



Monetizing Mobile Apps – Your FanTrust Round-Up

Executive Summary – An Entertainment Industry Overview

2013 marks the first time in human history that we will have a single device for every person on the planet: the mobile phone. This summer, there will be more than 7.1B mobile subscriptions, representing one for every woman, man and child on Earth. Let's celebrate this historical milestone with a look at today's trends and transactions in mobile entertainment.

How big is the mobile app industry today? BIG! And getting bigger, according to a variety of credible sources:

- Mobile app downloads doubled in 2012 to 46 billion¹
- They will double again in 2013 reaching 81 billion
- By 2016, app downloads will reach 310 billion

And revenues look good too. App developers, entertainment companies and marketers will share in a mobile app sector projected to generate \$35 billion in revenue by 2014² and \$74 billion by 2016. ³

How are apps making so much money?

In the six years since the dawn of the iPhone and App Store, smartphones and tablets are now dominant players in the digital entertainment space and are competing with the personal computer and the television for revenue.

Revenue models remain in flux. However, the following research highlights some of the best practices for generating significant revenue in the mobile app space.

The biggest change in this area is the nearly wholesale move to the "Freemium" model: users do not pay for the app itself, but for additional content, levels, characters, add-ons, updates, versions, etc. This model has grown dramatically in the last two years and indicators point to continued growth in the years ahead.

Check-out FanTrust's round-up of the current mobile app space when it comes to:

- *Free vs Paid*
- *Mobile Gaming Audience & Revenue*
- *Transactions: From Micro to Macro*

All signs point to a bright future for mobile app developers, publishers and distributors, who are finding a good balance with the marketplace: giving fans what they want to buy – and giving away the rest.



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Free vs Paid

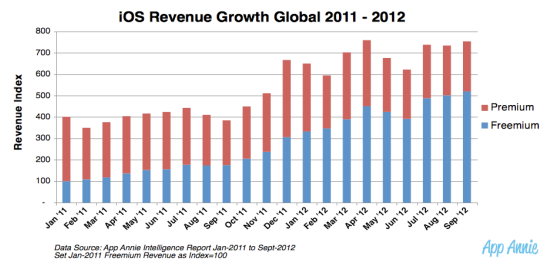
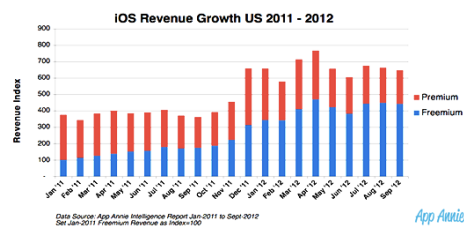
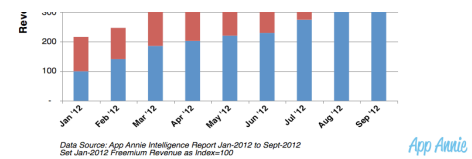
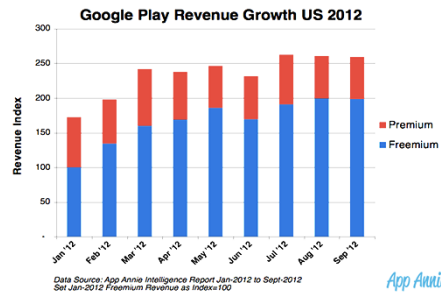
Freemium apps – free apps that have in-app purchases – are experiencing impressive revenue growth worldwide, far outpacing paid-download apps in both the Apple/iOS and Google Play/Android app stores.

Over the last 24 months, worldwide revenues for “freemium” apps on iOS have more than quadrupled. In 2012, worldwide freemium revenues on Google Play grew by 350% over 2011.

FanTrust Take Away

While generating a substantial user base is essential to developing a sustainable mobile app business, just as important is setting up profitable transactions to tap user activity after initial download.

By giving users more opportunities for in-app purchases, developers can assure that their mobile app will continue to generate revenue even after the initial user download push has passed.



Source:

<http://blog.appannie.com/freemium-apps-ios-google-play-japan-china-leaders/>

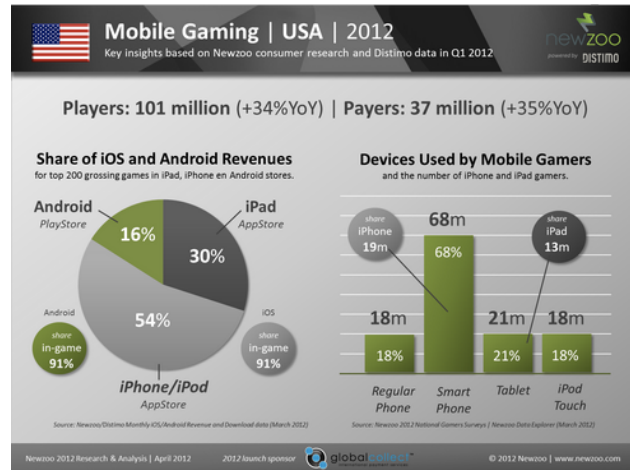


Mobile Gaming Audience & Revenue

A majority of mobile gaming revenue (91% for both iOS and Android) stems from microtransactions inside the game, not purchasing titles outright.

Apple's mobile devices earned 84% of revenue generated by the top 200 grossing mobile games. In stark contrast, Android only accounted for 16% of all revenue generated in the United States.

The number of paying players has reportedly grown 35% to 37 million Americans, or 36% of all mobile gamers. Of American gamers, 19 million play on an iPhone, 18 million play on an iPod touch and 12.7 million play on an iPad (many people use multiple iOS devices).



FanTrust Take Away

Mobile game developers must work closely with marketers to assess which “microtransactions” are tracking the best and are generating the most overall revenue for the game and find ways to increase the frequency of these transactions.

Again this will only occur if the incentive for making these transactions is meaningful/essential to the gameplay itself and will increase positive gamer sentiment.

Users will happily use in-game currency to purchase better players, better tools, more levels, new characters/levels, etc. These purchases deepen and lengthen the user experience and to more closely mirror PC and console gaming.

Source: <http://www.techspot.com/news/48412-study-91-of-mobile-game-revenue-comes-from-microtransactions.html>



Transactions: From Micro to Macro

W3i, a mobile app monetization and user-acquisition service, conducted a study that found “smaller microtransactions” which are “thought to be the backbone of the freemium model actually add up to a much smaller portion of a developers revenue than more expensive in-app purchases.”

Revenue breakdowns look more like this, with larger ticket items representing the lion’s share of revenue:

- \$.99 to \$1.99 = 6% of revenue
- \$9.99-\$19.99 = 47% of revenue

In Japan, companies like DeNA and GREE continue to post massive quarterly earnings with microtransactions a large part of a game’s revenue.

In Europe and the US, many games depend on heavy spenders. In the UK, 8% of revenue for mobile games came from in-app purchases of \$49.99 as of October 2012.

FanTrust Take Away

Think Macro: When it comes to transactions, think big. Mobile app developers need to rethink the notion of “micro”, and recognize that they can sell even small mobile items with large price tags. Of course, developers must continue to look for ways to promote and inspire these larger \$9.99 to \$19.99 purchases. It is clear from these findings that the \$.99 to \$1.99 transaction bracket will also benefit from thoughtful marketing tactics and user incentives.

Source:

<http://www.ibtimes.com/w3i-microtransactions-dying-free-play-mobile-gaming-924515>

Additional Sources

¹ eMarketer, Paid vs. Free Mobile App Store Downloads Worldwide, 2011-2016. September 11, 2012

² <http://www.growthink.com/content/10-incredible-mobile-marketing-statistics-every-entrepreneur-must-know>

³ <http://www.eweek.com/mobile/apps-marketing-and-the-cloud-gartner-predictions-for-2013/>