From buzz to bottom line: Tracking mobile apps

McKinsey's joint venture with Nielsen is yielding new micro-level insights, revealing what users really think about the mobile apps offers of telcos, device OEMs, platform providers and branded players.

By Stefano Cazzulani, Christian Kraus, Philipp Nattermann, Pierre Pont and Jay Scanlan

The rise in popularity of mobile apps has energized mobile operators, smart phone manufacturers and mobile operating system providers. These low cost applications enable customers to access a never-ending stream of innovation. With much of the future growth of the mobile telecoms space resting on the uptake of mobile data and applications services, the mobile apps space is seeing unprecedented focus from not only the traditional mobile operators but also players in the larger consumer electronics, software and online space, including Apple, Google and Microsoft.

There is ever increasing competition between mobile ecosystems as noted by industry analysts, technology commentators, and involved companies. With so much riding on the developments of the mobile app space, one of the key questions becomes, what are the real drivers behind user behavior of these increasingly popular software packages? To assess their impact, McKinsey initiated a knowledge effort on mobile apps and user attitudes leveraging the NM Incite organization – a joint venture between McKinsey and Nielsen. NM Incite collects and analyzes online conversation from social sources to understand what consumers are saying about a product, topic, or brand. In this way, NM Incite collects aggregated, real-time insights from the buzz social media can generate. The capability also allows us to analyze the sentiment in these conversations and the underlying drivers of consumer views.

Leveraging this new platform, we have deployed three new lenses through which we can assess drivers of user adoption and usage of different mobile application ecosystems. Of course, these three lenses cannot capture the entire consumer perspective on mobile applications. They do however offer a new view of the evolution and choice of application ecosystems.

The first of these lenses is *social recommendations and voice* - a major driver of telecom decision process according to marketing studies. The second lens is *consumer sentiment,* where research suggests that 50% of consumer choice in telecoms is linked to emotional ties to brands. The final lens is *scale and depth of insight,* given that we can now collect a massive scale of *unprompted data*. This level of data is an order of magnitude greater than that possible through traditional prompted market research methods.

LISTENING FOR MOBILE APPS IN SOCIAL MEDIA

In the fourth quarter of 2010, the joint McKinsey-NM Incite team identified over 190,000 relevant English-speaking conversations on mobile apps in social media across blogs, blog comments, message boards, groups, micro blogs and videos. NM Incite's approach allowed us to surface current trends in consumer behavior, sentiment and perspectives.

This consumer data analysis can also unearth opportunities that enable industry players to meet or exceed customer expectations with new value propositions, service models and prices. It provides early warnings on key trends and discontinuities, and propels rapid root-cause diagnosis of performance challenges.

NM Incite data enables us to "listen in" to user conversations as they traverse the entire chain of mobile apps activities, which extends from how and where they discover and learn about new apps, to their attitudes and problems with the app stores they use to purchase them, and finally to the issues they face in actually using and upgrading the apps themselves. In addition, we investigated how global brand organizations can get users excited about their apps. This article provides a brief overview of our findings in each of those areas.

Follow the buzz: How users discover mobile apps

Similar to the brick-and-mortar retail experience, in-store promotions give online app stores a powerful way to drive the discovery phase, especially since some app stores such as Apple's and Google's now offer in excess of 100,000 apps each. In fact, a recent Nielsen survey revealed that searching within the app store is the preferred method of discovery for over 40 percent of smartphone users. Likewise, as noted by the Wall Street Journal, "Becoming one of the apps featured [...] on the App Store in the 'New and Noteworthy,' 'What's Hot' and 'Staff Favorites' section is the 'golden ticket' to success."

Beyond in-store promotions and recommendations from friends and colleagues, a third critical channel for app discovery involves blogs, forums and other social media sites. Research shows that over 40 percent of smartphone users mention these media as preferred ways to find out about apps.

What's more, our analysis of social media buzz yields a number of interesting findings about the app discovery dialogues that occur via this third channel:

■ Conversations are split between blogs (40 percent of the total) and other forums (60 percent), and while the former typically take the form of "one-to-many" conversations, the latter more closely resemble informal discussions among people.

■ Tech blogs and forums are the most prominent category of sites focused on apps (21 percent), with other interest-related sites (e.g., sports, weight loss) being a close second (19 percent). A significant number of conversations (10 percent) also take place on sites related to operating systems (OS) such as Android forums, as well as on device-specific sites that make up 8 percent of the total (e.g., crackberry.com).

■ The launch period appears to be less critical for apps than for movies, DVDs or video games – only 6 percent of discovery conversations are explicitly launch-related. Instead, consumers seeking apps for specific uses such as tracking weight loss or following the Soccer World Cup tend to drive these conversations. In fact, over half of all discovery buzz concerns questions and answers on specific apps, while only 3 percent of posts are reviews.

Overall app store buzz from late 2010 reveals an overwhelming lead of Apple's iOS App Store, which befits the company's founding role in the app store phenomenon (Exhibit 1).

EXHIBIT 1

Buzz varies dramatically by ecosystem, which has contributed to Apple's market dominance in app stores
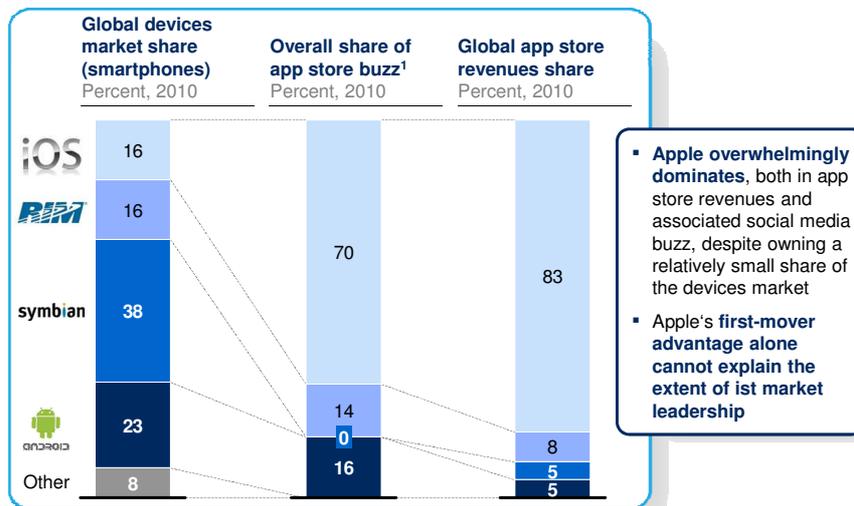
1 Covers period between May-October 2010, English language conversations only (buzz for Symbian/Ovi, Windows Phone 7 and other platforms not measured)

SOURCE: McKinsey-NM Incite Mobile Apps Knowledge Effort, 2011, IHS Screen Digest (February 2011), Gartner (February 2011)

While iOS held a 16 percent smartphone market share in 2010, it generated 70 percent of app store buzz (in a sample that did not include the Symbian, OVI or Windows Phone 7 operating systems). It also earned 83 percent of smartphone revenues in the same period.

Getting users to download apps

Our research reveals why Apple is leading in the social media buzz battle over other major app stores. Viewed in terms of the purchasing funnel, which tracks the ways consumers become aware of, select, purchase and download, and update apps from app stores, Apple's advantages are relatively clear.

Its App Store generates strong consumer *awareness and access* because it is preinstalled and easily accessible on all iOS devices, cannot be deleted, and rarely crashes. It does well in *app selection and discovery* because Apple offers by far the largest selection of apps, and the App Store's restrictive app approval policy allows it to enforce minimum quality standards and keep out malware. *Payments and downloads* are relatively painless because all iOS users have iTunes accounts with established credit card information on file, making payments seamless and safe. And users often consider *updates and upgrades* to be failsafe due to the company's clear device portfolio strategy.

For Apple's competitors, on the other hand, listening to the social media buzz with NM Incite's tools reveals the kinds of issues that could turn potential paying customers away. During the *awareness/access to app store* phase, subscribers often simply have trouble getting to the app store itself because either handsets lack preinstalled software or it's too hard to find. Regarding phase two, *app selection and discovery*, companies offer fewer app selections and lack intuitive searching or easy-to-use discovery features. In addition, users particularly worry about downloading malware on their handsets. In the *payment and download* phase, user comments point to unreliable or untrustworthy payment processes, to the point where some app stores are burdened by consistently negative buzz concerning downloading issues. Finally, after purchase, users are sometimes unsure how to update their apps. Even more important, the device and operator proliferation of most of Apple's competitors worries users that they might lose their once-purchased apps when switching providers, leading them to abstain from a purchase in the first place.

Overall, then, the app store landscape remains fairly immature, and could offer significant opportunities for both improvement and the arrival of new entrants. As a result, simply fixing the more glaring problems identified here may help OS providers or other app store operators to convert significantly higher numbers of app shoppers into app buyers.
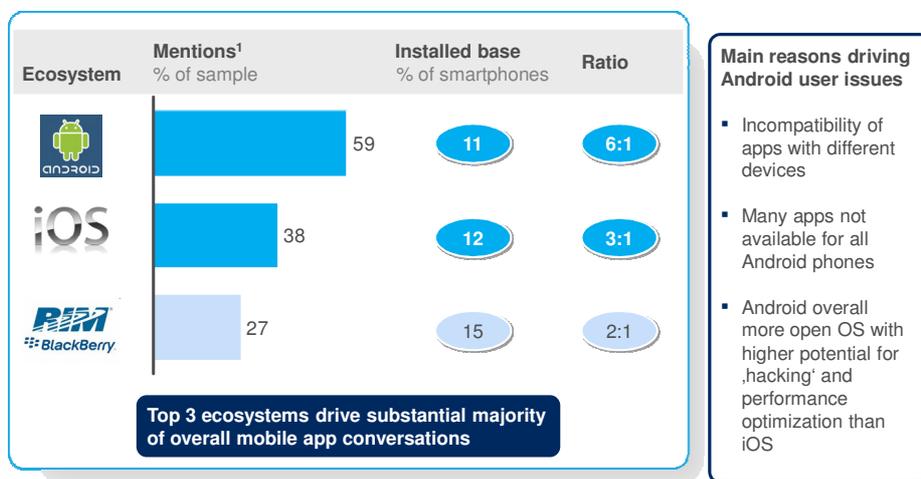
Troubleshooting: Smartphone apps

Once a customer has actually downloaded an app, we explored the issues these users encounter when experiencing troubles with their apps. Troubleshooting issues consume 30 percent of all mobile apps conversations on social media. While this is a large proportion of the total sampled conversations, this share is in line with the experience of other early technology roll-outs.

Similar to the PC evolution over the last twenty years, mobile apps related conversations reflect the common trade-offs found between open versus closed platforms. MNOs have been heavily promoting the Android OS – an open operating system developed by Google and other members of the Open Handset Alliance as an alternative to Apple's closed iOS ecosystem. While Android device sales has seen very impressive growth, the far more open platform generates twice as many troubleshooting conversations (proportionally) in the sample as the Apple iOS and three times as many as RIM's BlackBerry relative to their installed bases (Exhibit 2). Android's most common troubleshooting topics involve app installation failures, app and device incompatibility, and app availability. These contrast sharply with iOS issues, where the top three focus on phone system freezes, side-loading and syncing hints, and over-the-air update failures.

EXHIBIT 2

Operators have been pushing Android aggressively, but it generates twice as many troubleshooting conversations as iOS

Ecosystem	Mentions[1] % of sample	Installed base % of smartphones	Ratio
Android	59	11	6:1
iOS	38	12	3:1
RIM BlackBerry	27	15	2:1

Top 3 ecosystems drive substantial majority of overall mobile app conversations

Main reasons driving Android user issues

- Incompatibility of apps with different devices
- Many apps not available for all Android phones
- Android overall more open OS with higher potential for ‚hacking' and performance optimization than iOS

1 Note that mentions do not add to 100, weight adjusted by source in sample

SOURCE: McKinsey-NM Incite Mobile Apps Knowledge Effort, 2011, Strategy Analytics

While iOS users most frequently seek help and assistance from Apple (through Apple-owned forums and Apple-dedicated user communities), Android users turn to a wider range of sources, including mobile operator message boards. In fact, Android users leverage Facebook most frequently in their troubleshooting conversations in our sample. These sources also more frequently include operator message boards. Since operators typically play a much larger role in hosting Android troubleshooting conversations, MNOs may have a much greater potential to shape positive customer experience. In doing so, they must balance the additional pressure that this might place on customer service resources. Android owners also appear to exhibit lower levels of loyalty to handset OEMs as information sources as well as a willingness to explore widely for information they can use.

Other value chain players also need to proactively address the challenges emerging from increasing smartphone penetration. Device OEMs, for instance, can act to improve device repair and replacement policies with channel and operator partners, and limit the proliferation of devices to improve compatibility and user experience. Likewise, indirect channel players, which include retailers and other sales points, should consider introducing differentiated service for device repairs or replacements. They can also enhance customer experience at the point-of-sale by establishing a "walk-out working" policy.

Branded apps: boosting the buzz

Also, while troubleshooting buzz is important, it constitutes only 30 percent of online conversations – much of the remaining 70 percent positively deals with actual apps themselves. Of these, we focused on apps provided by major brand players, such as consumer goods manufacturers, car makers or fashion players. The tremendous success of the app paradigm has compelled many of these companies to provide their own consumer apps, as an integral part of their marketing and social media strategies. Unlike the original independent players, companies with strong brands hope to use them to set their apps apart from the rest of the market, but the rules for success as a branded app player remain fairly murky.

Branded players typically choose to offer apps focused on any or all of three specific goals. First they attempt to promote the brand, strengthening the brand attachment of existing and potential customers by, for example, providing interactive product information or creating a playful or immersive encounter with the brand. Coca-Cola has introduced a timeline app that tells the story of its fizzy success using rich multimedia, while a Gucci app offers a branded music channel and travel tips that tie in with its apparel, luggage and accessories. Second, they seek to generate new revenues by either simplifying the purchasing process for existing customers or offering attractive features to new ones. A Walgreens app enables users to remotely order their prescription refills, while Tesco's app includes a store finder and creates organized shopping lists. And third, many branded apps offer additional services, and become even more attractive and useful if they include a mobile component. For example, the apps of most major banks provide mobile banking services and allow users to search for nearby ATMs.

Which of these strategies will work best in terms of engaging users and kindling excitement regarding a company's brand? To find out, we accessed NM Incite's unique social media buzz data and analyzed the mobile app buzz generated by the main consumer brands on Interbrand's list of the Global Top 100 brands. Surprisingly, while most consumer brands have by now embraced mobile apps, only a few currently generate more than a background hum in terms of social media user buzz, and fewer still drive real user buzz and excitement with their apps.

To understand why so few branded apps generate that kind of real user excitement, we examined two that do in greater detail. Starbucks' mobile apps focus equally on revenue generation and service provisioning, helping users to locate nearby outlets, configure their favorite coffee drinks, and to turn their iPhone or Blackberry into their Starbucks card. User buzz regarding these apps is strong. As one Starbucks partisan said, "If you have an account with Starbucks, you are going to love this app."

Likewise, the Disney World Magic Guide app provides theme park-goers with real-time information on ride wait times and character appearances, It also offers interactive maps and restaurant menus, and even qualifies users for restaurant discounts. In fact, many consumers consider the Disney app so useful that they are willing to pay for it.

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With apps and app stores generating a vibrant online buzz, smartphone OS providers, mobile operators, device makers and others can use this new source of information to understand more fully their customer-perceived strengths and weaknesses.

About the authors

Stefano Cazzulani is an Associate in the Zurich office.

Christian Kraus is an Engagement Manager in the Berlin office.

Philipp Nattermann is a Principal in the London office.

Pierre Pont is an Associate in the London office.

Jay Scanlan is a Principal in the London office.