

CyberSource®

# THE TOP FIVE MOBILE COMMERCE TRENDS AND THEIR IMPACT ON MERCHANTS



**VISA**

## TREND #1

# THE RISE OF THE MOBILE CONSUMER

As consumers spend more and more time on mobile devices, particularly smartphones, the number of mobile purchases is skyrocketing. That means that the most successful businesses will meet the demand for mobile payments and satisfy customers wherever and whenever they want to shop.<sup>1</sup>

U.S. consumers spent nearly 60% of their digital media consumption time on smartphones in 2016—that's 879 billion minutes. And mobile consumers are doing more than just browsing; they're buying. Mobile commerce has grown 47% year over year and shows no signs of slowing down.<sup>2</sup> The largest share of mobile buyers (39%) is millennials, which indicates that the trend is poised to keep growing moving forward.<sup>2</sup>

The digitization of payments, and the integration of payments into all aspects of the consumer experience, makes digital mastery of payment management essential to business success—even survival. Companies that treat payment management as a strategic component of their overall digital platform will be in a stronger position to compete in the digital economy.<sup>3</sup>

These dynamics create opportunities for consumer-facing businesses that adapt to customer preferences and risks for those who fall behind. Target, for instance, reported disappointing 2016 holiday sales and forecasts falling profits this year. The cause? Declining foot traffic as more shoppers buy online. In addition to store closings, in March 2017, Target suffered a 13% drop in its stock price in a single day.<sup>4</sup>

**THE MERCHANT IMPACT:** Payments are an integral part of your ability to deliver optimal customer experiences—anytime, anywhere. Merchants need to seamlessly embed payment into the mobile moment, which means focusing efforts on consumers' shopping context, providing benefits for mobile checkout in addition to seamless payment, and trimming the fat from checkout experiences.

## TREND #2

# THE GROWING NEED FOR SPEED

Line-busting mobile checkout devices and ordering ahead are no longer enough for impatient consumers, and brands are responding with new business models tailored for faster shopping and instant gratification.<sup>1</sup> Several designer labels such as Ralph Lauren, Burberry, and Tom Ford are adopting the "see-now, shop-now" trend, letting consumers buy or order new fashion items they see on Instagram almost immediately.<sup>1</sup>

While the sharing economy provides consumers with rides, food, accommodations, and other services on-demand, merchants in a variety of industries can create real-time payment opportunities to enable quick checkout.<sup>1</sup> Additionally, insurance companies or health plans can provide secure and seamless ways to receive claim reimbursements.

Nonetheless, many merchants are bucking the trend toward faster, easier checkout by failing to accept digital wallets, which is a high-risk strategy. According to a 2016 survey by Forrester Research and the National Retail Federation, 68% of retailers surveyed reported that they plan to accept only one or very few digital wallet payment methods. Merchants that exclude a significant share of their customers by ignoring payment preferences won't be able to deliver an optimized checkout experience.

**THE MERCHANT IMPACT:** Merchants must provide innovative ways for consumers to pay and get products faster. As a result, some industries that were largely point-of-sale are now becoming card-not-present, such as hotels and quick-service restaurants. This trend drives the need for new payment and security infrastructure, the ability to manage payments across channels, and more robust fraud management capabilities.

1. Daphne Kasriel-Alexander, "Top 10 Global Consumer Trends for 2017,"

2. CyberSource, "Payment Management for the Digital Economy," 2016

3. Carleigh Jaques, "Payment Management and the Digital Enterprise,"

4. Nicholas Rossolillo, "Here Are the Keys to Target's Turnaround," <https://www.fool.com/investing/2017/03/18/here-are-the-keys-to-targets-turnaround.aspx>



### TREND #3

## SEAMLESS OMNI-CHANNEL EXPERIENCES BUILD CUSTOMER LOYALTY



While shopper visits to retail stores are in steep decline, online retail is thriving. Retail sales through digital channels (including mobile) increased by 23% in 2015, and much of these gains have gone to online retailers like Amazon.<sup>5</sup> In response, traditional retailers have invested in omni-channel retailing to provide a seamless shopping experience in brick-and-mortar stores and through a variety of digital channels.<sup>5</sup> In multiple industries, combining in-person and multi-channel digital shopping options can differentiate merchants from their storefront-only and online-only peers.<sup>5</sup>

When the Harvard Business Review partnered with a major U.S. retailer to study the shopping behavior of 46,000 customers over a two-year period, they discovered that consumers who interact with a variety of channels and digital options—including mobile—were more likely to spend money in the merchant's brick-and-mortar stores. Published in January 2017, the study revealed that omni-channel customers spent an average of 4% more on every shopping occasion in the store and 10% more online than single-channel customers.<sup>5</sup> Even more compelling, with every additional channel they used, the shoppers spent more money in the store.<sup>5</sup> For example, customers who used four or more channels spent 9% more in the store, on average, when compared to those who only used one channel.<sup>5</sup>

In addition to having bigger shopping baskets, omni-channel shoppers were also more loyal.<sup>5</sup> Within six months of an omni-channel shopping experience, these customers had logged 23% more repeat shopping trips to the retailer's stores and were more likely to recommend the brand to family and friends than those who used a single channel.<sup>5</sup> These findings suggest that deliberate searching beforehand led customers to greater in-store purchases and loyalty.<sup>5</sup>

**THE MERCHANT IMPACT:** For merchants in various industries, the winning strategy is creating an engaging and seamless omni-channel customer experience, including an array of checkout options and customer experiences across channels and devices. To securely implement such a strategy, it's imperative that B2B and B2C merchants have tokenization and other sound security tools in place to protect sensitive payment information and effectively manage fraud.

### TREND #4

## MOBILE CHECKOUT DRIVES CROSS-BORDER COMMERCE

Borderless commerce is growing rapidly as digital buyers emerge around the globe and retailers expand their ability to facilitate cross-border transactions.<sup>6</sup> Forrester Research projects worldwide B2C cross-border commerce will reach \$424 billion by 2021, which would be 15% of all online commerce. Mobile purchases are a key driver of this growth in cross-border transactions.

An October 2016 survey of global online shoppers by Ipsos and PayPal found that China was the number one cross-border online shopping destination (21%), followed by the U.S. (17%) and the UK (13%). The top products purchased by North American digital, cross-border buyers included: clothing, cosmetics, consumer electronics, jewelry, entertainment, travel, and household appliances.<sup>6</sup> The key factors driving these purchases were the ability to access harder-to-find items in foreign markets, free shipping, and the ability to pay in one's own currency.<sup>6</sup>

**THE MERCHANT IMPACT:** To successfully navigate cross-border ecommerce, merchants must be able to accept payment types from multiple countries, as well as non-card payments. They must also be able to prevent cross-border fraud, provide reliable security, and comply with each country's rules and regulations (as well as U.S. export requirements).

5. Harvard Business Review, "A Study of 46,000 Shoppers Shows That Omnichannel Retailing Works," <https://hbr.org/2017/01/a-study-of-46000-shoppers-shows-that-omnichannel-retailing-works>

6. eMarketer Report, "Cross-Border Ecommerce 2017: A Country-by-Country Look at Consumer Behavior and Trends," <https://www.emarketer.com/Report/Cross-Border-Ecommerce-2017-Country-by-Country-Look-Consumer-Behavior-Trends/2001986>

## TREND #5

# CONTEXTUAL COMMERCE IS THE FUTURE

Contextual commerce means seamlessly embedding payment into everyday activities. Along with the ability to pay with less effort and without searching for a payment channel—such as enabling purchases via social media and IoT—customers will continue to demand purchase opportunities that are part of what they're already doing.

Innovative merchants like Uber, Amazon, Braintree, and Spotify are already embedding payment into everyday consumer activities.<sup>7</sup> Uber, for instance, uses passenger information to make contextual prompts that add value to each ride based on location, time of day, destination, and drive time.<sup>7</sup> And Spotify, the popular music-streaming platform, embeds ads to enable the instant purchase and delivery of alcoholic beverages like Jameson whiskey.<sup>7</sup>

**THE MERCHANT IMPACT:** To remain relevant and continue to satisfy customers, merchants will need to make the buying process seamless within environments that consumers already use.

## LEVERAGING MOBILE SOLUTIONS FOR THE FUTURE

Mobile commerce and payments—both in-store and online—are no longer just nice-to-have. They are crucial, especially if you want business from millennial buyers. To remain relevant, merchants must seamlessly embed payment into the mobile experience, provide innovative ways for consumers to pay and get products quickly, create engaging and secure omni-channel customer experiences, successfully navigate cross-border ecommerce, and thread purchase opportunities throughout environments that consumers already use.

7. Karen Webster, "Why Contextual Commerce Is the Next Big Thing," <http://www.pymnts.com/news/merchant-innovation/2016/why-contextual-commerce-is-the-next-big-thing/>

To learn more about developing a sound mobile payments strategy, and to discover how CyberSource can help, **visit our mobile commerce solutions page.**

