

The State of The U.S. Mobile Market

Gian Fulgoni

CEO and Co-Founder
comScore, Inc.



Agenda

The Mobile Media Revolution

Social & Other Fast Rising Apps

The Upside in Mobile Advertising

The Accelerating Channel Shift in Digital Commerce

Key Takeaways

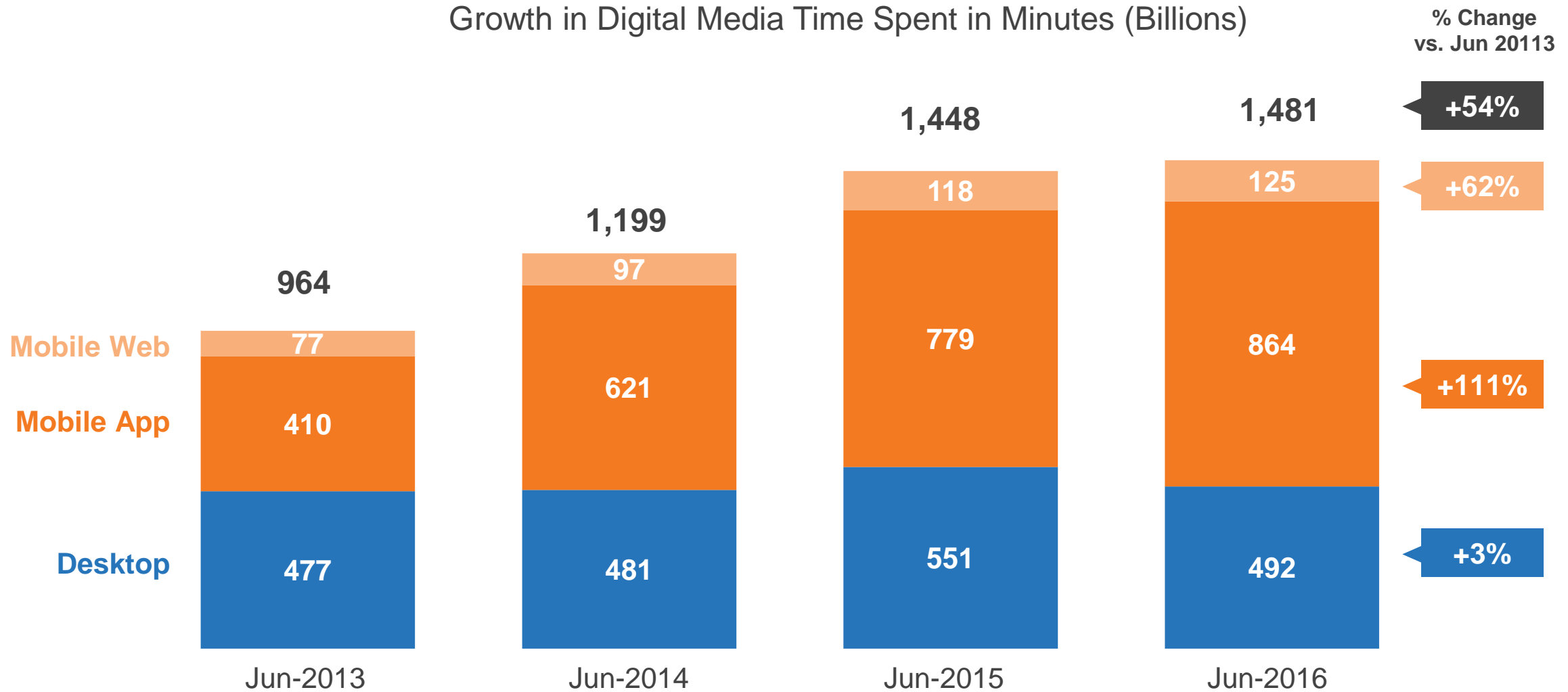


The Mobile Media Revolution

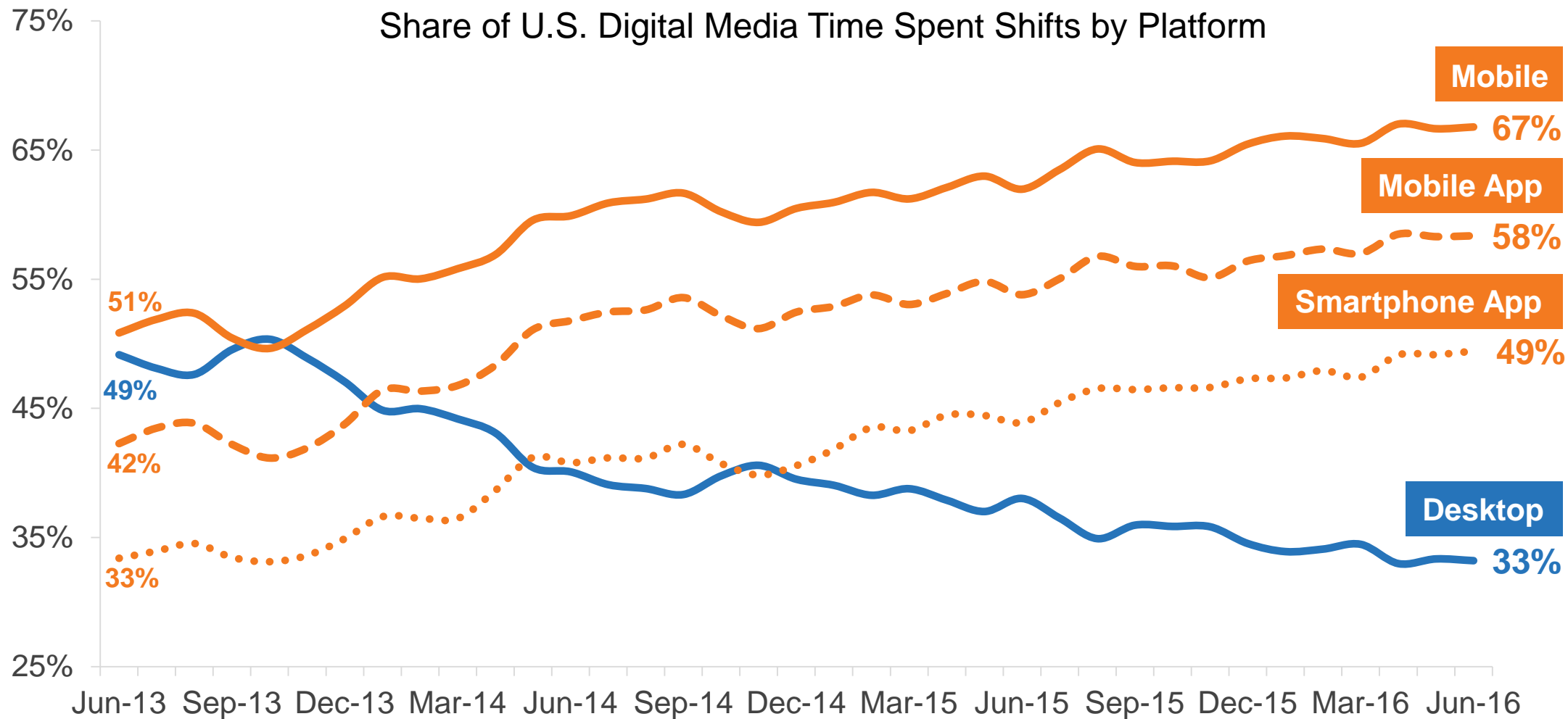


Digital media usage time, driven by mobile apps, has surged 54% since 2013 and tripled in five years, but **growth across all platforms is beginning to slow**

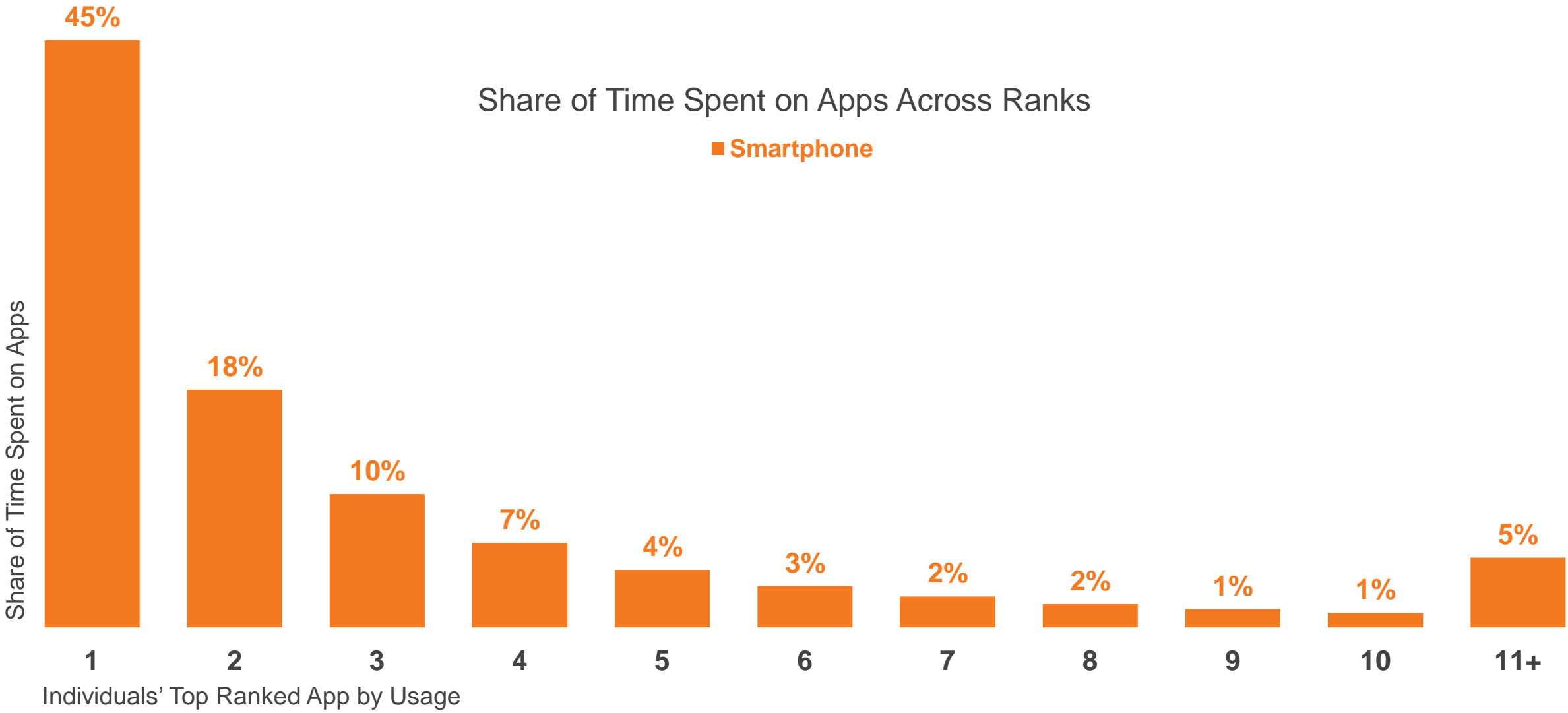
Growth in Digital Media Time Spent in Minutes (Billions)



Mobile now represents 2 out of 3 digital media minutes, and mobile apps are approaching 60% of total digital time spent

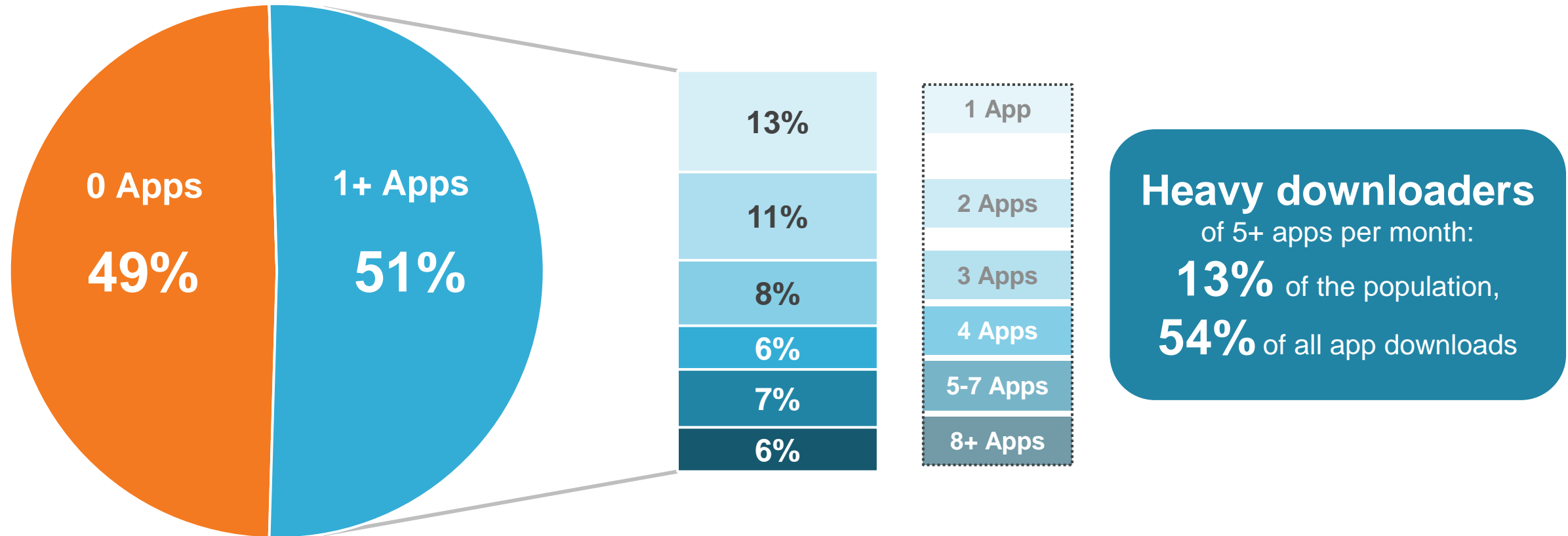


Mobile users spend a really **high percentage of their time on their #1 most used app**, and about 9 out of 10 minutes within their Top 5

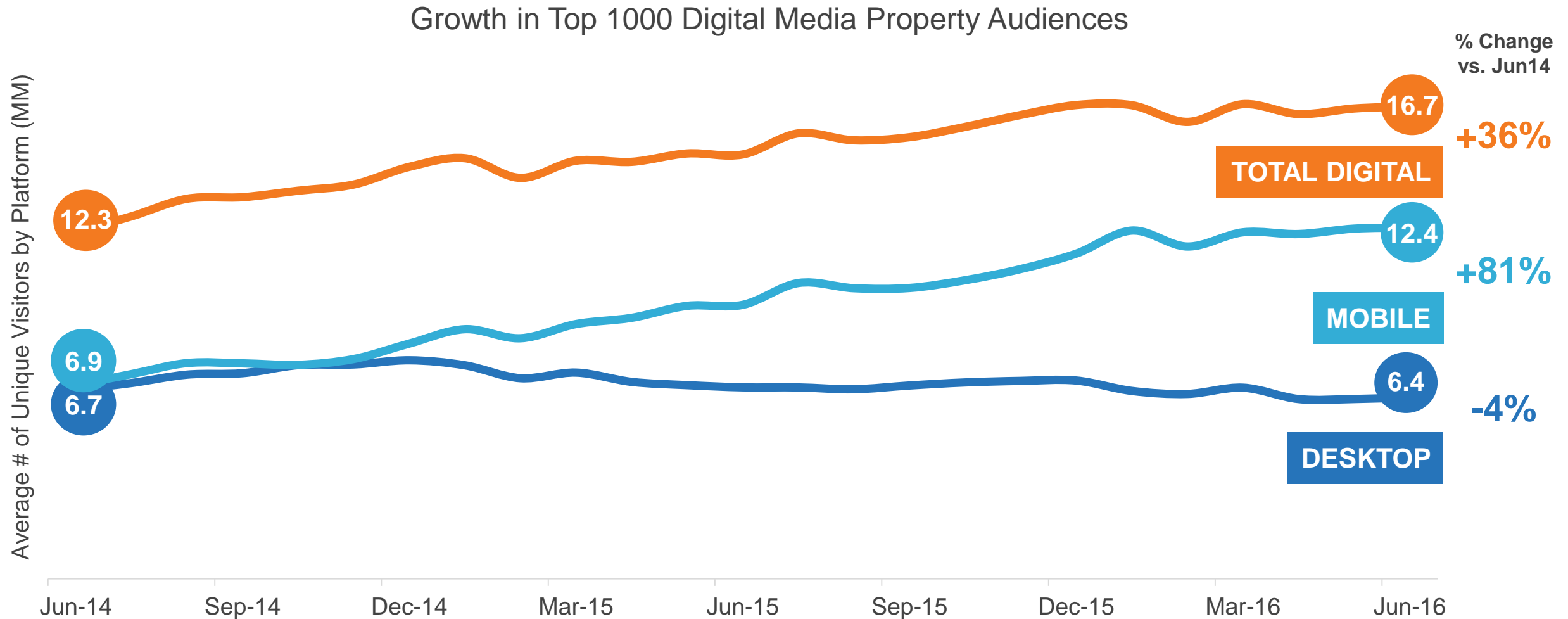


Have we reached 'peak app'? Nearly half of smartphone users don't download any apps in a month, and the average user downloads two

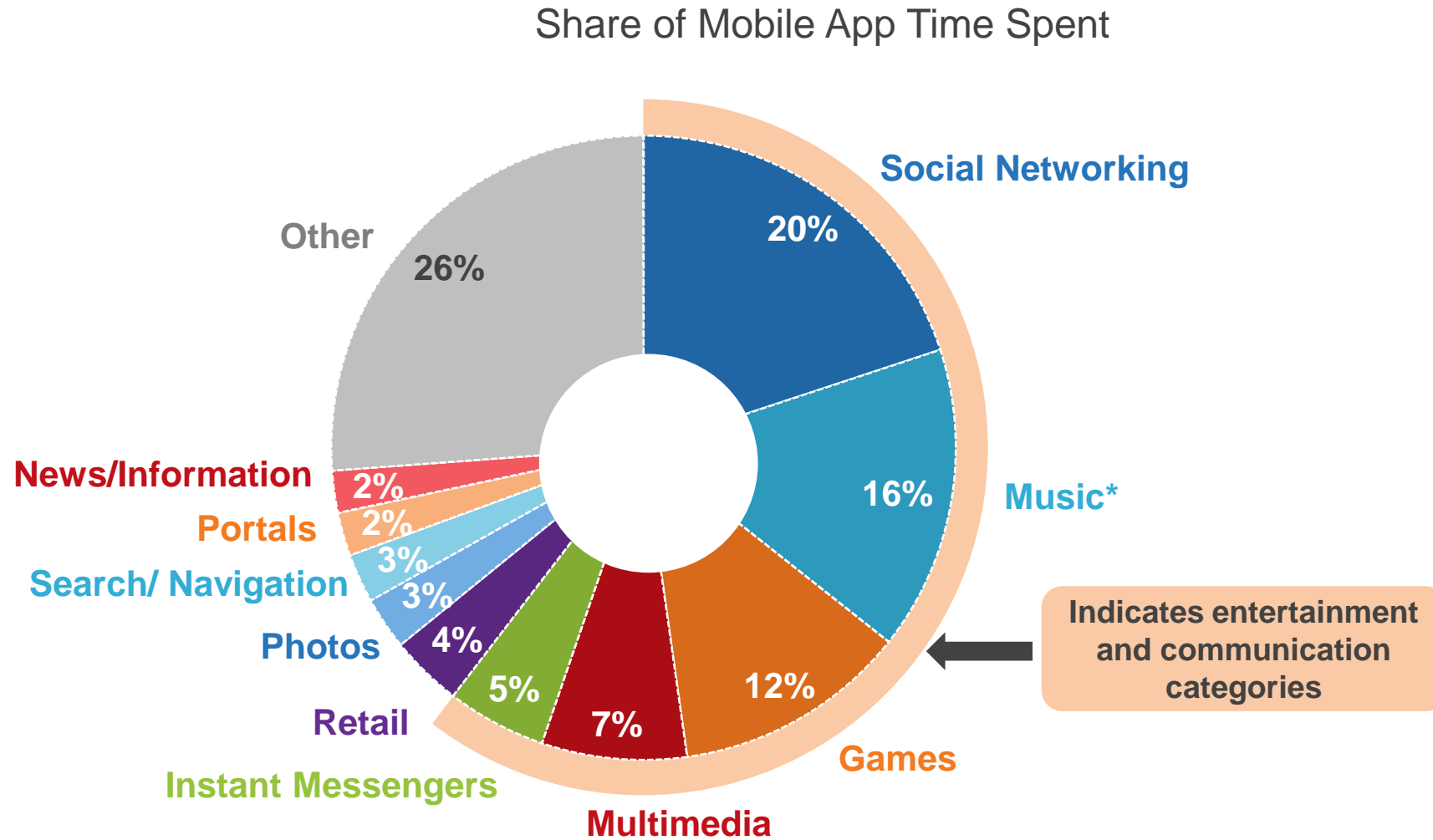
Smartphone Users' Number of App Downloads Per Month



Monthly digital media audiences continue to climb with the help of mobile, which has now far surpassed desktop in audience size



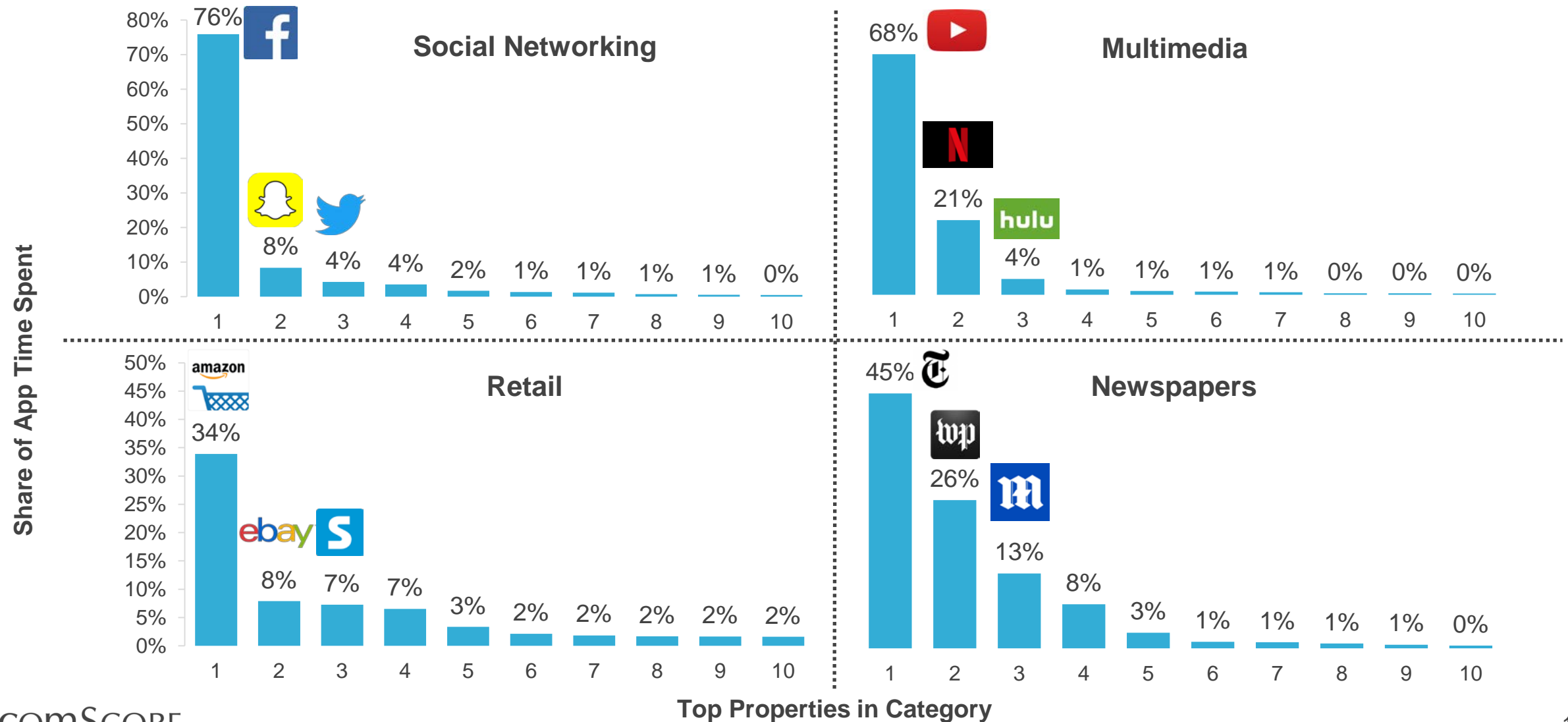
The top five mobile app categories are all social and entertainment-focused, and drive 60% of total time spent on apps



Source: comScore Mobile Metrix, U.S., Total Audience, June 2016

App usage by category tends to follow a power law distribution, featuring one strong leader, a few secondary players, and a long tail

Concentration of Time Spent in Top Apps by Category

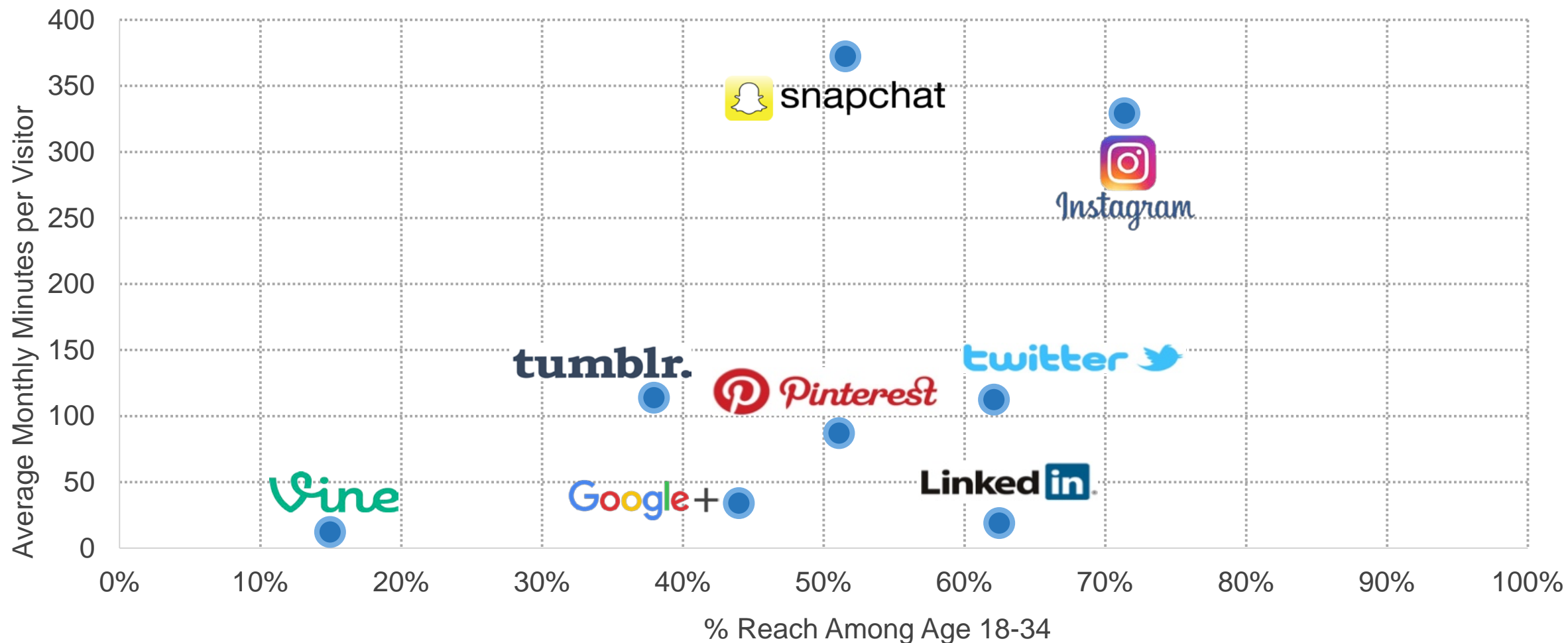


Social & Other Fast Rising Apps



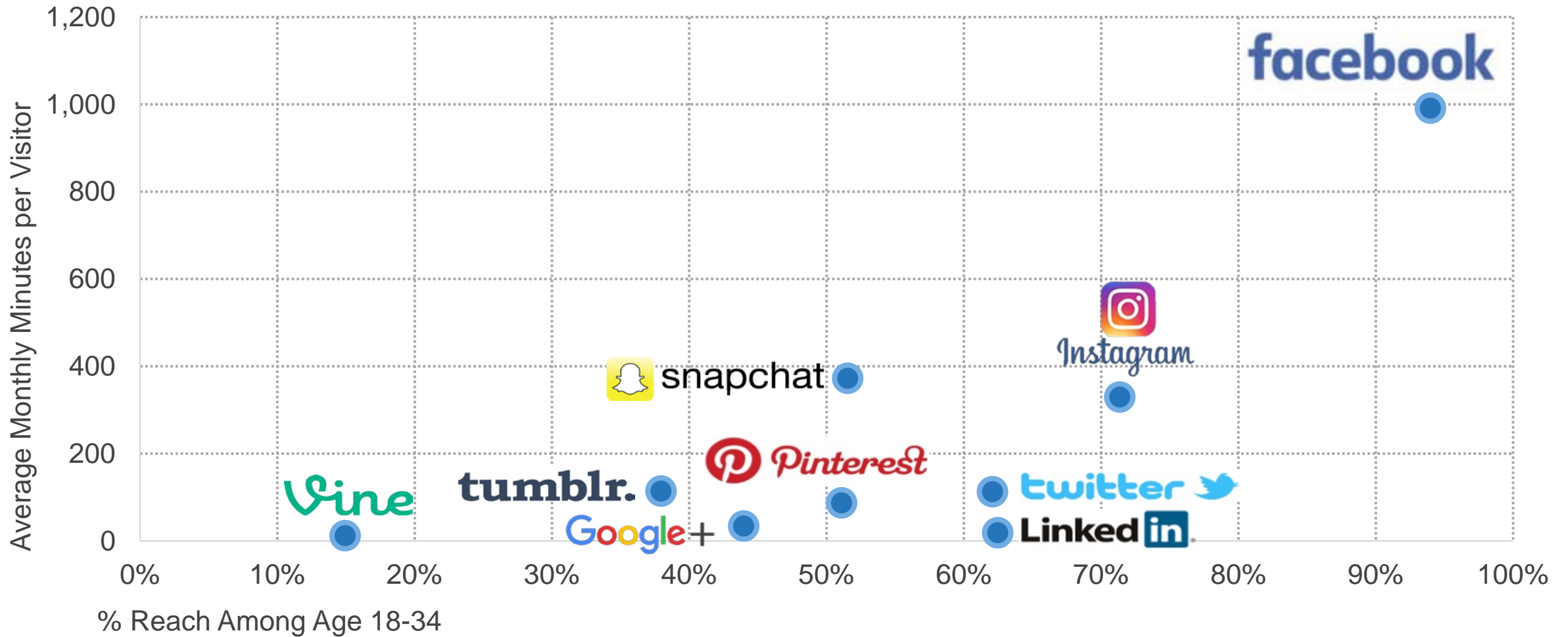
Millennials use a variety of social networks regularly...

Age 18-34 Digital Audience Penetration vs. Engagement of Leading Social Networks



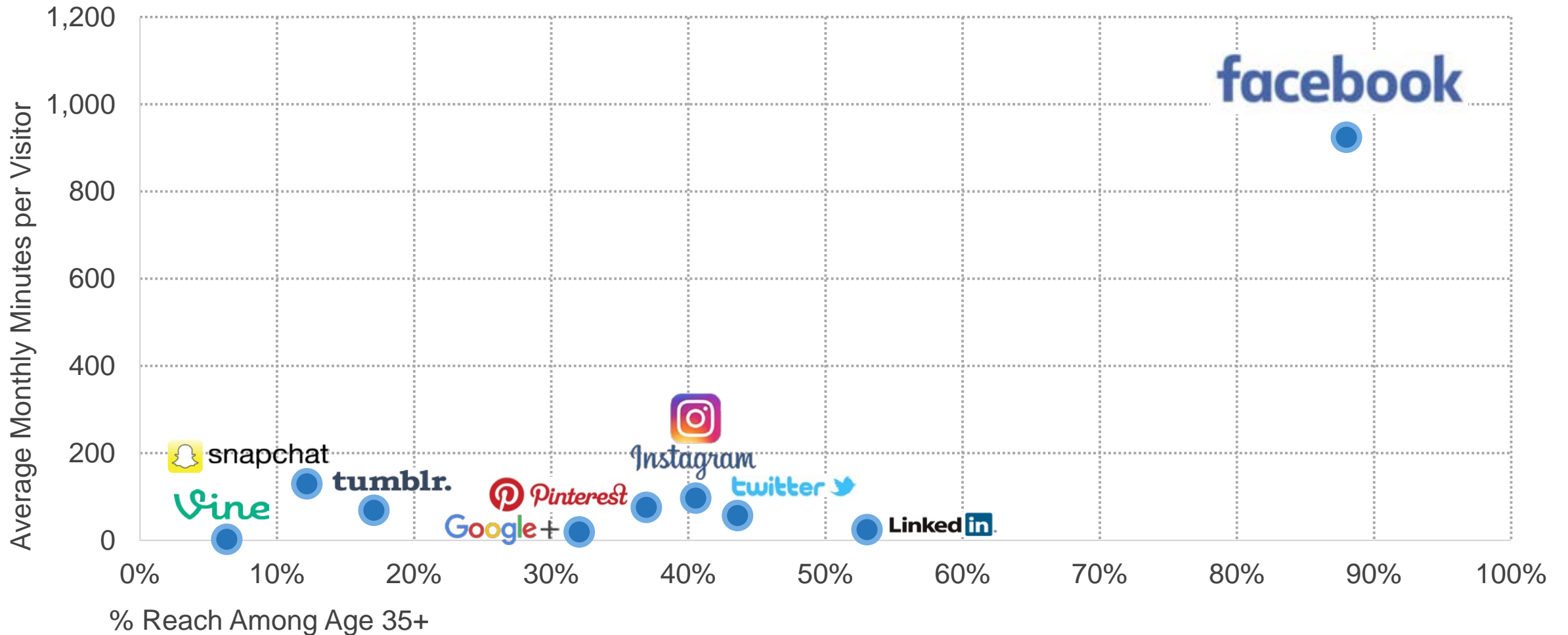
Millennials use a variety of social networks regularly... but Facebook has a wide lead in both audience size and engagement

Age 18-34 Digital Audience Penetration vs. Engagement of Leading Social Networks

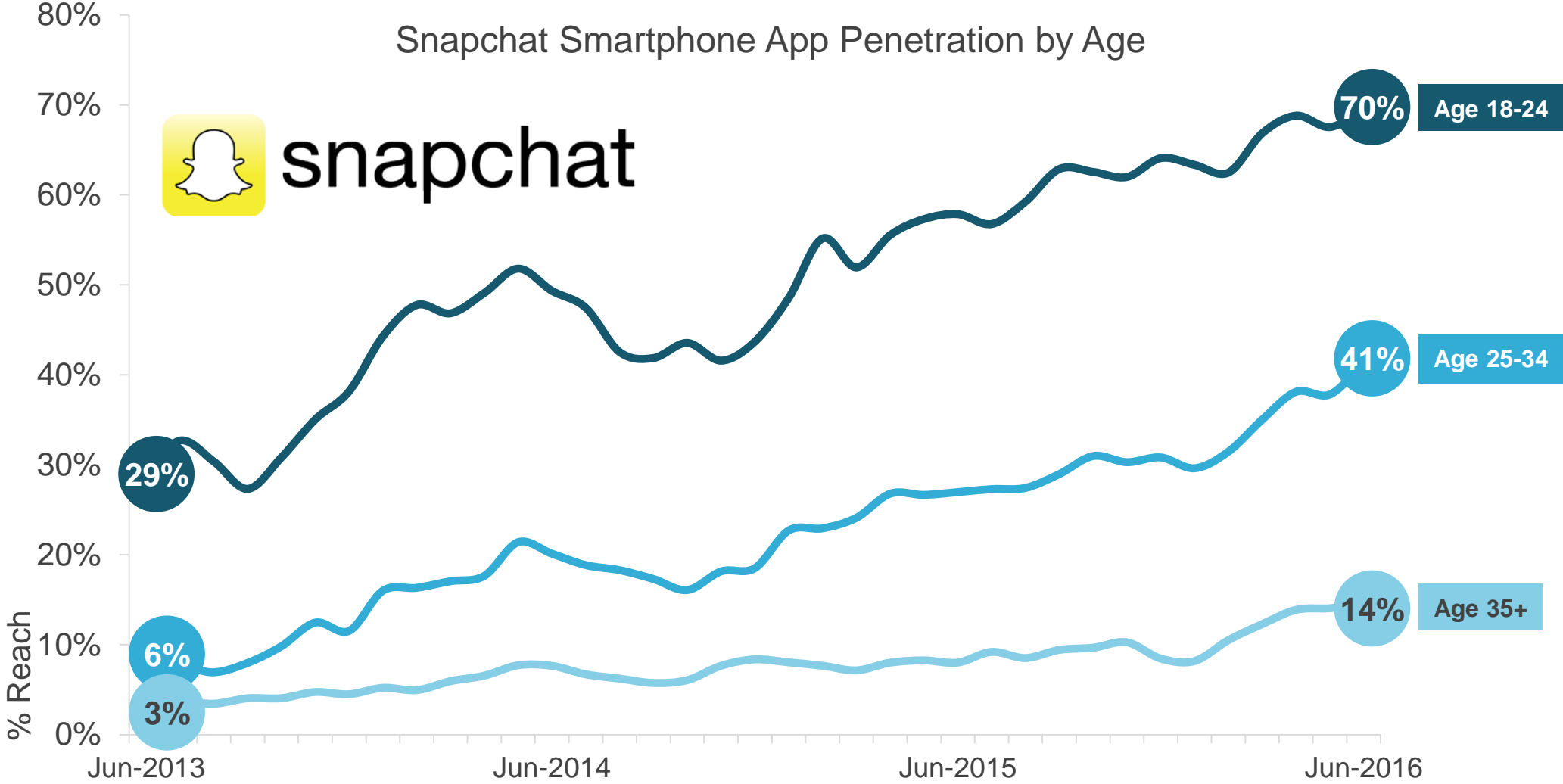


The **35+** age segment represents heavy Facebook users, but they **don't spread their attention quite as heavily across other networks**

Age 35+ Digital Audience Penetration vs. Engagement of Leading Social Networks

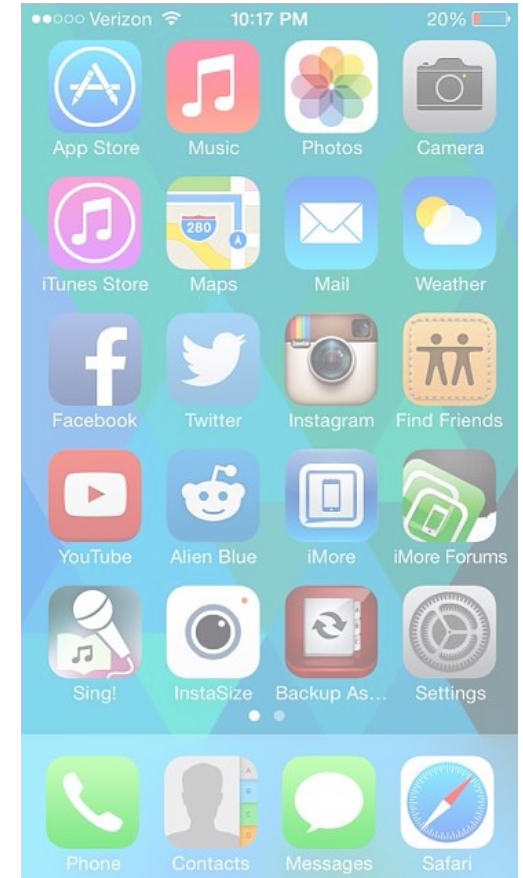
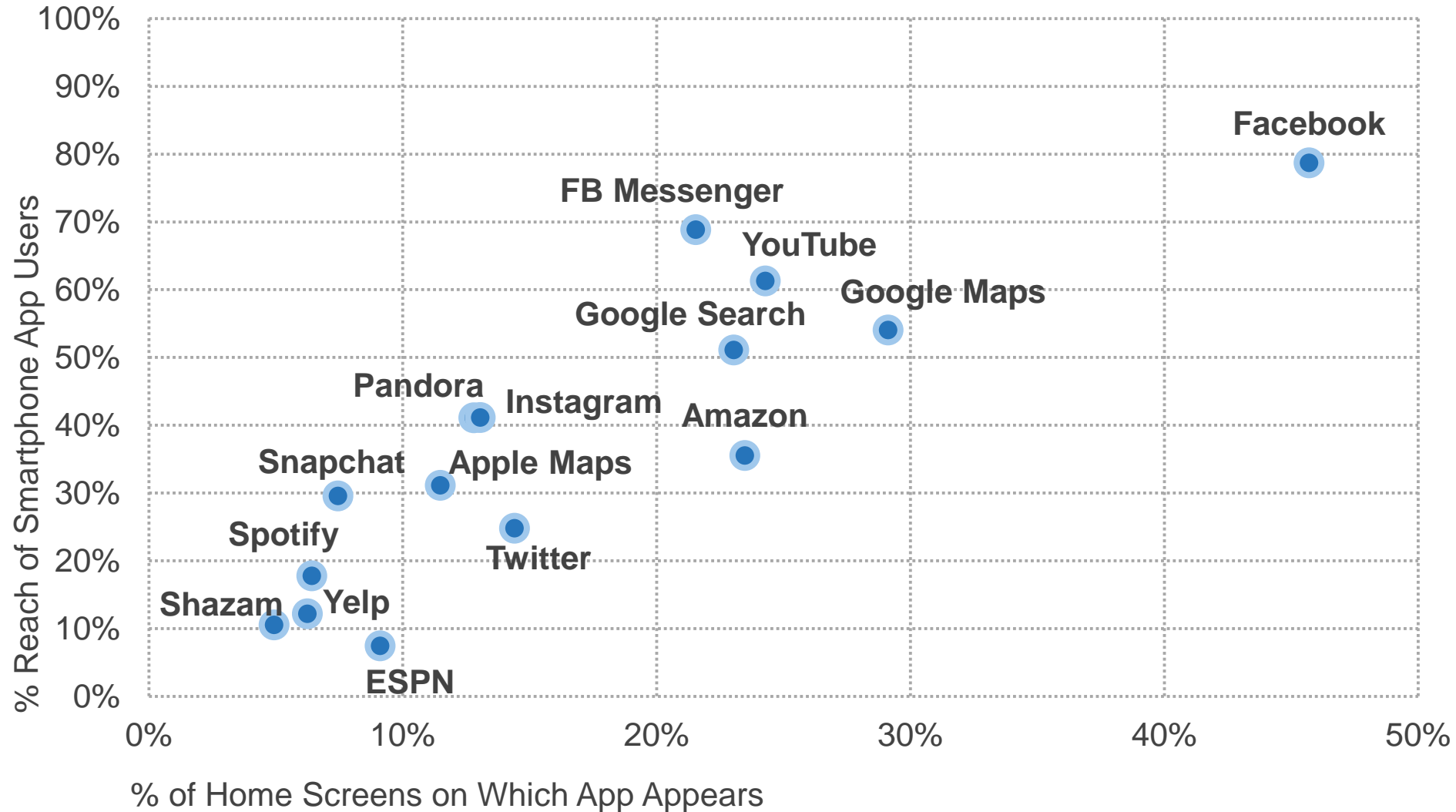


Snapchat continues its impressive run as it **grows its audience across all age groups**; even the “older” 35+ users are catching on

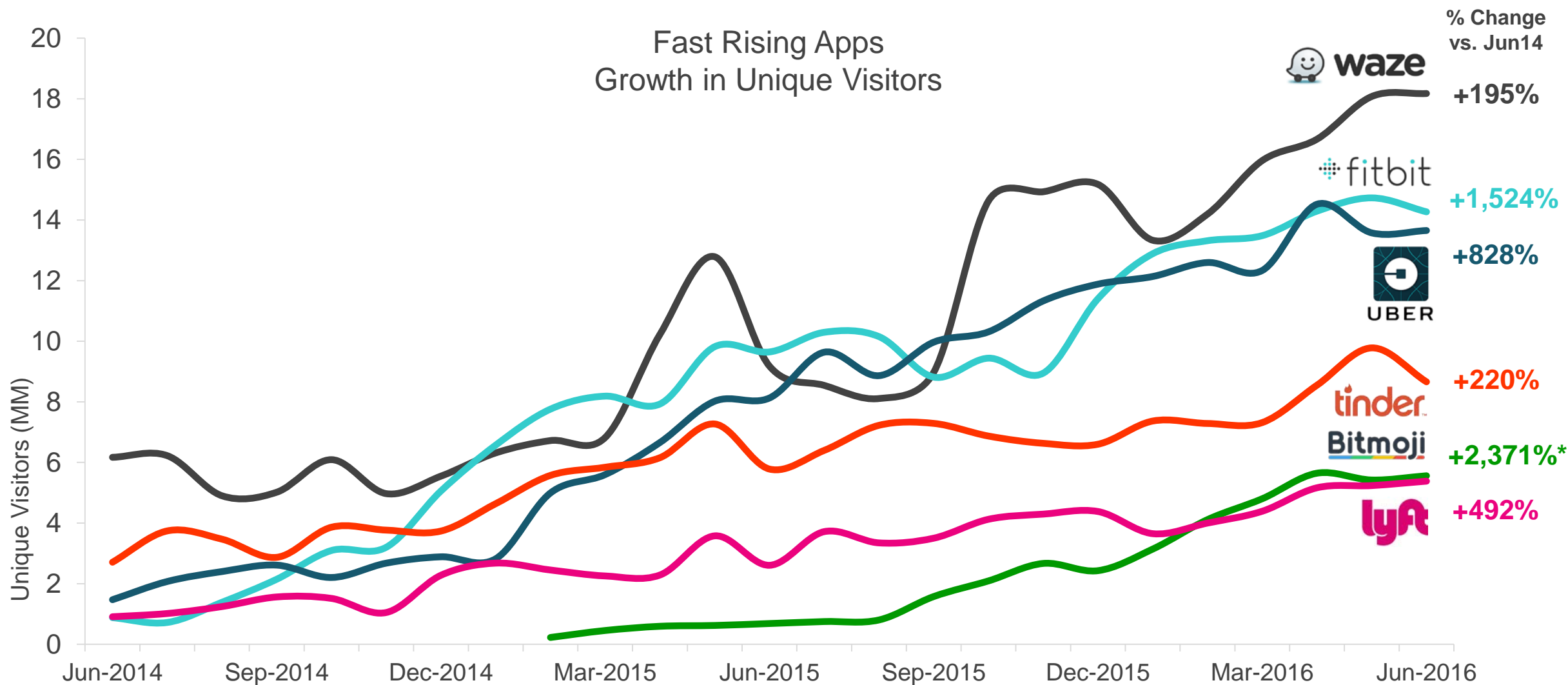


Location, location, location: apps occupying valuable home screen real estate tend to have the most visitors

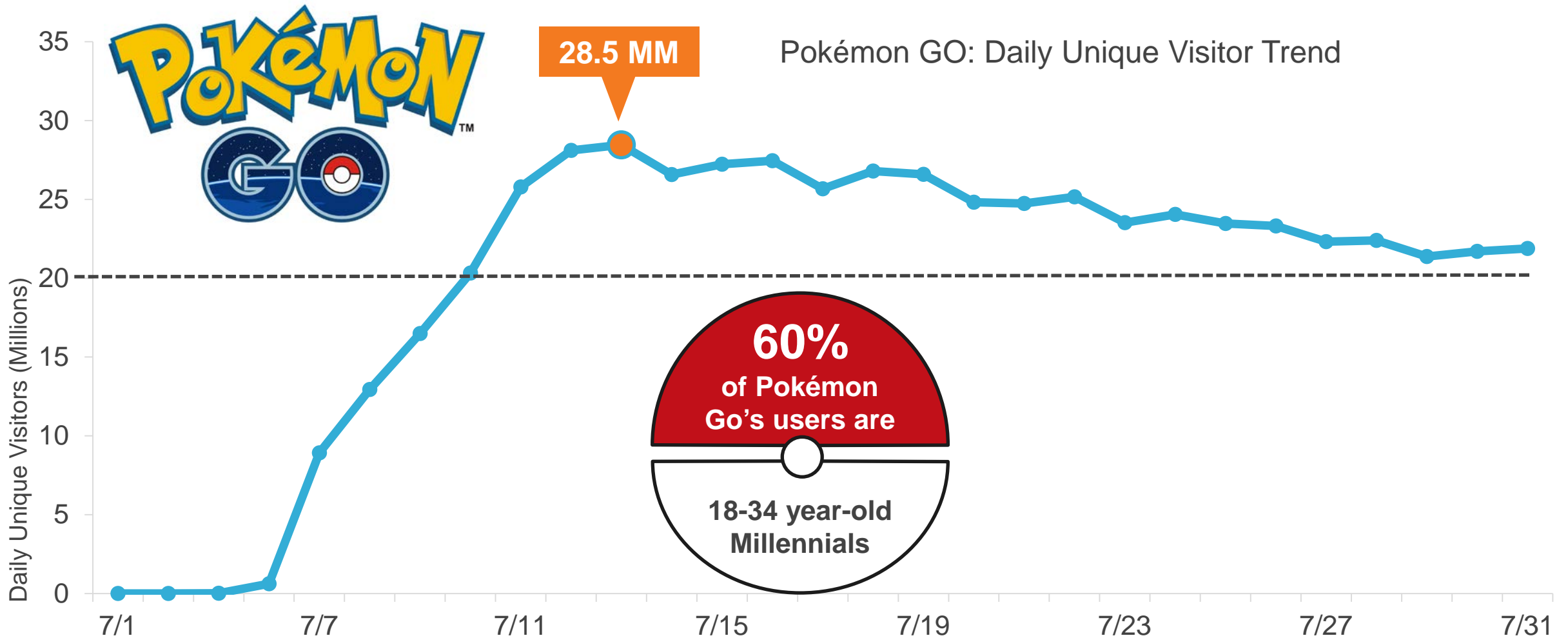
Selected Smartphone Apps: Visitor Penetration vs. % Home Screen Incidence



Many of the **fastest growing apps are services that improve existing real-world behaviors**, such as hailing cabs, exercising, and dating



Pokémon GO – a location-based augmented reality game – is the latest mobile app phenomenon, **exploding onto the scene in July**

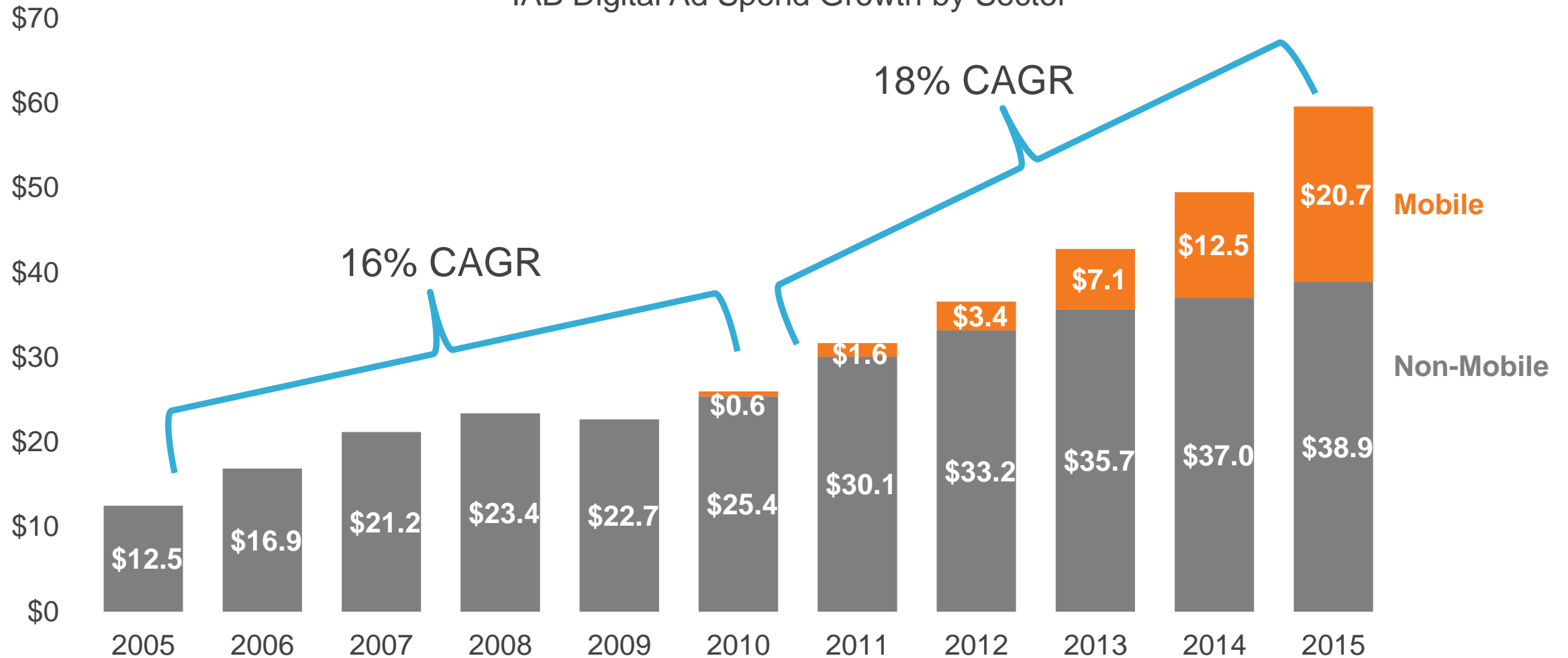


The Upside in Mobile Advertising



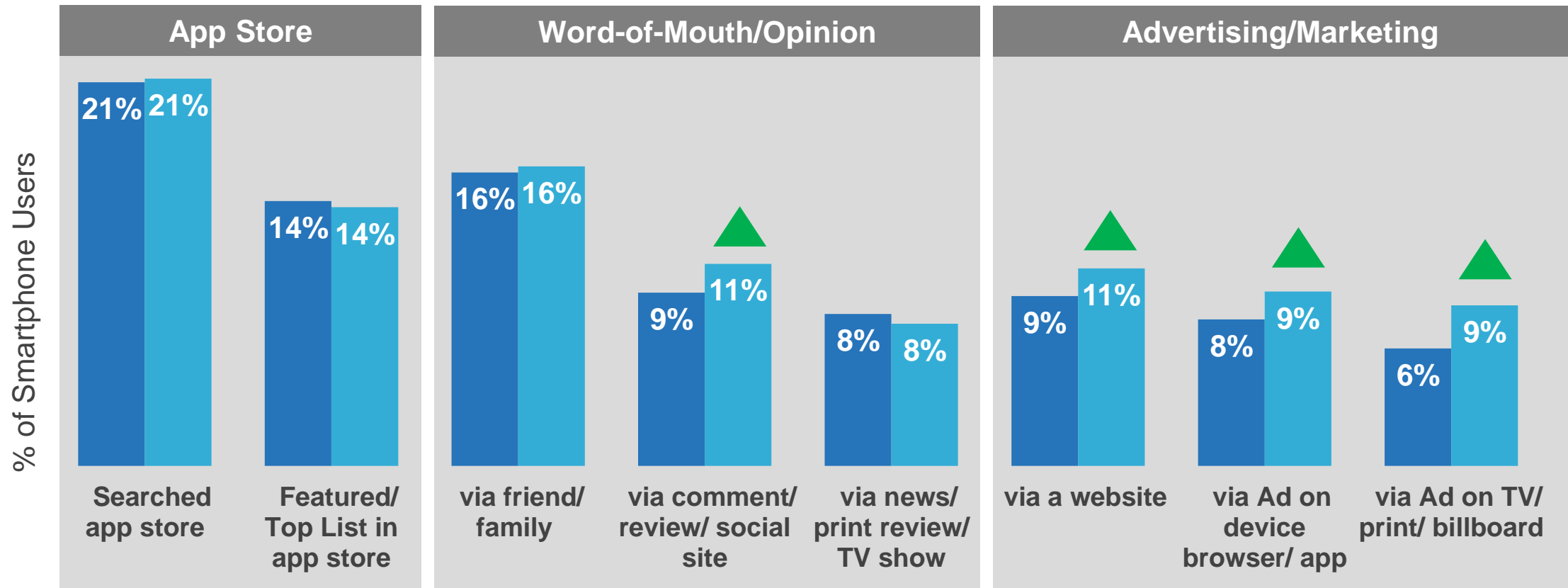
Mobile ad growth is exploding right now, accounting for a third of all digital ad spending and driving acceleration in the topline digital advertising growth trend

IAB Digital Ad Spend Growth by Sector



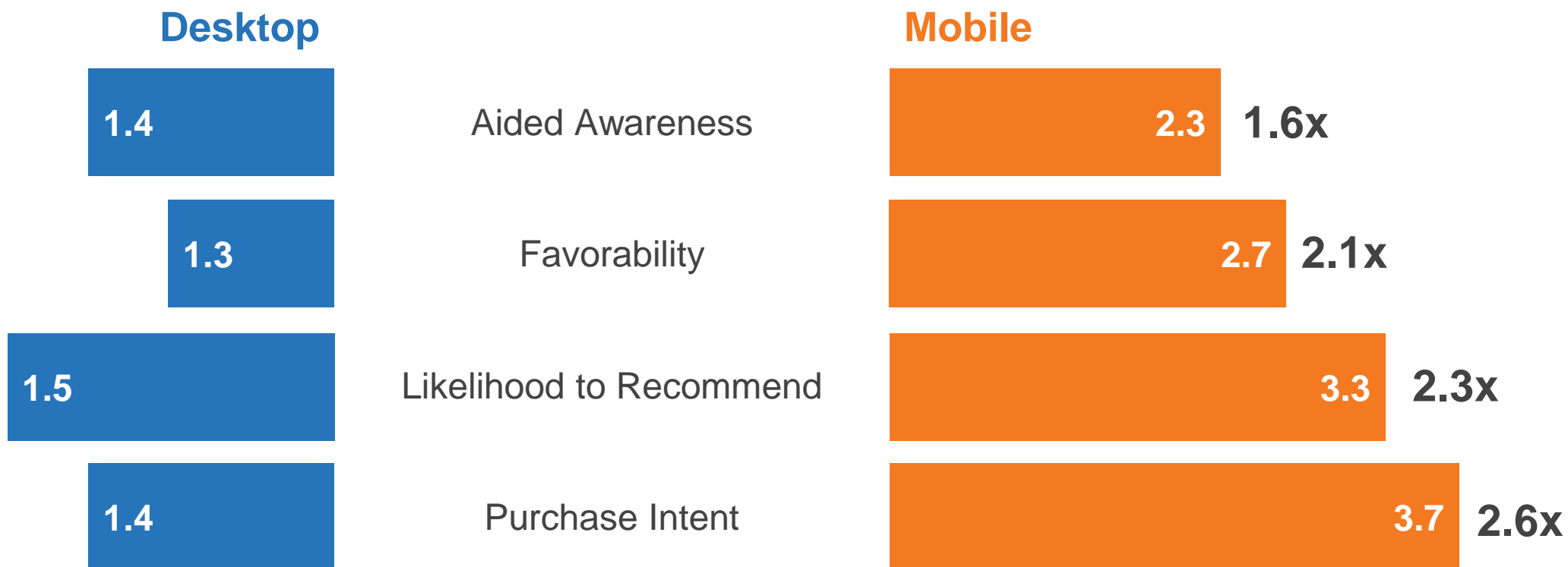
Advertising and marketing is becoming a more important driver of app installs, while the app store's influence may have peaked

Smartphone App Discovery Method as a % of Users
Jun15 | Jun16



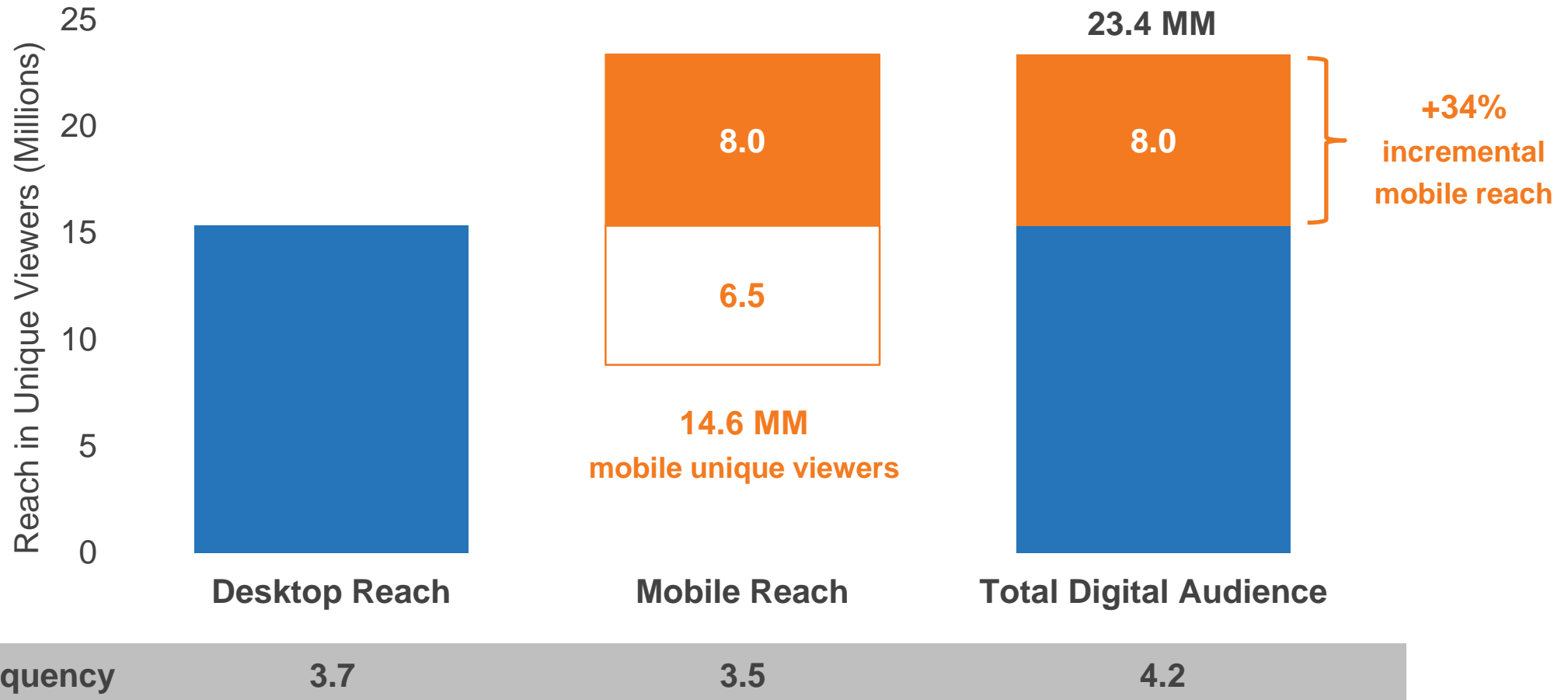
Digital ads work: both desktop and mobile ads drive brand lift, but mobile performs better, particularly in the lower funnel

Percentage Point Lift in Brand Metrics for Desktop and Mobile Ads



Mobile campaigns often deliver comparable reach/frequency to desktop campaigns, and drive significant incremental reach

Analysis of 14 CPG Brands' Campaigns: Incremental Reach by Platform*

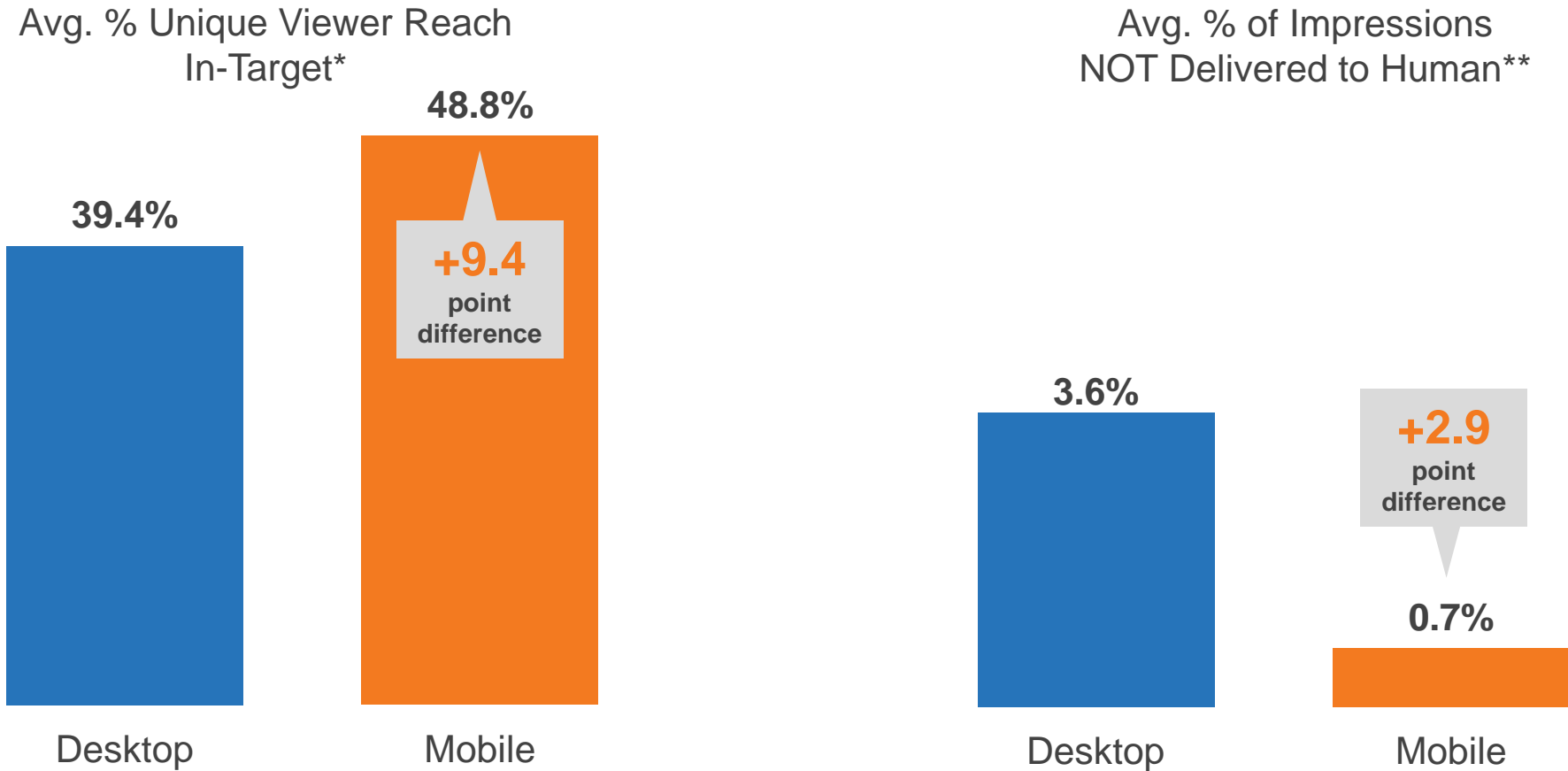


Source: comScore validated Campaign Essentials, U.S.

* Based on a sample of campaigns for 14 CPG brands in Q2 2016.
Not all values in chart will sum due to rounding error.

Mobile ads perform significantly better than desktop in reaching their target audience and delivering ads to humans

Benefits of Mobile Ads vs. Desktop Ads

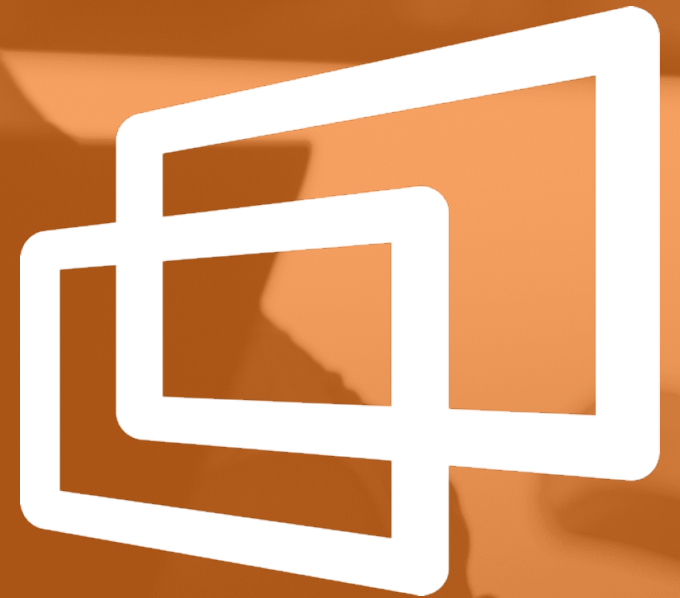


Source: comScore validated Campaign Essentials, U.S.

* Based on a sample of 254 desktop campaigns and 167 mobile campaigns between April 1 – June 22, 2016.

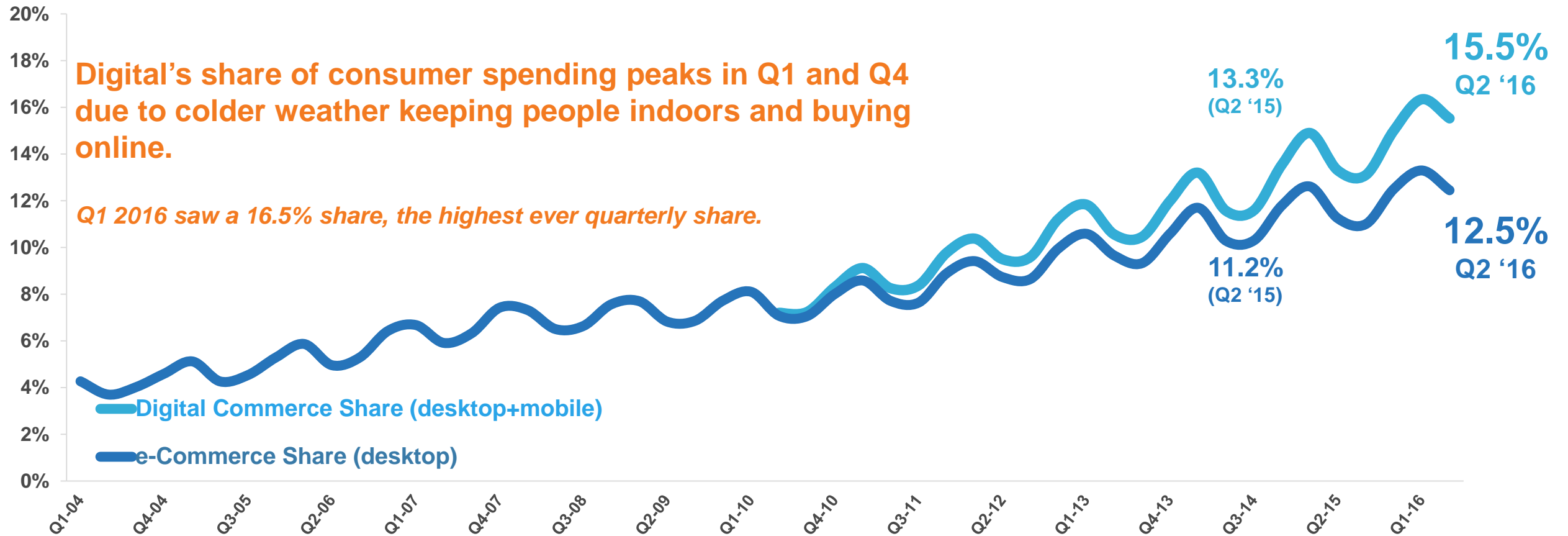
** Based on a sample of 254 desktop campaigns and 127 mobile campaigns between April 1 – June 22, 2016.

The Accelerating Channel Shift in Digital Commerce



By Q2 2016, **Total Digital Commerce** had grown to account for nearly **1 in every 6** discretionary dollars spent by consumers

Desktop & Mobile Digital Commerce Share of Corresponding Consumer Spending*

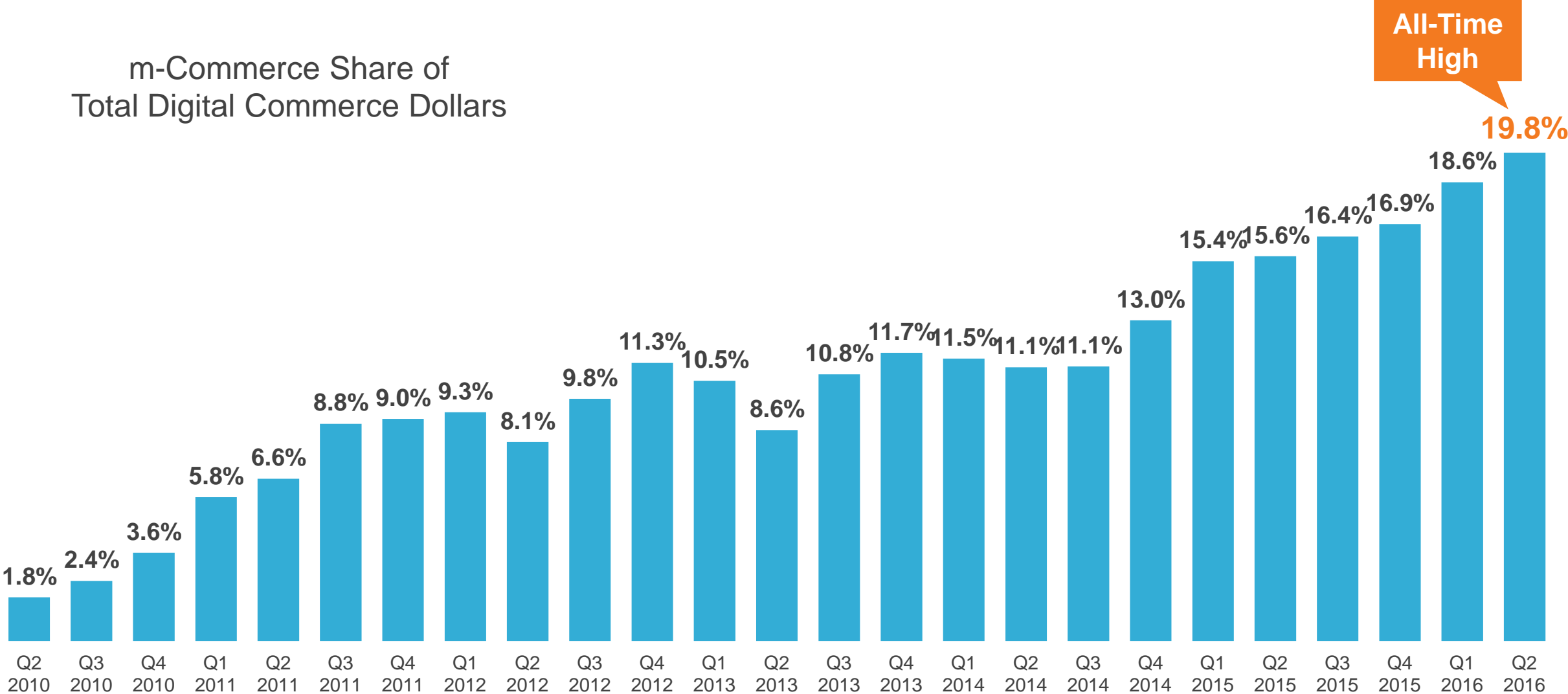


Source: comScore e-Commerce / m-Commerce & U.S. Department of Commerce (DOC) for Retail

*Note: e-Commerce share is shown as a percent of DOC's Total Retail Sales excluding Food Service & Drinking, Food & Bev. Stores, Motor Vehicles & Parts, Gasoline Stations and Health & Personal Care Stores.

M-Commerce has grown as a percentage of total digital commerce, with a significant acceleration beginning in Q4 2014 and culminating in an **all-time high of 19.8% in Q2 2016**

m-Commerce Share of Total Digital Commerce Dollars



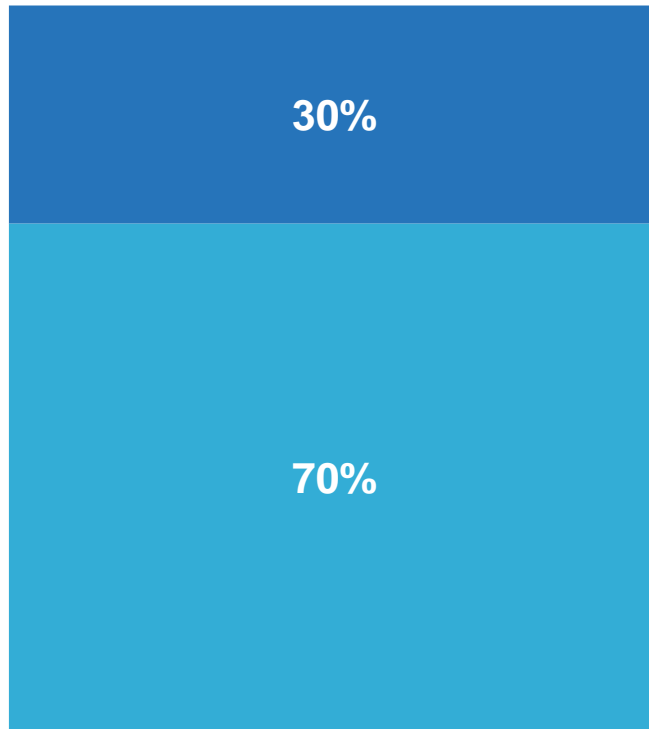
In terms of discretionary spending, **m-Commerce growth is still far outpacing e-Commerce & bricks-and-mortar**

Q2 2016 Y/Y Retail Spending Growth by Channel



The M-Commerce Monetization Gap: dollars are significantly lagging digital media time spent on mobile, highlighting the mobile conversion challenge

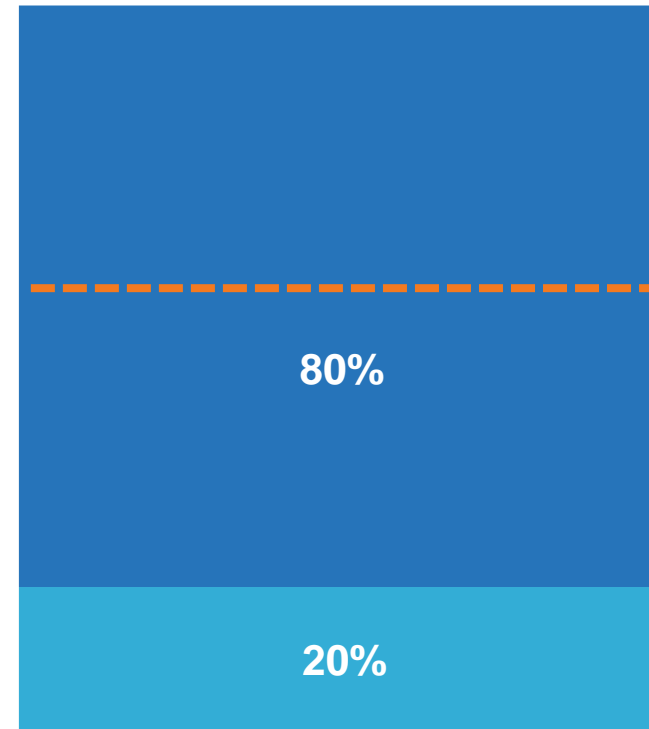
Q2 2016 Share of Retail Time Spent vs. Spending by Platform



Time Spent

■ Desktop
■ Mobile

50%
Gap



Dollars Spent

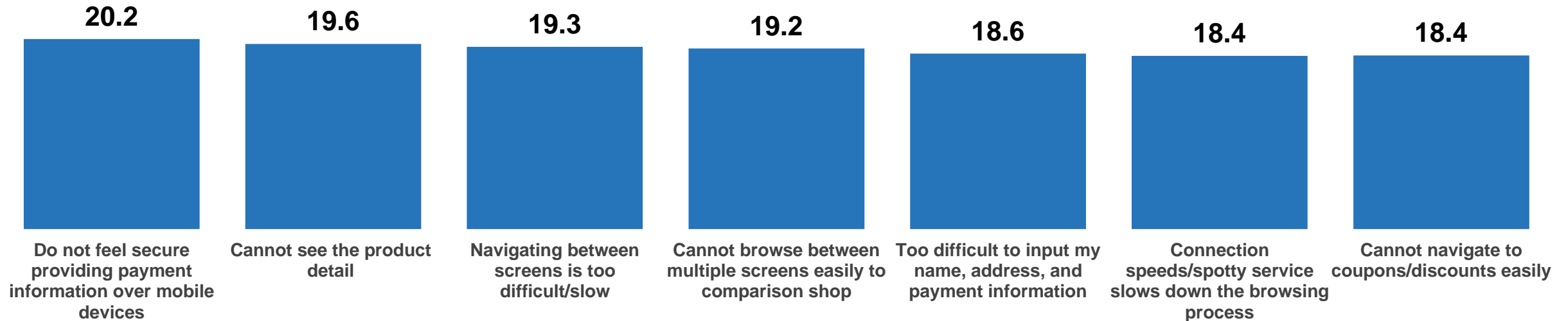


M-commerce conversion lags due to several friction points on mobile, with security concerns and screen size topping the list.

Smartphone

Barriers to Mobile Purchasing: Friction Score – Combines Frequency x Severity of Issues

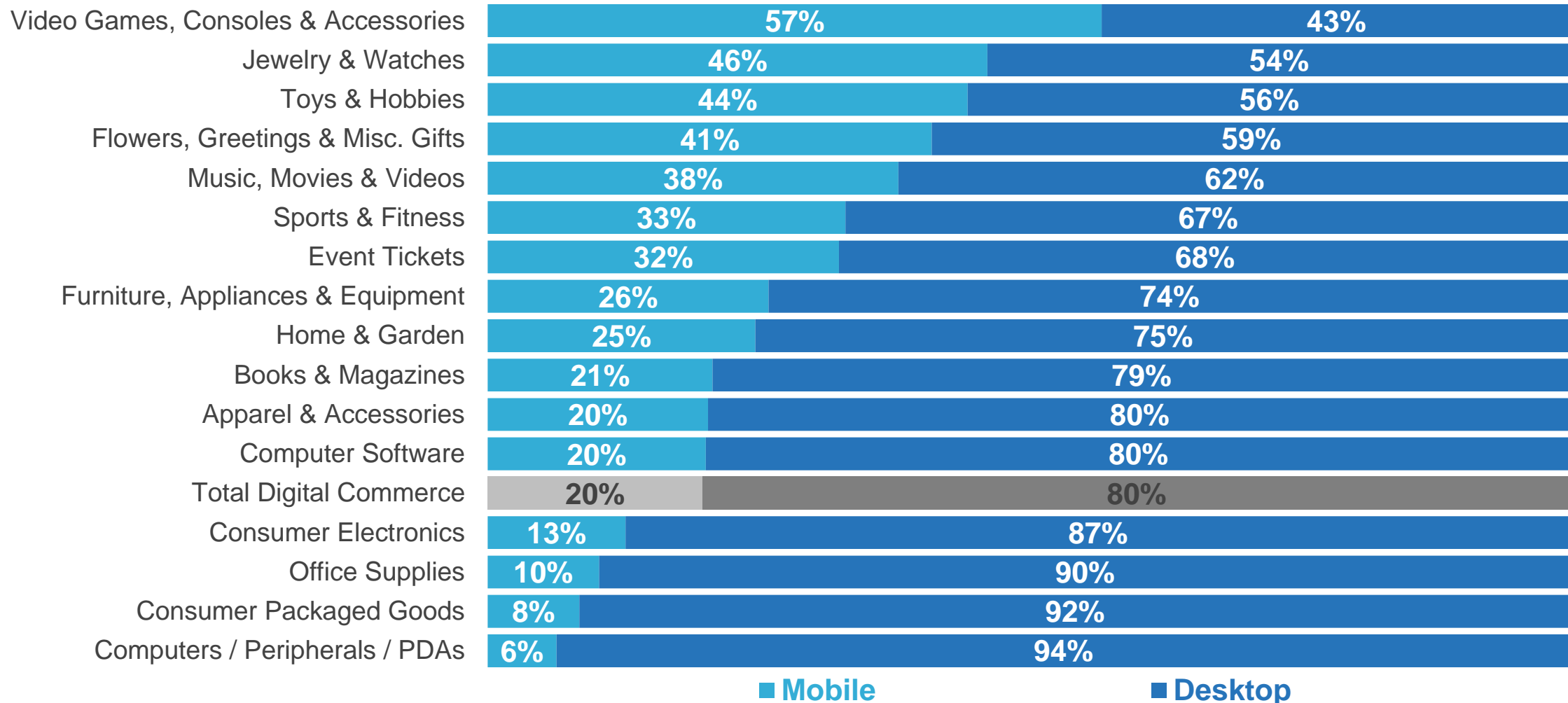
Scores were computed by multiplying ratings for “frequency” and “severity” of each issue, for each device (on a 7-pt scale, see question text below)



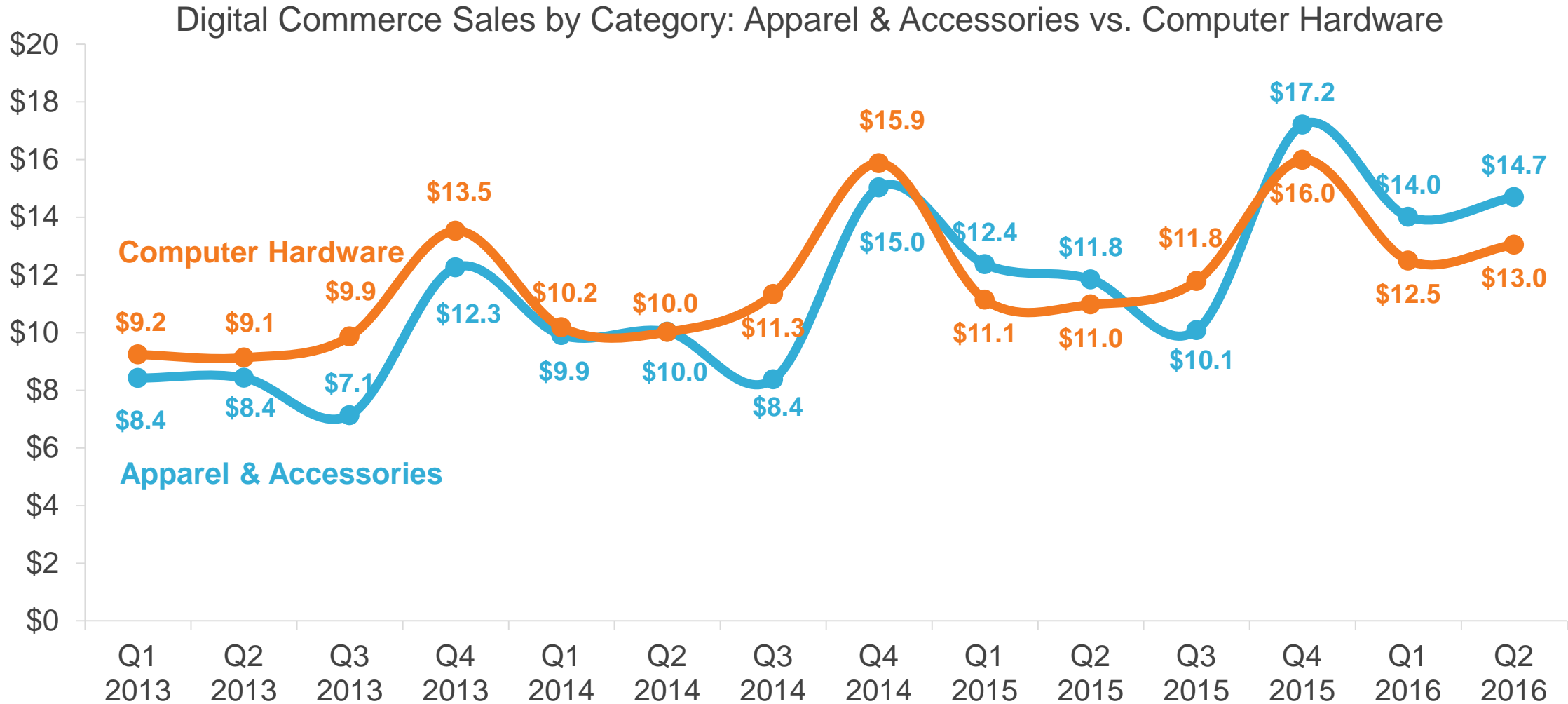
Thinking about purchases you make on your smartphone, on a scale of 1 to 7 where 1 is “Never Happens” and 7 is “Happens Very Often,” how often do the following happen while making a purchase on your smartphone?

Mobile share of dollars spent tends to be lower when price and / or basket total is higher; Video Games currently attracts highest m-Commerce share

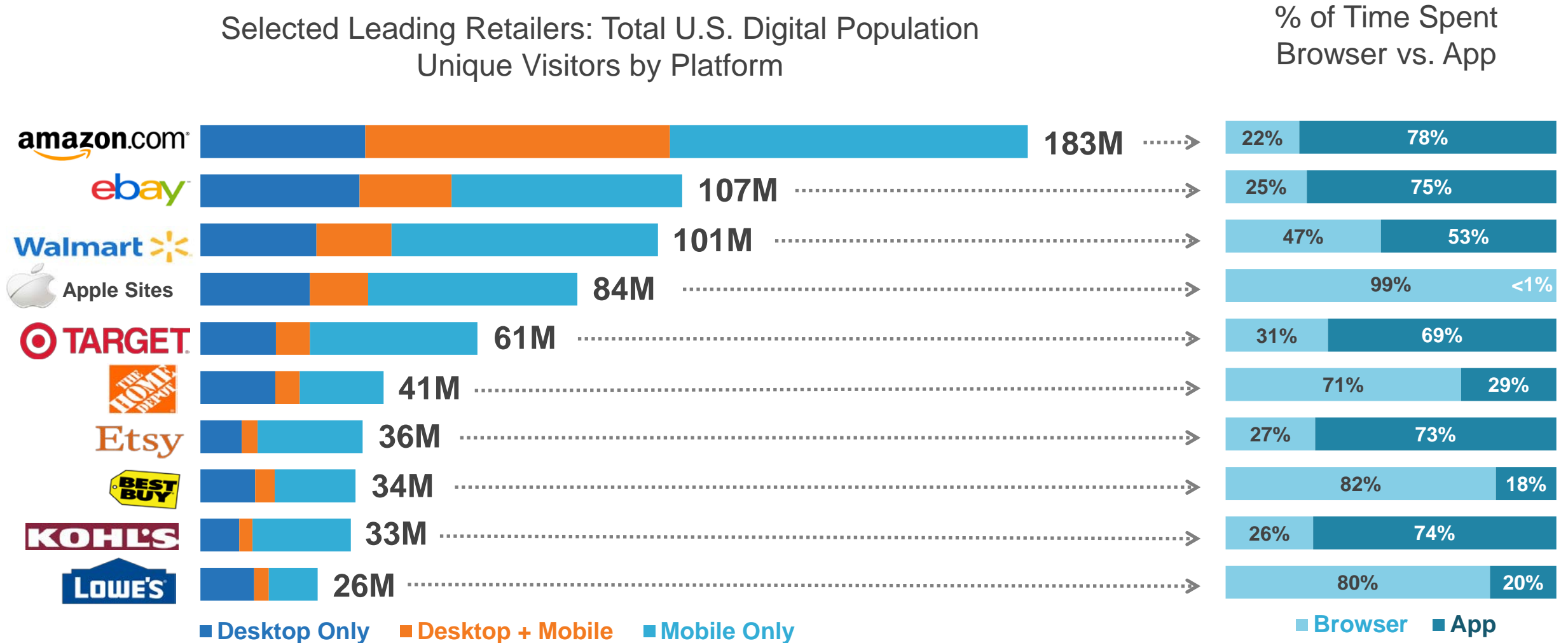
Share of Digital Commerce Spending by Platform



Overtaking Computer Hardware, **Apparel & Accessories** has established itself as **the #1 category**, driven in part by growing consumer comfort and easier returns



A significant percentage of **top retailers' audiences have gone mobile**, with the majority of mobile time spent using retailers' apps

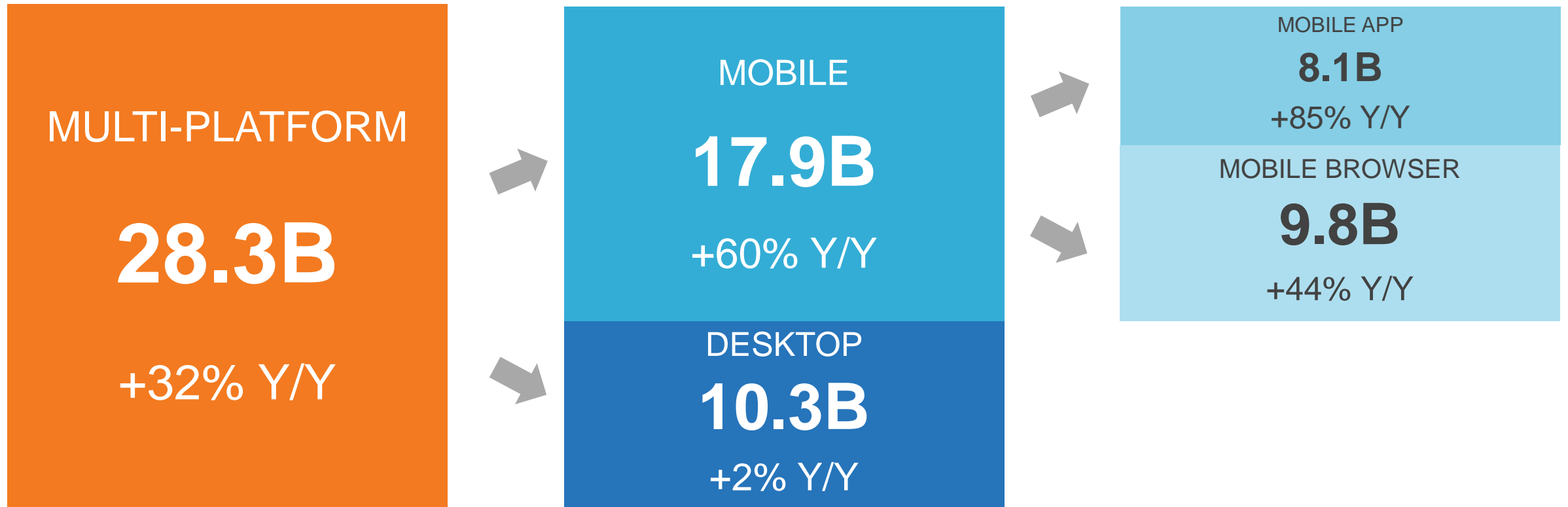


Source: comScore Media Metrix Multi-Platform, U.S., July 2016; Mobile Metrix, U.S., July 2016

Beginning in August 2015, eBay no longer included traffic from PayPal's media property. This change resulted in a significant decline in eBay's unique visitors, which does not reflect the performance of eBay's branded sites/apps.

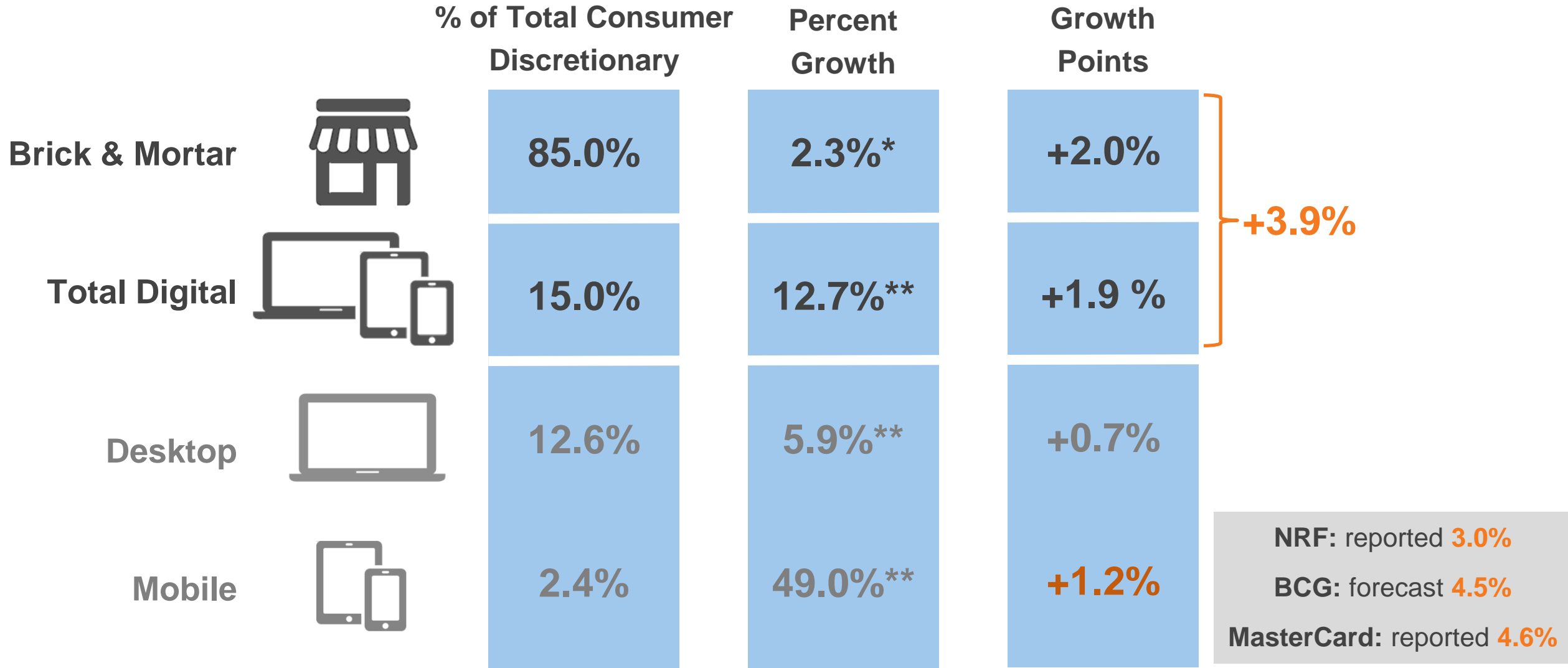
During the 2015 holiday season, **online retail visits on mobile exploded**, with mobile web exceeding app visits but app growing at 2x the rate

2015 Holiday Season Retail Category Visits & Growth by Platform



2015 Holiday Season Sales for Total Commerce

“The Year That Mobile Ate Bricks and Mortar”



* ShopperTrak ** comScore

Key Takeaways

#1 Mobile has transformed digital consumer behavior, but monetization of mobile ads and commerce still lags potential.

#2 Social media has been one of the main beneficiaries of mobile to date, but in the future economics should improve for more publishers.

#3 Digital and mobile advertising continues to grow strongly despite issues of viewability, fraud and transparency, and still has considerable upside as these issues are addressed.

Thank You!

