

Beyond the iPhone: Engaging Customers with Mobile Applications

White Paper



Reaxion

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Executive Summary

This document outlines the key considerations a company should address as it plans to enter the mobile application space. The paper provides data on the current state of the market and discusses major market trends and forecasts. The framework for developing a mobile application market strategy is outlined. Key areas addressed include: venturing into mobile application development; typical mistakes and problems and how to avoid them; and developing the right solution.

The development of a successful application strategy requires collaboration between Marketing and IT. A clear understanding of goals and requirements, such as whether the application will be developed from scratch, based on or adapted from existing products or services, or ported to another platform is important. Understanding why customers would want to interact with your brand through a mobile application, who those customers are, and where and how will they be interacting with the application is key. Technical considerations include hardware capabilities, middleware, operating systems, development platforms, applications, delivery systems, and management tools.

A typical mistake is choosing an inappropriate market and not tracking key performance indicators. Regardless of an application's objective, agreeing how success will be defined is critical. Brand engagement, ecommerce, direct response or productivity improvements are typical objectives of a mobile application initiative, and each has unique ways of measuring success. Other frequent mistakes include: attempting to support too many platforms equally rather than focusing on those with the highest ROI; lack of a well developed marketing strategy to support the application; and investing into an application without fully considering whether it adds value.

Finally, the paper summarizes components of a successful solution and provides guidelines for what to look for in a third party partner in mobile application development:

- A proven development framework for the mobile environment.
- Experience overcoming distribution challenges inherent in each system.
- Verifiable results and processes for marketing applications to your customers.

An experienced mobile application development partner can navigate the technical complexities of this space and add tremendous value.

Okay, now you've done it! You've opened your mouth and spouted off how your organization needs to take advantage of the opportunities available in the mobile application space. You've read the headlines and seen the iPhone ads but haven't conducted in depth research to present a persuasive argument. Did your quarterly strategy meeting go something like this?

You: *Research indicates consumer-mobile device engagement is way up. New features in mid-market handsets are allowing a richer user experience at a lower price to the consumer. There's an opportunity for us to build a deeper engagement with core and influential users if we have a mobile strategy.*

Mr. CEO: *Interesting idea. How do you propose we approach this opportunity? The iPhone is everywhere but what's the right approach for us?*

Ms. CFO: *I'm interested in what budget this is going to come from and how would we gauge success metrics? In this economy we can't afford to not know the ROI.*

Mr. CIO: *We can develop an application and tracking system internally to do whatever we need.*

Ms. CFO: *What's the current development backlog and what mobile applications has IT delivered?*

Mr. CIO: *Um...well, the current queue doesn't allow for new projects until Q2-2010. And No, we've not built anything like this before, but I'm confident our team could knock it out pretty easily. What's the OS; Symbian, Linux, Windows Mobile?*

You begin to feel heat creep up the back of your neck. A headache is definitely coming on. You're thinking to yourself, "Why did I open my mouth? The idea wasn't shot down like usual but now there's more questions than answers." Instead of freezing like a deer in headlights, you need to get up to speed quickly.

This document will present issues to consider such as the current state of the market, major trends, mistakes to avoid and present a framework for developing your strategy. Key areas we'll touch on include:

- Venturing Into Mobile Application Development
- Typical Problems to Avoid
- Developing the Right Solution

The opportunity in mobile application development is available for those firms who plan diligently and execute better than the rest. Remember, real opportunity isn't in following the crowd but in knowing the market.

So are you ready to take the first step towards mobile application enlightenment? Let's rephrase that, you won't attain guru status by reading this document alone, but you'll know the right questions to ask to avoid costly mistakes.

US Mobile Phone Subscribers, 2008-2013 (millions and % penetration)

2008	270.3 (88.9%)
2009	280.8 (91.4%)
2010	291.2 (93.9%)
2011	298.4 (95.3%)
2012	304.0 (96.1%)
2013	308.7 (96.7%)

Note: benchmarked against the CTIA for which the last full year measured was 2008; figures are as of Dec. 31 for each year
Source: eMarketer, May 2009

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Venturing Into Mobile Application Development

Development of your mobile application strategy needs a sophisticated cross functional team approach. To accommodate the dynamics of the environment for mobile technology, consideration needs to be given to all facets of the application(s) that will be developed.

- Will a branded application be developed from scratch?
- Is there an existing product or service that should be migrated to the mobile environment?
- Do you have a mobile app that needs to be ported to other platforms or devices?

For the marketing team this requires partnering with IT. While such a prospect may send shivers down the spine of many a marketer, the fact is success depends on it. In the age of the mobile consumer, marketing and technology are now joined at the hip.

The mobile ecosystem includes hardware capabilities, middleware, operating systems, development platforms, applications, delivery systems, and management tools. They're all changing for the better but complexity is amplified. Stakeholder departments need to consider both the opportunities and the challenges. A team inexperienced in the mobile environment is likely to face significant challenges. Poor execution can lead to a poor brand experience for the user and an application that isn't adopted, or worse, isn't utilized.

Your mobile application strategy starts with a few simple questions.

- Who are we trying to reach with an experience via a mobile device?
- What devices, operating systems and handsets allow us to reach the target audience?
- Where does the transaction with the audience occur?
- Why would our audience seek brand engagement through the mobile channel?
- How will success be measured from both internal metrics and external user perspectives?

"Growing sophistication in users, devices and usage patterns will mean increased opportunities for marketers to connect with consumers. Yet marketers must take seriously the highly personal relationship users have with their mobile devices."

- Noah Elkin, eMarketer Senior Analyst

Maybe those questions aren't so easy to answer, and you're realizing that managing a mobile application initiative is different than managing other projects. The mobile environment has many more dynamics. The equation, and it *is* an equation, looks something like this:

(Carriers x Handset Vendors x Operating Systems) x Distribution Platforms

User Preferences & Discoverability

That headache still bothering you? Without deep internal resources the best option is to partner with a firm with a successful track record. Look for those with mobile deployments across carriers, handsets, operating systems, development platforms and the ability to support the project from beginning to end.

Typical Problems to Avoid

Let's dig into some common problems to which even the most well thought out plans can succumb. Not every scenario is covered here, but we hope to plant seeds that you'll cultivate into a plan with the appropriate contingencies and foresight.

The 5W + H Equation

Yes, we realize it's Marketing 101, but there's a reason for that and why we're repeating it – it's fundamental to developing a cohesive strategy. Everyone on the team – internal and external - needs to be on the same page and able to answer the following questions:

- Who are we targeting?
- What is our application's value proposition?
- When in the customer lifecycle is the application likely to elicit the desired response?
- Why will the application lead to enhanced brand engagement/loyalty?
- Where is the audience (i.e. handsets, OS, geography, etc.)?
- How will success be measured?

"With mobile usage now pervasive, mobile will develop into a ubiquitous platform for messaging, social networking, entertainment and web access."

- Noah Elkin, eMarketer Senior Analyst

You Can't Manage It If You Can't Measure It

Regardless of your application's objective, understanding in advance how success will be defined is critical. Brand engagement, ecommerce, direct response or productivity improvements are likely the objectives of a mobile application initiative. Each has unique ways of measuring success.

When an application is designed to drive **brand engagement**, you want to extend the brand's reach and utility while connecting with consumers in an interactive manner that builds affinity. With **ecommerce**, the objective is straightforward: success equals ROI. An application developed with **direct response** as an objective might take a "freemium" approach. In this case, the ratio of premium activations to free downloads is going to be the primary metric.

Activity Measured	Typical Conversions
Mobile response	Application download Mcommerce (purchase in mobile environment) Sign-up / Registration Click through to website Mobile search MMS & SMS
Online behaviors	Click through to website Sign-up / Registration Onsite action Online purchase
Offline activities	Coupon redemption Store visit

Productivity improvements are another way to extend brand engagement through sponsored applications. Internal applications can be extended from the desktop to the mobile environment to improve efficiencies. Such an exercise will be driven by internal operations. Expertise of mobile application development nuances are still of value to improve user adoption rates and reduce concept-to-launch time.

Attempting to Support All Platforms Equally

Remember that equation on page four? The level of support applied to each combination needs to be commensurate with its contribution to overall mobile program success. It's simply not feasible to support every application variation equally. Identify your audience and determine which combination of variables enables targeting that will yield positive results.

When outsourcing development and support, partners need to be up front and provide explanations for their recommendations. Should your service level agreement (SLA) include support, allocation of resources needs to be aligned with contribution of individual components. Consider self-serve and community based support to minimize expense in this area.

Viral Doesn't Just Happen

So you've invested precious marketing budget in the development of an application and its going to create its own buzz? Wrong! Remember, viral doesn't just happen, it's designed and engineered. Marketing support is essential to mobile application success.

- Get high profile positions in app stores, on-deck placement and off-portal marketplaces.
- Submit your app to review sites
- Participate in social media. This may be your bread and butter for getting an app to go viral.
- Develop a micro-site optimized for keywords and drive awareness and downloads.
- Include mentions in email newsletters and updates. Let your audience know the app exist.
- Leverage partnerships and cross-marketing opportunities.

Look to other marketing vehicles that you can piggyback on to. Treat your mobile application as you would any other product or service launch. The scale may differ but the steps to success are the same. Develop a marketing plan, allocate a budget and track performance. Test messaging and fine tune as necessary. A full service development partner can draw on experience from past projects and assist on promotion.

Build It and They Will Come

In addition to marketing support, a mobile application initiative needs to address some missing aspect of the brand-consumer relationship. Be self-critical and ask why would a mobile application add value? You don't want to invest resources in a novelty that ends up getting deleted days after download. Examples of useful mobile applications include Stanley's level application that allows a do-it-yourselfer to make sure their tables, cabinets and pictures are level. Kaplan provides a mobile application that offers test prep questions, an ideal extension of their core offering.

Extending a desktop application to mobile is no guarantee of success either. Translating the experience to a much smaller screen and processor with less horsepower needs careful consideration. The technical migration of the application experience to a completely different hardware platform and user interface can lead to disaster if not executed well.

Developing the Solution

Increase the likelihood of success with market research, due diligence and an experienced third party review for feasibility. Next, create story-boards, review technical options, conduct feature set audits and application scenario mapping to bring shape to your concept. There's simply no substitute for experience and proven processes once you've reached this stage.

Segmentation of Handsets

Smartphones have a distinct operating system (OS) and are closer to mobile computers than phones. This market continues to grow; users are more sophisticated and typically older with greater financial resources. But are they *your* market? **Enhanced** or feature phones have less programming flexibility, but benefit from very strong media, imaging and web services. Such phones use Java, Ajax and technologies such as Flash or Silverlight to deliver an engaging user experience. Also important to note is that these mid-tier devices are dominant in youth and young adult markets where price is a factor.

Multi-Platform Development

Identify the appropriate platform for your application and market. Don't forget to consider proven winners such as J2ME and BREW. Other solutions such as the iPhone may be the current favorite but a history of success trumps potential. Insure capabilities exist either internally or with partners to create the application to the level of quality the audience expects. Employ a user-centered design approach to improve adoption.

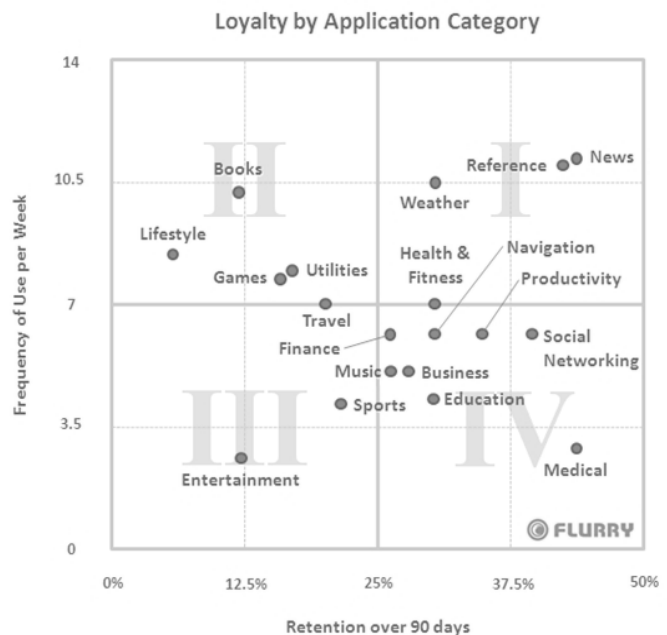
Porting Services

How do you enable your application to work with the massive array of handsets while maintaining a consistent look and feel? The abundance of consumer options is a huge technical hurdle. Fragmentation in the handset market makes porting applications necessary to reach your entire audience. Porting services solves this potential problem efficiently and economically.

What to Look For

- A proven development framework for the mobile environment.
- Experience overcoming distribution and marketing challenges inherent in each platform and channel.
- Design expertise to build for specific platform capabilities – every platform is different.
- Verifiable results and processes for marketing applications to your customers.

Now it is time to head back to the meeting we started with. This time instead of feeling lost, ill prepared and unsure you should feel a lot more comfortable about how to proceed.



The BRAVA/Reaxion Solution

In today's complex and highly competitive mobile games and applications market, new technology, handsets, operating systems and players make for a constantly changing landscape. Agencies, brands, developers and publishers need to find a way to offer cutting-edge mobile services to their clients in a flexible and cost-effective manner.

Reaxion offers its partners a *Mobile Application Suite* tailored to their clients' needs and budget. Their BRAVA™ development platform allows them to develop mobile applications in J2ME, and port the project to any platform, allowing complete flexibility and total market reach without costly development time. This unique ability coupled with their experienced project management team including creative designers, marketers, and industry professionals offers agencies, brands, developers and publishers an ideal mobile solution.

About Reaxion

A leading provider of multi-platform mobile application development services, Reaxion enables brands, agencies, publishers and developers to cost-effectively reach the broadest mobile audience. Reaxion is a division of Mobliss, Inc. For more information, please visit www.Reaxion.com.

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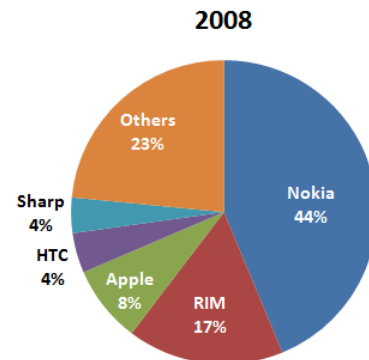
Appendix

Market Drivers: Trends, Data & Predictions

Handsets are evolving into an enabler of experiences. For brand marketers, the opportunity is to engage with the customer base on the handset. Users will become increasingly interested in handset technical features as they dictate available applications and services.

Smartphone Device Market Share

The worldwide market share of Smartphones reveals the strength of Nokia and Research In Motion (RIM). While Apple's recent rise is significant and noteworthy, its success is currently with the consumer market. Research In Motion, the maker of the BlackBerry, is strong with enterprise users while Nokia crosses the Enterprise-Consumer boundary.



Source: Gartner (March 2009)

Available Applications

We've all seen the Apple iPhone App Store commercials. As the first provider to develop an end-to-end ecosystem of handset-applications-delivery channel, the preponderance of iPhone apps isn't surprising. Apple's most recent commercial states 74,000 applications in the App Store (it's probably 80,000+ since you started reading this). Given the distribution of handsets and operating systems, the opportunity lies in addressing those markets being ignored.

Nokia and a Long Tail Dominate in Handsets

Handset dominance is concentrated in the hands of a select few manufacturers. Their total combined market share is over 80% among the top five manufacturers. Nokia, with approximately a 40% share, is the far away leader in the space. A multitude of small manufacturers hold positions of 2% or less market share. We don't expect to see this change in the near future.

Q1-09 Global Handset Market Share	Q1 '08	2008	Q1 '09
Nokia	40.9%	39.8%	38.1%
Samsung	16.4%	16.7%	18.7%
LG Electronics	8.6%	8.6%	9.2%
Motorola	9.7%	8.5%	6.0%
Sony Ericsson	7.9%	8.2%	5.9%
Others	16.5%	18.2%	22.0%
Total	100.0%	100.0%	100.0%

The Evolution of Handset Technology

Technologies will continue to improve. Both handset hardware and software technologies improvements will drive innovation. Better user experiences enable mobile devices to become superior web, application and media delivery platforms. High-end devices will become more sophisticated, and low-end devices will become less expensive. The spillover will enable mid-tier phones to offer a suite of rich user experience enhancements at competitive prices.

Got Apps?

Vendor application stores and operators clash as business models overlap. All will realize the separation of consumer and business doesn't benefit users and thus business. The users will want one handset that allows them to communicate, be entertained, consume content and be productive as they so choose. The handsets will lead and the apps will follow.

