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# Discussions on digital: Mobile, social, and new trends in consumer expectations

**Brian Gregg**

In a wide-ranging discussion, several leaders in Silicon Valley discuss everything from the prospect of mobile payments taking off to the future of brick-and-mortar stores and innovations likely to emerge this year.

**How are emerging technologies shaping—and being shaped by—consumer behavior?**

McKinsey Digital's Brian Gregg, a partner in the San Francisco office who leads our consumer digital-excellence initiative, met recently with several leaders in Silicon Valley to explore this question and how companies are responding to it. Gregg was joined by Gina Bianchini, founder and CEO of start-up Mightybell; Dianne Esber, an associate principal in McKinsey's San Francisco office; Benedict Evans, a partner at Andreessen Horowitz; and Jody Ford, vice president of growth channels at eBay. An edited transcript of their responses follows.

## **A mobile tipping point?**

**Brian Gregg, principal, McKinsey:** Are we finally at a point where retailers and e-commerce players are actually going to start mobile first, rather than designing for a PC experience and then figuring out very quickly how to port it over to mobile?

**Gina Bianchini, founder and CEO, Mightybell:** From a product-development perspective, we talk and think a lot about moving from search to serve. In the Internet browser world, you could put all these links up, and people were really happy to search out the different places they wanted to go. Today, with so many options and this very different relationship to their mobile device, convenience is king.

**Benedict Evans, partner, Andreessen Horowitz:** Another way of thinking about how the experience is different is that you have this tiny screen. Before, you could squash a competitor by adding their feature as a new menu item on your website, but on mobile, customers will never find that feature. On the other hand you have a search box, and that works as well. What doesn't work is trying to merchandise 150 options. We have to remember that in mobile today, new technologies

and companies are always breaking through. Think of Snapchat or Instagram or Uber or Lyft. When I hear people say the app model is a bubble because most apps don't make money, that's no different from saying that most websites were never visited. That doesn't tell you anything about the strength or weakness of the underlying model.

### **New expectations for mobile payment**

**Brian:** Apple Pay has brought mobile payment to the front page. Any sense of how close we are to mobile payment being the way people pay for things?

**Jody Ford, vice president of growth channels, eBay:** It's a puzzle, because you're really digging into consumer behavior and consumer psychology. If we'd been sitting here four or five years ago and were told that there's a fundamental problem with your credit card and that you really want to just have your card on your phone, we'd have been seeing improvements. But actually, there has been no improvement at all until recently. What Apple has done is make the payment process two or three steps simpler: Your phone comes out of your pocket with your finger on the pay button, and then it goes back in your pocket. You don't have to take your wallet out, you don't have to swipe it, you don't have to sign, you don't have to put the PIN number in. From a purely utilitarian point of view, there's nothing you need to do.

**Gina:** The thing that strikes me as we talk about consumer behavior and psychology is how even removing one step of friction makes a difference when that step gets reintroduced. When a retailer makes me sign my credit-card receipt, I am put out.

**Benedict:** Actually, I'm put out when I'm not made to, by the total lack of security!

**Dianne Esber, associate principal, McKinsey:** I think Uber and Starbucks have done a huge favor for mobile payments because they've done the taxi- and the coffee-payment experience seamlessly.

### **The role of physical retailers**

**Brian:** One stat that always baffles me is that in the US, by 2020, 80 percent of transactions will still happen in a physical location. So five years from now, it's still going to be highly a physical world. What about the role of the store?

**Benedict:** The question is, is the store the endpoint to a logistic system or is it a place where you go and discover what you want? And if what you're doing is being the endpoint, the place where a truck takes stuff, then you're vulnerable to people with a better way of sending trucks out. If you're the kind of person who optimizes every minute of your life, and you grew up in a part of the country where retail is not particularly enjoyable, you can't walk anywhere, nobody wears nice

clothes, and there's no culture and no art galleries, then you can think, why would anyone go to the store ever again? Surely it should just be brought to you? Whereas if you live in a city where you actually walk down the street and you say, "Oh, that's a nice store. I've never seen that before," and you go in and you see something that you want and can spend hours doing that, retail is a leisure activity. If the store is the place where you go and discover something wonderful that you didn't know existed, then you're providing value above and beyond those logistics.

**Gina:** The thing that I find so fascinating right now as a consumer is the number of times I've gone into a store to get something and, for one reason or another, they told me that it's easier or better for me to get it online, because they don't have my size, or it's not ready yet. If I'm taking the time to go down to the store and I'm just being told that it's better for me to get it online, I'm going to stop going to the store at a certain point.

**Jody:** For our customers, not wanting to pay shipping, posting, and packaging is a very significant driver. It's very easy to sit in the Valley in a nice restaurant and think about whether it's convenient or not, but, actually, removing those shipping fees is a big deal. In the UK, you can be on eBay and have your purchase delivered into an Argos store on the High Street. For a very large number of customers, saving the £5 or whatever it is as part of that is a really big deal.

**Dianne:** What's interesting is how in some companies, the physical store is emerging as more influential. There are companies going the other way, like a Bonobos or a Warby Parker, who are kind of digital natives and actually decided to build stores as discovery points. Their sales per square foot rival Apple.

### **Social-media partnerships**

**Brian:** Twitter has continued to grow, with 52 million monthly active users added in 2014, but the growth rate is starting to decline. Clearly, social has a ton of influence and will continue to, but where does social media go from here?

**Jody:** It's far from over. At eBay, we are really working out how to be relevant and how to engage with customers who are on social networks. Facebook, because of its epic reach, is very interesting for us, and Pinterest, because of its ecommerce play, is a very nice fit with eBay. There are a number of new products where we can actually spend money as a marketer and buy access to particular customer groups who are relevant to us and are our customers or potential customers. We can now provide content to those customers that is interesting to them and will attract them back to us.

**Gina:** With the changing state of the world and technology and consumer psychology and consumer behavior, one of the things that is much harder to look at is how companies partner.

Especially if you're not building or haven't built your own software, how do you conceptualize partnerships where you're moving from being somebody who hires vendors to being somebody who is partnering with companies doing interesting things? This will take a long time to figure out, because there are entire company organizations and bureaucracies that have essentially scaled up around this, whether it's procurement or project managers.

**Jody:** Part of it is around technology, expertise, and skills. But there's also a part around a kind of philosophy, to build on testing and design and running experiments based on the idea that we don't know the answer. A team is going to try five things, work out which one works, refine that, and go with that, versus the gut instinct of "Hey, the CMO said go that way."

**Gina:** The opposite of that is the RFP,<sup>1</sup> this idea that instead of talking to partners that are on the front lines experimenting with things, you're defining in a vacuum what all the different organizations and divisions in your company want. The winning vendor or partner is the one that comes back with the closest thing to what you think you want. I've seen cases where large companies are signing up for massively complex, two-year web projects. Where's the world going to be in two years? I don't know that there's going to be a lot happening on the web as much as thinking about rapid experimentation, iteration, and building out relationships. I think the model where you have to be interacting with and looking at where the world is going, and partnering with people who are doing interesting things, is pretty critical.

### **The nuances of global tech markets**

**Brian:** Is digital going to look like fashion, where certain markets around the world will be the leaders?

**Benedict:** There's a lot of interesting stuff happening here. We tend to look at mobile as though it's just like the PC business but bigger, and it's not. It's very hard to internalize what it actually means to say there are 4 billion to 4.5 billion people who are going to have smartphones. You really do mean people who are living in huts that they built themselves that are three hours' walk from the nearest paved road and who have an Android smartphone.

The tech industry has never sold to everybody. The tech industry has always sold to middle-class or rich people. It was Americans and a bit of a Europe and a bit of Japan, and so on, but it was basically all the same kinds of people. Now, you can have a start-up in India that can get a huge business in India, and another one in Indonesia or Brazil, and not care at all what's happening in California or New York.

**Jody:** If you look at eBay's offering in South Korea and compare it to what we have in Germany, it's extremely different. Asian commerce sites look far more crowded and energetic, perhaps, than

<sup>1</sup> Request for proposal.

Western ones. There are nuances between our German and our UK markets. Mobile is far more developed and engaged in the UK than it is in Germany, though we see far more people in Germany using auctions. Some of these differences are working on a curve. The UK is 18 months to two years ahead of Germany, but in the end, Germany will catch up.

### Innovation predictions for 2015

**Brian:** What are your predictions for a breakout innovation in 2015?

**Jody:** I'm beginning to see the kind of connection of the Internet of Things that's been talked about for a while. I was given a pair of electronic scales that link to my phone. It's called a Withings scale. You get on it. It tells you if it's going to rain today, so that's helpful, but then it automatically uploads your weight on your phone. You see it over time, so you can follow it and you can track it. I've never weighed myself in my life, and I now religiously do it every day. It's helping me get fitter, and I'm excited by it.

**Gina:** We're moving to a world where you will have more specialized professional networks in your pocket, whether that's other marketing professionals or other photographers or other self-employed professionals or small-business owners like you. I think we have a lot of opportunity and a lot of room to grow in terms of your ability to access information, learning, and make better decisions. It's a great example of how the networks and connections that you have will continue to move beyond the people who are already in your address book.

**Dianne:** This is going to be the year in certain pockets where the phone does become the wallet. It's not going to happen everywhere, but I'm excited for things like Apple Pay and Snapchat to fundamentally change the way we pay.

**Brian:** I do think we're going to be seeing more around fitness tracking, but also beyond that into health, where the device measures not just my weight or calories or steps but also my blood pressure, BMI,<sup>2</sup> and cholesterol. I would love it if I could check my cholesterol every day. I think this fitness trend is the gateway. You combine that with enough knowledge that our health system is broken fundamentally, I think you're going to see consumers starting to want to own that themselves. □

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<sup>2</sup>Body mass index.