Mobile Consumer Experience and the Impact of Tender Choice on Brand Engagement

Tuesday, February 26th, 2019
3:50 pm – 4:20 pm
MAG Mid-year Conference

Adam Frisch, CEO
Executive Summary

The four keys: Choice - Convenience – Security - Value

Digital Commerce Growing
• Ecommerce and Mobile commerce continue to grow worldwide
• Mobile transactions are now 67% of total digital commerce

Consumer Expectations
• Merchants with highest satisfaction have more ways to pay
• “Last best experience anywhere” – Other apps used by your shopper?

Consumer Pay Preferences
• Consumers want to pay with their preferred methods
• With the right value proposition, consumers consider alternatives

Best Practices
• Starbucks, Amazon and Uber provide broad payment options
• Even ACH direct payment methods in mobile now seamless

Digital merchants vs. Wallets
• Merchant payment methods are eclipsing the “singular” wallets to optimize customer experience and loyalty
Mobile E-Commerce is up and Poised for Further Growth

Estimated mobile e-commerce sales worldwide

**Mobile as share of total e-commerce**
- 52.4%
- 58.9%
- 63.5%
- 67.2%
- 70.4%
- 72.9%

**Total mobile e-commerce sales (in trillion U.S. dollars)**
- 2016: 0.97
- 2017: 1.36
- 2018: 1.80
- 2019: 2.32
- 2020: 2.91
- 2021: 3.56
64% of smartphone users expect a site to load in 4 seconds or less.\(^1\)

40% have turned to a competitor’s site for a better mobile experience.\(^2\)

1 in 4 online shoppers abandon their carts if a site’s navigation is too complex.\(^3\)

\(^1\)Gomez, “What Users Went from Mobile.”
\(^3\)Statista, “Why do online shoppers leave without paying?”
Millennial shoppers

- 83%

- 12%

Shoppers age 55+

- 90%

- Would abandon a complex shopping cart

- Would return later to complete the purchase

Source: Splitit survey of more than 1,000 U.S. adults
Global experience: Mobile Order & Pay App

Cloud-based

Ownership model agnostic

Global loyalty and personalization

Digital Flywheel expansion

Unified Commerce Platform

Americas

EMEA

CAP

Company Operated Stores
Product, price, inventory, Location hours etc.

Licensed/Franchise Stores
Product, price, inventory, Location hours etc.

Unified Starbucks Global Loyalty
Customers and Personalized Engine
# Payment Methods by Consumer Segments

Preferred payment methods by income level

<table>
<thead>
<tr>
<th>Preferred Payment Method</th>
<th>Less than $25,000</th>
<th>$25,000 to less than $50,000</th>
<th>$50,000 to less than $75,000</th>
<th>$75,000 to less than $100,000</th>
<th>$100,000 to less than $150,000</th>
<th>$150,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit card</td>
<td>23%</td>
<td>25%</td>
<td>31%</td>
<td>44%</td>
<td>49%</td>
<td>56%</td>
</tr>
<tr>
<td>Debit card</td>
<td>44%</td>
<td>50%</td>
<td>47%</td>
<td>42%</td>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>Cash</td>
<td>18%</td>
<td>15%</td>
<td>12%</td>
<td>5%</td>
<td>8%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: 2018 TSYS US Consumer Payments Survey
Preferred Payment Methods Shift by Category

Consumers prefer direct payments vs credit payments in "non-discretionary" spending categories

Source: 2018 TSYS US Consumer Payments Survey
Mobile Trend

Digital merchants vs “wallets” driving worldwide growth in share of mobile payments commerce

Leading merchants lead wallets

• Starbucks payments leads the “pays”

• Wal*Mart-Pay is expected to have more users than ApplePay by the beginning of 2019

• 75% of merchants with more than $100M of revenue have an app with direct payment capabilities

Sources: Statista, Payments Card & Mobile, Pymnts.com/Infoscout, Fortune, Synchrony
Best practice is to offer more ways to pay

Uber, Starbucks and other leaders provide customers more ways to pay to optimize customer engagement.
Does Best Practice Today = Best Practice Tomorrow?

Merchants will have to live with consumers’ initial payment settings forever

Set It...

...and Forget It
Private-label Credit Card (PLCC) Market

What better drives brand engagement than a BRANDED-tender?

Private-label benefits

- Drives greater consumer spend
  - More frequent visits
  - Bigger baskets
- Lowers credit acceptance costs
- Powerful tool to drive better information
  - Customer behavior insight
  - Broader consumer segments shapes product, marketing, promotions, service strategies, etc.

Co-Brand/PLCC/Financing as a % of total sales

Notes: Ranges represent multiple program benchmarks per sector, data is percentage of sales on all branded cards

Sources: Retailer public filings, First Annapolis Consulting
Shell now with five ways to pay, including S-Pay

Once challenging ACH payments are now a smooth, user friendly customer experience
Executive Summary
Mobile Experience – Tender Choice – Brand Engagement

Choice (don’t forget your brand :-)

Convenience

Security

Value (different values for different tenders)
Thank You

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Appendix

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**Average Consumer**
- 48 years old
- 53% female
- 36% have a college degree

**what they own**
- Own 4.4 devices — almost everyone owns a mobile phone

**HOW THEY PAY**
9% mobile or tablet

**WHAT THEY BUY**
- 48% groceries
- 30% clothes and accessories

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**Smartphone Centric Consumers**
- 48 years old
- 49% female
- 22% have a college degree

**what they own**
- Own only a smartphone

**HOW THEY PAY**
12% mobile or tablet

**WHAT THEY BUY**
- 70% groceries
- 32% healthcare
- 43% personal care

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**Mainstream Mobile Consumers**
- Mid-50s
- 49% female
- 26% have a college degree

**what they own**
- Own a smartphone and a tablet or computer

**HOW THEY PAY**
15% mobile or tablet

**WHAT THEY BUY**
- 70% groceries
- 34% clothes and accessories
- 43% food orders
- 49% personal care

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**Connected Home Consumers**
- 50 years old
- Equally male and female
- 29% have a college degree

**what they own**
- Own smart home devices, plus mainstream devices

**HOW THEY PAY**
14% app

**WHAT THEY BUY**
- 57% groceries
- 42% clothes and accessories
- 48% personal care

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**Connected Me Consumers**
- 44 years old
- 59% female
- 43% have a college degree

**what they own**
- Own wearable devices, plus mainstream devices

**HOW THEY PAY**
19% mobile or tablet

**WHAT THEY BUY**
- 57% groceries
- 42% clothes and accessories
- 48% food orders
- 67% personal care

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**Super Connected Consumers**
- 42 years old
- 57% female
- 47% have a college degree

**what they own**
- Own six or more devices

**HOW THEY PAY**
27% app

**WHAT THEY BUY**
- 61% food orders
- 67% personal care