# The Mobile Mandate for Retail

**Three criteria for making the most of mobile apps in retail**

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Two-thirds of the 140 million U.S. adults with smartphones state they are more likely to shop at a store with an app. Nine out of ten expect mobile to have changed their shopping behavior by 2015. For retailers, the competition extends beyond table stakes: mobile apps can both increase favorability and move consumers to action. To help retailers shape their digital strategy we offer benchmarks for each based on a survey of U.S. smartphone users.

Apigee Institute research with more than 1,300 business and information technology (IT) leaders at companies with over $500M in annual revenue across 30 industries shows today's digital leaders—the companies best at deploying apps, operating APIs, and using data analytics—outperforming their competition on key performance indicators (KPIs) including margin, revenue, market share, and customer satisfaction.

This pattern holds true in the retail sector as well and is consistent with examples of the business impact of highly successful digital strategies: Walgreen's, for example, has found that customers interacting with stores, online, and their mobile app spend six times more on average than those transacting at stores alone.[i] By some estimates, as much as 4% of all mobile payments in the United States in 2013 ($1B) were driven by the Starbucks app.[ii]

To help retailers craft their own highly successful digital strategies, we surveyed 1,000 U.S. adults with smartphones to explore how mobile devices and apps are changing behavior and expectations. In order to make responses projectable to specific numbers of U.S. consumers, our methodology was aligned with Pew Research Center's October 2013 omnibus results[iii].

The results are the basis for three recommended criteria for a high-potential digital strategy:

- **A mobile app is a necessity**. Retailers that fail to offer an app providing a searchable product catalog, featured sales, and a store locator should expect to lose share now.

- **Apps can be both a signal and driver of affinity**. KPIs for digital strategy should include measurable gains in satisfaction, loyalty, or brand strength among mobile app users.

- **Apps can drive behavior.** Your digital strategy should include identifying and enabling specific actions that have business value consumers can take using their mobile device.

## Embrace a mobile app as a necessity—now!

More than 8 in 10 (81%) smartphone owners say their phone or tablet has changed the way they shop, with 15% describing their experience as *completely changed*. Taking into account expectations for the future, nearly all (90%) expect mobile to change their shopping behavior by 2015. Majorities expect grocery and department stores to have "key services and functions available by app" *now*, rising to two-thirds within the next two years.

## Preference for stores with useful apps
Increased likelihood of shopping at a store with an app
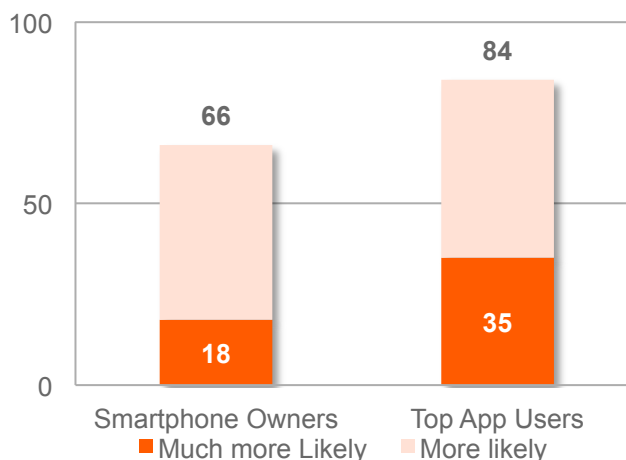


The implications of failing to meet rising expectations and changing behavior are stark: 66% of U.S. smartphone owners—92 million consumers—state that they are *more likely* to shop at a store that offers "an app with searchable product catalog, featured sales, and a store locator." Nearly 1 in 5 indicate they are *much more likely* to do so.

The scope and intensity rises markedly among those we call "top app users"—the top 25% of smartphone owners based on frequency of use across 12 categories of app. More than one out of three say they are much more likely to shop at stores with an app with these functions, with 84% overall expressing a preference for those stores.

We believe the premise that smartphone owners will move toward the beliefs and behaviors of today's top app users is a wise strategic planning assumption. Across the board,

owners embrace smartphones and apps with intense favorability. Nine out of ten (91%) have positive feelings toward their smartphone and their apps, driven by very favorable feelings (75% for their phones and 52% for their apps)—a strong basis to believe the role of both in their lives will increase over time.

Moreover, several characteristics of the top app users imply growth:

- **Top users are younger:** more than half (58%) are ages 18-34 and two-thirds (67%) are under 40. As the next generation crosses into adulthood, it is plausible they will manifest behaviors and beliefs similar to those of today's top app users.

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*"My favorite supermarket had an app that completely revolutionized my shopping experiences there."*

*-Woman, 40s, Oregon*

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- **Top users use their phone for business more than others**: fewer than half (45%) use their phone primarily for leisure, compared to 68% of other owners. Smartphones, tablets, and apps are likely to become more entrenched and pervasive in the workplace, increasing their use for both leisure and work.

- **Top app users have had their smartphones longer**—a full 77% for 3 years or more, versus under half of other owners. Given the passion with which people embrace their phones and apps, it is possible that increasing familiarity alone may move more owners toward the perspective and behavior of top app users over the next 24-36 months.

## Treat apps as an influential engagement channel

In aggregate, across 10 nationwide retailers in the U.S. that currently offer apps, average favorability toward the company was 40% higher among users of a company's app versus non-users (80 on a 100-point scale versus 57).

To be sure, those smartphone owners who take the action to install a retailer's app may be those with a stronger pre-existing relationship with that retailer. In this respect, the app may be a signal, rather than a driver, of affinity.

Nonetheless, isolating for previous engagement by comparing only shoppers who indicate they shop frequently at a given store finds favorability 5% higher among those who use the store's app compared to those who do not.

We see two reasons to embrace increasing satisfaction, loyalty, or brand strength as a KPI for the mobile app experience:

- In aggregate, the majority of smartphone owners (88%) view the major retailers included in this survey favorably. However, in contrast to their smartphones and their apps, retailers' favorability is driven by moderate rather than intense affinity: 16% express strong favorability toward the retailers versus 61% for their apps and 75% for their phones.

  We suggest that the strongest digital strategies will be those that find ways to exploit a "halo effect."

- Likewise, in their own words top app users express enthusiasm for a range of benefits from their smartphone including access, information, connectedness and ease.

  While there will be no "one-size fits all" answer, we believe the most successful digital strategies will be those embrace finding creative ways to align the functionality the retailer's app offers with what its users value most.



## Leverage mobile apps to drive action

There is a range of actions that have business value that a mobile app can enable:

- Reviews and recommendations
- Check ins, send-to-a-friend, or other social activity
- Loading value into a store account

Coca-Cola's Freestyle app enables users to locate the nearest Freestyle soda fountain and save and share their favorite mixes.[iv] As this example may imply, actions with the most business value in any given retail experience may be very different.

But our hypothesis is that the strongest digital strategies will embrace an opportunity to use mobile apps to drive some form of action by the user.

To provide digital strategists with benchmarks for the level of influence and impact to which they should aspire, we tested the impact of apps on actions. We chose three socially acceptable, non-commercial activities with only indirect benefits to smartphone owners:

• Providing comments on a proposed project in your town
• Watching a city council meeting
• Reporting a pothole or other need for city services

Each activity has a potential commercial counterpart:

• Providing feedback
• Viewing content
• Taking an action triggered by something they observe in the environment.

Being able to perform an action using a mobile app significantly increased respondent's stated likelihood of performing each action. Most strikingly, propensity to report a pothole nearly doubled (increased 94% and 92%, respectively, for all owners and top app users). Possibly reflecting their more frequent use of their phones across work and play, top app users were 69% more likely to watch a city council meeting compared to 43% of owners overall. Both groups were about half again as likely to provide comments on a proposed project in their community (47% for all owners, 57% for top app users).

## Likelihood to take action
% increase in propensity to take an app-enabled action
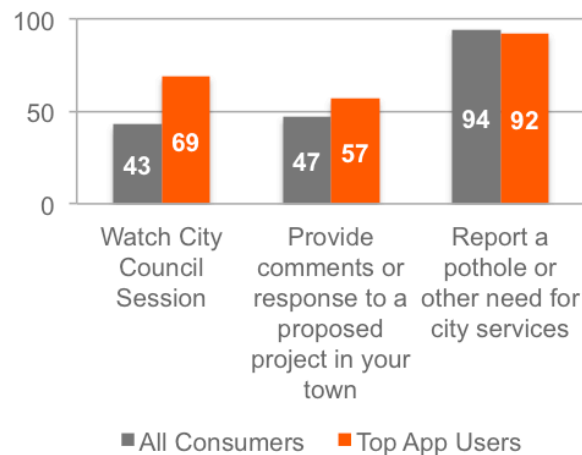


To be sure, how the dynamics of civic motivation versus a commercial incentive (such as discounts or reward points) will affect app users is beyond the scope of this data. However, we believe it is strong *prima facie* evidence that retailers do have an opportunity to move mobile app users to action if they embrace it as part of their digital strategy.

## Place bets beyond table stakes

A global cross-industry pattern of strong capabilities deploying apps, operating APIs, and using data analytics positively correlating with strong outperformance on core business KPIs holds true in the retail sector as well. Companies such as Starbucks and Walgreens have proven that mobile apps can have significant business impact. Companies like Coca-Cola have shown that B2C companies can leverage digital and physical assets to create novel and compelling experiences.

To help retailers accelerate their journey toward compelling experiences with significant business impact, we explored the beliefs and behaviors of U.S. smartphone owners. Based on this analysis, we recommend that retailers accept mobile apps as a necessity but also that their digital strategy must aim beyond table stakes:

• At minimum, offer an app with a searchable product catalog, featured sales, and a store locator. Adopt a planning assumption that consumers will increasingly manifest the beliefs and behaviors of today's top app users.

• Establish a goal of measurable improvements in satisfaction, loyalty, or brand strength among mobile app users.

• Embrace mobile apps as an opportunity to materially influence the likelihood of consumers taking actions with business value as a core part of your digital strategy.

[i] https://blog.apigee.com/detail/walgreens_story_putting_an_api_around_their_stores_webcast_podcast
[ii] http://www.businessinsider.com/mobile-payments-at-starbucks-explode-in-2013-passing-the-1-billion-mark-2-2014-1
[iii] The use Pew results is not meant to imply an endorsement of or any involvement by Pew with the Apigee Institute, or this analysis.
[iv] http://www.coca-colafreestyle.com/#!/mobile-app/

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## About the Author

Bryan Kirschner is Director of the Apigee Institute. He has over twenty years of experience using empirical data to drive strategic change in large enterprises. Prior to joining Apigee, his roles included leading the corporate practice at DC-based strategy consulting firm Greenberg, Quinlan, Rosner Research and Director of Open Source Strategy at Microsoft.  Bryan is a graduate of Yale University.

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