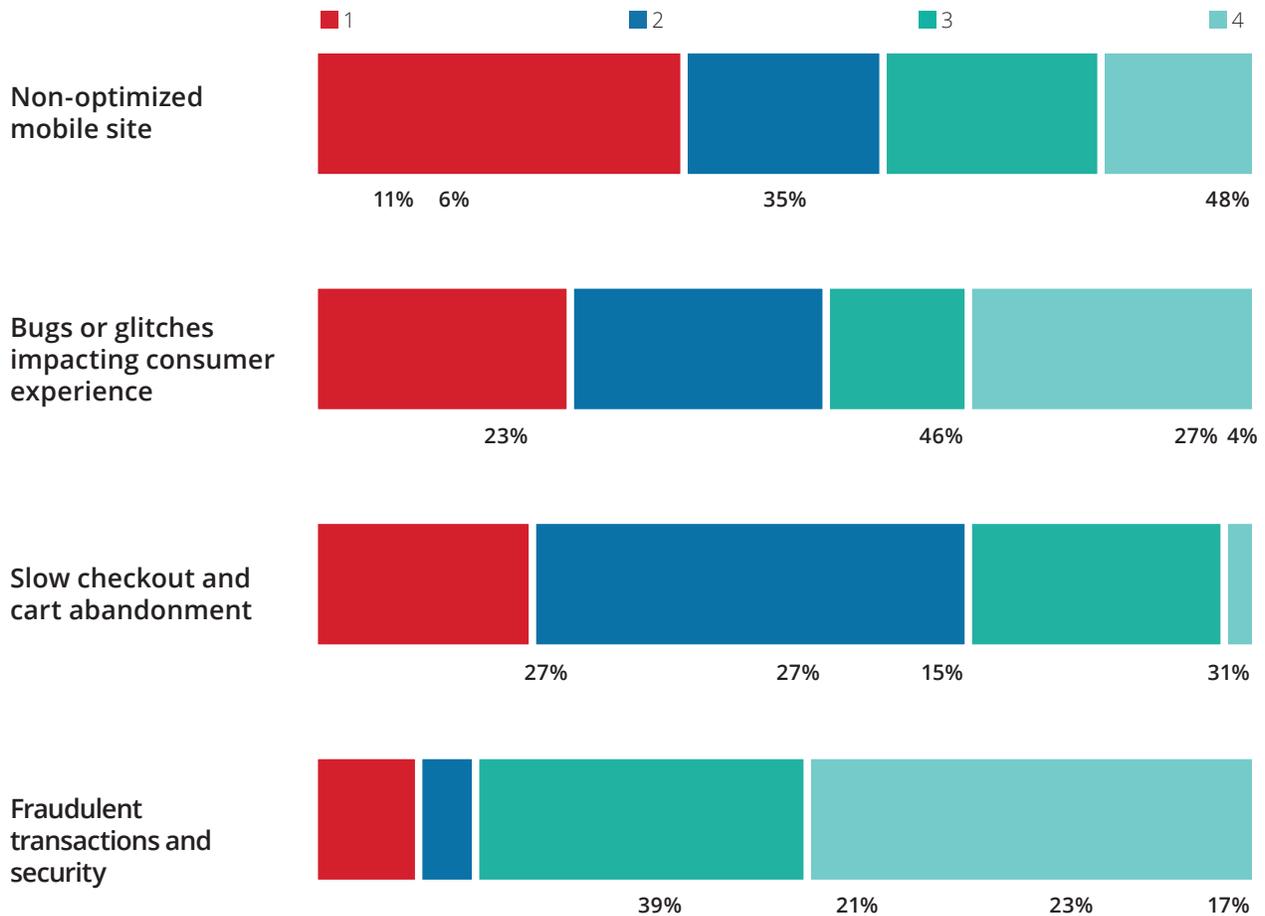
Do you find fraudulent transactions occur more or less frequently at the holidays?



The sheer volume of transactions that occurs around the holidays means great potential for transaction fraud. Banking institutions and retailers must work collaboratively to develop and implement transaction security measures, and make sure to extend them to mobile transactions.

Mobile site optimization is the top m-commerce priority this year.

What are your greatest m-commerce priorities this year?



Retailers are still more focused on building out their mobile commerce capabilities than ensuring transaction security, although fraud remains a hot-button issue in the industry.

Mitigating Shopping Cart Abandonment

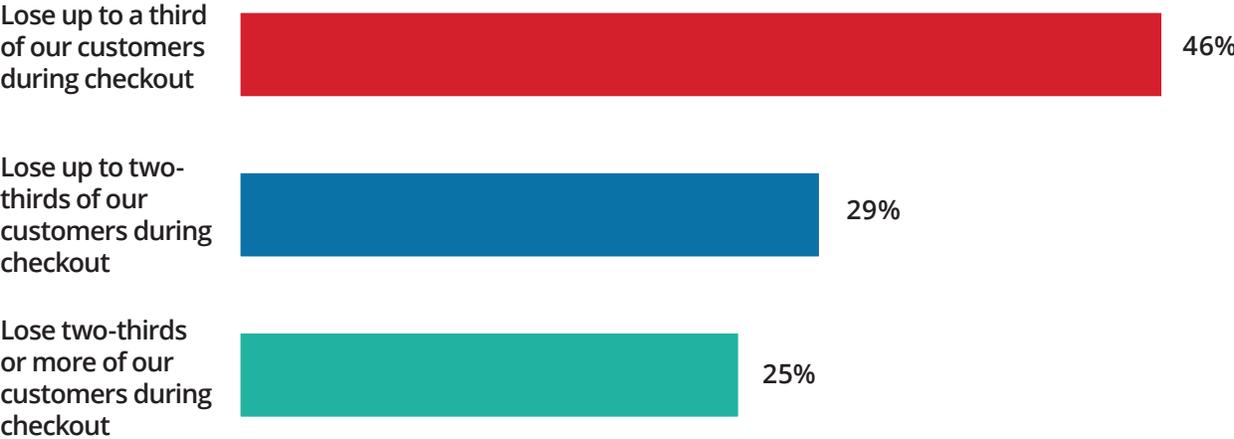
As with e-commerce, shopping cart abandonment is a paramount issue for mobile commerce. A recent study released by Business Intelligence estimates that approximately \$4 trillion worth of merchandise will be abandoned in online shopping carts in 2014. With mobile becoming a more prominent commercial channel, mobile shopping cart abandonment will also continue to grow. In fact, many businesses already recognize a “mobile browse-to-buy gap,” a phenomenon in which m-commerce conversion rates lag far behind desktop rates. This phenomenon is possibly attributable to the fact that shopping in a mobile context is often done in short, interrupted bursts that are not necessarily conducive to purchase completion.

Unfortunately, the on-the-go context may be an inherent challenge of m-commerce. Luckily, behavioral marketing company SeeWhy estimates that three quarters of shoppers who abandon their online carts plan to complete their purchases later, either online or at a retail location. This suggests that much of the revenue lost from shopping cart abandonment is recoverable, especially for omnichannel retailers, which give consumers multiple options to complete their purchases.

Mobile shopping cart abandonment can be especially problematic during the holidays. Over half of survey respondents lose more than one third of their holiday customers to shopping cart abandonment. Furthermore, 24% of respondents see an increase in shopping cart abandonment over the holidays. For these respondents, online cart abandonment results in an average revenue loss of 13% during the holiday season.

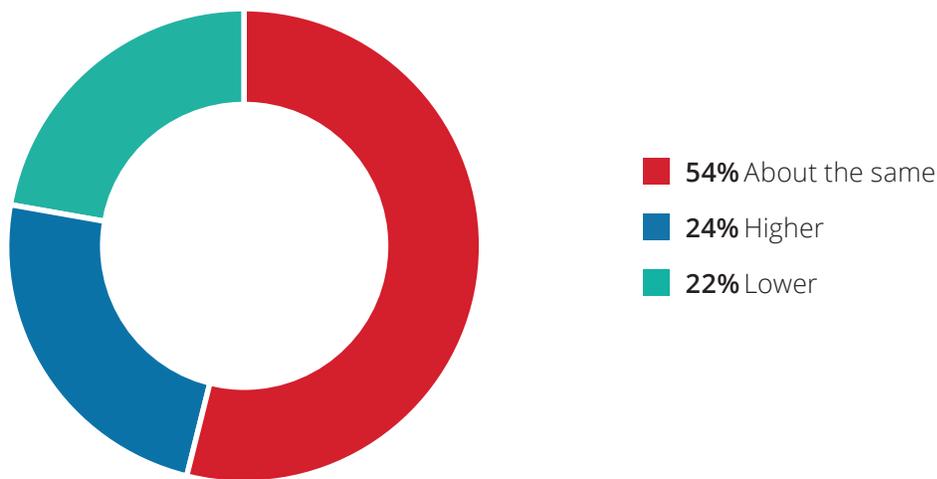
More than half of respondents lose more than one third of their holiday customers to shopping cart abandonment.

During the holiday season what percentage of your customers enters the mobile checkout process and does not complete a purchase?



Despite losing so many holiday customers to shopping cart abandonment, more than three quarters of respondents do not see higher abandonment rates during the holidays.

Is your rate of shopping cart abandonment during the holiday season higher or lower than the rest of the year?



On average, retailers report that they are losing 13% of their total revenue to shopping cart abandonment during the holidays.

How much lost revenue do you attribute to shopping cart abandonment during the holidays? (As a percentage of total revenue.)

Average lost revenue due to shopping cart abandonment during holidays



Key Recommendations



Most retailers now boast mobile apps or mobile-optimized browsers. Now they must gear up for the next round of innovation.

Capabilities like BLE Beacons, mobile payment technologies, location-based services, and responsive design will define the next wave of m-commerce innovation. Best-in-class retailers are already focusing investment in these areas, because they recognize the potential to enhance customer engagement and provide satisfying, streamlined customer experiences.



Retailers must prioritize mobile fraud protection solutions in order to ensure that m-commerce continues to grow into a robust, trusted sales channel.

As was demonstrated by the Target and Neiman Marcus security breaches of 2013, the holiday season brings with it a heightened risk of fraud and cyber attacks. This could be especially true for mobile transactions as m-commerce and the use of mobile Point of Sale devices increase. With this ever-present risk, retailers need to make sure that they have the proper solutions in place to protect their customers.



By treating mobile as the unifying element in an omnichannel strategy rather than a singular retail channel, retailers can mitigate the effects of shopping cart abandonment.

Forty percent of shoppers routinely consult 3 different shopping channels before making a purchase. This has major implications for shopping cart abandonment: approximately three quarters of consumers who abandon their shopping carts intend to eventually complete their purchases, although many prefer to do so through alternate sales channels. For retailers to minimize shopping cart abandonment and maximize revenue, mobile should not be treated as a standalone retail channel, but rather an important component of a more broad omnichannel strategy.

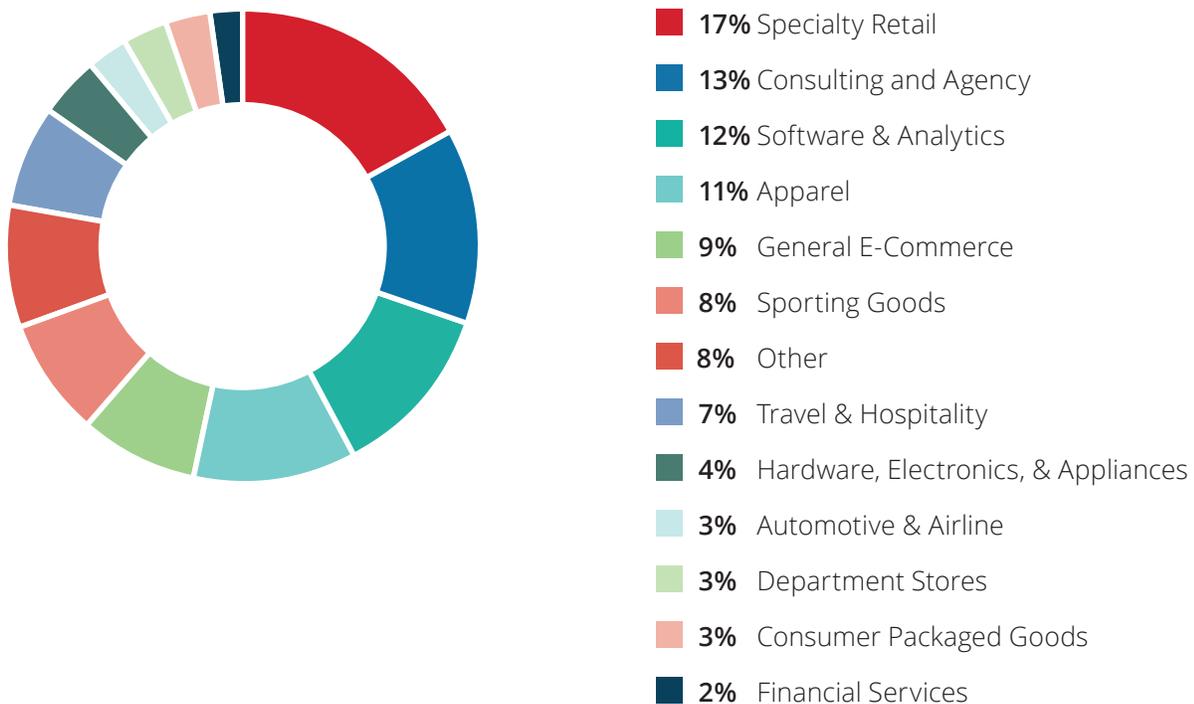
Appendices

Appendix A: Methodology

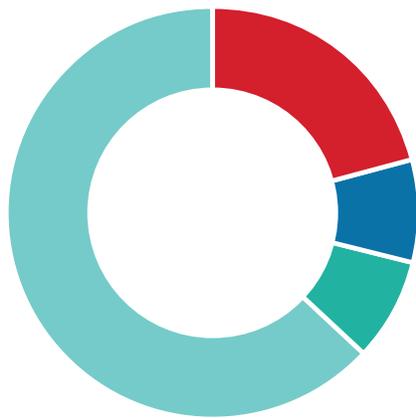
For this report, Worldwide Business Research conducted in-person and online surveys of 100 mobile and omnichannel commerce professionals representing a number of industries (see Appendix B for demographic information). Survey participants included decision-makers and executives with responsibility for their firms' mobile marketing and omnichannel commerce strategies. In-person surveys and interviews were conducted on-site at the 2014 Mobile Shopping Summit. Responses were collected in October of 2014.

Appendix B: Demographic Information

Which industry is your company a part of?



What is your company's annual revenue?



- 21% \$1-20 million
- 8% \$21-50 million
- 8% \$51-100 million
- 63% Over \$100 million

How many employees does your company have?



- 38% Fewer than 500
- 20% 501-2,000
- 5% 2,001-5,000
- 5% 5,001-10,000
- 32% More than 10,000

Which department are you a part of?



- 39% E-commerce
- 21% Executive leadership
- 19% Marketing
- 9% Sales
- 7% Consulting
- 5% Operations & IT

What is your role?



- 43% Director/Senior Manager
- 29% C-suite/Executive Management
- 19% Manager
- 9% Project Manager/Consultant/Analyst

Appendix C: Related Research



Technology Trends in Retail Report

WBR Digital, July 2014



The Mobile Innovators Series: The Good, The Bad, & The Bold in Mobile

WBR Digital, August 2014



The Mobile Innovators Series: Mobile Innovation Report

WBR Digital, September 2014

This Is eTail West



As many retailers have learned, the e-commerce industry never allows for complacency. There has been a recent explosion of innovation and investment in the online retailing channel. The result is a dynamic and competitive selling environment that will challenge every online seller to satisfy and thrill online shoppers – before another retailer does.

Find Your Inspiration. Build Lasting Relationships.

Launched in 1999, eTail has become the one stop shop for ecommerce and multichannel executives; an event where you can learn, get inspired, find solutions for your business and build lasting relationships. Dedicated to supporting the growth of the online and multi-channel retail industry, we bring together 1500+ executives across a number of verticals, including retail, CPG and travel/hospitality to learn, network and build relationships... All in a warm venue surrounded by palm trees!

Content Designed By You, For You.

Researched for 6 months with retailers, our content is designed with you in mind. Our topics cover online marketing, digital engagement, customer acquisition and retention strategies, analytics, mobile, social, email, search, usability, design and more – If you have a challenge, we've got you covered.

Want to hear more from the innovators shaping e-commerce?

See what they will be discussing at eTail West 2015!

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Jumio



Jumio is a fast-growing credentials management company that utilizes proprietary computer vision technology to authenticate customer ID credentials in real-time web & mobile transactions and reduce mobile checkout friction. Jumio's products are designed to increase revenue, reduce fraud and increase customer satisfaction. The company's mission is to provide its clients with intuitive, consumer-facing technologies that make it possible to conduct a wide range of mobile transactions without

a single keystroke. Half of the top 10 consumer internet companies, along with hundreds of other retailers, financial institutions, marketplaces, gaming companies and more have adopted Jumio products and services to help speed through customer sign-up and checkout processes, and drive higher completion rates and satisfaction. Jumio has received numerous innovation awards from leading industry associations and is listed on The Sharepost 100 as one of the world's most innovative and compelling private companies.

Jumio Headquarters

268 Lambert Avenue
Palo Alto, CA 94306

Urban Airship



Urban Airship offers Mobile Relationship Management (MRM) solutions that enable brands and marketers to earn and maintain a presence on their customers' mobile devices in order to build brand awareness, engage users, drive conversions and increase customer loyalty. Its cross-platform solutions manage the end-to-end process of delivering customer- and location-targeted mobile push messages, Apple Passbook passes and Google Wallet cards, including consulting services and analytics to optimize effectiveness.

Urban Airship Headquarters

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