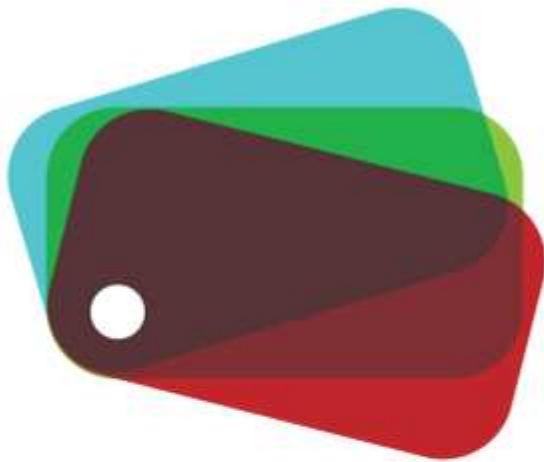


2011



# A4U

## [MOBILE COMMERCE REPORT]

M-Commerce Report 2011



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*M-Commerce feature researched and compiled by Sean Hargrave*

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## MOBILE COMMERCE

### LOOKERS BECOMING BOOKERS AS M-COMMERCE REVOLUTION TAKES HOLD

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Like the desktop internet shopping revolution that preceded it, the transition of the mobile internet in to mobile commerce has been, at first, gradual and punctuated with inflated claims. Until now, that is, when the figures speak for themselves.

Although it is still relatively early in the evolution of the mobile channel, IDC confirmed at the start of the year what anyone who has recently sat in an airport lounge, hotel lobby or coffee shop already suspected - more smartphones are now being shipped than desktops and laptops. In August, John Lewis added greater clarity with an announcement tablet sales alone were outstripping desktop sales.

The result is stores are not only selling more devices but customers are increasingly using smartphones and tablets to access m-commerce sites. Debenhams alone received 650,000 mobile visits during August, up 320% year on year. This massive leap in figures came a month before it unveiled a mobile optimised version of its web site.

As such the high street brand encapsulates the industry wide feeling that if the massive rise in m-commerce visits is being achieved before many stores have launched mobile optimised sites, what will happen when mobile optimised sites are the norm? When sites load and display better and are easier to navigate and fill a basket before paying, what will happen to the figures then?

### UK A LEADING PLAYER

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Across the five key 'EU5' markets (UK, France, Germany, Spain and Italy) the UK is streets ahead on m-commerce. Smartphone visitors to retail sites were up 163% year on year for the three months preceding March 2011, according to comScore MobiLens. This was double the EU5 average growth and, similarly, access to auction sites and shopping guides were up 141% and 109% against averages of 76% and 72%.

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The same clear lead in m-commerce interest is evident across the whole UK mobile phone market (including non smartphone users) where visits to online retail sites were up 118%, compared to the 37% average increase across the EU5.

Interestingly, research released by comScore in September revealed that, in the USA, tablet owners are more likely to start making purchases sooner. In fact, nearly half of tablet owners (47%) who do not currently make payments predict that they will within one to two years, compared to 29% of smartphone owners.

Another report, the Global Consumer Survey by MEF released this summer, claims the UK is leading m-commerce visits with 91% of respondents revealing they have used their mobile phone to research or pay for goods and services.

## **BOOKING AND LOOKING – M-COMMERCE SPEND UP 43%**

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The latest industry figures demonstrate that, as one might expect, the penetration of smartphones and tablets has given rise to a corresponding rise in m-commerce visits. Rather than just poking friends or tweeting, mobile owners are now increasingly comfortable with accessing retail sites on their mobile device. The question remains, though, are they mainly researching or buying, or perhaps both?

According to Mobile Consumer Trends (MCT) they would appear to most definitely be willing to spend. The research company predicts the UK will have more than 20.76m m-commerce users in Q4 of 2011. Of these 17.7m will be aged over 18, and so legally eligible to use a credit card. Nearly half, 47%, are predicted to spend up to £10 on m-commerce purchases, while more than one in three are expected to spend up to £100. Interestingly, MCT's survey results reveal 7% will spend up to £1000 and 11% will go above £1000.

The increased confidence to use mobile devices to both look as well as book is backed up by the latest IAB figures. These show that the average m-commerce spend per transaction has risen in 2011 by £5.29, or 43%, to hit £17.49.

Perhaps just as interestingly, the IAB survey showed that the main reason people are now making purchases on a mobile device is not experimentation (which accounts for one in four of the 1000

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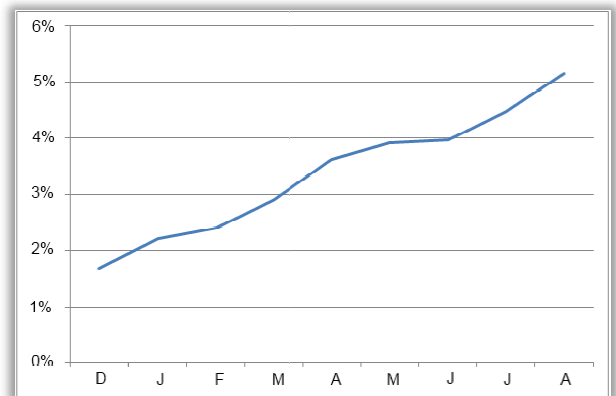
mobile users surveyed). Instead, the main reason for making purchases, for 40% of respondents, was it is 'the easiest way'.

## MOBILE COMMERCE DOUBLING UP

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So, with more than 17m mobile phone users able to use the channel to make purchases, 20m if you include under 18s, and the average basket size swollen to £17, it is not a surprise to hear the affiliate networks are registering significant gains in mobile traffic and sales.

In fact, the latest figures from affiliate networks is that consumer confidence has reached a point where the percentage of sales attributable to mobile has more than doubled between the start of 2011 and the end of August.



Source: 2011 Mobile Sales across the Affiliate Window Network

Affiliate Window figures show that at the start of the current year the mobile channel accounted for roughly 2% of sales on its network. By August that proportion had risen to more than 5%. There is evidence that this acceleration in growth is showing no signs of abating but has a natural momentum behind it. July's sales figures, for example, were up half a percentage point on June's results and August's figures were, similarly, half a percentage point up on July. Hence with 77,000 mobile transactions taking place in August, the number of mobile sales has leaped by 12,000 in just one month.

## WHICH PLATFORMS ARE LEADING?

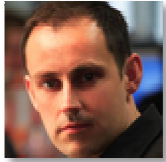
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One of the most interesting aspects of the research is the shifting picture it hints at for the future, reveals **Kevin Edwards**, Strategy Director at Affiliate Window. While the early running was almost entirely made on Apple devices, rival platforms are starting to catch up.

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**Kevin Edwards,**  
Strategy Director,  
Affiliate Window

*“Last year the iPhone and iPad accounted for about eighty to eighty five per cent of mobile commerce traffic but that has dropped to about two thirds now,” he says.*

*“As more Android devices are released we expect Apple’s lead to decline further until Android, driven by sheer weight of number of handsets and tablet from various manufacturers takes the lead.”*

The figures for the first eight months of 2011 certainly show that while Blackberry handsets are remaining steady at just under 10% of mobile commerce traffic, Android has increased by more than half from 12% to 20%. At the same time the iPhone is down from 55% to 40% although the iPad has risen from 20 to 28%. That still leaves Apple devices accounting for two in three visits to mobile commerce sites.

Of course, visits are one thing, conversions are quite another and here Apple is still by far the market leader with the iPhone and iPad each accounting for 35% of sales, a combined total of 70%. Android has shown considerable advances to climb from 10% to 18% during 2011 but still falls way behind the Apple duo at present.

## IPAD DOUBLES DESKTOP CONVERSIONS

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Apple’s success is largely down to the iPad which can boast a conversion rate double that which Affiliate Window would normally see on non mobile traffic.

Roughly 4% of iPad traffic converts, compared to just under 2% of non mobile traffic. Mobile, in general, is outperforming computer traffic with phone-sized iPhone, Android and Blackberry devices converting at around 2.5%.

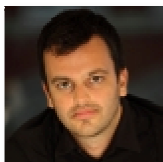
Clearly the larger screen and superior navigation offered by the iPad is proving a hit with users but, even so, mobile traffic originating from devices with smaller screens is already outperforming desktop PCs.

It prompts the question at affiliate networks what will happen when the nascent channel gets in to full swing and some of the teething issues are dealt with. Top among these early challenges is tracking, points out **Matt Swan**, Client Strategist at Affiliate Window.

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**Matt Swan,**  
Client Strategist,  
Affiliate Window

*“Advertisers are starting to build mobile optimised sites because they can see the power of the mobile channel,” he says.*

*“The trouble is far too many advertisers haven’t built mobile sites and so the mobile experience isn’t very good. Those who have optimised for the channel are often not building in affiliate tracking in to them. We’re certainly getting feedback from our affiliates, particularly in cash back and vouchers, that sales aren’t tracking properly in the mobile channel. So that’s a real disincentive for affiliates to work with the channel.*

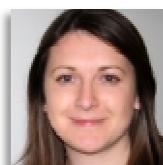
*“It’s the big challenge that needs to be overcome, if sites can’t track affiliate sales, they won’t benefit from the large volumes of traffic and innovation affiliates can provide.”*

## CHALLENGE OF AFFILIATE SUPPORT

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One of the major issues **Helen Southgate**, Senior Online Marketing Manager at Sky can see going forwards is not just the lack of advertiser mobile optimised sites but, as a direct consequence, a lack of content affiliates with mobile optimised sites.

In a classic chicken and egg situation, Southgate believes the number of sites the broadcaster and telecoms operator will be able to work with in mobile will be limited because such sites have yet to see sufficient demand from advertiser brands seeking mobile optimised partners.



**Helen Southgate,**  
Senior Online  
Marketing  
Manager,  
BskyB

*“We’ve been working hard on our mobile site and we’re hoping to get it up and running in Q4, hopefully during October,” she says.*

*“We’re very keen to work with content affiliates, and not just search partners. We’ve got lots of content to share, as we do in online but the problem we’re seeing is that there aren’t so many affiliates that have yet optimised their online sites for mobile.*

*“It’s not surprising as there probably hasn’t been a major demand until recently. The cost and time it would need would also put quite a few off*

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*and so I'm expecting we'll be working with a smaller number of larger affiliates in mobile."*

One feature that will be at the centre of the new Sky mobile site when it launches in October is an email forwarding feature. This will allow people to start the process of signing up to broadband and television services but then complete the transaction on line.

Whatever stage the consumer gets to, the forms can be filled in at a later date on a larger screen with, affiliates will be glad to hear, full tracking from the mobile web page.

## PAYING AND SWAPPING HOLDING BACK AFFILIATES

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The issues of swapping devices and the ease of paying for goods and services on the mobile are the main reasons why the bulk of affiliates may not yet have shown early support for the new channel, according to **Florian Gramshammer**, UK Country Manager at Commission Junction

He believes there are some fundamental hurdles which need to be overcome before more brands develop mobile web sites and apps which are supported by affiliates.



**Florian Gramshammer**,  
Country Manager UK,  
Commission Junction

*"The most successful retail brands in mobile are those that have been clever enough to make sure when someone goes on to their app it is linked to the online account they have already set up," he says.*

*"That's why Amazon has been such a huge success. People are understandably more reluctant to get out their credit card on a bus or a cafe and start typing in numbers, so if you have that already stored in an account, it makes the process so much easier.*

*"That's one of the reasons why I see the big successful brands in mobile will use apps for retention and mobile web sites for acquisition. Loyal customers who trust a brand will enjoy the convenience of an app while*

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*the mobile web site will be used to attract new customers who they hope will go on to download the app.”*

Making it as simple as possible for people to transact through their mobile devices as possible is central to the success of m-commerce and to mobile affiliates’ wholehearted support of the channel, agrees **Rav Dhaliwal**, Multi-Channel Marketing Manager at New Look.

It launched a mobile web site (built by MIG) in April, with full affiliate tracking, to build on the interest people were already demonstrating by accessing its e-commerce site through smartphones. After the first quarter of running a fully mobile optimised site, from April to July, the retailer announced that, year on year, mobile sales were up 500%, mobile site visits were up 800% and revenue from the mobile site was up 45%.

The success according to Dhaliwal has been in offering a seamless service right through to taking payment.



**Rav Dhaliwal,**  
Multi-Channel  
Marketing  
Manager  
New Look

*“Retailers want their stores to be visible to customers all the time whether they’re in front of a PC or on their way home or out and about in the evening or weekend on their smartphone,” he says.*

*“The service has to be seamless, though. You need to have the same experience as you would do as a shopper on the online site. People need to be able to access their account and the service needs to take them through to checkout as easily as possible.*

*“PayPal is a huge help because it means people don’t have to type in their details every time.”*

## BIG OPPORTUNITIES IN EMAIL AND SOCIAL

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Swapping devices is the major issue which **Lucinda Lamb**, Marketing Manager at The Hut Group believes there is no immediate answer for but, for balance, she insists there are so many opportunities that initial concerns should not put off brands or affiliates. After all, the online affiliate

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market has the exact same problem of an enquiry on one machine, perhaps at work, being completed on an untagged session on another, perhaps at home.

In fact, Lamb believes the true opportunities of mobile affiliates begins to open up when one looks beyond search affiliates and content sites and widen marketing channels.



**Lucinda Lamb,**  
Marketing Manager  
The Hut Group

*"We see the mobile as an incredibly powerful tool to increase our customer base, so we've been working very hard on mobile sites for our properties," she says.*

*"You have to accept that at the moment people may be less keen to buy through a mobile device, than a PC, and so you may lose some commissions but there are major opportunities in mobile as we approach an age where, like in Japan, the majority of browsing will be done on mobile devices.*

*"So, we're actively partnering with affiliates who have great mobile databases we can email as well as those who have strong social media presences. They're channels we're having success with, we've got full mobile affiliate tracking and we put our PayPal and Google Checkout buttons very prominently on the screen to discourage people from switching device."*

Interestingly, while The Hut agrees with the notion that mobile sites are best suited for new customer and apps for existing, loyal users, it also has a belief that apps should always offer something extra, particularly for the person in the high street.

*"For us an app has to have an extra shopping function to them," adds Lamb.*

*"That's why we've put barcode readers, price comparison services and image recognition on them. It means someone in a store can input what they're considering buying and then look around to see if, perhaps one of our sites, can supply it cheaper."*

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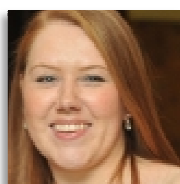
## DEBENHAMS OPT FOR MOBILE WEB OVER APPS, AND TRIAL VOUCHERS

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The major benefit of a mobile web site is that it can be viewed by nearly any mobile phone, smartphone and tablet, irrespective of platform or manufacturer. Conversely an app needs to be tailored to the major platforms and it has to be installed by a loyal customer, rather than a potential lead a brand can pull in through advertising or marketing.

It was this wider appeal that prompted Debenhams to go for the mobile web site option with the launch of optimised mobile site in September. **Gill Makepeace**, Affiliate Marketing Manager, reveals the store sees great potential in the mobile channel driving footfall in store, as well as converting shoppers on the mobile device itself.

Hence it has been running mobile voucher trials with vouchercloud and MyVoucherCodes. The retailer was keen to establish if it could use affiliates in a different way in mobile. With online affiliates the big push is to drive an online sale, and this model has carried over in to the new mobile web site. However, the feeling at Debenhams is that mobile vouchers could perform an extra task of driving footfall.



**Gillian Makepeace**,  
Affiliate Marketing  
Manager,  
Debenhams

*“We have affiliate tracking in place on the mobile site and, at the moment, the majority of our affiliates will be performing in the same methods as in PC,” she says.*

*“However we have already trialed activity with vouchercloud and MyVoucherCodes apps, driving sales into our stores. This differs from the PC model as the focus there is to drive online sales. We think there will be a lot of opportunity in the future for us to trial new activity. The mobile space within affiliate marketing is constantly developing and it will be interesting to see the new ventures that start over the coming months.”*

The vouchercloud trial offered a 10% off in store voucher with a ‘near me’ recommendation of the closest store where it could be used. The results were impressive, Debenhams has confirmed, with the vouchers performing at the same level of conversion as the store’s top affiliates yet with basket significantly higher. Affiliate Marketing was the highest performing channel during the voucher trial for both online and offline, driving 57% of in-store sales revenue. It’s a new sign of online to offline

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convergence in the affiliate channel, showcasing the fact that affiliates can also drive significant volumes of footfall in-store.

## CLICK TO CALL

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One very obvious benefit of a smartphone is that it is, after all, a phone. While desktop affiliate work can involve a 'click to call' call to action, a computer is not a device consumers expect to initiate conversations with sales staff. Hence, there is far great scope in m-commerce for click to call and, according to **Angela Greenwood**, Director of Account Management at Found, the early results are very encouraging.



**Angela Greenwood**,  
Director of Account  
Management, Found.

*"We've been building optimised mobile landing pages for clients who don't have them because conversion rates are just so much better when the site renders properly," she says.*

*"Part of this has been including large 'click to call' actions whereby someone can click on a number, and then confirm they want to call it, to be put straight through to the client. It's been working really well, particularly with Autoglass who we do a lot of work for. We're actually getting a 10% click to call rate which is double the interaction we would expect to get from PC campaigns.*

*"The good news is there is a lot less competition for clicks on mobile search, as fewer brands and affiliates are involved, so we're picking up clicks for much less than we would online and yet they're converting far better."*

Greenwood believes new payment models will need to be developed to ensure leads are fully recompensed. This could be a traditional percentage of the final basket value, a set fee for each call placed. For brands pushing apps, she suggests, a fee for downloads may be the appropriate model, rather than for clicks sent to a download page.

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## MOBILE SEARCH EXPLODING

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Mobile search is tipped by analysts at RBC Capital Investments to double in proportion of the total search market within a year. The investment bankers believe today's 9% share will more than double to 20% in 2012.

Today there are bargains to be had in paid-for listings because with just a 2% share of search budgets, mobile is underrepresented, considering it accounts for 9% of searches.

Also, the analysts suggest that marketers will catch on to the fact that a single paid result on a mobile search takes up around 20% of screen space compared to just 4% on a PC, hence click through rates, the analysts suggest, are proving to be three to five times higher.

With improved click through rates and cheaper clicks, as Found's work with Autoglass is demonstrating, mobile search is expected to be a major channel of interest for affiliates in the m-commerce space. With normally only one or two paid adverts being displayed, affiliate partnerships are a good way for brands, such as Autoglass, ensuring they get top spot and then drastically increasing the chances that any potential second spot is occupied by a search affiliate partner directing traffic to them, rather than a rival.

## PROXIMITY TO BE HUGE

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Not only are smartphones capable of making calls, they can also establish where they are, through GPS, and communicate to nearby equipment, through Near Field Communication (NFC).

Greenwood is among many in the mobile affiliate space who believe that location is going to be a major growth area.

*"Find me nearest is going to be huge in mobile affiliates because location is far more prevalent in mobile search than desktop," she says.*

*"We're finding people are far more likely to put in their location or allow Google to use their location in search so the information is there to be used. We can tailor pages to provide information that is best suited to that location."*

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This is an addition which can ensure shoppers on mobile phones can be directed to their nearest store for a particular brand as well as reserve products so a customer is reassured they will not have a wasted trip to the high street. As such, it is a feature retailers are keen to have included when a mobile developer optimises an e-commerce site, points out **Damian Hanson**, CEO at One iota.



**Damian Hanson**, CEO,  
One iota

*“We’ve been having conversations with lots of retailers over the past year to eighteen months and over the past few months things have really heated up,” he says.*

*“A lot of these brands are noticing that between seven to fifteen per cent of their traffic is coming through a mobile device and so they know an optimised site is going to give them a good return on investment.*

*“For clients, such as Foot Asylum, we allow mobile users to select a product and then reserve it at their nearest store. The crucial thing is it has to work and it has to be linked to the back office systems so you can only reserve shoes if they are actually in stock. Then if the customer likes the shoes they just buy them at the till.”*

It is very early days in the development of m-commerce affiliates but with Bing recently announcing that one in two mobile searches shows local intent, the combination of location and search is set to be a major area of growth.

Similarly Near Field Communication, NFC, the contactless technology which allows a phone to communicate with a store’s tills, is going to be huge in the next few years, according to **Greg Le Tocq**, Founder of vouchercloud. The ability of mobile vouchers to use GPS to direct the owner to their nearest store where an offer can be redeemed has already been demonstrated by the company’s work with Debenhams. The next stage, he suggests, is communicating an affiliate’s offer to a wide range of stores’ tills more seamlessly.

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**Greg Le Tocq,**  
Managing Director  
vouchercloud

*“In affiliates we can see the next year or so being all about mobile and the biggest development in mobile is going to be NFC,” he says.*

*“We’re showing the mobile vouchers are in huge demand, in August we had a record quarter of a million vouchers downloaded. The next stage, once a person has gone to a store, is getting their voucher read. We can do this by a barcode reader but it can vary from one shop to another so the best solution is going to be NFC where you just show your phone to a reader and the offer is redeemed, and even paid for.”*

## THE FUTURE FOR M-COMMERCE- APPLE AND GOOGLE PUSH PAYMENTS AND WALLETS

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Indeed this is where the much talked-about launch of Google Wallet will make in-store purchasing easier, particularly when a coupon, voucher or deal stored on the mobile needs to be redeemed against the normal in-store price. With Google Wallet also storing store loyalty cards, rewards points can be updated also.

The service is only available on one phone, the Samsung Nexus S, in the USA at the moment although Google has said it is a high priority for it to roll out the service. The technology is based around Visa’s PayWave technology and the card payment’s company is similarly working on a mobile walled solution, due to be branded Isis. It is due to be launched next year with partners Verizon, T-Mobile and AT&T.

Closer to home Orange and Barclaycard have already launched Quick Tap, a service on the Samsung Tocco Lite handset which can make purchases up to £15.

It is very early days for NFC and so trials tend to be based around a single handset. However, Forrester is already estimating that 40m to 50m NFC equipped mobile phones will be shipped during 2011.

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Perhaps, most interesting, the iPhone 5, when likely released in April 2012, is widely rumoured to feature NFC and so Apple, the company that has kick-started m-commerce could be the manufacturer to get weight of numbers behind mobile, contactless payments and voucher redemptions.

This would close the loop for m-commerce ensuring that an affiliate's offer could not only be acted on through the device's browser. It could also drive footfall in stores, redeem an offer, top up a loyalty card and pay for goods just by 'showing' the device to a till reader.

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