



October 29, 2009

Is The Time Right To Build A Mobile App?

Balance The Buzz With Real Customer Value And Revenue Opportunities

an introduction by **Brian K. Walker**

EXECUTIVE SUMMARY

The rapid growth of the iPhone and iPod touch application market has fueled a race to develop these applications on the part of eBusiness and channel strategy professionals. Recently, Forrester published a useful outline to help determine if a mobile application is an appropriate next step for brands. eBusiness professionals must take a measured and balanced approach when it comes to determining how a mobile or iPhone application is right for them, what their goals are, and how it will meet the needs of or entertain their mobile customers. If an iPhone application is in your future, it is critical to focus on these factors and support for the application over the long haul.

MOVING UP FROM ZERO: A MEASURED APPROACH TO APPLICATION CREATION

First, eBusiness professionals must determine that a mobile application is the right move for their business. In some cases, mobile apps provide content that could be just as easily made available via a Web browser. Savvy eBusiness professionals that wish to expand their offerings beyond basic wireless application protocol (WAP) functionality or versioning their Web sites for smartphone browsers should focus on the unique attributes of smartphones such as the iPhone — namely, its portability and location awareness through global positioning system (GPS)-specific capabilities — in order to craft a distinct platform-specific offering.

For example, Zipcar rolled out its long-awaited iPhone application in September 2009, allowing consumers to find a nearby car and reserve it — location-specific functionality that has real pertinence when you're on the road or away from a computer. And in September 2009 through the partnership with Art Technology Group (ATG), Tommy Hilfiger released a downloadable mobile shopping application integrating the iPhone and iPod touch, allowing shopping carts to follow consumers regardless of where they begin their purchase process — online or on their mobile device. This creates a smooth cross-channel option for consumers and will be among the many eCommerce-platform-supported iPhone apps from clients of leading eCommerce platform providers.

For eBusinesses and retailers, one clear benefit of mobile applications is how they can provide unprecedented opportunities for cross-channel interaction; they can be the conduit that ties the channels together, linking them through consumers' mobile devices. However, this still-nascent channel will require significant investment and support. For eBusiness professionals who have determined that a smartphone app is right for their business, success means going beyond just marketing by offering access to product content, item searches, inventory location, carts, service, and transaction history.



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As Neil Strother notes in his report below, concrete analytics tools are still in a developing stage, and while download statistics are no doubt helpful, they don't always reflect usage. If the time is right for a mobile app for your eBusiness — and as Neil Strother writes below, it is not the right time for everybody — be sure to engage directly with your customers. Review how they use their mobile devices and how you can best meet their shopping needs while reinforcing your brand, before hopping on the mobile bandwagon.

I encourage you to read the full report below.

Brian K. Walker, Senior Analyst, eBusiness & Channel Strategy

May 11, 2009

Is An iPhone App Right For You?

by Neil Strother

for Interactive Marketing Professionals



May 11, 2009

Is An iPhone App Right For You?

How To Decide If A Mobile Application Should Be Part Of Your Brand's Road Map

by **Neil Strother**

with Nate Elliott, Michael Greene, Zach Hofer-Shall, and Emily Bowen

EXECUTIVE SUMMARY

The size of the smartphone market — and the buzz surrounding Apple's iPhone App Store — has many interactive marketers considering whether they should deploy mobile applications. Early success by some brands might lead marketers to mistakenly conclude that it's a no-brainer. Before proceeding, interactive marketers should clearly weigh the advantages of driving brand affinity, customer engagement, and possible revenue versus costs in time and resources and the potential pitfalls of a poorly executed application.

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Forrester interviewed more than a dozen vendor and user companies including Apple, appssavvy, Bank of America, Cerado, Coca-Cola, Genex, Mobclix, Moderati, Nike, Razorfish, Research In Motion, and Zippo.

Related Research Documents

[Widgets Complement Mobile Operators'](#)

[Consumer Mobile Internet Services](#)

March 19, 2009

[Apple iPhone Delivers Home-Screen Widgets to Extend Media Brands to Cell Phones](#)

November 12, 2007

MOBILE APP FRENZY DESERVES BRANDS' ATTENTION, BUT A SOBER APPROACH IS ADVISED

A mobile application frenzy has seized the wireless industry and has even spread to brands not normally associated with mobile. Fueling the frenzy is, of course, Apple's iPhone and its attendant App Store, which launched last year and has demonstrated exceptional growth. Not only have traditional mobile categories such as games and music seen popularity with users, but also more practical applications in a wide variety of categories — such as banking, travel, and cooking — have blossomed on the iPhone platform. And Apple is far from the only player offering marketers an opportunity to reach users with mobile applications: Research In Motion (BlackBerry's App World), Google (Android Market), Microsoft (Windows Marketplace For Mobile), Nokia (Ovi) and Palm (App Catalog) all either offer an application distribution platform today or have announced plans to.

Marketers need a framework with which to decide whether this approach fits within their strategy. Forrester conducted interviews with leading brands that offer mobile applications, experienced mobile application developers, and the mobile platforms themselves to build such a framework to give marketers the necessary tools to make a well-thought-out decision about investing in this marketing technology.

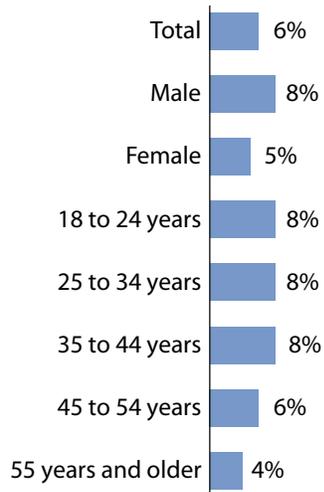
iPhone Offers Marketers A Large — If Limited — Mobile Platform

Some marketers might doubt that as a new platform the iPhone can deliver a large enough audience. Yet in less than two years, iPhone has grown to rival BlackBerry in its reach. Marketers must also recognize some of the limitations associated with reaching consumers through this platform:

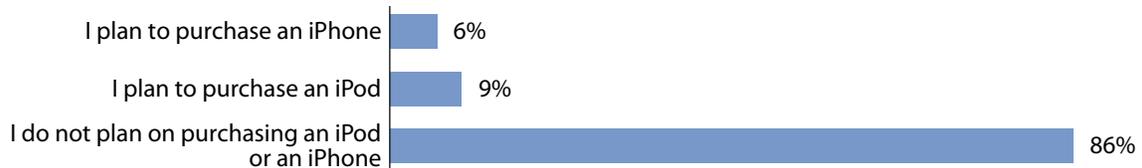
- **Apple has sold 17 million iPhones since launch, but distribution deals limit reach.** The iPhone first went on sale in June 2007. Since then, total worldwide sales through December 2008 have reached 17 million (the iPod Touch sales bring this total to 30 million), according to Apple — an impressive number since very few mobile phone models exceed several million during a typical product lifetime.¹ But the iPhone is only available from one mobile operator in most countries, limiting the potential reach for marketers.
- **The iPhone can now challenge BlackBerry in terms of reach.** At 17 million sold, the iPhone total still trails Research In Motion's BlackBerry worldwide shipment total of 50 million. Nonetheless, iPhone is within striking distance on a global scale and represents a rather large base for a single handset.
- **Consumer interest crosses multiple segments but is not quite a mass market.** It's not just the cool kids who want an iPhone: Consumers across multiple age groups are interested in buying an iPhone according to our survey data (see Figure 1). Not only do younger adults (ages 18 to 34 years old), as expected, have a strong interest in buying one (8%), but that interest level holds steady for 35- to 44-year-olds and drops only slightly for those ages 45 to 54 (6%). Overall, however, interest does not yet represent a mass market.

Figure 1 iPhone Attracts Buyers Across Segments, But Overall Demand Is Still Limited

1-1 Individuals with an intent to purchase an iPhone in the next 12 months



1-2 Which of the following best describes your intent to purchase an iPhone or an iPod in the next 12 months?



Base: US online adults

Source: JupiterResearch/NPD Consumer Survey (6/08)

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Source: Forrester Research, Inc.

iPhone Apps Show Enormous Uptake

Owners of iPhones have turned the App Store into a mobile bazaar like no other. The enormous uptake rests on a foundation of low prices (today, five of the top 10 are under \$1, and seven of the top 10 are under \$2), wide selection, and a simple purchase process:

- **Total downloads from the App Store now exceed 800 million.** Eight months after the store opened in July 2008, Apple reports more than 800 million downloads from its App Store — up 60% in the most recently reported two months (see Figure 2). The total will likely surpass 1 billion before the store is even a year old.
- **Buying and downloading applications is straightforward.** Once an account has been set up, purchasing and downloading a chosen app takes just two clicks and a password entry. Also, many apps have a relatively small footprint so that downloading one over the air is quick.

- **A wide variety of industries offer applications.** Companies from a broad spectrum of industries have launched an iPhone app, including travel (Zagat’s app provides a comprehensive rating guide to restaurants with a find-nearby location feature), cooking (Betty Crocker’s app puts a searchable list of 4,000 tried-and-true recipes in your phone), retail (Target’s app helps shoppers find the right gift for someone), and consumer packaged goods (Kleenex’s Lotion app allows users a peaceful moment as they “feel” images on the touchscreen). The large number of apps — now more than 25,000 — ensures a rich pool of choices for consumers but does present a challenge for brands trying to stand out from the growing crowd.

Figure 2 App Store Milestones Put It Well Ahead Of Competitors For Now

 A spreadsheet with additional source information is available online.

| | iPhone's App Store | Blackberry's App World | Palm's App Catalog | Microsoft's Windows Marketplace for Mobile | Nokia's Ovi | Google's Android Market |
|---------------------------|-------------------------------|-----------------------------------|-------------------------------|---|------------------------|--|
| US launch | July 2008 | April 2009 | Mid 2009 | Est. Q4 2009 | Est. Q2 2009 | Q4 2008 |
| # of apps | More than 25,000 | N/A | N/A | N/A | N/A | 2,300 |
| Overall downloads | More than 800 million | N/A | N/A | N/A | N/A | N/A |
| Worldwide availability | 77 countries | N/A | N/A | N/A | N/A | N/A |

Note: Information as of April 2009

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Source: Forrester Research, Inc.

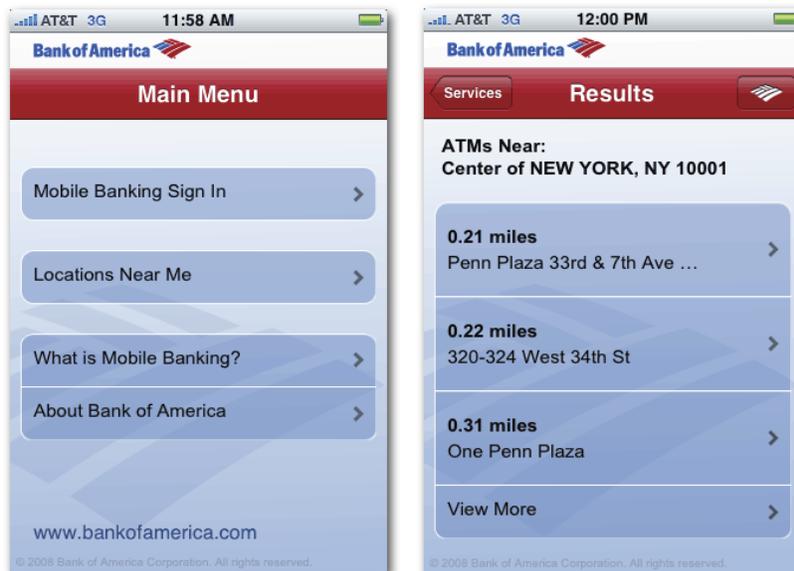
A MOBILE APP CAN PROVIDE VALUE IN DIFFERENT WAYS

Providing value to the end user should be an important goal of any branded mobile application. Yet at the same time, marketers must balance that goal with the brand’s own strategic objective. No single approach works for all, and the following categories will help guide interactive marketers in choosing one or a combination that works best for their brand’s core objective and target audience:

- **Choose utility to help solve a problem or deliver timely information.** Marketers hoping to drive sales or customer engagement may find it most effective to develop an application that has practical elements so a user can take action or get important information quickly. For example, Bank of America did this with its mobile application that combines an ATM locator with access to mobile banking services (see Figure 3). It’s a simple approach that puts only the essential tools into the hands of customers. Similarly, The North Face Snow Report app delivers updated resort-based snow conditions and trail maps.

- **Choose entertainment to delight users.** Marketers primarily focused on branding objectives like awareness and affinity should offer an entertaining application that amuses users. This is what Coca-Cola has done with its two playful mobile applications, Spin the Coke and Magic Coke Bottle (see Figure 4). Or turn an analog product like a cigarette lighter into a fun virtual one as Zippo has done with its well-received Virtual Lighter (see Figure 5).
- **Choose interactive to build engagement.** Brand marketers hoping to drive deeper affinity and intent to purchase might also provide an application that has interactive features so users can engage with a community of friends. For example, the Nike Training Club application for women allows a user to generate workout points and then challenge friends to a game of who can top the leaderboard.
- **Choose a combination to increase value.** Offer several key features in the application that boost value and appeal to users in multiple settings. For example, Kraft's iFood Assistant has more than 7,000 recipe suggestions, videos that show how to prepare meals, shopping lists, and the interactive capability for users to upload personal recipes that can be viewed and shared with others (see Figure 6). Similarly, Nike's Goal application for Italy combines the utility of following live match scores with more entertaining elements like action photos and player news (see Figure 7).

Figure 3 Bank Of America's App Connects Customers With ATMs



Source: Bank of America

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Source: Forrester Research, Inc.

Figure 4 Coke Sought An Outside Developer For Its Whimsical App



Source: The Coca-Cola Company/welikesmall
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Source: Forrester Research, Inc.

Figure 5 Clever Zippo Lighter App Meets Branding Goals



Source: Zippo Manufacturing/Moderati
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Source: Forrester Research, Inc.

Figure 6 Kraft Chose To Charge For Feature-Rich iFood Assistant

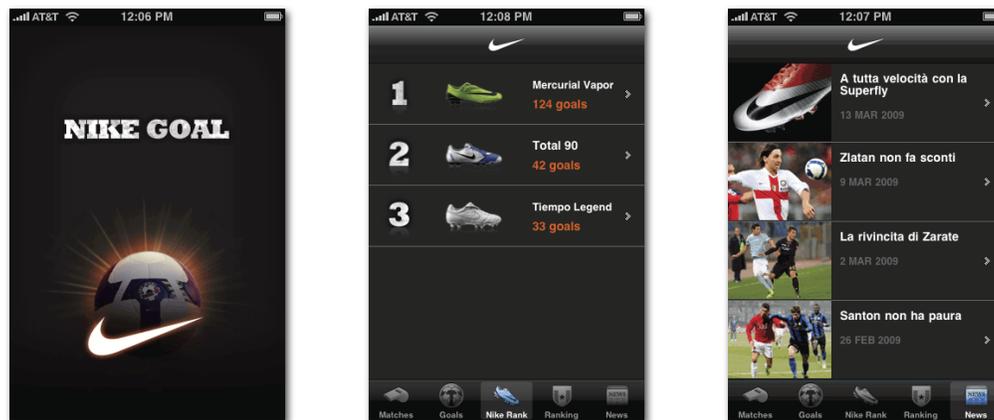


Source: Kraft New Services/Genex

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Source: Forrester Research, Inc.

Figure 7 Nike Entertains Soccer Fans With Its "Goal" App



Source: Nike Italy

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Source: Forrester Research, Inc.

HOW TO MOVE BEYOND THE HYPE TO A SENSIBLE APP STRATEGY

To make an informed decision about a mobile application, the interactive marketer must move beyond the hype and lay hold of a sensible strategy. Once you have an objective in mind, answer these key questions and issues:

- **What's your big idea?** Brainstorm ways to leverage what your company can offer through an application. Mobile consumers want to be delighted, and a clever application can deliver both an element of fun as well as meet branding goals. For instance, Zippo's big idea was to turn an iPhone into a virtual cigarette lighter that often gets used by live concert-goers who in the past would have used a real lighter during an encore. The application has been downloaded more than 3 million times and rose as high as the No. 2 free iPhone application.
- **Who will develop the application?** Investigate whether your company has the internal resources to develop a mobile application. Most do not, so plan for sourcing external help. For example, Coca-Cola lacked the internal resources to build an app, so it chose interactive design firm welikesmall, which partnered with agency Wieden+Kennedy, to create the whimsical Magic Coke Bottle app. The Spin the Coke Bottle was created and designed by Sapient. Consider other experienced mobile applications developers such as Moderati (Zippo) or Genex (Kraft's iFood Assistant). Ask agencies such as Weiden+Kennedy or Sapient for advice in choosing a developer or providing the development work themselves. For some companies, an internal development team can handle the job; Bank of America, for instance, used its in-house developers because they had the skills and because it alleviated security concerns had they chosen an external developer.
- **How much will a mobile app cost?** Current pricing for a mobile app ranges from \$20,000 for a very basic application on up to \$150,000 or more for a sophisticated one. Be aware, too, of how the new iPhone OS 3.0, available to developers now, could change development costs; the new operating system will allow for in-application commerce capabilities, which for some brands could be a welcome revenue driver but will add to development costs if used. Also, plan for a media budget to promote the application when it becomes available — or risk getting lost in the sea of applications that is the App Store.
- **Should it be a free or paid application?** Most brands will be better off going with a free application to reach the widest audience. For instance, Zippo decided not to charge for its application and saw a phenomenal response in the number of downloads — 3 million and counting. However, Kraft made a strategic decision to charge 99 cents for its feature-rich iFood Assistant application. The revenue has no doubt helped cover Kraft's development costs. But the risk in doing so was to limit the number of potential downloads, since many applications are free on the App Store and at least some users would balk even at a low price point of 99 cents.

- **What are the potential pitfalls and dangers?** A poorly conceived application or one that is buggy could spoil your best efforts and damage your brand. Early adopters can be unforgiving, as Sony found out when reviewers trashed its underwhelming Underworld game app. And they can spread the bad word, or perhaps worse: simply ignore the app. Also, understand it takes six to eight weeks to deploy, so be prepared with a realistic schedule in mind. You should also be flexible in this fast-moving marketplace: One application had to be tweaked at the last minute when Apple upgraded the original version of its operating software.² Finally, application approval by Apple can take up to a couple of weeks, though the company now says 98% of new apps are approved in seven days or less.

IPHONE GETS ALL THE ATTENTION, BUT DON'T IGNORE OTHER PLATFORMS

For the moment, most consumer-facing brands can concentrate on an iPhone application because the App Store distribution model is widely understood by consumers and has the most traction. But pay close attention to other stores like BlackBerry App World, Android Market, Windows Marketplace for Mobile, and Nokia's Ovi store. Some have launched already, while others are expected to open in the next few quarters — and all but Android have the near-term potential to reach a larger base of handset owners than Apple. As these other platforms become more friendly to application developers, be prepared to port applications to them, or provide new ones that can take advantage of unique capabilities or functionality, like Android's compass feature. Take these steps for evaluating these other mobile platforms:

- **Find the mobile audience that best matches your target demographic.** As these app stores develop, marketers will have the ability to use different platforms to reach different audiences. If you target people who use mobile email or business-oriented services, then an application with BlackBerry's App World should be a good fit. If, on the other hand, you target entertainment-centric users, then an app on Nokia's Ovi store would be worth investigating, since that platform stresses multimedia (music, pictures, and games).
- **Scrutinize the differentiated features of the newer stores.** Competing app stores will likely offer slightly different capabilities and processes. For instance, BlackBerry's App World will require users to sign up with PayPal for purchasing applications. And Nokia's app store Ovi will leverage location and social networking to suggest app downloads based on what friends and contacts are using. These differences will affect how you develop and deploy your applications — as well as each store's chances of success.³

TOOLS FOR MEASURING APP USAGE AND SUCCESS ARE STILL EMERGING

Measuring the success of mobile applications is crucial — but at this point incredibly difficult as well. The most commonly used measurement criterion today — number of downloads — is an important metric, but it does not provide much insight into actual usage. Marketers considering a mobile app deployment should become familiar with some of the emerging analytics players:

- **Flurry offers a stream of real-time user data.** Flurry is a free data service that can show how, when, and where mobile applications are used and works on iPhone; Android; BlackBerry; and Java Platform, Micro Edition (ME). By mining this data, application providers can discover new ways of improving their offering. Flurry says its analytics platform will remain free, though it does plan to sell some optional services in the future.
- **Mobclix offers user data and advertising insight.** In addition to providing application user data, for the iPhone, Mobclix provides tools for monitoring ad yield optimization. It also offers a method of driving app distribution through social networking platforms.
- **Omniure and Google are expected to compete in this space too.** Both Google and Omniure, with strong Web analytics capabilities, are expected to port those skills to mobile at some point.⁴ This expected competition should help produce better user data that can be acted on by app developers and brands aiming to provide engaging applications.

RECOMMENDATIONS

FOCUS ON USERS AND NEW PLATFORMS TO BUILD A SUCCESSFUL MOBILE APP STRATEGY

To develop and deploy successful mobile apps, interactive marketers should:

- **Obtain an iPhone or a competing device.** Make sure you and your team members are comfortable with these specialized mobile platforms before proceeding with an application. These are not typical phones. They have much more power and functionality than a typical cell phone, and they change the way most people interact with the Web and a variety of activities, like social networks, video, and data services. One mobile developer described an early meeting with brand managers who asked him to develop an iPhone app: He noticed numerous older smartphones in the room but no one with an iPhone. Bad start. Marketers need to fully engage with these devices to gain a knowledge advantage.
- **Find out what mobile devices your customers are using.** Query some of your customers to find out how many even own an iPhone or a BlackBerry Storm or Android G1. Then you can make informed decisions about whom to target with an application. Coca-Cola recognized a segment of its younger customers were on the iPhone and found that an app could be a way of connecting with a youthful audience at a reasonable price.
- **Have a long-term view of your mobile application.** You need to plan for future changes in mobile technology — and in your own marketing strategy. If you commit to a mobile application, make sure to assign resources internally to maintain and improve the application. Listen to your users, respond quickly to any problems, and push new versions out as soon as improvements are made. Also, consider how adaptable your application is to future

marketing messages: Apps that highlight specific product features may be great for driving sales but will need to be updated as your products and marketing messages evolve. If you launch an app around an event, like software provider Cerado did for its unofficial SXSW '09 (South by Southwest) mobile guide, then make sure to budget time and resources for improving that app the next year.

SUPPLEMENTAL MATERIAL

Methodology

In June 2008, JupiterResearch designed and fielded the JupiterResearch/NPD Consumer Survey to online consumers selected randomly from the NPD US online consumer panel. A total of 2,165 individuals responded to the survey. Respondents were asked approximately 30 closed-ended questions about their behaviors, attitudes, and preferences as they relate to promotional email, mobile marketing, Web site search, and devices. Respondents received an email invitation to participate in the survey with an attached URL linked to the Web-based survey form. The samples were carefully balanced by a series of demographic characteristics to ensure that they were representative of the online population. Demographic weighting variables included age, gender, household income, household education, household type, region, market size, race and Hispanic ethnicity. Additionally, JupiterResearch weighed the data by AOL usage, online tenure, and connection speed (broadband versus dial-up) — three key determinants of online behavior. Balancing quotas are derived from JupiterResearch's Internet Population Model which relies on US Census Bureau data and a rich foundation of primary consumer survey research to determine the size, demographics and ethnographics of the US online population. The survey data is fully applicable to the US online population within a confidence interval of plus or minus 3%.

In this survey effort, JupiterResearch worked with its research partner, NPD, on the technical tasks of survey fielding, sample building, balancing, and data processing. NPD is one of the largest market research companies in the US and maintains a general research panel of 4 million individuals, of which 750,000 are kept "active." The active panel receives surveys while inactive panelists are rested. This rotation in and out of active status helps keep panelists fresh and prevents burnout. Panel-based market research enables researchers to have baseline knowledge of each survey respondent, increase survey participation rates, and permit careful rationing of survey fielding to reduce survey burnout.

If you're interested in joining one of Forrester's Research Panels, you may visit us at <http://Forrester.com/Panel>.

Companies Interviewed For This Document

| | |
|-----------------|--------------------------|
| Apple | Mobclix |
| appssavvy | Moderati |
| Bank of America | Nike |
| Cerado | Razorfish |
| Coca-Cola | Research In Motion (RIM) |
| Genex | Zippo |

ENDNOTES

- ¹ iPod Touch owners have nearly the same access to applications as do iPhone owners, except these devices do not have cellular radios so downloading is done over Wi-Fi networks or when tethered to a PC. Also, some of the location capabilities in certain applications would be limited when a Touch owner was outside Wi-Fi coverage.
- ² The third version of the iPhone operating software, version 3.0, is scheduled for release this summer, so any brands planning a deployment should build with this updated platform in mind, especially to take advantage of new in-application eCommerce capabilities.
- ³ Nokia's Ovi store will not be limited to just smartphones. The company has indicated that eventually all Nokia devices will be capable of accessing some applications from its store. Source: Marguerite Reardon, "Nokia announces Ovi Application store," *CNET Reviews*, February 16, 2009 (http://reviews.cnet.com/8301-13970_7-10164838-78.html).
- ⁴ Offerings from these competitors could help spur new revenue models in the areas of ads and Flash-based games. Source: Jose Feroso, "Flurry Looks to the Future with Mobile Analytics Updates," *GigaOM*, March 5, 2009 (<http://gigaom.com/2009/03/05/flurry-looks-to-the-future-with-mobile-analytics-updates/>).

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