You Call THAT a Buying Funnel?

The four most common problems with app conversion funnels, and five proven ways to fix them.

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CONTENTS

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INTRODUCTION

More and more marketers are waking up to the fact that it's a mobile-first world. And increasingly, that means an app-centric world, too! In most countries the majority of connected time takes place on smartphones versus PCs, and most of that smartphone time is spent in mobile apps.

The latest comScore research shows that mobile and tablet connected time is edging toward 2/3 of total connected time. 87% of mobile and tablet takes place in apps.

These statistics are driving thousands of companies, especially companies that rely on ecommerce for a significant portion of their sales, to quickly develop and introduce mcommerce apps.

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Share of Total US Connected Time By Hardware Platform

Mobile + Tablet Web, 8%

8%

PC Web, 39%

39%

53%

Mobile + Tablet Apps, 53%
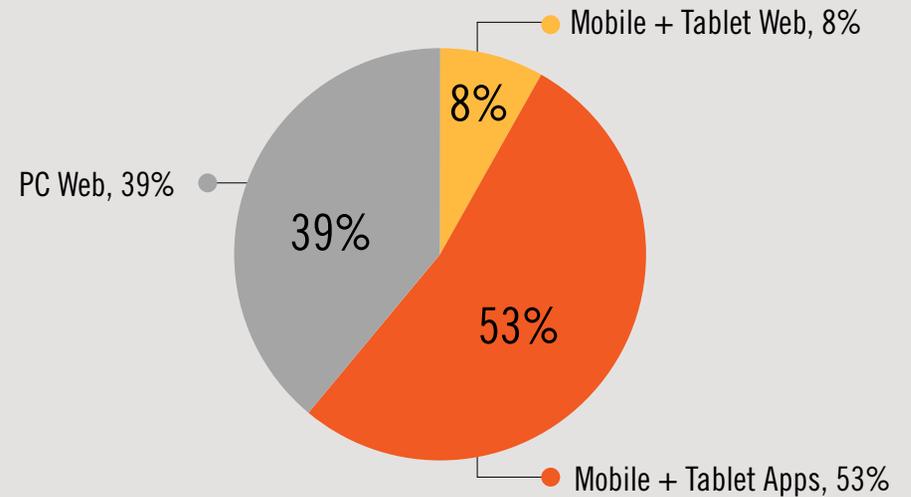
Source: comScore, 2015.   Source: comScore, 2015.

Share of Total US Mobile Time By Environment

Mobile Web 13%

13%

In-Apps, 87%

87%
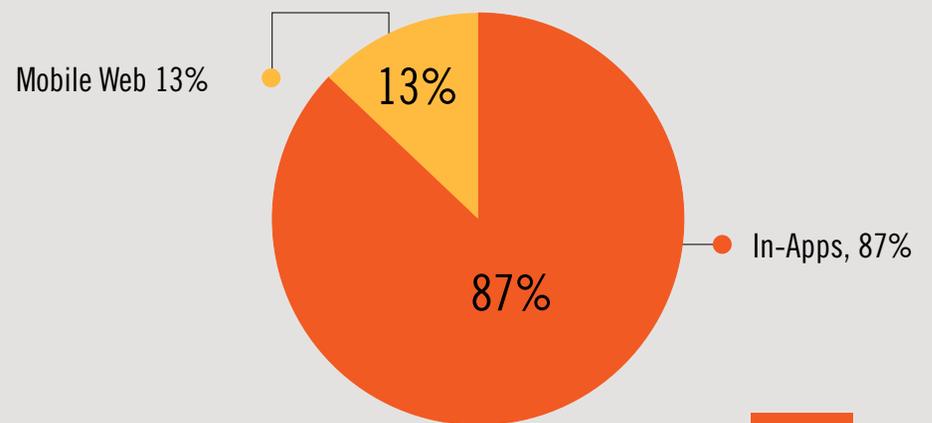
APP ENGAGEMENT AND REVENUE CHALLENGES

The revenue performance of mcommerce apps runs the gamut. Some perform poorly when it comes to driving revenue and profitability, while others fare much better. Either way, most businesses with an ecommerce app are leaning hard on their app marketing teams to grow these business faster and more efficiently.

Easier demanded than done. To deliver on these increasingly challenging goals, marketers need real insight into the key issues that face app marketers in general, and their own app businesses in particular.

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APSALAR'S UNIQUE INSIGHT INTO THE mCOMMERCE APP SPACE

As the leader in providing app attribution and measurement services for the mcommerce space, we have unique visibility into the programs of dozens of mcommerce app businesses. We can therefore comment with authority on the key issues that face many app businesses as they work to meet increasingly high KPI goals.

We've spent a great deal of time analyzing aggregated data across clients, trying to identify the most com-mon problems, and the solutions to those problems. While every app business has unique elements, it is plain from our research that app businesses have a lot of commonalities when it comes to user flow and bot-tlenecks that limit it.

This paper summarizes the four most common app buying funnel challenges, along with five tactics that are demonstrated to recraft the size and shape of buying funnels and drive outstanding growth.

Our examination of the buyer flow across hundreds of mcommerce apps revealed that there are four common problematic buyer funnel flows. The following pages provide a brief summary of each of these iconic buyer flows.

THE FOUR MOST COMMON FUNNEL
PROBLEMS IN THE mCOMMERCE APP SPACE

Install

Engagement

Intent

Conversion

The **"Blown-Out Umbrella" Funnel:** The most common buying funnel we see, the "blown-out umbrella" is what happens when brands spend most or all of their marketing dollars on driving installs. The funnel is extremely broad at the installs stage, but quickly narrows to a sliver when it comes to user engagement and purchases.

One of the key reasons why many app marketing people place all their focus on installs is to establish a leadership position before a competitor can. Certainly it is important to build a big base of users, but you need to have some balance in your spending.

Just because someone installs an app, that doesn't mean they'll be very prone to making purchases. At least without a little marketing encouragement. By balancing your acquisition spending with efforts to drive your users to engage, you can markedly improve the success of an app.

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The **"Where is It?"** Funnel: Most common among apps launched for North America and the EU, the Where is It reflects a good overall set of ratios between installs, engagement and purchases, but not enough scale. The principal cause here is a marketing team that spends the vast majority of their total investment building a gorgeous app, but don't have enough money to drive installs and trial at scale.

Retailers don't fall into this trap very often; rather, this pattern is most common among "tier-one" brands that focus a tremendous amount of attention on a gorgeous in-app experience. Aesthetics are critical for a successful app, but brands need to be prudent about the tradeoffs between what they spend building an app and what they can spend marketing it.

Recently a massive global advertiser told us that they had soured on apps because the marketing teams always spent the vast majority of the budget on app design and production. In essence, they took a Field of Dreams approach and found that 'they will NOT come' just because you build it.

Install

Engagement

Intent

Conversion
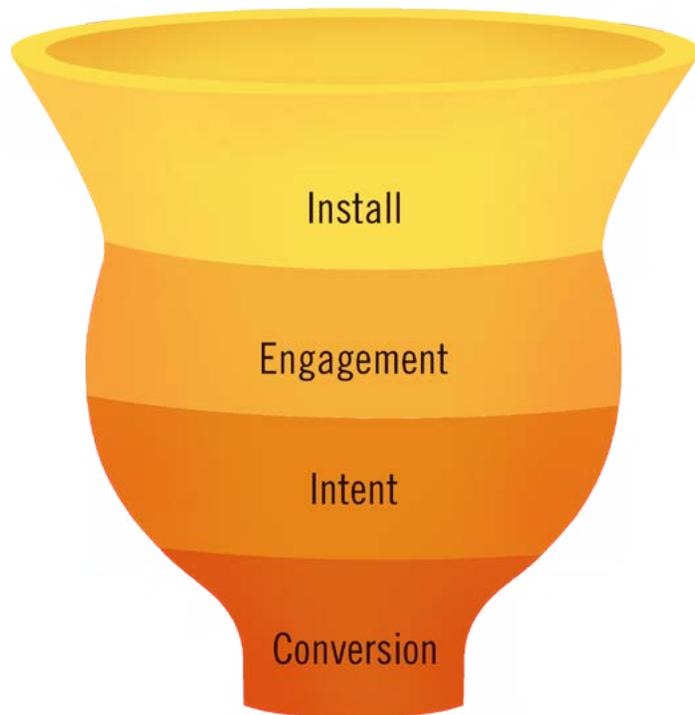
The **"Bulging" Funnel:** This funnel reflects good install and engagement rates, but poor purchase rates. It is particularly common for brands that require customers to leave the app to buy and don't manage the transition seamlessly, or that have complex and clunky buying processes.

When brands don't deliver a smooth, integrated experience in these circumstances, conversions suffer. Some brands also don't focus enough attention on usability, so that making a purchase can be difficult.

We also see many instances in which much of the engagement takes place in an app, but purchases continue to occur on websites. It's not that the apps don't have built-in buying but rather that for whatever reason consumers are conditioned to visit websites for transacting. This is particularly common in the travel/OTA business, where purchases are well-considered.

When people leave your app to transact, or get frustrated and just abandon a purchase, your entire business loses. While some of your customers may decide to transact on your site, others will likely forgo the purchase entirely, or get intercepted by competitors.

The **"Python" Funnel**. This funnel shows excellent install to engagement and purchase ratios, but fails to achieve the breadth of usage necessary for scale. Here the issue isn't necessarily budget but rather how the brands spend their money – using scattergun media that wastes dollars and impressions on the wrong people. We see three big advertising waste culprits here:

a Spending money on reaching the exact same sort of audience that buys on your website, without first ensuring that your app buyers ARE actually the same sorts of people.

b Using demo-targeted media to drive installs and purchases instead of user audiences and robust lookalike modeling.

c Failure to expand your target audience beyond its "bull's-eye." Here, you just aren't aiming broadly enough.

Install

Engagement

Intent

Conversion

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FIXING YOUR FUNNEL:

5 PROVEN TACTICS

Now that we have established the four most common funnel challenges facing app marketers, let's focus on five key tactics that have been demonstrated to address issues in one or more of these problem scenarios.

1 Right-Sizing App Development Costs

Brand dress and rich experiences are critical parts of differentiating yourself, and should play a part in your mcommerce app. But with an app, and especially with a retail or companion app, utility is paramount. The app needs to provide clear answers to the magic questions: A) Why would I bother with this kind of app? and B) Is what it offers actually unique?

Here's where we may get in a little trouble with some advertising agencies. People who usually focus on developing strong paid media experiences tend not to produce great apps. App development is best left to app dev experts, who understand the utility or entertainment goals of an app and reflect those in every aspect of what they build.

Brands often leave development of an app to their agencies to manage, which can be a great way of delivering a good finished product, provided the agency has or contracts out to app dev experts. And provided that the markup on managing the project is reasonable.

As for the ratio between dev costs and marketing dollars, we don't believe that there is a magic number to look for. But, unless there are truly unique circumstances, we would question any project in which more than a quarter of total spend was on app dev. A quarter, BTW, is being quite generous here. And the more the total budget you have for an app initiative, the lower the percentage you should be spending on app dev.

I am sure that someone reading this will be able to provide an example of an mcommerce app that broke these general guidelines and succeeded. But recognize that no matter how good your app, it faces 1,400,000 competitors in the Apple App Store, and 1,500,000 in Google Play. Some gaming apps are poised to spend more than $50M to drive installs this year. Do you really think your mcommerce gorgeousness can break through in an environment like that? Without marketing support - and plenty of it - you'll get lost in the clutter.

If you are a bricks-and-clicks retailer, you can overcome some of the need for marketing spend by leveraging your people and in-store materials – signage, CRM, receipts, bags etc.-to drive app awareness. But you will still need to spend significantly to get a strong foothold on which to build.

HOW THIS TACTIC FIXES YOUR FUNNEL

Since overspending on app dev is the principal cause of having a "Where is it?" funnel, this tactic offers the greatest benefits in that use case. But freeing up cash for working media can help any app business grow larger.

## 2 Invest in Mobile App Analytics for Immediate and Long-Term Benefits

Understanding which of your media partners are most effective, and what your users do in your app, is absolutely critical to optimizing your buying funnel. Costs for measurement are consistently a tiny fraction of the economic benefits you can derive from it. With mobile app attribution, you can score some immediate benefits, including:

a

Optimize Media Vendor Allocations. App attribution can help you improve the way you allocate your media dollars. When it comes to spending precious marketing resources, you should be focusing on vendors that deliver better results. By uncovering which vendors are best at driving your install and re-engagement KPIs, we have seen media efficiency gains of 5-40% for mCommerce brands.

b

Eliminate Double-Counting of Installs. Many media companies will likely touch someone before they install. Typically it takes dozens of clicks – or more – to drive an install. If you don't have a way of attributing a new install or re-engagement event to a single vendor, you may be paying twice – or more – for any CPI based installs that you drive. We routinely see client cost per installs drop over 20% when they implement attribution and use our third-party verification to attribute each install only to one vendor.

c

Measure and Optimize to Install Quality. Over and over we see companies try to use the quantity of installs per dollar invested as a surrogate metric for vendor quality and investment worthiness. But install quality varies. Incentivized, sideload, and APK-based installs tend not to convert as well as other types of installs. In fact, the lowest cost per install vendors often drive the lowest quality installs, yet brands mistakenly invest more and more money with them. Even vendors buying with CPM-based contracts often vary markedly in the extent to which they drive eventual CUSTOMERS. Use an analytics platform to optimize to cost per buyer rather than installer and radically improve the metrics of your business. We've seen improved media allocations that drive 10-30% more BUYERS per dollar invested in install media.

d

Leverage Pre-Built Integrations for Faster Tests and Greater Data Security: App attribution platforms tend to have a broad range of pre-established integrations with leading media companies. With these in place, you don't need to incorporate all of those publisher SDKs into your app. That improves your security, helps protect you against data loss, and drives media efficiency by enabling you to test and implement with new vendors faster.
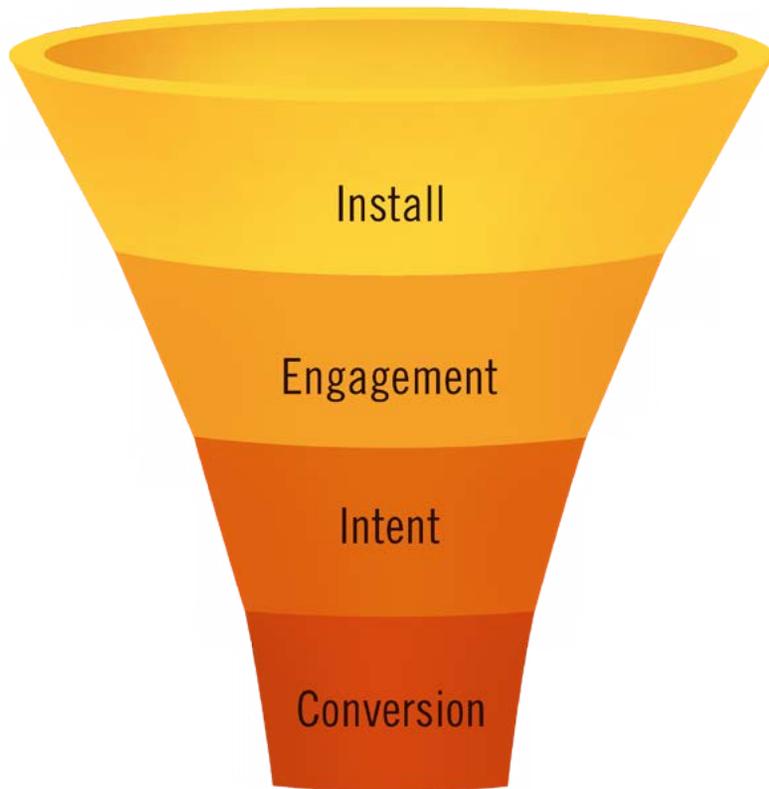
HOW THIS TACTIC FIXES YOUR FUNNEL

Better understanding your business is essential to identifying the barriers that are impeding your growth. It helps at all levels of the funnel, improving install quantity and quality as well as providing the data necessary to engage and activate users. This tactic is probably most useful for "Python" and "Bulge" funnels, but can offer significant benefits in all four use cases.

3 Retarget to Re-engage

A huge portion of apps are used only once. Another huge portion are NEVER USED AT ALL. This is especially true of APK-installed apps and "side loads", where users agree to download an app in exchange for free wifi access and the like. Same thing with incentivized downloads like getting free gold for a game in exchange for an install. All these tactics tend to drive lower quality installs.

Once someone installs an app, the battle is only half over. Tools now exist to enable you to deliver targeted messages specifically to people who have installed your app. First, leverage channels like emails and push notifications to incent and or drive usage. Then, develop targeted app ad campaigns using your collection of device ids as the targeting base. Many ad networks and the leading social networks can do this if your app install base has reasonable scale. Note that doing this right requires accurate data, which is why we so strongly recommend having reliable third-party measurement and attribution data available.

> Targeting your app users specifically versus using demo- or lifestyle based targeting can be many times more efficient.

In addition, numerous industry studies show that it costs 80-90% less to drive a purchase from a buyer as it does to make someone a buyer. Businesses need a constant inflow of new users. But most don't spend enough time and energy working to maximize revenue and purchase occasions from the buyers they already have.

You can also use your attribution and measurement platform to identify your install or buyer base so that media companies can do precision lookalike targeting and dramatically sharpen the effectiveness of your acquisition media.

HOW THIS TACTIC FIXES YOUR FUNNEL

The best use case is if you have a "Blown-Out Umbrella", because this tactic can improve user flow through to purchase. But it can also improve install efficiency, so it does have benefits for all four use cases.

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4 Segment, Create and Export High-Performing Audiences of Your Users

Key to making the most of retargeting and re-engagement efforts is to take a more personal approach to messaging. While completely individualized messaging often isn't all that efficient, you can get precise in the ways that you segment your user base, and deliver targeted creative designed to motivate them to take the next action. Here are some examples of how segmenting users into high-performing audiences can make a huge difference for your business:

Build Specific Audiences Based on Your Business Objectives
Use event level data from Apsalar to create segments and build your Custom Audience.

Audiences	Drive First Purchases	Close Sales in Progress	Encourage Incremental Purchases	Reactivate Lapsed Users	Deliver Promotions and News
	Package users who have installed the app but not yet made a purchase	Export list of cart abandoners to bring them back to buy	Deliver reminders and offers to past buyers/past category purchasers	Create an audience of people who have not used the app in N days	Create a super list of all of your app users for broad-based messaging

Once you've created your audiences, you need to export them to the media providers you like. Apsalar, for example, offers Apsalar Audiences for Facebook, which delivers an audience of your users' device advertising IDs, based upon criteria you select, to the Facebook Ads Manager. All with a single click. We offer similar services in partnership with many other media vendors as well.

How much can marketing with these audiences grow your business? Well, it varies significantly, but here are a few simple calculations you can do:

a   Identify the number of cart abandoners you have, plus your average transaction size, and multiply your transaction size times 10% of your abandoners.

b   Identify the number of buyers you have, and calculate the value of converting one more purchase at the average purchase size from 10% of them.

c   Calculate the value of getting 10% of your buyers to spend 10% more per occasion.

The millions quickly add up. The percentage improvements we've outlined above have been achieved by more than a few brands that have focused more of their efforts on precision targeting and messaging.

How This Tactic Fixes Your Funnel

Because its benefits are concentrated in driving more effective and efficient re-engagement, it's definitely the tactic for you if you have "Blown-Out Umbrella". It can also improve engagement and close rates, which can help in each use case.

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5 Leverage Mobile Marketing Automation for Better Purchase Conversions, AOV, Purchase Frequency and LTV

App customer relationships don't come through advertising alone. Mobile now offers a vast array of potential communications paths that marketing automation platforms can leverage to reach and engage users. Here are some of the most commonly used:

- Push notifications
- Emails
- SMS/texts
- Message center communications
- mWallet offers
- In-app personalized experiences
- Mobile site personalization
- Landing page personalization

By automating the deployment processes, an automation platform can use any or all of these tools to automatically create a personalized experience for the user. Marketing automation and the personalized experiences it creates have been shown to drive big increases in revenue and accountability for app businesses. For a more concrete measure of potential ROI, we suggest you contact some vendors in the space.

We do, however, get a strong sense of these improvements in the data we collect. The Apsalar DMP helps make data, profiles and audiences available to marketing automation tools more quickly and easily. By measuring in-app customer events and combining that data with mobile-web and other first-party data sets, we create incredibly rich 360 profiles and can deliver real-time data to an automation tool in batches or real-time. Most DMPs have little or no visibility into customer events inside apps. Apsalar enables you to measure any type of consumer event, for rich insight and granular marketing automation programs. Our DataSync offering makes it possible to easily and securely share event data with leading mobile- and web-based automation products, right from the Apsalar interface.

How This Tactic Fixes Your Funnel

Automation primarily offers post-install benefits, so it is great for "Blown-Out Umbrella" funnels. It has some relevance in the other scenarios as well, though least for the "Where is It?" because the key issue with the "Where is It?" is a lack of installs.

Conclusions

We'll be the first ones to admit that the benefits you see from taking these actions may be larger or smaller than our estimates. Our figures relate to an aggregation of what we see across clients and categories. But, even with this qualification, it seems prudent for any app marketer to explore these sorts of steps if they have reason to believe that there are issues with the size, shape and flow of their buyer funnel. Ultimately all of the tactics described in this document are about consumer-centricity, which is surely of benefit to any app business.

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ABOUT THE AUTHOR

ABOUT APSALAR

Jim Nichols is VP of Marketing for Apsalar. Jim has 20+ years experience in over 80 different categories, including developing successful positioning and go-to-market plans for more than 40 adtech and martech companies. He joins Apsalar after several years as VP of Marketing for Conversant, where he led various efforts in the successful rebrand of the company from ValueClick, Inc. The rebrand and associated industry attention for the company contributed to the $2.3B sale of Conversant to Alliance Data in December, 2014. He is a prolific writer for digital trades on brand marketing, mobile, video, data, and customer profiling. Publications include iMedia Connection, Inside Radio, VentureBeat, ad:tech, ShellyPalmer. com, Jack Myers, and many consumer publications. He holds a B.A. in U.S. History from the University of Pennsylvania and an MBA in Marketing from the University of Chicago.

Apsalar, the leader in mobile data management, helps direct marketing brands get better marketing effectiveness by providing a mobile data management platform that delivers a true understanding of customer behavior in apps and across other marketing channels.

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MOBILE DMP

APSALAR ATTRIBUTION

Collect and measure in-app consumer behavior and marketing performance. Measure every in-app action relevent to your buinesss

APSALAR AUDIENCES

Unite your first party data from all sources, enrich it with third party data, and build high performance marketing audiences

APSALAR DATASYNC

Easily and safely share customer audiences and data with your digital marketing platforms, including analytics, marketing automation, media companies and legacy DMPs

The Apsalar Mobile DMP enables brands to measure marketing effectiveness, enhance, manage, enrich and segment profiles to build audiences, and easily and safely connect to other marketing partners so brands can confidently share their data and audiences.

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