

App-etite for Engagement: Marketing Beyond the Browser

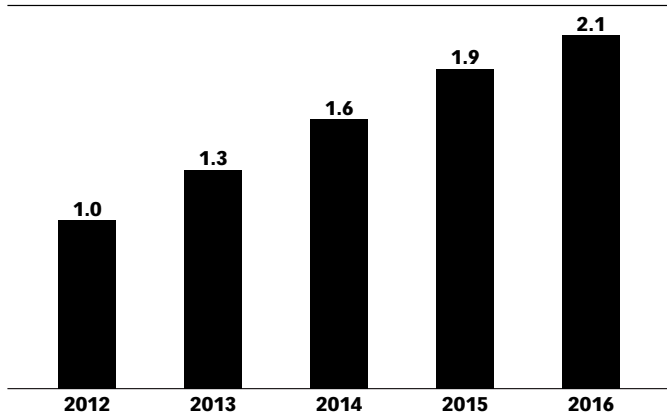


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Executive Summary: Apps have become big business. By one estimate, the burgeoning app economy could be worth close to \$50 billion worldwide by the middle of the decade. A host of revenue streams—paid app downloads, subscriptions and in-app purchasing and advertising—will propel the app economy forward as global usage soars.

Active Mobile App Users Worldwide, 2012-2016
billions



Source: Yankee Group, "Mobile Apps and Cloud Forecast," April 2012 as cited in company blog, May 9, 2012

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The app economy's growth will occur within walled gardens that both recall the early days of the internet and constitute a new version of it. What's new: the phenomenon of mobile-first companies like photo-sharing service Instagram and Angry Birds creator Rovio, which exist primarily through mobile apps. For brands tied to legacy platforms, mobile-first is associated with a subtly different challenge: to regard mobile as a primary platform when developing experiences and utilities, not an afterthought.

Factors compelling brands and independent developers alike to consider marketing beyond the browser include a shift away from the desktop and toward portable computing. This is exemplified by rising smart device adoption and the steady "trickle up" of apps and other mobile user interface features to the desktop. Another is the runaway success of Angry Birds and Facebook's \$1 billion acquisition of Instagram, outcomes made possible only by the former.

For marketers, deciding whether an app is right for their brand boils down to more than a choice between building a mobile-enabled site or an app. Rather, as audiences become progressively more mobilized, the real question is what role apps can play within the broader marketing ecosystem and customers' interaction with the brand.

Key Questions

- What forces are driving the app economy's growth?
- What lessons can brand marketers draw from the success of mobile-first companies?
- What steps are brands taking to successfully market their apps?

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Overview: The App Economy

The app economy is remarkable for both its size and vertiginous growth. Since Apple launched the App Store in July 2008, the number of apps in device manufacturer and operating system (OS)-based storefronts has mushroomed to well over 1 million. Adding in carrier-based and third-party storefronts such as GetJar, Handango and the Amazon Appstore would likely push the total past 2 million. Double-counting—the availability of the same app across multiple platforms—certainly helps in driving up the total number. But there is little doubt the expanding universe of mobile apps has become its own version of the web, complete with an ecosystem of businesses that exist solely within that sphere.

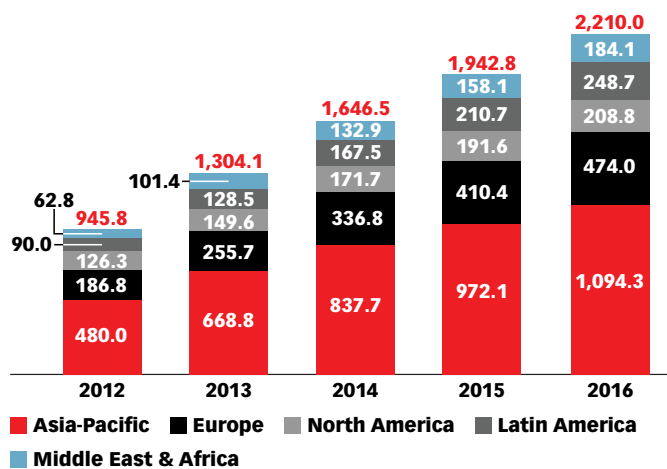
Several factors are enabling the growth of the app economy. These include smart device adoption, consumer app usage data and app monetization.

Smart Device and Platform Adoption

Rising smart device adoption serves as the backdrop for the flourishing app market. eMarketer projects the number of smartphone users worldwide will more than double from 946 million in 2012 to 2.21 billion in 2016, with penetration reaching almost 50% of the global mobile user population. In the US, smartphone users will increase from 116 million to 192 million in the same timeframe, with penetration climbing to 74% of the mobile user base by 2016.

Smartphone Users Worldwide, by Region, 2012-2016

millions



Note: smartphone users are individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month
Source: eMarketer, April 2012

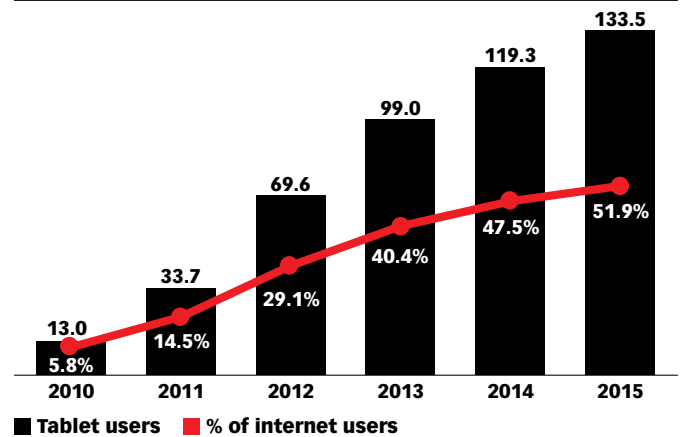
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The tablet market is growing at an even faster clip. Between 2012 and 2016, Gartner predicts global tablet sales will nearly triple, rising from 118.9 million to 369.3 million units. eMarketer's tablet forecast, which focuses on US users rather than global unit sales, predicts 70 million users in 2012, increasing to 134 million in 2015. Apple's iPad will represent the bulk of US tablet users: 76% in 2012, declining to 68% in 2015.

US Tablet Users and Penetration, 2010-2015

millions and % of internet users



Note: individuals of any age who use a tablet at least once per month
Source: eMarketer, June 2012

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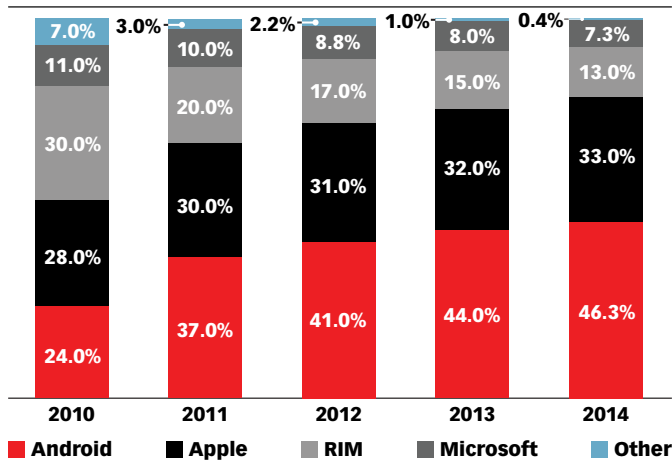
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As with many aspects of the mobile space, Apple's contribution to the app ecosystem has not been so much inventor but re-inventor. With the iPhone, Apple reimagined the smartphone as more of an internet access device than a web-enabled PDA. With apps, whose existence dates to the 1990s, when the Palm platform was at the peak of its popularity, Apple recast them as mini-experiences that tap into the device's native functionality, including GPS, messaging and social networking services.

But also characteristic of the reimagined smartphone market, where Apple led, others quickly followed, and, in the case of Android, pulled ahead. Apple enjoyed a slim lead over Android in US smartphone market share in 2010, according to eMarketer, but Android was the primary beneficiary of BlackBerry's 2011 decline, staking itself to a now-commanding lead over second-place Apple.

US Smartphone User Share, by OS, 2010-2014

% of total



Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month
Source: eMarketer, April 2012

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Outside of the US, where Android smartphones are available for lower average selling prices than the iPhone, the disparity has grown much wider. In the tablet market, by contrast, Apple retains the lead, thanks to a combination of factors: The overall quality of the iPad relative to competitors, aggressive pricing and sluggish efforts by Android device manufacturers. However, most forecasts have Android drawing near to or even slightly exceeding Apple in tablet market share by 2016.

App Download, Monetization and Usage Trends

The global two-horse race in mobile devices is reflected in the number of available apps, with Apple and Android far outpacing the rest of the field. Fixating on total app counts alone is not especially meaningful, although the totals do indicate the relative popularity—for both consumers and marketers alike—of a given platform. Similarly, a greater number of apps increases the likelihood that end users will find the app they are seeking. By extension, this relative popularity raises the expectation that consumers, per Apple’s oft-repeated tagline, will be able to find an app for just about anything. This goes not just for smartphones but increasingly for tablets as well.

Profile of Select Mobile App Stores, June 2012

	Apple App Store	BlackBerry App World	Google Play ⁽¹⁾	Nokia Ovi	Windows Phone Marketplace ⁽²⁾
Launch date	July 2008	April 2009	Oct 2008	Oct 2010	May 2009
Availability (# of countries)	123	164	132	54	190
Number of apps	650,000+ ⁽³⁾	70,000+	500,000+	80,000+	100,000+
Subscriptions & in-app billing	Yes	Yes	Yes	Yes	Yes
Developer revenue share	70%	70%	70%	70%	70%
Payment options	iTunes	Credit card, operator billing, PayPal	Google Checkout, operator billing	Credit card, operator billing	Credit card, operator billing

Note: (1) Android Market relaunched as Google Play in March 2012; (2) successor to Windows Marketplace for Mobile, which launched in Oct 2009; only devices running Windows Phone 7 can access the current marketplace; (3) iPad runs almost all iOS apps, including 225,000+ native apps
Source: company reports, June 2012

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Downloads and Monetization

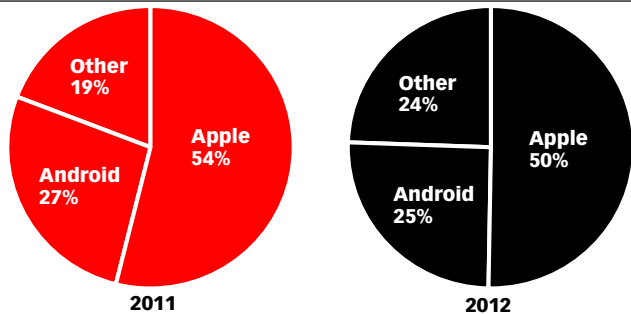
All signs indicate mobile users have a healthy app-etite. Strategy Analytics estimates the total number of apps downloaded reached 23 billion worldwide in 2011, and will grow nearly 40%, to 32 billion, in 2012.

In a fast-evolving market, opinions vary widely on the size and shape of revenues associated with apps. The primary revenue drivers include pay-per-app downloads, in-app purchases and advertising and subscriptions, but not every forecast includes all of these elements. Emphasis on different facets of the app economy contributes to the significant discrepancies between the forecasts:

- ABI Research’s February 2012 “Mobile Application Business Model” study found that global revenues from mobile applications, including in-app purchases, pay-per-downloads, in-app advertising and subscriptions, will reach \$46 billion by 2016, up from \$8.5 billion in 2011. Notably, ABI believes 2012 will be the year when revenues from in-app purchases surpass those from pay-per-downloads, as in-app purchases become more widely available in apps other than mobile games.
- IHS Screen Digest has a similar outlook on the importance of in-app purchases, reporting they generated \$970 million worldwide in 2011, or 39% of total smartphone app revenues. This is expected to rise to \$5.6 billion, or 64% of smartphone app revenues by 2015. The IHS forecast is lower overall than ABI’s because it only comprises in-app purchases and pay-per-downloads.
- Berg Insight’s October 2011 “The Mobile Application Market” study, which looked at revenues from paid app downloads, in-app purchases and subscription services, estimated the global market at €1.6 billion (\$2.2 billion) in 2010, increasing to €8.8 billion (\$12.2 billion) in 2015.

There is greater agreement about which platforms are benefiting most directly from the monetization of mobile apps. Strategy Analytics determined Apple's iOS garnered 54% of paid app downloads worldwide in 2011, double Android's share. That 2:1 ratio will remain in effect throughout 2012, Strategy Analytics predicts.

Paid Mobile App Download Revenues Worldwide, by OS, 2011 & 2012
% market share



Note: includes mobile phone and tablet apps, numbers may not add up to 100% due to rounding
Source: Strategy Analytics, "Apps Forecast 2008 – 2013: Virtual Goods Drive Real Revenue" as cited in press release, Jan 9, 2012

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Berg Insight's report likewise cited Apple's iOS as the current paid app downloads leader and predicted it would retain the top spot through the middle of the decade, followed by Android and Windows Phone. As entrepreneur and angel investor Hadi Partovi told The New York Times in a June 11, 2012, article: "Android may have a lead in how many handsets it ships, but it doesn't have a lead in how much money app developers are making from it." This outlook is not altogether surprising: 68% of the apps available in the Google Play app store were free as of June 2012, according to AndroLib, while the balance of iOS apps were paid.

Should the app market continue to develop in the way Berg, Strategy Analytics and others have forecast, paid app downloads may cede importance as a success metric to in-app purchases. Although Yankee Group's April 2012 "Mobile Apps and Cloud Survey" concluded US consumers will buy more apps in 2012 (an average of 6.5 per user) than in 2011 (a 5.7 per-user average), this may be due to the free-spending habits of a small minority of app users.

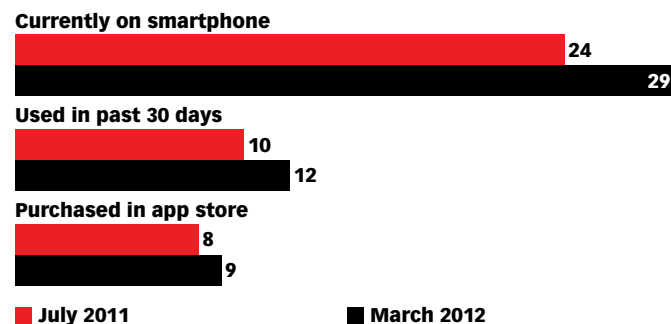
ABI, for example, has discovered that regardless of the monetization scheme, a small percentage of US app users (just 3%) are responsible for nearly one-fifth of spending either on or in apps, while more than 70% spend little or nothing. Thus, the \$14 monthly average ABI found users spend on apps is highly deceptive because it masks the degree to which a handful of big spenders are driving the overall market.

Usage

Download and monetization trends can help guide marketers as they make app development decisions, but arguably the more relevant data is about usage and retention. Nielsen contended in its May 2012 "State of the Appnation" report that US smartphone owners were downloading more apps in 2012 (an average of 41, vs. 32 in 2011) but spending roughly the same amount of time with them (39 minutes per day in 2012, vs. 37 in 2011).

The May 2012 Google-sponsored "Our Mobile Planet" survey, conducted by Ipsos MediaCT and TNS Infratest, illustrates this challenge. It showed US smartphone owners had on average 20% more apps on their phones than in the previous iteration of the study, and while the number used in the past 30 days grew at a similar pace, it was still far less than half of the total number of apps.

Number of Apps Used According to US Smartphone Owners, July 2011 & March 2012



Source: Google, "Our Mobile Planet" conducted by Ipsos MediaCT and TNS Infratest, May 15, 2012

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In effect, apps are no different than other media: The options keep proliferating but the amount of time available in a given day remains the same. Consequently, consumers' attentions are further divided, and they respond by devoting more time to certain categories of apps. According to app analytics platform Flurry, games and social networking are consistently the big two app categories. This certainly fits with all of the data associated with the amount of time users spend on Facebook and the popularity of game apps such as Angry Birds.

Average Time Spent per Day with Smartphone Apps Worldwide, by Category, Q1 2011 & Q1 2012
minutes

	Q1 2011	Q1 2012
Games	25	24
Social networking	15	24
News	11	12
Entertainment	10	10
Other	7	7

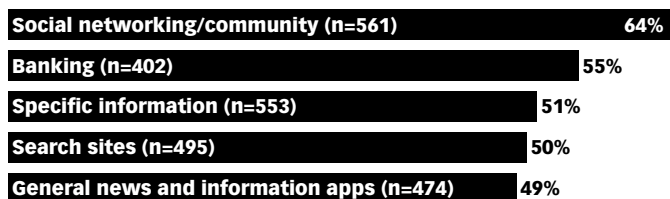
Source: Flurry Analytics as cited in company blog, April 27, 2012

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However, the fact that users might open a banking app only once per week to check an account balance or pay a bill while engaging in a dozen sessions with a social network or game in the same timeframe doesn't mean the game is intrinsically more valuable or necessarily provides a better experience. It's simply a factor of different types of apps producing different engagement levels. For example, in Yankee Group's December 2011 US consumer survey, respondents cited social networking apps as the most essential, with banking and search also figuring in the top 5.

Most Essential Mobile Apps According to US Smartphone Users, 2011

% of respondents



Source: Yankee Group, "December 2011 US Consumer Survey" as cited in company blog, March 13, 2012

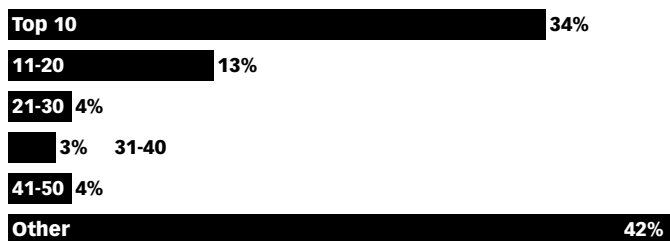
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Thus it should come as little surprise that most users are spending a majority of their app time with a very limited set of popular apps. Nielsen research indicates the top five apps across the leading two platforms remained consistent from March 2011 to March 2012: Facebook, YouTube, Android Market (now Google Play), Google Search and Gmail.

Overall, the top 50 apps ate up 58% of users' app time, Nielsen determined. On the other hand, that figure was down from 74% in 2011, indicating there are opportunities for new apps to capture consumers' attention.

Time Spent with Mobile Apps Among US Android and iOS Users, by App Ranking*, March 2012

% of total



Note: *ranked by active reach of smartphone owners who have used the app within the past 30 days

Source: Nielsen as cited by AllThingsD, May 16, 2012

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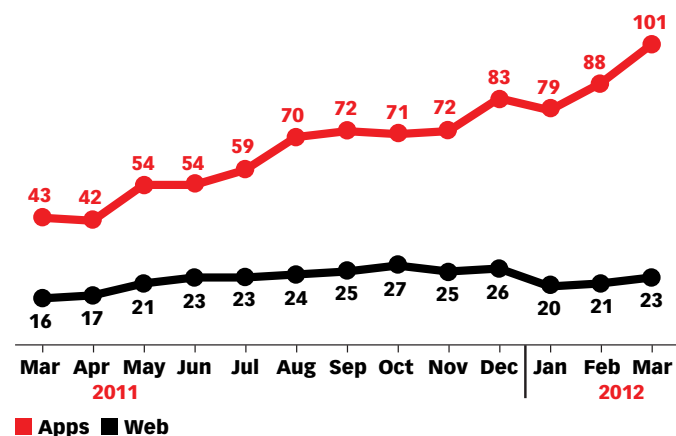
In the aggregate, however, the amount of time smartphone owners—at least those with Android and iOS devices—spend with apps, is increasing rapidly, a reflection of the dramatic rise in device adoption. According to Nielsen, these users spent

101 billion minutes per month with their apps in March 2012, more than double the amount from a year earlier. By contrast, the amount of time spent with mobile websites grew at a more modest 44% over the same span.

In an April 2012 press release, David MacQueen, director of wireless media strategies at Strategy Analytics, outlined the implications of this disparity: "Advertisers chase eyeballs, so the fact that brands spend more on in-app advertising than the mobile web is a clear sign that apps are what consumers are glued to for an increasing range of activities. In the eyes of many advertisers, web browsing on the smartphone is playing second fiddle to the app economy."

Time Spent with Mobile Apps vs. Mobile Web Among US Android and iOS Users, March 2011-March 2012

billions of minutes per month



Source: Nielsen as cited by AllThingsD, May 16, 2012

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As might be expected, retention is a key challenge. In October 2011, using a sample of 25 apps downloaded a total of 550 million times, Flurry found that after three months, less than one-quarter (24%) of iOS and Android smartphone owners continued using an app; after a year, the percentage dropped to 4%. But again, there will always be a wide range depending on the category of app. Banking apps, for example, are more likely to have greater enduring value than games, which tend to see intense usage in a short span of time before being replaced by fresher options.

Apps vs. Web: A False Binary

Rising smartphone and tablet adoption, an expanding universe of apps and growing consumer usage have prompted many marketers to ask the question, “Should I build an app or develop for the browser?” Although routinely posed as an either/or question, the answer is, more often than not, “both.”

Drawing from a similar pool of web-enabled content, apps and mobile sites each bring something distinct to the table from a user experience and marketing perspective. But in world of limited budgets, the decision often boils down to reach vs. engagement.

Any mobile device with a browser is able to access the web, meaning a mobile site (or even a web-based mobile app) has the ability to reach the largest potential audience. And although in reality, smartphone owners make up the vast majority of mobile web users (95% in the US and 67% worldwide, according to eMarketer), anything browser-based will achieve maximum reach with comparatively minimal effort. In addition, because it is not subject to the strictures of the app stores, the mobile web allows for more control over the user experience and affords marketers greater opportunities to experiment with different ad formats.

“A lot of people look at things like the mobile web and say, ‘I can just do a little mobile site and then I cover all the platforms.’ You need something sticky on the deck; you need an icon; you want to do push alerts. That’s engagement.” —Steve Yankovich, vice president of mobile at eBay, in an interview with eMarketer, May 25, 2012

Building native apps, by contrast, means developing several iterations for the dominant app platforms, managing separate app store approvals and preparing for ongoing updates for each iteration. Cross-platform fragmentation and the need to ensure a consistent brand experience that is also consistent with the particular design and technology elements of each platform represent additional challenges. These factors can also add cost for marketers understandably anxious about where and how to best reach their audience without breaking the bank.

On the plus side—and this is not to be underestimated—apps are effective at providing mobile users with an encapsulated experience that filters out the variables of browsing the web on the one hand, and leverages the innate capabilities of the device on the other. Put another way, the current generation of apps was born with the size and functionality of smart devices in mind, not shoehorned to fit in the way the mobile web was. And app users have rewarded marketers with higher levels

of engagement as a result, as evidenced by the Nielsen data above showing the greater (and faster-increasing) amount of time smartphone users spend with apps than the mobile web.

May 2012 research from comScore illustrates these distinctions at a granular level. comScore found that despite roughly equal audiences for the mobile web and mobile apps, US smartphone owners on the top three platforms (Android, iOS and BlackBerry) spent over 80% of their mobile media time with apps. This was driven in large part by Facebook, which had the highest overall engagement rate of any single site or service. By contrast, properties known for having both well-optimized mobile sites and apps, such as ESPN and The Weather Channel, saw a far more balanced split in user time.

Mobile Web vs. App Metrics for the Leading US Web Properties, Ranked by Unique Smartphone Visitors, March 2012

	Audience		Engagement	
	Unique visitors (millions)	% reach	Browser (% of total)	App (% of total)
Google sites	94.0	96.9%	18.9%	81.1%
Facebook	78.0	80.4%	20.0%	80.0%
Yahoo! sites	66.2	68.2%	25.3%	74.7%
Amazon sites	44.0	45.4%	14.3%	85.7%
Wikimedia Foundation sites	39.1	40.3%	99.8%	0.2%
Apple	38.3	39.5%	0.3%	99.7%
Cooliris	28.5	29.4%	0.0%	100.0%
AOL	28.0	28.9%	47.4%	52.6%
eBay	27.2	28.0%	17.6%	82.4%
Zynga	26.6	27.4%	0.4%	99.6%
Twitter	25.6	26.4%	3.5%	96.5%
Rovio (Angry Birds)	25.1	25.8%	3.7%	96.3%
The Weather Channel	24.1	24.9%	47.1%	52.9%
Microsoft sites	23.9	24.7%	82.1%	17.9%
ESPN	23.3	24.0%	56.8%	43.2%
Total	97.0	100.0%	18.5%	81.5%

Note: ages 18+ via iOS, Android and RIM platforms; includes app and browser usage

Source: comScore Mobile Metrix 2.0 as cited in press release, May 7, 2012

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What this means is for most companies currently using legacy platforms (with the desktop counting as a legacy platform)—and that is most companies—mobile sites and apps will serve complementary rather than exclusive functions.

The Billion-Dollar Challenge

comScore’s research detailing how smartphone users spend their time highlights what has become, thanks to Facebook and its high-priced acquisition of Instagram, the billion-dollar challenge facing marketers and developers today: how to see mobile as a primary platform when developing experiences and utilities, rather than an afterthought. This challenge translates differently for established brands, which do not have the luxury of being mobile-first companies because

they have already built up equity in other channels, vs. app developers, whom the app ecosystem affords the opportunity of building brands from nothing.

“Beyond any numbers and superlatives, what Facebook’s executives must have realized is that Instagram should never have existed. This should have been Facebook’s photo application all along.”

—David Berkowitz, vice president of emerging media at 360i, writing in *MediaPost*, April 10, 2012

The risk-reward equation is likewise different. Hence, for every web property that builds a successful app franchise, such as The Weather Channel, ESPN or MLB.com At-Bat, or for every brand that connects with its audience using a well-conceived utility, such as popular banking apps from Chase and Bank of America or Starbucks’ loyalty and payment app, there are many well-known brands whose apps fail to get any traction. Similarly, for every massive success like Angry Birds, there are hundreds of failures—app experiences, whether good or not, that fail to find an audience.

The distinction comes when the app is the business and the brand rather than an extension of the brand. If so, then it needs to be run like a business, with all the product and marketing support that help traditional businesses succeed, and with the added complications of navigating the unique hurdles of the app ecosystem.

This task is far more challenging than it might seem. A survey of 100 app developers by app marketing firm App Promo found 80% were not generating enough revenue to make their app viable as a standalone business, and 59% said they were not earning enough to break even with the app development costs. Among those developers who managed to separate themselves from the pack, the study identified some common success factors, including setting aside an average marketing budget of \$30,000 and spending 14% of their time marketing the app. Still, over half (52%) said they set aside nothing to market their app and spent less than 5% of their time promoting it.

“There is all kinds of ongoing babysitting to an app to keep it relevant, alive and fresh.”

—Dave Gwozdz, CEO at Mojiva, in an interview with *eMarketer*, May 29, 2012

The App Promo study and comScore data highlight several key elements when building an app:

- Creating a differentiated experience that fosters engagement by tapping into the target audience’s activities, preferences and needs and leveraging the on-board capabilities of smart devices

- Devoting resources (time and money) to promoting the app, both pre- and post-launch, using a combination of paid, owned and earned media
- Creating a development roadmap for app updates that accounts for user feedback and device evolution

The next section will look at examples of major brands that have successfully followed this approach.

Profiles in Engagement

For brand marketers, apps represent a key to repeat engagement. If the browser is the way mobile consumers test the waters with brands, apps, if available, represent an evolution toward commitment and loyalty. Mobile consumers often prefer apps once they've become connected to a brand because the user experience tends to be more closely tailored to their devices and their specific needs as existing customers.

Retailers: Driving Checkouts

Wal-Mart: One App Doesn't Fit All

Retail giant Wal-Mart has seen distinctly different shopping behavior among users of its smartphone and tablet apps, which are available for iPhone, Android and iPad. As Paul Cousineau, vice president of mobile products for Wal-Mart global ecommerce, explained [in an interview with eMarketer](#): "We're finding that people just use them differently. [If] the iPad is something you sit on the couch with to browse and make plans with, the smartphone is more for on the go and is used for a lot of repeat purchases."

The bottom line: Wal-Mart segments its app experiences, assuming tablets will come into play either as a substitute for PC-based ecommerce or as a planning tool for in-store shopping. Cousineau noted Wal-Mart's iPad app has a "browse my store" capability that enables shoppers to search the inventory of a local store, which helps in planning a store visit.

Smartphones, by contrast, are "more of a tool for research or commerce conducted on the fly—in-store, between stores, in the car, in transit," Cousineau said. He expects smartphones "will continue to become more and more useful for the larger majority of our business, which is our in-store business. Smartphones are much more likely to be carried in-store to provide access to all the online information right at the point of purchase. That's unlikely to be something that tablets will play a significant role in."

Cousineau added that "the head room for ecommerce or mobile commerce from a tablet is much higher than it is for a smartphone because you'll make a lot more considered purchases and have longer session times with a tablet."

He indicated many Wal-Mart shoppers, especially those on tablets, come to the brand through search, and typically get redirected to Wal-Mart's desktop site. This gives the retailer an opportunity to make shoppers aware of the app, but he added, "there's a significant number of customers for whom if they're trying to do a quick get in, get out type of purchase,

the web is a great experience for them." However, over time, Wal-Mart has found that repeat shoppers graduate up to the app. Cousineau said that "as they become a more frequent customer, we'll make them aware that an app is available and typically those customers who shop with us often end up adopting the app and then using it on an ongoing basis."

One vs. Multiple Apps

As reported in [Mobile Commerce Daily](#), Wal-Mart is expanding its roster of smart device apps to comprise marketing campaign-specific experiences, such as the augmented reality Web-Slinger app designed to tie in to the release of "The Amazing Spider-Man" film. This follows on the heels of a similar experience produced for the release of the film "The Avengers," which tied into in-store displays and merchandise.

Online giant eBay is no stranger to the multiple app approach. Beyond the standard eBay app for browsing online auctions (available for iPhone, iPad, Android, Windows Phone and BlackBerry), eBay features a total of seven additional iPhone apps (eBay Fashion, eBay Motors, Half.com, StubHub, eBay Instant Sale, eBay Classifieds and the RedLaser barcode scanner; Classifieds and Half.com are also available on Android and RedLaser is available for both Android and Windows Phone). In addition, eBay offers the Watch with eBay TV co-viewing app for the iPad.

In an interview with eMarketer, Steve Yankovich, vice president of mobile at eBay, explained the consumer mindset marketers need to consider in these terms: "You give me utility, you get rid of friction, you do something valuable for me, then I'll use you whenever I think of the products or services that you provide." Call it customer needs-state marketing.

Speaking to Mobile Marketer, Rolfe Swinton, CEO of consumer insights firm Lumi Mobile, described the multi-app tactic as "the better way to go." He explained: "It fits with human behavior and needs and helps people better segment their own needs."

But not all retailers have gone the multi-app route. For example, Wal-Mart's big-box competitor Target has emphasized a one-app-fits-all approach for marketing, commerce and coupon offers. The Target app is available for iPhone, iPad and Android.

Brands: Focusing on the Experience

Redken Fifth Avenue: Branded Utility, with a Twist

Branded apps typically fall into one of three primary categories: marketing and branding vehicles, experiential brand extensions or utilities. Haircare product manufacturer Redken's Style Station app for iPhone, Android and iPad blends all three. As a salon brand (meaning it sells its products to

consumers solely via salon partners), Redken designed its app as a tool for stylists to demonstrate Redken products to salon customers. In other words, it's more of a B2B than B2C utility.

But it's also more than just a branded utility. The Redken app is a marketing and branding vehicle. In addition, it has a look book feature that allows stylists to create their own custom portfolios, a timer function that brings the standard egg timer into the digital age and a community feature known as "The Break Room" that Sarah Liang, Redken's director of integrated marketing communications, [described to eMarketer](#) as "Facebook for hairstylists." The break room is a forum for stylists to connect and share ideas and experiences.

The customizable look book represents an iteration from the first version of the app, which initially launched in January 2011. Liang said the March 2012 enhancements vastly increased user engagement, driving average session times up from 5.5 minutes to 29 minutes. The number of sessions per month has also grown, from 8 to 14.

Redken has added an iPad app that expands the smartphone experience to a larger canvas. Although the functionality is similar, Liang has seen the iPad app used differently. "Stylists tend to use the smartphone apps more for the timer, break room community or figuring out what hair color formula to use, whereas with the iPad app, they're actually sharing it with their clients, showing look books and using it in a more consultative way."

Nutrisystem: Engaging for Healthier Living

Nutrisystem, the weight loss program designed around personalized menus, already offers members a slew of online tools to track food intake and progress toward weight loss goals. The company has expanded into the mobile space with a meal planning and logging app for iPhone, Android and BlackBerry devices and a body mass index (BMI) calculator for iPhone. A subsequent iteration of the food-logging app introduced weight and exercise management features—elements Nutrisystem customers had clamored for.

[In an interview with eMarketer](#), Vijay Murali, Nutrisystem's vice president of ecommerce software development, characterized the apps as a trusted helper. He said: "As clients move towards a place where they adjust their habits of eating and they adjust their habits in their lifestyle, our apps are really meant to serve as a companion for them, allowing them to maintain healthy eating, as well as to monitor and see progress in their journey."

The always-at-hand availability of smartphones has made a tangible difference for Nutrisystem clients. "We see that overall wellness has greatly increased for our user base when they're actively using the logging apps," Murali said, noting that the total number of daily logs has doubled as Nutrisystem has enhanced features. Overall, approximately 20% of all unique monthly unique logins to the Nutrisystem platform occur via device-specific apps, Murali stated.

This effort has paid dividends for Nutrisystem as well. "We have found that the efficacy and success of our program in conjunction with usage of our meal, weight and measurement tracking tools is greater than the utilization of our product without them by a factor of almost 2.5," Murali said. "Clients' average length of stay in the program is also about 10% longer," he added.

The success of its apps has signaled new opportunities and a new direction for Nutrisystem. Said Murali: "The app really is a very complementary product right now, but we are certainly moving into a place where we're building updates and additional enhancements for it that'll make it a very standalone product and able to be marketed potentially in a standalone fashion."

Publishers: Seeking Alternative Monetization Schemes

Traditional print publishers have looked at apps, especially those for the iPad, as a solution for their shrinking readership and ad pages. There have been many high-profile experiments but few breakout successes. And recently, MIT's Technology Review (TR) made waves by declaring apps that replicate print publications to be, in essence, spectacularly expensive wasted efforts.

In a May 7, 2012, article, Jason Pontin, TR's publisher and editor in chief, wrote: "It wasn't simple, it turned out, to adapt print publications to apps. A large part of the problem was the ratio of the tablets: They possessed both a 'portrait' (vertical) and 'landscape' (horizontal) view, depending on how the user held the device. Then, too, the screens of smart phones were much smaller than those of tablets.

"Absurdly, many publishers ended up producing six different versions of their editorial product: a print publication, a conventional digital replica for web browsers and proprietary software, a digital replica for landscape viewing on tablets, something that was not quite a digital replica for portrait viewing on tablets, a kind of hack for smartphones, and ordinary HTML pages for their websites."

Pontin cited the decision of The Financial Times to move to HTML5-based web apps and drop its native apps altogether as the future direction for publishers.

The Economist's Exceptionalism: Free Apps, Paid Content

Against this backdrop of decidedly mixed results, The Economist stands out as a somewhat anomalous success story. Oscar Grut, managing director of Economist Digital, [told eMarketer](#) that between Android smartphones and iOS devices (iPhone and iPad), approximately 600,000 mobile and portable devices access Economist content each week. Grut attributed the publication's app success to a more print-like

experience: "One of the key factors is to keep the reading experience free from distractions," he said. "So we don't have that many bells and whistles in the app. It's a very clean reading experience."

"When we developed The Economist for those devices [Kindle and iPad] it was very much with a view to staying true to the print reading experiences and the print reading proposition." —Oscar Grut, managing director of *Economist Digital*, in an interview with *eMarketer*, May 22, 2012

The goal of replicating the print experience extends to the ads offered within the Economist apps, which, like their print counterparts, are full-page. "We do offer interactivity," Grut noted, "so the moment an advertiser wants it, a reader can tap the ad, and then get taken through to the advertiser's website or microsite and engage more with advertisements." He pitched it as a compromise between "the beauty of full-page print advertising, but with some of the benefits that you get online as well."

Lowe's Home Improvement and Zappos: Retailers as Publishers

Whereas The Economist is a traditional publisher using apps to market its content, many brand marketers have begun using apps to become publishers. The notion of brands as publishers has gotten widespread attention in recent years. Like many retailers, home improvement giant Lowe's has found that helping its customers conceptualize what they could do with the products sold in its stores can help drive sales. Zappos, the online shoe and clothing retailer famed for its customer service and now a subsidiary of Amazon, has reached a similar conclusion.

Lowe's already publishes an in-house magazine in print and digital formats—Creative Ideas—that provides customers with home improvement inspiration. In February 2012, Lowe's launched an iPad version of the magazine, which Sandy Culver, the company's consumer marketing director, [told eMarketer](#) "mirrors our print magazine and allows users to find inspiration and home improvement content where and when they want to interact with it."

For Lowe's, which has been publishing the magazine for 14 years, moving to tablets was a natural, evolutionary extension of the publication. But like The Economist, the Creative Ideas app is more of a lean-back experience: it enables users to make shopping lists but not purchases from within the app; that's what the retailer's smartphone app is designed for.

Zappos also publishes an in-house magazine, Zappos Now (ZN), albeit only in tablet format for the iPad. ZN shares an objective with Creative Ideas: Helping readers understand trends—but in ZN's case, with fashion.

Zappos' magazine differs in one major respect, however: It enables readers to purchase on Zappos through the app. Carrie Whitehead, product manager at Zappos, [told eMarketer](#): "Everything that we promote in the app is able to be purchased and users or readers of the app get free next-business day shipping, which is kind of a little perk for reading the app."

Readers can also easily share content with their social graph through integrated Facebook, Twitter and Pinterest accounts. Whitehead reports high engagement through these mechanisms, which has in turn helped bring in new readers and new Zappos customers. "What we found is that we've also been able to drive new customer acquisitions where people are sharing from within the app—those people come into either the app or through Zappos and some end up becoming customers," Whitehead said.

Home Shopping Network (HSN) has taken a different approach to the notion of retailer as publisher. The company has incorporated games into its mobile platforms, hoping to piggyback on the draw of gaming mechanics for smart device users. In an interview with eMarketer, Ed Deutscher, HSN's operating vice president for digital commerce and emerging platforms, told eMarketer: "We know that the consumer demographic shopping with us is playing casual games, so that's what contributed to our arcade strategy. How can we make shopping fun? Are there different ways to engage with our consumer in doing that? We fully believe that's possible." It's all part of HSN's effort to, as Deutscher put it, think about "how we can evolve the experience to take again full advantage of the device and really deliver a unique experience." That is one of the keys to engagement.

App Marketing

After designing and building an engaging experience, marketing an app is the next-biggest challenge brands face, especially given the central role app storefronts play in app discovery. Simply put: With well over 1 million apps available across the different smart device platforms, standing out is a tall order, even for the best-known and most beloved brands.

Method of Discovering New Apps Among US Android and iOS Smartphone Subscribers, 2011

% of respondents

	Android	iOS
Search the application store	66%	53%
Friend/family	46%	50%
Third-party website	19%	18%
Apps promoting other apps	12%	16%
Device homepage	11%	9%
Newspaper/magazine/radio	9%	13%
TV ad	7%	10%
Carrier homepage	6%	5%
Email tips from my carrier	4%	6%
Sync software (e.g., iTunes)	3%	15%
Other	7%	6%

Source: Nielsen, "All About Android," Sep 15, 2011

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In a June 2012 press release, Tim Shepard, senior analyst at research firm Canalys, highlighted the problem for brands. "We estimate that up to two-thirds of the apps in leading consumer app store catalogs receive fewer than 1,000 downloads in their first year," he said, "and a significant proportion of those get none at all." The upshot: "Many high-quality apps never get the attention they deserve."

Writing in ClickZ, Andrew Solmssen, managing director of digital agency Possible Worldwide, underscored the app-discovery challenge from the consumer perspective. He described the app store experience as "like being in the world's largest grocery store without a shopping list or a floor plan; pretty quickly, consumers are going to resort to one of two things: They'll grab what's right in front of them or they'll get frustrated and leave."

Brand equity will certainly help with visibility, but brand equity alone is not sufficient to ensure wide exposure, even for the most dedicated casual browser. Being named a featured app can also provide a significant boost, especially for iOS apps, but the process by which apps are chosen is rather opaque. This leaves established marketing methods, using a mixture of paid, earned and owned media, as the best bet for brands and developers to get the word out about their apps.

Paid Media: Fishing for Downloads

As odd as it will sound, it takes advertising to get users to adopt a marketing experience like an app. Says Dave Gwozdz, CEO of mobile ad network Mojiva, "You want to make sure you drive a lot of downloads and to do that requires some marketing."

Paid media is essential for driving downloads, especially around the launch of an app for the simple reason that downloads determine rank within the app stores. And high ranking yields visibility, which helps build awareness and generate downloads. High indexes of awareness and popularity may even benefit engagement, especially if accompanied by positive reviews and feedback from users.

"If you're in the top 10 most popular apps in your category, then you'll remain in the top 10 for quite some time, because people tend to want to download apps that other people find interesting and relevant." —Dave Gwozdz, CEO at Mojiva, in an interview with eMarketer, May 29, 2012

Earned Media: Leveraging Word-of-Mouth

As with any other product decision, peer recommendations carry a lot of weight. Redken's Liang, for instance, noted that within the brand's multipronged approach, which has included PR blasts, email marketing to registered cosmetologists and presence at industry trade shows, "peer-to-peer recommendations are one of the most successful download drivers for us."

Zappos, a brand that has made a name for itself by focusing relentlessly on optimizing customer service, naturally made that the cornerstone of its app strategy as well, not just with ZN but its commerce-related apps as well. Alex Kirmse, head of mobile at Zappos, told eMarketer this customer-centric approach, which involves monitoring and responding to user reviews and feedback and a dedicated mobile-focused call center, has paid dividends.

Notably, this emphasis extends to improving the app user experience as well. "We don't want the Android platform to be a port of the iPhone app or the iOS apps. We want an Android user who downloads the app to recognize the app actually speaks to the sensibilities and conventions the Android platform uses," said Kirmse. This is the kind of effort that adds cost and complexity to the app development process, but for a company like Zappos that's known for going the extra mile, it matches up with the brand's attributes.

Ultimately, however, the power of peer recommendations is difficult to separate from the benefits yielded by paid media. Noted Mojiva's Gwozdz: "Sometimes reviews alone are enough to get you into the top 10 or 20, and sometimes just spending enough money in marketing will do it and allow you to remain there with inertia."

Owned Media: Using Content as a Calling Card

Using owned media assets, including real estate on a brand homepage, email blasts to registered users and social media profiles on platforms such as Facebook and Twitter, to highlight the availability of apps is a basic app marketing best practice. Wal-Mart, eBay, Redken, Nutrisystem, Lowe's, Zappos and Target all devote space on their homepages and/or dedicated landing pages to promote their mobile offerings. Nutrisystem's Murali said that in addition to email marketing, his company has engaged social media channels to raise awareness of the apps. "We use social media extensively to market our mobile apps as well as many of our other initiatives," he said.

Beyond traditional approaches, such as circulation and email marketing, The Economist counts on the strength of its content to drive discovery and usage of its apps. Grut explained: "If you go to the app store and you download one of our apps, you get six articles chosen by the editor each week that are free to access. This offers readers a kind of sampling mechanism that's not readily available in print, and it provides a great way for people to discover the content and discover the brand, and to decide whether or not it's for them. Our experience to date says this is actually driving a lot of new interest and new subscribers to The Economist."

Free, special-edition apps such as "The World in Figures" or the "Intelligent Life" series offer additional avenues for readers to sample The Economist. "These apps help extend the brand in many ways, but one key factor is that they allow readers to sample and thereby discover the breadth and quality of writing and analysis that we produce," Grut told eMarketer.

This helps form the basis of a virtuous circle for the news publication. With a dedicated audience, in print and on digital platforms, the various Economist properties help reinforce awareness of the apps and vice versa. "As Economist.com has some 8 million unique visitors each month and our apps have a weekly readership of 600,000 and a monthly readership of close to 1.2 million, that is very effective," said Grut.

"Our success is based on luck, and then a clear proposition that is focused on what our readers want: the lean-back, immersive reading that we deliver in the weekly issue of The Economist in print and in digital editions; and the lean-forward, social- and community-driven experience that we deliver through Economist.com and our social presence." —Oscar Grut, managing director of Economist Digital, in an interview with eMarketer, May 22, 2012

But it's not all luck. In the case of The Economist, as with any brand, it's also about value and relevancy. Said Grut: "We deliver something that our readers value, that is relevant to them, and that is distinctive. Those ingredients are critical to the success of any publisher"—and indeed any company with an app, from the largest brand to the single-person development shop.

The key lies in balancing quantity (number of users) and quality (engaged users) and remembering these goals are complementary, not contradictory. Without engagement, downloads are little more than empty statistics.

Conclusions

Headlines shouting “The web is dead” and “Apps are dead” regularly compete for space in publications and on industry conference agendas. But as smart devices proliferate, and indeed, as smart device interfaces continue to trickle up to the desktop, the future they hold is more “both/and” than “either/or.”

This may come as a less-than-uplifting conclusion for marketers encumbered by an ever-increasing roster of channels to service and maintain, but the fact is the web and apps are like parallel highways, with distinct rules and scenery and their own versions of congestion and confusion. The day may come when HTML5 matures to the point that the experience of using a web app differs little from a native app. Ultimately, however, focusing on the underlying technology in part misses the point about what makes apps popular.

Users are drawn to an encapsulated experience that improves the delivery of content and draws on the manifold hardware features of smart devices. Consumer response in terms of adoption and use of apps is a testament to their importance within the marketing ecosystem and the central role they can play when it comes to ongoing engagement.

With well over 1 million apps and growing, it’s increasingly difficult to imagine a future without them. As such, it’s a safe bet that whatever customers request, there will be an app for that.

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Wal-Mart’s Tcommerce Business ‘Additive’ to Ecommerce



Paul Cousineau
Vice President of Mobile Products
Wal-Mart

Interview conducted on April 24, 2012

Lowe’s Crafts Creative Ideas for the iPad



Sandy Culver
Consumer Marketing Director
Lowe’s Home Improvement

Interview conducted on May 1, 2012

HSN Finds Tablet Commerce Complementary to Other Channels



Ed Deutscher
Operating Vice President, Digital Commerce and Emerging Platforms
Home Shopping Network (HSN)

Interview conducted on May 11, 2012

The Economist App Replicates Print’s ‘Lean-Back’ Experience



Oscar Grut
Managing Director
Economist Digital

Interview conducted on May 22, 2012

Zappos’ Curated Magazine App Attracts Engagement and New Customers



Alex Kirmse
Head of Mobile
Zappos

Carrie Whitehead

Product Manager

Zappos

Interview conducted on May 23, 2012

Killer B2B App: Hair Stylists Spend 29 Minutes with Redken App



Sarah Liang
Director of Integrated Marketing Communications
Redken Fifth Avenue

Interview conducted on May 17, 2012

Nutrisystem's Mobile App Users Remain in Program Longer



Vijay Murali
Vice President of Ecommerce Software Development
Nutrisystem Inc.

Interview conducted on May 25, 2012



Dave Gwozdz
CEO
Mojiva

Interview conducted on May 29, 2012



Steve Yankovich
Vice President of Mobile
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