

Software – The New Battleground for Brand Loyalty

Executive Summary

Software is no longer just the economy's oil, but its oxygen. It is the most potent factor fueling global competition among more companies than ever, for big and small alike. It empowers customers and delivers an ultimatum to brands: meet consumers' demands or perish. All the while, consumers are becoming more sophisticated and more discerning than ever when it comes to their expectations from brands' applications. The winners will be the organizations whose applications provide the best experiences, period. This is the new application economy.

Apple's App Store first launched in 2008. Seven years later, the application economy drives a market estimated at \$25 billion in North America alone. The industry is readying itself for the second wave, where just having an application is far from enough. Applications are merely the entry point into a new competitive landscape where businesses have to think deeper about their applications and see through the eyes of their consumers—or risk obsolescence.

CA Technologies commissioned the research company Zogby Analytics to survey consumers and business decision makers in 18 countries to uncover how this new reality is changing the dynamics between the two groups. The study shows that consumers no longer view applications as nice-to-have novelties but as a primary way to interact with brands and an integral component of brand loyalty. Software is being transformed from a commodity to a differentiating experience.

When it comes to applications, consumers care about three major characteristics:

1. **Quick Loading**—68 percent of consumer respondents, with negative experiences in load times, said that they demand a loading time of less than six seconds—and nearly half of those respondents demand a load time of less than three seconds
2. **Simple Functionality**—More than 70 percent of consumers ranked 'perform tasks with little difficulty' and almost 80% ranked applications that have 'easy to use features' as top drivers of their decision to utilize or purchase an application.
3. **The Assurance of Security**—out of users who said that they had a fair or poor experience, 10 percent said that they would leave a brand forever because of issues with security

The study also revealed a disconnect between how well businesses decision makers think industries are able to provide application technologies and how well consumers believe the same industries are actually delivering—in short, businesses think that application delivery is better than it is. This "app gap" could have a significant impact on a company: the study showed that businesses that fail to deliver a positive application experience risk losing as much as 25 percent of their customer base.

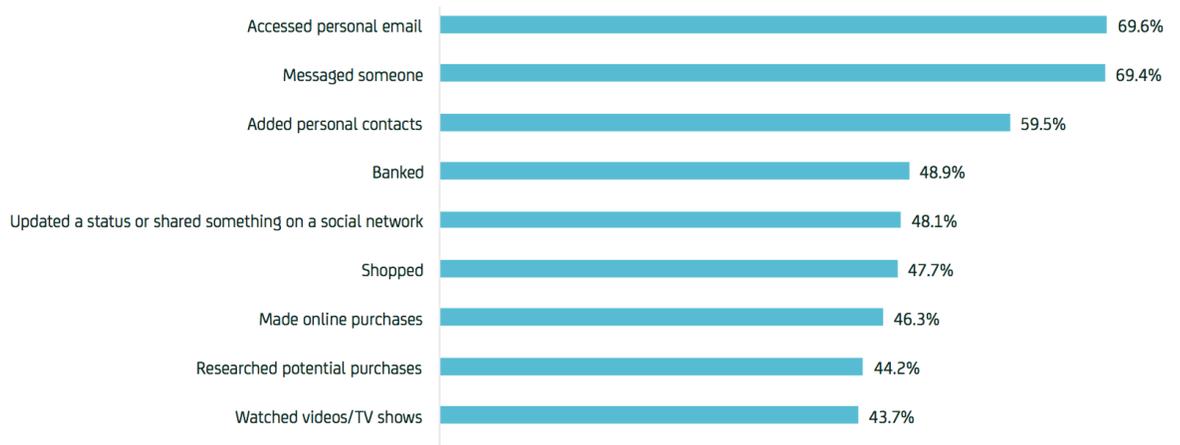
By understanding their customer's needs, businesses can keep this from happening and thrive in this new software-driven environment. But, on the other hand, time is running out, and consumers aren't waiting.

Applications: The New Battleground for Brand Loyalty

Applications are a crucial meeting point between consumers and brands—and that trend is only going to rise. According to the survey, consumers are using applications for a large variety of activities, including financial transactions and shopping (see figure 1); and more than half of respondents say they’d be willing to use applications to perform tasks like renewing driver’s licenses, managing healthcare or voting (see figure 2).

Q: In the last six months, which of the following tasks have you completed from an application at least once? Top 10 results

Figure 1



Percentage of consumers who would use an application to perform a task

Figure 2

| | Likely (Very/Somewhat) | Not likely (Very/not at all) | No difference | Not sure |
|--|---------------------------|---------------------------------|---------------|----------|
| Renew a driver's license | 70 | 22 | 2 | 6 |
| Pay taxes | 67 | 24 | 3 | 6 |
| Renew a passport | 66 | 25 | 2 | 7 |
| Apply for government license and/or permit | 66 | 24 | 3 | 8 |
| Manage health care | 60 | 32 | 2 | 7 |
| Vote in an election | 56 | 34 | 3 | 6 |

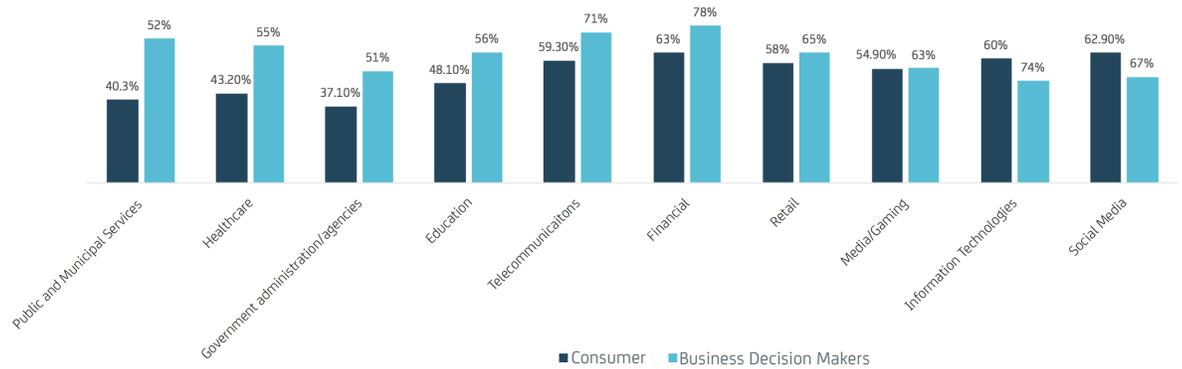
With the consumer appetite—and aptitude—for high-quality applications on the rise, the industry is facing an inflection point. Businesses are no longer setting the bar or defining the parameters for how their customers will interact with their brand: consumers are now the disruptors, driving innovation by affecting a highly competitive market for applications. As a result, businesses must shift their approach and begin investing in finding out what their customers want and experiencing the benefits of a strong brand connection—instead of trying to force their customers down an alienating path.

Brands Don't Understand What Their Customers Want

The problem is, not enough brands are doing this. The study exposes some palpable disconnects between business decision makers and consumers. Firstly, there is a difference in how well businesses decision makers think industries are able to provide application technologies and how well consumers believe the same industries are actually delivering. In short, businesses think application delivery is largely better than it is.

Q: For each sector, please rate whether their ability to provide application technology for services is excellent, good fair or poor. Combined good & excellent ratings shown.

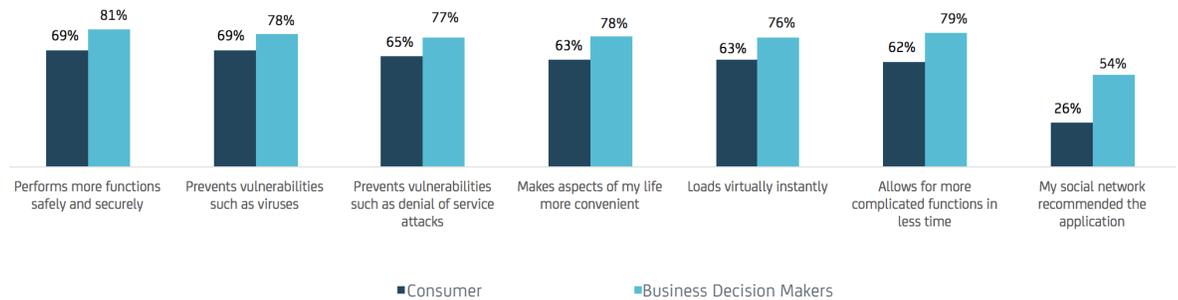
Figure 3



This same effect also carries over into application attributes, with business decision makers routinely expecting that consumers want more out of applications than they actually do (see figure 4).

Q: Please indicate how each of these given scenarios regarding applications impacts your loyalty for brands

Figure 4



Businesses must understand the gap between these consumer demands and their own goals for application development and realize that the consumers' major concerns are that the application is quick, secure and delivers on its promise—without much effort on their part. Unless businesses recalibrate now, they risk pouring time and money into developing aspects of applications that don't matter to consumers

Brands That Don't Adapt Risk Losing a Lot of Customers

And the risks are more than just resources and investments – the survey showed that brands are actually at risk of losing 27% of their customer base with a poor application. Following a bad application experience, an average of 20% of customers abandoned a brand temporarily – and 6% abandoned a brand forever (see figure 5).

Percentage of consumers (who responded fair or poor to questions about how well businesses are addressing the customer application experience) who would leave a brand due to their application experience

Figure 5

| | 1a. Load time | 2a. Speed of download | 3a. Reliability | 4a. Ease of use | 5a. Simplicity | 6a. Readiness to address technical issues | 7a. Performance | 8a. Cool factor | 9a. Low number of glitches | 10a. Security | Average |
|---|---------------|-----------------------|-----------------|-----------------|----------------|---|-----------------|-----------------|----------------------------|---------------|---------|
| Got annoyed but did not leave the brand | 51 | 58 | 49 | 48 | 48 | 57 | 53 | 43 | 52 | 46 | 51 |
| Left the brand temporarily but eventually came back | 19 | 17 | 21 | 24 | 22 | 20 | 21 | 21 | 23 | 20 | 21 |
| Abandoned the brand forever | 5 | 4 | 8 | 6 | 7 | 5 | 5 | 4 | 7 | 10 | 6 |
| Other | 3 | 2 | 2 | 8 | 3 | 2 | 2 | 6 | 2 | 3 | 3 |
| Not sure | 23 | 17 | 20 | 20 | 21 | 16 | 19 | 26 | 16 | 21 | 20 |

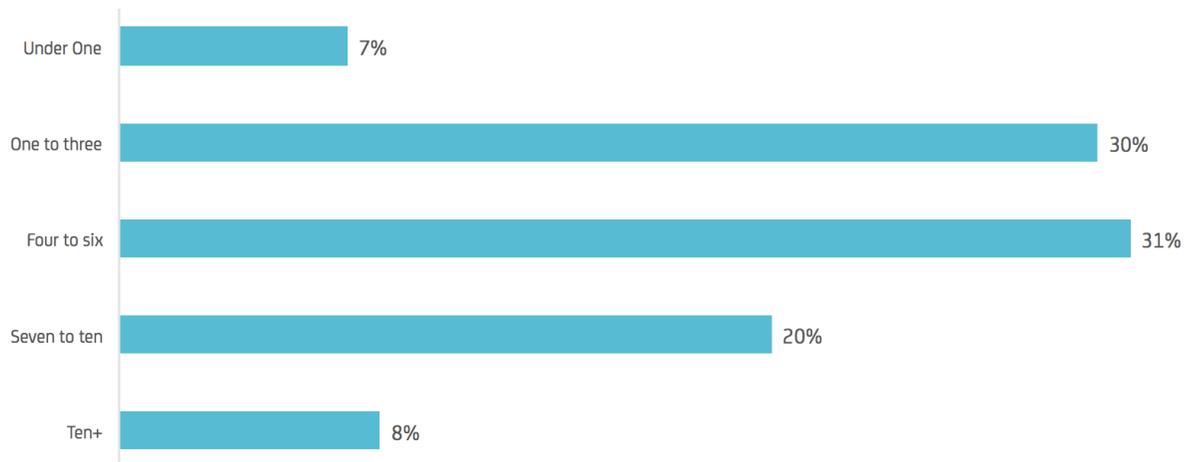
Companies must immediately shift the way they approach application development. A streamlined, secure, straightforward and highly functional experience leads to brand loyalty. Everything else is superfluous. Applications have to fire up instantly, quickly present options for solving consumer problems and work intuitively throughout the entire experience. Otherwise, the application will risk losing a business a large portion of their customers to their competitors.

Gone in Six Seconds: The New Rule of Applications

While security and functionality are the most critical factors companies must heed in development, application load time is a particularly illustrative example of how dominant and particular consumers have become in the application economy. If consumers' needs aren't met by an application in six seconds, the survey revealed, they will leave it—forever, in some cases. The survey showed that 68 percent of users, with negative experiences in load times, said only a loading time of less than six seconds was acceptable—and more than half of those respondents demand a load time of under 3 seconds (see figure 6). For brands, this could mean that a staggering amount of potential revenue is walking out the door if they don't meet these lofty requirements.

Q: How quickly must an application load in order for you to deem it acceptable? For those consumers with a negative experience with application loading times.

Figure 6



Closing Arguments

Many companies will need to shift the way they approach application development. It's no longer enough to release a slew of apps with basic functionality or release a limited-feature application requiring future updates. Applications have to fire up instantly, quickly present options for solving consumer problems and work intuitively throughout the entire experience.

The real crux for businesses is understanding what consumer want from applications, paying particular attention to the “app gap”—the delta between these consumer demands and their own goals for application development. Consumers don't care if an organization released more applications this year than it did the year prior or if it finished a months-long design overhaul. The things that matter most to them are that the application is quick, secure and delivers on its promise without much effort on their part.

And the implications of a successful application for a company goes deeper than just the financial hit. Data is rocket fuel for fast companies. And applications keep it pumping. The implications of a successful application for a company goes deeper than just the financial hit. Data is rocket fuel for fast companies – and applications keep it pumping. Consequently, businesses need to balance their need to access users' data with the promise to protect customers' privacy and anonymity. This is a point of tension that will help separate winners from losers in the long run.

In order to tap into the growth potential of the second wave of the application economy, organizations must make software more than just a part of their business. It must become their business. They need to evolve from simply having an application to an emphasis on providing customers with a phenomenal experience that meets their expectations. And to do this, they have to let their customers lead. Businesses need to listen to their customers, understand their needs and apply the same rigor and predictive analysis to application development and deployment as used to determine the best location for a retail store or a major rebranding.

Methodology

Zogby Analytics was commissioned by CA Technologies and Edelman to conduct an online survey of 6,770 consumers and 809 business decision makers in 18 countries. All consumer interviews were completed between September 9 and October 4, 2014, and all business-decision-maker interviews were completed between September 18 and October 8, 2014. The countries surveyed were:

Using trusted interactive resources, thousands of adults were invited to participate in this interactive survey. Each invitation is password coded and secure so that one respondent can only access the survey one time.

- Australia
- Brazil
- Canada
- China
- Colombia
- France
- Germany
- India
- Italy
- Japan
- Mexico
- Russia
- Saudi Arabia
- South Africa
- South Korea
- United Arab Emirates
- United Kingdom
- United States

Using information based on census data, voter registration figures, CIA fact books and exit polls, we use complex weighting techniques to best represent the demographics of the population being surveyed. Weighted variables may include age, race, gender, region, party, education, and religion.

Based on a confidence interval of 95 percent, the margin of error for 6,770 consumers is +/- 1.2 percentage points and for 809 business decision makers is +/- 3.5 percentage points. This means that all other things being equal, the identical survey repeated will have results within the margin of error 95 times out of 100.

Additional factors can create error, such as question wording and question order

For More Information

For further information on this research report as well as the latest news and research on the application economy, visit rewrite.ca.com.



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RULES OF ENGAGEMENT FOR THE APP ECONOMY

Want your app to help to transform your business?
Here's how consumers will use it—and expect it to work.

Consumer users will abandon an app and a brand, sometimes forever, if it doesn't load in

6 Seconds



No app feature drives **brand loyalty** like ease of use



79%

EASY-TO-USE FEATURES



69%

SECURITY



26%

RECOMMENDATION BY SOCIAL NETWORK

Features business apps get right

Most consumers say businesses get ease of use right



81%

EASE OF USE



80%

LOAD TIME



73%

SECURITY



61%

COOL FACTOR

Top 5 types of business apps

Most consumers say financial apps are their favorite



FINANCIAL



SOCIAL MEDIA



INFORMATION TECHNOLOGY



TELECOM



RETAIL

Recent uses of apps

Although most still use apps for email



70%

ACCESSED PERSONAL EMAIL



49%

BANKING TRANSACTION



48%

UPDATED SOCIAL STATUS



14%

MADE PURCHASE

Most likely uses of apps

More consumers are planning to use apps for important government tasks



70%

 RENEW DRIVER'S LICENSE

67%

 PAY TAXES

66%

 RENEW PASSPORT

66%

 APPLY FOR GOV'T LICENSES

Go to rewrite.ca.com

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