Intro

Mobile has fundamentally changed the way businesses acquire, engage and retain customers.

Globally, we can expect 3.5 billion smartphone subscribers by 2019.[i] In the US alone, smartphone penetration for online adults hovers at 80%.[ii] There have been more than 85 billion apps downloaded to date, and 75% of smartphone owners will now use at least one mobile app daily.[iii] Consumers check their phones an astounding 60 times per day and are expected to spend over 625 billion dollars annually on mobile devices by 2018.[iv] It’s clear that mobile has become the primary engagement channel for companies and the consumers they serve. Consumers are using mobile devices to interact with brands at anytime, anywhere, which has led to an increased number of interactions throughout the life cycle of a consumer’s relationship with a business, from early awareness to long-term retention. The static, predictable customer journey of the past is no longer relevant; the new customer journey is fragmented and complex. Combine mobile behaviors with interactions on desktop, tablets, and wearable devices, and companies are faced with customers that are more difficult to engage than ever before. This new generation of hyper-connected consumers isn’t satisfied with the status quo— they demand a new level of personal attention and service that most companies are struggling to address.

Securing a spot for your company’s app on a consumer’s device is a pristine badge of honor. Smart companies treat it as such and make sure each interaction enhances the individual customer’s experience. Self-serving, misdirected, and spam-like messages delivered by companies have no place on such a personal device. Because of this, mobile marketing has evolved from simply tallying installs to a complex measure of each individual’s engagement and lifetime value—only the most relevant, contextual, and timely marketing communications will drive positive financial results.

Marketing for the Mobile Era is a new discipline for many companies. As such, comparative benchmarks are few and far between, and it has been difficult to determine if current marketing efforts are performing as well as they could. It’s equally as difficult to determine the opportunity cost of not using mobile marketing automation technology to improve messaging and cross-channel marketing campaigns. To help solve this problem and solidify mobile marketing automation as a must-have resource in a marketer’s tool kit, Kahuna is launching a series of benchmarking reports that will highlight key metrics across 16 distinct verticals.

This report is the first in the series. It focuses on opt-in rates and user retention over time, taking a comprehensive look at the state of iOS and Android push opt-in rates as well as the retention rate of customers that have and have not received push messages. The benchmarks included in the report are presented both in aggregate and broken down by industry vertical.
Key Takeaways

Kahuna’s industry benchmark series evaluates the impact that best-in-class mobile marketing automation technology can have on a company’s customer base. The analysis is based on interactions with more than 39 million customers, who have collectively received billions of push notifications. Our findings show that:

- The average opt-in rate for push notifications is 62%. Android outperforms iOS with an average opt-in rate of 78%, whereas iOS only sees about a 46% opt-in rate. The disparity between the two can be partly attributed to the fact that users are automatically opted in for messaging on Android devices, but changes to the Android app permission process will likely have an impact on that percentage.

- Opt-in rates vary drastically by vertical, with the highest being Travel & Transportation (78%) and the lowest being Medical, Health, & Fitness (35%). Some apps within each vertical were able to reach 80% or more of their audience with push. This highlights a massive opportunity for lower-performing verticals; growing opt-in percentages even by single digits could have a substantial impact on engagement, revenue, and retention rates over time.

- The average short- and long-term retention rates for users who have opted in to push notifications are more than twice as high than rates for users who have not opted in. For opted-in users, the average 30-day audience retention rate is increased by 125%, the average 60-day retention rate is increased by 150%, and the average 90-day retention rate is increased by 180%.

- Nine of the 16 verticals observed experienced retention rates that were twice as high for users that had opted-in versus those that had not over 30-, 60-, and 90-day periods.

Industries that deliver utility with messaging have highest opt-in rates

Getting users opted in for messaging is a crucial success driver for your business, but it won’t happen without a clear explanation of the benefits consumers will be receiving from enabling push notifications. Many consumers will opt out of messaging to prevent what they think will be a spam-like messaging experience that interrupts their day. Moreover, without adherence to best practices like personalization and contextualization of message content, as well as optimization of send time, those customers who opted in originally won’t stay that way for long.

Based on data collected over the past five months, Kahuna found the average opt-in rate for push messaging across Android and iOS is 62%. This opt-in percentage is critical, as it translates directly into increased engagement, revenue, and retention over time.
Based on the data collected, Kahuna found that consumers are more likely to opt in to messaging for apps that:

- **Share time-sensitive information.** Consumers have an established bias: They only want to receive push notifications that are immediately relevant to them. Travel and transportation companies have the highest opt-in rate of all the verticals reviewed (78%). Users intuitively understand that allowing push notifications from these companies is important to the app’s utility and overall functionality. Finance companies also have higher than average opt-in rates (66%), as the information sent is often time sensitive or requires immediate action.

  **What it means.** *Companies must ensure that each message they send is timely, relevant, and contextual to the individual user at that moment. Sending a message that is outdated, even by just a few minutes, will catalyze users to disengage with your app.*

- **Add value to their lives.** Productivity and gaming applications have the second and third highest opt-in rates (70% and 69%), respectively, of the 16 industry verticals reviewed. For both of these applications types, consumers understand that notifications drive value by letting them know if and when certain actions are required. For example, a gaming app might alert users to the fact that there’s a sale on add-on features like tokens or that a new level is available. Productivity apps, on the other hand, might let customers know that a certain action can now be taken or that something is overdue and requires the user’s attention.

  **What it means.** *Companies must be strategic about where and when they ask for permission to send messages, especially on iOS where the opt-in isn’t guaranteed. App interstitials that convey the benefits of opting in for messages before the actual iOS prompt is sent is a proven way for companies to boost opt-in rates. It allows companies to use a greater amount of phone real estate to communicate the benefits of push notifications, as well as other information customers want to know—like the cadence and purpose of messages being sent.*
Opt-in Rates By Industry Vertical

*Note: The sample sizes of the noted industry verticals are small. Data should only be used directionally.
Base: Kahuna customers that have opted in to benchmarking.
Source: Kahuna benchmarking data, collected between January and May, 2015
Android's opt-in rates are almost twice as high as iOS

Across all verticals, Android has an opt-in rate of 78%. Comparatively, iOS has an opt-in rate of just 46%. While this disparity can be partly attributed to the fact that historically Android has automatically opted in users to messaging, it also illustrates the importance of how iOS users are prompted to opt in, as companies will have only one chance to do so. Regardless of operating system, once a user opts in, it’s very important that companies follow best practices around personalization, contextualization, and cadence to ensure the user continues to find value in the push messages sent.

Kahuna has found that consumers are much more likely to uninstall an app than they are to navigate to a settings page to toggle off notifications.

User Opt-in Rates By Platform

Base: Kahuna customers that have opted in to benchmarking
Source: Kahuna benchmarking data, collected between January and May, 2015
Retention Will Make Or Break Your App’s Success

Mobile users are hard to get and easy to lose. Today, there are over three million apps available in leading app stores. Cost per install (CPI) will continue to grow as more apps become available and a larger number of companies are vying for downloads. To maximize their return on investment (ROI), companies must turn each app download into a high-value user. This is especially true for free apps: Very little revenue is generated simply because a user downloaded your app. Even paid apps’ survival depends on moving beyond a “purchase and forget” strategy. Kahuna data reveals that up to 90% of installs do not become high-value users without an engagement marketing strategy. Companies need a systematic retention plan for their mobile apps from day one.

30, 60, 90-Day Average Retention

Base: Kahuna customers that have opted in to benchmarking
Source: Kahuna benchmarking data, collected between January and May, 2015
Messaging is a proven way to drive user retention for companies. Why? When a customer has opted in for messaging, they can be more effectively onboarded and educated about interesting features and functionality of the application that might otherwise have gone unnoticed. Well-orchestrated messaging campaigns ensure customers get the best possible utility from your application. Kahuna tested this assumption by comparing retention rates of users who both had and had not received push messages. Based on Kahuna’s benchmarking results, we saw that:

- Messaging bridges the gap between install and engagement. Time and time again, we’ve seen companies struggle to turn customers who have downloaded their application into profitable long-term users. The first step to creating a high-lifetime-value user is to drive that first handful of interactions with the application to create a habit of use. Kahuna’s data shows that by using messaging, companies can expect a 45% retention rate for 30 days; a 125% increase over consumers who either did not receive or who did not opt-in for messaging.

**What it means.** The first 30 days are critical in creating relationships with customers that last. Companies can maximize ROI by taking calculated steps to turn acquired uses into engaged users. Companies not doing so are simply wasting budget.

- Messaging helps create patterns of use that lead to long-term engagement. When looking at long-term retention, the average company that does not use messaging can expect about a 10% retention rate after 90 days. That means 90% of users that were acquired have stopped using a company’s application. When users received messages throughout the first 90 days, the retention rate increased by an astounding 180%. After 90 days, our data shows that 28% of users who had received at least one message were retained. Each and every vertical that we looked at had long-term retention benefits associated with messaging.

**What it means.** Engagement leads to additional time spent in your application, which leads to higher overall lifetime value. Companies running well-executed messaging campaigns, on average, can expect to almost triple their 90-day retention.

- Messaging has the largest impact on apps that easily get lost in the shuffle. The average consumer has about 33 apps on their phone, but only uses around 12 each day.[v] That selection of apps used daily will vary for each and every consumer. Most apps on a user’s phone fall outside those most commonly used applications—for example, retail, finance, and travel applications, which are often used more sporadically when the user has a specific need. Each of these industry verticals benefitted immensely from using push to engage users. Kahuna data shows that retail, finance, and travel apps were able to more than double their 30-, 60-, and 90-day retention using push.

**What it means.** There are a handful of applications on a user’s phone that are “essential” to the user’s daily life. For some, that’s ESPN or NBA; for others, it’s Facebook or LinkedIn. Each and every application has an opportunity to create an engagement and retention strategy—beyond the 9:00 AM email blast—that brings under-engaged users back to the fold.
30, 60, 90-Day Retention By Industry
30, 60, 90-Day Retention By Industry Continued

*Note: The sample sizes of the noted industry verticals are small. Data should only be used directionally.

Base: Kahuna customers that have opted in to benchmarking
Source: Kahuna benchmarking data, collected between January and May, 2015
Methodology

Kahuna aggregated and analyzed data from hundreds of clients across 16 key industry verticals. The data used for this analysis is comprised of tracked interactions of more than 39 million customers and was collected between January and May of 2015. To offer performance metrics for retention, Kahuna compared a group of individuals who had received messages at least once during the 30-, 60-, and 90-day periods versus those that had not received any messages (due to an explicit opt-out and/or if the user was placed into a global control group). Retention rates are calculated based on the number of users that are active in the application on Day 1. It does not include users that have downloaded the app and started to use it during the testing period.

Industry Verticals Included

- Business
- Education
- Finance
- Food & Drink
- Music
- Photo & Video
- Real Estate
- Retail & E-commerce
- Gambling
- Games
- Media & Entertainment
- Medical, Health, & Fitness
- Social Networking
- Sports
- Travel & Transportation
- Utility & Productivity
About Kahuna

Kahuna is a mobile marketing automation company dedicated to fostering user delight and driving engagement and revenue through mobile. Kahuna helps companies understand and intelligently communicate with customers wherever they are: email, mobile web, apps, and social networks. We believe there is magic in delivering the right message to the right customer at just the right time. Kahuna is trusted by The Weather Channel, Overstock.com, Rdio, and hundreds of others. The company was founded in 2012 and is funded by Sequoia Capital and SoftTech VC.

[i] Forrester Research Blog, “Expect 3.5 Billion Smartphone Subscribers By 2019”


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