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Retail Mobile Pulse Survey:

Understanding Retailer Perspectives and Investments

In partnership with Digiday

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Introduction

The continued fragmentation of a consumer's path to purchase across devices is top of mind for nearly all eCommerce marketers.

To better understand how marketers are aligning resources to address mobile and cross-device opportunities in 2015, Digiday and Criteo surveyed nearly 60 retail and agency executives attending the Digiday Retail Summit in late 2014.

While some areas of investment, such as branded apps, varied by retailer, there was a universal and increasing focus on mobile marketing as a channel for driving eCommerce sales.

About Criteo

Criteo delivers personalized performance marketing at an extensive scale. Measuring return on post-click sales, Criteo makes ROI transparent and easy to measure. Criteo has over 1,000 employees in 21 offices across the Americas, Europe and Asia-Pacific, serving over 6,000 advertisers worldwide with direct relationships with over 8,000 publishers. Criteo ads reach 994 million unique Internet users (comScore, September 2014).

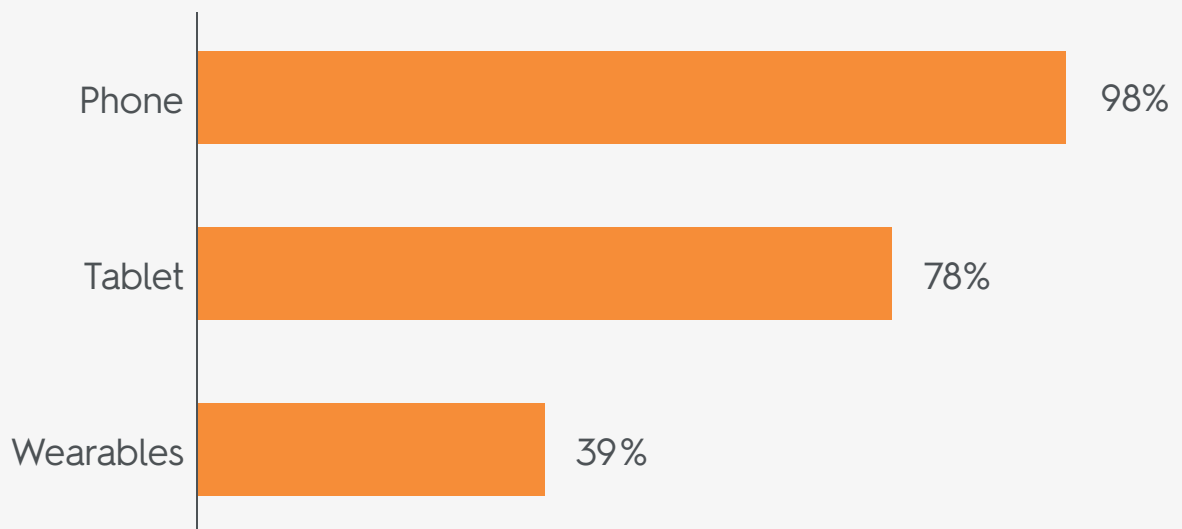
For more information, please visit www.criteo.com.

What is Mobile?

Make no mistake: Mobile is happening, and it's becoming a huge part of marketers' campaign strategies. Nowhere is this more apparent than in the realm of eCommerce, where the mobile device is on-hand at brick-and-mortar locations and often serves as a point of purchase itself.

The definition of "mobile" is changing. Long confined to just smaller screen mobile phones and smartphones, 78 percent of respondents extended the category to tablets; 38 percent also included the rapidly emerging category of wearable technology.

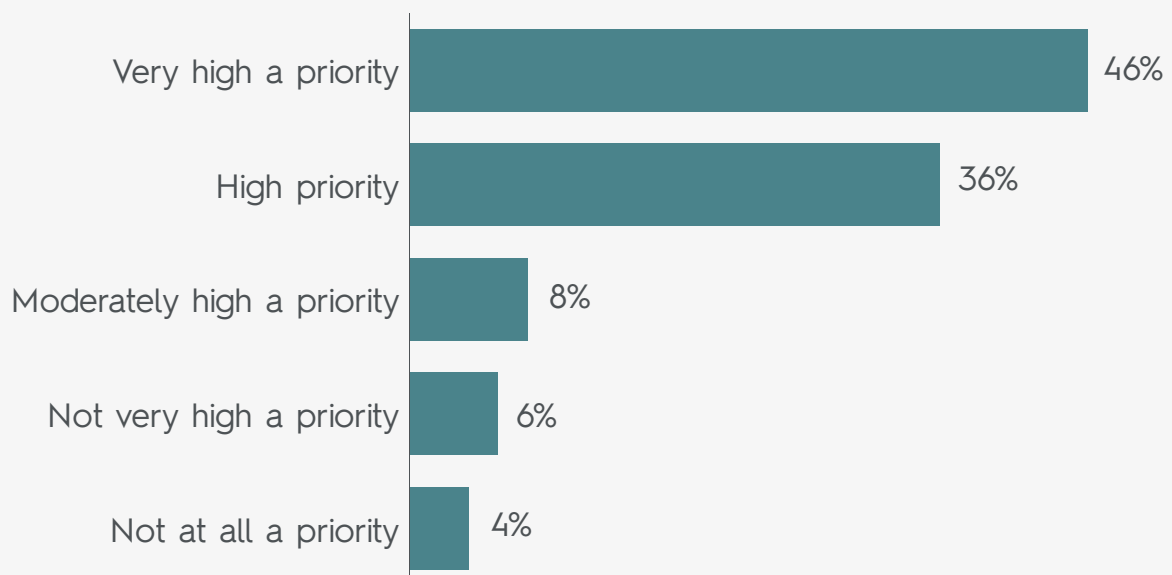
How do you define mobile?



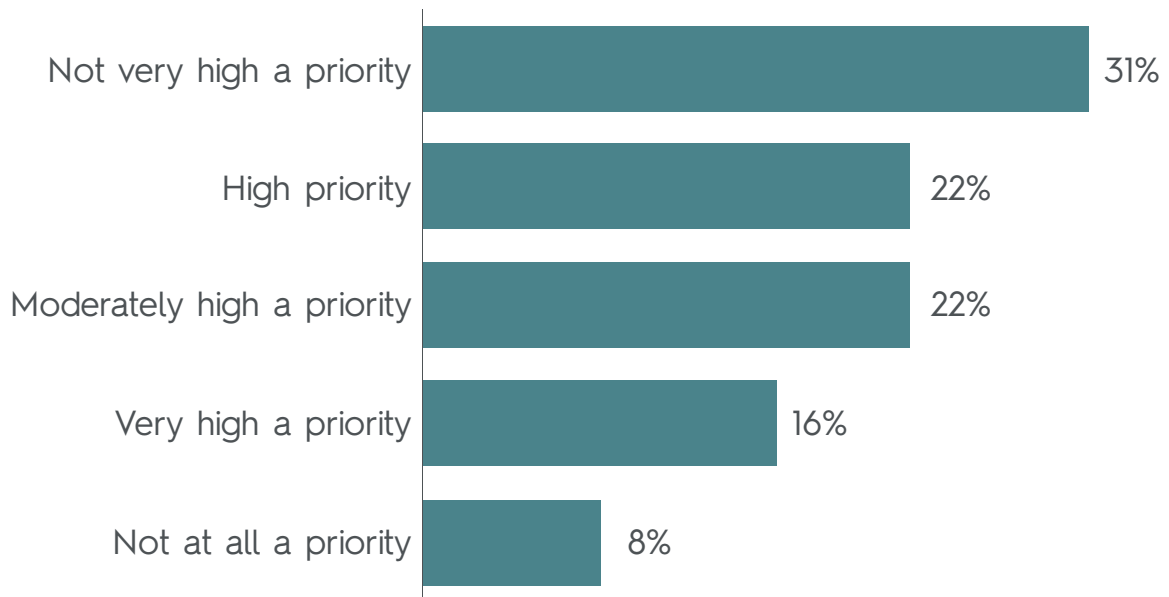
We'll have the app on the side, please

One of the industry's most heated debates is whether it makes more sense for retailers to reach their customers with mobile-optimized websites or branded apps.

How high a priority has investing in a mobile-optimized site been for your business?



How high a priority has investing in a branded app been for your business?




About 86 percent of respondents' sites are mobile-optimized, and 84 percent see their investments in mobile optimization as either a very high or high priority for their business. This confidence has played out in budgetary terms: 77 percent of respondents increased their mobile optimization spending from 2013 to 2014.

On the other hand, only 38 percent reported that branded apps were a very high or high business priority. In fact, the largest proportion, 31 percent, said that they were not a very high priority.

"They're siloed," said Dan King, director of business development and customer acquisition at MeUndies. "You can't follow your users' movements like you could through the web. And from a marketer's standpoint, you're fighting an uphill battle if you don't know where people are coming from, how they're getting to you and where else they like to go. But you can do that with some of the social apps."

Retailers also recognize that apps must have a great user experience and provide the necessary features and capabilities to encourage consumers to download and then use them.

"You can have a great native app that might function a little better on your device," King continued. "But you're not going to get people to download it and take up real estate on their phone if you're not going to provide some other value."



If we were 100 percent confident that a specific audience on mobile was the audience that closed on desktop later on, we would be adding zeros to our budget."

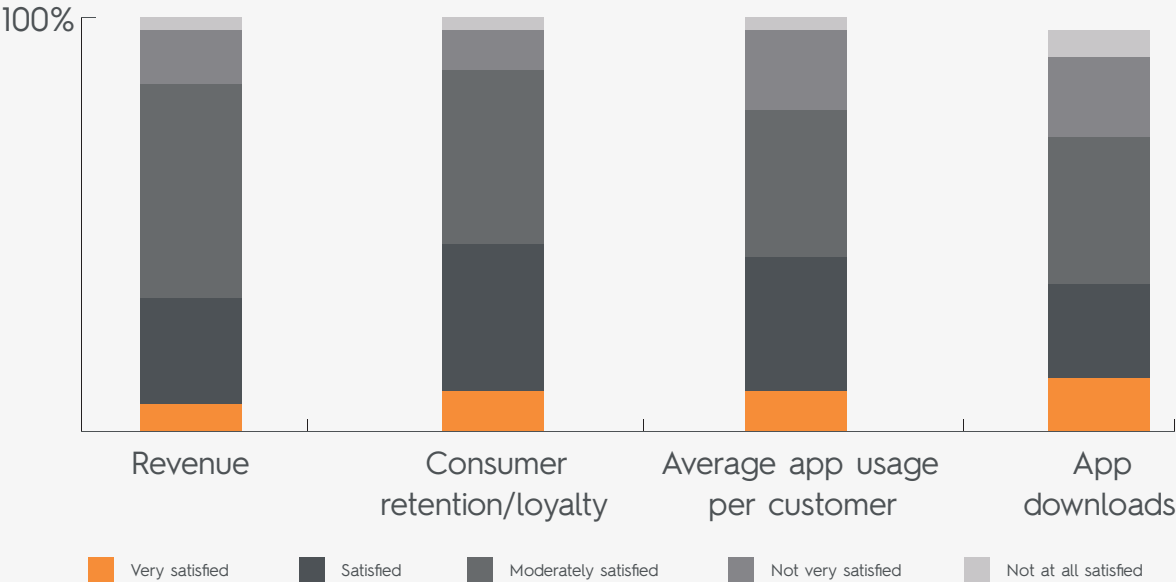
Dan King, director of business development and customer acquisition at MeUndies.

For retailers, branded apps perform certain functions that are indispensable. Sean Ryan, director of social and mobile media at JCPenney, noted that for “mobile wallet and tracking your rewards and all that, then it is a must-have.” But, he added “I don’t think all stores really need an app. There are a lot of startup companies piggybacking off of other providers to do that, as simple as posting coupons on Facebook. You don’t need to have an app to do that”

Mobile applications continue to receive attention from eCommerce companies; 65 percent of respondents reported having a branded app. Whether this is because they simply feel it’s something that’s expected is unclear, but the primary purpose of these apps is largely either consumer engagement (42 percent) or eCommerce and in-app purchases (36 percent).

While mobile apps have great potential, there are still opportunities for improvement based on respondent’s answers to the questions specific to app satisfaction:

How satisfied are you with the performance of your app in terms of the following:



Using an exact match solution can provide a truly unified view of customers across devices, drastically improving ROI and accountability,"

Jason Morse, VP-mobile product at Criteo.



The primacy of mobile optimization is set to continue into the future: 67 percent of respondents expect to further increase their spending on mobile-optimized sites in 2015. About 48 percent of respondents said the same about their branded app spending.

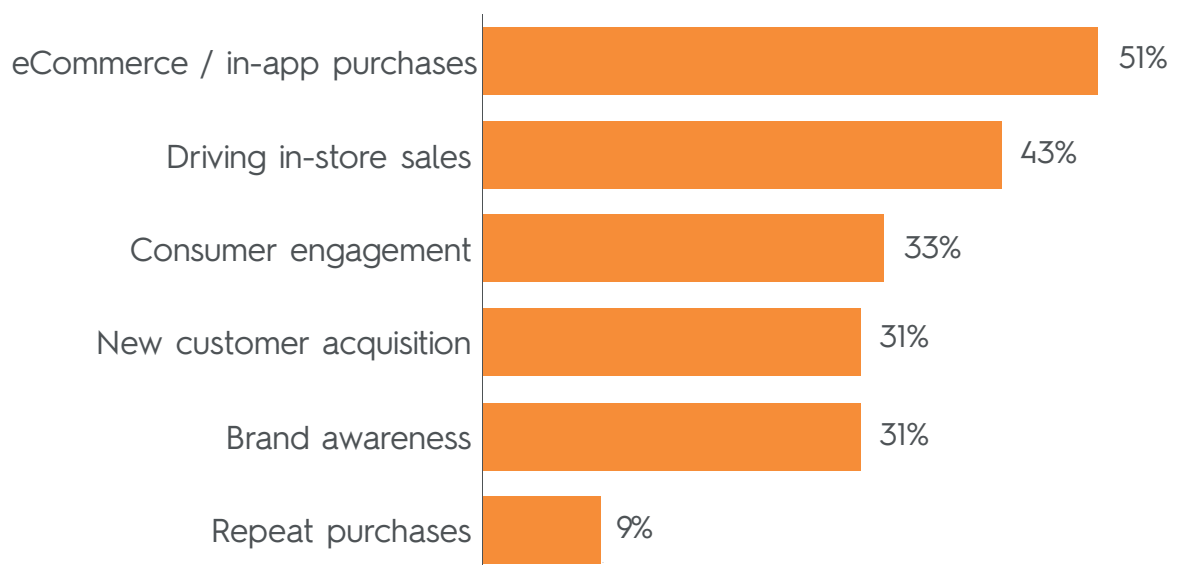
Regardless of the method, mobile is being recognized as an increasingly important eCommerce and marketing touch point.

The mobile way forward: eCommerce and in-app purchases

The data shows that marketers realize mobile is not just another channel where they can repurpose the same old tactics. The devices call for a high level of creativity, and their unique strengths bias them toward certain uses.

The top marketing goals that respondents selected for their use of mobile devices took these strengths into account: 52 percent indicated eCommerce and in-app purchases as a main goal of their mobile strategy; 42 percent said driving in-store sales was a central goal in their mobile campaigns.

Which of the following are the primary goals for your or your clients' mobile marketing strategy?



The popularity of driving in-store purchases via mobile is especially noteworthy. Always on-hand, the potential proximity of mobile devices to brick-and-mortar points of purchase is inherent to the "mobile" definition and makes them a natural fit for this particular marketing goal.

Despite this, only 44 percent have increased mobile advertising spending on driving in-store purchases in the past year. But, as measurability and targeting improve, there's hope that marketers will be able to better capitalize on this missed opportunity: 74 percent expect to increase that spending in 2015.

In-store beacons seem to offer one good way for marketers to take advantage of this. JCPenney's Ryan notes that when location and timing converge, it can make for highly effective marketing. "Anything that makes the unit more relevant to me as a consumer makes it more one-to-one," he said.

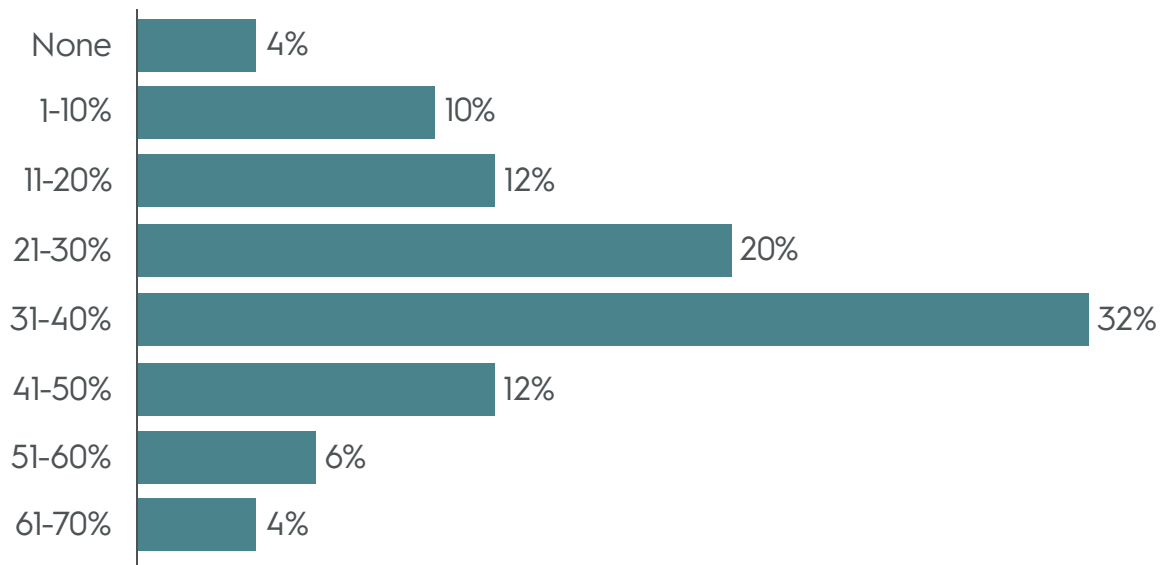
On the other hand, 66 percent increased their social media spending in regard to mobile advertising. This may signal what many marketers have recognized for some time now: the dominance of social apps in the mobile environment. Potentially a powerful route to conversions, this spending increase is expected to continue by 78 percent of respondents in 2015.

Finally, as mobile itself is becoming an increasingly important eCommerce channel, 70 percent of respondents say they will increase spending on efforts specifically designed to drive mobile sales in the coming year.

Advertising on the go

The increase in spending is justified when you consider the fact that, currently, about 65 percent of respondents see between 21 and 50 percent of their traffic coming through mobile devices. The audience is there, and this positions mobile as a valuable new advertising platform.

Which percentage of your traffic comes via a mobile device?



To take advantage of a growing mobile audience, 76 percent of respondents are using targeted ads on mobile devices. Predictably, 73 percent target with geolocation data, a readily available resource to mobile marketers.

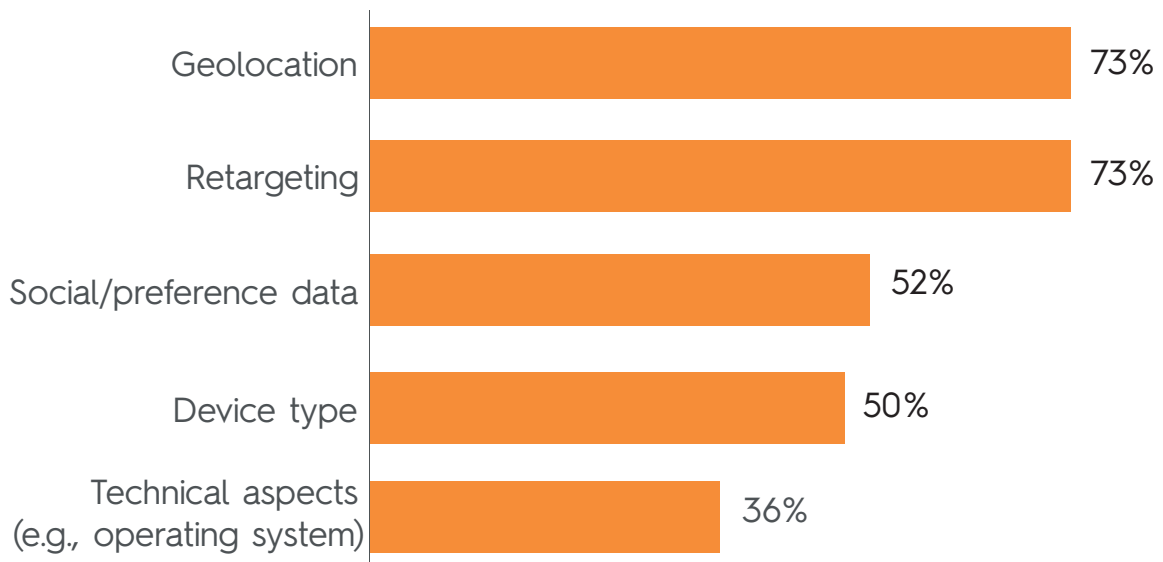
More interestingly, 54 percent are using social/preference data to serve targeted ads, a practice that again points to the importance of social as a point of meaningful contact with consumers that can cut to the heart of how they see themselves.

And though mobile is depicted as a cookie-less void, 76 percent of respondents are making use of retargeting. This can be accomplished by driving consumers to your branded app (for those brands that have them), using device IDs within and between apps, and through the use of opt-in cookies on certain mobile browsers to maximize scale for mobile web advertising.

Regardless of how ads are being targeted, there's some contention over whether display advertising is effective at all on mobile devices. Some, like King, say no: "It isn't perfected, and usually people are pretty engaged in whatever it is they're doing on their phone, much more than on desktop, so it's not the best experience."

While some marketers make direct response the focus of their campaigns, they're wary of allowing bottom-of-the-funnel banner ads to dominate their budgets.

Which of the following ad tactics are you using to target consumers on mobile devices?

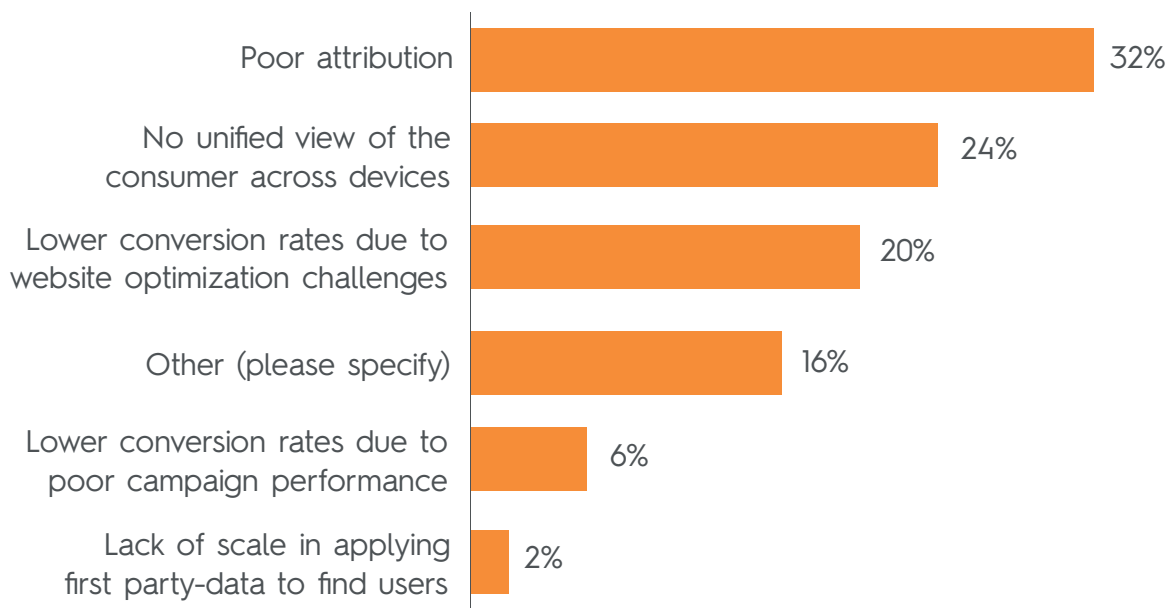


The problem left by the absence of a stable cookie substitute across devices is a major one, and it factors into both of the biggest barriers preventing brands from increasing ad spend on mobile even further: poor attribution (33 percent) and a lack of any unified view of consumers across devices (25 percent). "If we were 100 percent confident that a specific audience on mobile was the audience that later closed on desktop, we would be adding zeros to our budget," said King.

Deterministic, or "exact match", approaches have already begun to offer a promising solution to these challenges.

"Using an exact match solution can provide a truly unified view of customers across devices, drastically improving ROI and accountability," said Jason Morse, VP-mobile product at Criteo.

Which of the following is the biggest barrier to increasing your spending on performance-based mobile advertising?

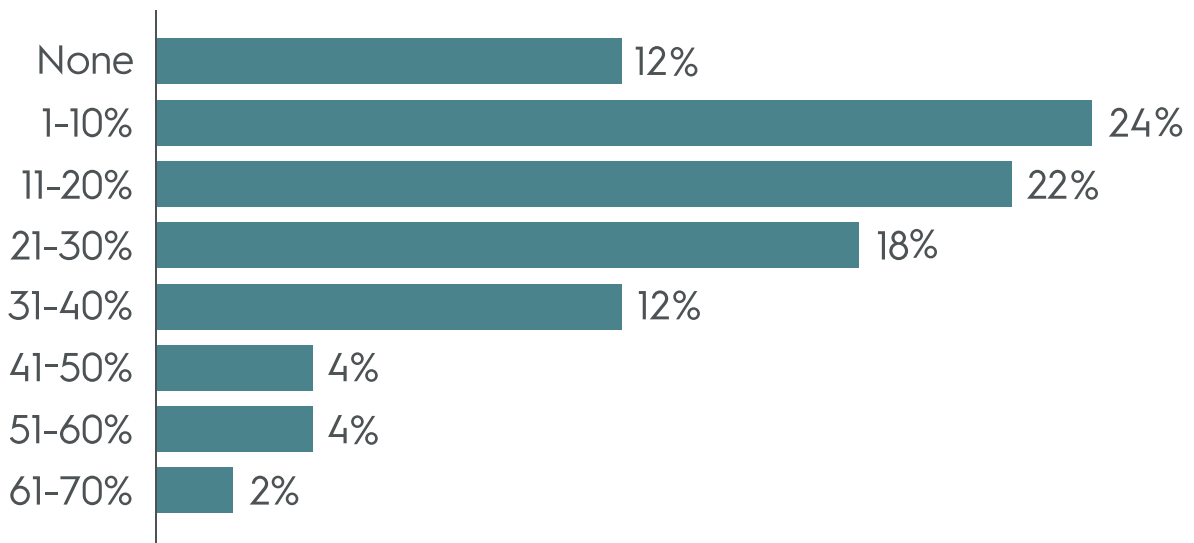


Mobile eCommerce revenue

Marketers are most interested in how their efforts affect the bottom line. While this has become even more observable in a world of digital transactions, it's still a complicated issue. For now, we'll focus on the revenue flowing in through mobile purchases.

Just how does an increase in mobile ad spending translate to eCommerce revenue? First, while it's not an overwhelming proportion, 52 percent of respondents are already seeing between 11 and 40 percent of their online sales coming through mobile devices.

What percentage of your online sales comes through mobile devices?



"We see mobile devices emerging as a key platform for sales across all retail categories. Mobile is now about purchasing, not just researching."

Jason Morse, VP-mobile product at Criteo.

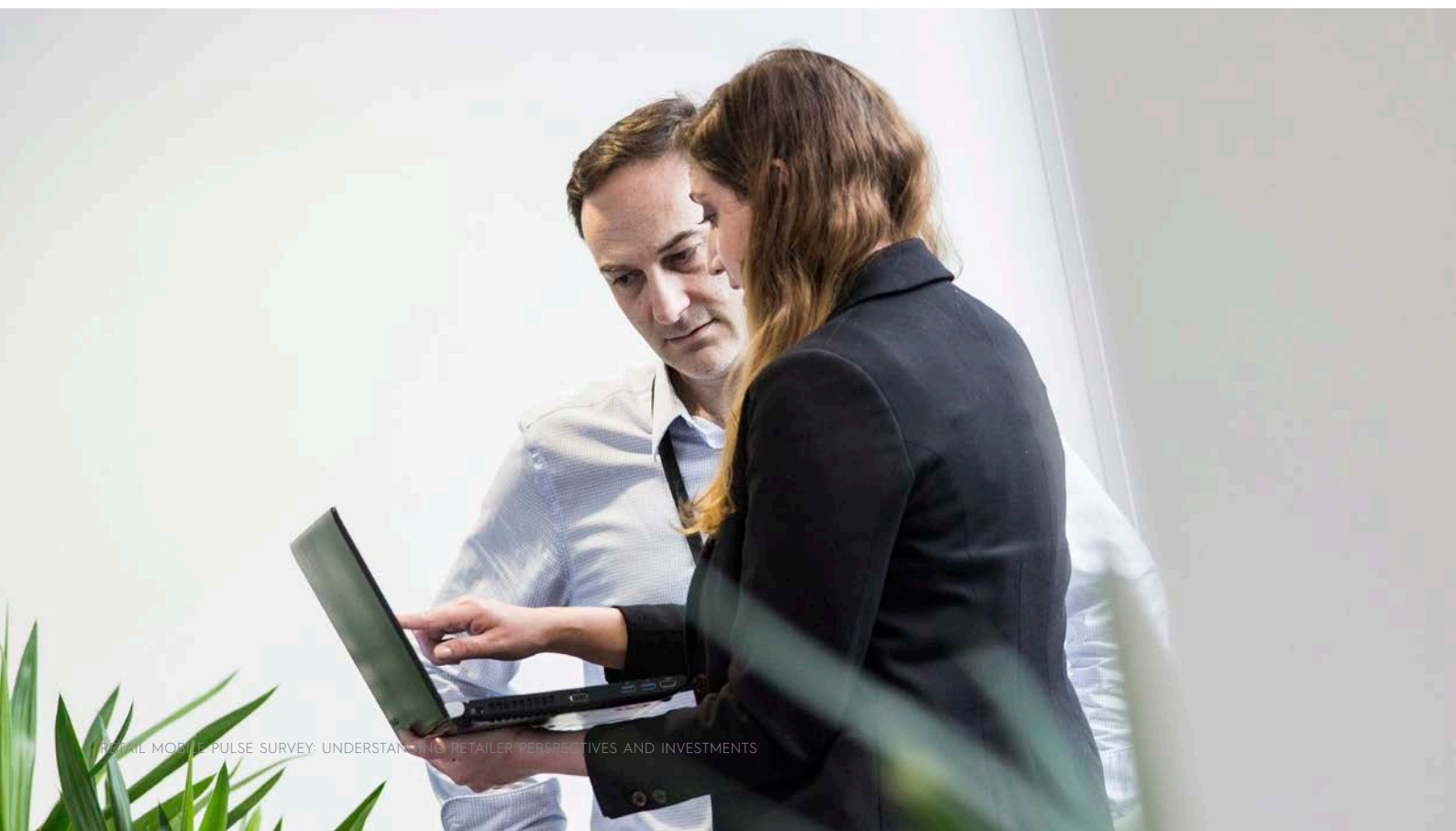


The contexts for mobile and desktop eCommerce browsing can be quite different: browsing on mobile may often take place in more distracting physical environments (e.g., the morning commute) and is more purposeful, characterized by in-and-out shopping for single items. It's not a surprise, then, that 40 percent of respondents see smaller shopping carts at checkout on mobile than on desktop.

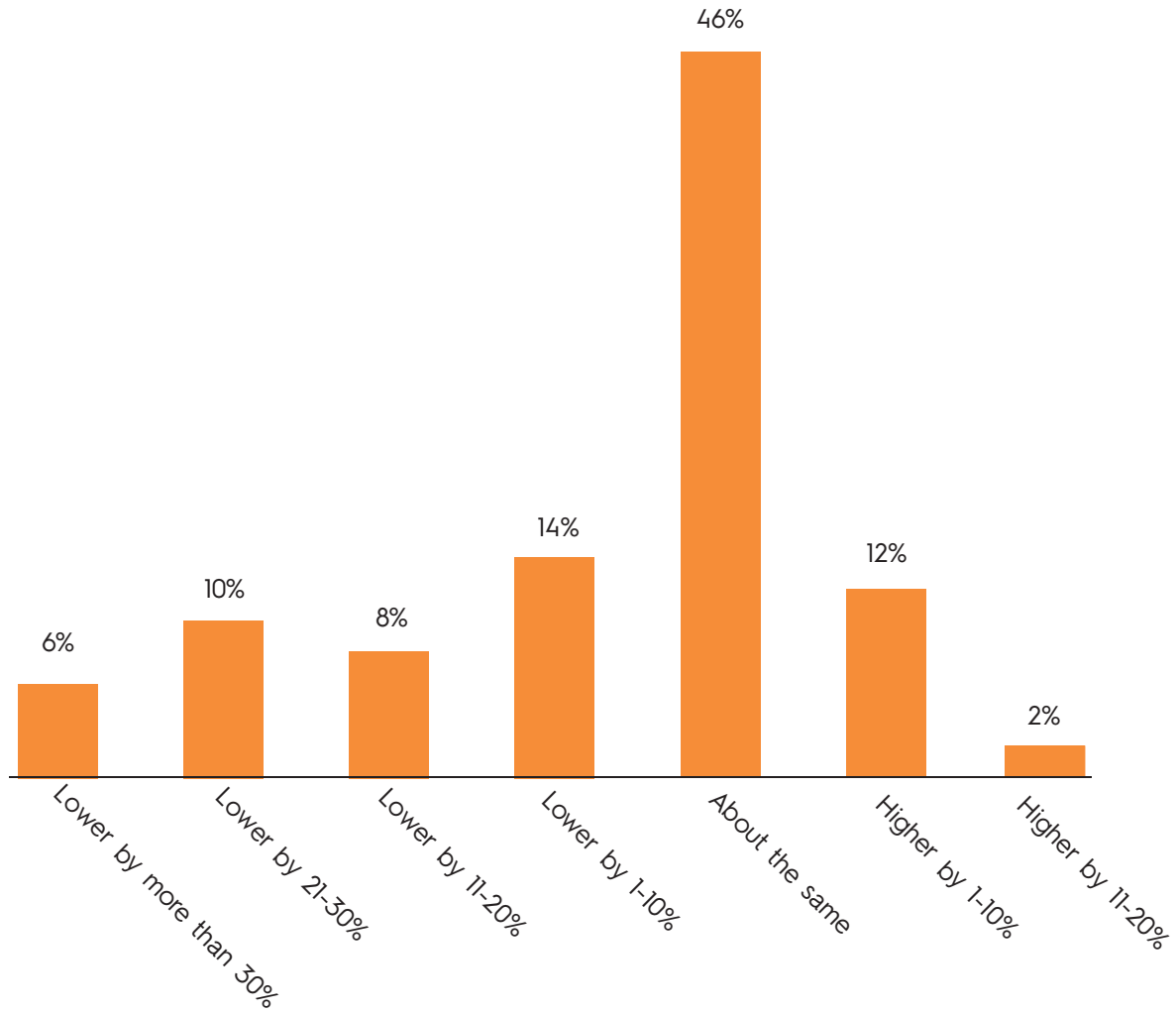
"Our mobile [phone] conversion rate is lower than our tablet conversion rate," said Ryan. "If I'm on a tablet, I'm probably at home looking for something I want to purchase. But on mobile, I'm searching to find a product I'm looking for [at a brick-and-mortar location]. I'm right next door, and I'm going to go in and buy it. I'm not going to go convert in the session on my phone."

Despite some of these differences of use, 46 percent of respondents said that shopping carts are about the same size on both mobile and desktop. This is quite an endorsement for the mobile device as a point of purchase. "We see mobile devices emerging as a key platform for sales across all retail categories," said Morse. "Mobile is now about purchasing, not just researching." One significant factor is consumers' tendency to buy on impulse; with mobile devices always on-hand, they are constantly ready to make those urgent purchases, often paying more for the convenience in the process.

"We've been tracking conversions for the past year, and it's definitely gone up," said King. "We anticipate that more people will be comfortable doing more of their shopping or using their mobile device to do more tasks that they wouldn't do before."



Do you find the average commerce basket on mobile to be lower than, higher than or about the same as on the desktop?



A blurred photograph of three business professionals in suits walking down a set of stairs. The image is overlaid with a semi-transparent blue filter. The background shows a modern building with large windows and columns.

Conclusion

Marketers generally agree on the universal importance of mobile web and the growing role of mobile devices in driving both eCommerce and in-store sales. In-app marketing will also continue to play an important but more customized role, aligned with the specific marketing strategies of each retailer.

Cross-device visibility and targeting remains a central challenge for eCommerce marketers. It is clear that the availability of solutions that can accurately and consistently provide a unified view of the customer will be a key factor in unlocking additional investment in 2015 and beyond.

With revenue starting to flow steadily through mobile devices and shopping carts increasingly on par with desktops, the future looks bright for retailers who are increasing mobile ad spending and laying the groundwork for a mobile game plan.

