

The Perks of Being an App User

Mobile pay adoption is small in grocery, but the right incentives can grab consumers' interest.

By Randy Hofbauer



Clear Convenience

Understandably, the biggest reason for consumers to adopt — and retailers to push — mobile payment apps is faster, more convenient checkout. Grocers need to communicate this benefit, especially as EMV chip-reading technology gets wider use: Some 37 percent of respondents to a survey from San Francisco-based mobile payment solutions provider Square Inc. listed slow lines and checkouts as their No. 1 pain point regarding chip-card technology.

Bentonville, Ark.-based Wal-Mart Stores Inc. is one food retailer speeding up the process. With its Walmart Pay platform, users simply scan a QR code made at checkout for a transaction, and payment is processed via the app, which is connected to a person's credit or debit card. Payments generally are processed faster than those from a credit card, and the need for paper receipts is eliminated.

Some grocers are integrating mobile payment platforms with scanning technology to help eliminate checkout lines altogether and make the process faster still. In May, Salt Lake City-based grocer Macey's introduced Skip Checkout, an app that lets Macey's shoppers simply scan their items as they're placed in the cart. Users pay for the purchase directly from their phones, using a linked debit or credit card, or the Apple Pay or Android Pay mobile wallet apps, and then bag and exit via a dedicated checkout lane.

Peace of mind is another convenience that grocers should communicate: Some 58 percent of respondents to a 2016 study from Montreal-based marketing and loyalty analytics company Aimia said that they're unlikely to use a digital wallet, with 56 percent of that number citing data security as a concern.

However, experts argue that mobile payment platforms actually include several features that stop fraud in its tracks. For example, a unique series of numbers is assigned to each virtual credit card stored within a mobile wallet, according to Chris



PAY AND GO

Utah grocer Macey's offers freedom and convenience through its Skip Checkout mobile app, which lets shoppers scan items with their smartphones, place them in their carts, pay with a linked card or mobile wallet app, and exit via a dedicated checkout lane.

Today, more consumers are spending via mobile payment platforms than they were just a few years ago. These platforms, in return, are benefiting retailers, which are using them for differentiation, gathering shopper data and even increasing operational efficiency.

Still, many consumers haven't adopted these platforms. At grocers today, every \$1 of \$148 spent at the point of sale is from a mobile wallet, according to transaction data from Charlotte, N.C.-based Bank of America. And while mobile wallets continue to enjoy wider acceptance and use, growth has slowed: In grocery, mobile wallet spend increased 73 percent in quarter one of 2017 compared with quarter one of 2016, but was still down 200 points from the same period in 2015.

The technology is there. But while some consumers are adopting it, many others show reluctance. What's causing this, and how can food retailers respond to encourage adoption?



Higher-End Grocers Benefit More from Mobile Wallets

Although the overall grocery channel is seeing a rise in mobile wallet usage, the high-end sector is seeing the greatest amount of adoption, transaction data from Charlotte, N.C.-based Bank of America reveals.

At high-end operators, consumers spent \$26 swiping or inserting their cards at the point of sale for every \$1 spent using a mobile wallet. This compares with \$203 and \$673 for every \$1 spent at mass-market retailers and club stores, respectively.

However, all three channels have continued to see growth in mobile wallet usage, albeit at different rates from one another (and more slowly than the previous year). In the first quarter of 2017, high-end grocers saw mobile wallet spend rise 34 percent compared with the same period in 2016, while mass-market retailers and club stores saw theirs increase 124 percent and 55 percent, respectively.

Francis, VP of market development at Worldpay US, an Atlanta-based provider of payment-processing technology. This ensures that even if a merchant's transaction is compromised, a customer's actual card number stays out of fraudsters' hands.

Added Incentives

But even when ensuring faster, more secure checkout, additional incentives — such as redeemable points or rebates — will increase the likelihood of mobile payment platform adoption, giving shoppers a reason to return to a specific grocer rather than go to a competitor.

"Ibotta has conducted individual retailer analyses suggesting that for the largest grocers, the benefit of consumer retention via this bounceback behavior can easily exceed \$1 billion annually via incremental trips," stresses Kane McCord, COO of Denver-based Ibotta, which provides its namesake smartphone app that offers cash back on retail purchases. He adds, "If retailers were to create rebate platforms within their own mobile apps and payment platforms, consumers would be much more interested in adopting those platforms."

Though not a grocer, coffeehouse chain Starbucks offers one of the best examples of a mobile solution with incentives that its users crave, which grocers can take as inspiration. Starbucks' namesake app allows customers to place orders, make payments, collect points, and then redeem those points for awards. It's been a major hit for the Seattle-based chain, says Erin Raese, Aimia SVP of customer loyalty.

"In fact, according to its quarter-one 2017 financial results, the company reported that consumers added \$2.1 billion to Starbucks cards in the U.S. and Canada — a 15 percent increase year over year — and transactions on Starbucks cards accounted for 40 percent of company-operated transactions in the U.S.," she explains. "Mobile payment alone accounted for 27 percent of U.S. company-operated transactions."

The Walgreen Co., too, might not be a grocer, but it introduced loyalty incentives to its mobile pay platform in a way that grocers could adopt. In 2015, the Deerfield, Ill.-based drug store chain announced that in addition to being able to easily pay for purchases through Apple Pay, members of the Walgreens Balance Rewards loyalty program were finally able to seamlessly earn and redeem loyalty points through the wallet app on their iPhone or Apple Watch. Raese points out that this introduction marked the first from a U.S. retailer to integrate its customer rewards platform with Apple's mobile payment service.

Coupons also can make a nice incentive when added to mobile payment platforms. When the Softcard Mobile Wallet launched in 2013, for instance, some food retailers — most notably Austin, Texas-based Whole Foods Market — adopted SmartTap

technology, which allowed users to "clip" digital coupons, add them to a digital wallet, and then present them at checkout with a tap of their phone. When Google purchased Softcard, the technology's momentum was lost for a time, following its incorporation into Android Pay, notes Yale Vinson, technical product manager for Blackhawk Network, a Pleasanton, Calif.-based digital payment solutions provider. However, several grocers now are looking into bringing SmartTap to market in the near future.

Educate to Adopt

Of course, even if a mobile payment platform has all of the bells and whistles needed to draw consumers' interest, it simply might not get adopted due to lack of visibility — or the knowledge that such platforms exist in the first place. A recent survey from Tampa, Fla.-based mobile solutions provider Syniverse showed that one-third of U.S. and U.K. respondents don't even know what a mobile wallet is, even though it's available on 99 percent of smartphones today.

This is where the responsibility is on grocers to market programs and let shoppers know what mobile payment platforms are and which ones are available at their stores. Lisa Paccione, VP of enterprise sales at Syniverse, notes that marketers first must create awareness of a brand's wallet offering and educate consumers by enticing them to begin taking advantage of the wallet's benefits. Once a wallet app has been downloaded, brands can keep users from forgetting about or deleting them by sending location- or time-based alerts directly to a customer's lock screen, helping drive in-store traffic and keeping the brand top of mind.

Additionally, communication at checkout regarding what platforms are supported is key, says Morgan McAlenney, SVP, digital with Lakewood, Colo.-based commerce agency The Integer Group.

"Is this a chip-reader device? Do I swipe the card or does the checkout person? Can I wave my phone to purchase? Can I use cash here? What about all these coupons I have?" she asks. "There is a signage opportunity for retailers to help grease the skids." **PG**



If retailers were to create rebate platforms within their own mobile apps and payment platforms, consumers would be much more interested in adopting those platforms."

— Kane McCord, Ibotta