LIFTOFF

MOBILE SHOPPING

User Acquisition Trends and Benchmarks 2017
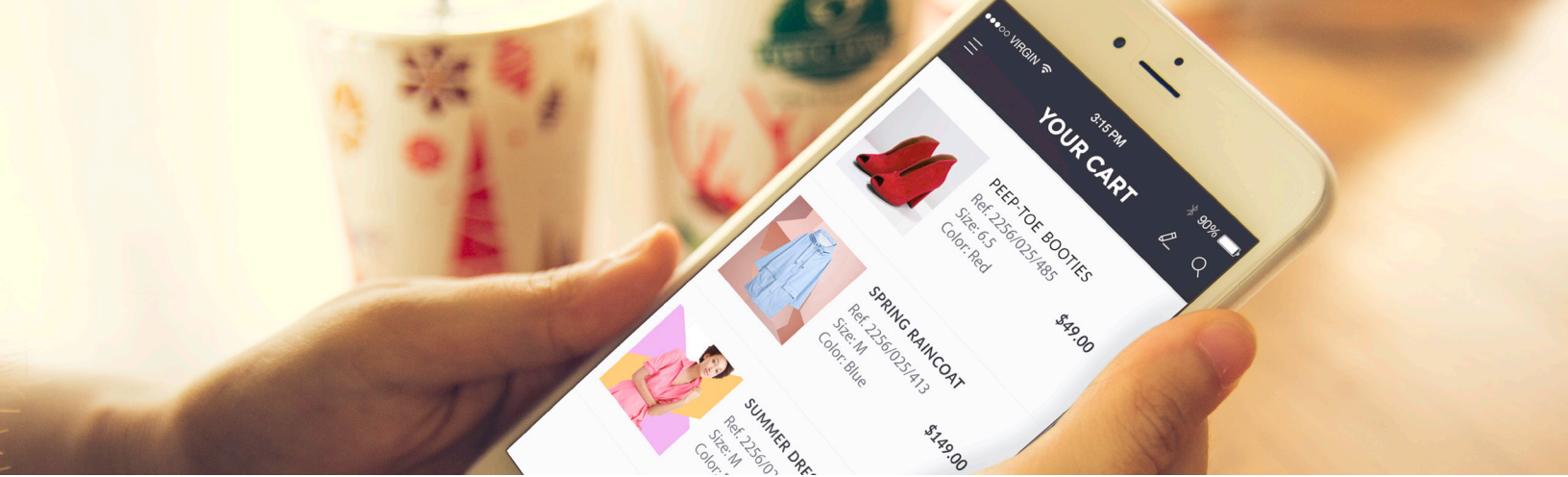
MOBILE SHOPPING

User Acquisition Trends and Benchmarks 2017

Introduction

Consumer dependency on mobile apps for assistance and advice every step along the path-to-purchase presents app marketers with an unparalleled opportunity to engage shoppers in-app, in-store and in the all-important "I-want-to-buy" micro-moments when people are primed to make a purchase.

This shift in consumer behavior has driven dramatic growth in mobile retail sales, with mobile influencing roughly $2 trillion in sales last year, according to a recent Forrester study, but this is just the beginning. By 2021, Forrester reckons, consumers will spend $152 billion directly on mobile phones, or almost 24% of total online sales. In total, mobile phones will influence $1.4 trillion in offline sales within the next five years.

Digital touchpoints — particularly mobile apps — are influencing consumers and impacting sales. App store analytics company App Annie observes that time spent in retail apps offered by both physical retailers and digital commerce companies has increased significantly in the last 12 months — and shows no signs of stopping. Specifically, total time spent in bricks-and-clicks apps rose by nearly 40%, while time in so-called online-first apps increased by more than half.

Connect the dots in the data, and a 'perfect storm' of positive factors is coming together to benefit companies with retail apps. But there is a catch. Winning in such a highly competitive app category demands app marketers double-down on efforts to address their audience, encourage deep engagement and — ultimately — inspire frequent use. This report equips app marketers to make data-informed decisions, ensuring their app remains at the center of the customer experience.

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The 2017 Mobile Shopping Apps Report uniquely breaks shopping apps down into three categories, mapping the user interaction and engagement in each case and offers analysis and conclusions aimed to assist marketers in each case.

- **Brand Commerce**, an app offered by a company (under that company's name/brand) that makes and sells its own branded products [Example: Gap]

- **Marketplace**, an app offered by a company that aggregates and sells products primarily belonging to other brands and merchants [Example: Amazon]

- **Value-Add**, an app offered by a company that provides additional shopping value to the user beyond enabling a purchase [Example: Ibotta – which allows users to earn cash back on in-store and mobile purchases]

The 2017 Mobile Shopping Apps Report examines engagement activities and trends across these app categories, drawing from Liftoff internal data from April 1, 2016 through April 1, 2017– which spans 26.9 billion ad impressions (26,930,173,133 to be exact) across 4.8 million (4,851,538) app installs.

Specifically, the report tracks the cost and conversion rates of three key events in the commerce funnel that define the shopping journey and an exceptionally engaged app user: installs (interest) registrations (consideration) and first purchase (conversion). Also, the report breaks down data by platform (iOS and Android), user demographics (gender), and region (North America, LATAM, EMEA and APAC).
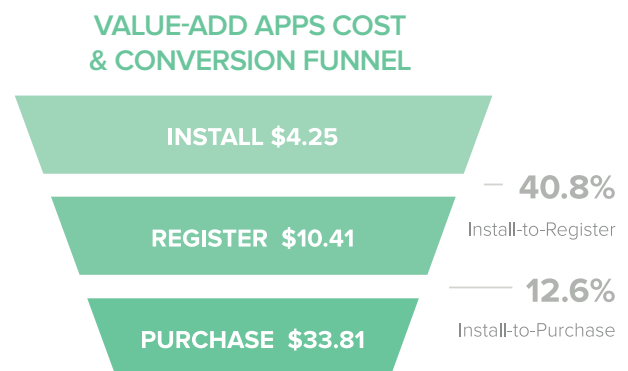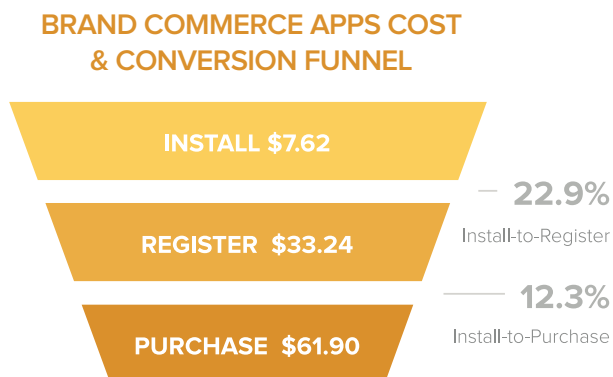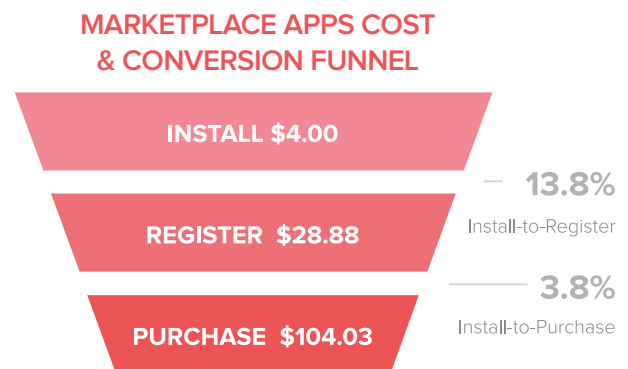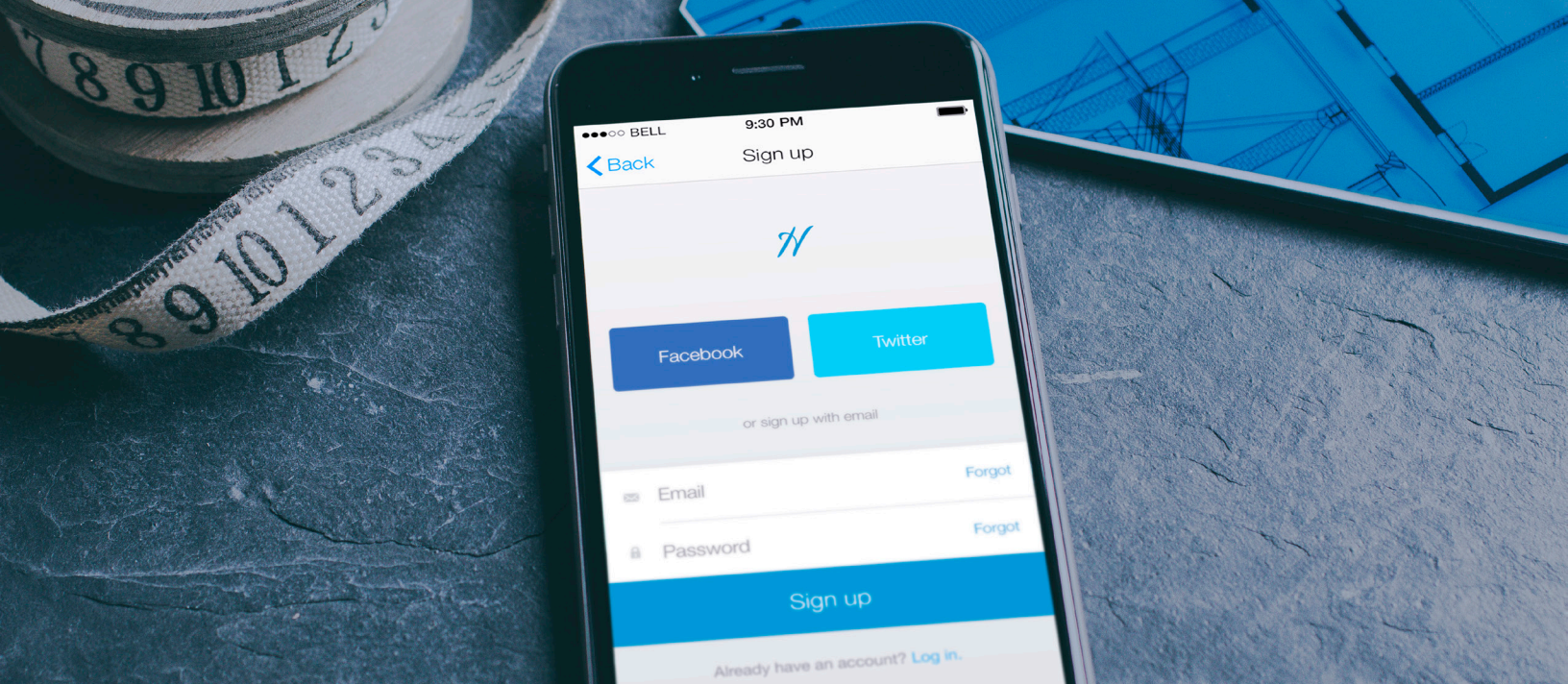
Overall App Costs and Conversion Rates

As the Shopping App Engagement Funnel shows, it cost an average of $4.45 across all mobile commerce categories to acquire a new shopping app user.

SHOPPING APPS COST & CONVERSION FUNNEL

INSTALL $4.45

REGISTER $30.51

14.6%
Install-to-Register

PURCHASE $75.86

5.9%
Install-to-Purchase

The cost to convert that user to complete the registration process was $30.51, resulting in an install-to-registration rate of nearly 15%. Predictably, the cost to convert a user to a shopper — a user who completes a first purchase — was markedly higher, hitting $75.86 with an install-to-purchase rate of 5.9%.

Break this data down by app category and cost-per-install of a new shopping app user varies from a low of $4.00 for a Marketplace App, to $7.62 for a Brand Commerce App (with an install-to-registration rate of 22.9%). The cost to acquire a Value-Add App is $4.25.

MARKETPLACE APPS COST & CONVERSION FUNNEL

INSTALL $4.00

REGISTER $28.88

13.8%
Install-to-Register

PURCHASE $104.03

3.8%
Install-to-Purchase

BRAND COMMERCE APPS COST & CONVERSION FUNNEL

INSTALL $7.62

REGISTER $33.24

22.9%
Install-to-Register

PURCHASE $61.90

12.3%
Install-to-Purchase

VALUE-ADD APPS COST & CONVERSION FUNNEL

INSTALL $4.25

REGISTER $10.41

40.8%
Install-to-Register

PURCHASE $33.81

12.6%
Install-to-Purchase

Registration

The cost to acquire a user who registers for an account in a shopping app follows a surprisingly different trajectory, no doubt influenced by shopper context and their appreciation of the app at that precise moment.

Consider the cost per registration for Value-Add Apps, which comes in at the low-end of the scale ($10.41) with an install-to-registration rate of just over 40%. The high engagement rate for this event would indicate that shoppers are crystal clear about what the app offers and how it can enhance their experience - perhaps even driven by the desire to consider or conduct a purchase at that precise "mobile moment" on their phone or in a physical store.

In contrast, the cost to acquire a user who registers for a Brand Commerce App is somewhat higher ($33.24), but the impressive install-to-registration rate of 22.9% shows the investment to drive this engagement is easily recouped by app marketers. Overall, the data suggests there is high competition among branded apps to acquire users, which may be worth the expense as these are clearly users that convert and engage.

Finally, the cost to acquire a user who registers for a Marketplace App is less pricey (at $28.88). However, the fact that 13.8% of those users register for the app would suggest that app marketers within this category would do well to reinforce their call-to-action, or remove friction from the registration process – or both.

> **"** Converting the shopper to a buyer is certainly the prize for any app marketer, and our data highlights significant differences in the cost to drive this deep-in-the-funnel engagement. **"**

Purchase

Value-Ad App is a category that enjoys an advantage — in part because these apps present an offer that resonates with consumers in "commerce mode" and primed to make a purchase in the first place. A coupon, cash-back offer, discount or reward is just icing on the cake at this point. Specifically, the cost to acquire a user that makes a first purchase is $33.81, and the install-to-purchase rate is 12.6%.

In the case of Brand Commerce Apps - another app category capable of communicating a clear value to entice users and recruit "brand advocates" - the install-to-purchase rate is similar (12.3%). Significantly, the cost to acquire a user who will engage in this manner is nearly double ($61.90).

Clearly, the Marketplace App is up against some tough competition at this stage. The cost to acquire a user that will make a purchase may be a whopping $104.03 (with an install-to-purchase rate of 3.8%). However, as marketplace apps are the storefronts for a variety of products and offers, the cost to drive this engagement may be the first step in a string of purchases. Even better if the app enables high-ticket purchases, or makes use of other approaches to encourage frequent app use.
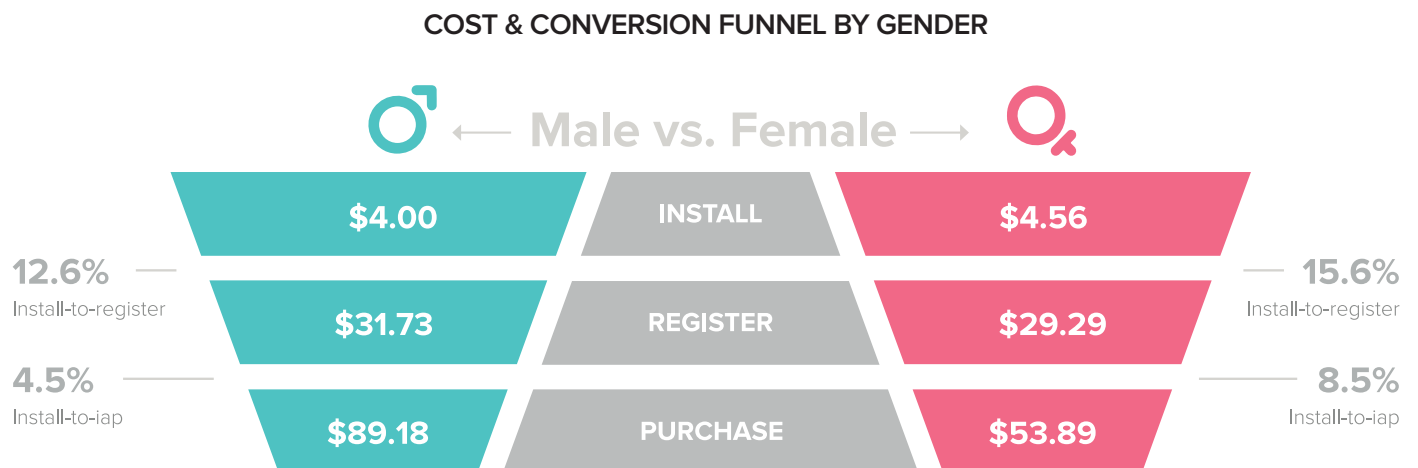
Shopping App Engagement by Gender

Acquisition costs and engagement rates for mobile shopping apps reveal interesting differences and opportunities. Overall, females are more likely to register in an app and make a first purchase.

The most significant difference between genders arises when comparing the cost to acquire either one who will complete a first purchase. It costs over 65% more to acquire a male user who makes a first purchase ($89.18) than it does to acquire a female ($53.89).

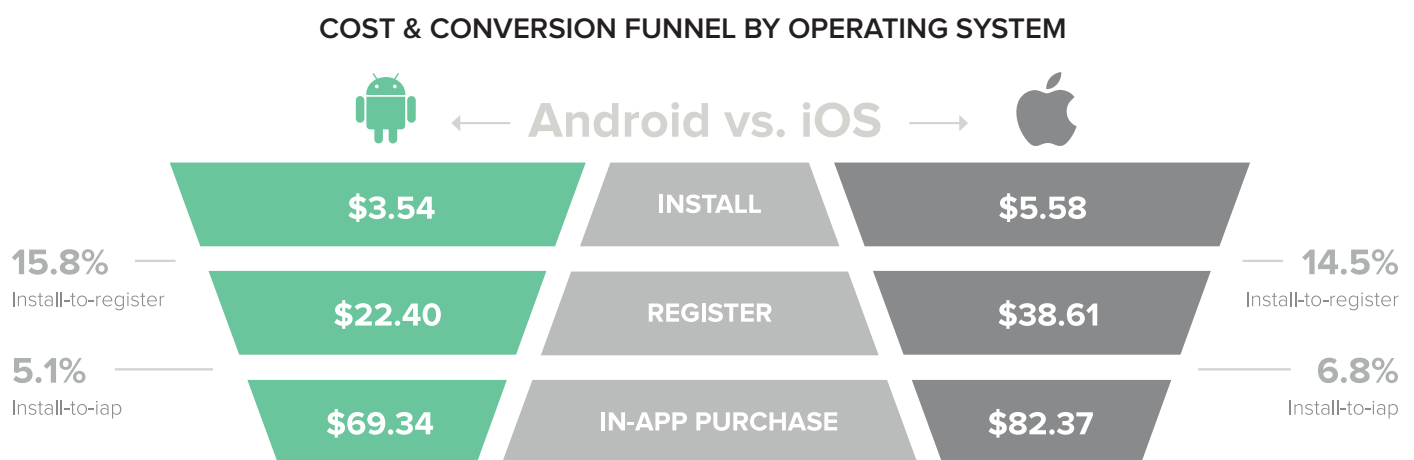Only marginally more expensive than males to acquire (+14%), the effort to engage females pays dividends when it comes to deeper-in-the-funnel actions and engagement. Specifically, only 4.5% of males who install a shopping app also complete a purchase. Among females that total is nearly double, with 8.5% of females using the app to complete a purchase.

COST & CONVERSION FUNNEL BY GENDER

← Male vs. Female →

	Male		Female	
INSTALL	$4.00		$4.56	
	12.6% Install-to-register		15.6% Install-to-register	
REGISTER	$31.73		$29.29	
	4.5% Install-to-iap		8.5% Install-to-iap	
PURCHASE	$89.18		$53.89	

" Only 4.5% of males who install a shopping app also complete a purchase. "

Shopping App Engagement by Operating System

Android shoppers are a bargain. The cost to acquire an Android user who completes a first purchase totals $69.34, or nearly 16% less than the cost to acquire an iOS user who conducts commerce with the app ($82.37).

COST & CONVERSION FUNNEL BY OPERATING SYSTEM

← **Android vs. iOS** →

	INSTALL	
$3.54		**$5.58**

15.8% — Install-to-register

	REGISTER	
$22.40		**$38.61**

— 14.5% Install-to-register

5.1% — Install-to-iap

	IN-APP PURCHASE	
$69.34		**$82.37**

— 6.8% Install-to-iap

However, the data also shows iOS users are also potentially more valuable to acquire and engage as the install-to-purchase rate (6.8%) is 33% higher than Android users (5.1%).

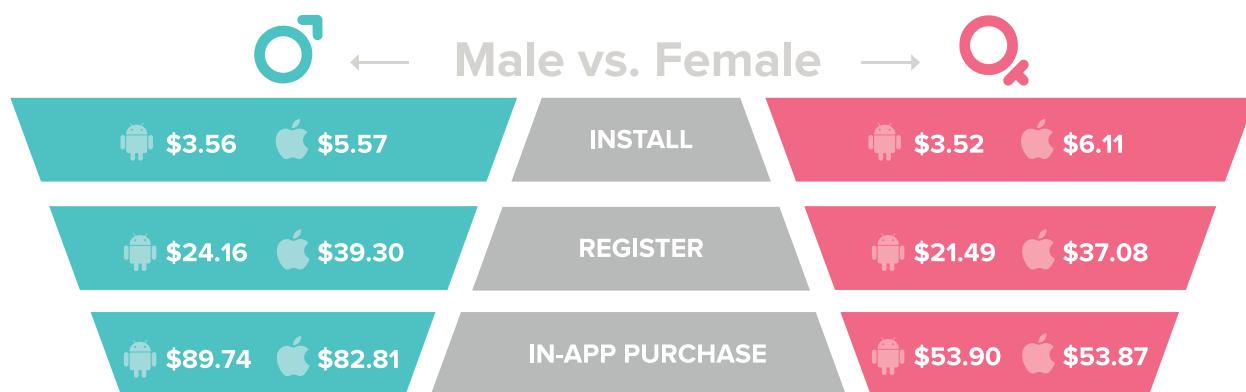App marketers should also consider another variable – outside the scope of this report – which is the dollar amount of the purchase and the total number of purchases. The popular assumption that affluent iOS users spend more – and use shopping apps more often – than their Android counterparts still holds some credence. But it's not a given as the gap is closing thanks to the advance of high-end Android devices, such as the Samsung S8, gaining serious traction with the traditional iOS demographic.

View this data through the lens of user demographics, and an exciting opportunity to acquire and engage a segment of high-value users, without paying a high amount, emerges.

Specifically, females who purchase on iOS cost the least to acquire and yield the highest engagement, with an install-to-purchase rate of 11.3%. That is almost twice that of any other segment.

COST & CONVERSION FUNNEL BY OPERATING SYSTEM & GENDER

Male vs. Female

Male			Female	
🤖 $3.56	🍎 $5.57	**INSTALL**	🤖 $3.52	🍎 $6.11
🤖 $24.16	🍎 $39.30	**REGISTER**	🤖 $21.49	🍎 $37.08
🤖 $89.74	🍎 $82.81	**IN-APP PURCHASE**	🤖 $53.90	🍎 $53.87

Simply put, the effort to target a female iOS user is worth it as the chance they will complete a first purchase is almost twice as high as both iOS males (6.72%) and Android females (6.53%), and almost three times as high as Android males (3.96%). All the more reason for app marketers to make sure campaign targeting, messaging and creatives are aligned to acquire and inspire an audience of iOS females.

Monthly Trends

Thanks to the advance of mobile and apps, consumers no longer go shopping, they are always shopping.

The truth is: consumers are "never not shopping." This user behavior creates incredible competition among commerce companies to inspire consumers in the all-important mobile moment to access their apps for advice, assistance and even coupons. But a closer look at the data exposes months and weeks of the year — windows of opportunity primarily linked to seasonal events — when app marketers can drive positive results without draining budget.

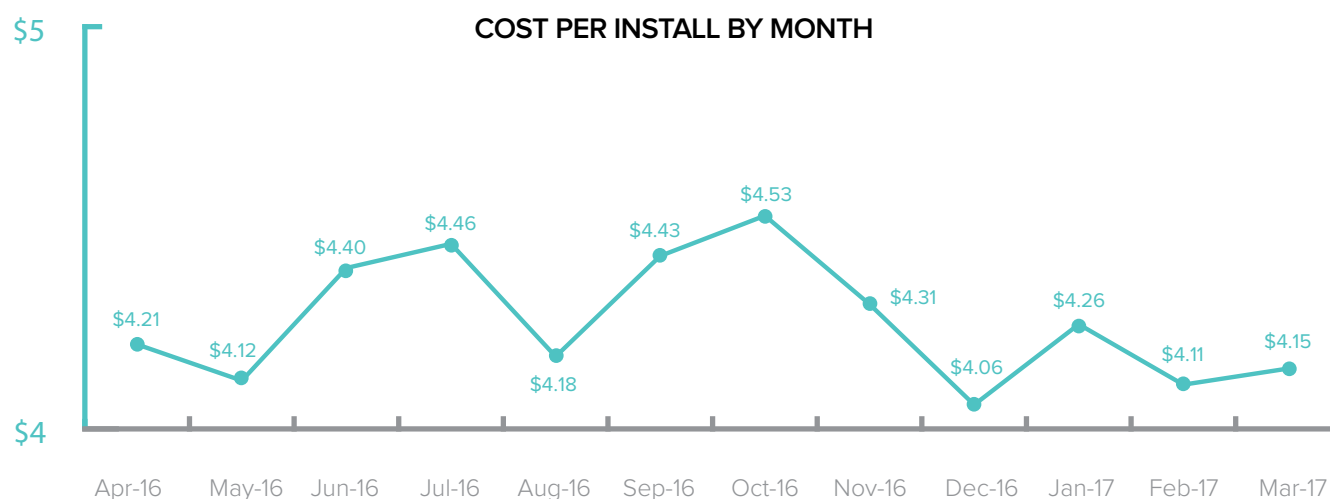Predictably, the peak season for shopping activity — and acquisition costs — is the holiday season. In 2016 mobile shopping in the run up to the holidays smashed all records — everywhere, with the U.S. reporting the first $1 billion mobile shopping day ever. But the real news was the fact that these sales took place on Black Friday, not Cyber Monday, showing mobile traffic had overtaken foot traffic for the most important shopping period of the year. It's not hard to imagine mobile shopping — and the array of commerce apps that now sit at the epicenter of this customer experience — will break new records in 2017.

At the other end of the spectrum, Singles Day – the Chinese festival that takes place on November 11th – officially became the largest online shopping day in the world. Last year more than 16,000 brands including Burberry, Apple, Victoria's Secret and Gap got in the action. The 2016 celebration also got a big boost from a Chinese TV gala show that featured celebrities including former NBA star Kobe Bryant to help singles ring in the holidays and ring up the sales. Little wonder that the total value of online orders via China's commerce and marketplace giant Alibaba hit an all-time high of $17.8 billion, up from $14 billion the previous year. Of these Singles Day transactions, "more than 80%" took place on mobile devices. While the data from Alibaba and e-commerce company JD.com doesn't break down how many purchases were made using an app, the percentage is no doubt significant. China (along with India and South Korea) list among the top countries where App Annie says the average number of shopping apps on a user's device continue "a steady climb."

Cost per Install by Month

The average cost to acquire a shopping app install was $4.27, somewhat higher than the $4.06 that was reported in the 2016 Mobile Shopping Apps report Liftoff published last year looking at the period May 2015 – April 2016. This can perhaps be explained by the tremendous competition for app users – and new, smarter approaches to App Store Optimization used by app marketers to net downloads.

COST PER INSTALL BY MONTH

Month	Cost Per Install
Apr-16	$4.21
May-16	$4.12
Jun-16	$4.40
Jul-16	$4.46
Aug-16	$4.18
Sep-16	$4.43
Oct-16	$4.53
Nov-16	$4.31
Dec-16	$4.06
Jan-17	$4.26
Feb-17	$4.11
Mar-17	$4.15

> ❝ February stands out as a bargain month when app marketers might want to double-down on efforts to drive downloads. ❞

The cost of acquiring a shopping app install naturally climbed during the periods that marked the run up to the busy back-to-school shopping season and the holidays. However, install costs also hit lows in August, a month when many take a deserved summer vacation off-grid. December dipped to $4.06 (or 5% less than the average), indicating that — while the pre-holiday rush to purchase gifts and goods has passed — app marketers have an opportunity to acquire late shoppers and stragglers for a reasonable price. February ($4.11) only appears to be a slow month when compared with the storm of activity that marks the holiday season, and stands out as a bargain month when app marketers might want to double-down on efforts to drive downloads.

Registration costs & conversion rates by month

The cost to acquire a user who installed a shopping app and registered for an account averaged $30.49 — a clear
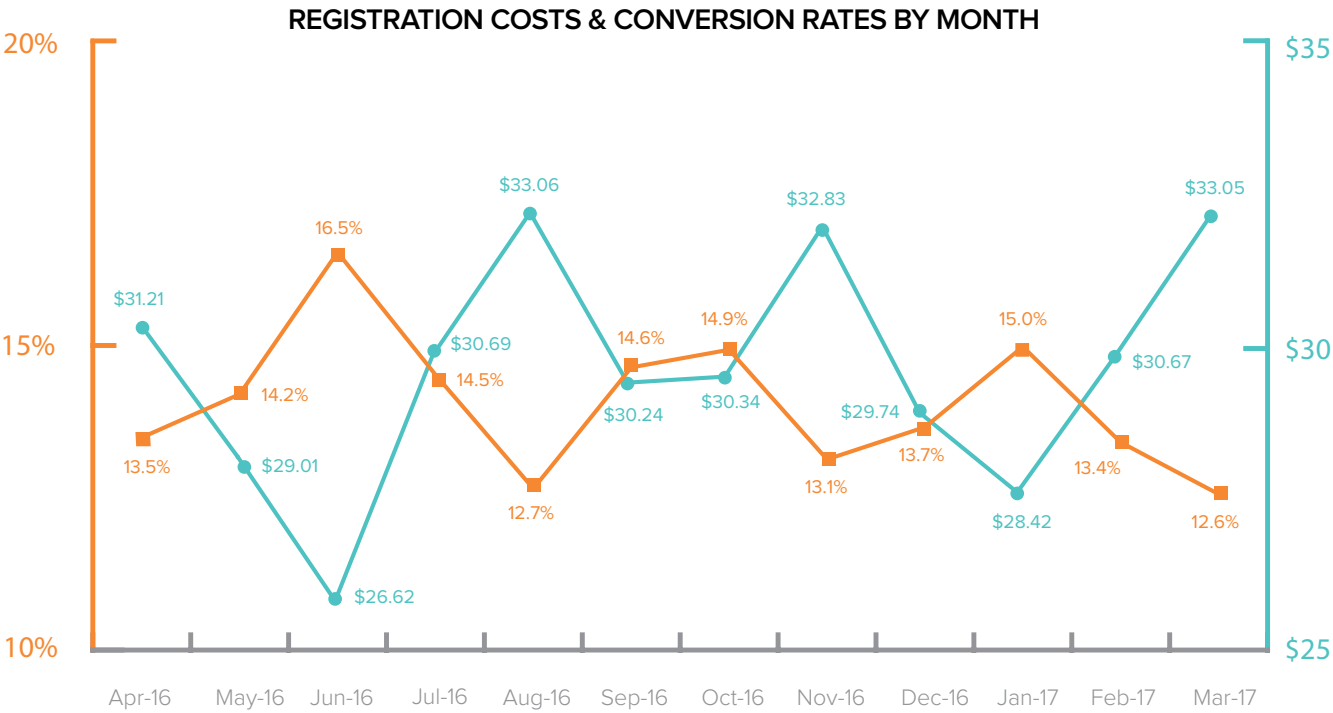
indication that app marketers have to do more to either remove friction, or fine-tune their value proposition — or both. In a crowded market, competitive edge will always belong to app marketers that effectively address and engage their audiences.

That said, there are months when the cost to acquire registrations hits more attractive levels. An example is June, when many users are looking for items that enhance longer summer days and long weekends. Good weather also creates many new micro-moments — if only during a midday lunch in a sunny, outdoor café — when users can quickly reach for their smartphone and get a head start on shopping. January, a month when many users who got new devices as a holiday present are exploring apps on offer, is also a month app marketers should have high on their radar.

Happy coincidence for app marketers: the months called out for low acquisition costs are also characterized

by high engagement rates. In June – a month when the cost to acquire a user who completes a registration is $26.62 or 13% less than average – the install-to-registration rate hits its highest point at 16.5%. In January it's a similar scenario, with the install-to-registration rate reaching an impressive 15%.

Significantly, fluctuation in the install-to-registration rate also exposes additional periods – such as September and October when consumers are getting back in the routine after a summer break or getting ahead on holiday shopping – when the cost to acquire a user could pay some serious dividends.

REGISTRATION COSTS & CONVERSION RATES BY MONTH
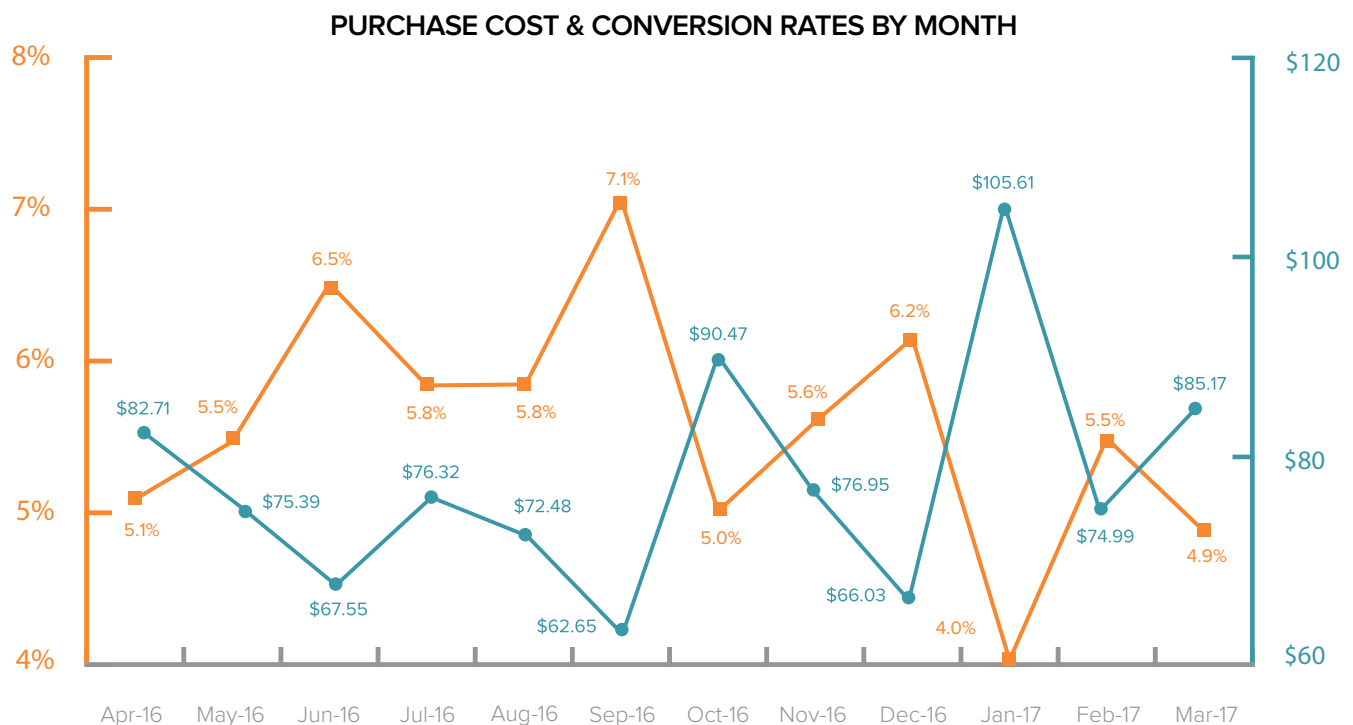

In-app purchase costs & conversion rates by month

Predictably, the costs associated with acquiring a user who completes a first purchase - which averages $78.03 are impacted by seasonal factors and

holidays. Take January – post-holiday, a period when new smartphone users have both the downtime and desire to explore apps and offers. It's not surprising that fierce competition drives the cost of acquiring a user who completes a purchase into the stratosphere

> It's a smart strategy to save budget and boost results by targeting users with offers and deals that will prime them for holiday shopping.

($105.61 or roughly 35% more than the average). It would appear that getting a head start in December - when the install-to purchase rate of 6.2% and the cost to acquire a user who completes a purchase is just over $66 - is a strategy that can guarantee higher conversions for a lower cost.

Indeed, the data highlights a number of months when the effort to acquire and engage users makes perfect business sense. A prime example is June, when the cost to acquire a user who completes a first purchase is $67.55 or 13% less than the average.

PURCHASE COST & CONVERSION RATES BY MONTH

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Conversion	5.1%	5.5%	6.5%	5.8%	5.8%	7.1%	5.0%	5.6%	6.2%	4.0%	5.5%	4.9%
Cost	$82.71	$75.39	$67.55	$76.32	$72.48	$62.65	$90.47	$76.95	$66.03	$105.61	$74.99	$85.17

" September, a month when acquisition costs have hit their lowest and the install-to-purchase rate (7.1%) reaches a high. **"**

Examine the correlation between cost and conversion, and it's easy to conclude that – in many cases – you get what you pay for. Take September, a month when acquisition costs drop to an all-time low for the year ($62.65 – or roughly 20% less than the average) and the install-to-purchase rate soars to 7.1% (the high for the year). This is a clear indication users are buying, not browsing.

But why just acquire them? Given that 2017 holiday shopping on mobile and app broke most records, it's also a smart strategy to save budget and boost results by targeting these same users with offers and deals that will prime them for holiday shopping in November (in China) or in December (in pretty much the rest of the world).

Connect the dots in the data points, and a pattern emerges. There are clearly months when the relationship between costs and conversions allows app marketers to get much more for their money.
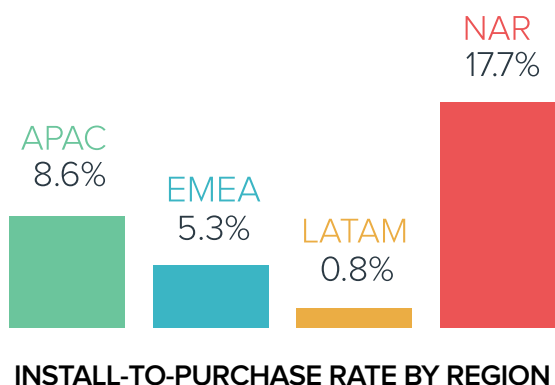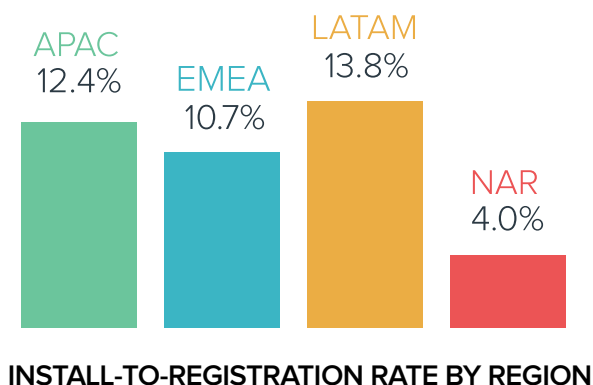
Conversion Rates by Region

In **Latin America** mobile app growth is soaring in markets such as Brazil, Mexico and Argentina (in that order), prompting brands and app marketers to turn their attention to the region. Their enthusiasm is shared by organizations such as PayPal and Mastercard are quick to point out that mobile commerce awareness and readiness among consumers across LATAM is both prominent and promising. Engagement rates for shopping app users in LATAM mirror this dynamic, boding well for business there. The high install-to-registration rate of 13.78% - compared with an install-to-purchase rate of less than 1% - shows app users in this region are serious about using apps to research and consider purchases. However, a lack of local payment infrastructure across predominantly rural areas means some users - though influenced to make purchases - are not yet using apps to complete them.

Europe, a region where mobile apps are already preferred by 47% of mobile shoppers over mobile websites, also offers a wealth of opportunity. Mobile shopping, boosted by an increased awareness of North American shopping phenomenons such as Black Friday and Cyber Monday, is helping app marketers' brands and retailers net more downloads, revenue and engaged users than ever before, according to app store analytics company App Annie.

The trend is mirrored in the engagement data, which reveals an impressive install-to-registration rate of 10.7%. The install-to-purchase rate (5.33%) is likewise indicative of a market on the move.

APAC 12.4%
EMEA 10.7%
LATAM 13.8%
NAR 4.0%

INSTALL-TO-REGISTRATION RATE BY REGION

APAC 8.6%
EMEA 5.3%
LATAM 0.8%
NAR 17.7%

INSTALL-TO-PURCHASE RATE BY REGION

In **North America**, a mature market where the majority of consumers rely on mobile shopping apps to enhance their commerce experience, competition is fierce. It's a huge gamble as the install-to-register rate is only 4%, indicating that app marketers will need to get significantly smarter about how they address and engage their target audience at this important step in the path-to-purchase. The good news: app users in North America convert to purchase at the highest rate of all regions (17.66%).

APAC is hot on the heels of North America in regards to purchasing on mobile devices. For consumers across the region mobile and apps are a dynamic combination and reign supreme as what Nielsen calls "the shopping sidekick". This observation, based on detailed country level data in Nielsen's 2016 Global Mobile Shopping, Banking and Payment Report, is hardly hyperbole. Half of respondents in China

(50%), and roughly half in India (49%), South Korea (47%) and Vietnam (46%) reported making a purchase using their mobile device in the past six months for the period surveyed. Significantly, roughly the same share of respondents also said they made a purchase using a mobile app (50% in China, 48% in South Korea, 47% in India and 43% in Vietnam).

The massive popularity of mobile apps drives high confidence in even higher engagement rates. Specifically, the install-to-registration rate of 12.26% is nearly 3x higher than North America and keeps pace with EMEA, a region where consumers are only just beginning to embrace and use the wealth of shopping apps at their fingertips. Consumers in APAC are not window-shopping; they are accustomed to buying. The install-to-purchase rate of 8.64% is markedly higher than any other region, except the U.S (17.68%) where shopping apps are becoming part of the daily routine.

Mobile Shopping Behavior

Shopping behavior is not only shaped by mobile apps; it is influenced by shopper context, intent and "need state." On average, a consumer who installed a commerce app does so with clear intent, completing their first purchase within a week (6 days). This is good news for app marketers, who can count on recouping the costs associated with acquiring a user who converts within a reasonable timeframe. However, some categories of apps – specifically Brand Apps and Value-Ad Apps – can do even better.

Right time, right place. When it comes to triggering the first event (in this case, completing a purchase) Brand Commerce Apps have the edge. Mostly offered by companies that have put in the hard work to establish a "name" and build consumer awareness around their brand and products, this category of apps benefits immensely from having the additional customer touch point. Users install the app with a strong intent to conduct commerce, completing the first purchase within one hour (!).

INSTALL-TO-PURCHASE TIMES BY CATEGORY

All Ecommerce Apps
Avg. 1st Purchase Date

Brands Apps
Avg. 1st Purchase Date

Value Add Apps
Avg. 1st Purchase Date

Marketplace Apps
Avg. 1st Purchase Date

| Day 00 | Day 1 | Day 2 | Day 3 | Day 4 | Day 5 | Day 6 | Day 7 |

Making an offer they can't refuse. Value-Add Apps have a clear value proposition, but data shows the first purchase is made days, not hours, after users install the app. But this should not be read as a negative. The timescale matches with the nature of the app and the context of the user. Simply put, users who install this category of shopping app are generally waiting for the "right" opportunity to use the app to enhance their commerce experience — be it in the digital realm or the physical world. The point is: users clearly install the app with the intent to purchase, but not necessarily when they are at the checkout.

More choice, more competition. Marketplace Apps have it tougher than most, indicating that competition for users is fierce and app marketers should sharpen their focus on efforts to engage users more (and perhaps more often) along the path-to-purchase. The good news: users install a marketplace app with the intent to make a purchase. The not-so-good news: users who make a purchase do so within 7 days of installing the app. Combine this with the earlier finding that the install-to-purchase rate is only 3.84%, and it's a clear signal that Marketplace Apps, while they make their money offering a broad assortment of goods, would do well to focus. In short, app marketers would achieve higher engagement if they would narrow audience targeting in order to encourage app engagement and use.

Summary

Mobile shopping apps are a category on the move, driven by an increase in the number of consumers that use them (and trust them) to complete key actions and purchases.

This report looked at two main actions that define the shoppers' journey. These are **Registration**, the first step to building deep engagement with the app and the value it offers, and **Purchase**, the outcome that crowns effective advertising campaigns, allowing brands and marketers to gain even deeper insights into the tactics that fly and fail, with their target audience.

As with all marketing, there is no "one-size-fits-all" approach. Campaigns and strategies aimed at encouraging engagement and chalking up conversions must be segmented by audience demographics, starting with **gender**. This report finds that females are quite literally the prize. It's a user segment that may cost slightly more to acquire, but engagement rates are impressive as females both register and make purchases at a much higher rate compared to males.

Regional differences – where your target audience is located – also play an important role in crafting an engagement strategy that makes sense for your business. Granted, users in regions where apps have long become part of the daily routine – such as APAC and North America – may be comparatively expensive to acquire, but marketers can also count high engagement and conversion rates to match. In Europe consumers are waking up to mobile shopping, allowing marketers to acquire and engage audiences on the cheap.

It's even earlier days for shopping apps in LATAM, where users reach for apps to re-search purchases but cannot always complete them due to a lack of payment infrastructure.

A Big Picture view of shopping app engagement and conversion globally reveals key months (for example, September) when acquisition costs are low, and engagement rates are high. Efforts to double-down on prime users for seasonal shopping events, such as Singles Day in China or Christmas elsewhere around the world, could pay even bigger dividends.

But the report doesn't just drill down into regions. It breaks down shopping apps into three categories (**Brand Commerce, Marketplace and Value-Add**), highlighting strategic opportunities and imperatives

for marketers of each. The bottom line: context and a clear value proposition impact both acquisition costs and engagement rates across all categories.

Linked with strong awareness and presence in the physical world, it's not a stretch for Brand Commerce apps to recruit users to their products and offers – but it can be pricey. Likewise, Value-Add apps, perceived by users to enhance the shopping experience, have little trouble triggering interaction. Significantly, Marketplace apps – apps that generally face tough competition – are confronted by acquisition costs that are at the top of the range. However, their positioning as one-stop emporiums for a broad range of products can be a plus – provided they harness data to turn browsers into buyers.

LIFTOFF

Liftoff is a full-service mobile app marketing and retargeting platform which uses post-install data to run true CPA-optimized mobile user acquisition and retention campaigns. With Liftoff, campaigns are optimized to drive specific actions beyond the install, to acquire users who engage in more profitable post-install events like booking a hotel, subscribing to a service or making a purchase.