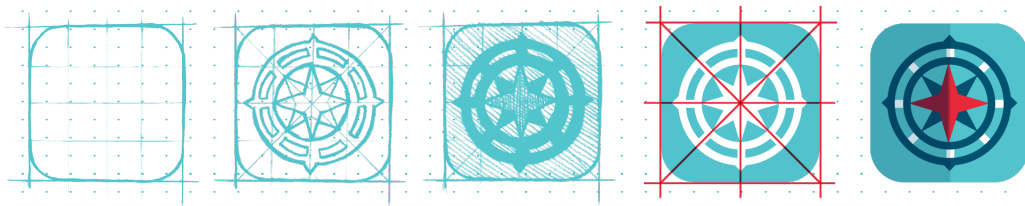


Mobile Maturity

Benchmarks Report



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EXECUTIVE SUMMARY

As the seismic shift to mobile sends shockwaves through all areas of business, clients often ask us how they compare to others. Whether the question is about mobile organizational structure or metrics for success, we believe benchmarks are valuable tools to support decision-making.

However, mobile has emerged so rapidly that benchmarks rarely exist. Brands must rely on their own measured incremental improvements and whatever competitors or peers choose to disclose to measure success.

We created the Mobile Maturity Self-Assessment (MMSA) to offer our clients greater context for their efforts in mobile, and to help prospective clients identify next-level opportunities for their mobile strategies.

More than 500 mobile leaders—including executives, marketers and developers—took our self-assessment, a thirteen-question survey grounded in Urban Airship’s Mobile Maturity Model.

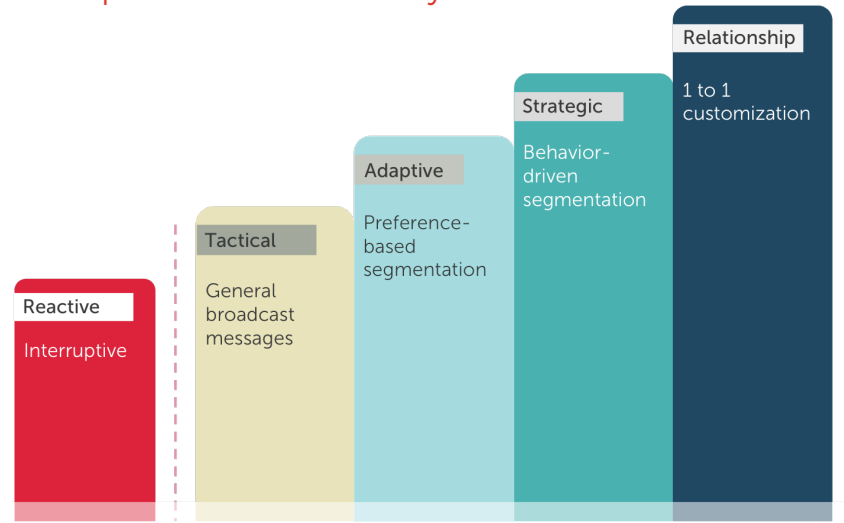
[Figure 1]: The Maturity Model offers a framework for how brands can increase the value of mobile initiatives by moving from broadcast messaging to contextual, relevant content that achieves lasting relationships with mobile customers.

Our model defines five stages of mobile maturity based on mobile tactics, audience and message segmentation practices, organizational approach to mobile, and holistic customer understanding.

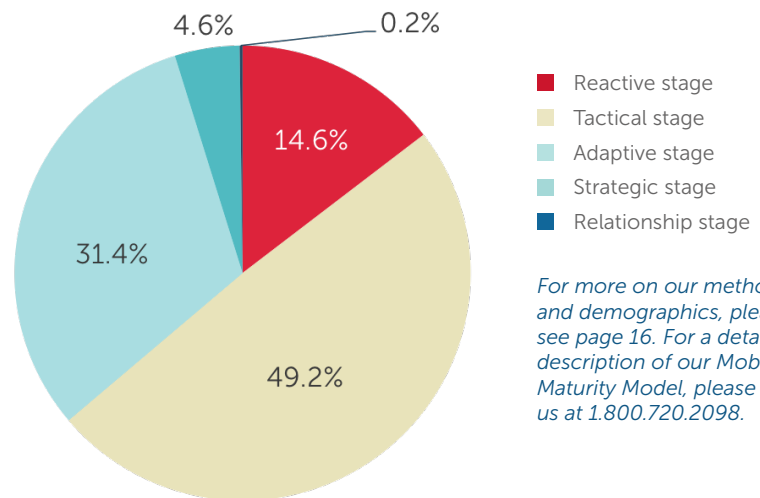
OUR TOP FINDINGS:

[Figure 2]: MOBILE MATURITY OVERALL: The vast majority (85%) of businesses embrace mobile apps, yet nearly half remain in the tactical stage, with **limited mobile infrastructure and a one-size-fits-all approach to messaging**. As a result, companies further ahead in mobile maturity stand out strongly.

1. Simplified Mobile Maturity Model



2. Aggregate mobile maturity results, all industries



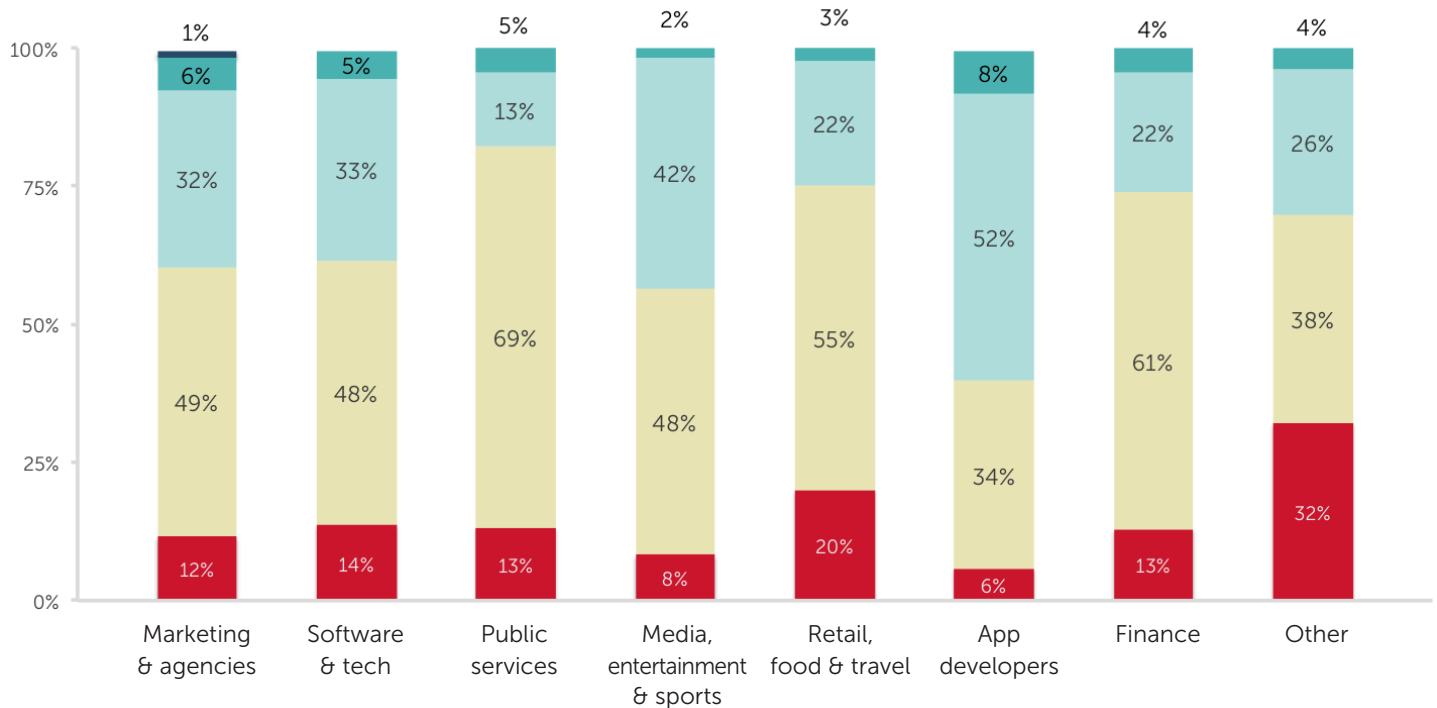
For more on our methodology and demographics, please see page 16. For a detailed description of our Mobile Maturity Model, please contact us at 1.800.720.2098.

The outliers are in the most advanced strategic and relationship stages, representing almost 5% of total responses.

[Figure 3]: MOBILE MATURITY BY INDUSTRY: Which industry ranks most highly in mobile maturity? App developers, of course, because mobile is their bread and butter (52% of them ranked at the adaptive stage of mobile maturity). Media, sports and entertainment firms also ranked strongly. **Retail, food and travel were furthest behind** the pack, with 20% of firms languishing in the reactive stage.



3. Mobile maturity stage results, by industry:



MEASURING ROI: Surprisingly, only 56% of those surveyed used sales/conversions as a metric for measuring mobile success, followed closely by those who measure engagement and reach/frequency. Those measuring app success primarily consider downloads and frequency of use. Uninstall rate, arguably the most important app metric as it indicates loyalty, was least often considered.

BUSINESS OBJECTIVES: Overwhelmingly, business leaders believe mobile is successful in driving awareness, engagement, revenue and loyalty. However, barely more than half have the metrics to prove it.

SEGMENTATION: While many apps segment their audience by user preferences, behavior and location, nearly a third don't take advantage of this data to send segmented messages or customize their app experiences. This is major missed opportunity.

INNOVATION: Mobile innovation is rarely a joint venture across an organization; it's

typically the responsibility of marketing or technical departments. A notable exception is in retail, food and travel, where 30% of companies rely on outside agencies to lead mobile innovation.

PUSH ADOPTION: Among companies with apps, 70%-80% use push messaging across all industries except finance.

RESOURCES & LEADERSHIP: The industries with the highest proportion of in-house mobile resources, such as a dedicated mobile product team, tended to rate most highly for mobile maturity. Ditto those with high-level mobile leadership. Most reactive-stage companies do not have dedicated mobile resources and make ad-hoc mobile decisions.

DEVELOPMENT: Budget was most often cited as the major impediment to executing higher-level mobile strategy, followed by the need for expertise to support mobile initiatives. Executives tended to significantly overestimate their support of mobile.

INDUSTRIES REPRESENTED IN OUR STUDY

- 19% Marketing & agencies
- 16% Software & tech
- 10% Public services
- 13% Media, entertainment & sports
- 15% Retail, food & travel
- 10% App developers
- 6% Finance
- 11% Other



MOBILE AS A PART OF BUSINESS STRUCTURE

Depending on a company's focus, mobile might be the domain of an outside agency, an extension of an existing department such as marketing, or a dedicated department. Typically, businesses that are less sophisticated in mobile have less robust in-house resources, relying heavily on outside agencies to create that experience.

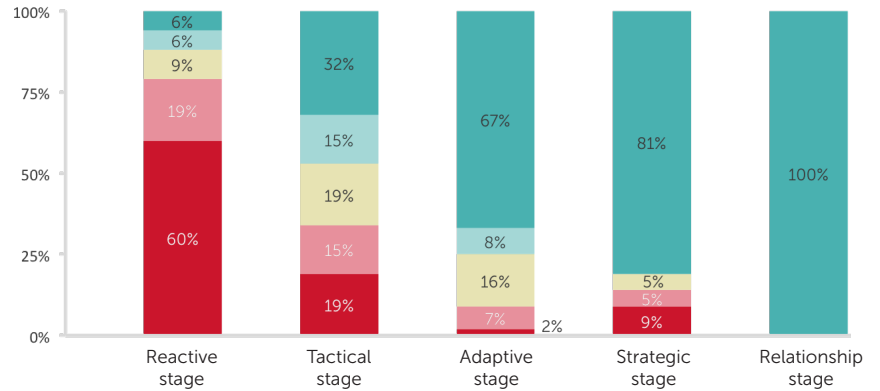
[Figure 4]: The results of the MMSA prove this. The majority (60%) of reactive-stage companies have no dedicated mobile resources, while just 19% of tactical-stage companies and 2% of adaptive-stage companies report outsourcing.

The largest share of companies in the tactical, adaptive and strategic stages have a dedicated mobile product team—and that jumps from about a third at the tactical stage to two-thirds at the adaptive stage and more than 80% at the strategic stage. This shows **company structure and dedicated resources for mobile are a major factor in evolving a brand's mobile maturity.**

[Figure 5]: The MMSA found that mobile's role in business also varies by industry. While it's expected that app developers would have a dedicated mobile product team,

4. How is mobile part of your organizational structure?

RESULTS BY MATURITY STAGE



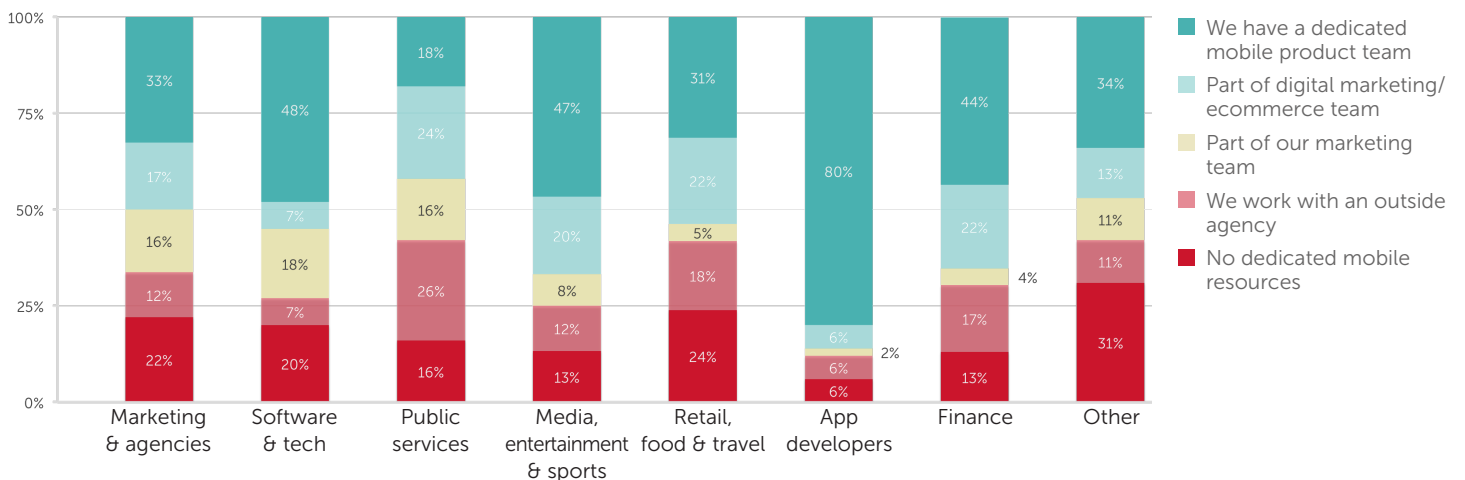
we found it significant that nearly half of media, entertainment and sports companies, software/tech companies, and finance companies, reported having such a team.

Given the high degree of departmental specialization—brands with a dedicated mobile product team and those with a specific digital marketing/e-commerce team—we were surprised by relatively low scores on our mobile maturity spectrum.

This suggests that **organizations are staffing up to execute major mobile initiatives but have yet to launch them.**

- We have a dedicated mobile product team
- Part of digital marketing/e-commerce team
- Part of our marketing team
- We work with an outside agency
- No dedicated mobile resources

5. How is mobile part of your organizational structure? RESULTS BY INDUSTRY



- We have a dedicated mobile product team
- Part of digital marketing/e-commerce team
- Part of our marketing team
- We work with an outside agency
- No dedicated mobile resources

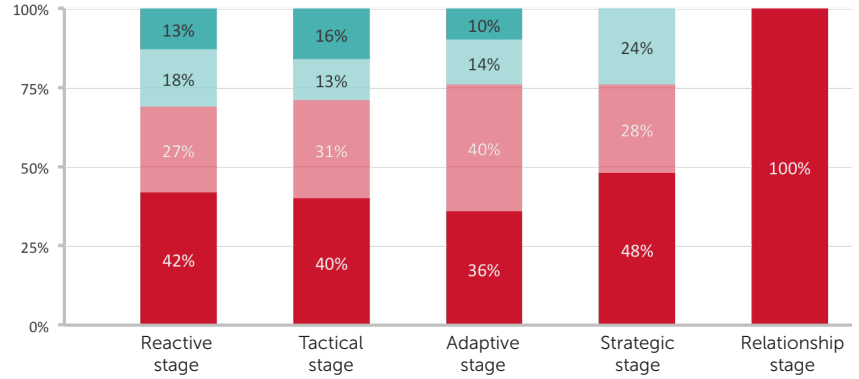


[Figure 6]: Our demographic analysis also revealed that large companies do not tend to rank higher in our Mobile Maturity Model than small companies.

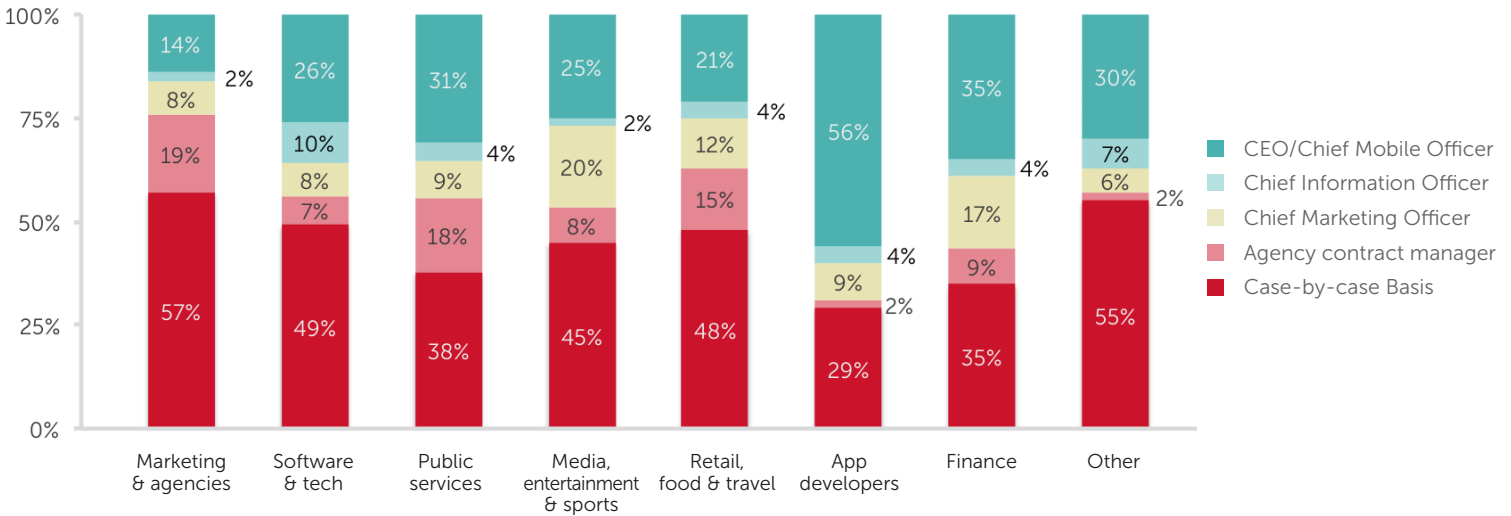
While larger companies have more resources overall, smaller organizations might be more nimble to embrace mobile or give it greater focus.



6. Does revenue/company size correlate to higher-stage Mobile Maturity?



7. Who leads mobile strategy in your organization?



STRATEGIC LEADERSHIP IN MOBILE

[Figure 7]: For about half of companies, mobile efforts are most often led on a case-by-case basis. This is a massive impediment to strategic leadership in mobile. Only app developers have strong mobile leadership with a CEO or Chief Mobile Officer leading the majority of efforts.

We found it odd that such a significant portion of respondents told us that they have a dedicated mobile product team or digital/e-commerce team, yet mobile decisions are

most often made on a case-by-case basis. This suggests that **mobile efforts are led in a piecemeal approach rather than through a central authority to maximize collaboration and strategic outcomes.**

We predict the Chief Mobile Officer position will spread rapidly in the coming years as mobile's influence becomes critical across channels and lines of business.



APP PLATFORMS AND USE OF PUSH NOTIFICATIONS

[Figure 8]: The majority of surveyed companies produce apps for iOS and Android platforms, 81% and 71%, respectively; while 15% of respondents do not have a mobile app.

Far behind the leading platforms were Windows Phone 8, for which 21% of respondents had apps, and Blackberry, with 14%.

[Figure 9]: Among companies with apps, more than half reported that they use push notifications to engage their audience. With the exception of finance companies, 70% to 80% of companies with apps use push regularly.

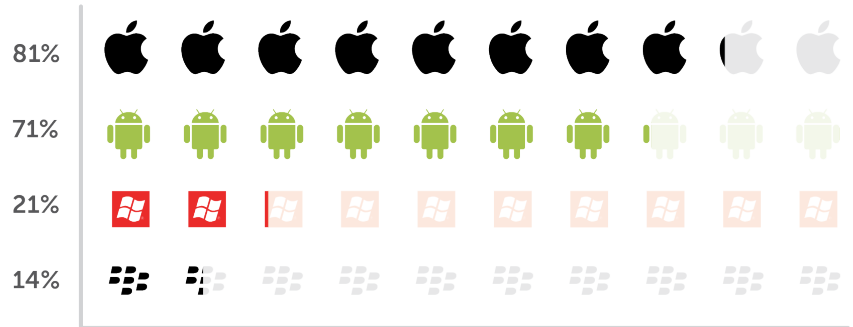
Retailers and public services firms such as government and health care had the lowest rate of app or digital wallet adoption.

Compared to push messaging and other mobile tactics, **mobile wallet use is still a developing field**. Mobile wallet enables brands to deliver location-enabled coupons, tickets, passes and loyalty cards to customers' mobile devices, and update them as new offers are created or coupons and tickets expire.

Marketers most frequently reported that they consider digital wallet an "essential channel," but across all industries just 17% of those surveyed use it at least occasionally.

[Figure 10]: We drilled down into the data from those who use mobile wallet cards to find out which are most popular. Coupons/offers and loyalty programs tied with 13% each, followed by membership cards, gift cards and tickets/passes.

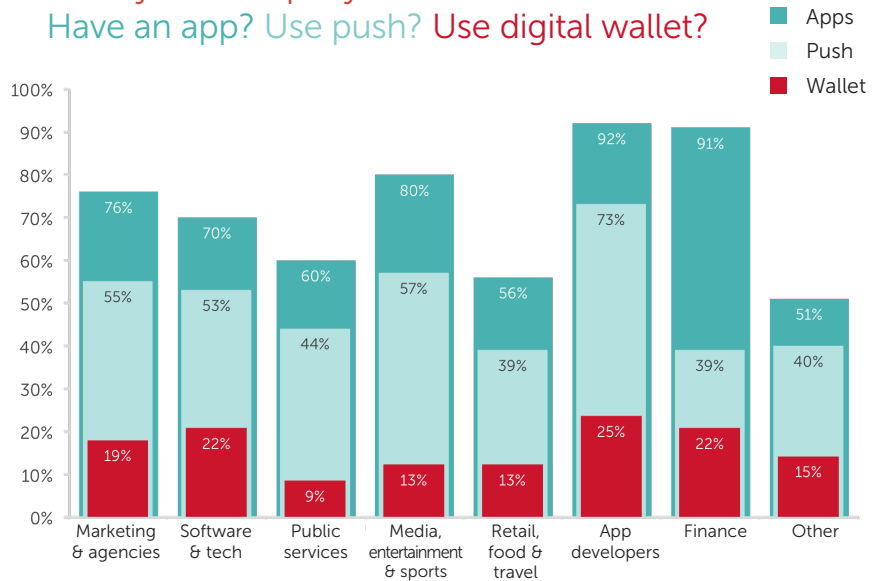
8. For which platforms do you have apps?



8% created an app for another platform; 15% of respondents had no app.

9. Does your company ...

Have an app? Use push? Use digital wallet?

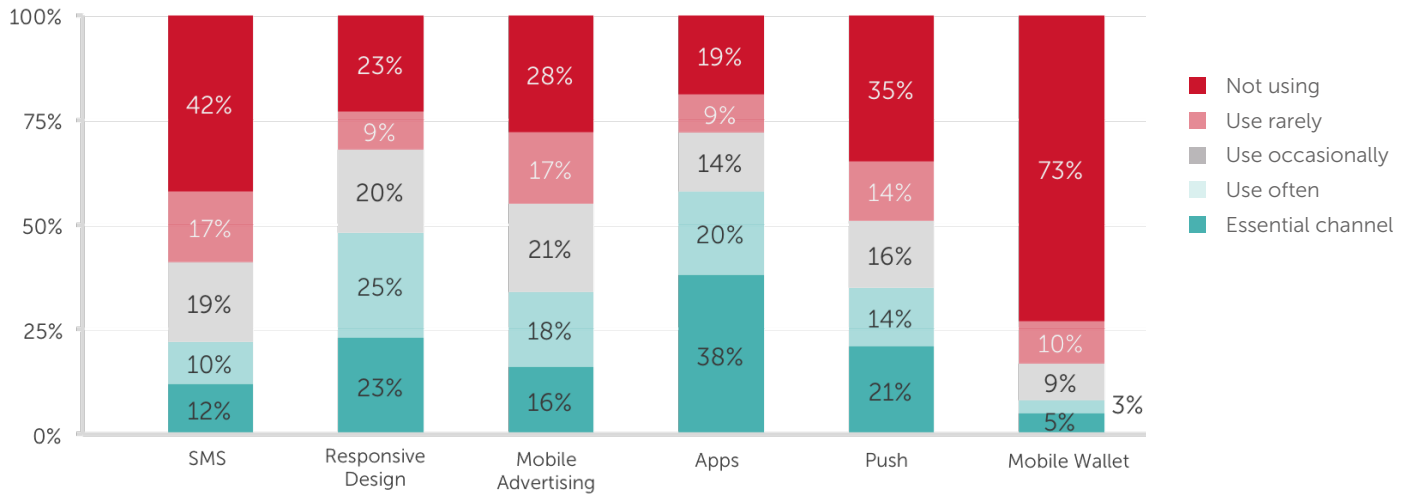


10. How do you use digital wallet?





11. Which mobile tactics are considered “essential channels” for engagement?



USE OF OTHER MOBILE CHANNELS

[Figure 11]: We wanted to know not only which mobile channels our survey respondents use, but also how frequently.

Apps are used most often of all mobile tactics, followed by responsive design. But which of these mobile channels are considered essential?

Interestingly, although it wasn't the most frequently used channel, push messaging earned a stronger endorsement as an “essential channel” than mobile advertising or SMS.

SMS is used at a lower rate than push messaging, likely due to its high cost and content limitations. When we drilled down into specific industries reporting use of

various mobile channels, software/tech (19%) and finance (17%) were most likely to consider SMS essential.

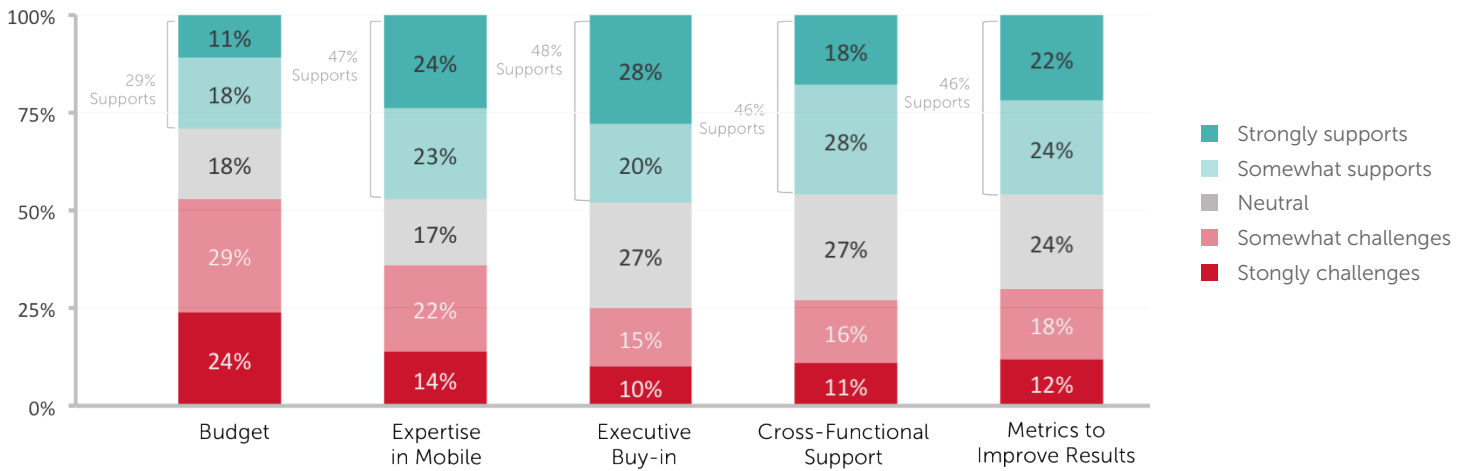
We also considered channel use data in context with the survey-taker's department or role in their business (a subset of the chart above).

While only 11% of executives think SMS is an essential channel, nearly three times as many (32%) said push is essential. Half of executives also considered apps to be essential.

The data shows that mobile tactics are generally additive as part of a multi-channel mobile strategy. Few brands are willing to put their investment behind just one channel.



12. Which factors most strongly challenge or support your mobile strategy?



MOBILE STRATEGY & DEVELOPMENT

We’ve asked the question, “Which factor most strongly supports or challenges your mobile development?” at many of our webinars and the results of the MMSA reinforce the most common complaint: budget.

[Figure 12]: More than half (53%) of respondents listed budget as the factor that strongly challenges or somewhat challenges their company’s mobile strategy and evolution. Marketers most often felt this pain, with 58% reporting that budget challenges execution of their mobile strategy.

Expertise in mobile was a secondary factor in challenging mobile growth. Again, marketers were most likely to say lack of expertise hampered mobile development.

In the positive category, 28% of survey participants listed executive buy-in as strongly supporting mobile development.

But this number might be skewed by executives’ own perceptions of themselves: looking at responses on a demographic basis showed that **executives perceive themselves to support mobile initiatives nearly twice as strongly as other departments feel this executive support.** While 44% of execs

told us they strongly supported mobile development, only 23% of developers and 28% of marketers concurred.

Many of the marketers took issue with a lack of cross-functional support for mobile strategy—37% of marketers felt this was lacking, while only 19% of executives found fault in this area.

Developers and executives (52% of each category) were most likely to report that metrics supported or strongly supported their mobile strategy, while 42% of marketers said ROI metrics most often hindered them.

We conclude that **the most significant barrier to advancing a mobile strategy varies depending on where you sit.** While executives think they are championing the mobile cause, their teams don’t always agree. While marketers are dissatisfied with metrics, executives are largely appeased. And while developers tend to believe their expertise is sufficient, others didn’t always agree.

We advise stakeholders from all departments to have a frank discussion about desired business outcomes and the mobile strategy building blocks necessary to achieve them.



AUDIENCE SEGMENTATION

Preference-based segmentation is typically achieved by creating a preference center within an app to give users the opportunity to choose what types of content they wish to receive, when they may be contacted (such as setting quiet hours), and how often they want to receive messages from the app.

We advise clients to always request that users opt in to push messaging from an app, even if the app platform does not require this step.

[Figure 13]: We asked participants in the MMSA to tell us if they segmented their user base, and learned that more than half (62%) do. Most frequently, 41% of respondents told us they segment by user preferences.

Many marketers get nervous about handing control over to customers, letting them choose which messages to block or accept. However, marketers risk turning off their app audiences irrevocably by sending irrelevant content (or even good content at the wrong time). Preference centers reduce the risk of sending annoying content.

Fundamentally, it's better to be able to send audience-limited messages than to be deleted from a device, and we've found preference centers are effective at making apps stickier, more relevant and more engaging for audiences.

User behaviors are also tracked for segmentation by 38% of survey takers.

Behavioral tagging is a more advanced segmentation technique because it *infers* through users' actions (rather than *asking* via a preference center) to determine audience interests. This can achieve more nuanced and complete user insights.

Behaviors might include opening the app, specific activities such as placing an item in a shopping cart, "liking" a piece of content, responding to a campaign, or even inactivity on the part of the user.

Tracking these behaviors enables marketers to set tags for each audience segment and send the right messages to the right people at the right time.

One typical use of behavioral segmentation in retail is retargeting app users who place an item in the app's shopping cart but don't complete the purchase. In the case of a media or entertainment app, behavioral segmentation can fine-tune content based on which items get clicked-through or have the longest viewing time.

Current location is employed but just under one-third of respondents, and location history by 13% of them. While current location can help identify users who are in proximity of a physical store or venue to take action, location history offers a much broader and nuanced approach to where a customer lives, works and plays.

13. How do you segment your mobile audience?





MESSAGE & APP CUSTOMIZATION

Does audience segmentation translate into a customized app experience for customers?

We were surprised by how often it doesn't.

[Figure 14]: 56% of survey respondents reported that their entire app audience receives the same content, which is significantly higher than the 38% of respondents who said they do not segment their audiences.

This means that one-third of survey takers who have the information to customize their content for their audience don't use it. Strategically, this is a huge missed opportunity.

Because the mobile device is so intensely personal, customers tend to aggressively filter noise by deleting apps when they send irrelevant or bothersome content.

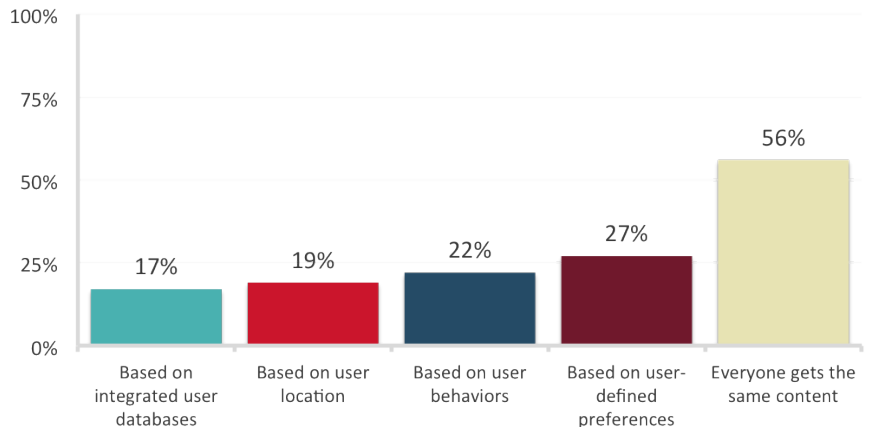
Users tend to delete apps more readily than they unsubscribe from email or direct-mail lists because deleting an app is easier than turning off push through an app's settings.

We found a substantial gap between brands that segment their audiences on various criteria, and brands that actually use this data to customize the app experience.

While 41% of surveyed apps segment based on user preferences, only two-thirds of them customize content based on this data.

While 38% of apps segment their audience based on user behaviors and 31% collect location data (see figure 13, previous page), less than three in five use this treasure trove of information to create more contextual, relevant messaging and app experiences.

14. How you do customize your mobile app and messaging experience?



Our philosophy of Mobile Relationship Management commands brands to use everything audiences wish to share to customize and enhance app and messaging experiences, honing in on the value audiences wish to receive.

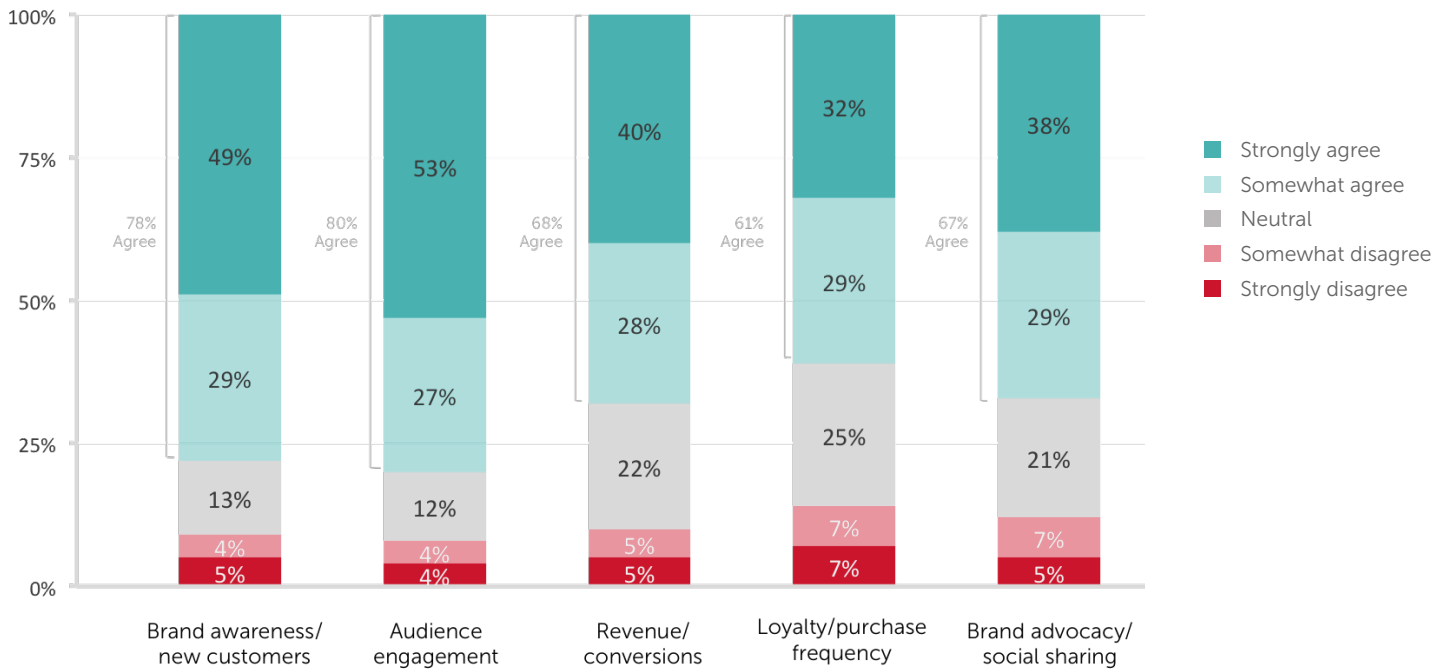
We were pleasantly surprised that although there are many laggards not using data for customization, there is also a small group (17%) using integrated databases to customize the app experience.

This can be a highly sophisticated move. For example, integration with CRM or Point-of-Sale systems can give brands a multidimensional view of customers.

This insight is essential to move mobile out of its silo and we believe cross-system integration is a hallmark of high-level mobile maturity.



15. Does mobile help you achieve these business objectives?



ACHIEVING MOBILE OBJECTIVES

We asked MMSA participants to rate how well mobile achieves five specific business objectives, noted in the columns above.

[Figure 15]: Participants gave mobile top marks for supporting audience engagement (80%) and brand awareness/new customers (78%).

Overall, executives tended to be most positive about mobile’s success in driving awareness, engagement and sales. Marketers tended to be the most critical of mobile results.

Loyalty seems to be the most difficult hurdle for apps to tackle, with 14% of those surveyed strongly or somewhat disagreeing with the statement that mobile helps them achieve greater customer loyalty.

These answers suggest that **while mobile tactics as a whole might be good at gaining and engaging with new customers, a loyalty strategy is lacking in mobile.**

We couldn’t agree more. Many mobile tactics such as mobile advertising are “catch-and-release” strategies that might find—and land—a customer, but don’t create a long-term bond with their audience.

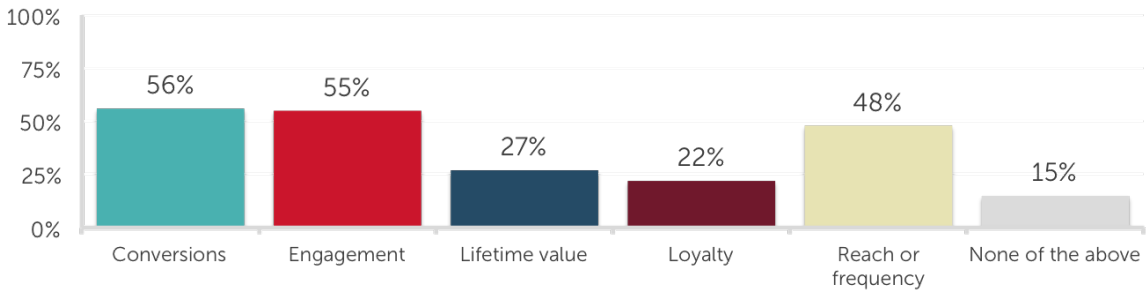
This is why we advocate an approach to Mobile Relationship Management that seeks to build deeper, long-term relationships with customers through an ongoing value exchange.

Only apps put “your brand in their hand” to sow the seeds for long-term loyalty. Mobile advertising, on the other hand, offers a “one-and-done” transactional approach.

It’s clear both approaches have merit, but a long-term strategy in mobile must take both the acquisition of new customers and the nurturing of existing customers into account.



16. How do you measure mobile campaign success?



MEASURING MOBILE CAMPAIGN SUCCESS

The maturation of mobile as a channel is matched by the evolution of its metrics.

[Figure 16]: More than half of survey-takers evaluate audience engagement (55%) and conversions (56%) in context with their mobile efforts.

We believe the key to these measurements is achieving business results. For example, in many media, sports and entertainment apps, engagement is the objective, because driving people into the app delivers viewers to support advertising investment.

On the other hand, in retail, conversion is the name of the game. While retailers are beginning to consider brick-and-mortar stores, mobile purchases, and online shopping with an omnichannel lens, mobile must still prove out its investment in supporting a customer’s path to conversion.

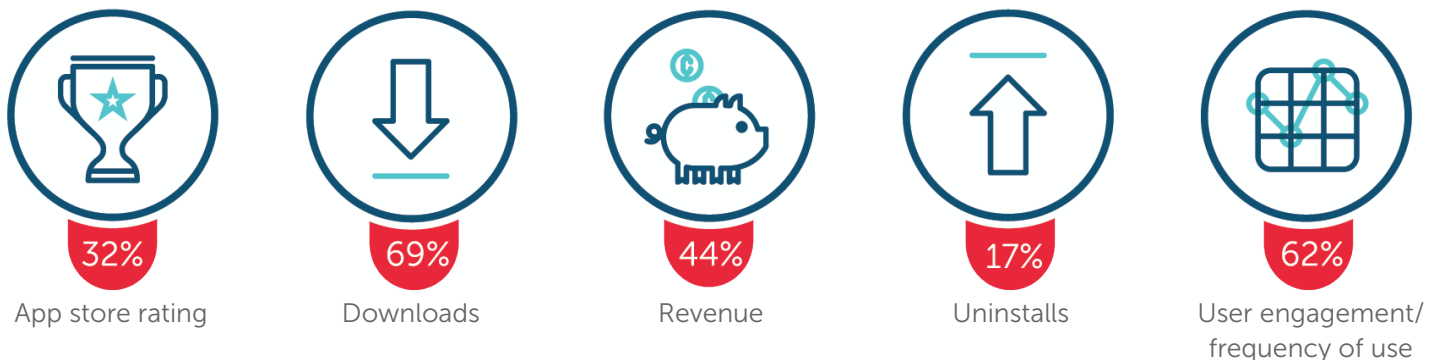
Studies have shown that three-quarters of shoppers use their phones either for pre-

shopping activities (such as locating a store, checking if a product is in stock, or checking store hours) or while they are shopping (to read reviews, check shopping lists, or compare prices), but capturing the ROI in mobile conversions can be difficult. We’re pleased to see more than half of survey respondents connecting the dots from their mobile campaigns to conversions.

Reach and frequency were also cited by nearly half of survey-takers as a measured mobile metric. While this can dovetail with some apps’ need to be visible for advertising and audience-building, in general we disagree with positioning this metric as a key performance indicator of MRM success.

This is because MRM is about context and relevance over reach and frequency. The objective isn’t to push multiple messages to a member of your mobile audience, but to push the one message that matters, when and where it matters most.

17. How do you measure mobile app success?





MEASURING APP SUCCESS

While our last question asked about measurement of an overall mobile campaign’s success, we dug deeper to find out how survey respondents measure a specific app’s success.

[Figure 17, previous page]: Predictably, downloads (69%) and user engagement or frequency of use (62%) were the factors most often cited.

Revenue was noted by less than half of respondents (44%) as a measured factor in app success.

We believe the most significant factor to measure is an app’s uninstall rate, which only

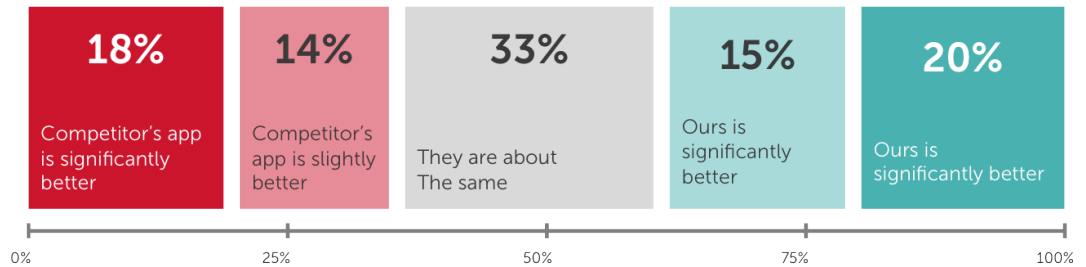
17% of survey-takers said they use.

Examining long-term retention is especially revealing in a market burgeoning with free apps that has conditioned customers to download-try-delete, then repeat.

In fact, our Good Push Index study of more than 2,400 apps and 500 million push notifications reinforced how critical the first month post-download is. Most apps see a steep initial dropoff, with much milder declines in following months.

We recommend all brands focus on the most important indicator of long-term loyalty: app retention.

18. How does your current mobile offering compare to your chief competitor’s?



COMPETITIVE MOBILE OFFERING

As we developed the Mobile Maturity Self-Assessment in collaboration with Urban Airship’s digital strategists, technical leaders and mobile marketing thought leaders, one of the questions we were most eager to answer was how survey respondents rate their app versus their competitor’s.

We download, test and evaluate hundreds of apps on behalf of clients and prospects. We wondered how brands view their own apps?

[Figure 18]: We were surprised by the evenness of the response distribution. The largest number of respondents said their app is about the same as competitors’ apps, and those who thought their app was slightly better (15%) or worse (14%) than the competition were also roughly even.

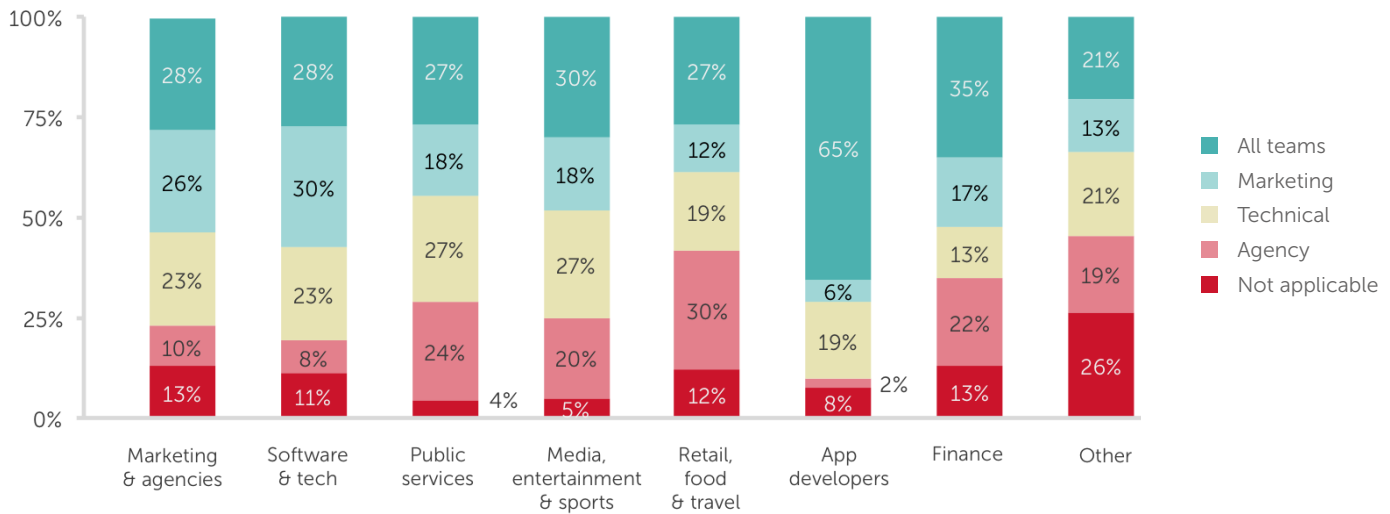
Similarly, while 18% of survey takers admitted their main competitor’s app was significantly better, 20% thought their own app was significantly better than the competition.

What can we conclude from this? First, **it’s likely survey respondents don’t have an overinflated sense of their app’s value due to the even distribution of positive and negative ratings.** This validates some of our other data.

Second, the significant opportunities for improvement in audience segmentation and app content customization, which we identified earlier, could push a moderate app far ahead of competitors.



19. Who is primarily responsible for your organization's mobile innovation?



INNOVATION IN MOBILE

The source of mobile innovation is a critical factor in an organization's future mobile maturity.

[Figure 19]: While nearly two-thirds of app developers said all teams within their organizations innovate in mobile, in nearly every other industry **less than a third have all teams working on mobile innovation**. In four of seven verticals, technical teams were the leading innovators.

A notable exception is in retail, food and

travel, where 30% of companies rely on an outside agency to lead mobile innovation.

We found the percentage of respondents that claim innovation is "not applicable" to be disturbing, including 13% of finance and marketing firms, and 12% of retail/food/travel companies.

If mobile innovation is not actively part of an organization—even if it's outsourced—the brand is likely to fall far behind the competition, given mobile's rapid evolution.

CLOSING

The opportunities in mobile have never been greater—even more than new technical capabilities, it's the new level of customer expectations driving mobile forward.

Our purpose is to help current and future clients evolve their apps, earning a place on customers' mobile devices, and keep that place by consistently delivering value.

Our Mobile Maturity Model, Mobile Maturity Self-Assessment and this Mobile Maturity

Industry Benchmarks Report were created through the collaboration of our customer success, marketing, technical, sales and executive teams based on our experience with hundreds of brands, thousands of apps and more than a hundred billion push messages.

We encourage feedback and dialogue. Please contact us at 800.720.2098 to chat more about this report and your next-level opportunities in mobile.



ABOUT THE MOBILE MATURITY MODEL

Urban Airship's proprietary Mobile Maturity Model emphasizes a brand's connection with its mobile audience, and the ability to enhance this relationship with contextual, relevant messages. The five stages of mobile maturity, from the most basic to the most sophisticated, are:

Reactive: Brands reacting to mobile evolution; focused on transaction over long-term relationship; converting non-mobile assets or messaging to fit on mobile devices.

Tactical: Brands experimenting in mobile; offering an app and using messaging to send

the same content and offers to their entire mobile audience.

Adaptive: Brands experienced in mobile; segmenting messages based on user preferences.

Strategic: Brands that excel in mobile; adapting to user behaviors, location and location history.

Relationship: Brands that have mastered mobile; driving one-to-one relationships with customers and weaving mobile throughout their business for holistic customer experiences.

METHODOLOGY

More than 500 senior marketing leaders participated in our Mobile Maturity Self-Assessment. Urban Airship invited brands to participate in the fourth quarter of 2013 via webinar, email or a special event.

The survey considered:

- Current organizational structure and leadership for mobile
- Current mobile tactics
- Business objectives influenced by mobile
- Audience segmentation sophistication
- Results & competitive analysis
- Challenges & vision for the future

Survey participants received immediate feedback from Urban Airship, including a detailed whitepaper describing their stage of mobile maturity and next-level opportunities to evolve their mobile strategy.

In this report, we have protected the privacy of individual survey respondents by presenting results in aggregate.

DEMOGRAPHICS

Three demographic data points were collected from participants:

- Industry
- Business size by revenue
- Functional department

This allowed us to not only look at responses in aggregate, but also to view each question to compare, for example, whether large or small companies had a more sophisticated mobile strategy, whether industry verticals such as media or retail tended to do more audience segmentation, and whether marketers or developers perceived specific mobile tactics as essential to support major business objectives.

We also assigned a mobile maturity stage to participants based on their aggregate score from all questions—reactive, tactical, adaptive, strategic or relationship stage—and this enabled us to filter results again to reveal if more sophisticated organizations in general specifically outpaced their peers in certain categories.

Participating brands included:

