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# The State Of Mobile Apps For Retailers



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### **Executive Summary**

Smartphones are changing the way that consumers shop and interact with retailers, both online and in stores. The ability to research products, look for coupons, and purchase in a moment of need, regardless of location, is empowering consumers. Forrester calls this the mobile mind shift, and retailers need to fundamentally change their mobile strategies to drive marketing and business outcomes as a result. Consumers demand experiences that are convenient, fast, and personalized — and retailers are struggling to satisfy these demands through their existing apps and mobile strategies. This greater focus on customer experience and understanding customer engagement is driving retailers to seek new partnerships and opportunities to embrace the mobile mind shift as a part of their business.

In June 2015, RetailMeNot commissioned Forrester Consulting to evaluate US consumers' smartphone usage, mobile shopping activities, and the challenges and benefits of retailer applications. Forrester developed a hypothesis that while today's consumers overwhelmingly prefer to access the Internet on their mobile devices, they make limited use of retailer applications to shop. Forrester tested this assertion to understand how retailers can increase customer mobile engagement.

To do so, Forrester conducted an online survey of 511 US consumers who have used their smartphone to shop in the past three months, and conducted five in-depth interviews with mobile strategy decision-makers at leading retailers in the US. Forrester found that US consumers are using smartphones to shop in a variety of contexts — on the go, at home, and while shopping — and retailers understand the importance of engaging with consumers in these mobile moments. However, retailers struggle to get consumers to download and use their apps. Retailers' mobile strategy needs to encompass more than just their app and website; it needs to involve partners that already own and can share consumers' mobile moments — the moments when consumers pull out a mobile device to get what they want in their immediate context.

### **KEY FINDINGS**

Forrester's study yielded four key findings:

Consumers are using their smartphone to shop in many different contexts. Our survey shows that consumers are using smartphones for shopping activities at home, on the go, and in stores. Some of these locations were traditionally the domain of the PC; some are places where only a mobile device can shop. In all cases, context is key. Retailers need to be aware of the context of their consumers' mobile moments and tailor the mobile experience to the context and moment of need of consumers.

- Consumers are selective about the retailer apps they will download and use. Our survey shows that 60% of consumers who use a smartphone to shop online have fewer than two retailer-specific apps on their phone, and 21% don't have any at all. Retailers must understand that consumers are extremely picky about the retailer apps they use, demanding convenience, speed, and a personalized experience from those apps. Apps that do not meet expectations are quickly removed or replaced.
- > Consumers are hesitant to share key information with retailers. Only about a third of survey respondents are willing to share location data and enable push notifications in retailer apps, and the questionable value of doing both was a concern for consumers. Retailers designing new apps need to be aware of this and make sure the features offer clear consumer value, or they will not be enabled.
- Partners can expand a retailer's mobile presence and reach. Retailers can attract new customers by leveraging ecosystem partners. Partners can also provide retailers with valuable data on where their customers are going on the Web, their purchasing behaviors, and even locationbased data.



### Smartphones Are Quickly Becoming The First Screen For Consumers, Even For Shopping

Today, mobile is the most important digital touchpoint for retailers to win, serve, and retain customers. Smartphones enable consumers to access the Internet from anywhere at any time, empowering them to interact with brands in whatever context they choose. They expect to be able to discover, explore, buy, ask, and engage with retailers in context and moments of need, and retailers must deliver mobile experiences that match and exceed those expectations.

The smartphone is the hub of the connected consumer's world. For many US consumers, the smartphone is now the first screen for the Internet, replacing the PC as the go-to device to access the Internet and interact with retailers. Consumers use smartphones to access the Internet in many different contexts: while shopping in stores, sitting in their living room at home, commuting, and everywhere in

between (see Figure 1). Retailers need to adapt their strategies to account for this shift to the consumers' mobile-first screen mentality.

"We've taken a mobile-first approach. Our website is a mobile experience today rather than a desktop site. We see this as extremely important for our specific audience."

– COO, leading US specialty clothing retailer

Consumers are increasingly using their smartphones to interact with retailers in many different contexts as well. Our survey shows that consumers use their smartphone to:

Research products in a moment of need. Consumers today rely on the Internet to get information when and where they need it, in the context they choose. And they take full advantage of this to research products when considering making a purchase. Nearly half of consumers use their smartphone to read consumer product reviews and compare prices while shopping in a store (see Figure 2).

#### **FIGURE 1**

Consumers Use Smartphones As A First Screen For The Internet Even In Many Places Where Other Devices Are Available



"Where do you use the following devices to access the Internet/go online?"

Base: 511 consumers who have used their mobile phone in the past three months to perform a retail-related activity Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015



Find and redeem coupons while shopping. Sixty-five percent of consumers use their smartphones to find coupons online.<sup>1</sup> Finding a coupon can often seal the deal for consumers considering purchasing a product, and with a smartphone, an undecided consumer can see if a coupon is available while shopping in a store. Fifty-five percent of consumers surveyed said they use a smartphone to find a coupon while shopping, and an equal number use their smartphone to redeem a coupon while in a store.

Smart retailers know the importance of harnessing these mobile moments, and they focus their strategy on and investment in the consumer mobile experience. In addition to being an increasingly important channel for retailers to connect and interact with consumers, mobile links the digital and the in-store experience, creating a seamless experience across different customer touchpoints. Our survey shows that in 2015, 49% of digital coupons found on smartphones are ultimately used in-store to make a purchase, a 22% increase from 2014.<sup>2</sup> Retailers that can create experiences that serve consumers in context and in their moment of need

will drive both customer loyalty and business results.

- "We found that mobile is the hub of our girl's life. It's how she interacts with friends, learns news, engages with brands, and more. We see the phone as the connection point between digital and in-store, and we are prioritizing investment in mobile to drive our omnichannel strategy."
- Director of mobile and omnichannel, women's clothing retail chain

## THE CONSUMER MOBILE EXPERIENCE CAN INCOPORATE DIFFERENT FORM FACTORS

There are two primary mediums that retailers use today to interact with consumers on mobile devices — mobileoptimized websites and apps. Retailers use the two form factors to complement each other, and a successful mobile strategy must take both into account. Retailers primarily use the mobile website as an acquisition channel, whereas the consumer app creates personalized experiences for customers and drives loyalty and retention for the most-shifted customers.

**FIGURE 2** 

#### **Consumers Use Smartphones For Retail Activities In Many Contexts**





Base: 511 consumers who have used their mobile phone in the past three months to perform a retail-related activity Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015



"Mobile web is an acquisition channel, and may be first time people are experiencing our company. Once they have a strong relationship with the brand, we use the app to create personalized experiences that cater to the customer." — Director of mobile, large US office supply retailer

### Retailers Struggle To Get Consumers To Use Their Apps

While consumers' time on mobile devices is highly coveted by retailers, earning a share of their mobile moments is a difficult endeavor. Consumers typically spend 85% of their time on smartphones using applications, and, on average, most of that time is spent within only five non-native apps.<sup>3</sup> Furthermore, Forrester research shows that consumers' time using their smartphones is dominated by several app categories: communications, social networking, media, and games. Consumers typically only spend 5% of their time on their phones in shopping apps.

Our survey shows that it is a difficult proposition to get consumers to download retailer/brand-specific applications on their phones. Of the US consumers surveyed who have used a mobile phone in the past three months to perform a retail-related activity, 60% have two or fewer retailer apps on their phones, and 21% do not have any (see Figure 3).

Clearly, getting consumers to even download an app is a challenge for retailers today. Consumers are selective in the retailer apps they download — there must be a compelling reason for them to take the time to download and interact with a retailer in an app, rather than just using the company's website. According to our survey, over half of respondents use retailer apps once a month or less (see Figure 4). In fact, our survey shows that consumers more frequently choose to use a mobile website to perform the majority of their shopping-related activities (see Figure 5).

#### "It's harder to get a consumer to download an app if there is no reason for them to interact."

- Divisional VP and general manager, mobile and community experiences, US retailer holding company
- "We are in the same boat as many retailers; traction for us is largely on mobile web. We want to grow our mobile app user base, but that is a challenge."
- Director of mobile, large US office supply retailer

#### FIGURE 3

Consumers Are Selective Of The Retailer Apps They Download And Use



Base: 511 consumers who have used their mobile phone in the past three months to perform a retail-related activity

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015

### FIGURE 4

**Downloaded Apps Are Infrequently Used** 

## "Which of the following best describes how often you use retail applications?"



Base: 511 consumers who have used their mobile phone in the past three months to perform a retail-related activity

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015



### FIGURE 5 Consumers Are Choosing To Shop Using The Mobile Web Over Apps Today

### "How did you perform the following shopping-related activities on your smartphone in the past three months?"



Base: Variable consumers who have used their mobile phone in the past three months to perform each retail-related activity Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015

### Apps Must Offer Differentiated, Exceptional Experiences, But Consumers Are Hesitant To Share Personal Information

Retailers are acutely aware of the challenges they face in getting consumers to download and use their apps. They must design app experiences that are differentiated, and provide a meaningful customer experience and a reason for consumers to come back to the app again. Our survey shows that consumers use retail apps for three main reasons (see Figure 6):

Convenience. Sixty-three percent of consumers who indicated they prefer to use retailer apps to perform a shopping-related activity said using the app is more convenient. Ease of use is a strong motivator for consumers. App features like stored settings, selected by 40% of respondents, make life easier for consumers and provide a differentiated experience from a website. Convenience for consumers can also be driven by context.

#### **FIGURE 6**

Consumers Who Prefer Mobile Apps Over Browsers Choose Them For Convenience, Speed, And Personalized Experience

"You stated that you prefer to use retailer apps over retailer websites accessed on your smartphone's mobile browser. Why do you choose to use retailer apps rather than the retailer's website?" (Select all that apply)



Base: 257 consumers who indicated they prefer to use a retailer app over a website to perform a retail-related activity

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015



- "We have reached a point where existing features in the app drive customers to our stores. Going forward, our mindset is now: Once the customer makes a trip to the store, how do we make that trip more convenient?"
- Director of project management, mobile commerce, top 10 largest US drugstores
- Speed. Almost 60% of consumers choose an app for shopping because it is faster than accessing the retailer's website via the smartphone's browser. This is tied to convenience — the ability to quickly check store locations, opening and closing times, product reviews, and more is only a few taps away.
- > A personalized experience. In addition to providing convenience, speed, and the ability to store settings, the very best retailer apps provide consumers with a unique, personalized experience that drives value for users and loyalty for retailers. This can be done through personalized content, which is curated using past purchase and app interaction data, data based on a user's location, or even environmental factors like time of day or weather. For some retailers, personalization is based on an existing loyalty program. Personalized content drives both loyalty and app usage for consumers. Consumers who use retailer apps at least weekly were more likely to cite that stored settings, benefits or rewards for using the apps, and personalized content were reasons they use apps over websites, compared with those who use the apps less frequently.

Creating this personalized user experience is both a necessity and a challenge for retailers today. Not only does personalized content drive more frequent app usage, but it can also drive more effective marketing opportunities. One retailer interviewed said that a targeted geofence notification, sent based on the user's location, sees up to 10 times the click-through rate of a "blast" notification.

### "Targeted notifications — sending more relevant communications from our app — is a huge priority." — Director of mobile and omnichannel, women's clothing retail chain

The challenge, however, is the fact that many consumers are hesitant to provide the data that retailers need in order to offer these personalized experiences. Our survey shows that consumers are reluctant to (see Figure 7):

- Enable location services. Only about a third of consumers who shop using retailer apps are willing to share their location with retailers. Reasons for their reluctance to share this information include not wanting retailers to have access to their location information (52%) and not wanting to enable geolocation features on any applications (32%).<sup>4</sup> Other reasons include concerns over the features affecting phone performance (30%) and a sentiment that there is uncertain value or no value in providing location information to retailers.
- Enable push notifications. Only about a third (32%) of consumers who shop using retailer apps allow the app to send messages to their devices. Consumers are concerned with the frequency that retailers will send messages, and they do not see value in the messages they are getting from their apps.
- Share personal information. Less than a quarter (24%) of consumers who shop using retailer apps are willing to share personal information on the app. They are concerned primarily with data security and privacy issues on mobile apps and devices.

Retailers designing app features that utilize push notifications or geolocation data like beacons should be aware of the concerns that users have, especially when considering the perceived lack of value. Consumers who use retailer apps with more frequency are willing to enable these features and share information with retailers at a much higher rate than those who use the apps less frequently. Offering speed, convenience, and a personalized experience through an application will provide customers with value, making them more likely to use an app and share precious data with the retailer.



### FIGURE 7 Consumers Are Hesitant To Enable Many Features That Provide Retailers With Data

## "Which of the following activities have you performed using mobile retailer applications on your smartphone?" (Select all that apply)



Base: 403 consumers with at least one retailer app who have used their mobile phone in the past three months to perform a retail-related activity Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015

## APPS THAT DO NOT MEET EXPECTATIONS ARE QUICKLY REMOVED OR REPLACED

The penalties for applications that do not provide value or meet consumers' expectations are harsh. Apps that provide no value over a mobile website, or apps that offer a poor user experience, such as frequent crashes, slow loading/performance, or excessive battery drain, are quickly replaced or removed.

Our survey shows that when faced with an app that delivers a poor user experience or fails to meet expectations, 20% of consumers will immediately delete the app, and a further 54% of consumers will delete the app after several problems (see Figure 8). Another 28% will keep the app but never (or rarely) use it. More concerning for retailers, 21% said they will find and download another app with similar functionality, and 46% said that following a negative experience with a retailer's app, they are more likely to switch to another retailer with a better app.<sup>5</sup> "One challenge we face is ability to prioritize and focus on the few essential core features customers use today/going forward. Unlike a website, with mobile there is a premium that needs to be allocated to content. It can't be a kitchen sink approach. You need to be careful with what is bundled in, because underutilized features dilute app worth, increase size, and decrease effectiveness."

- Director of project management, mobile commerce, top 10 largest US drugstores



#### **FIGURE 8**

Consumers Will Not Hesitate To Remove Underperforming Apps

#### "What do you do if a retailer's application delivers a poor experience or does not meet your expectations?" (Select all that apply)



Base: 403 consumers with at least one retailer app who have used their mobile phone in the past three months to perform a retail-related activity Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015

### Retailers Must Do More To Reach Customers Beyond Having A Great App

With the majority of US consumers only downloading a few retailer apps and spending most of their time on their phones in just a few select apps, retailers must expand their sphere of mobile influence beyond just the app and mobile website. To capture mobile moments with customers, retailers need to engage with customers where they already are, and in the context of what they are already doing.<sup>6</sup> Retailers can do this through partnerships with the applications customers are using most often, helping them to "borrow" mobile moments.

These ecosystem partners are able to engage customers in different contexts and ways than retailers can through their apps or mobile sites alone. These partners can act as additional channels for retailers to market to customers, and for new customers to discover retailers.

"With some partners we get enhanced customer viewership — these are not often our regular customer base — so this is a huge uplift for us." — COO, leading US specialty clothing retailer

"One of our partners has huge reach, so they are able to drive meaningful traffic. Customers driven by our partner offer end up spending more than the average customer transaction; they are high-value customers."

- Director of mobile and omnichannel, women's clothing retail chain

## PARTNERS CAN SUPPLEMENT THE CONSUMER INSIGHTS THAT RETAILERS NEED

Not only can mobile partners help customers discover retailers and market to them, but they are an invaluable source for the data, context, and insights that retailers need to provide customers with personalized, superior mobile experiences. These partners will often have information on where customers are coming from, where they are going, and what they are doing on the apps they visit most. If partners share this data with retailers, retailers will be able to use the insights to create more differentiated, personalized experiences that will create value for consumers and retailers alike.

"Partners that have an in-app customer experience can bring stronger insights and data to retailers. We want their insights and data. Some affiliates have strong location-based experiences. I want granular information on what campaigns are working — who is buying from where and when? This data can help across the board even with other campaigns. Partners should be thinking about in-app consumer experience and what they can do to give me data." — Director of mobile, large US office supply retailer



### **Key Recommendations**

Forrester's in-depth consumer survey and interviews with leading mobile retailers yielded several important recommendations for creating a successful mobile marketing strategy:

- Adopt customers' mobile-shifted mindset. Customers now see mobile as an integral part of interactions with retailers and brands, and retailers need to shift their digital and marketing strategies accordingly. Mobile should be woven into the entire organizational strategy, not thought of as just another channel.
- > Extend mobile strategy beyond the app and website. Consumers today are very particular about the retailer apps they download and use, so retailers' mobile strategy needs to extend beyond just their apps. Retailers should leverage their partner ecosystem to reach customers and borrow mobile moments they do not own themselves, and engage customers in the applications they use most often.
- > Choose partners that can drive new customer acquisition and incremental sales. Retailers will need to justify investment in partners with results. They need to make sure that their partners are able to provide them with new and high-value customers, and are not just cannibalizing existing customer business.
- > Enable two-way data sharing with partners. For mobile, context is key, and data insights drive the ability to anticipate the needs of customers. Ecosystem partners can provide retailers with valuable data on their customers that they may not be able to get through their own. Retailers should engage with their partners about privacy, monetization, and terms for sharing data, so that both parties can make the most of their consumers' mobile moments.



### **Appendix A: Methodology**

In this study, Forrester conducted an online survey of 511 consumers who have used a smartphone to shop in the past three months in the US to evaluate how consumers are making use of retailer applications. Forrester also interviewed five retailers that have mobile applications to understand how retailers are increasing customer mobile engagement through their applications and mobile services and how they are leveraging partners to better understand their customers. The interviewed participants included decision-makers in marketing, mobile, and eBusiness. Questions provided to the survey participants asked how frequently consumers are shopping via retailer apps and the main challenges they face when confronting technical problems. Questions provided to the interview participants asked what they are doing to increase customer mobile engagement and how investment in mobile has changed in the past year, along with questions about tracking capabilities and partnering with third parties to engage mobile consumers. Respondents were offered a syndicated Forrester Research report as a thank you for time spent on the survey. The study began in June 2015 and was completed in July 2015.

#### FIGURE 9 **Consumer Survey Demographics** "Which of the following Internet-accessible devices do you currently own and use?" "What is your age?" "What is your gender?" (Select all that apply) 100% Smartphone Prefer not to 18 to 24 22% answer Laptop/notebook 82% 1% computer 31% 25 to 34 71% Tablet computer Gaming stations 54% 22% Male 35 to 44 Female Television/video 51% 49% 50% streaming 14% 45 to 54 Desktop computer 45% Basic cell phone 11% 55 to 88 12% Netbook/ 9% Chromebook Other, please specify 0%

Appendix B: Demographics/Data

Base: 511 consumers who have used their mobile phone in the past three months to perform a retail-related activity (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015



## **Appendix C: Endnotes**

<sup>1</sup> Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015.

<sup>2</sup> Source: "The State Of Digital Coupons," Forrester Consulting report prepared for RetailMeNot, RetailMeNot website, June 2014 (http://www.retailmenot.com/corp/static/filer\_public/d2/a1/d2a146b6-7f72-4e51-986b-4b7ab3a66ce2/retailmenot\_tlp\_final.pdf).

<sup>3</sup> Source: "Your Customers Will Not Download Your App," Forrester Research, Inc., June 22, 2015.

<sup>4</sup> Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015.

<sup>5</sup> Source: A commissioned study conducted by Forrester Consulting on behalf of RetailMeNot, July 2015.

<sup>6</sup> Source: "Your Customers Will Not Download Your App," Forrester Research, Inc., June 22, 2015.

