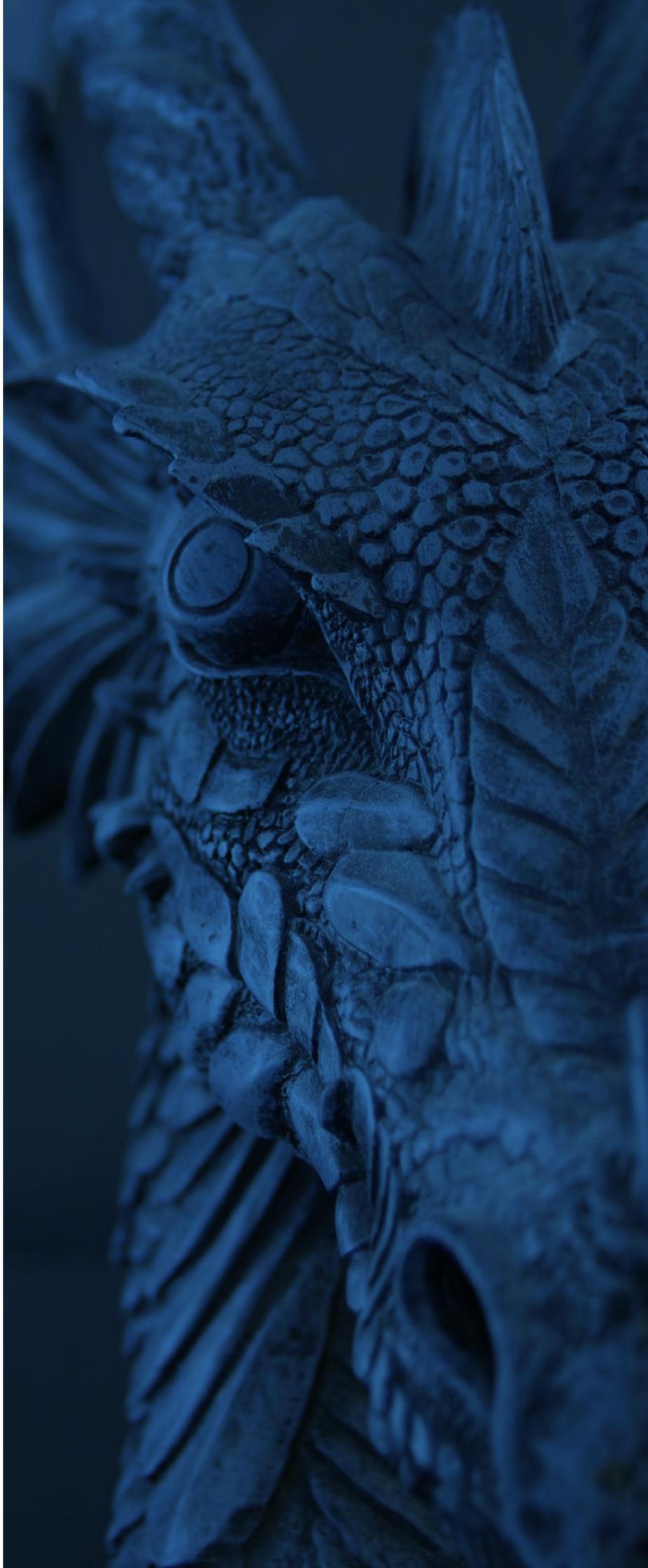


A CHASE PAYMENTECH  
WHITE PAPER

# Uncovering Five Myths About M-Commerce

**CHASE**  <sup>TM</sup>  
Paymentech



## If there is a single subject that dominates online retailing right now, it is m-commerce – and it is not hard to see why.

Sales of smartphones and tablets are soaring worldwide. Consumers are using their touchscreen devices to go online more frequently and for a wider range of activities. The popularity of smartphones in particular continues to grow, with more than four in ten people in the UK saying that their phone is more important for accessing the internet than any other device<sup>1</sup>.

So should online retailers invest in their m-commerce sites now to reap the benefits of growing mobile use in the future? While consumer behaviour is changing fast, when it comes to completing an online purchase, many mobile users seem unconvinced that m-commerce shopping is as easy, convenient or secure as other e-channels. Right now, consumers are much more likely to use their computer or laptop to pay at the checkout rather than use their mobile device<sup>2</sup>.

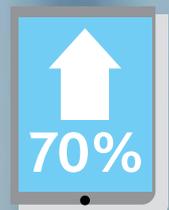
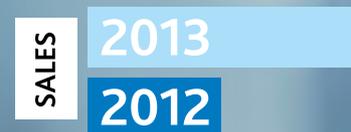
Of course, this may change in the future and it is crucial that retailers understand how consumers are really using their mobiles to research products, compare prices and ultimately to buy. The latest research conducted by Chase Paymentech<sup>3</sup> reveals some of the attitudes and behaviour of mobile shoppers, and highlights the growing importance of providing a mobile-optimised site as part of a seamless multi-channel shopping experience.

For online retailers, this phenomenal growth in the use of mobile devices offers significant opportunities for m-commerce - with more consumers able to use a touchscreen tablet or smartphone to make online purchases. Yet, along with some optimistic predictions for m-commerce, there are just as many myths and misconceptions.

### Is mobile really that big? Some key facts

When it comes to paying for items online, our survey revealed that 93 per cent of tablet users are frustrated by at least one of the following issues:

- The number of tablets sold worldwide has increased by nearly 70 per cent in 12 months<sup>4</sup>
- Tablet sales will overtake all other PC types by 2017<sup>5</sup>
- Smartphones are already more popular globally than desktop PCs<sup>6</sup>
- Of the 1.875 billion mobile phones to be sold in 2013, a staggering 1 billion units will be smartphones, compared with 675 million units in 2012<sup>7</sup>
- Two in every five adults in the UK now owns a smartphone<sup>8</sup>
- One in five smartphone owners also has a tablet computer in the household<sup>9</sup>
- Revenue from m-commerce in Europe is set to increase from €1.7 billion in 2011 to €19.2 billion in 2017<sup>10</sup>



# Uncovering Five Myths About M-Commerce



## Myth 1 “M-commerce will render other shopping channels obsolete”

According to recent figures from the British Retail Consortium<sup>11</sup>, consumers are happy to use their tablets and smartphones to search for products online; with the number of searches in the past year made from tablets going up by 198 per cent while smartphone searches have increased by 66 per cent. Similar figures in the US show that one in five visits to e-commerce sites now come from a mobile device, with consumers researching products, comparing prices and adding items to their basket<sup>12</sup>.

Despite this consumer trend, the volume of sales generated from m-commerce is more modest. Forrester predicts revenue from m-commerce in Europe will rise from €1.7 billion in 2011 to €19.2 billion in 2017<sup>13</sup>, with books, DVDs, music and event tickets likely to show the most rapid growth. Yet, this only equates to some seven per cent of total web sales.

What does this tell us? When it comes to paying for their purchases, many shoppers find it easier to visit a store or use their laptop or PC rather than a tablet or smartphone. However, with multi-channel shopping becoming more common, a more immediate priority for retailers might be to help shoppers add items to their shopping cart from their mobile and save them, enabling shoppers to pay later using their laptop or desktop computer. For example, adding a simple login to an e-commerce site could enable customers to switch between multiple devices as part of a seamless shopping experience. However, further research reveals that integrating a m-commerce site with other e-commerce systems is a challenge for nearly two in five retailers while a similar number (37 per cent) are struggling to find the necessary budget<sup>14</sup>.

## What annoys tablet users about online shopping?

When it comes to paying for items online, our survey revealed that 93 per cent of tablet users are frustrated by at least one of the following issues:

- Technical glitches (62%)
- Higher than expected delivery charges or taxes (55%)
- Compulsory registration (55%)
- Requests for contact or delivery details on return visits (42%)
- Lack of preferred payment method (38%)
- Requests for payment details on return visits (32%)
- Long payment processes (30%)
- Being redirected to a separate payment site (28%)
- Having to login to make a purchase (28%)
- Additional card authentication measures (25%)



Source: Chase Paymentech/Dynamic Markets – Putting Customers First? (March 2013)

## Myth 2 “M-commerce is the easiest and most convenient way to shop online”

Consumers love the convenience that their smartphone or tablet gives them to check email, surf the web, or keep in touch through social media. However, as our research reveals, the picture is very different when it comes to making online purchases this way.

Over half of shoppers surveyed by Chase Paymentech said that using a tablet or smartphone to pay online is less convenient than going into a high street store<sup>15</sup>. When it comes to their m-commerce experience, a massive 93 per cent of tablet users are left frustrated – and this has resulted in over two in every three of them abandoning an online purchase at the checkout stage. Overall, tablet users are more demanding than other online shoppers – and those that experience problems with their payment through a mobile website or app are more likely to stop buying from a retailer’s physical stores.

The challenge for mobile retailers is to provide a seamless payment process that is optimised for a smaller mobile screen. For example, two common frustrations for consumers are long payment processes that contain too many steps and being forced to register with a site before they can buy. A further frustration for 28 per cent of tablet users is finding they have to leave a mobile website or app to provide details in a separate payment site<sup>16</sup>.

Some customer-not-present (CNP) merchants have made good progress in partly optimising their sites for m-commerce – but there is still much room for improvement. For example, 45 per cent of retailers have not yet minimised the number of payment steps required, 66 per cent are unable to store customers’ delivery details to speed up the checkout process for returning customers, and a significant 60 per cent have not yet optimised for a smaller screen<sup>17</sup>.

## Myth 3 “Tablets and smartphones deliver exactly the same shopping experience”

While there are a great many similarities between using a tablet and a smartphone for online shopping, such as the use of a touchscreen or the downloading of apps, there are just as many differences. For example, tablets tend to be used more in the home while smartphones are more likely to be used on the move.

When it comes to online purchases, consumers show a clear preference for using tablets instead of smartphones. When asked how they were most likely to conduct their online shopping in three years' time, 20 per cent of consumers said they would use a tablet, while just four per cent expect to use a smartphone<sup>18</sup>. One possible explanation is fears over security, with mobile phone users significantly more concerned about hacking and data security than tablet users. Conversion rates are also significantly higher for tablet users, with at least two recent surveys indicating

that the conversion rate for tablets is between three to four times higher than for smartphones<sup>19</sup>.

This can be explained in part by the challenges of creating a seamless checkout process on a mobile phone screen. Retailers need to consider how to overcome the problems of entering information on a smaller screen, as well as the need to test how navigation and add to cart buttons are displayed at a smaller size. Retailers also need to consider how best to optimise their e-commerce site to display on different screen sizes. This means being able to detect whether a transaction is coming from a particular mobile device – yet less than half of retailers are currently able to do this<sup>20</sup>. Analysing payment data and transactions by channel can also help to highlight just how many customers are using tablets, smartphones or both devices to visit an m-commerce store.

## Myth 4 “There is no real difference between shopping on a tablet or a laptop”

It is predicted that by 2017, tablet sales will overtake all other types of personal computers – with tablets becoming an alternative or even a replacement for a traditional PC or laptop<sup>21</sup>. But does this mean that the shopping experience is the same on a tablet and a laptop?

While there are some similarities, the differences are significant. Most importantly, any m-commerce site needs to work just as well on a touchscreen as it does with a mouse or keyboard. For example, a drop-down menu that opens when a mouse hovers over it may not work at all on a mobile screen. Other features such as finger-friendly swiping or rotating the screen may be features that are expected by tablet users and therefore important for usability.

Retailers also have no control over how common verification methods such as Verified by Visa or MasterCard SecureCode are displayed on a mobile device. According to our survey<sup>22</sup>, this is a frustration for one in four tablet users while 47 per cent of retailers have not tested their payment site on a smartphone or tablet for such fraud prevention methods.

Furthermore, retailers need to consider whether the speed of authenticating a payment over slower internet connections may cause issues or errors. This means keeping the number of elements that need to be downloaded to a minimum as well as ensuring your payment provider offers a single, efficient round-trip to the server to complete a purchase and avoid customer frustrations.

## Are retailers optimising for m-commerce excellence?

Just over half of CNP merchants have already developed an m-commerce site, as either a mobile-website (44%) or a mobile app (32%). However, only a few have implemented more than one of the following actions to ensure their payment site is fully optimised for mobile devices:

- Minimise the number of payment stages (55%)
- Test additional card authentication methods (53%)
- Enable for fast authentication over low bandwidths (44%)
- Store customers' delivery details (44%)
- Optimise for smaller screens (40%)
- Apply the same branding to m-commerce and payment sites (38%)
- Enable touch control (36%)

Source: Chase Paymentech/Dynamic Markets – Putting Customers First? (March 2013)

## Myth 5 “Fraud is widespread on mobile devices”

There is a common misconception that mobile channels are less secure than other online channels. While it is true to say that criminals will always try to exploit any new opportunity to commit fraud, there is no reason to believe that mobile devices are more prone to fraud. However, as m-commerce revenues grow, fraud is likely to grow too – and retailers should use appropriate fraud prevention methods to combat mobile fraud, while at the same time reassuring consumers about security.

This may mean adapting standard fraud prevention methods for each mobile channel since patterns of fraudulent behaviour may differ on each type of mobile device. Furthermore, it may be harder to use location as a factor for screening from a mobile device requiring alternative approaches to fraud management.

An obvious place to start addressing fraud concerns is to use your payment data to identify trends in fraud broken down by sales channel. Yet, our research suggests that only 38 per cent of online retailers use their payment data to identify fraud in this way<sup>23</sup>. A further review of chargeback and authorisation rates through mobile channels can also identify issues and improve order acceptance.

Consumers will also need to be reassured about the security of using a mobile device to enter personal or payment details, certainly while m-commerce remains a new and unfamiliar way to shop for many consumers. Retailers can build trust with consumers through the use of robust data security systems to store sensitive data. This also has the benefit of enabling returning customers to make further purchases without entering their credit card details again – which is a concern for one in two shoppers when they use a mobile phone in a public place<sup>24</sup>.

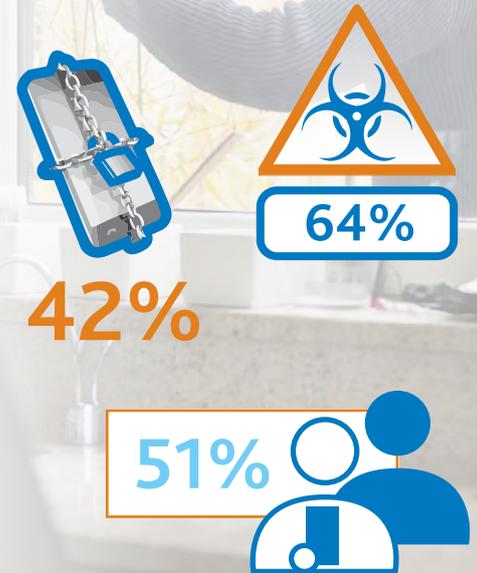
## What do mobile shoppers worry about?

According to our survey, 67 per cent of consumers have concerns about making payments online. Mobile phone users in particular have security fears including:

- Hacking or viruses (64%)
- Entering credit card details in a public place (51%)
- Losing their phone (50%)
- Weak security on their phone (42%)
- Staying logged in to an e-commerce site (21%)
- Letting others use their phone (12%)

By comparison, only 20 per cent of tablet users and 14 per cent of desktop PC users have the same payment concerns.

Source: Chase Paymentech/Dynamic Markets – Putting Customers First? (March 2013)



## Meeting The Expectations Of Mobile

As our research shows, the use of smartphones and tablets is becoming an essential part of consumers' increasingly multi-channel shopping experience. However, if retailers are to drive up m-commerce sales, they will need to optimise their mobile websites and apps for different devices as well as offer shoppers the ease, convenience and security they have come to expect from other e-channels.

For some retailers, the evolution from e-commerce to m-commerce will be a gradual process, while in other sectors there will be much more rapid development. The inevitable move towards more multi-channel retail raises a series of challenges, in particular the integration of m-commerce sites with e-commerce and legacy IT systems. Retailers also need to consider their fraud prevention, payment processes and how to overcome the common

frustrations experienced by consumers to improve rates of mobile sales conversion.

Looking forward, four in ten multichannel retailers agree that they will always be in a state of continual evolution and constant change<sup>22</sup>. And for a successful e-commerce evolution, retailers will need a dedicated m-commerce strategy. The strategy should include a strong focus on improving the customer's online shopping experience. Improvement should be across the board, irrespective of the device consumers find most convenient at the time. Screen size, touchscreen, or other future features that impact the customer's multi-channel journey need seamless integration with the core brand to deliver one holistic and consistent shopping experience.

## About Chase Paymentech

Chase Paymentech, the payment processing and merchant acquiring business of JPMorgan Chase (JPMC), is a leading provider of merchant services. The company's proprietary platforms enable integrated solutions for all payment types, including credit, debit, prepaid stored value and electronic check processing; as well as digital, alternative and mobile payment options. Chase Paymentech has uniquely combined proven payment technology with a long legacy

of merchant advocacy that creates quantifiable value for companies large and small. In 2012, Chase Paymentech processed 29.5 billion transactions with a value of \$655.2 billion, including an estimated half of all global Internet transactions. In addition to the ability to authorize transactions in more than 130 currencies, the company provides business analytics and information services, fraud detection and data security solutions.

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