

Emerging Market Consumers Ready for Mobile Retail Services

By Jeff Loucks, Ph.D., IBSG Economics & Research

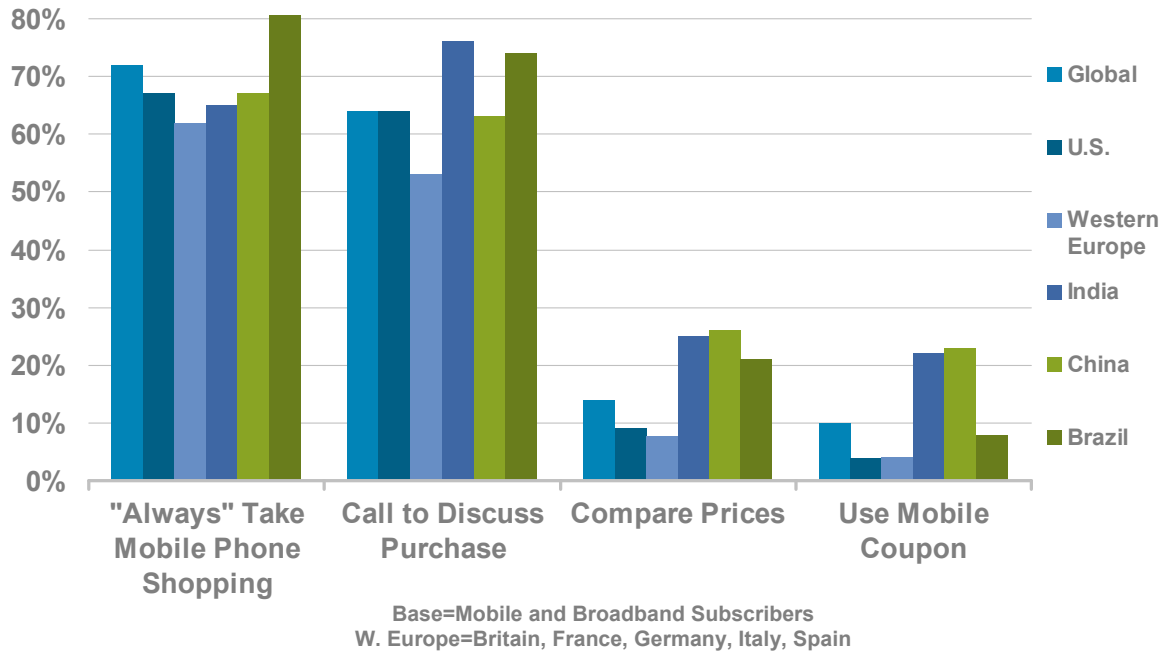
Consumers in Emerging Countries Have Used Mobile Retail Services, Ready for More

According to a Cisco IBSG Market Watch survey conducted in thirteen countries,¹ consumers in emerging markets are ready to use their mobile devices to improve their shopping experience. Global retailers looking to expand into emerging markets do not have the luxury to “wait and see” when devising a mobile strategy. Consumers in these markets, especially those who are urban dwellers and more affluent, have already used their mobile devices for advanced functions like price checks and mobile coupons, and are willing to use them for much more, including mobile payments. They will likely gravitate toward retailers that can provide a full range of mobile services, whether they are local specialists or global powerhouses.

Cisco IBSG asked consumers about how they have used their mobile phones to shop (see Figure 1) and what they would do with their phones if secure services were available (see Figure 2). All respondents in the survey were both broadband and mobile subscribers. In the U.S. and Western Europe, where broadband access is common, the survey respondents were close to the average household in terms of income and technology adoption. In emerging countries, however, broadband users are much more likely to be affluent urban dwellers and early adopters of technology than the general population.² While the survey respondents may be less representative of their home markets as a whole, they are precisely the consumers for which most global enterprises compete in these countries. In the U.S. and Western Europe, younger respondents tended to be more experienced in using, and more receptive to, mobile retail services.

The survey’s key findings include the following:



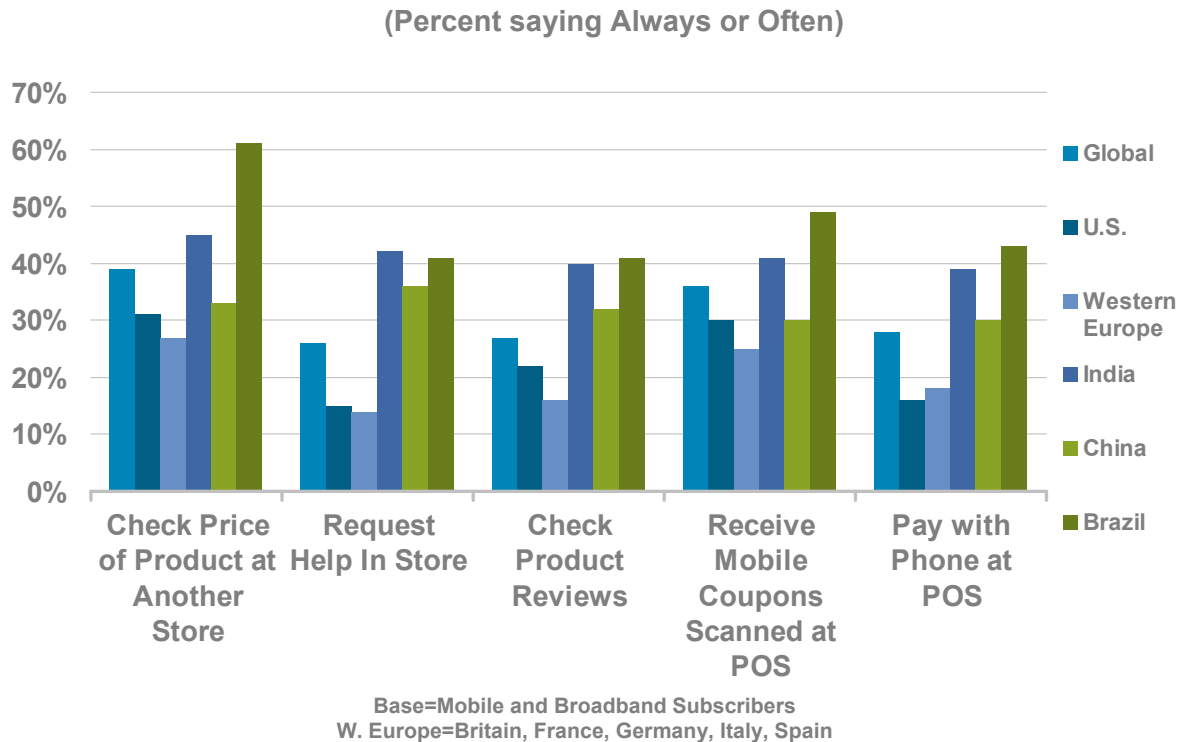
Figure 1. Have you ever used your mobile phone this way when you were shopping?

Source: Cisco IBSG Connected Life Market Watch; Cisco IBSG Economics & Research, 2009

- Nearly 70 percent of consumers across various countries “always” have their mobile device with them while shopping in a store.
- Globally, 64 percent of consumers use their mobile devices to call family and friends about purchases, with India and Brazil topping 70 percent. While most consumers are currently calling their friends and families, richer means of communication, such as using mobile phones to take pictures and video of prospective purchases, mobile instant messaging, and social networking could increase in popularity as faster networks and more advanced devices become more common in emerging markets.
- In India, China, and Brazil, over 20 percent of consumers have used their mobile devices to compare prices at other stores. In the U.S., 9 percent of consumers overall, and 14 percent of consumers under 30, have done so. In Western Europe, 8 percent of consumers have compared prices, but Italian consumers were far more likely to have done so, at 15 percent.³
- In India and China, consumers are already redeeming mobile coupons when they make purchases. In the U.S. and Western Europe, which have lower penetration rates, younger consumers are more likely to have done so. 10 percent of U.S. and 9

percent of UK consumers under 30 have used a mobile coupon, as opposed to 4 percent of all consumers in both countries.

Figure 2. If you could do the following securely from your mobile phone, would you?



Source: Cisco Connected Life Market Watch; IBSG Economics & Research, 2009

- Consumers in Brazil were most enthusiastic about using a service that would allow them to check the price of an item at another store, with 61 percent saying they would do so “always” or “often.”
- Over 40 percent of Indian and Brazilian consumers and 36 percent of Chinese consumers would use their mobile devices to seek assistance while they are in the store. 24 percent of Italian consumers would use their mobile devices to seek in-store help. Once again, in countries with lower overall interest, we found younger consumers more receptive. In the U.K. 18 percent of consumers under 30 would do so, as opposed to 10 percent of all consumers.
- Globally, 27 percent of consumers would check product reviews with their mobile devices, and 36 percent of consumers would sign up to receive coupons that they could redeem at the point of sale (POS).

- Enthusiasm for using the mobile device as a means of payment is highest in Brazil, China, and India, with between 30 and 40 percent of consumers willing to use them to pay “always” or “often.” In the U.S. and Western Europe, younger consumers again stood out. 21 percent of U.S. 27 percent of French consumers would use mobile devices to pay at the POS.

Market for Retail Services Could Be Deep in Emerging Countries

Consumers in emerging markets show high interest in mobile retail applications, both in their current and potential usage. In part, their interest can be attributed to the survey sample, which captured a technologically advanced, affluent, and urban segment of the population. But there is reason to believe the desire for mobile services may extend to the average consumer. In emerging countries, mobile penetration is significantly higher than Internet penetration.⁴ Mobile devices have been the consumer’s primary channel for data access, online services, and electronic commerce. Far from being a “nice to have” capability, mobile services are also the best way for retailers and other enterprises in emerging countries to reach their customers. Thus, consumers in emerging markets have had greater exposure to mobile services than their counterparts in the U.S. and Western Europe, despite often having slower networks and less sophisticated devices. In addition, the perceived value of mobile services is greater in emerging countries because the Internet, especially broadband, is a less viable alternative. In Brazil, digital music retailer iMusica takes two months to sell online what it sells in one day via mobile devices.⁵ In some cases, mobile devices provide access to services that would otherwise be impossible to deliver due to a lack of infrastructure. In Kenya, for example, over 5 million people who would otherwise be “unbanked” are using mobile banking and money transfer services from Mpesa.⁶ Finally, the mobile device has been a vital means to connect users to time-sensitive market information, such as commodity prices.⁷ Emerging retailers that have pricing flexibility built into their business models could use the mobile device to push the daily “market price” of their goods and services to consumers, making the information, and the service, more valuable.

“Usefulness” Adoption Threshold in U.S. and Europe

First, in the U.S. and Western Europe, broadband Internet usage is pervasive, and fewer consumers have felt the need to use their mobile devices for functions that they currently perform with their PCs. To gain traction with these consumers, mobile services must provide a significant advantage over what is available through the Internet. In short, they must be useful, or people will not alter their traditional, PC-based usage pattern. Mobile retail applications that enable consumers to access information or value added services while they are on the go, or in the store, can cross the “usefulness” hurdle. For consumers under 30, who have grown up using mobile devices and are not as wedded to the PC, there are far fewer barriers to adoption.

Conclusion

Retailers in emerging markets must roll out compelling mobile services or risk being irrelevant to a vital consumer segment: young, affluent, and tech-savvy urban dwellers. To reach these consumers, retailers should experiment with a variety of advanced services, ranging from in-store assistance to mobile payment. There is also potential to reach average consumers in emerging markets with simple, SMS-based services that can be accessed with basic mobile devices. In the U.S and Western Europe, retailers should take a dual approach. A significant percentage of consumers, especially those under 30, are interested in services ranging from mobile price comparisons to in-store mobile payments. Retailers should selectively roll out services targeted at these consumers, while launching more basic mobile offerings for the mass market, such as marketing campaigns, mobile coupons, and m-commerce sites with transactional capability. Retailers in these markets will gain valuable experience with their mobile campaigns while the mass market catches up to the early adopters.

Endnotes

1. The survey is part of the Connected Life Market Watch series, a collaboration between the IBSG Service Provider and IBSG Economics & Research teams. The survey asked mobile subscribers from 13 countries a range of questions about their current and future mobile usage. In this paper, we highlight results from Brazil, China, India, Western Europe (France, Italy, Germany, Spain, and the UK), and the U.S. The countries covered in the survey are as follows: Brazil, China, France, Germany, India, Italy, Mexico, Saudi Arabia, South Africa, South Korea, Spain, the United Kingdom, and the United States. For purposes of this survey, Global=combined results from all 13 countries.
2. Mobile and broadband penetration rates for Brazil, China, India, and South Africa, calculated by percent of total population, are provided below. Unless otherwise noted, the data source is International Telecommunications Union, 2009.

Brazil: Broadband Penetration: 4 percent; 10 percent of households (Source: IET, 12/08); Mobile Penetration: 63 percent.

China: Broadband Penetration: 6 percent (Source: Ministry of Industry and Information Technology, 9/08) 15 percent of households (Source: Frost & Sullivan, 2008). Despite the relatively small penetration by population, China accounts for 24 percent of DSL connections globally (Source: Point Topic, 2009). Mobile Penetration: 41 percent.

India: Broadband Penetration: 0.3 percent; 2 percent of households (Source: LECG, 2009); Mobile Penetration: 20 percent.

3. In general, consumers in Italy and Spain were more likely to have used their mobile devices, and be willing to use them in the future, for shopping-related activities than other Western European consumers.
4. Source: ITU, 2009. [Click here](#) for the ITU's mobile penetration figures; [click here](#) for Internet penetration, including broadband.
5. In Brazil, the 78 percent of digital music sales came from mobile phones in 2008, with 22 percent coming from the Internet (down from 24 percent in 2007. Source: IT Digest, 5/09).
6. Source: IT News Africa, 2/09
7. For example, in [Zambia](#), farmers have access to an SMS-based service that provides small farmers with weekly price updates on commodities.