

Introduction

The power of mobile begins with its reach. There are twice as many mobile devices as TV sets, three times as many mobile subscribers as Internet users, and four times as many mobile phones as PCs.

This Guide will help you to understand and explain:

- An overview of the current mobile applications marketplace
- Best practices for making the most out of your mobile applications
- How to effectively distribute and market your applications
- How to make money from your mobile apps and maximize revenue
- How the payment experience can affect your sales
- What the future holds for mobile applications
- Key stats from the Dreamico Solutions “Mobile Apps survey”:

Dreamico Solutions surveyed a wide range of mobile content providers and application developers to get their views and plans for the future – here’s what they said: 45% of developers plan to monetize their apps directly, in other words outside the app stores:-

- 48% think that although app stores will grow in importance in five years’ time, these channels will coexist alongside the mobile web
- iPhone tops the list, followed by Android and BlackBerry, for the most important handset/platform to develop an app for in 2011
- Windows Mobile, Palm and Symbian were also listed as important development Platforms

The Rise of the Mobile Smart-Phone

In the last few years we have seen a significant shift in the mobile market. While the sales of traditional phones have been dramatically impacted by global recession, handset manufacturers and analyst firms have been reporting significant growth in Mobile Smart- phones. At the end of 2009 industry leaders reported that Nokia had retained the lead position with around 40% of the Mobile Smart-phone market, RIM in second place with over 20% and Apple close behind with 17%.

Another way to look at Mobile Smart-phone growth is by mobile platforms – the operating systems the Mobile Smart-phones use. Given that some handset manufacturer’s ship a range of Mobile Smart-phone platforms (HTC ships both Windows Mobile and Android phones) this gives an alternative view of the market with iPhone and Android clearly showing the biggest growth.

The Mobile Smart-phone market is changing very fast as new handsets are launched monthly. Some recent data from Com-Score shows that Google Android had a big growth in the USA between November 2009 and February 2010, more than doubling the Google Android share of

the US Mobile Smart-phone market. This dramatic Android growth coincides with a number of compelling new handsets coming to market from Motorola and HTC and IDC predict Android will be placed second to Symbian in shipments by 2013. It's worth keeping an eye out for the latest Mobile Smart-phone trends to help you decide which mobile platforms to focus your development efforts on. Android is currently the one to look out for.

Mobile Application Complexities

Unfortunately, it is not as simple as developing for a small set of platforms. Each platform has a number of versions. Apple are about to launch iPhone OS 4.0 and there have been many minor versions to go with the three previous major revisions. Current Android phones are using version 2.1 (Éclair) and version 2.2 (Fro-Yo) is due imminently; although some brand new Android phones still ship with version 1.6 (Donut) and older 1.5 (Cupcake) phones are still available and have not been upgraded. Each version adds new functionality and fixes a number of earlier issues, but also introduces platform fragmentation making things more complex for app developers.

The Value of the Mobile Applications Market

According to Gartner consumers will spend \$6.7 billion in mobile app stores during 2011, comprising of 4 billion downloads. But of those, 8 out of 10 apps will be free. There will also be \$0.6 billion worth of advertising revenues. Gartner forecasts the total revenue will increase to nearly \$30 billion by 2013 with over 21 billion downloads.

The number of free or Ad funded apps will increase to 87% by 2013.

There are many contributing factors to the success of the Mobile Smart-phone, simple access to the web and a compelling range of downloadable apps being two key factors. Both web usage and app downloads have grown rapidly over the last year. The Industry saw over 165% growth in web browsing over the past six months alone.

Apple now has over 150,000 apps in their app store and IDC predict that there will be over 350,000 iPhone apps and up to 85,000 Android apps by the end of 2011. This presents a compelling value for the consumer, but presents a serious marketing challenge for developers that need to get their mobile applications noticed.

App stores

As the interest in mobile applications has grown, so has the number of app stores. We now have stores from platform/OS providers, handset manufacturers and mobile network operators – some devices even present consumers with multiple stores.

There are around half a dozen proprietary mobile app stores that offer a distribution channel for developers. These provide a controlled and dedicated route to potential customers, in return for a revenue share of around 30% of the money your customers pay, plus associated terms and conditions governing what you are permitted to sell, placement of your app in the Store and permitted pricing models.

App stores tied to devices include the Android Market, Nokia Ovi Store, BlackBerry App World, Windows Phone Marketplace and Palm App Catalogue. There are also operator specific app stores, such as the Vodafone 360 App Store. At Mobile World Congress in February 2010, twenty four operators announced that they would join forces to develop an open platform that delivers applications to all mobile phone users.

With support of the GSMA the Wholesale Applications Community's stated goal is to create a wholesale applications ecosystem that, will establish a simple route to market for developers to deliver the latest innovative applications and services to the widest possible base of customers around the world. In the immediate future the alliance will seek to unite members' developer communities and create a single point of entry to make it easy for developers to join.

There are also a number of well-established third party app stores such as GetJar who recently announced a deal where Sprint would ship links to their app store on certain phones. Some stores tied to devices also control how customers can pay for apps – an iPhone user must have an active iTunes account; Google Checkout is preferred for Android app purchases etc.

The app store is fast becoming the portal, deck or home page of the Mobile Smart-phone era, a place to go to discover new things. But with multiple stores, all containing tens of thousands of items, it is a real challenge for the consumer to find the diamonds in the rough. It also poses a challenge for developers – which stores to publish in and how to get apps discovered.

App Store Size – Total Number of Applications

- **Apple** 150,998
- **Android** 19,897
- **Ovi** 6,118
- **BlackBerry** 4,756
- **Palm** 1,452
- **Windows** 693

Average Price (for Paid Applications)

- **Apple** \$3.62
- **BlackBerry** \$8.26
- **Android** \$3.27
- **Ovi** \$3.47
- **Palm** \$2.53
- **Windows** \$6.99

Source: Distimo

Get the most from your mobile applications

Ultimately the increase in Mobile Smart-phones over the coming years represents a considerable opportunity for brands and application developers. Here are some best practices to ensure you make the most out of your mobile apps:

Understand your audience

The most important thing is to determine who your audience is and understand the best ways to reach them. You also need to understand what phones they have and how they use them. Once you have a plan make sure you know what percentage of your market you will reach. There is no point in developing an app for an iPhone when most of your customers have a BlackBerry or don't have a Smart Phone. Spending your entire budget on an app that will only benefit 1% or 2% of your market may not be the best return on investment.

Distribution within App Stores

Once you've made your plan and selected which platforms to support you should get your app into the relevant app stores. As mentioned previously there's a whole range out there including device/platform specific app stores - iPhone App Store, BlackBerry App World, Android Market, Windows Phone Marketplace, Palm App Catalogue and Nokia Ovi Store.

Operator app stores including the Sprint App Store, Vodafone 360, Orange App Store and Verizon's VCast App Store. Plus independent app stores including GetJar, Handango and Handmark.

Think about how you can optimize visibility within your chosen apps stores. Pick your time to ensure your app goes live when customers are looking to download. New apps will get added to the "new" or "recently added" list, which gives you a short period of added promotion.

But given the speed at which new apps are added the benefit of this may not last long. You can try releasing frequent updates in an attempt to refresh your position. You could release versions or add-ons to boost your coverage in the store.

Promoting your Apps

- Don't rely on app stores alone to market your apps, take promotion into your own hands.
- Promote your apps through mobile advertising networks with banner and text ads.
- Set up search marketing campaigns through search providers e.g. Google, Yahoo and Bing.
- Look to get your apps listed on prominent sites run by known brands and operators.
- Use social media to its full extent including Facebook, MySpace and Twitter.
- Leverage blogs and forums to help spread the word amongst mobile app users.

- Your campaigns can point back to the app store for download or to your own website if delivering to open platforms (i.e. not Apple iPhones).

Utilize the Web

It is often better to spend some of your budget on getting a better web experience to replace the need for a mobile application. All phones have a web browser and developing a website that looks great on leading mobile devices will give you better market coverage and a simple way to promote to your entire audience via the same URL they are already familiar with.

It is a quick, cost effective solution that you own and control, it does not cost money to submit or require approvals. Plus the latest mobile browsers can deliver desktop style capabilities, it is far removed from the less sophisticated and less impressive mobile WAP browsers of years past. If you decide to go down the web route and want something in the app store, submit a simple bookmark app that launches your mobile ready website or leverage an off the shelf solution.

Maximising Revenue and Profit from Mobile Applications

Revenue Generating Models:

Ad-funded

Ad networks promise a lot but check they actually deliver on their promise. The benefit is that they are open to all to download, but you will only earn money if your app gets run and the ad is clear and compelling. The important factor with any advertising driven business model is measurement – ensure you independently measure who is visiting your app and what they are doing. This helps you understand the true value of your app.

App Store Sales

If you have a good app then you should of course sell it, but beware app stores are not always the most efficient place to collect money. Many app stores have payment flows that involve multiple steps which can confuse the customer – this includes instruction to register for Google Checkout or PayPal accounts, which may not be easy to achieve on the phone. Where possible it is often better to distribute a free trial app and then capture payments within the app where you have more control.

It is worth considering the app stores refund policies. Some app stores don't process the payments until 24 hours after the app is downloaded. This allows the customer to try the app and return it a day later if they are not happy. It also allows them to use the app or play the game for a day without paying. Something worth considering if your app can be completed within that time.

Selling from within a Free App

Studies show that over 80% of app downloads are for free apps– there are no blockers, obligations or risks with free apps. The customer does not get lost in app store payments or signing up for Google Checkout or PayPal – they simply click to download. However, a free download does not necessarily mean free, we have already discussed ad-funded apps, but it does not end there. An increasing number of successful apps are available for free but then sell upgrades, add-ons or virtual goods.

Distribute a free app with limited functionality then use in-app billing to charge users to get the pro version. Charge to add more features or levels in a game. Introduce your own virtual goods within communities. This ensures there are no blockers, it gets users familiar with your app and when they are ready they can pay to get more. It focuses the payment on the place and time the customer is most likely to upgrade, avoiding loss of sales that are sure to occur when passing customers back to an app store to download the premium version.

Many app stores allow you to publish both a paid app (where you pay up front) and a separate free (trial/Lite) version which can be upgraded in-app later. This gives you two entries in the app store and gives customers the added option of either trying the free (trial/Lite) version or paying for the full version of the app. This creates more choice for the consumer and two possible revenue streams rather than just having a paid or free (trial/Lite) version of you app in the app store.

Charging within your Mobile apps – The Payment Models

In-app billing models enable you to engage with your audience by offering your mobile application as a free download and then charge within the application.

Here are some examples:

- Free trial based on a time period.
- Free demo with the option to upgrade to the full application functionality.
- Subscription service.
- Charging for content within an application.
- Charging for access to new levels or areas within the application.

Increase Sales with the Best Payment Experience

By presenting a quick and easy payment experience you can increase your mobile application sales by up to 25%. Without a good user experience potential customers will soon drop out of the payment flow and leave you empty handed.

When charging within a mobile app store the experience presented is out of your control and varies depending on the app store. To give you an idea, following are the payment experiences your customers will be presented with from the Apple iTunes Store, Nokia Ovi Store and Android Market.

The Experience

Apple iTunes Store

Apple's in app purchasing capability, allows publishers to offer applications free to consumers while generating revenue by giving them the option to purchase content through iTunes within the application. This has become a popular option for organizations to charge subscriptions for content delivered to mobile devices. Users download a free version of the app and then can upgrade by choosing various subscription options from within the app using the iTunes payment mechanism.

Finally, some Apps are available for some models of iPods for various prices. In addition, the iTunes Store now offers Apps that are compatible with the iPod Touch, iPhone and iPad. Some Apps cost money (called "Paid Apps") and some are free (called "Free Apps"). Developers can decide which price they want for apps. When someone downloads an App, 70% of the purchase goes to the developer(s), and 30% goes to Apple.

Nokia Ovi Store

The initial step is for a user to register for an Ovi account or sign in. Once signed in a credit card can be saved to the account for future use and there's an option to do this the first time a user pays to download an application. When entering credit card details a user has to enter the name on the card, card number, expiry date and CSC code. None of the fields are set to numeric which makes the process slower.

Once registered and credit card details are saved to the account, the payment flow is much shorter, but the user is required to enter their password every time they pay for an application. Within the Nokia Ovi Store application a user can pay on their phone bill, but this option doesn't seem to be available if you go directly to the mobile web version of the store.

Android Market

The Android Market is limited to Google Checkout as the only billing method. Initially a user can link an existing Google Checkout account with their mobile device, or create a new one. If creating a new account the user has to set up a g-mail address, password, security question and get through two sets of T&C's before a purchase can be made.

Once an app has been selected for purchase the credit card details need to be entered and saved against the new account, there are a number of credit card fields to complete which make the process lengthy. If a user gets through this process, payment via Google Checkout becomes quite simple as there is no login required for future visits to the app store and a single click payment experience is presented.

In all three payment experiences the registration and saving of credit card details are quite time consuming and require a degree of persistence to complete the process. Also by only having credit card as the payment option, in the case of the Android Market, the audience is restricted.

If you decide to distribute your app through the Android Market one point to be aware of is their 24 hour refund policy. This means users can effectively try your app before they buy and not go ahead with the purchase.

The Alternative

It's important to think about the payment experience as this has a huge impact on conversion rates and ultimately the revenue you earn. The more barriers there are the less likely a user is to pay. Don't solely rely on app stores to sell your apps.

Measure the results

Whatever you do make sure you have the best possible measurement tools in place, both within your apps and also within your marketing campaigns and website. Without an accurate picture of progress you cannot fully understand how to proceed. The best analytics solutions will give you a complete, independent and real-time picture of both your marketing and apps. This gives you the confidence to quickly adjust your marketing spend to grow downloads or purchases.

Get the most from your Mobile Apps & Maximize revenue:

- Understand your audience.
- Leverage the app stores, but don't solely rely on them as your only channel to market.
- Engage with your customers by offering a free demo and charge within your application.
- Consider whether you should replace your app with a mobile website to extend your reach.
- Provide the best payment experience to maximize your sales conversion rate.
- Measure the results to see what works the best.

What the Future Holds for Apps

The rapid growth of more capable Mobile Smart-phones looks set to continue, but there has to be limits to the growth in apps and the way they are distributed and discovered. A single app store with hundreds of thousands of apps is not good for the consumer or the developer. The

more open Mobile Smart-phone companies will exploit this and encourage a more open market where developers can choose to publish via a standard app store, in one of many specialist app stores or directly from any number of websites, including their own.

Many of the apps we see today are a result of brands and agencies jumping on the bandwagon and exploiting consumers focus on discovery via the app stores. This includes many apps, including some from leading newspapers, which simply provide news content that can be better accessed via a web browser. As the volume of apps increase and the drive towards app stores declines there will be a return to web content. Nokia, Google and many others are already predicting this and encourage web based apps or widgets rather than complex native code that is dependent on platforms and versions.

The choice in the app market is already quite clear; you either:

- Spend a lot of time and money to reach all your market by developing for all platforms and versions your market uses,
- Only reach a small part of your market by delivering to one platform and version
- Look to leverage the web as much as possible, reaching all your market while controlling your costs – you can even integrate PC and mobile strategies to further maximize cost and reach.

There will always be a place for apps – graphical, highly demanding apps such as 3D games, but just as we have seen on the PC, many apps are now being delivered as web apps – including productivity tools like Office products from Google and Microsoft or photo editing tools like Photoshop or Picasa.

Conclusion

Capitalizing on the mobile applications market means capturing more revenue through increased sales and increased usage of your apps. It also means tracking and measuring how users discover and use your applications, so you can continuously improve the performance.

Fundamental to achieving greater sales volume for your apps is not to rely on the apps stores, take as much control of distribution and promotion as possible. This may mean having your own mobile website in place of a mobile application. Also experiment with different pricing models and make sure a good payment experience is presented to your customers to increase the volume of successful transactions.

There's been plenty of talk about try then buy, "freemium", subscriptions, introductory offer pricing reductions etc., but today none of the mainstream app stores can support many of these approaches. Using cross-channel services, app developers can experiment with different in-application payment models and selling direct via a mobile website to provide the best available payment experience including operator billing, credit card and PayPal. All this can be done alongside app store delivery channels and third party solutions such as GetJar.