

Insights from McKinsey's Global iConsumer Research

Six Strategies to Win the Mobile Consumer Showdown



iConsumer Maps Shifts in Digital Behavior Around the Globe

This article is one of a series documenting the changing digital lives of consumers. Previous reports posted to McKinsey.com include *The World Gone Digital*, *Gaming Expands Its Presence in the Digital Universe*, *The Young and the Digital*, and *In Praise of Recurring Revenue: Making Subscription Models Work*.

Six Strategies to Win the Mobile Consumer Showdown

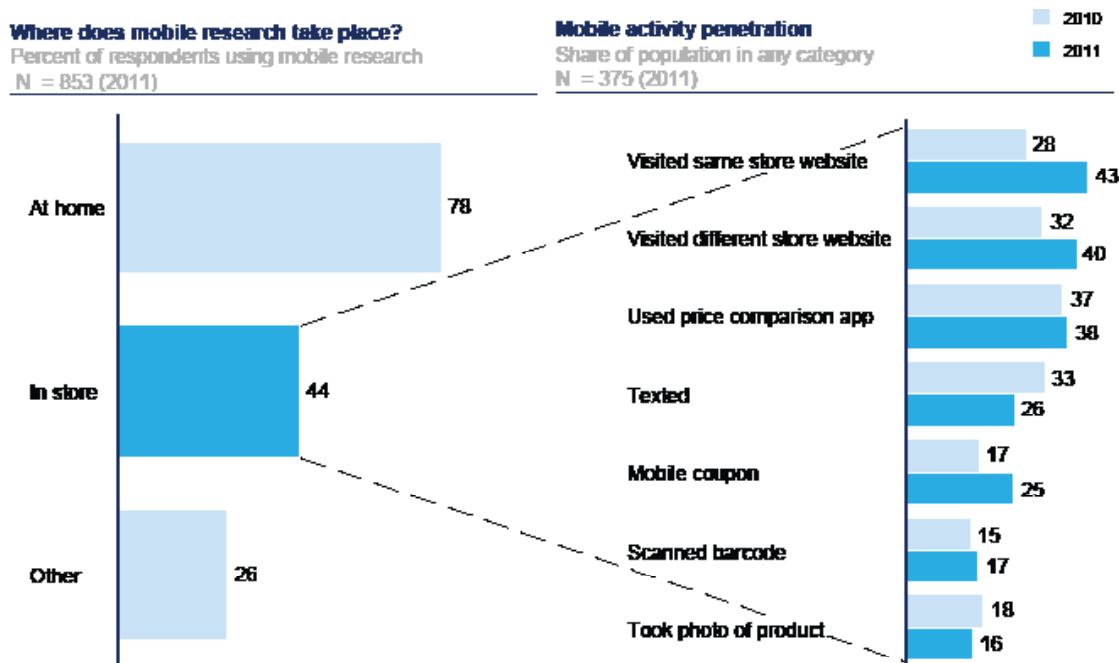
Retailers need to focus on a specifically mobile strategy to win this new breed of customer

By Ewan Duncan and Kevin Roche

With many retailers already under pressure to make their online and social strategies profitable, here comes another challenge: mobile. It's already emerging as a critical battleground to win customers. Recent research from McKinsey's iConsumer initiative found that mobile is becoming a determining channel in how and where customers shop, with nearly half of mobile research conducted in stores (Figure 1). And we expect mobile purchasing to increase dramatically as well once retailers resolve security concerns and technology improves.

Remember the massive disruptions of the Internet on retail? The effect of mobile is likely to be just as transformative. Retailers need to get out ahead of mobile and they need to do it now.

Figure 1: More product research going mobile



Consumers using stores as a research lab or 'showroom' gives many retailers heartburn, yet it also underscores how fundamentally different mobile e-tailing is from other channels, including online. Given the different functionality of mobile devices, and consumers' personal attachment to them, retailers need an equally distinct plan to serve this segment.



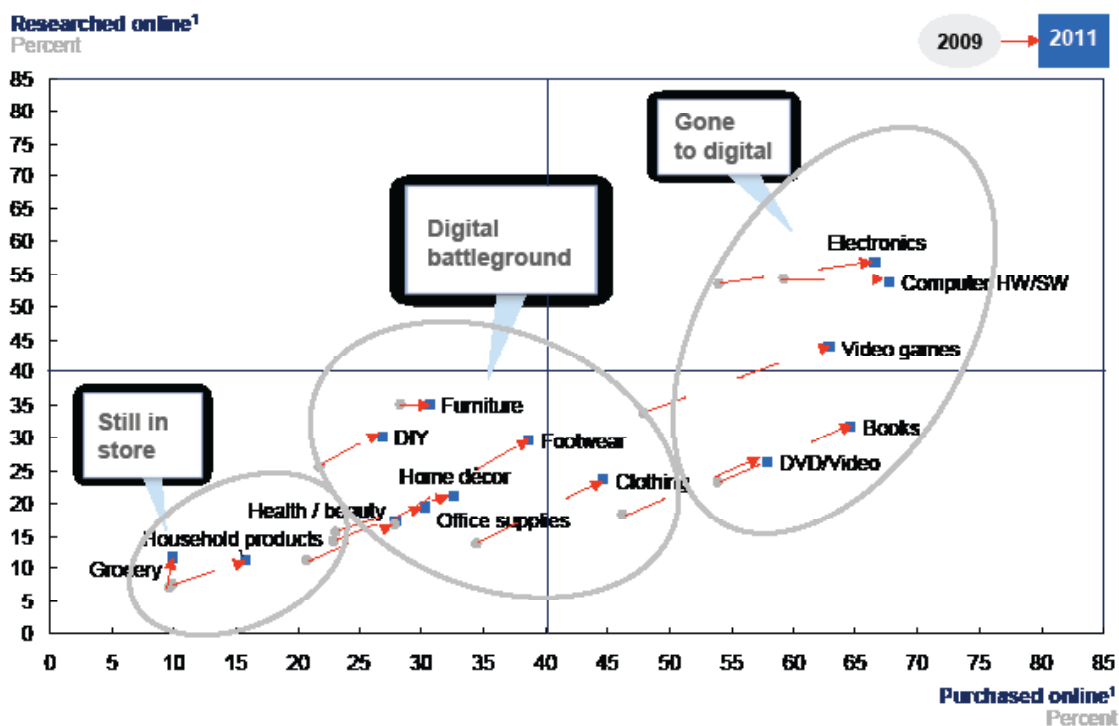
Mobile is a whole new game

“Going mobile” is now the rule not the exception as more than half of US consumers aged 13-64 using a smart phone, up significantly from 35% in 2010. And with the devices comes the ability to conduct product research and make purchases anywhere – our analysis indicates that 44% of mobile researchers are using their mobile inside the store. What are they doing specifically? Most are visiting the store’s own website (43%) or a competitor’s (40%), or using price-comparison tools (38%). More sophisticated shoppers are looking for mobile coupons (25%), scanning barcodes (17%), or taking photos of the product (16%) to share or be a visual reminder.

The impact of mobile research can be profound, affecting the buying behavior of nearly 90% of mobile shoppers. When they find a lower priced product through mobile research, 58% of shoppers say they would delay their purchase and buy elsewhere, while 31% would still make the purchase but report a change in perceptions of the store and future purchases. Only 10% report that they are likely to complete the purchase without impact. And while mobile research is still far ahead of purchase that will change as handset performance and security improves. Mobile purchase rates for iPhone users, for example, already are two to three times greater than other smartphone users.

Responding effectively to the mobile consumer also means realizing that not all product categories are affected equally. Online research and purchase vary by category with electronics and computer hardware much higher than grocery or office supplies. We see three clusters of categories emerging – ‘Gone to Digital’, ‘Still in Store’, and the ‘Digital Battleground’ – that underscore this disparity (Figure 2). However, the share of both online research and online purchase for all categories in each cluster is growing, raising the stakes for multi-channel retailers and opening new fronts in the digital battleground.

Figure 2: More categories shifting toward digital



Engaging mobile consumers on home turf

Mobile research and shopping are here to stay, with retailers scrambling to increase transparency of pricing and product specifications. Consumers like the power of being able to extract product information and easily share it using mobile and social media tools, and won't relinquish it voluntarily.

Retailers must embrace mobile e-tail, including showrooming. Here's what you can do to attract mobile consumers to stores and keep them buying once they are there.

Retailers who embrace mobile shopping – including consumers engaged in showrooming – stand a better chance of attracting consumers to the store and get first crack at making a sale once shoppers are there.

1. **Be clear about and reinforce the total value of the store.** Price is just one buying factor; for many consumers in-store demos or customization, after sales service, immediate availability, or even local sourcing are also valuable. Craft a strategy based on what differentiates you. Customers can easily check prices, so you need to emphasize value and the immediacy of “I want it now” to blunt price comparison behavior.
2. **Aggressively make mobile core to multichannel.** Mobile is here to stay. Consumers expect a first-rate mobile experience and retailers and brands need to optimize all channels that matter to their customers. Two companies that use mobile as a multiplier are Nike and Sephora. Nike-towns are full-service entertainment emporiums complemented by a fantastic website and a solid mobile app as well. Sephora-to-Go makes mobile shopping almost as fun as the in-store experience with a mobile app that delivers special offers, and includes purchase history and easy replenishment options. At both retailers floor personnel encourage shoppers to download the mobile app and then explain its best features.
3. **Work with suppliers to offer a more unique assortment.** Nordstrom, Target, and Wal-Mart offer one-of-a-kind items (e.g., Target's cult designer fashions) as well as private label merchandise and commodity products in distinctive packages. Introducing a product model or sub-branding unique to your channel can mute the impact of price transparency. The mattress industry, for example, has long supplied unique product models to different retail channels, even though the underlying products are very similar. Managing increased supply chain and inventory complexity is key to capturing value from this tactic.
4. **Use digital offers to get users in stores.** Creating incentives for buying in store – discounts, rewards, or price-matching on select items – satisfies consumers' desire to be treated well, get a good deal, and use their smart phones. Some large grocery chains as well as big box chains like IKEA, and broad-line retailers like Target encourage consumers to download digital coupons from their websites or Facebook page for redemption in stores. Others deliver 'in flight' mobile offers once a consumer crosses the threshold. All these tactics kick-off a multi-channel experience that appeals to mobile consumers.
5. **Make it simple to buy.** Your mobile site should be as easy to use – if not easier – than your Web-based site. Shoppers should be able to quickly find the product and buy with a simple click. Promote other related items

for shoppers to buy. If something is not on the shelf, make it easy to check stocks and order the product for delivery if there are no more left.

6. **Think local, act local.** You must have prominent placement on local search to make yourself easily found. Build a local strategy: should you be on Yelp? Consider sponsoring local blogs and sites, where you are able to target your specific market. The costs are so low that experimentation at the local level is a no brainer. Wal-Mart has created local Facebook pages for every one of its roughly 3,500 stores. That sort of local effort is critical to building loyalty and personal connections.

Some retailers are reluctant to cede an inch to mobile, or suffer a showrooming consumer. The impulse to defend store turf is understandable, and might lead some to try maneuvers such as jamming in-store Wi-Fi to prevent use of price comparison apps, or covering barcodes to frustrate mobile research. Our perspective: resist that impulse. Such moves could generate a firestorm of consumer backlash – amplified by social media.

A proactive plan to engage rather than enrage mobile consumers will yield better results. A shift to a “pro-mobile” mindset among store teams is needed. In-store conversations scripted to have floor salespeople deliver product data (data that consumers now retrieve on their own) need updating. Similarly, retailers should factor mobile and social media into store design to make multi-channel communications easy.

Mobile shopping is here to stay. It's time for retailers to mobilize as well to capture the growth and profits, or risk being shut out for good.



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