

A person's hands are shown holding a smartphone, with the screen displaying a blurred image. The entire image is overlaid with a semi-transparent blue filter. The background shows a blurred view of a store interior with shelves and products.

GETTING SMART ABOUT TODAY'S MOBILE SAVVY SHOPPERS

What Really Matters in a
Mobile Shopping Application

About This Study

Engaging today's smartphone-empowered shoppers to build loyalty and influence purchasing is a subject of growing importance to CPG retailers and brands. Thanks to an extraordinary wave of technology adoption, a majority of U.S. adults now connect to everything via mobile devices and most are using their smartphones, at least occasionally, when they shop. As a result, marketers are experimenting with innovative ways to deepen customer intimacy and create more value and better consumer experiences through mobile.

But there are still plenty of questions to answer if retailers and brands are to fully leverage the power of the smartphone to engage consumers. Some of the chief questions revolve around the ways people actually want to use their devices as part of their shopping activities.

There is no shortage of shopping-related smartphone apps. There are more than 1,000 shopping apps for the iPhone alone, most providing a limited feature set. For example, there are numerous applications that address such individual capabilities as coupon collection, shopper budgeting, shopping list development and recipe creation. But there are few that integrate these features into a single easy-to-use interface. The fragmented nature of today's shopping apps begs the question of what consumers really want out of their primary application.

Getting Smart About Today's Mobile Savvy Shopper is a new study by Catalina designed to understand what smartphone-enabled shoppers would value most in an integrated mobile shopping application. Catalina developed the study, in partnership with the market research firm, InsightsNow, to gather voice-of-the-customer input. The findings bring new insights into the mobile mindset of today's shoppers and the features they believe would be most useful and readily embraced in an integrated application.

The study is based on a nationwide survey, which identified 1,000 smartphone owners who are the primary shoppers within their households and have either used their phones while shopping in the past three months or are interested in using them in the future. The study also included in-depth, qualitative interactions with a small group of mobile savvy shoppers from around the country. (See Methodology, Page 3)

As this study shows, the vast majority of smartphone owners are quickly becoming "mobile savvy shoppers." Some two-thirds of smartphone owners who are their household's primary shoppers have already used their devices while shopping. Most of them are familiar with existing mobile shopping applications and web sites—and they want more.

**The vast majority
of smartphone
owners are becoming
mobile savvy shoppers.**

What they want is an integrated application that makes them faster, more efficient and smarter shoppers. What they decidedly do not want is anything that complicates or extends their shopping trips.

Shoppers desire features that help them stretch and manage their budgets. They want to automate activities like shopping list creation, coupon collection, and tracking spending while they shop. They also want greater integration and ease of use. Rather than having to use multiple applications and web sites, as they currently do, shoppers want to access an application that meets more of their perceived needs, simply and efficiently. However, they're not interested in functions they consider extraneous. For example, very few shoppers think social networking would be important in a shopping app.

If there's one thing that Catalina's ongoing research into American shoppers has consistently demonstrated, it's that no two consumers are exactly the same. Understanding mobility's role in shopping is no different. Many shoppers are interested in using their smartphones primarily to access relevant coupons and savings. Others are looking for an application that both improves shopping efficiency and saves money. Still others—comprising the largest group of mobile savvy shoppers—want much more. They're looking for a highly integrated application with a broad range of features that make them smarter and more efficient about a wide range of shopping-related matters, from speeding up checkout and automating shopping lists, to building recipes and tracking health and nutrition information.

Discoveries

Most smartphone users are ready to become mobile savvy shoppers

- Two-thirds of primary shoppers who own smartphones have already used their devices on shopping trips, including 45 percent who use them frequently
- Only 22 percent say they **ARE NOT** interested in using their phones while shopping
- Those who use or are considering using smartphones while shopping are already aware of mobile shopping apps and websites:
 - 89 percent can name at least one mobile shopping app or website
 - 84 percent recognize at least two when prompted

Savings and efficiency are the big motivators for using mobile shopping apps

- Digital coupons, real-time coupons, reminders of what's on shopping lists, and the ability to track spending are the top four most desired features
- Almost one-third of respondents have used 31 or more coupons in the past six months, and 38 percent are extremely likely to use digital coupons in the future

Mobile Shopping Apps Shouldn't Distract Users from their Task

- The number one reason mobile shoppers say they wouldn't want a specific feature in their shopping app is because "it seems time consuming"
- Integration with social networks like Facebook, Twitter and Google+ was the least important feature for shoppers

Methodology

Getting Smart About Today's Mobile Savvy Shopper was designed to gain a deeper understanding of what shoppers want most from mobile shopping applications. Our research looked specifically at current uses and experiences with smartphone shopping applications, the features and functions shoppers believe are most and least important to them, and what they perceive as major barriers to usage.

Conducted with the research firm InsightsNow, this voice of the customer study included an in-depth survey of 1,000 "mobile savvy shoppers." To participate, respondents needed to be 18 years or older, buy at least half of the groceries for their household, own a smartphone and have used it for grocery and household goods shopping sometime in the past three months, or be interested in using it in the future.

The research utilized a Max-Diff approach in which respondents were asked to select potential application features and choices they considered most and least important. The survey asked respondents to review multiple random sets of five different features taken from a total of 18 potential features that were tested. Based on their choices, the study model predicted the value of each feature for each respondent, providing an ordered list of features from the most to the least valuable to include in a shopping app.

Prior to the survey phase of Catalina's research, InsightsNow conducted an immersive study phase that followed 15 mobile savvy shoppers from around the United States through five days of pre-planned shopping and shopping preparation activities. These qualitative interactions were designed to gather in-depth insights and commentary into how shoppers currently use mobile shopping apps in different scenarios and what they would include in a mobile shopping app of their own design.

Current State of Shopping Adoption

Only a few years ago, most people viewed the smartphone as a device only for the technically elite. In 2007, just as the iPhone was being launched, only 4.8 percent ¹ of US cell phone users owned a smartphone, according to Nielsen. That number has skyrocketed to 64.7 percent today. ²

The smartphone is having a significant impact on American shopping behavior. eMarketer expects mobile devices to account for about 19 percent of ecommerce sales in 2014, up from 11 percent in 2012. However, as this study shows, smart mobile devices play a more universal role in today's in-store shopping experience.

Most smartphone owners are already at least occasionally using their devices during shopping trips to grocery, mass merchant and convenience stores. The Mobile Savvy Shopper survey found that some two-thirds of smartphone owners, who are also the primary shoppers in their households, have used their devices during shopping trips. Once a shopper creates the habit of using their device to aid shopping, they stick with it. Some 45 percent of respondents say they now frequently use them while shopping. Just 22 percent say they're not interested in doing so (See Figure 1). It's safe to assume that the percentage of smartphone owners using their devices to aid in shopping will continue to rise as newer users become more comfortable with their devices and more millennials join the adult population.

These smartphone users are also highly aware of mobile shopper applications and web sites. Some 54% of those surveyed could name two or more apps they regularly use for shopping. Eighty-nine percent could recall two or more when prompted (See Figure 2, Page 5).

The implications for retailers and CPG marketers are considerable. A majority of American shoppers now own smartphones, and most already use them as part of their shopping trips. Understanding how smartphone technology is reshaping shopping behavior and finding new ways to engage consumers via this personalized mobile medium will be new keys to building competitive differentiation and greater loyalty among shoppers.

64.7 percent of U.S. adults now own a smartphone, compared to just 4.7 percent in 2007.

Fig 1

Shoppers Are Becoming Smartphone Savvy

Once the habit is created, smartphone owners often use their smartphones for all shopping trips.



1) Nielsen 2008 Media Blast, "Nielsen Mobile Provides Smartphone Statistics"

2) Nielsen Q3 2013 Market Data Report

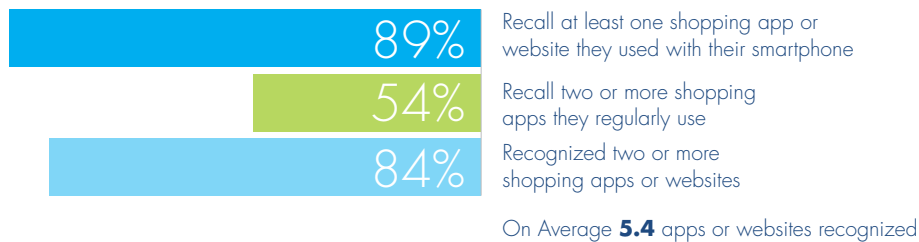
There's still tremendous room for innovation. Today, smartphone-enabled shoppers are using multiple mobile and online applications and websites because there is no single integrated application that addresses all or even most of their needs. As one mobile shopper who participated in the immersive phase of our study put it, "There currently is not one (app) that I really love."

The result is a complicated process that many shoppers have not fully embraced. Retailers and their CPG partners who crack the code will likely reap significant benefits with customers. To do so, they must provide an easy-to-use shopping app that addresses the right combination of wants and needs, while overcoming barriers to widespread adoption.

Fig. 2

Most Mobile Savvy Shoppers Know Shopping Apps

Survey respondents indicated they were well aware of some leading mobile shopping apps and websites.



Embracing New, But Relevant Experiences

Based on survey responses and immersive interactions with study participants, it's clear that smartphone savvy shoppers are looking for an application that improves on existing shopping routines and rituals, but will also embrace innovative features and creative capabilities that solve for unsolved needs and make the shopping trip a little more interesting and exciting.

Automating the creation of shopping lists, scanning and bagging products to tally the cart total, real-time reminders of special offers on a shopping list, and tracking loyalty and gas points—these are all features that are innovative and new to most shoppers. They will improve efficiency, but also create a new kind of mobile savvy customer experience. (See Scan and Bag, on page 8)

Shoppers will also embrace features that solve for unsolved problems and make the shopping trip more exciting.

However, shoppers want those new and exciting features to remain relevant to the task at hand. They're not interested in features they believe are extraneous to their shopping trip. By a large margin, respondents said integrating mainstream social networking into a shopping app was less important than other features they were asked to rank. Grocery shopping is largely a private activity, and most participants did not want their social networks to know where they were shopping or what they were buying.

Said one participant: "I'm not interested in sharing with the whole world what I am eating. If I did I would choose to post it myself and take pictures with my food like some people do. I don't see this app as contributing to the primary objective of a shopping app, which in my mind is to save money or make shopping easier."

However, automating the process based on previous purchases or by making a list by scanning items, are both seen as more desirable features. In fact, every feature tested in the survey was selected as best and worst by at least a few respondents. Social networking has different meanings and different applications depending on the individual. For example, some shoppers think controlled social networking could be very valuable for time-saving and decision-making.

"I think this feature (social) will be most beneficial in sharing your grocery list... in the most effective manner," one mobile-savvy shopper said. "It will allow you to send it to a spouse in the event that they are doing the grocery shopping for the day."

Consumers want features that are easy-to-use, reduce shopping times and make them smarter and more efficient shoppers.

The Need for Speed and Simplicity

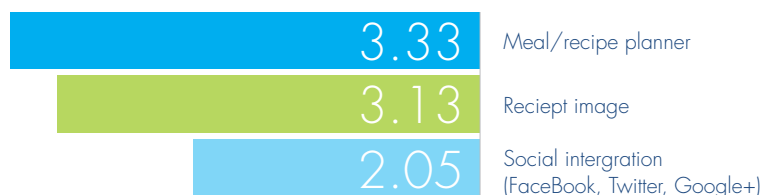
Today's mobile savvy shoppers are looking for mobile shopping applications that fit into their lifestyle and shopping routines seamlessly. They want features that are easy-to-use, reduce shopping times, and make them smarter, more efficient shoppers. They don't want application features that increase complexity or add time-consuming steps to their routine.

That message comes across clearly in the reasons shoppers say they would not use an application. The number one reason respondents say they potentially wouldn't use an application is that "it seems time consuming." Still other reasons revolve around the lack of an essential feature they believe is key to making an application useful.

Fig. 3

Least Desired Features

These application features were ranked low by most respondents, who viewed them as extraneous to their shopping trips.



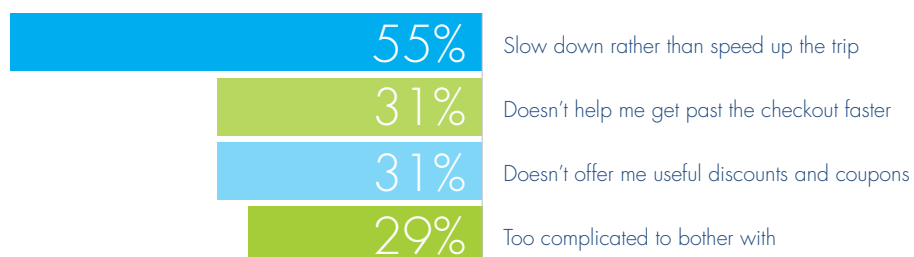
For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

Mobile savvy shoppers want features that automate and simplify tasks. Most survey respondents see little value in building a shopping list on their smartphone by typing items into the phone. However, automating that process based on previous purchases or by making a list while scanning items as they shop, are both seen as much more desirable features.

The greater the level of automation, ease-of-use and value-added intelligence, the more desired the feature. The same is true in the area of savings and coupons

Fig. 4

Top Barriers to Usage



Smarter, More Personalized Savings

Smartphone-enabled shoppers want applications that save them money through coupons and special offers. In fact, across the total survey population, coupons and real-time coupons are the most desired features. In addition, they want features that help them be smarter about what they spend and how they spend it.

The value of mobile-delivered coupons is obvious in the results of the survey and immersive interactions with smartphone-savvy shoppers. Some 31 percent of respondents used 31 or more coupons during the previous six months, and over half used more than 16 coupons during the period. In addition, 62 percent were extremely likely or very likely to use digital coupons in the future (See Figure 5).

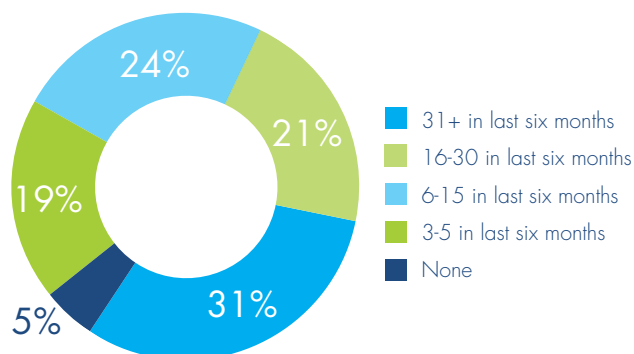
Five of the seven most valued features are associated with coupons, budgeting and tracking spending.

Fig. 5

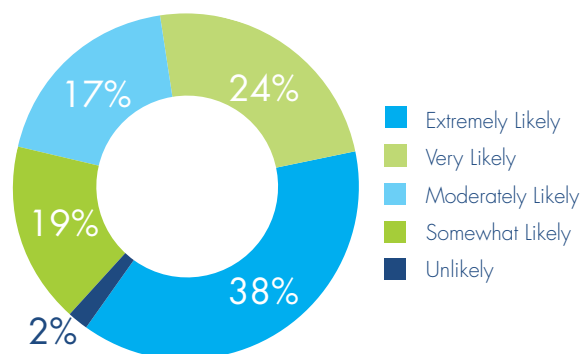
Use of Coupons is High and Desired in the Future

Mobile savvy shoppers will embrace digitally delivered coupons.

Coupons Used in Last 6 Months



Likelihood of Using Digital Coupons in the Future



Five of the seven most valued features chosen by respondents are associated with coupons, budgeting and tracking spending and savings. In addition to coupons & offers and real-time coupons, three other features in the top seven were related to budgeting and tracking spending. Those features included tracking spending as you scan and bag, tracking loyalty and gas points, and totaling up savings at the end of a shopping trip (See Figure 6).

It's not just about deals and coupons; it's about smarter and more efficient ways to save. Respondents like the idea of being able to automate managing and tracking their budget, savings, and loyalty points on the fly. They embrace the ease and automation of coupons delivered on their phones.

They also like the idea of applications that help them find the coupons and savings that are relevant to them – again reducing the effort of searching for special offers on the items they want. They value features that deliver savings, but only on products and brands that are relevant to them.

Those sentiments were expressed by many of the mobile savvy shoppers who participated in the immersive phase of this study. One shopper described an optimal mobile experience that combines coupons, real-time delivery and intelligence about past purchasing: "Walking down an aisle and not really paying attention, all of a sudden your favorite bag of chips pops up on your screen and is buy one get one free. Score! Make sure to get that food. In fact if this worked to a 'T', I might just pace up and down the aisles and buy all the stuff on sale!"

Another shopper described a similar concept. She wanted a feature that would accumulate coupons based on items that she used on a frequent basis. "This would be an awesome feature because having coupons that you cannot use, or for items that you never use, is useless. It would allow for a better shopping experience."

Fig. 6

Most Desired Features

Savings and efficiency are key drivers for the adoption of mobile shopping applications.



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

Scan & Bag: Much More than Faster Checkout

Mobile savvy shoppers appear ready to adopt applications that empower them to be better savers and smarter, more efficient shoppers. Automated shopping lists, real-time coupons based on what's in their basket and where they are in the store, reminders of what's on their shopping list, tracking spending and savings while they shop, and avoiding checkout lines—these are all features that mobile savvy shoppers say they would value and use in an integrated shopping application.

They are also features that are made possible by the process of scanning and bagging items during a shopping trip. Scanning and bagging is process that most shoppers today are unfamiliar with, but it's actually a simple technology that unlocks the disruptive power of a smartphone to do much more for the shopper. It's also something that is becoming increasingly available to shoppers in store at their local grocery or mass retailer.

Ahold's Stop & Shop, Giant Landover and Giant Carlisle offer a scan and bag shopping application, SCAN IT!, to customers that takes advantage of the capabilities of scan and bag technology to deliver a variety of benefits, saving the shopper time and money during their trip. The application, developed by Catalina, is already facilitating more than \$1 billion in retail sales each year and influencing more than 1 million shopping trips per month. Meijer is also piloting an integrated app experience that combines scan and bag within their branded application in local stores around their Michigan headquarters. Additionally, a few more grocery chains will be introducing the technology as early as the first quarter of 2014.

In addition, Walmart is currently piloting its own, home-grown solution, with scan and bag functionality within its branded application.

Segmenting Mobile Savvy Shopper

Engaging a broad range of consumers via mobile may ultimately depend on a shopping application that is easy to adapt and configure for different user requirements and priorities. Different mobile mindsets, shopping behaviors and lifestyle preferences cause mobile savvy shoppers to value different types of feature sets.

Catalina and InsightsNow have identified three major feature sets that appeal to different segments of today's mobile savvy shopper population. These segmentations were created based on Max-Diff modeling, in which every respondent was asked to rank multiple random sets of five features from 18 different features tested in the research. Their responses were then used to predict how they would rank and embrace all features in the study mix.

The three major segmentations identified in the research include:

- Shoppers Who Want Integrated Features (38 percent)
- Shoppers Who Want Savings-Based Features (37 percent)
- Shoppers Who Want Efficiency Features (25 percent)

Mobile Savvy Shoppers want coupons and savings, but they expect them to be delivered in an intelligent and personalized way.

SHOPPERS WHO WANT INTEGRATED FEATURES

This segment of smartphone savvy shoppers wants an app that has everything. They want a wide range of features, all of which they rate at nearly the same value. Features that automate the development of shopping lists and allow them to scan and bag items to track spending and avoid checkout lines are at the top of their wish list (See Figure 7 and 8).

Fig. 7

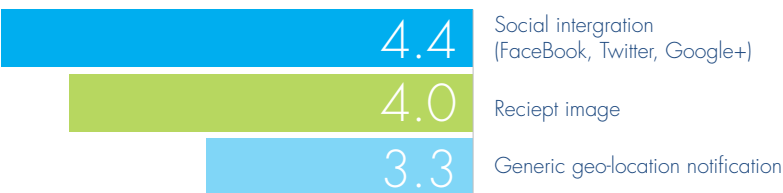
Most Desired Integrated Feature Set



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

Fig. 8

Least Desired Integrated Feature Set



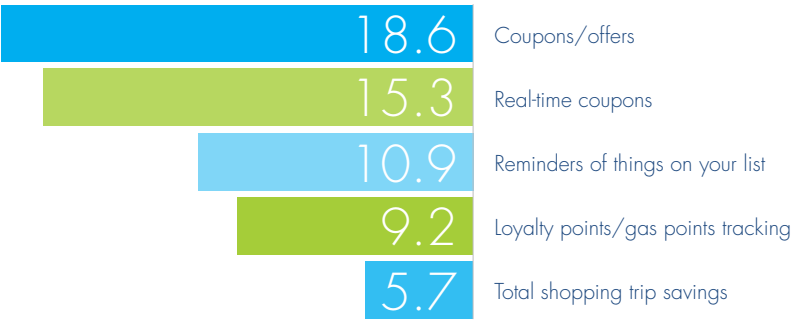
For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

SHOPPERS WHO WANT SAVINGS-BASED FEATURES

This group wants an application that primarily helps them save money and track their savings. Mobile-delivered coupons are more important to them, by a wide margin, than any other features (See Figure 9 and 10).

Fig. 9

Most Desired Savings Feature Set



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics".

Fig. 10

Least Desired Savings Feature Set



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics".

Understanding Study Value Metrics

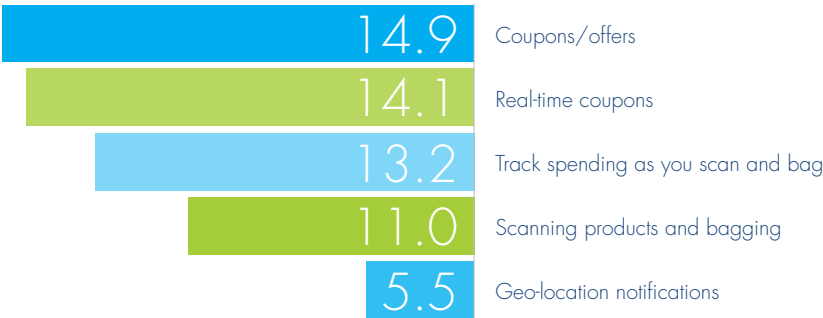
Survey respondents for this study were asked to rate the relative value of 18 different mobile shopping application features. The numbers shown in our charts on this subject represent the relative value of each feature based on a total value of 100 for all 18 features. Thus, among all respondents, the most popular feature, coupons, has a value of 12.41, more than 6 times greater than the value assigned to social integration, at 2.05. Another way to look at this would be that in an application that included all 18 features 12.41% of the perceived value of the app would come from coupons, and only 2.05% of the value would come from the social integration.

SHOPPERS WHO WANT EFFICIENCY FEATURES

The efficiency segment also places a great deal of importance on mobile-delivered coupons and offers, but they also want other efficiency capabilities that help them track spending and get through checkout lines faster through scan and bag features. (See Figure 11 and 12).

Fig. 11

Most Desired Efficiency Feature Set



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

Fig. 12

Least Desired Efficiency Feature Set



For an explanation of the metrics used in this graph, please refer to "Understanding Study Value Metrics" on page 10.

Conclusion: Lesson Learned

Some 94 percent of all U.S. adults now own cell phones (Pew Institute), and 64.7 percent of them use smartphones (Nielsen). That means nearly 61 percent of adult Americans now carry smart mobile devices. As a result, grocery retailers and brands have a tremendous opportunity to tap into the always-on, always-with-you, always-connected and impulse nature of the mobile device to create new personalized experiences and more sticky relationships with shoppers and consumers.

The ability to combine new feature-rich shopping applications with an understanding of full customer preferences and purchasing behavior represents a powerful new win-win scenario for retailers, brands and their customers.

Coupons are at the top of the list of desired features; however, it is clear from both the survey analysis and immersive interactions with mobile savvy shoppers that most want more than savings. They want applications that understand their wants and needs and therefore help them become smarter, more efficient shoppers.

They want applications that deliver coupons and savings, but they expect them to deliver those benefits in an intelligent and personalized way. They don't want to search through a long list of random coupons for products they never buy. Coupon delivery should take place based on current shopping lists or past purchases. And list creation itself should be automated based on purchasing history.

Applying geo-location to mobile apps will bring value and excitement to shoppers when it's applied to coupons and real-time savings. Providing coupons on items that are on your shopping list when you enter the store or on items that you frequently buy will be well-received. Coupons for an alternative item should closely match a customer's purchasing patterns and shopping list.

Shoppers are still challenged by the complexity of their loyalty programs and are ready to embrace a mobile app that helps them monitor points and possibilities. An application that automates the tracking of loyalty points, when those points will expire, and how many points they need to gain new benefits, would be widely appreciated and used.

In the end, shoppers just want an app that saves them both time and money by reducing the complexity and effort it takes to shop. Delivering on that desire with an integrated application that is easy to use and integrated into an individual's shopping routine and perceived needs is the best way to gain greater acceptance and use.

About Catalina's Mobile Solutions

Catalina is innovating the future of personalized mobile shopping applications and targeted mobile advertising for grocery and household goods retailers and brands.

The company's mobile commerce solution, Catalina Mobile, is a retailer-branded integrated application that allows retailers to create a new, valued and personalized smartphone-savvy shopping experience that increases loyalty and sales. Proven in the most demanding, high-frequency retail environments, Catalina Mobile is already driving over \$1 billion a year in retail sales. The application offers shoppers personalized coupons and offers, self-shopping and checkout via mobile scan and bag features, and other compelling features—all integrated with the retailer's loyalty program, CRM and POS system. Research shows that Catalina Mobile increases sales per trip by as much as 10 percent.

In addition, Catalina BuyerVision Mobile is powerful mobile advertising platform that allows advertisers and media planners to efficiently target a brand's most valuable consumers via mobile advertising—and then close the loop by measuring the impact of that advertising on in-store sales. BuyerVision Mobile delivers targeted mobile media to 70 million iOS and Android users, via in-app, mobile web or mobile advertising. It brings the brand and category insights of the world's largest database on shopper history to every campaign.

For more information on Catalina's Mobile solutions: 1-877-210-1917

About Catalina

Catalina's personalized digital media drives lift and loyalty for the world's leading CPG retailers and brands. Catalina personalizes the consumer's path to purchase through mobile, online and in-store networks powered by the largest shopper history database in the world. Catalina is based in St. Petersburg, FL, with operations in the United States, Europe and Japan. To learn more, please visit www.catalinamarketing.com or follow us on Twitter @catalina.

