The Revenue Impact of Mobile App Quality

The Revenue Impact of Mobile App Quality

Mobile app stores are highly competitive spaces; it takes a lot of hard work and innovation for an app to succeed. The mobile app market was estimated at USD $187.58 billion globally in 2021, and growth projections are only increasing as the industry continues to expand. Gaining ground requires an edge to attract—and keep—customers once they download your app. In such a saturated marketplace, it's performance, not an app's features, that drives a quality user experience. **App speed, stability, and reliability are decisive factors that motivate users to stay longer and spend more money.**

Learn how your app's performance contributes to your overall revenue and business goals, and how to use performance monitoring to boost revenue.

Contents:

- App adoption: How much do new customers cost?

- Preventing customer churn: Retention matters for revenue

- Metrics that matter most

App adoption:
How much do new customers cost?

One of the calculations you'll need to make to determine the viability of your app in the marketplace is the customer acquisition cost (CAC). This metric includes factors like advertising costs; sales, marketing, and creative team salaries; and production costs, in addition to overall app development spend. Customer acquisition is understandably one of the larger expenses mobile app companies face, but if they use those resources to create the best user experience to attract and retain customers, it can boost average revenue per user (ARPU).

Average Revenue Per User, determined by dividing the app's total revenue by the number of installs, will help to calculate your app's overall return on investment (ROI). The formula for determining ARPU is:

$$\frac{\text{Total money made during a given time period}}{\text{(\#) active users over that same time period}} = (\$) \text{ Per-User Revenue Average}$$

It can cost 68% more to acquire a customer who will make a purchase in part due to the sheer number of app choices available to shoppers, but it can certainly be worth the spend to gain a customer. So, how do you ensure that your app stands out in a crowded marketplace?

App performance is key and affects CAC both negatively and positively. Consider how your app's performance can influence the following elements and heighten customer acquisition cost:

- **Brand perception:** 66% of consumers would avoid exploring a brand known for delivering a poor digital experience. What constitutes a poor digital experience is in large part user experience. That experience begins with the time it takes for your app to launch and become functional, which should take two seconds or less before you'll lose impatient users. It also includes bugs, crashes, content lags, and overall quality.

- **App store ratings:** Even as little as a 1 percent drop in stability can lead to a 1-star drop in ratings. Those ratings affect your acquisition rate. The average rating of apps and games in the top charts and featured section of the app marketplace is 4.5 stars. Apps with a sub-4-star rating lose up to half of their potential downloads, and there are increasing alternatives to low-rated apps every day.

- **App store visibility:** Metrics like crash-free sessions, app launch time, UI hang rates, and loading times are all monitored by Mobile APM and influence your search visibility on the app store. Each metric helps paint a picture of user interactions and your app's overall quality in reviews. Performance heavily influences your search ranking on the app store. Ignoring any of these metrics could result in a lower search rating, and make it harder for users to find your app.

Attract downloads with reviews

No matter how much you might spend to advertise your app, **customer reviews are king in the marketplace**. They are a crucial aspect of reputation management, and neglecting to respond to both positive and negative reviews comparing user experiences of your app against competitors can deal a fatal blow to your app's ratings.

In a Womply study, businesses with more than 82 total reviews earn 52% more in annual revenue. A larger number of reviews also prevents large fluctuations in your star rating. It can boost ranking in app stores, increasing visibility and revenue potential.

Your team should analyze the substance of reviews to identify what's prompting the feedback. Many reviews contain user experience commentary on:

- Bugs and glitches
- Intrusive advertising and overpriced features
- Navigation problems
- Local (in-app) problems
- Feature requests

Google found **developers can increase their average rating an average of 0.7 points by replying to reviews**, and the presence of user communication and interaction tools can make gaining positive feedback that much easier.

Instabug's in-app communication features allow you to chat and interact with your users while they use the app so you can get ahead of negative feedback before it reaches the app store. By using chat, survey, and in-app announcement features, your support team will be accessible for immediate solutions should users run into any issues. Communicating with users not only keeps them in the loop but can directly improve your ratings. By sending surveys and routing promoters to the app store to leave positive reviews, **Instabug users can boost ratings while privately providing direct support to dissatisfied users.**

Preventing customer churn: Retention matters for revenue

After investing significant resources and effort to gain a customer, it's just as important and cost-effective to keep them engaged. Without a user retention strategy, you're wasting your investment in gaining users. One report found that 21% of users now abandon an app after one use, meaning as soon as they install a mobile app, they're evaluating its speed, responsiveness, and stability, which shape the user experience and overall satisfaction.

Specific aspects of performance strongly influence the user experience and overall app retention figures. **Startup time is crucial because it's truly the first user interaction with your app.** Mobile app users are not a very patient bunch, and 49% of them expect apps to launch in two seconds or less. That window is only condensing as users expect improved performance with advancing technology. As load times increase from one second to three, the probability of bounce increases by nearly one-third.

Consider how performance affects overall conversion rates for users who stay. Mobile users now expect apps to perform as fast or faster than their computers. And research has consistently shown that conversions rise with loading speed—**a one-second improvement in loading time can increase buyer conversions** from two percent to as much as 27%. In addition, the average purchase amount within your app may increase with better performance. About 50% of consumers will spend more with a company if its digital services are better than those of a competitor.

Users of digital services who experience slow loading times past launch are also more likely to view brands critically, even if performance delays are on the client side: 55% of users will hold your app, and not their device or network, responsible for poor performance, and 37% will think less of your brand. A negative brand experience can damage brand reputation, leading to negative reviews and indirect revenue loss.

Earn loyalty with app quality

Because your app is competing for your users' time and money, it's imperative to use every tool available to improve the user experience. **Performance monitoring solutions give your team complete observability of your system performance** and the context necessary to identify sources of delays. With Instabug's App Performance Monitoring, your teams can define custom thresholds for your app's overall quality, network transactions, launch times, UI hangs, content loading times, custom traces,

and more. You can **automate parts of your workflow** with custom assignments, alerting, and forwarding rules that keep teams informed and efficient.

Even when a crash occurs, Instabug's Crash Reporting can help ensure you keep your customers. Crash reports are detail-rich, with stack traces, network and console logs, steps to reproduce issues, and more captured automatically with no need for any breadcrumbs. **Instabug compiles crashes and crash-like behavior** such as app hangs, Out of Memory errors, and Application Not Responding errors, which have the same negative impact on the user experience.

You can re-engage the customers by reaching out to let them know that you've resolved an issue, or that a new app version is available, using in-app notifications. Keep them up to date and informed with notifications where you can test A/B marketing messages, onboard new users, cross or upsell, and even gather net promoter scores (NPS) and advocates you can guide to leave positive reviews for your app.

Apps that send push notifications see retention rates seven times higher than those that do not, resulting in more interactions and potential revenue. Retention really matters, and not only as a contributor to revenue, when you consider that by day one, apps have a 21% retention rate and by day 90, it dwindles to 1.89%.

Of the top 100 apps in the app store, the top-ranked apps have at least 5MM downloads. That's almost $17MM spent on acquisition. Retaining those hard-won customers with superior app performance can make a major impact—Gartner Group statistics tell us that **80% of your company's future revenue will come from just 20% of your existing customers.**

For that reason, you'll want to do everything possible to prevent user churn. That means getting proactive about discovering app performance issues that could cause your users to seek alternatives. Where are they experiencing issues or crashes? Instabug's in-depth performance and crash reporting tools will help your team find answers to these critical questions.

Acquiring new customers can cost six to seven times more than retaining current customers, so even a seemingly simple action like tracking down bug fixes faster to prevent them for future users can accrue significant savings. In fact, businesses that boost customer retention by just 5 percent can see increases in profits ranging from 25% - 95%.

Metrics that matter most
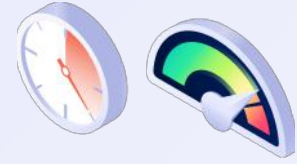
All apps have different needs and standards for performance. These are average benchmarks for satisfactory performance.

Apdex score:
≥ 0.90 means your app's performance is Excellent

Stability:
Crash-free users >99%
Crash-free sessions >99.9%

App launch:
Cold: 2-4 seconds
Warm: <2 seconds
Hot: 1-1.5 seconds

Screen loading:
<0.5 seconds

Network response:
<1 second

Key App traces:
<2 seconds

UI responsiveness:
<100ms

When it comes to revenue, which metrics matter most, and why? What factors are not only costing you customers but revenue as well in the form of app uninstalls?

Load or startup time is the first metric to affect customers. In most cases, consumers do not explicitly notice quality of performance unless it's unsatisfactory, and then it becomes an annoyance. **One of the first things a user will experience is how long it takes to open your app, and not just after download, but every launch after that.** Instabug monitors hot and cold app launches and identifies discrete loading stages and patterns or outliers in data.

With so many options and stiff competition, a user won't think twice about switching to another similar mobile app if they experience loading delays or performance issues. Therefore, if your app crashes, your team needs clear information, and quickly, to resolve the issue and retain users. The direct revenue loss from uninstalls and low retention rates can increase customer acquisition cost. Prevent the loss by figuring out exactly which line of code caused the crash—Instabug Crash Reporting collects all the data you need to diagnose and resolve crashes without the guesswork.

Suboptimal updates and app performance come with measurable business costs: **every second in processing delays or minutes of downtime can squeeze revenue, customer satisfaction, and brand equity.** Meanwhile, superior app performance earns customer loyalty and boosts revenue. To achieve this level of quality, your app must be mobile-first and developed with mobile-first tools that maximize observability of your entire system, taking measurable success factors into account.

When bugs do slip through, comprehensive bug reports help your team of developers address and debug your app quickly, avoiding further negative user experiences whenever possible. **With Instabug, you can create automated alerts that establish clear areas of responsibility for quality issues.** Use these team and code designations to reduce time spent assigning urgent issues later on. By filtering alerts based on urgency, Instabug allows your team to prioritize important fixes first. Developers can complete fixes faster, then get back to coding, building new features, and expanding on future release and revenue opportunities. It also helps a great deal when teams are scaling to maintain clear lines of responsibility.

Prepare for bugs and crashes before they happen so you're ready to respond immediately to any issue that may ostracize users. A mobile-first observability platform like Instabug gives insight into your app performance and user experience immediately. Give your team the most in-depth information about your app with complete observability for the best chance at retaining customers and increasing your app's revenue.
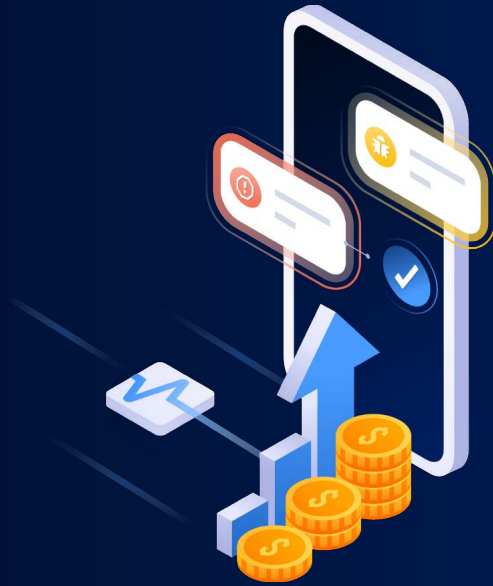
Instabug's App Performance Monitoring, Crash Reporting, and Bug Reporting solutions empower teams to optimize all areas of app performance and deliver the high-quality experience app users expect and deserve.

Let's get started

Elevate your performance for iOS, Android, React Native, and Flutter mobile apps. Trying Instabug is easy—it takes less than a minute to integrate the SDK. You can also play in the sandbox or schedule a personalized demo session with our experts for all questions answered.

Book a demo   **Start your free trial**   **Explore the sandbox**

Contact Us

Instabug, Inc.
230 California St.
San Francisco, CA 94111

contactus@instabug.com
facebook.com/instabug
twitter.com/instabug

Instabug