CONSUMER SMARTPHONE ANALYTICS: COMMUNICATION SERVICES

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About this report

This report analyses real-world smartphone usage data to answer urgent questions about the status of communication services. The report looks at consumer engagement with various social and communication apps and services, assesses the extent to which legacy operator services are being replaced and outlines the state of relevant operator initiatives.

The report also provides recommendations for mobile operators concerning their communications activities.

It is based on data collected by Verto Analytics using a passive on-device monitoring app during July and August 2016.

SURVEY OUTLINE	GEOGRAPHICAL COVERAGE
The analysis is based on data provided by Verto Analytics, collected using a passive on-device monitoring app called Smart Panel. The app tracks: ▪ app download and usage ▪ system processes ▪ data traffic by each app/process ▪ voice traffic ▪ web browser activity.	▪ Germany ▪ India ▪ United Kingdom (UK) ▪ United States of America (USA)

KEY QUESTIONS ANSWERED IN THIS REPORT

- What insights does our analysis provide into real-world usage of communication services including penetration, time spent on apps and frequency of engagement?
- How does communication relate to adjacent social and entertainment services?
- To what extent are legacy operator services (voice and SMS/MMS) being replaced by IP-based alternatives?
- How does communications usage and behaviour on smartphones vary according to age group and gender?
- How are consumers using and engaging with operators' apps?

WHO SHOULD READ THIS REPORT

- Strategy and planning executives who are responsible for mobile operators' communication services strategies and partnerships with OTT players.
- Executives in mobile operators' technology and innovations teams who are responsible for developing communication services.
- Marketing executives at vendors of communication services equipment and software, because it will help them understand the needs of operator customers and their end users.
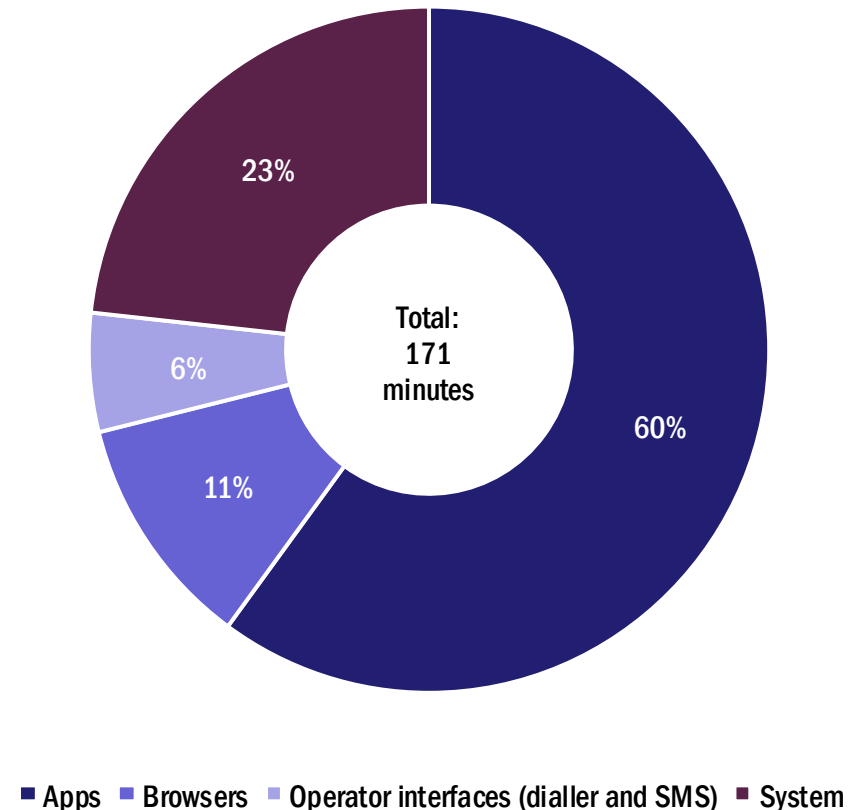
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Apps continue to dominate the user experience on smartphones; browsers remain relevant but operators struggle to retain a presence

Apps continue to drive the user experience on smartphones: 60% of time spent on a smartphone was spent engaging with an app. This compares to 11% of time spent in browsers. The balance of time spent between browsers and apps is roughly the same as it was in 2013 (they accounted for 65% and 10% of time, respectively). There is little variation across countries included in the study.

Operators play only a residual role in the service layer mainly through the native communication functions on handsets: the dialler and SMS/MMS client. Time spent using these interfaces was only 6% of total time spent. This represents a significant decline since 2013, when they accounted for 17% of time spent. Some operators harbour ambitions about leveraging their presence on the device to offer additional services. However, the weakening of their role in the value chain suggests that their position will ultimately be determined by OS providers and device OEMs.

System functions (here including some personal information management functions) account for 23% of time spent on smartphones. The notifications screen, home screen, launchers etc. are prime real estate on smartphones. Apps are increasingly granted greater access to these OS functions (in Android N and iOS10, for example), further embedding themselves in the user experience.

Figure 5: Average daily smartphone usage, by interface type, all countries [n = 8408]

Total: 171 minutes

60%
23%
11%
6%

■ Apps ■ Browsers ■ Operator interfaces (dialler and SMS) ■ System

Source: Analysys Mason and Verto Analytics

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A few apps show relatively high frequency engagement probably due to their high penetration of demographic niches
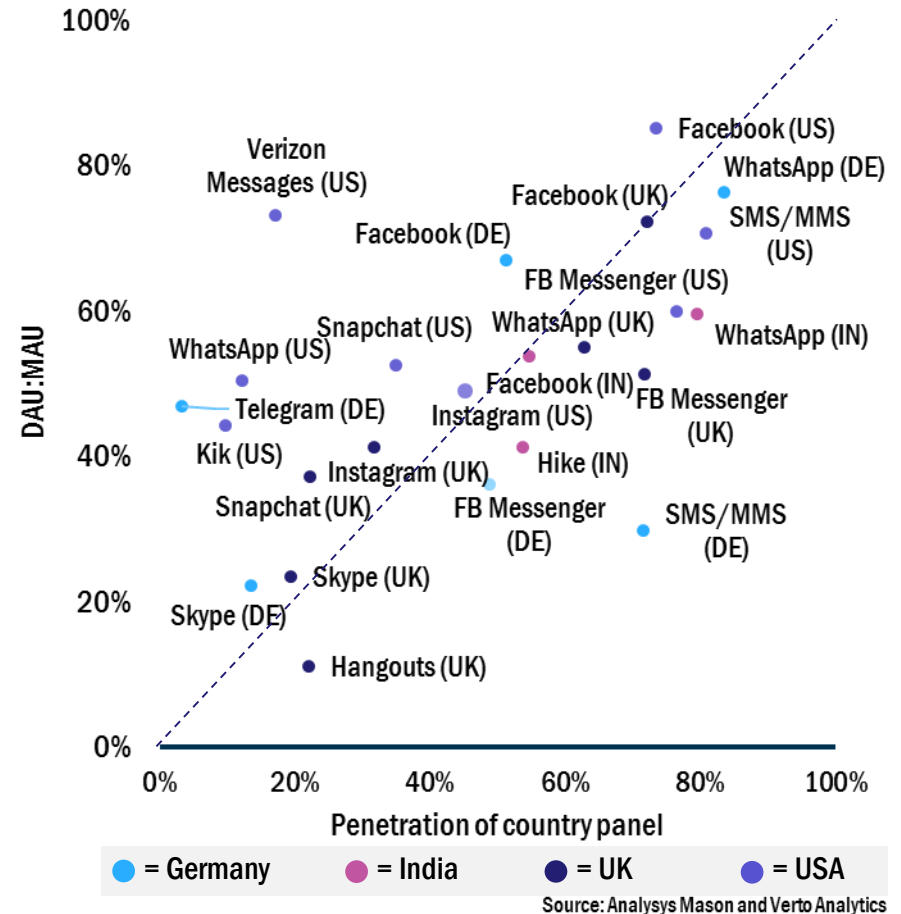
In general, more highly penetrated apps show higher frequency of engagement. An example is the variance between countries for Facebook usage. Penetration is highest among the US panel which also has higher DAU:MAU ratio. This is an illustration of the network effect: the value of a platform to its users is related to its number of users. In the case of Facebook, it has lower frequency engagement in India.

A few apps have high DAU:MAU ratios despite relatively low penetration levels.

- **Snapchat** has high levels of engagement among younger users in the UK and USA, as does Kik in the USA. Overall penetration may be low but services can be highly penetrated within niches and peer groups.

- **Telegram** is performing well in Germany despite low penetration. It is positioned as a secure messaging system and has been proactive in opening the platform up to third parties.

- **Verizon Messages** is only available to Verizon customers, and performs as an integrated messaging app (including SMS/MMS). Its DAU:MAU ratio is in line with the national average for SMS/MMS services.

Frequency of engagement is typically lower in India than in other countries, even for services with very high penetration (such as WhatsApp).

Figure 10: Daily/monthly active usage engagement ratio against penetration in the relevant country, selected apps [n = 8408]

Source: Analysys Mason and Verto Analytics

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About the authors

Stephen Sale (Research Director, Consumer Services) oversees Analysys Mason's consumer research and is also the lead analyst for the *Future Comms* research programme. His primary areas of specialisation include next-generation communication services, over-the-top (OTT) player strategies and mobile pricing. He also has extensive experience in analysing operator strategies and forecasting fixed and mobile service markets. Before joining Analysys Mason in 2004, Stephen worked in the industry on areas that include VoIP, next-generation service architecture and broadband access. He has a degree in economics and an interdisciplinary MRes from the University of London.

Aris Xylouris (Analyst) is a key contributor to Analysys Mason's primary research for the Consumer Services research practice, and manages our *Connected Consumer Survey* and *Consumer smartphone analytics* series of research. His work involves in-depth coverage of issues such as consumer behaviour, convergence and bundling, TV and media, and mobile and fixed service pricing. He also specialises in statistics and primary research analysis.

Giulio Sinibaldi (Research Analyst) focuses on data collection and analysis for the Consumer Services research practice. Before joining Analysys Mason, Giulio was an intern at the Italian permanent mission to the United Nations in Geneva, and in the Market Intelligence team of Philips Electronics (H&W) in Amsterdam. He holds a BSc and MSc in Economics and Social Sciences from Bocconi University (Italy), which included an exchange at Georgia Institute of Technology (Atlanta).

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About the authors

Martin Scott (Principal Analyst) co-ordinates Analysys Mason's research initiatives related to media, TV, fixed broadband and convergence. He manages the *Video Strategies* and *Fixed Broadband Services* research programmes. Martin has held numerous positions within Analysys Mason during the last 10 years, including heading the company's Consumer Services, Data and Regional Markets practices. He also launched Analysys Mason's *Connected Consumer Survey* and *Consumer smartphone analytics* series of research. His primary areas of specialisation include telco TV strategy, OTT video and media, consumer smartphone usage, the bundling and pricing of multi-play services, including quadruple-play bundling, customer satisfaction and consumer-facing marketing strategy.

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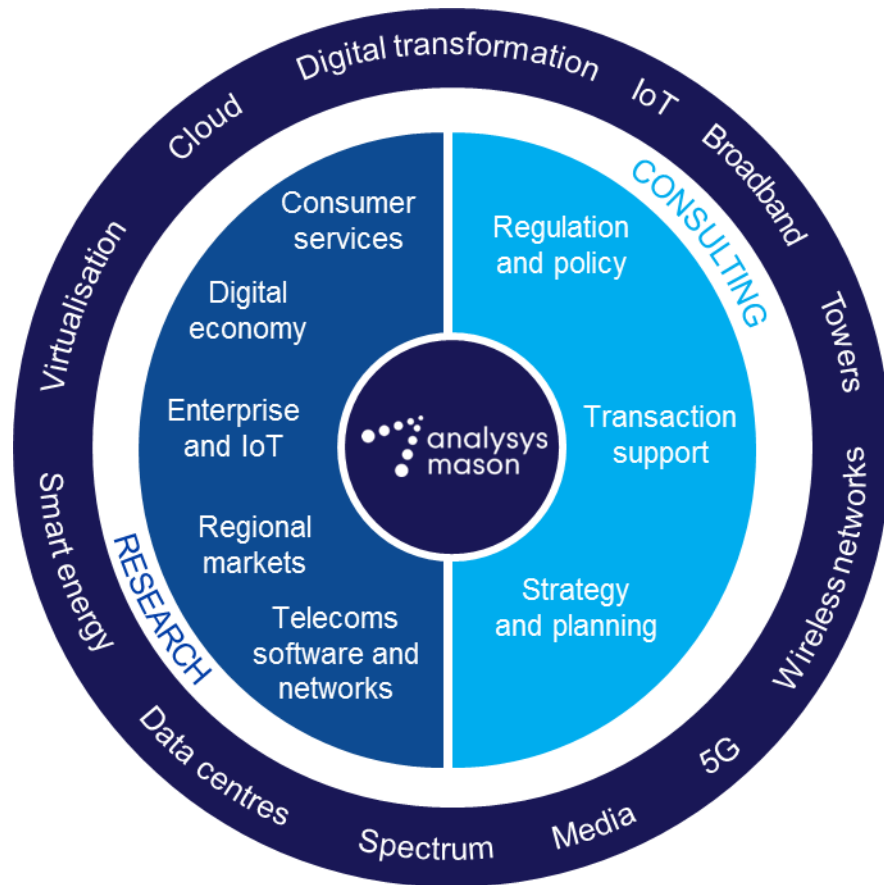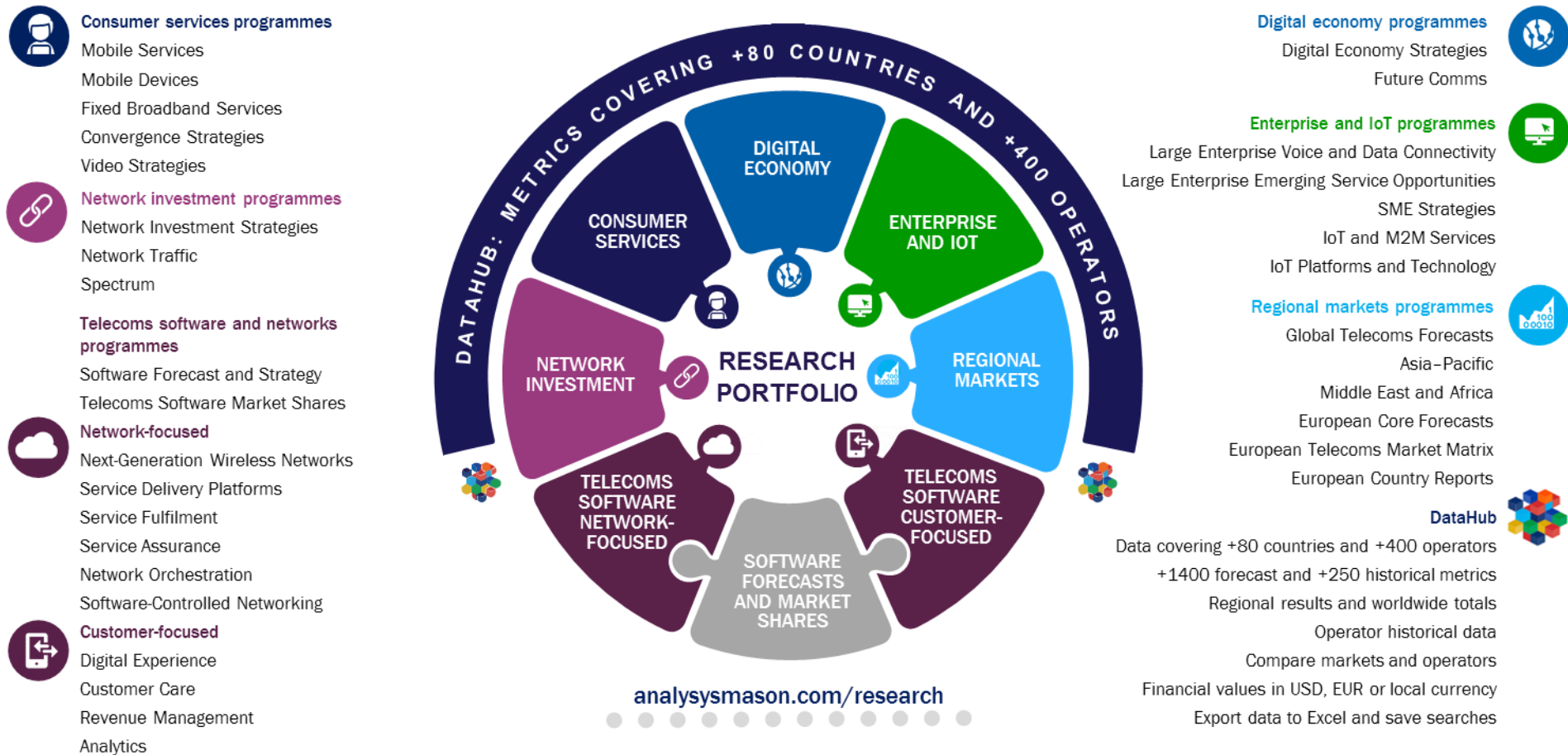

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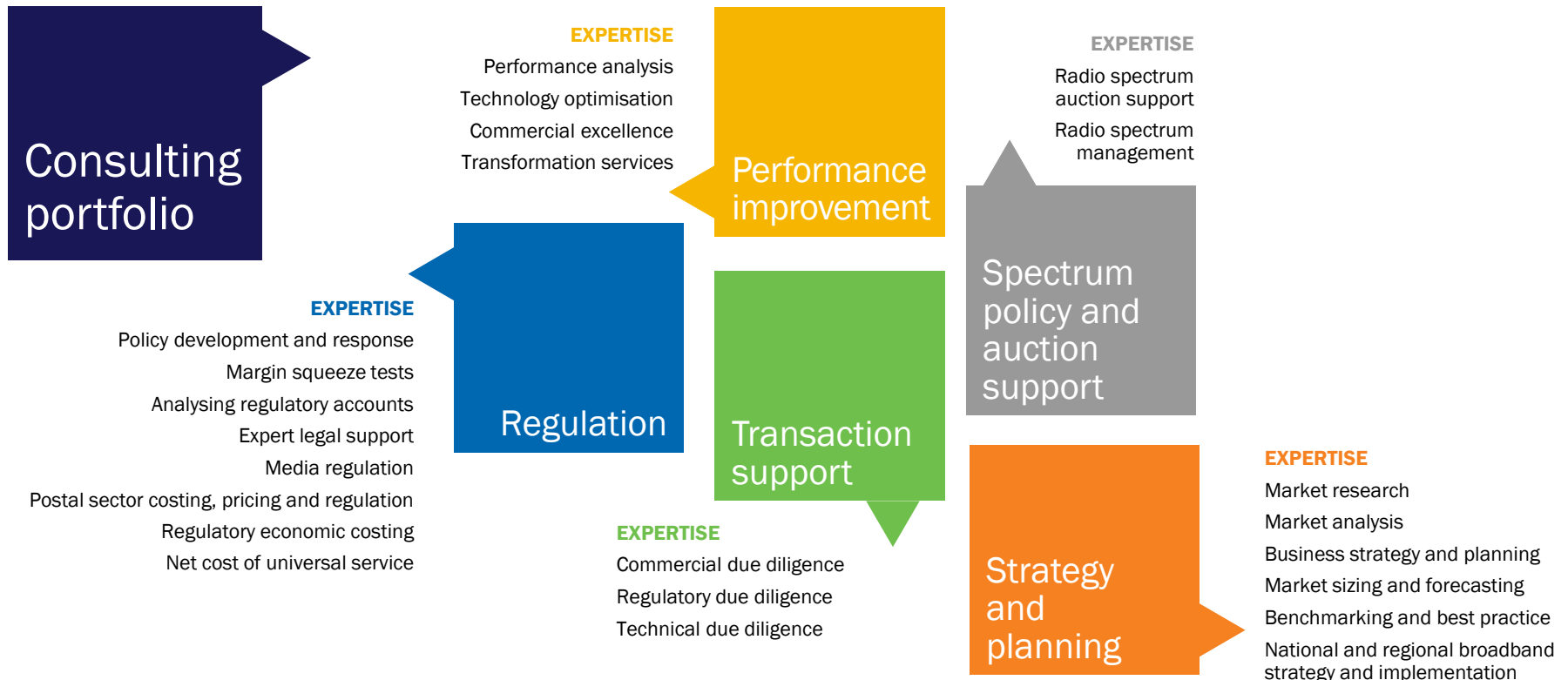
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