

Shoppers Flock to Apps, Shaking Up Retail

Mobile sales spike as 'snacking' turns phone into all-day impulse aisle



U.S. sales from mobile devices jumped 56% last year, as retailers became savvier with app offerings.
PHOTO: JASON REDMOND/AGENCE FRANCE-PRESSE/GETTY IMAGES

By **GREG BENSINGER**

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Hana Pugh, a 29-year-old event planner and new mother, buys most of her household items and baby goods online. But she doesn't use her computer to shop. Instead, Ms. Pugh taps away at her iPhone.

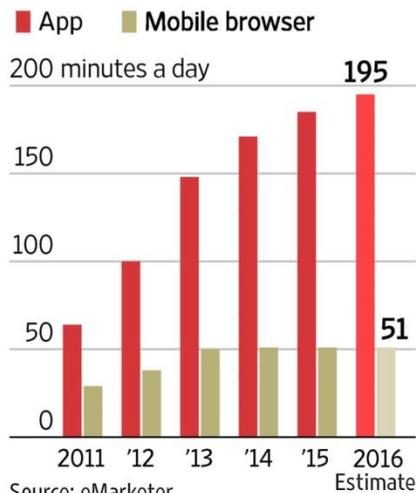
"It's quicker to pull out my phone and click 'buy' than to log on to my computer," said Ms. Pugh, of Bowie, Md., who relies on Amazon.com Inc.'s app for essentials such as diapers and wipes.

Shopping on a small screen used to be a pain. But as consumers spend more of their days glued to smartphones, retailers are getting savvier with apps that ease browsing, offer rewards, suggest the right products and simplify the purchase to one click.

The so-called appification of shopping promises to radically transform the retail industry by creating new shopping habits, reshaping sales tactics and carving out winners and losers. Instead of placing one big order from a computer, people are increasingly making smaller purchases in short bursts throughout the day on their phones, a phenomenon retailers call "snacking."

Minding Minutes

U.S. smartphone and tablet users spent more than three times longer within apps than surfing the mobile Web.



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Mobile sales are booming, especially compared with sales gains from desktop computers. Last year, U.S. sales from mobile devices jumped 56% to \$49.2 billion, doubling the previous year's growth, according to comScore. Desktop sales still dwarf mobile, reaching \$256.1 billion last year, but annual growth slowed to 8.1% from 12.5%.

The retailers that are succeeding are training customers to think of their smartphones like an all-day impulse aisle. Apps are able to capture data available on handsets and push consumers to buy when they have a spare moment, whether in line for a morning coffee, or, as in Ms. Pugh's case, nursing her child.

But merchants say many shoppers on phones still shy away from buying big-ticket items such as sofas, preferring larger photos, expanded reviews and product descriptions, as well as price comparisons available on a desktop computer.

And retailers have to be careful not to seem invasive. Amazon's shoe retailer, Zappos.com, is testing technology that highlights different products based on a phone's operating system. Target Corp. pushes coupons to customers who have the app open in its stores. Fashion retailer ModCloth Inc. suggests some products based on a customer's location.

Amazon's dominance on the Web extends to mobile, and the online retailer has the top-ranked app, according to Apple. Among the top-ranked apps on both Apple and Android devices are two, young mobile-centric marketplaces, OfferUp Inc. and ContextLogic Inc.'s Wish, which last year were valued at \$800 million and \$3 billion, respectively, by investors.

"Mobile devices are driving demand," said Andrew Lipsman, a comScore vice president, who has studied mobile shopping. "They can create an impulsive buying moment at any point in the day because they are with you all the time, right in your pocket."

Selling merchandise on smartphones still poses challenges. The ease of buying single items instead of building a shopping cart can drive up retailers' shipping costs. And consumers are more likely to window shop for products but not necessarily buy them.

People still make most of their online transactions on desktop computers. Ryan McIntyre, chief marketing officer of men's fashion retailer JackThreads Inc., said the average cart is about \$5 higher on his company's website than its app. But he says customers spend about 10% more on average on mobile devices in a given six-month period.

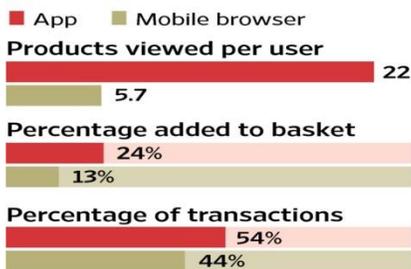
Mobile devices also drive Web sales: Nearly 40% of desktop transactions in the fourth quarter took place after a customer visited the retailer's app or mobile site, according to consulting firm Criteo.

Olivia Bryant, a 19-year-old Starbucks barista in Bakersfield, Calif., said she spends up to two hours a day shopping on her iPhone through apps such as marketplace Etsy Inc. and fashion retailer Poshmark Inc. "It's much simpler to shop on my phone," she said. "There aren't a lot of distractions."

The average U.S. consumer last year spent 3 hours and 5 minutes a day using apps, compared with 51 minutes surfing the mobile Web, according to eMarketer. Such devotion to apps isn't lost on retailers. Target has shifted resources and staff away from Web development to its app—which it hopes to make central to all of its digital design.

Path to Purchase

Apps have the edge over mobile sites when it comes to how shoppers select and purchase items.



Note: Includes sites that have over 25% of transactions on mobile, 10% of which are on mobile apps.

Source: Criteo

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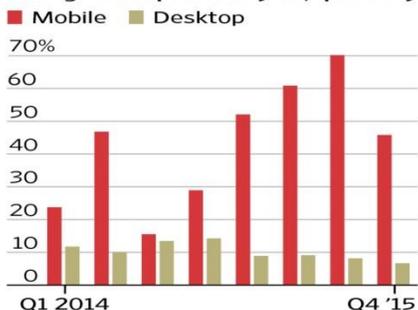
location, whether it is knowing a user has entered their store or is vacationing in warmer climes.

“If you’re in Australia, we might serve you swimwear when it’s winter in the Northern Hemisphere,” said Matt Kaness, CEO of San Francisco fashion retailer ModCloth, which has about 1.2 million users. EBay Inc. will highlight generators to customers shopping in areas affected by a big storm, said Hal Lawton, the company’s North America senior vice president.

Ring Up Digital

Mobile retail sales growth is easily outpacing that on desktop computers.

Change from previous year, quarterly



Source: ComScore

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“With smartphones we’re able to reach you all the time” through texts or lock-screen messages, known as push notifications, said Wish CEO Peter Szulczewski. The San Francisco startup has created an experience that mimics the mall, with a seemingly endless inventory to scroll through and bargain-basement prices.

Some apps, such as those from Zappos and online auction site Tophatter Inc., identify a user’s device to judge a customer’s possible buying power. “Our data shows that the more expensive device you have, the more you might spend,” said Tophatter CEO Ashvin Kumar.

“Millions of Amazon customers shop exclusively on a mobile device all year,” said an Amazon spokeswoman.

Retailers may be most excited to cater results based on a customer’s location, whether it is knowing a user has entered their store or is vacationing in warmer climes.

Other retailers such as Wal-Mart Stores Inc. and Nordstrom Inc. have explored ways to tie in mobile shopping with stores. Customers could check in to a store through the app, providing salespeople with their purchase history, even encrypted payment information, for a quicker and more personalized shopping experience.

But the main catch for apps may be the impulsive shoppers. “On bar nights, we see drunk shopping, which is very interesting,” said Alan Tisch, CEO of fashion app Spring Inc. “Maybe there’s an opportunity there.”

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