

## Predictions 2015: Most Brands Will Underinvest In Mobile

Brands Embracing The Mobile Mind Shift Will Pull Ahead Of Those Treating Mobile As Just Another Channel

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### WHY READ THIS BRIEF

In 2015, marketing leaders who have embraced the mobile mind shift will accelerate spending to create an insurmountable gap between themselves — the industry leaders — and the laggards who view mobile as just another channel. Mobile-shifted marketers will transform their brands' customer experiences and drive business outcomes by taking a sophisticated approach that focuses on how to activate mobile experiences. Success stories will be few in number. In 2015, we will also see marketing leaders who look at mobile as just another channel struggle to deliver results, differentiate their brands, and justify the budgets they need to stay competitive. This sixth annual mobile predictions report highlights new mobile trends for 2015.

### 2015 MOBILE PREDICTIONS: FEW FIRMS WILL EMBRACE THE MOBILE MIND SHIFT

Mobile reached a tipping point in 2014 as it solidified its position as one of the most disruptive technologies for businesses in decades. Not since the advent of the Internet has a technology forced businesses to completely rethink how they win, serve, and retain customers. Forrester believes that in the future, the new competitive battleground will be the mobile moment. Why? Consumers expect to engage with brands to get any information or service they desire, immediately and in context. Today, 18% of US online consumers have this expectation, while 30% are in the midst of a transition to this mind shift.<sup>1</sup> This revolution is taking place quickly around the world: Forrester forecasts that 42% of the total population globally will own a smartphone by the end of 2015.<sup>2</sup> Forrester also believes that in 2015, the gap will increase between marketing leaders who re-engineer their businesses to deliver valuable mobile moments and the majority of marketing executives, who will continue to take a myopic approach by considering mobile as just another digital channel.

### Leaders Will Re-Engineer Businesses To Deliver Mobile Moments

Next year, we expect smart marketers to shift their focus away from mobile apps and instead re-focus their sights on first-party data; privacy; analytics; brand experiences; and the broader digital business transformation underway and the role mobile will play in it. Mobile-shifted marketers will strive to build valuable mobile moments that extend beyond mobile phones, apps, and websites and will depend heavily on massively responsive data services and systems of engagement internally. In this context, here is what we believe will happen in 2015:

1. **Mobile will fuel a massive technology and spending arms race.** Mobile-shifted startups and marketing leaders are putting pressure on competitors by elevating customer expectations based on innovative ways to win, serve, and retain customers in their mobile moments. As a result, mobile will be the catalyst for unprecedented digital transformation initiatives. Industry leaders will spend and



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orchestrate massive investments in the tens to hundreds of millions of dollars in technology, systems, and processes to engage consumers effectively on mobile devices. For example, The Home Depot has announced it will spend \$1.5 billion to improve its supply chain and other back-end systems related to mobile ordering.<sup>3</sup> Hilton Worldwide is investing \$550 million to serve its guests in their mobile moments and transform its entire customer experience.<sup>4</sup>

**Action for marketers:** To deliver smarter experiences connected to customer relationship management (CRM) and marketing systems, marketing leaders must break away from the pack by working with their counterparts in the CIO's organization to accelerate what Forrester calls the business technology (BT) agenda, a shared to-do list across roles for applying technology, systems, and processes to win, serve, and retain customers.<sup>5</sup> Two years ago, we said mobile on the cheap was over — and as we move from the experimentation phase to the business re-engineering phase, it is critical that marketing leaders get more senior-level support, as today, only 35% have the budget they need to support their mobile initiatives.<sup>6</sup>

2. **Re-engineering organizations and processes for mobile will take priority.** In 2014, we predicted that mobile would change your entire business — not just your digital business. So far, only 7% of enterprises have been able to drive this transformation because digital professionals with mobile expertise sit midorganization, in siloes, without the power to effect the change needed to transform customer experiences throughout the entire business.<sup>7</sup> In 2015, we expect more multichannel retailers and travel companies to move to a new organization model that will enable mobile technologies to transform their business. We will see airlines, for example, reconfigure space in front of US Transportation Security Administration (TSA) security checkpoints to reduce check-in desks and kiosks because more than 20% of boarding passes with the largest domestic carriers in the US will be mobile.

**Action for marketers:** Mobile-shifted marketing leaders must first work with their business and BT counterparts to decide how best to allocate strategic mobile resources and implement enterprisewide mobile governance. Only 19% of marketers have a mobile steering committee with the authority to decide what mobile services will be built.<sup>8</sup> Even mobile-savvy companies have had to completely redesign internal customer support processes to take full advantage of the opportunities opened up by mobile technologies. As the chief strategy officer at an online gambling company generating almost half of its revenues via mobile summarized it, “We need each employee to think mobile in their daily work life; it implies changing old habits and processes, systematically adopting agile and cross-functional teams, and getting CEO support and the involvement of our chief people officer.”

3. **Mobile-enabled business models will disrupt the value chains of entire industries.** Mobile technologies offer unprecedented opportunities to change cost structures and lower barriers to entry across industries. Firstly, mobile will decrease the need for local, physical infrastructure; devices; and personnel. For example, AliveCor's \$199 heart monitor, plus a mobile phone,

offers a \$4.99 alternative to the \$200 to \$300 price tag of a traditional cardiogram, in addition to extending the service to those consumers without access to medical facilities. Secondly, mobile will offer real-time and location-based data that reduces the dependency on modeling or guesswork to set rates or draw conclusions. In 2015, we will see more businesses implement dynamic and contextual pricing, as Hotel Tonight and Uber have done.

**Action for marketers:** Marketing leaders should evaluate consumers' appetites for real-time offerings, flash sales, in-app purchases, and usage-based pricing and should test dynamic pricing based on location and time of day. Marketers should also work with their eBusiness and strategy counterparts to evaluate how mobile can alter cost structure and reduce infrastructure costs (e.g., airport, kiosks, and ATMs).

4. **Mobile innovation will accelerate in emerging markets.** In emerging markets from Africa to Southeast Asia, many consumers will continue to skip the adoption of a PC with home broadband and go directly online with a mobile phone. Forrester expects that countries like Brazil, Russia, and South Africa will pass the 50% smartphone adoption mark during 2015.<sup>9</sup> More than half of the online adult population in metropolitan areas of Argentina, Brazil, China, and India have already shifted to new mobile expectations or are transitioning to do so.<sup>10</sup> In 2015, we also expect entrepreneurs in these regions to accelerate innovation in many different mobile areas — in particular, mobile payments, health, and education. For example, the total value of transactions made by mobile phones in Kenya already represents more than 40% of the country's gross domestic product (GDP).<sup>11</sup>

**Action for marketers:** Even if you're not a global brand with presence in emerging countries, you should stop thinking of Silicon Valley as the one and only hub of mobile innovation. Instead, marketing leaders should actively monitor new mobile players and services flourishing in Africa, Asia, and Latin America. To combine scale and innovation in mobile developments and engage their next billion customers, mobile-shifted marketers also work with innovative players and agencies with emerging markets expertise, like Brandtone, Jana Mobile, Nyota Media, and Upstream.

5. **Business and technology strategies will shift from apps to experiences.** Consumers will spend more time on mobile phones but with fewer apps. UK and US consumers use an average of 24 apps per month but spend more than 80% of their time on just five apps.<sup>12</sup> Why? Consumers have mobile app fatigue. Mobile-shifted brands have realized this and evolved their approach to offer more-seamless, integrated experiences across devices. In 2015, marketing leaders will roll out more-simplified, anticipatory experiences, like Google Now, that depend on mobile apps but live outside them to simplify consumer engagement. They will also shift their strategies to the resulting BT agendas that will focus on experiences. For example, Uber lets consumers book a ride not only in its own app but also directly within Google Maps or the United Airlines app.

ESPN and Unibet use apps and mobile services as containers to collect data to form insights, support app extensions and push notifications, or manage user permissions to serve customers in their mobile moments.

**Action for marketers:** As the battle for mobile apps reaches a stalemate, marketing leaders will need to formulate a broader mobile partnership ecosystem strategy to serve their customers where they are — today, typically on mapping, instant messaging, or social media apps or platforms. Forrester refers to this strategy as “borrowing mobile moments.”<sup>13</sup> To understand when to borrow a relevant mobile moment, marketers will also need to tap into the data consumers are sharing with platforms such as Android’s Google Fit and Apple’s HealthKit or HomeKit to understand the contextual information they need to form insights and anticipate customer needs or motivations. Finally, marketers should allow strategic partners to serve shared customers on their own app. Doing so will demand a set of application programming interfaces (APIs), at a minimum, to support this functionality or that of app extensions.

6. **Mobile advertising will start breaking its desktop shackles.** Mobile advertising will continue to grow quickly in 2015 and will reach \$46 billion by 2019 in the US alone.<sup>14</sup> In particular, the combined explosion in consumer adoption of larger form factor devices and 4G services will make mobile short video a more powerful advertising tool. In Western Europe, Forrester predicts mobile display ads will top €2 billion by the end of 2015.<sup>15</sup> However, the days of traditional desktop ads being forced to fit into a small screen are numbered. Mobile inventory allocated to open exchanges will continue to grow, but expect brands and premium publishers to increasingly collaborate in private marketplaces, leveraging mobile-first creative, more publisher-specific ad containers, and unique publisher data to help optimize marketers’ targeting.

**Action for marketers:** Marketing leaders should make it a priority to craft mobile-first ad creative. Rather than forcing standard display ads to fit into a small screen, you should work with the likes of Appsfire, Celtra, or your ad tech partner. In a muddled ad tech mobile vendor landscape, audit your current partner to see how it delivers on the mobile vision, defines performance beyond clicks, and measures customer lifetime value and how it integrates with publishers and with your data to better target your customer.

7. **Branded content platforms will start to emerge in mobile.** Publishers and brands will collaborate more on apps and mobile experiences in 2015, with the goal of offering platforms to produce branded content that is easier to access and measure on mobile devices. Players like Nativo, Polar Mobile Group, Sharethrough, and Taboola lead today, but we expect that by the end of 2015, one of the tech giants — maybe Apple or Facebook but probably Google — will have introduced a marketplace where brands, publishers, and developers can collaborate on and develop branded content for mobile experiences.

**Action for marketers:** For better mobile delivery and measurement, mobile-shifted marketers must focus on how they structure their content. Marketer-friendly tools for manipulating, cataloging, reformatting, and tracking content, such as Kapost, Opal, Oracle Content Marketing, or Percolate, will become table stakes for competing in the mobile content marketplace.

8. **Mobile moments will shrink to micro moments.** Forrester defines micro moments as those mobile moments that require only a glance to identify and deliver quick information that customers can either consume or act upon immediately.<sup>16</sup> Consumers will still look to apps for complex tasks, but increasingly, they expect brands to anticipate their needs with micro moments, powered by contextual data and executed with push notifications in the form of text messages, audio, or haptic signals to spur them into action.<sup>17</sup> New devices — e.g., Apple Watch and Samsung Gear — and technology innovations within iOS and Android will make these types of interactions a priority as mobile-shifted marketers look to innovate and match customer expectations.

**Action for marketers:** The year 2015 will not be the time to leap into an “I need a smart watch strategy” mindset reminiscent of 2008, when everyone needed an iPhone app without much of a strategy behind it. Forrester expects Apple Watch to offer legitimacy to the wearables category and to extend the functionality of the mobile phone. Consequently, marketers should start integrating wearables and connected objects into a broader customer life-cycle approach. We recommend that you leverage Forrester’s IDEA cycle to first identify and design micro moments.<sup>18</sup>

9. **Mobile privacy is the next differentiator for mobile experiences.** In 2015, the current renegotiation of the EU Data Protection Directive as well as the introduction of the “right to be forgotten” will be high on marketing leaders’ agendas.<sup>19</sup> We also expect the US Federal Trade Commission (FTC) to extend its scrutiny of data brokers and big data practices to mobile apps and connected devices. We are already seeing early examples of firms using privacy as a competitive differentiator — that very act will increase greater consumer awareness and will drive their competitors to do the same. To make the most of mobile opportunities, advanced players will embrace contextual privacy, taking into consideration the “who, what, when, where, and why” of data collection and use.<sup>20</sup> We will see simpler, friendlier privacy dashboards in mobile apps as well as better, more-visible explanations of the benefits that individuals will gain by agreeing to share their personal data in specific contexts (e.g., while navigating a store).

**Action for marketers:** Marketing leaders hoping to make the most of mobile data cannot afford to fail on privacy. Collecting data from smartphones and connected objects, even in anonymous form, demands that you evolve your privacy policy and practices. Marketers must collaborate with their legal and security teams to translate their overarching privacy policy into something that is practical to ingest on a mobile device. You must be very transparent on the mobile data you are collecting, the purpose(s) it will be used for, and — most importantly — you must abide by that agreement without fail. For example, this means that “marketers should implement

double opt-in processes for the beacon in-store experience” as Maya Mikhailov, founder of GPShopper, recommends. Marketers must prioritize such an approach in countries like France or Germany, where regulation is restrictive and consumers’ sensitivity about privacy is high.

10. **Apple will boost the mobile wallet and contactless ecosystem.** Apple Pay and many other new, innovative offerings will gain momentum and accelerate the shift to mobile payments in the US. They will also drive a lot of dynamism for the global contactless ecosystem. Forrester expects many commercial rollouts in more-mature contactless countries in Europe (e.g., Poland and the UK) or in Asia Pacific (e.g., Australia and Japan). By putting Passbook at the center of its Apple Pay ecosystem, Apple will be able to provide a secure and convenient one-touch checkout experience for consumers. However, the phenomenon will not scale globally as early as next year. Why? Firstly, because we expect many retailers to launch their own integrated apps à la Starbucks, merging payments with coupons, services, and loyalty schemes to engage with their most loyal users.<sup>21</sup> Secondly, because it will require a lot of education for wallets to become mainstream third-party platforms to acquire new customers. For example, fewer than 15% of European online smartphone users aged 16-plus used a mobile wallet, and only 9% would trust Apple to offer one.<sup>22</sup> In addition, only 15% of marketers have used Passbook on iOS.<sup>23</sup>

**Action for marketers:** Marketers must definitely prepare to make the most of the upcoming mobile wallet era and should start to activate marketing campaigns with the likes of Vibes to get insights on mobile wallet performance. Marketing leaders should think holistically of mobile wallet marketing by designing timely and relevant offerings, based on location and contextual triggers, using multiple channels (e.g., email, social, apps, etc. ) to distribute wallet content. Wallets will progressively emerge into a key third-party platform to engage consumers, but not in 2015. Wallets fit the model of both micro moments and borrowed moments that better serve customers than a deep dive into individual apps.

## SUPPLEMENTAL MATERIAL

### Survey Methodology

Forrester’s Q2 2014 Global Mobile Executive Online Survey received 414 complete or partial responses from professionals from our ongoing Marketing And Strategy Research Panel. The panel consists of volunteers who join on the basis of interest and familiarity with specific marketing and strategy topics. For quality assurance, panelists are required to provide contact information and answer basic questions about their firms’ revenue and budgets. Forrester fielded the survey in April and May 2014. Respondent incentives included a summary of the survey results. Exact sample sizes are provided in this report on a question-by-question basis. Panels are not guaranteed to be representative of the population. Unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes.

## ENDNOTES

- <sup>1</sup> For more information on the mobile mind shift, see the June 3, 2014, “[The New Mobile Mind Shift Index](#)” report.  
Source: Forrester’s North American Consumer Technographics® Online Benchmark Survey (Part 1), 2014.
- <sup>2</sup> Source: Forrester Research World Mobile And Smartphone Adoption Forecast, 2014 To 2019 (Global).
- <sup>3</sup> Source: Tom Loftus, “Successful Mobile Strategy Requires Total Corporate Rethink, Authors Say,” The Wall Street Journal, May 14, 2014 (<http://blogs.wsj.com/cio/2014/05/14/successful-mobile-strategy-requires-total-corporate-rethink-authors-say/>).
- <sup>4</sup> Source: Craig Karmin, “Hilton Books Upgraded Technology,” The Wall Street Journal, July 27, 2014 (<http://online.wsj.com/articles/hilton-books-upgraded-technology-1406503197>).
- <sup>5</sup> In today’s competitive environment, investing in business technologies is central to companies’ ability to win, serve, and retain customers. Business execs know this, but they don’t think their CIOs are positioned to help. CIOs must turn this around by crafting a business technology (BT) agenda, distinct from their IT agenda, that keeps both business-to-business (B2B) and business-to-consumer (B2C) customers at the center of technology decisions and provides a shared vision for the whole organization to rally around. See the July 29, 2014 “[Top Technologies For Your BT Agenda](#)” report.
- <sup>6</sup> Source: Forrester’s Q2 2014 Global Mobile Executive Online Survey.
- <sup>7</sup> Source: Forrester’s Q2 2014 Global Mobile Executive Online Survey.
- <sup>8</sup> Source: Forrester’s Q2 2014 Global Mobile Executive Online Survey.
- <sup>9</sup> Source: Forrester Research World Mobile And Smartphone Adoption Forecast, 2014 To 2019 (Global).
- <sup>10</sup> Source: Forrester’s Latin American Consumer Technographics Online Benchmark Survey, 2014 and Forrester’s Asia Pacific Consumer Technographics Online Benchmark Survey, 2014.
- <sup>11</sup> Source: Claudia McKay and Rafe Mazer, “10 Myths About M-PESA: 2014 Update,” Consultative Group to Assist the Poor (CGAP), October 1, 2014 (<http://www.cgap.org/blog/10-myths-about-m-pesa-2014-update>).
- <sup>12</sup> On average, US online smartphone owners (18-plus) use 23.7 nonnative apps per month but spend 84% of their time on just five of these apps (Facebook, Gmail, Instagram, Weather, and YouTube). UK online smartphone owners (18-plus) use 24.3 nonnative apps per month but spend 86% of their time on just five of these apps (Facebook, WhatsApp, Gmail, eBay, and Twitter). Source: Forrester’s US Consumer Technographics Behavioral Study, May 1, 2014 To July 31, 2014 and Forrester’s UK US Consumer Technographics Behavioral Study, May 1, 2014 To July 31, 2014.
- <sup>13</sup> Source: Ted Schadler, Josh Bernoff, and Julie Ask, *The Mobile Mind Shift*, Groundswell Press, 2014.
- <sup>14</sup> Forrester no longer represents mobile as its own channel but as a deployment option (akin to desktop) for search, display, or social ad impressions. It’s worth calling out, however, that mobile accounts for more than 70% of the growth in interactive spend over the next five years. Investment in mobile (smartphone) and tablet search, display, and social media will reach almost \$46 billion by 2019. Source: Forrester Research Mobile Advertising Forecast, 2014 To 2019 (US).

- <sup>15</sup> Source: Forrester Research Online Display Advertising Forecast, 2014 To 2019 (Western Europe).
- <sup>16</sup> Mobile moments are shrinking into micro moments — triggers that require only a glance to identify and that deliver information you can consume or act on immediately. Customers respond with simple actions on the device or in the real world. See the September 8, 2014, “[Micro Moments Are The Next Frontier For Mobile](#)” report.
- <sup>17</sup> For example, Apple’s new iOS8 platform increases the opportunities for deeper levels of customer engagement but requires platform-specific APIs and unique services like Apple Pay and Touch ID. eBusiness pros need to balance the value of new features against the added expense of device-specific code and prioritize the features that will yield the best results. See the September 22, 2014, “[Improve Mobile Moment Design With iOS 8](#)” report.
- <sup>18</sup> To master these moments, use the IDEA cycle: Identify the mobile moments and context; design the mobile interaction; engineer your platforms, processes, and people for mobile interactions; and analyze results to monitor performance and optimize outcomes. In the first step of the mobile moment audit, you will catalog and analyze target customers’ mobile moments, identify the context, and determine their motivations. This typically starts by conducting ethnographic research — observing customers as they try to accomplish their goals — and translating those observations into customer journey maps. See the January 24, 2014, “[Mobile Moments Transform Customer Experience](#)” report.
- <sup>19</sup> The ruling by the European Court of Justice in May 2014 that an individual can demand that “irrelevant or outdated” information be deleted from search results should remind chief information officers (CIOs) that privacy management is a top business priority. Privacy regulation is now a topic that no CIO should underestimate as a major risk factor for business. See the August 18, 2014, “[Customer Privacy Is A European CIO Priority](#)” report.
- <sup>20</sup> Forrester defines contextual privacy as a business practice in which the collection and use of personal data is consensual, within a mutually agreed upon context, for a mutually agreed upon purpose. We’ve identified five types of contexts that marketers practicing contextual privacy must respect: temporal, spatial, functional, identity, and social. For more information, see the December 19, 2013, “[The New Privacy: It’s All About Context](#)” report.
- <sup>21</sup> According to Vibes, mobile wallets offer a 64% higher conversion rate over static mobile coupons for retailers and let them securely update content and offers. Source: “Passbook + Apple Pay: 5 things you need to know about Apple’s new mobile wallet,” Vibes (<http://www.vibes.com/resources/passbook-webinar/>).
- <sup>22</sup> We define mobile wallet users as anyone who performed any of the following activities on their smartphone: coupons, discounts, and special offers; location-based offers or information from shops and restaurants; price comparisons for items that customers want to buy (e.g., scanning a barcode); product information for items that customers want to buy; payment cards (e.g., credit, debit, prepaid, or gift cards) or bank account balance or information; loyalty program points and rewards; digital receipts (electronic rather than paper receipts for things that customers buy); multiple payment options, ratings and reviews for items that customers want to buy; saving shipping address and preferences for “one click” checkout; digital tickets



(e.g., concerts, movies, or air/rail/bus tickets); making a reservation for a restaurant; requesting the final bill and paying while seated in a restaurant; or placing a food order before arriving at a restaurant. Source: Forrester's European Consumer Technographics Retail Survey 1, 2014.

<sup>23</sup> Source: Forrester's Q2 2014 Global Mobile Executive Online Survey.