

# Applications Are Not Enough

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Many companies have begun to develop mobile applications. This is good news – embracing the rapidly evolving mobile data revolution and beginning to develop iPhone applications are important advancements. But this step is not enough. Rolling out an iPhone application is not a mobile strategy, it is but one small step. To successfully capitalize on mobile technology, companies need a much expanded roadmap for mobile strategy development and planning.

There has been an explosion of mobile phone data and application growth in the United States in 2009 and 2010. Nielsen reported 2009 end of year smart phone data penetration of 21%, expected to grow to over 50% in 2011. However, with 2010 US penetration currently around 25%, organizations must take a hard look at whether their existing ‘mobile strategy’ actually reaches their customers.

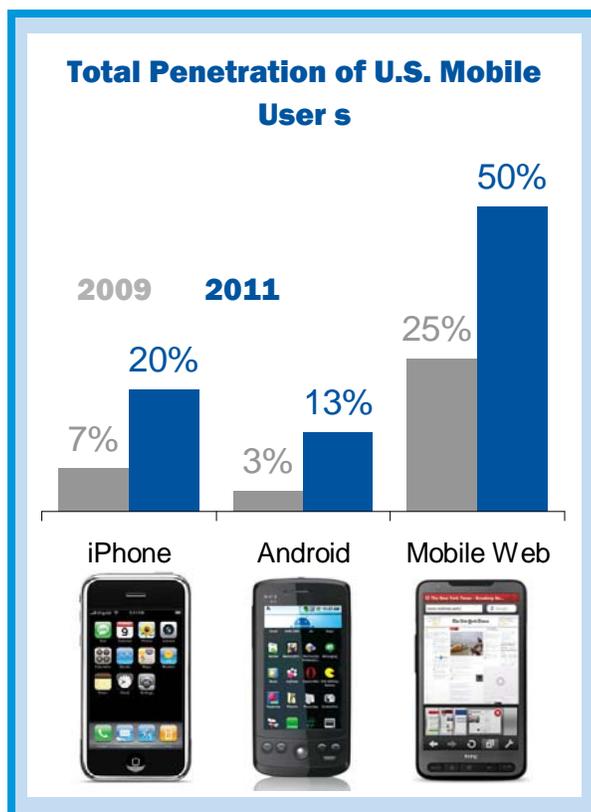
Marconi Pacific research indicates that consumers

interact with applications in a few different ways – daily (e.g. Google, Facebook, etc.), in need-based circumstances (e.g. Geico Glovebox or Starwood Hotels) or with great frequency when first downloaded, then often trailing off.

Today, companies are not reaching enough customers with their iPhone apps. The iPhone applications marketplace is the dominant distribution channel for mobile applications. However, the absolute largest market size for an iPhone application is currently only 8% of mobile phone customers (25% smart phone penetration \* 28% iPhone penetration \* 80% of users who actually download apps<sup>1</sup>). A business case for an example company with a 25% market penetration (share of available customers), deploying an iPhone app, should therefore include no

more than 1% of their customers.

Companies need to build an app for Android. Adding an Android app increases the potential customer penetration to 2%<sup>2</sup>. If Nielsen is correct and smartphone penetration rises to 50% in 2011, we predict a 6-7% total penetration of Apple + Android users.



For some functions, only messaging is needed. Companies must take a holistic look at how they

generate scale, and not face the 2% app fragmentation problem, multiple mobile technologies should be brought together, including SMS and MMS. For example, Singapore airlines has allows check-in for flights by sending a SMS message – smartphones are not needed.

Some services will be better served by a link to a website, rather than an application resident on the mobile deck. Device enablement and adoption of HTML5 will result in a return to the past when full applications did not need to be native on mobile devices. Remember WAP pages? HTML5 also enables organizations to design and support a single user-experience rather than separate interfaces. In the future, when companies have an SMS/MMS platform for feature phones and a webpage for smartphones, adoption will only be limited by how many customers they can convince to interact with their mobile brand, rather than which of their customers can actually use the native application. Take-rates will then reach double-digits, generating scale in mobile brand-building and functionality not just iPhone sizzle.

Four key steps have helped our clients better develop and validate their mobile strategies:

**First** – understand customer behavior. How do customers use and want to interact with their mobile device for the specific functionality your company provides – information, transaction, entertainment, alert, ticketing, auctioning, couponing, etc.

**Second** – identify how customers wish to interact with the company. Is there a need for an application? Are there opportunities to provide customers with access to information via SMS and MMS?

**Third** – ensure that the market sizes and expected customer adoption justify the development expense. Does the business case accurately represent potential adoption? Where are the opportunities to increase adoption rates?

**Fourth** – future-proof the development. How can the future mobile web leverage the current deployment investments?

All too often, customer needs and desires are under-considered in the quest to

launch a new technology, service or product. A successful mobile strategy cannot be solely based on an iPhone or Android app. And companies can improve their mobile strategy development by having a co-creative conversation with customers about their mobile business and personal lifestyles and needs.

## **Fandango: Leading the Way**

The movie ticketing company Fandango delivers its mobile experience in all the ways we have described. Ticket confirmations are currently sent by SMS, MMS, email and mobile app – whichever way the customer prefers. Fandango has currently deployed applications for Apple, Blackberry, Palm, and Android, and has a Windows app forthcoming. Customers can purchase tickets directly through their mobile app, and Fandango is developing a scanable bar code (similar to what several airlines have deployed) so that the mobile screen can replace the paper ticket. SMS can be better leveraged to deliver real-time information to all mobile customers. Many companies do this (e.g. Mobile Commons for SMS-based conversations with customers and SendMe for mobile entertainment). MMS can also be better employed. Fandango sends confirmation images by MMS, for example, when email or applications are unavailable.

## About Marconi Pacific, LLC

Marconi Pacific, LLC is a strategy and venturing consulting firm providing business advisory services in the telecommunications, Internet and financial services industries. We build value for our clients by providing strategic analysis and practical solutions to complex business issues. In addition, we pursue selected investments in emerging companies, and we identify and pursue our own new venture opportunities.

**Strategy Consulting:** Marconi Pacific provides strategic advisory services to senior management to help build long-term shareholder value. Our clients select us over other consulting firms for our incisive analysis, industry knowledge and creative, yet pragmatic, recommendations. We work with clients to define a differentiated value proposition that can they can offer their customers. We then work to refine the core operational elements of the business to deliver this value. This requires understanding the market in detail; segmenting the customer base; determining demand; making decisions on positioning, pricing and channels of distribution; and then defining the operational processes and structures needed to deliver the value. We take a pragmatic view of our advisory work, recognizing that creating value requires strategies and plans with a singular focus on financial results rather than elegant studies and academic observations.

**Venturing:** The very applied nature of our management consulting work makes us very much "in the market" in which our clients operate. As a result, Marconi Pacific, unlike many professional consulting firms, is very involved in creating new ventures, both with our own capital and in partnership with our clients. We also maintain relationships with venture capital firms, private equity firms and investment banks with which we can work to create value.

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## Endnotes:

1. A Marconi Pacific 2010 survey of 185 mobile data users determined that only 80% download applications
2. Nielsen reports that Android currently represents an approximately 13% market share of smartphones