Kahuna

The Kahuna Mobile Marketing Index
Q4 2015

A report on consumer engagement metrics and other key market insights

Introduction From David Verhaag
VP of Customer Success at Kahuna

Marketing in the mobile era is about marketing, not just mobile. It is easy to get hyper-focused on the power of the platform and lose sight of the communication opportunities that it enables. Marketing in the mobile era is not about push, in-app, or email messaging, it is about the creative content that these channels enable. Marketing in the mobile era is about the people again; it's about communication.

In this third installment of the Kahuna Mobile Marketing Index, we explore how marketers are delivering this personalized experience to customers. We take a comprehensive look at opt-in rates, user retention, opt-out, and uninstalls over time, and the impact that mobile has on email click-to-open rates to help you plan your strategies for the new year. Kahuna doesn't want to just be your marketing automation vendor. We want to be your partner in creating intelligent and authentic engagement between you and your customers.

The report indicates that marketers are using Kahuna effectively to improve engagement and retention. In Q1, and 2016 as a whole, it is going to be really important for marketers to understand the business impact of their communication plan and to be able to articulate those results in a way that the C-suite will understand. Retention is not enough if the marketer can't articulate the value of a retained user. Engagement is not enough if the marketer can't articulate the impact to the bottom line of a percentage increase in engagement.

What better way to start your 2016 marketing journey than armed with the latest mobile marketing industry data? Read on for more valuable data and insights.

David Verhaag

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VP of Customer Success, Kahuna

Key Takeaways

- **Push notification opt-in rates remained steady.** The opt-in rate across iOS and Android remained consistent, going from 64% to 63% since the last Kahuna Mobile Marketing Index. Android continues to have a much higher opt-in rate, but with the permission changes associated with Android Marshmallow, brands should keep a close eye on this metric.

- **A huge majority of emails are opened on mobile.** According to Kahuna data, 84% of emails sent are viewed on a mobile device. With that in mind, marketers must test email content rigorously for how it renders on a variety a mobile devices and leverage cross-channel data, especially from apps and the mobile web, to better inform their email campaigns.

- **Push notifications double retention rates.** Brands must lean on owned communication channels like push notifications, in-app messages, and email to maximize retention. The data reveals that personalized communication ncreases 90-day retention rates twofold.

- **Compelling messaging can also help prevent app uninstalls.** Kahuna data reveals that for companies that use intelligent communication, users were actually less likely to uninstall an application if they had received a message within at least 30 days.
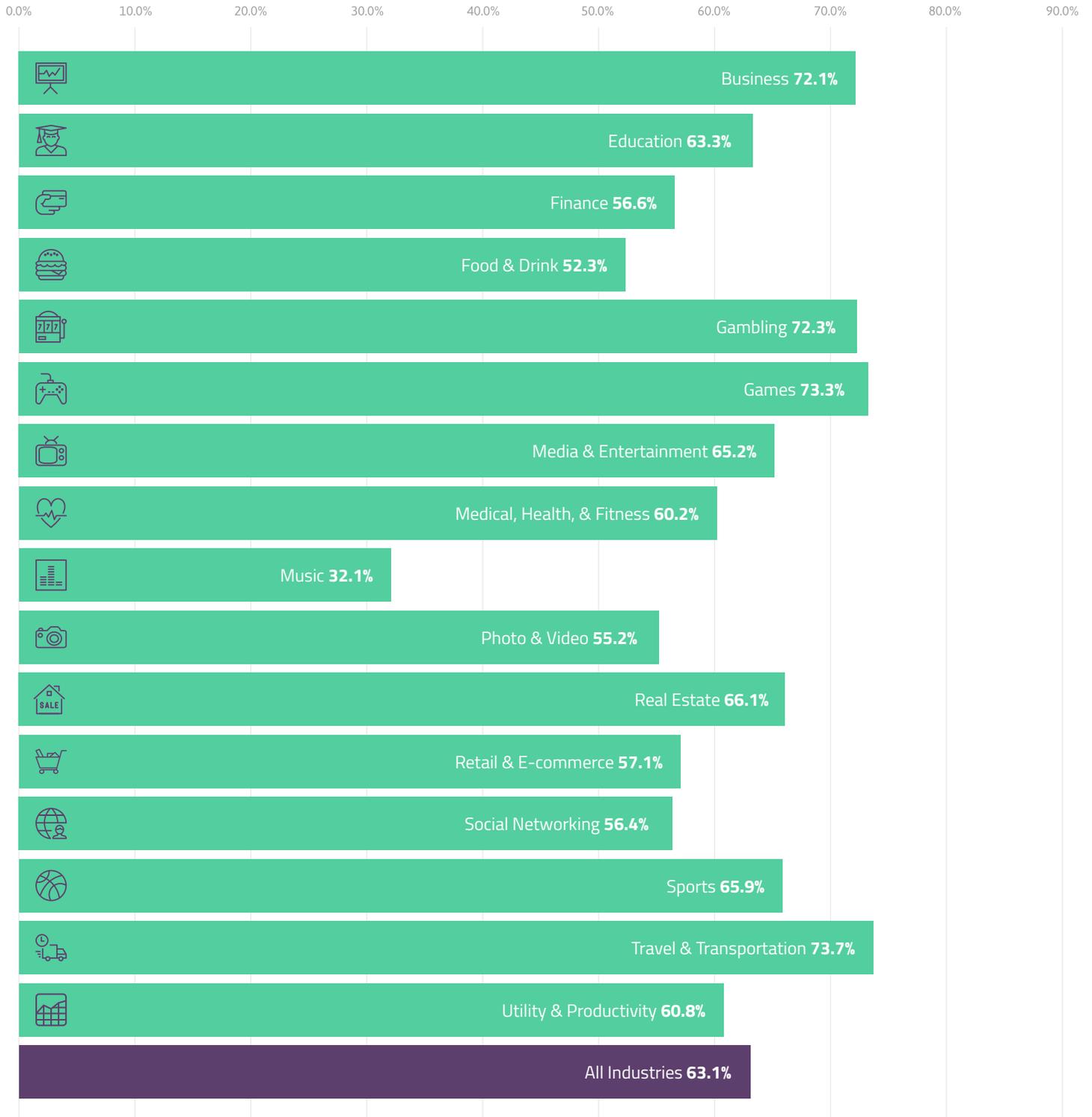
Opt-In Rates Fluctuate Based on Urgency and Intent

The success of mobile marketing is dependent on the number of customers that opt in to receive push notifications. While Android users are automatically opted in to messaging, iOS users need to manually opt in to receive push notification. The higher the opt-in rate, the more willing customers are to receive messaging, and the more effective your marketing messages will ultimately be. When we looked at the last quarter's opt-in data, we noticed a few interesting trends.

- **The urgency of information matters.** When looking across industries, travel & transportation and real estate companies enjoy above-average opt-in rates. Why? Because the timeliness of information matters more to customers in those industries. Customers are likely very eager to be notified if their flight has been cancelled or if their dream home has a reduced price.

- **Competition-based apps also thrive.** Along with travel and real estate, users of gambling, games, and sports apps opt in to push notifications at a higher rate. With something at stake, be it a competition against friends, a big game between rival teams, or even money wagered, customers want to be notified of any change in the competition as soon as possible.

- **Leisure apps lag behind.** While some industries excel, food & drink, music, and photo & video apps lag behind. Unlike competition-based apps or apps with important information, users prefer to use leisure-based apps on their own time and at their own pace.

Opt-In Rates by Industry Vertical

|	
Business	**72.1%**
Education	**63.3%**
Finance	**56.6%**
Food & Drink	**52.3%**
Gambling	**72.3%**
Games	**73.3%**
Media & Entertainment	**65.2%**
Medical, Health, & Fitness	**60.2%**
Music	**32.1%**
Photo & Video	**55.2%**
Real Estate	**66.1%**
Retail & E-commerce	**57.1%**
Social Networking	**56.4%**
Sports	**65.9%**
Travel & Transportation	**73.7%**
Utility & Productivity	**60.8%**
All Industries	**63.1%**

Looking across devices, Kahuna's benchmarking data shows some interesting trends:

- **Opt-in rates for iOS and Android hold steady.** In Q4, the percentage of customers who opted in to push messaging for Android and iOS was 87% and 47%, respectively. Opt-in rates for both operating systems remained largely consistent with Q2 numbers of 86% for Android and 50% for iOS.

  What this means: For the time being, opt-in rates for both Android and iOS are expected to remain constant, with slight quarter-over-quarter variations. Long term, we expect opt-ins for push to grow steadily as consumers get more comfortable with the technology. For iOS, growth rates will be positively impacted by marketers' ability to control the request. However, Android Marshmallow provides more granular details on app permissions, which may impact long-term opt-in rates. It generally takes multiple quarters for the latest version of Android to reach high rates of adoption, so Kahuna will look into what impact this has in future reports.

Opt-In Rates by Platform

	0.0% 10.0% 20.0% 30.0% 40.0% 50.0% 60.0% 70.0% 80.0% 90.0%
All Platform	63.1%
Android	86.8%
iOS	47.0%
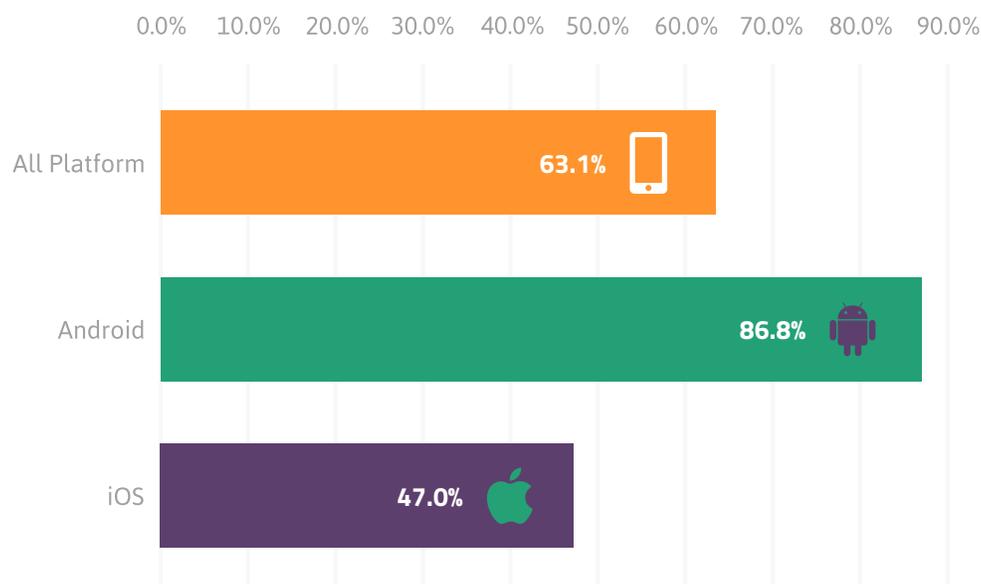
- **Android opt-in rates will always be higher than iOS opt-in rates.** Across all verticals, Android's opt-in rate is almost double the iOS rate. Why? Android app customers are automatically opted into push messaging, whereas iOS app customers need to accept the opt-in prompt.

  What this means: The way companies deploy their iOS opt-in prompt matters greatly. Providing key information about what notifications will be used for and how often they'll be sent are proven ways to drive better opt-in rates. Companies can also test multiple messages at different times in the users lifecycle to find out what works best.

- **But maintaining opt-in rates takes work.** Even though opt-in rates remain high across both platforms, that does not mean they will stay that way for every app. Kahuna's benchmarking data shows that one in seven Android customers turn off notifications after the app is installed. Marketers must understand what messages work and which messages drive opt-outs.

  What this means: All marketing messages must be timely, relevant, and contextual to the individual customer at that specific moment of delivery. Anything less falls short of what customers expect. Missing these expectations is no longer an option when a user can opt-out or uninstall your app in a few swift taps of their finger.

So how can marketers boost opt-in rates across industries? Here are a few tips:

- **Make the opt-in ask at the right time.** Whether it's an opt-in request or a marriage proposal, timing is everything with an important ask. That's why marketers need to test message variables to determine what combination of controllable variables garners the best response (hint: it's probably not when a user opens your app for the first time). With the right marketing tools, marketers are able to track everything customers are doing on their applications, including the rate at which they respond to a specific opt-in request. Testing a variety of interstitials and prompt triggers will give marketers insight into what's working.

- **Set messaging expectations clearly.** It's important to set expectations with customers and let them know what to expect. Will you be sending hot new deals or important status updates? Will you send messages once a day or once a week? Giving customers a better sense of what they are signing up for will make them more comfortable opting in.

- **Make use of all your marketing channels.** In today's hyper-connected digital world, marketers have the benefit of relying on other communication channels—such as email and in-app messaging—to convey the value of opting in to push. Marketers must leverage their cross-channel data to send email or in-app messages to only those customers who aren't already opted in. They should also consider segmenting by customers who were opted in to push at one point and customers who were never opted in to push to see if different messaging resonates with each group.

- **Convey the value of messaging.** It's also important to let people know why they should opt in. Some customers may have had a bad experience, and now feel like push notifications are only meant to spam them. Let your customers know that you'll be able to keep them updated with the latest information or make sure they're the first to know about hot new deals. There is real value in push notifications, but you must demonstrate that value to customers.

Intelligent Communication Doubles 30, 60, & 90-Day Retention

Every app install takes hard work and is a precious commodity. Marketers need to retain these users to make all the effort put into earning them worth it. Marketers need to make sure their users understand the app, engage with it, and make it part of their daily routine. While this may sound like a tall order, Kahuna user data suggests effective mobile messaging can positively impact this process.

Messaging is a proven way to drive user retention. When a customer has opted in for messaging, they suddenly become a part of your owned audience. This means they can be more effectively engaged throughout the customer lifecycle—from onboarding to day 90, and beyond. Well-orchestrated messaging campaigns ensure that customers get the best possible utility from your application.

30, 60, 90-Day Average Retention

	30 Days	60 Days	90 Days
Push	45.4%	36.4%	29.3%
No Push	24.1%	18.3%	14.3%

■ Push   ■ No Push
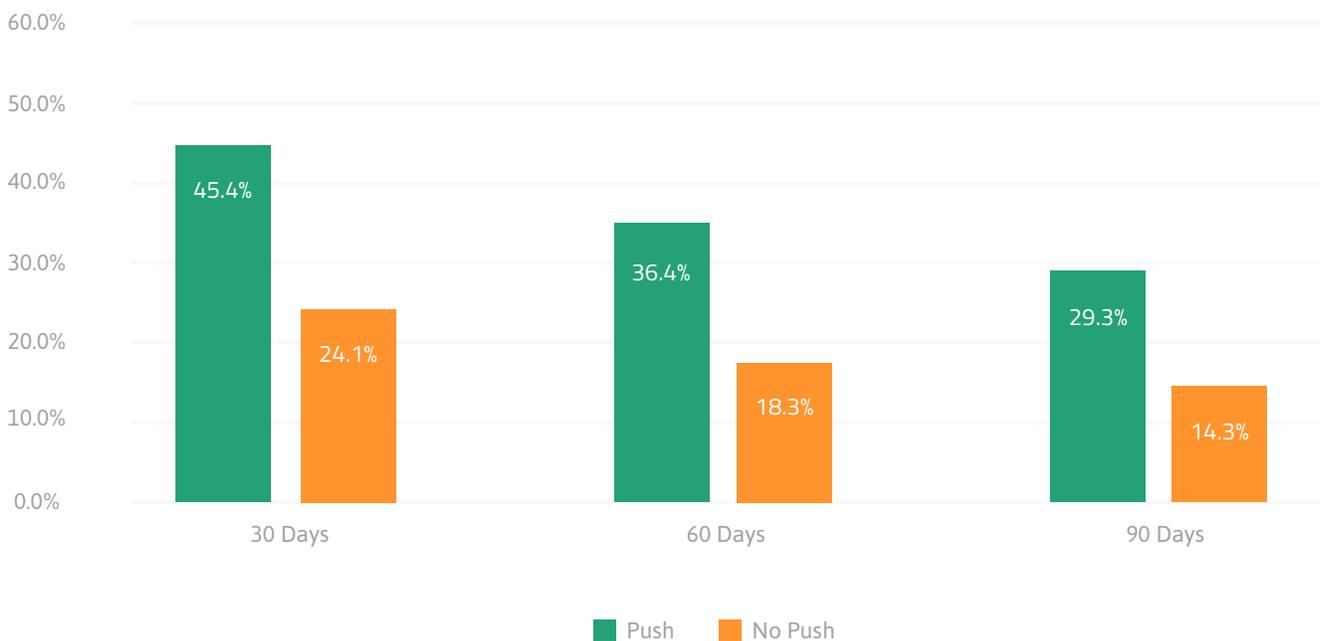
When comparing retentionrates of customers who either had or had not received push messages, it is clear that messages have a significant positive impact:

- **Messaging can make first-time users into power users.** It's a huge challenge for marketers to turn people who have downloaded their app into profitable long-term customers. The first step to creating a high-lifetime-value customer is to drive the first handful of interactions with the application in order to create a habit of use. Kahuna data shows companies can expect a 45% retention rate for 30 days by using messaging. This represents a nearly 200% uplift over users who either did not receive messages or did not opt in for messaging.

   What it means: The first 30 days are critical in creating lasting relationships with customers. Companies can maximize ROI by taking calculated steps to turn acquired customers into engaged customers. Companies that fail to do this are missing an opportunity and simply wasting budget.

- **Messaging also has a positive impact on long-term retention.** Kahuna data shows that the uplift felt by using messaging in the first 30 days can still be felt on day 90. While the largest gains are in the first 30 days, companies that utilize push messages still see roughly two times more retention than companies that do not use messages at day 60 and day 90.

   What it means: While onboarding is an important step to driving long-term retention, it's not the only thing companies should focus on. Thinking strategically about how to engage customers throughout their entire lifecycle can have significant returns.
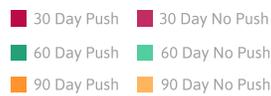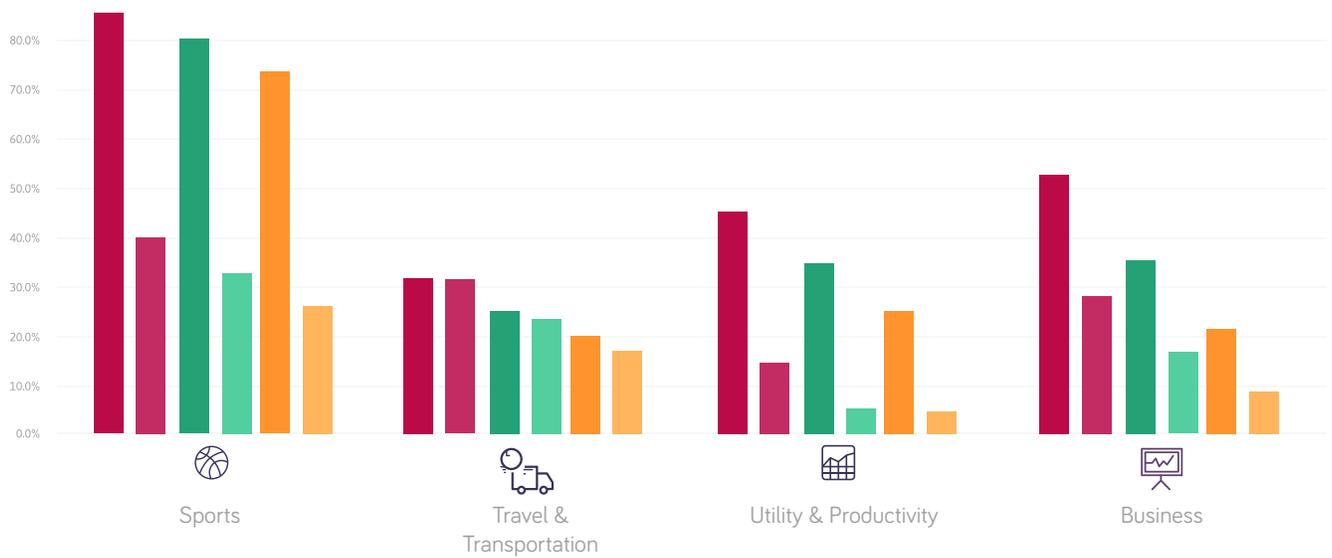
- **Messaging differentiates apps in competitive verticals.** When looking specifically at competitive verticals such as games, food, media & entertainment, and music— where many alternatives for each exist—Kahuna benchmarking data shows that messaging increased retention rates by more than 100% for each vertical. The music app category, for example, has fierce competition with low barriers for switching services, and the data reveals that personalized messaging can drive 90-day retention rates that are eight times higher than those that did not receive messaging.

What it means: Brands that want to stand out in increasingly crowded fields can lean on intelligent communication to give them an edge. Post-install engagement is the key to retention, especially in verticals with low switching costs.

30, 60, 90-Day Retention, Push vs. No Push, by Industry

Legend:
- 30 Day Push
- 30 Day No Push
- 60 Day Push
- 60 Day No Push
- 90 Day Push
- 90 Day No Push
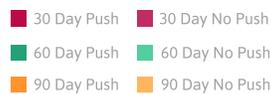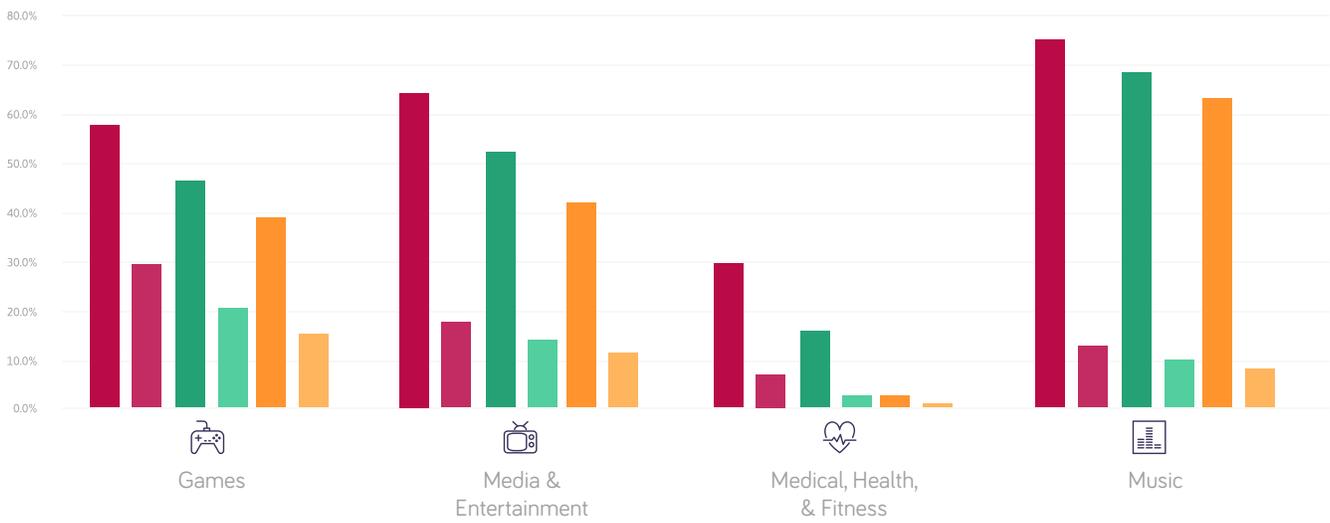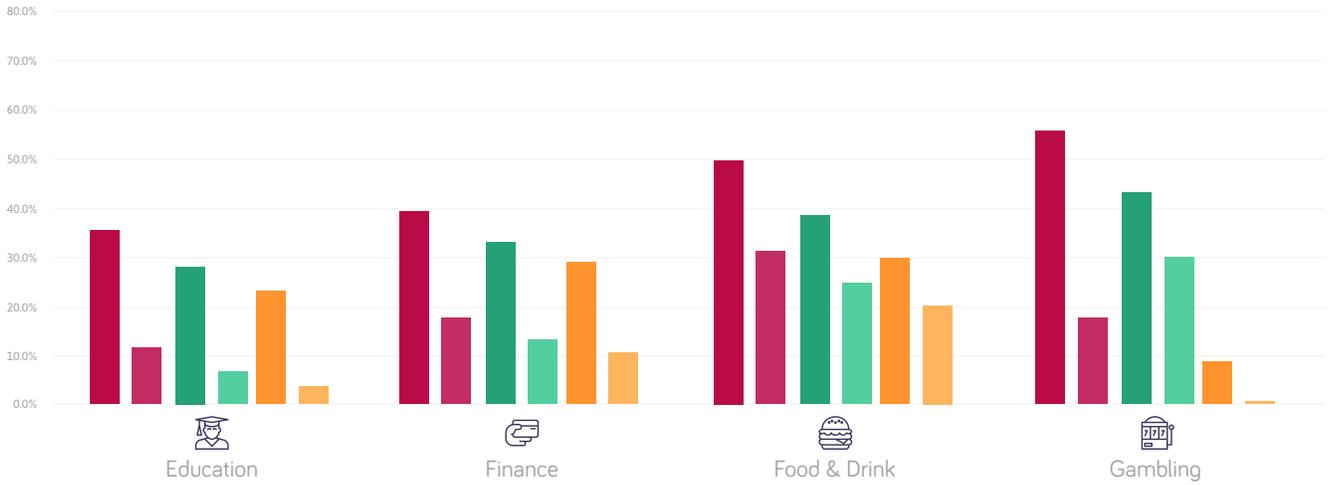
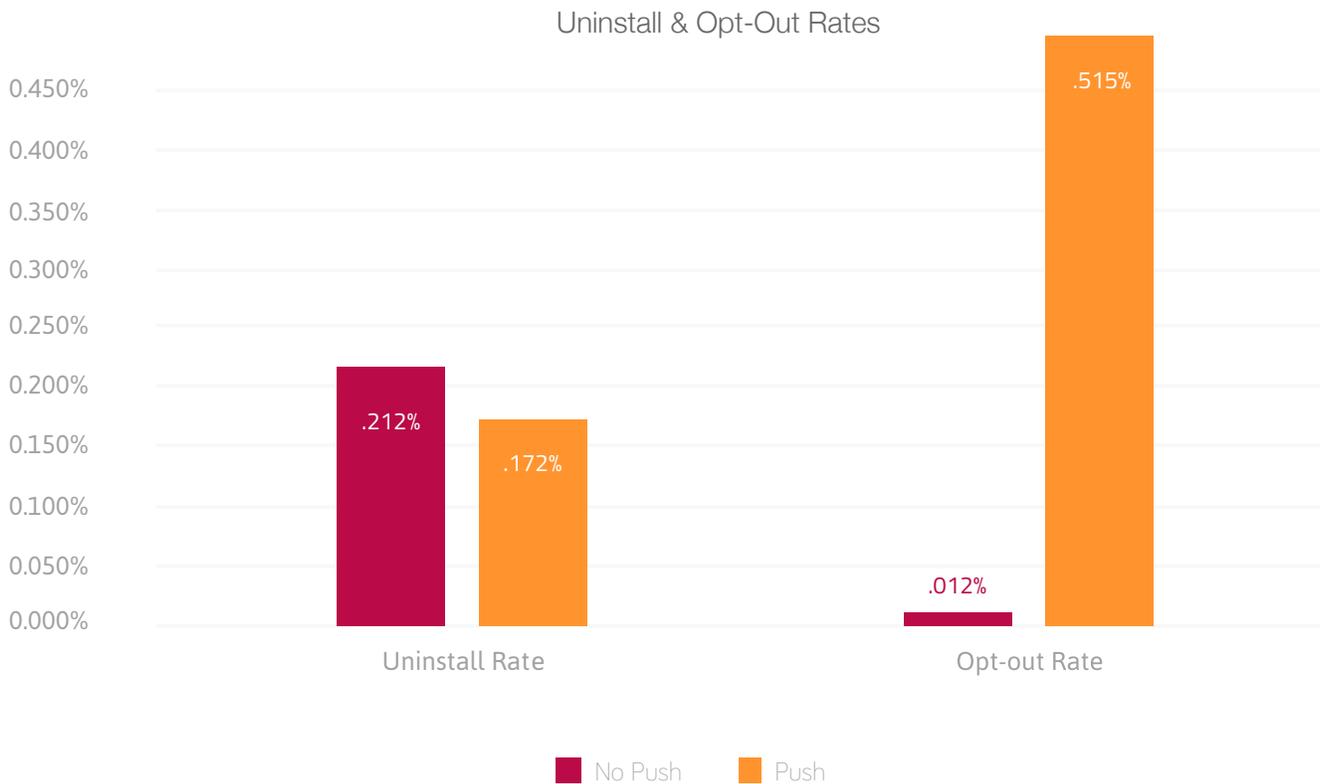## 30, 60, 90-Day Retention, Push vs. No Push, by Industry

Messaging Also Helps Prevent App Uninstalls

While there are a lot of potential upsides to a mobile messaging campaign—such as an engagement or conversion rate improvement—there are also risks. Uninstalls and opt-outs are often associated with a campaign or individual push message that missed the mark. Was the push sent when customers were busy? Was there too much personalization too soon after customers started using the app? Were you too direct in issuing a call to action in the copy of the message?

For the mobile marketer, it's important to identify and correct the aspects of the campaign that are causing negative reactions or stopping the campaign altogether. Reacting quickly can save customers and revenue. But to react, you need to first understand.

Uninstall & Opt-Out Rates

0.450%	
0.400%	
0.350%	
0.300%	
0.250%	
0.200%	.212%
0.150%	.172%
0.100%	
0.050%	.515%
0.000%	.012%

Uninstall Rate   Opt-out Rate

■ No Push   ■ Push

Kahuna benchmarking data shows that:

- **Opt-outs as a result of receiving messages are actually low.** It's expected that sending messages will cause some of your customers to opt out, especially when you consider Android customers who are automatically opted in. However, according to Kahuna data, only about 0.17% of customers who receive a message will opt out.

  What it means: It's important that you monitor your campaigns to make sure your numbers aren't significantly higher than the industry average. If they are, consider making changes to your overall strategy to drive these numbers down. Tools that provide automatic optimization capabilities for copy and delivery timing can minimize potential negative results of mobile messaging.
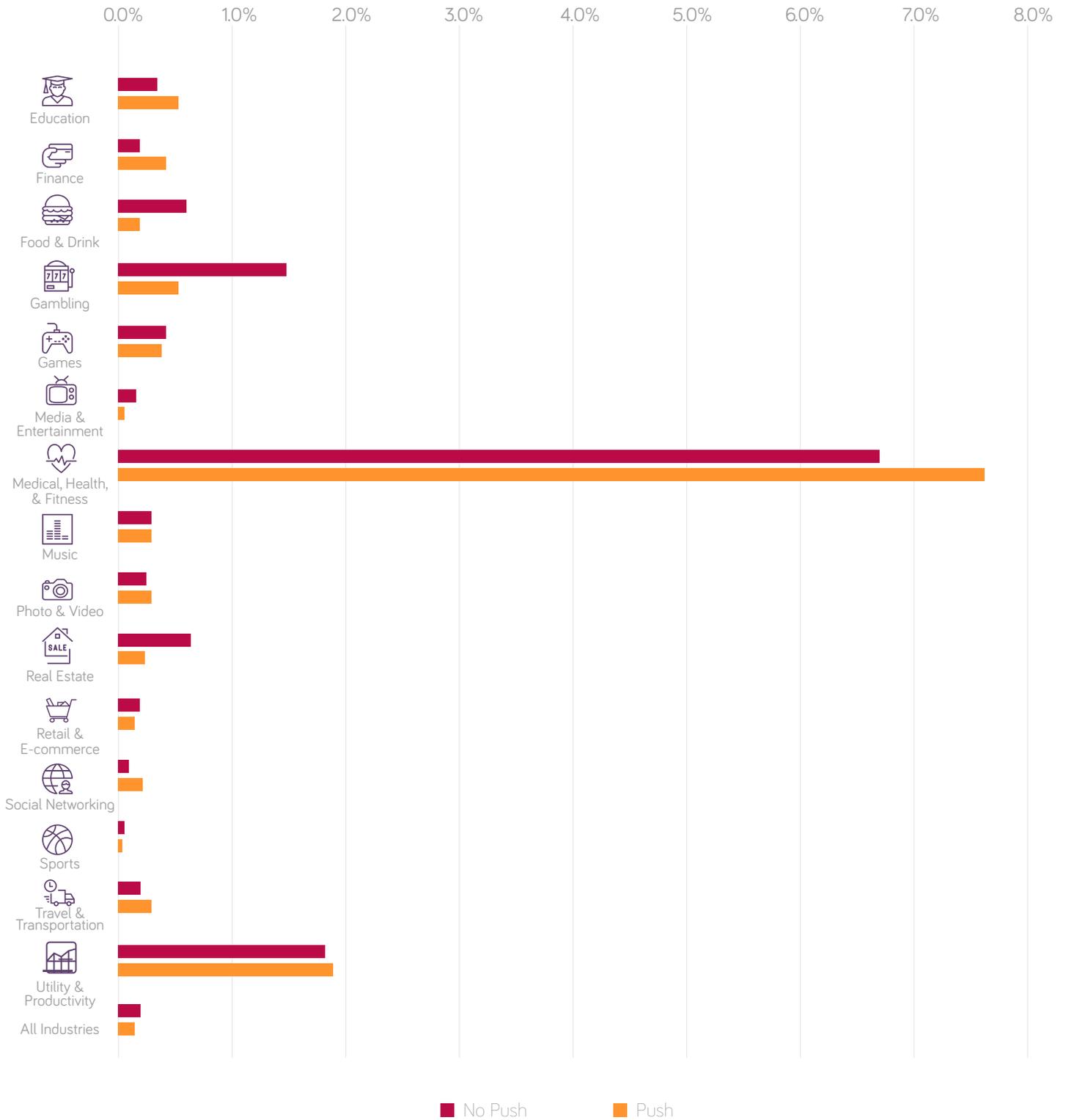
- **Messaging can actually help prevent uninstalls.** A recent study conducted by MediaPost found that the number-one reason customers uninstall apps is that they rarely used them.[1] With that data in mind, it makes sense that messaging, which has been proven to drive engagement, could also have a positive impact on your uninstall rate. When comparing customers who have received messaging versus those who did not (via a global control group), Kahuna's benchmarking data shows that customers are 23% less likely to uninstall your application after having received messaging.

  What it means: Messaging can keep your company top of mind for customers and drive ongoing engagement. It drives unplanned engagement that, come app clean-out time, will be the difference between having your app uninstalled or not.

1. Smartphone Consumers: Most Use 1-6 Apps a Day, 61% Access Browser (10/07/2015)
http://www.mediapost.com/publications/article/259947/smartphone-consumers-most-use-1-6-apps-a-day-61.html

Uninstall Rate by Industry Vertical

Legend: ■ No Push ■ Push

- **In certain verticals, messaging saves customers who would have otherwise churned.** Media and entertainment, for example, saw much higher than average opt-out rates for customers that received messaging—about 0.8%. Yet the same population of messaged customers were actually less likely to uninstall the application altogether. In this case, messaging actually helped customers continue to find value and utility in the application. Other verticals such as gambling, games, real estate, and retail & e-commerce, among others, also saw fewer uninstalls from customers who received messages versus those that did not. One of Kahuna's retail clients saw a 500% improvement in its app uninstall rate versus the control group.

  What it means: Messaging is yet another way to help prevent churn among customers. App users are extremely profitable and are oftentimes your best customers, so maintaining that channel is critically important.

Want to decrease opt-out rates? Leverage these proven strategies:

- **Make sure messages are valuable.** Push notifications are not a channel to be abused. Brands should convey the message as succinctly as possible—don't underestimate the power of emojis and emoticons for conveying large ideas or emotions (duh!) quickly. Push notifications should be limited to important or valuable information only. Save complex messages for the proper channel, like email or in-app messaging.

- **Don't send too many messages too quickly.** Nobody likes to be spammed with messages, no matter how valuable they are. You need to consider just how many messages your customers are receiving. This is especially true when you consider that your omnichannel approach means you're talking to customers via push notifications, in-app messages, email, and social. The best marketers use tools to automatically rate-limit how many messages an individual user can receive based on many factors.

- **Be careful with personalization.** Personalized messaging sounds like a magic bullet, but brands should be wary about leaning on it too much. A campaign sending a message with too much personal information too early can signal a major red flag to customers. Brands must understand the user on the individual level, but be strategic in the way they leverage that understanding.

A Majority of Email Is Opened on a Mobile Device

Email has been the workhorse of the modern marketing department for over 20 years, and that is unlikely to change any time soon. What has changed however, is where and how those emails are now being consumed. According to Kahuna data, 84% of emails in Q4 2015 were opened on a mobile device.

To ensure that marketers are getting the most out of mobile email, it's important to understand not only what content is resonating, but also what channels and devices are most popular with your audience. Email needs to be optimized for the customer and the device.

Kahuna's email delivery and customer response data generated some telling findings, including:

- **Yup, a vast majority of email is opened on mobile devices.** We saw this trend taking shape last quarter and it remains true. When reviewing Kahuna's email delivery rates, we found that 84% are opened on mobile devices.

  What it means: Marketers need to make sure their email renders well on mobile, and test email content religiously across iOS and popular Android devices. Additionally, brands incorporating mobile behavioral data to segment or trigger delivery are seeing improved performance over generic, batch-and-blast email messages.

- **Mobile click-to-open rates (CTORs) are closing the gap with desktop.**
  The data shows that CTORs on desktop surpass CTORs on mobile by at least 5.5
  percentage points for the measured period. Both mobile and desktop CTORs fell
  slightly each month, which may be partially attributed to decreased customer free
  time during the fall and winter months.

  What it means: Kahuna focused on CTORs rather than open rates or other metrics
  because we believe it shows how effective the design and content—the "meat"—and
  the timing of the email are in driving engagement. Brands should build their email
  message content for the smaller screen to boost mobile CTORs because emails are
  increasingly going to be opened on these portable devices. Mobile-friendly email
 content will still be effective on desktop systems, but the inverse isn't true.

CTOR by Platform

Month	Desktop	Mobile
OCT	22.2%	11.7%
NOV	14.9%	11.0%
DEC	14.6%	12.2%
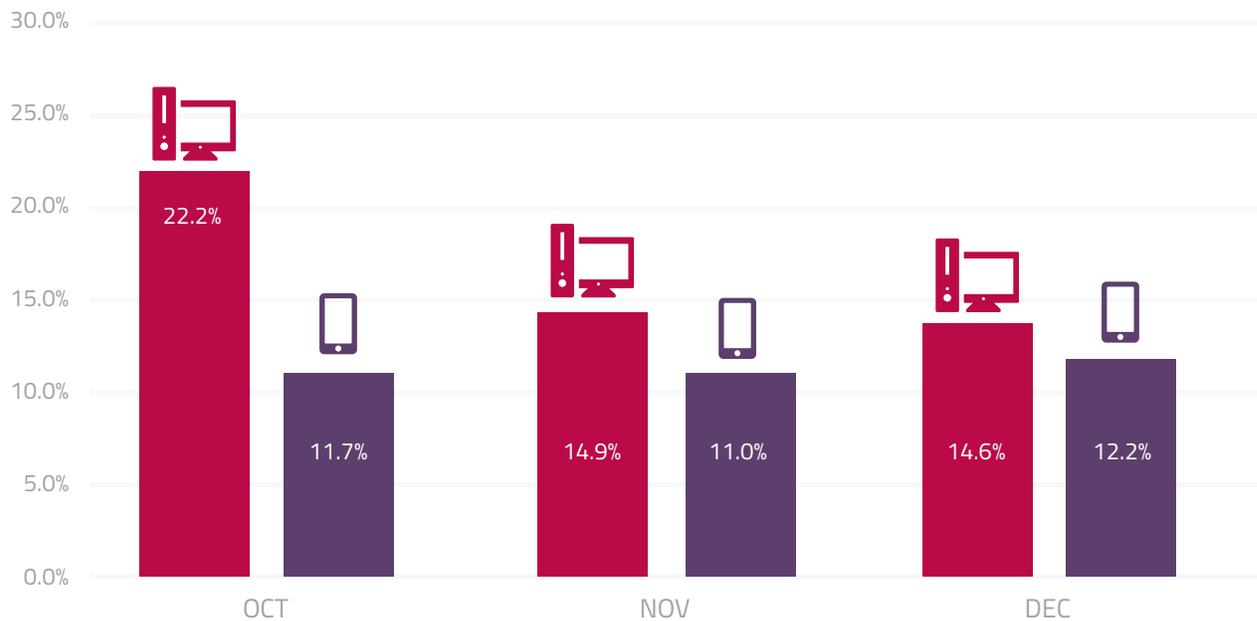
- **Emails sent to Android devices have higher CTORs than iOS.** Data shows that Android CTORs are dramatically higher than those on the iPhone. How much higher? Almost 40 percentage points higher in October.

  What it means: Email is increasingly becoming a mobile-first endeavor, with Android users leading the way. Brands should take a hard look at their customer base by platform and adjust the message medium accordingly.

CTOR by Operating System

	OCT	NOV	DEC
iOS	4.2%	6.3%	6.0%
Android	43.8%	23.8%	27.4%
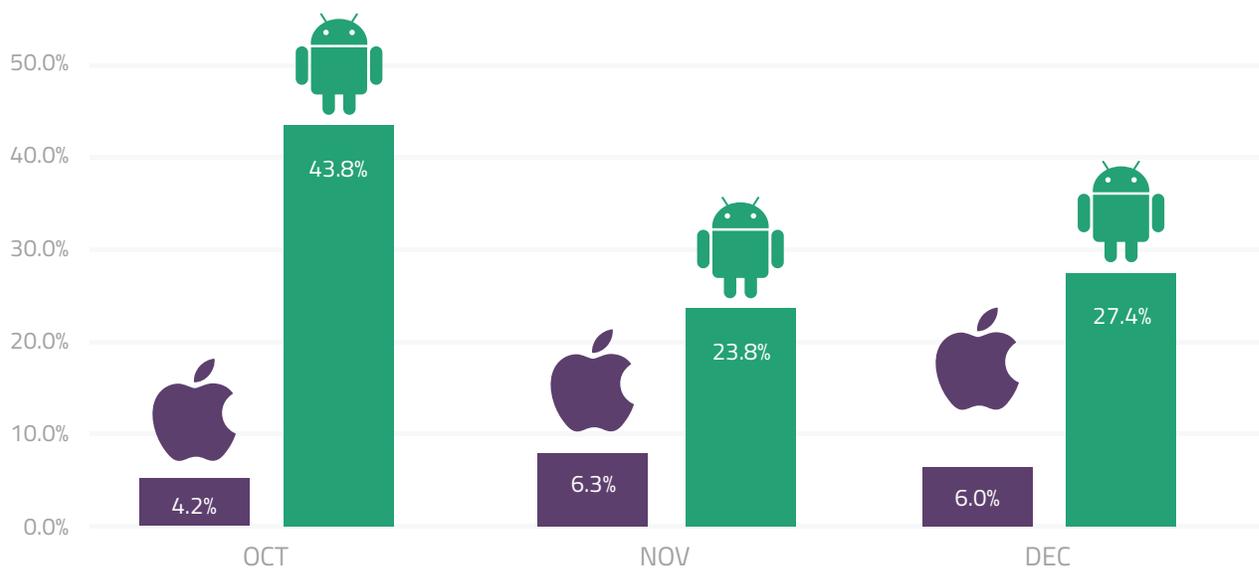
Brands can follow these steps to boost email engagement on mobile:

- **Customize the content to the channel.** Email is very different from the other channels in your arsenal. Winning brands optimize their content to take advantage of what email has to offer, like unlimited text, images, and hyperlinks. Emails should still be mobile friendly, but should never be used in the same way as a push notification or in-app message. Think about the goal you are trying to drive, then think about the medium that is best suited for that action.

- **Incorporate mobile behavioral data into email campaigns.** Pulling in contextual data is a surefire way to drive better response rates. For example, emails sent when the individual customer is most likely to engage are more likely to be seen, opened, and interacted with.

- **View email as a larger omnichannel strategy.** Email is too often siloed from other communication channels.However, customers view interactions with your brand across multiple emails as one experience, and so should you. Brands keen on winning in the mobile era must deliver a delightful omnichannel experience that values the customer's experience first and foremost.

Kahuna is a pioneer in communication automation, dedicated to empowering businesses to grow and thrive in the mobile era. We enable a new level of authentic engagement between brands and their customers wherever they are—the web, email, mobile, social channels—through personalized communication at scale. Powered by big data and machine learning, we help create delightful experiences for every customer with the perfect message, delivered on the right channel, at just the right time.

Kahuna is trusted by Yelp, Overstock.com, The Weather Channel, and hundreds of other leading brands. Headquartered in Silicon Valley and with offices in New York, Kahuna was founded in 2012 and is funded by Sequoia Capital, SoftTech VC, Tenaya Capital, and others.