

MOBILE MOMENTUM:

Spotlight on the Mobile Local Shopper

Highlights from the 2013 Research & Buying Behavior Survey

Data provided by



the e-tailing group

local
corporation

I. EXECUTIVE SUMMARY

What You Will Learn from this White Paper

Local Corporation's Krillion local shopping platform, in partnership with the e-tailing group, released its second annual mobile local shopper study, exploring the continued evolution of smartphone shopping and the physical store, with emphasis on pre-purchase research and buying behaviors. The report explores how and when consumers access mobile devices for shopping throughout the path to purchase and gauges shopper dependence on key information resources and customer conveniences accessed through various channels. This paper is a valuable resource for retail and brand marketers looking to better engage consumers via their smartphones and provide a superior mobile local shopping experience.

Key Questions About the Mobile Local Shopper

Key questions addressed in this survey aim to provide answers on how to best meet customers' evolving mobile behavior:

- How is smartphone shopping evolving for in-market consumers who shop at nearby stores? What are near-store and in-store shopper expectations today?
- How have shoppers adapted their smartphones as a tool to facilitate local shopping needs at the expense of, and in conjunction with, other channels and devices?
- What resources and product information aids decision-making along the path to purchase?
- What efficiencies do shoppers gravitate to in order to make smarter decisions using their smartphones?

Evolving Mobile Local Shopper Strategies

Many studies have examined consumers' general research and buying behavior via smartphones. This study, however, looks at the evolving role of the smartphone on the path to a local purchase, when consumers are ultimately looking to make a purchase at a nearby retail store.

"Multi-dimensional" would be a good overall characterization of mobile consumers and how they incorporate smartphones into aspects of local shopping activities. Smartphone use for local shopping includes an array of activities associated with pre-purchase research: accessing product information; checking competitive prices; and finding digital coupons for redemption. Comparison apps, standalone retailer apps and mobile sites see strong use when connecting to the store for inventory look up and subsequent pickup. Year-over-year interest in the pre-shopping activities included in this study are noteworthy as the upward mobile trend continues.

Key Takeaways

The study confirms the value of the smartphone as a widely used tool throughout the purchase funnel, where consumers seek information in hopes of elevating their knowledge and gaining confidence in their purchase decisions. Beyond securing this knowledge, smartphone shoppers believe it will be easier to research local purchases using their smartphones in advance. It might appear that this usage would be tied to short-term purchase needs, but in fact, shoppers report using smartphone research for long-lead, local store purchasing as well.

Lastly, the study explores the information that shoppers deem essential at various points of pre-purchase research. Price comparison, for example, is now an ingrained behavior for omni-channel shoppers where smartphone use accelerates interest early in the purchase process, as well as during store visits. The survey concludes with questions that evaluate a variety of efficiencies and time-savers in the local shopping process. Information and services that assist shoppers in securing the best price, such as total cost of the product, rose to the top of the list. Other information sources that were also seen as essential among smartphone users are, not surprisingly: customer reviews; complete product information; store-based details; and the ability to search and sort product information. Elements that are price-sensitive, such as coupons, promotional codes and price-matching, were also deemed essential.

Implications for Retail Marketers

Mobile devices, and smartphones, in particular, have created an anywhere, anytime, anyhow world where retailers must accelerate the development of information tools and cross-channel efficiencies to assist the growing number of mobile-oriented shoppers. The implications profoundly change the consumer shopping experience, leaving marketers challenged to create marketing that supplies relevant, localized information shoppers expect. The evolving nature of smartphone behavior for mobile local shopping means continuous testing of mobile advertising, monitoring omni-channel behavior, measuring in-store activity, and ensuring shoppers' information needs are met, all along the path to purchase.

Key Findings

Smartphone users do their homework in advance of local store visits where research is top-of-mind

- Overall, 67% of smartphone shoppers researched store-based needs more over the past year and one-in-three researched significantly more.
- Consumer smartphone usage accelerates and consumers are active in the research and pursuit of shopping needs.
- One-in-two shoppers research at least 50% of the time when intending to make a local purchase.
- 60% of shoppers often think of using their smartphones when researching local purchases. It is interesting to note that one-in-four ALWAYS use their smartphones, making it their go-to tool.

Smartphones are multi-purpose shopping utilities, giving connected consumers access to essential store information, pricing, sales, and more that will speed purchase decision-making

Consumers strongly/somewhat agree with the following:

- I use my smartphone to access information about a local store I want to visit: 76%
- My smartphone is great for accessing coupons that I typically redeem at local retail stores: 68%
- I use my smartphone to download apps that allow me to browse my favorite retailers: 67%
- I like the ability to browse and preview my emails from retailers and sometimes make a purchase directly on my smartphone: 65%

Year-over-year interest and use of smartphones accelerates at an astounding rate

Activities shoppers have done at least 7 times in the last 3 months have almost doubled in most instances from a year ago and include:

- Checked for sales and specials: 59%
- Browsed an online store for product of interest: 58%
- Looked for competitive pricing at Amazon: 58%
- Looked up store information: 55%
- Checked ratings and reviews for a product of interest: 51%

The path to purchase finds shoppers exhibiting certain types of behavior at distinct times in hopes of expediting their shopping via smartphone

Consumers who definitely/very likely use a smartphone in-store do the following:

- Access promotional coupons for redemption at the store: 65%
- Look for competitive pricing at Amazon: 61%
- Check product ratings/reviews: 59%

- Look up prices on the retailer's mobile site where they are intending to buy: 55%
- Look for competitive prices on products at local retailers online other than Amazon: 59%

Top time-savers that make for more efficient shopping experiences

- Total cost of product: 65%
- Customer reviews: 64%
- Coupon or promotional code for the product: 61%
- Comprehensive product information: 59%
- Price-matching guarantees: 57%
- Store location information: 52%

With the proliferation of smartphones; shoppers often use two devices to complete their shopping

- Half of shoppers get their shopping done with only one device while the remainder typically require two.

Shoppers gravitate to channels based on their perceived strengths, and use them in conjunction with one another or across channels

- 72% of shoppers go to a store to get the best fit because sizing is difficult to gauge online
- 72% research online much of the time, but often follow-up with a store visit
- 72% see their smartphone as a great tool when shopping at local stores
- 67% will check to see if the store has inventory before many of their shopping trips

The Local Shopper Landscape, What's Changed, Proliferated and How Satisfied are Shoppers

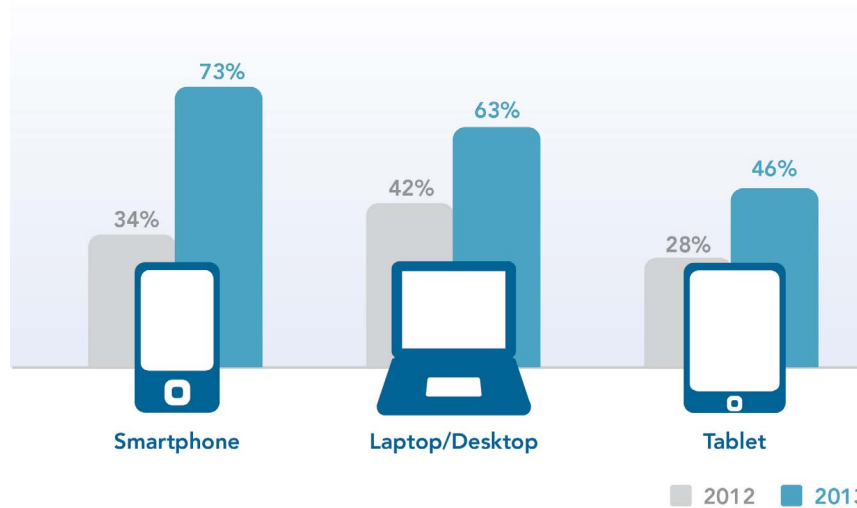
- Smartphone users are educated, active and purpose-driven shoppers
- Smartphone usage as a cross-channel tool is dynamic and evolving requiring retailers to stand up and pay attention
- Smartphone users do their homework in advance of local store visits where research is top-of-mind

A significant year-over-year behavior shift is reflected by the acceleration of product researching on smartphones, in particular. The combination of smartphone adoption and retail technology advancements are providing shoppers with more advanced pre-purchase access and online information. Additionally, the convenience and constant mobility of the smartphone highlights an important differential in its usage numbers versus the tablet, which is often associated with at-home shopping. The laptop, which is a known researching tool, is often associated with the workplace and also shows accelerated use. Contrary to what one might expect, retail store research is even showing a resurgence, which may be due to smartphone usage within the physical store, where retailers feel showrooming pressure.

Study Findings

Over the course of the last year, how has your product researching behavior changed for these locations or devices?

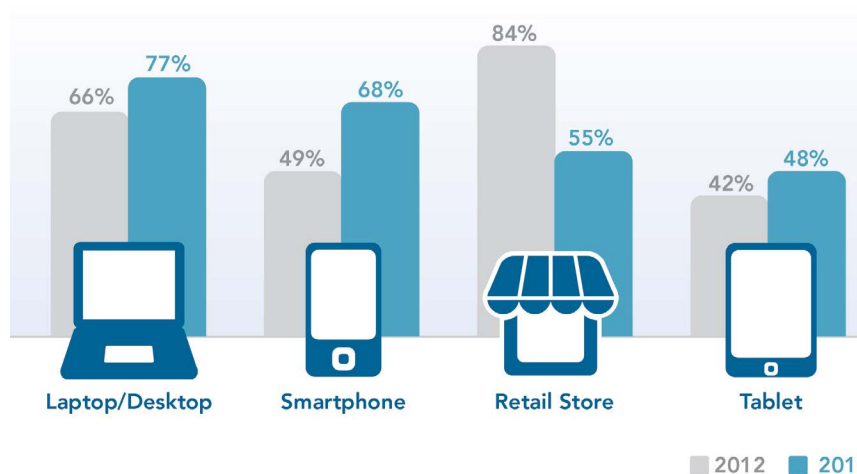
Top-2: Significantly/Somewhat More



Equally significant increases in satisfaction were seen regarding smartphones and research behavior, in which consumer sentiment almost reaches laptop levels. These findings are even more powerful given the limited number of years in which smartphones have been a part of the shopping experience. The laptop still leads when it comes to satisfaction given its large screen format and efficiency to transact. With the tablet placing last, one might conclude that convenience and access are important factors in the respondent's evaluation process. The downward trend for the retail store is likely a function of shrinking or ineffective in-store resources unable to share the level of knowledge shoppers have come to expect.

How would you describe your overall satisfaction with researching in each of the following ways?

Top-2: Excellent to very good



Shoppers gravitate to channels based on their perceived strengths and use in conjunction with one another to gain confidence prior to making the purchase. In fact, 72% of shoppers find that smartphones are a great tool when shopping at local stores; for example, the store continues to be important when finding the right size, which mitigates the process of buying and returning to a local store or an e-tailer. The duality of desiring multiple channels reflects a combination of convenience and meeting immediate needs, but also the need to confirm what a product looks and feels like to instill confidence in making the purchase. "My smartphone is a great tool when I'm shopping at local stores" suggests how quickly shoppers adapt and take the quickest route to finding the right product at the best price. They are known to preview prior to visiting those stores for information and inventory lookup, and will do almost anything to avoid paying for shipping. A savvy associate can make a difference, but unfortunately associate availability and knowledge can be lacking. Showrooming, which has received a great deal of buzz, sees agreement in this survey and reflects the need for retailers to provide consumers with more reasons and incentives to make the purchase while in the store.

Q. Please note your agreement with the role of LOCAL stores in your life.

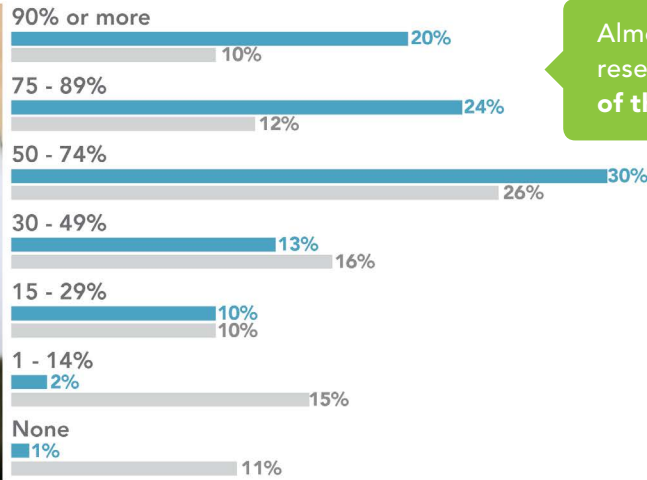
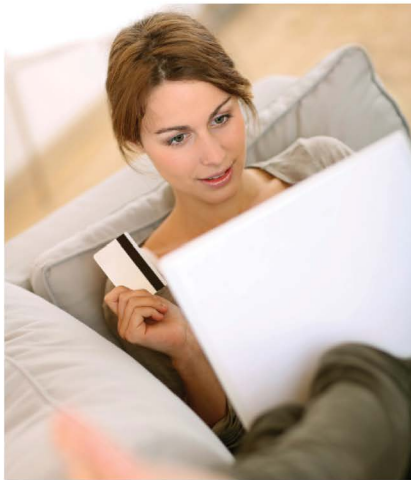


■ 2012 ■ 2013

Overarching Trends in Smartphone Research and Shopping Year-Over-Year

We began our survey by asking what percentage of time shopping involves researching products online. This question has been asked many times over the years, with findings consistently highlighting that consumers spend most of their pre-purchase time doing their homework. The growth patterns continue, as researching time doubles year-over-year. Almost half of shoppers report researching at least 75% of the time.

What percent of your OVERALL shopping involves re-searching products online?

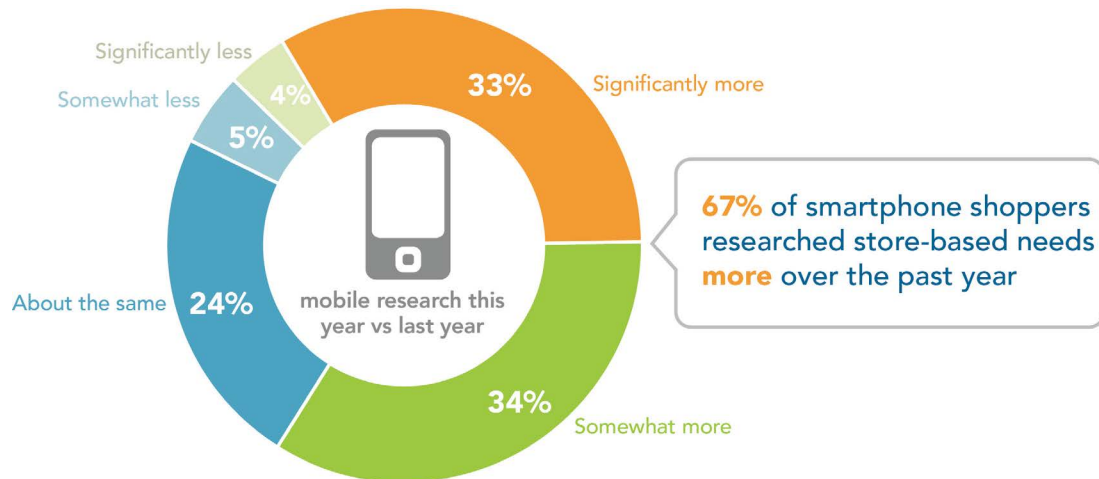


Almost half of shoppers research at least 75% of the time

■ 2012 ■ 2013

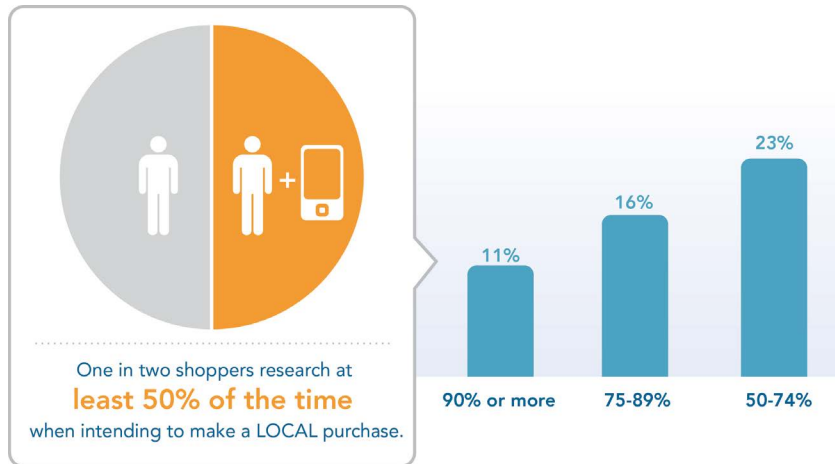
The smartphone is assumed to be a primary driver of an incremental increase in research time. **Overall, 67% of smartphone shoppers researched store-based needs more over the past year and one-in-three researched significantly more.** Consumers clearly see their smartphones connecting them to the shopping information they need; so they are spending more time gathering information across a range of categories and shopping concerns. We are still in the early phases of understanding smartphone convenience and efficiency usage in shopping, but we can expect exponential growth over the next few years as new shopping services and technologies come into play.

Thinking back to the past year regarding researching on your smartphone for ALL of your store-based shopping needs, how would you characterize the change in your behavior?



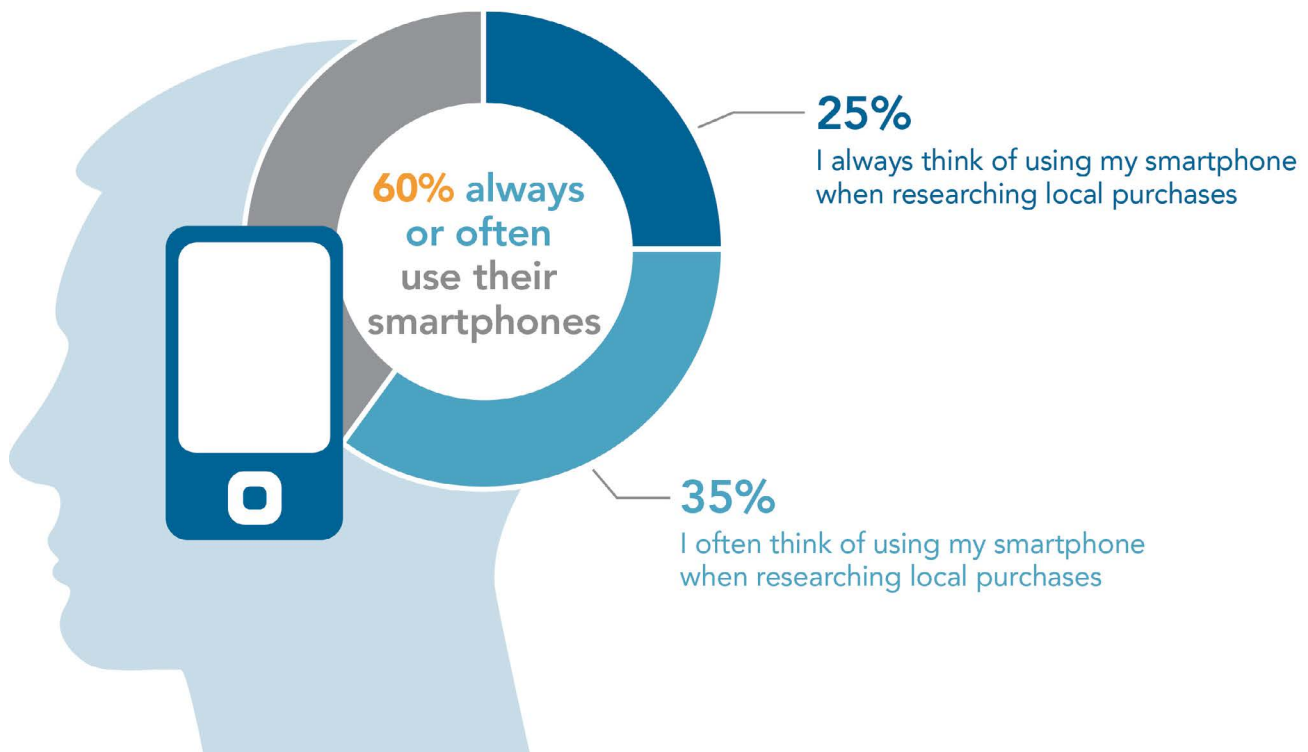
It was specifically important for the study to explore whether smartphone research would hold the same level of importance for local purchases. The results show once again that it does, with one-in-two shoppers researching at least 50% of the time when intending to make a local purchase. These findings indicate that shoppers do not discriminate relative to where they are making their purchase, but rather want to be informed regardless of location.

When intending to make a purchase **LOCALLY** at one of your favorite retailers, what percent of that type of shopping involves researching products via smartphone?



60% of shoppers often think of using their smartphones when researching local purchases and it's interesting to note that 1-in-4 ALWAYS use their smartphones, making it their go-to tool. This dependency factor should also accelerate in the coming years, forever altering retail marketing patterns. Convenience will compel shoppers to reach for their phones for a wide range of problem-solving scenarios to ensure that their visits to retail stores are as productive and rewarding as possible.

How compelled are you to use your smartphone when researching product for a purchase **LOCALLY** at one of your favorite retailers?



How are Mobile Shoppers Incorporating Smartphones into their Local Shopping Experiences?

From store location information, to coupon access and retailer apps, the majority of consumers are aligned: the top use of smartphones in shopping is focused on connecting to the local store with localized information. The theme of price is initially revealed here as well for both redeeming coupons and receiving offers. Email and smartphones go hand-in-hand as consumers regularly gravitate to the efficiencies of email, especially as an initiation point to shopping.

Q. Please indicate your level of agreement with the following statements regarding researching and buying via a smartphone.

Top-2: Strongly/Somewhat Agree

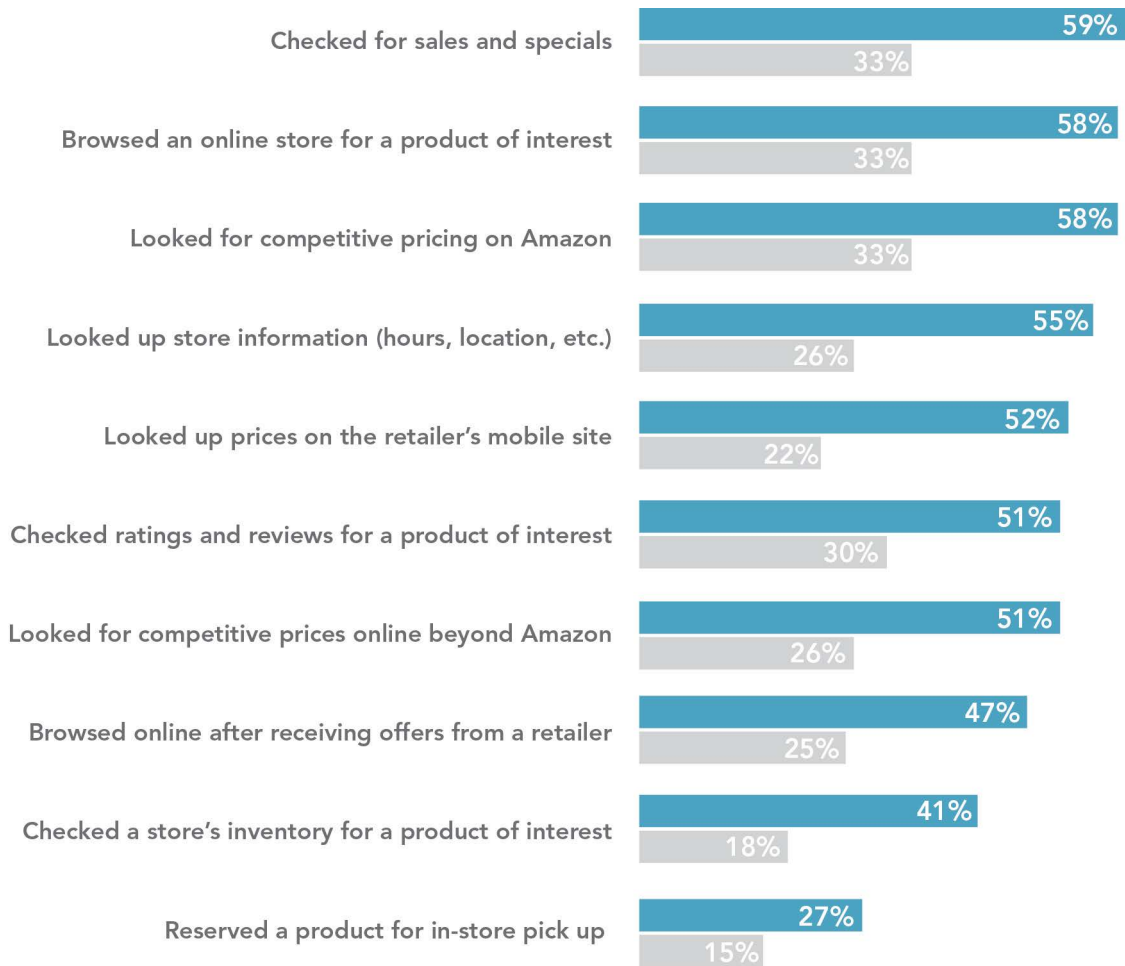
I use my smartphone to...



Smartphones are multi-purpose enabling access to a range of information, including previewing email and downloading desired apps

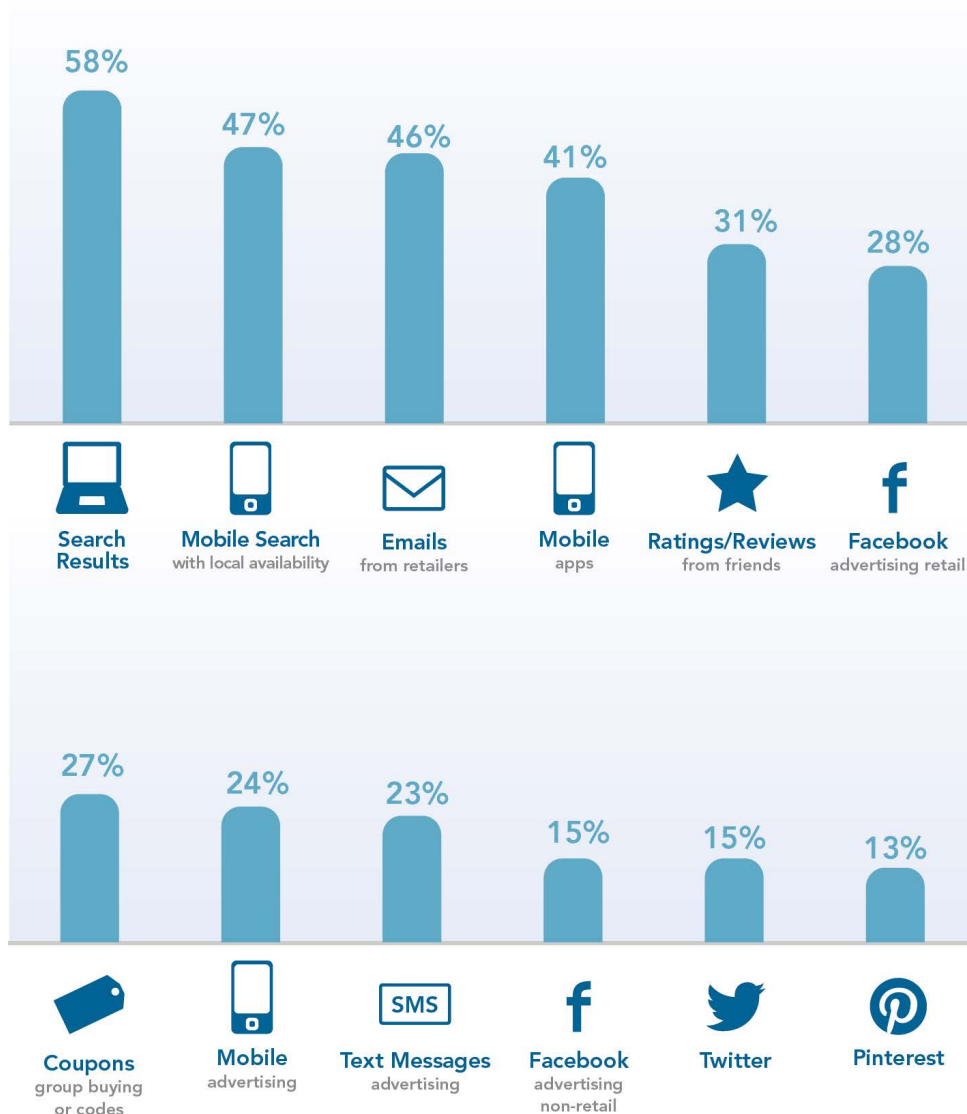
The frequency with which shoppers check for sales, seek store-based information and browse and comparison shop prior to and during store visits continues to increase. Respondents reported substantial growth in the number of smartphone shopping activities they have engaged in over the past 3 months, with many activities almost doubling from just a year ago. Conventional wisdom might assume that consumers are conducting a handful of these activities, but the data suggests volume and elevated interest across smartphone activities. Sales and specials see the greatest interest, but it is fascinating to see that shoppers sometimes just want to browse. The "Amazon Factor" is definitely in play, and it is perceived to be the fastest path to a price-check. Information is integral relative to the retail locator, which has always attracted the shopper's attention, while ratings and reviews provide peer perspective, finding acceptance alongside every new channel.

Thinking about the product purchases you've made within the last 3 months, please tell us about how often you've done each of the following using your smartphone PRIOR to visiting a physical store



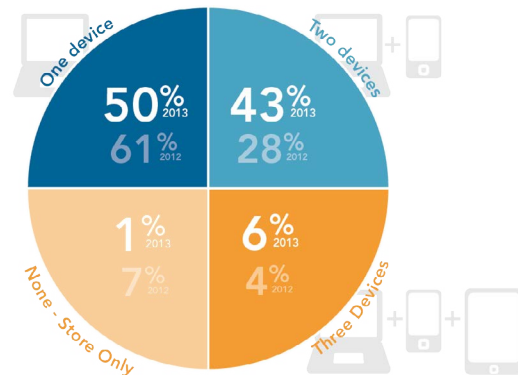
Search results, email, and mobile apps are the most likely initiation points for smartphone activities. Mobile search results showing local product availability almost reach the levels of generic search listings and are extremely valuable as many shoppers have immediate buying needs that can be quickly solved with relevant, localized listings. Retailer loyalty, coupled with timely communication to customers, remains a key driver of activity. Email, once thought to be an outmoded tool, appears to have gained favor, likely due to its unique ability to personalize messaging and capture share of customer online viewing.

From where are your smartphone activities most often initiated?



Half of shoppers get their shopping done using one device, while the remainder typically require two devices. Upon initial review, one might conclude that in a constantly connected mobile world, one device could suffice in facilitating purchases. But upon reflection, the strengths of a particular device to research and transact, along with time of day consumers potentially have access to devices, may further enable cross-device shopping.

On average how many devices (PC, smartphone, tablet) does it take to get your shopping done?



Key Decision Points on the Path to Purchase In-Store Shopping-- Efficiencies and Essentials

- Shoppers make deliberate behavior choices at distinct times on the path to purchase with hopes of expediting their shopping via smartphone.
- Educated shoppers seek to save time and money using smartphones throughout all phases of the research and buying process.

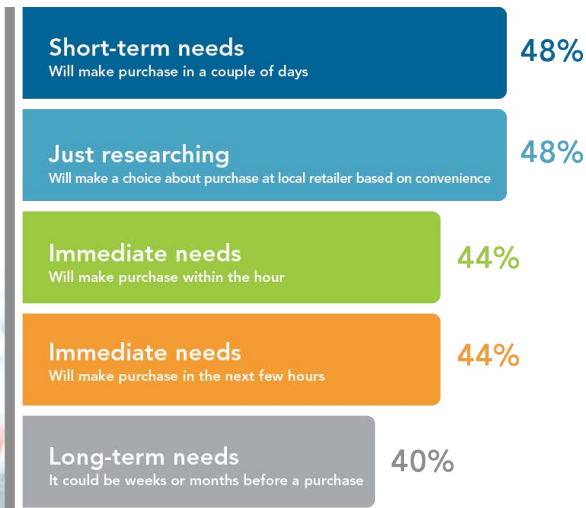
The research thus far has focused on securing knowledge in advance of making a purchase, which likely takes place in the early part of the purchase funnel. One-in-four shoppers believe it is easier and that they become more knowledgeable, when using their smartphone in advance of making a purchase locally. Shoppers desire “purchase-readiness” as a measure of perceived time-saving, a better in-store experience, and superior decision-making. This confirms the continued value of the smartphone as a research tool as shoppers get closer to making the purchase.

What is your perception regarding using your smartphone as part of your overall shopping process (researching and transacting) when making a purchase at a local store?



When using your smartphone to make a purchase at a LOCAL retailer, what percent of the time would you estimate you are in the following mind-set?

All the time/Very often



Smartphone users, when thinking about making purchases locally, exhibit a variety of needs from the immediate to the long-term. The initial expectation was that findings would lean heavily toward smartphone use for short-term purchasing needs, while general or longer-term needs would not see the same interest level. The study, however, reveals that the smartphone is utilized within a range of shopper needs during many different purchase consideration periods among a large percentage of shoppers.

The convenience of comparing prices has been one of the most radical and rapidly evolving behavior shifts facing today's retailer. Shoppers spend significant time finding the best price, which starts with a preference for its overall cost. From a time perspective, 82% will spend up to 15 minutes to secure the best price. Much of the price comparison is done in the early part of the purchase process prior to the store visit, though shoppers do report checking prices in-store as well. In today's value-conscious world, a shopper can't effectively progress through the purchase funnel without the basic pricing information.

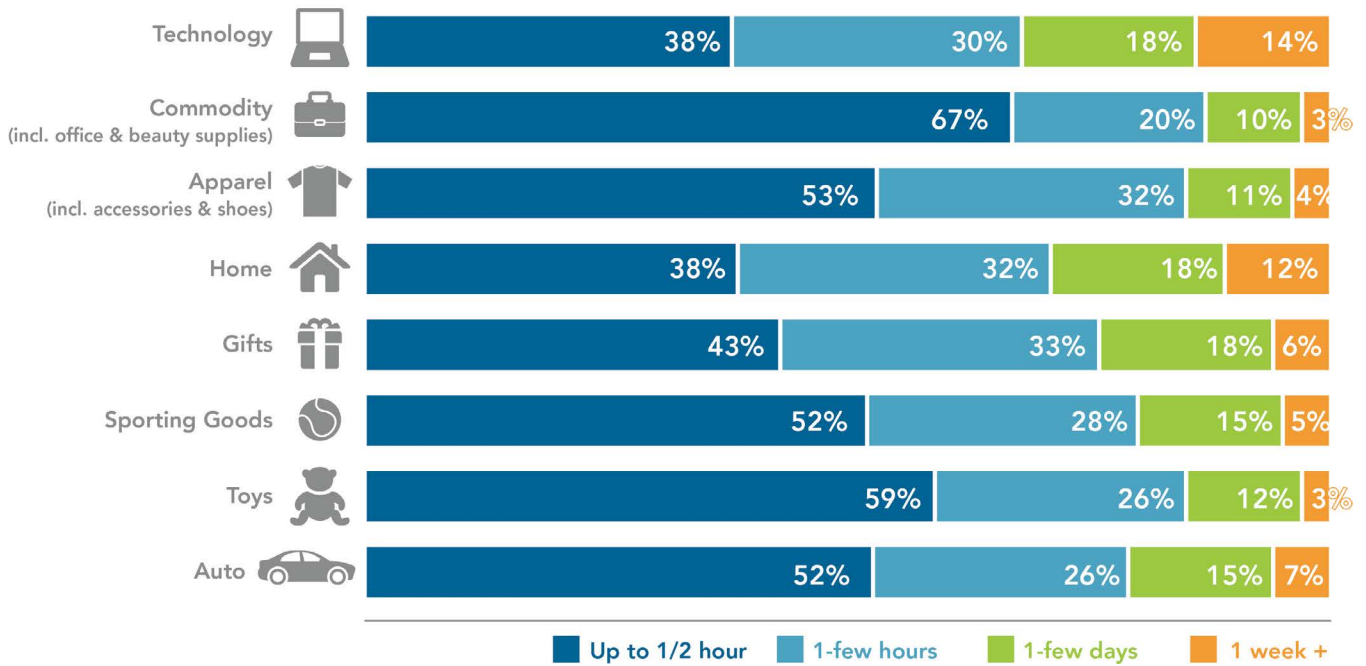
In thinking about finding the RIGHT PRODUCT AT THE RIGHT PRICE, please note your agreement with the following statements:

Top-2: Strongly/Somewhat Agree



Categories require distinct amounts of research time on smartphones. With the exception of technology and home products and appliances that often require longer research periods, the majority of shoppers spend up to a half-hour researching. In all categories one-in-three shoppers invest an hour or two in search of the right product. The remaining individuals might spend a day, a few days or even a week or more, most likely dictated by the complexity of the purchase and time required to educate oneself on the assortment. It should be noted that different personalities require distinct levels of knowledge to feel comfortable, so the individual dimension must be factored into the time equation as well.

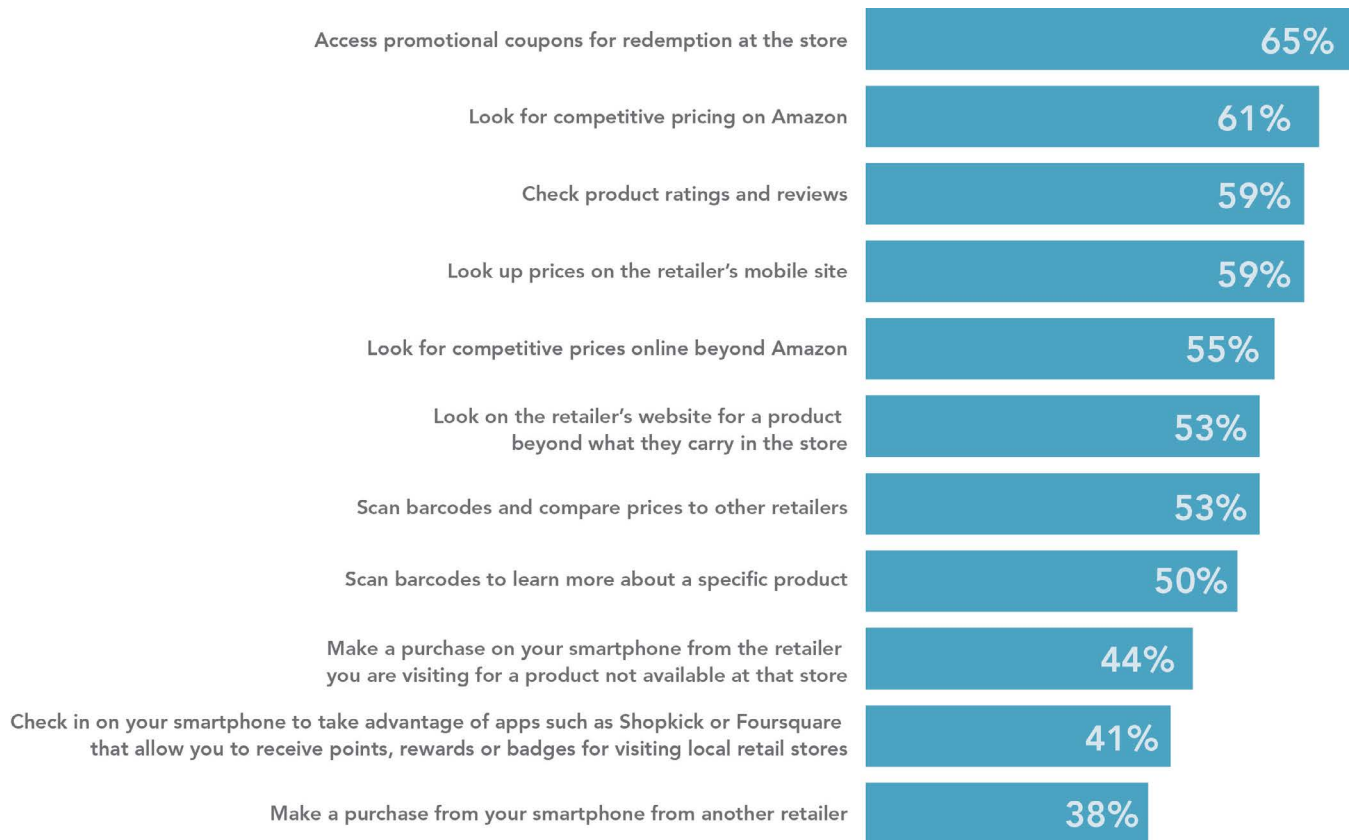
On average, how much time do you typically spend researching via your smartphone prior to making a purchase at a local retailer for each of these categories?



In-store behavior highlights coupon access and information checking, from pricing to product reviews. As shoppers move in-store, they have a heightened interest in purchasing and their mind-set shifts to confidence-building in the quest for the right product. These numbers are comparable to what was also seen from a pre-store perspective, indicating that consumers will seek out many of the same tactics depending on location and convenience; therefore, readiness on the part of the retailer within the store environment is necessary in order to capture the sale.

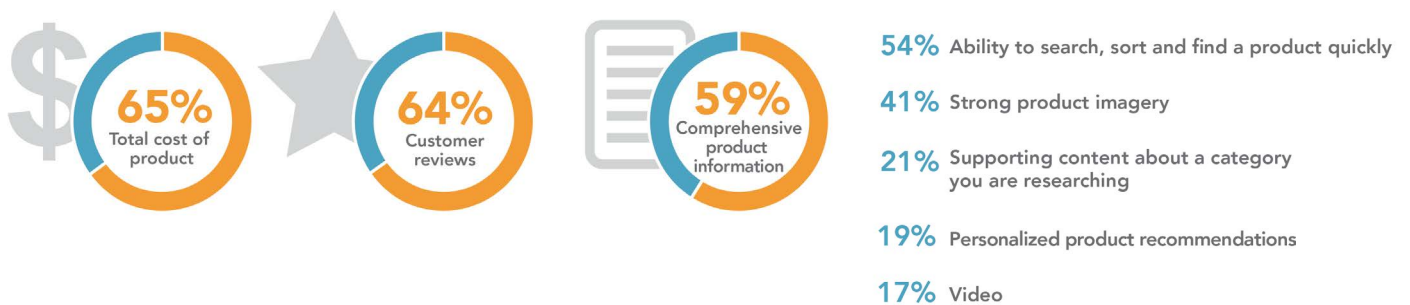
How likely are you to do each of the following using your smartphone when researching a product while IN A PHYSICAL STORE?

Top-2: Definitely/Very Likely



Highly-Valued Content and Customer Efficiencies

Understanding total product cost, gaining access to customer reviews and experiencing good site search capabilities reduce decision-making steps for in-market shoppers. Consumers start with overall cost, but also value comprehensive product information in order to make an informed decision.



Efficiency in local shopping centers on the cross-channel conveniences and information that save time and money. Local shoppers value store-based information, inventory access and pickup capabilities increasingly offered by retailers. For mobile local shoppers, accessing store information and inventory checking at preferred locations are viewed as key cross-channel indicators that should be highlighted in retail mobile merchandising and marketing.

Which of the following CROSS-CHANNEL CONVENIENCES make your shopping more efficient by reducing the number of steps you may need to make a decision about a purchase at a local retailer?

- 61%** Coupon or promo code
- 57%** Price-matching guarantee
- 52%** Store location information
- 46%** Ability to check inventory at nearby store
- 45%** Ability to buy online for in-store pick up
- 41%** Accessible return policies
- 35%** One-click checkout
- 35%** Order history
- 29%** Reserve in-store without paying
- 25%** Stored personal profile
- 22%** Link to customer service
- 21%** Retailer notifications
- 17%** Retail app

The Essentials

One-in-two shoppers deem it ESSENTIAL to know the total cost of the product, be able to secure all product information, search as desired and secure customer reviews.

 <p>Product Information</p> <ul style="list-style-type: none"> 70% Total product cost (Including shipping & handling) 59% Comprehensive information 56% Search & sort quickly 49% Customer reviews 44% Strong product imagery 28% Supporting category content 24% Personalized recommendations 18% Video 	 <p>Price & Service Elements</p> <ul style="list-style-type: none"> 52% Store location information 49% Accessible return policies 44% Check inventory at nearby store 44% Price-matching guarantees 40% Coupons or promo codes 40% Buy online for in-store pick up 34% Order history 33% One-click check out 32% Reserve a product without paying 30% Link to customer service 28% Stored personal profile 25% Retailer notifications 24% Retail app 	 <p>Store Information</p> <ul style="list-style-type: none"> 56% Store location information 48% Check inventory at nearby store 44% Ability to speak to a salesperson at store 39% Ability to designate a preferred store 39% Buy product on mobile for in-store pick up 34% Reserve a product without paying 30% Ability to scan barcode for additional information
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Beyond store information, accessible return policies, coupled with price-related tools (i.e. price-matching guarantees and promotional codes), are seen as most ESSENTIAL. They can influence which store to visit when, while return policies may prove to be a deal breaker with a given retailer. Price-matching guarantees have been elevated as a result of retailer efforts to combat showrooming in an attempt to compete head-on with Amazon. Retailers need to revisit their policies to align with shopper price sensitivity.

Store location information, along with inventory availability, is deemed ESSENTIAL when using a smartphone. As noted earlier, consumers still believe that speaking to a knowledgeable associate is a value-add in ultimately making the right purchase. Conveniences such as, preferred stores, reserve and pickup, are important for one-in-three consumers, but don't appear to make or break the selection process.

WINNING STEPS: WHAT THIS MEANS FOR BRAND AND RETAIL MARKETERS

Developing a strategy that embraces the geo-centric and ubiquitous nature of the smartphone is crucial to future success. Retail marketers need to consistently leverage mobile as a complement to their existing marketing efforts, both online and offline, to create a holistic and satisfying shopping experience for consumers. Here are some winning steps to help them do just that:

- 1) Develop mobile metrics that increase understanding of the mobile customer and their smartphone behavior, including differences within product categories, geographies and across-the-board information access.
- 2) Develop a strategy that embraces the acceleration of the smartphone as a broad-based, cross-channel utility that consumers will access at any point along the path to purchase.
- 3) Be prepared with critical product and store-based information at crucial times when shoppers connect.
- 4) Consider the top time-saving elements that shoppers deem essential and integrate them into the mobile site, mobile apps, and mobile marketing efforts. Comprehensiveness matters at every step of the purchase process, from store-based information to the total cost of the product.
- 5) Simplify the mobile shopping experience by emphasizing fulfillment options and other key cross-channel customer efficiencies (e.g. in-store pick up, inventory lookup). Optimizing for mobile will reduce the steps to purchase decision and create a satisfying shopping experience before and during store visits.
- 6) Spend more time on testing the key information resources and consumer conveniences that are driving mobile local shoppers closer to the cart and the store.

Methodology and Demographics

Our online survey of 1,005 consumers was completed in August 2013 and was evenly split across gender lines. All respondents were pre-qualified for smartphone ownership and had shopped at least several times per month online spending at least \$250 annually. From a demographic standpoint, a cross-section of consumers by age that aligned with the Internet population was utilized where 45% earned \$75K or more and 54% had at least a college education while 54% had children in the household.

ABOUT THE COMPANIES

About Local Corporation

Local Corporation (NASDAQ:LOCM) is a leading online local media company that connects brick-and-mortar businesses with over a million online and mobile consumers each day using a variety of innovative digital marketing products.

The company's patented Krillion® local shopping platform provides dynamic location-based product search data for millions of local consumers nationwide. The Krillion local shopping data index is one of the largest and most comprehensive in the industry. The platform also includes an API, providing business partners and customers with an efficient way to integrate local shopping solutions and content into desktop and mobile sites and applications.

For more information, visit: <http://www.krillion.com> or <http://www.localcorporation.com>.

About the E-tailing Group

The e-tailing group is Chicago-based consultancy that helps retailers deliver the right customer experience across all channels, while assisting technology companies create and execute go-to-market strategies that simultaneously educate the retail community.

For more background about this survey or for additional information on the e-tailing group, please contact Lauren Freedman via email to LF@e-tailing.com, by phone at 773-975-7280 or visit the e-tailing group website www.e-tailing.com.

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This white paper may contain forward-looking statements related to Local Corporation that are based upon current expectations and involve certain risks and uncertainties within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Words or expressions such as "anticipate," "plan," "will," "intend," "believe" or "expect" or variations of such words and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond Local Corporation's control and are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Key risks are described in the filings Local Corporation makes with the U.S. Securities and Exchange Commission. The forward-looking statements in this release speak only as of the date they are made. Local Corporation undertakes no obligation to revise or update publicly any forward-looking statement for any reason.