SWITCHING YOUR DIGITAL ECOSYSTEM: A PAINFUL PROCESS?

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Switching between different types of smartphones (differentiated by their OS e.g. Android) is becoming increasingly difficult for consumers. When benchmarked against everyday services and utilities, consumers worry more about having to switch the type of smartphone they own than their insurance, home telephone or pay TV providers. Simpler, integrated user experiences are playing a huge role in driving this aversion to switching. These user experiences are no longer just device-specific, but relate to the wider ecosystem of digital content and devices.

Easy access to content across numerous devices is driving higher levels of loyalty to content ecosystems, leading consumers to believe that switching their digital life to an alternative provider is a difficult chore. For some (Apple iPhone & iPad owners in particular) the thought of switching is considered as difficult as moving bank accounts. It follows that digital providers that create harmonious user experiences across their digital ecosystems will be able to increase consumer loyalty. GfK's research examined some of the key areas of smartphone user experiences and their impact on switching behavior.

There is no doubt that the use of connected devices (devices that are connected to the internet such as smartphones, tablets, laptops and now TV sets) is changing consumer behavior. The availability of apps and digital content has been extremely important for the explosive growth of smartphones: almost every third mobile phone (29%) sold in 2011 worldwide is a smartphone (source GfK Retail and Technology data). But a more subtle area, and one with growing importance, is the user experience on these connected devices. While consumers become used to increasingly intuitive and seamless interactions with the interfaces on their smartphones - as the connected

Perceived difficulty in switching

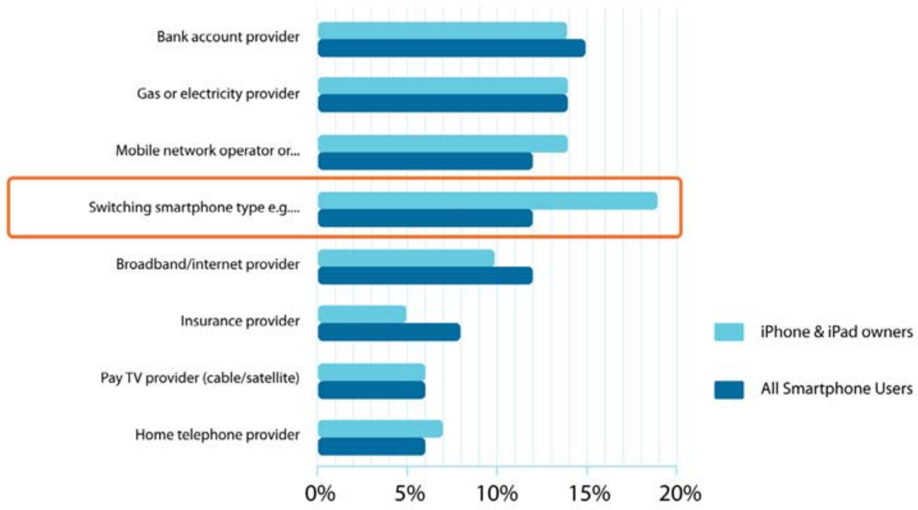

Figure one: Perceived difficulty in switching providers (% of rankings).

Loyalty to Smartphone Type

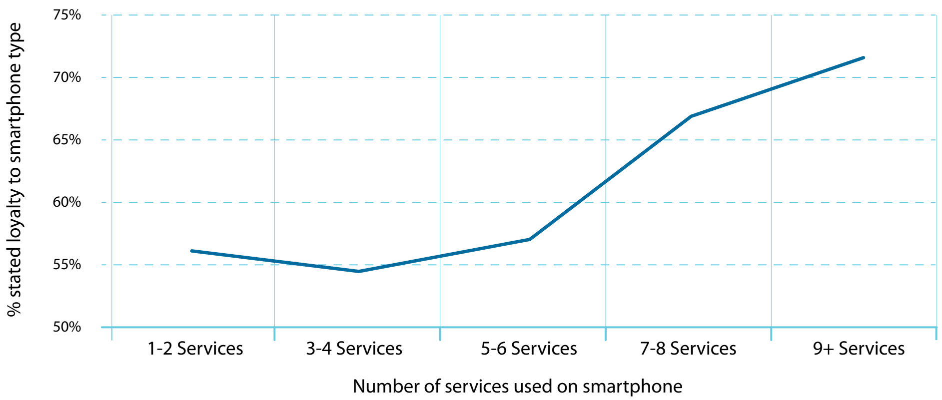

Figure two: Loyalty to smartphone type

Overall each of the three core areas of the user experience; simplicity, integration and access have similar levels of importance; however there are some interesting country differences.

Consumers in western mature countries place greater emphasis on simplicity than integration and access to services. In contrast, Chinese consumers place greater importance on the 'access' of content with 92% of consumers stressing the need to access content across all devices.

devices become more complex and advanced beneath the surface - consumer behavior is being impacted in new and fascinating ways.

GfK recently conducted research among smartphone owners in nine countries around the world; Brazil, China, France, Germany, Japan, Italy, Spain, the UK and the US. We examined some of the key areas of a smartphones user experience and its impact on switching behavior. There are inevitable differences between the countries due to their varying levels of digital and technological development. Despite this, there are universal trends such as: the more mobile services that consumers use, the less likely they are to switch their smartphone type in the future (See data in figure one).

GfK has contended before that content and services drive appeal and loyalty to smartphone providers. The data above shows that those more engaged – i.e. use more services on their smartphone – are more likely to state their future loyalty to their current smartphone type. The data in the figure two shows that the tipping point for this uplift in loyalty is at 7 or more services.

There are some interesting country differences too, European countries (the UK, Germany, France, Spain and Italy) use fewer services on their smartphones compared to non-European consumers in the US, China, Brazil and Japan. Consumers in the US are the most likely (61% of all US smartphone users) to use 7 or more services followed closely by China (56%) and Brazil (53%). This high level of service usage on smartphones has implications for the user experience. The research uncovers three core areas of the connected device user experience that impact service usage and loyalty. These are outlined in more detail below:

Simplicity

Over the years, smartphones have become infinitely easier to use which has empowered consumers to use more advanced features and to do more with their phone. Nokia, the early pioneer of advanced mobile phones, released the first mobile phone with a WAP browser in 1999 - the 7110. However, back then browsing the internet on a PC was a cumbersome experience and trying to access small bits of web-based information on a mobile phone was never going to be a simple process, without even thinking about creating "enjoyable" user experiences.

Since then, user experiences have gone beyond the functional and have been refined to a level that add an element of "intimacy" and "discoverability" which creates new and fun experiences for the end user. We're now at a stage where new mobile device technologies software and advances in mobile networks have made

Consumers who are building a library of media and content are demanding access to their digital life regardless of the device they are using.

Almost three in four smartphone owners (72%) believe it is important to be able to access the same content (music, videos, books, apps, etc.) on any internet enabled devices (smartphones, tablets, PC, TV sets, etc.).

internet-enabled applications commonplace among most smartphone owners and a key driver of handset selection. A growing number of people are finding a smartphone solution that they are comfortable with. Consequently, almost three in four (72%) smartphone owners state that they find it easy to access applications and navigate the menu system on their phone. These subtle refinements of the user experience have become immensely important to the consumer. Our research shows that disrupting this set-up, (i.e. moving from a smartphone set-up that is known by the consumer to a new unknown one), has become a huge barrier to switching their smartphone type or digital ecosystem.

Integration

As smartphones become more advanced, creating a smooth user experience becomes a more complex task. In order to make the most out of the wide-ranging capabilities of smartphones, the functions, features and services need to work in harmony. (Having the option to immediately post a photograph you've just taken with your phone to Facebook is a good example of this harmonization).

A significant proportion of smartphone owners (71%) now believe that the various features, services and apps on their phone work seamlessly with each other. Nevertheless, regardless of this high approval rating, the proof of well-executed integration and a smooth user experience is found in the usage patterns of consumers. By examining our data more closely, we find that those who use more services on their smartphones believe that the services and features offered are much more tightly integrated. Furthermore, those who use more services on their phones are more likely to consider staying loyal to their current smartphone type. Well executed service and hardware integration are therefore having a positive effect on consumer loyalty.

Tighter integration of services also allows for more intelligent use of customer usage and purchase data. Companies that exploit 'Smart Data' will effectively yield greater results in engaging consumers with their service or brand. Recommendation engines are a prime example of this: these services provide new product or service recommendations to the end-user by analyzing past usage and purchase data. This intelligent use of customer data adds greater relevance and discoverability which, if executed well, can heighten the user experience.

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Access

Many consumers who have owned a connected device are likely to have a varied collection of digital media, including music, videos, books, magazines and apps. This new 'digital life'- where the consumer has invested time and money collecting digital content - inevitably brings new usability demands.

Consumers who are building a library of media and content are demanding access to their digital life regardless of the device they are using. Almost three in four smartphone owners (72%) believe it is important to be able to access the same content (music, videos, books, apps, etc.) on any internet enabled devices (smartphones, tablets, PC, TV sets, etc.). As one would expect, this becomes even more important among those who own a tablet as well as a smartphone and PC – 80% of this sub-group agree. Cloud-based services are being rolled out by many service providers to offer solutions to consumers' content 'access' user experience needs.

Overall each of the three core areas of the user experience; simplicity, integration and access have similar levels of importance; however there are some interesting country differences. Consumers in western mature countries (particularly France, Germany, Italy, Spain and the UK) place greater emphasis on simplicity rather than the integration and access (from the cloud) to services. For example German consumers find their smartphones easy to use (84%) and place less importance on accessing content on numerous devices via the cloud (64%). In contrast, Chinese consumers place greater importance on the 'access' of content with a huge 92% of consumers stressing the need to access content across all devices. This finding aligns with the 'Cloud' research

The biggest barriers to switching smartphone types were related to user experience:

- 33% disrupting your current smartphone set-up (i.e. the apps and features I use)
- 29% having to learn how to use another type of smartphone
- 28% having to move your content (music, video, books, apps, etc.) from one type of smartphone to another

we conducted in the enterprise market, where emerging markets like China were leading the way in their attitudes and usage towards cloud based services.

These parallels in the consumer and enterprise markets demonstrate the thirst for advanced technology in emerging markets and their willingness to skip a generation of technological infrastructure i.e. in the consumer market skipping the desktop computer generation means consumers have little local storage (desktop/laptops have more storage space than mobile) and are relying on access to content in the cloud. In Japan, technology (especially mobile technology) is highly advanced and culturally customized. Japanese consumers place equal importance across all three user experience dimensions; simplicity (72%), integration (68%) and access (72%). Japanese consumers are very comfortable with the user experience of their connected devices so much so that the biggest barrier to switching smartphone type is disrupting their current set-up. This is also one of the biggest barriers globally (as detailed below) but in Japan's case this is a lot more pronounced.
So what impact does the user experience have on future smartphone purchase considerations? Of course, there will always be those consumers who are looking to switch their smartphone type due to an unsatisfactory service provision or hardware defect. And for those who are not subjected to such negative experiences, persuasive marketing from rival brands and/or peer influence will still encourage the thought of switching.

However, GfK's recent research examined barriers to switching smartphone types. The list included brand and price considerations but the biggest barriers overall were related to user experience:

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The barriers listed above show the importance of the age-old mindset, 'if it ain't broke don't fix it'. Consumers become stuck in their ways and those who are satisfied with their current set-up will be difficult to tempt to a new platform. This mindset has only hardened with the growth of connected devices, maturity of technology markets (Japan) and their rapidly improving user experiences, especially when managing their digital lives.

This is perfectly exemplified when we look at those who own a smartphone and a tablet using the same operating system (OS). For this group, another barrier becomes a huge factor in their smartphone switching decision. Almost two in five consumers in this sub-group (38%) are reluctant to switch smartphone type because their smartphone and tablet would run a different OS thereby

losing the user experience benefits that come with it. This also impacts on the consumers' perception of how difficult it is to switch smartphone types compared to other services and utilities.
Overall and perhaps unsurprisingly, switching bank account is perceived to be the most difficult service to switch out of the list of services/utilities provided. When we isolate those consumers with both a smartphone and tablet with the same Operating System, the smartphone becomes the most difficult service to switch.

This finding shows the importance of the device portfolio in a service provider's ecosystem, such as Apple's. Apple was the first to launch a tablet, and they have since launched iCloud, which synchronizes content and data across devices. Google has taken a similar approach, making Android available on tablets as well as on smartphones. Google's services have always been internet based so that users of those services will experience similar cross-device access to their data. Microsoft are also placing huge emphasis on their ecosystem of integrated services and devices and their latest push into the smartphone sector in 2012, led by their partnership with Nokia, will be an important step in bringing together this ecosystem. Furthermore it is not just Apple, Google and Microsoft offering these kinds of digital platforms. The importance placed on cloud based services was highest among Chinese (92%) and Brazilian (85%) smartphone owners. Whilst consumers in emerging markets aspire to western brands there is also a desire for localized service provision. The opportunity in these markets will inevitably lead to digital ecosystems developed by local providers offering digital platforms that are localized to the needs of eastern consumers.

Regardless of provider, this cross-device accessibility of content is (to some) of great benefit to consumers. It will encourage them to invest more in their digital life and enable them to do and discover more. Those smartphone providers that create harmonious user experiences will be able to increase consumer loyalty to their digital ecosystems as consumers find it more trouble than it's worth to switch manufacturers/ecosystems when they have found a system that works for them.

Brands competing in this space will be able to elevate their customers' switching consideration to a much higher place. This investment in user experience could yield great results and those in dominant market positions at the moment would be difficult to challenge in terms of capturing market share. This is a luxury that many of the large high street banks have experienced for some time.

Source

The GfK report on UX and loyalty in the digital ecosystem research was conducted by GfK Business & Technology. It includes the opinions of 4257 smartphone owners in nine countries who were interviewed between 17th and 28th October 2011 using online interviewing techniques appropriate to the country.