Mobile commerce: converting browsing into buying

Analysis

CJK and US streets ahead – but for different reasons

The advanced mobile economies of the CJK region show the highest rates of mobile commerce adoption, with South Korea far ahead. Smartphone and 4G adoption in the region are high. However, the predominance of mobile commerce in large part reflects the fact that many of the popular OTT platforms in these countries (WeChat, Kakao, Line) have purchase and payment options within them. WeChat has passed the 1 billion user mark, indicating 90% domestic penetration, and is now a ‘life platform’ that offers anything from messaging to e-commerce to maps to taxi booking.

The US follows behind, with more than 50% of smartphone users making purchases monthly. Amazon has been a particular driver here, accounting for almost 50% of e-commerce sales and 5% of total retail sales.

Europe and Canada – a different picture

Several countries with high levels of smartphone adoption and technical knowhow in general score lower than expected in online purchases over mobile. While the UK ranks highly, with just below 50% of smartphone users making mobile purchases at least once per month, Germany is at 40% while France is below 25%. Similar behaviour is evident in Belgium, Denmark and the Netherlands.

However, most consumers in these countries do use their phones to make comparisons; between 51% of consumers in France and 78% of consumers in Finland used their phones to get information about products and services (pricing, availability). So why the drop-off in purchase conversions?

• Users may lack trust in transmitting their financial data over mobile networks. More needs to be done to develop that trust.
• Bricks-and-mortar retailers in some countries have withstood online competition; examples of such niche cases include clothing in France. Preferences towards buying artisan goods from local markets can also be a factor in certain geographies.

Context

Although mobile has become the dominant platform for digital commerce around the world, consumer purchasing habits and rates vary significantly. We looked in depth at some of the GSMA Intelligence Consumer Survey data to gain insight into consumer habits for mobile commerce. Not surprisingly, the CJK region (China, Japan and Korea) sets a high bar that is unlikely to be replicated elsewhere. In Europe, meanwhile, a range of factors contribute to a relative weakness in purchase conversion rates, including security perceptions, demographics and Amazon’s reach.

• Demographics also play a role. In Canada, well over 60% of those aged between 18 and 34 who used their phones to get information also made purchases. But this figure drops to 45-50% in middle-age groups and 30% for the over-55s. Similar drop-off rates occur in Western Europe.
• Finally, there is also the point of relevance. Amazon has had a local website in the UK for 20 years. Germany, Italy, Spain and the Netherlands have been added more recently, but it remains absent in Belgium and Scandinavia. No local alternatives have filled the gap.

The problem in Europe is converting browsing into buying

![Chart showing mobile purchasing habits in Europe](https://www.gsmaintelligence.com/assets/images/insight-spotlight-mobile-commerce-converting-browsing-into-buying.png)

Source: GSMA Intelligence Consumer Survey 2017

Note: N=1,000 per country. Browse/compare = percentage of respondents that sought information about products and services on a smartphone (e.g. pricing, availability) at least once in previous month.

Purchase goods = percentage of respondents that ordered and/or purchased goods online on a smartphone at least once in previous month.
Implications

Retailers

- Competing head on with Amazon is not an option; Amazon has the scale to tolerate very low margins, while mainstream retailers do not. Retailers need to pitch at another level, either on product quality, web user experience or both. There will be winners and losers, but ‘losing’ does not necessarily mean expiring. More likely is a gradual ebbing away of distribution share to third parties – Amazon or others.

Advertisers

- Advertisers must become more mobile-centric, particularly when targeting young consumers, as they all claim to do. What works on a billboard does not work on TV. Likewise, what works on a desktop or laptop does not work on a smartphone.

- In the future, digital advertising may mean the fusion of virtual and digital worlds hosting a deluge of targeted and contextualised advertising to individuals. At the other extreme, AI may increasingly solve search, and new content delivery platforms such as AR wearables and home assistants could become dominant.

- Data is the fuel that could power a “hyper-reality” advertising scenario and fund the development of new content. However, if consumers prove reluctant to share their data, new business models will need to emerge.

Operators

- In the US and Europe, there has been little success in commerce so far, with most attempts at mobile wallets abandoned or sidelined.

- China is a unique market where mobile is the default payment mechanism (90% of offline purchases). WeChat and co are the main beneficiaries, although operators benefit from the data traffic. Turkcell is another pocket of success. Elsewhere, the role is indirect, mostly by ensuring high security and trust. Operator billing remains an option in underdeveloped countries but this requires integration into retailer apps.

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