

Mobile App Distribution 2010

Part 1 of 2
Report by Golden Gekko

"We believe that mobile marketing is one of the few instances in which the current hype actually underestimates the full potential of the market opportunity," says Scott Ellison of IDC. "The winners will be those players who fully leverage the mobile ecosystem rather than try to simply translate other marketing and advertising business models to mobile."

*Magnus Jern
CEO & Founder
Golden Gekko
12 October 2010*

Mobile App Distribution Insights

We've been there

You've developed the greatest mobile application concept and you think that all you have to do now is to get the app developed for the iPhone or Android and that the success is guaranteed. Yet, even the world's greatest mobile app will deliver no results unless you make people aware of its existence. This document is a basic guide based on 5 years of application development and distribution and over 40m downloads to date on how you get the most out of your mobile app through various different distribution channels.

Overview

The most efficient way of generating traffic to a mobile campaign today is to develop branded utility (relevant) and/or entertaining mobile apps that simply promote themselves through media/PR and word of mouth. Unfortunately very few apps will succeed in doing this and even some of the apps perceived to have marketed themselves such as the Barclay Waterslide and Malibu Bowling did rely on marketing to begin with. If you don't want to rely on pure luck then this guide will provide some insights to the distribution channels available, reach, cost and success rates.

As a general rule the most cost efficient mobile app campaigns utilise the mobile channel from the beginning. Click-through-rates from mobile banner advertising for normal marketing campaigns is about 0.2 to 5% on mobile but for free applications such as the ones offered by Golden Gekko click-through-rates have been 15-20% and in some cases above 50%. The click-through rates are also in the same magnitude when using SMS to promote new services but the cost is higher and the risk of being accused of spamming is also greater.

Another alternative is to tag along on existing communication channels and campaigns using TV, web and magazines but conversion ratios are usually low and the ad-space could potentially be used even more efficiently for other types of campaigns.

Finally the most impressive results seen to date have been based on a combination of PR and appstore/community distribution. Most news channels still consider mobile marketing and applications exciting and are happy to write about it as long as the service is useful to the customers.

Here's a summary of the distribution channels, when to use them, cost and efficiency and following sections will cover each of them in a bit more detail.

Channel	Conversion rate	Potential reach	Cost
1. Mobile Appstore/ Community seeding	High	High	Low
2. Mobile Banners & In- application Advertising	High	Medium	Medium
3. Mobile Search	High	Low	High
4. Push advertising	High	Low	High
5. Mobile operator	High	High	High

© Golden Gekko, 2010

<For distribution with
permission>

gg_p2_insights_mobile_appdistribution_13oct10

2 (8)

6. Online/Web	Medium	High	Low
7. ATL (TV, Radio, etc)*	Low	High	Low
8. BTL (Direct marketing, brochures, etc)*	Medium	High	Low
9. PR	Medium	High	Low
10. Sharing & Viral	Medium	High	Low

Conversation rate = Proportion of users that view the advert or information and that interact to download.

Potential reach = Proportion of a countries population that can be reached through the channel.

Cost = Relative cost of running a campaign using the channel.

* Note: Assumes tag along on existing advertising using short codes

1. Appstore and Community seeding

During the last 18 months the Apple Appstore has created more media attention than any mobile content ever before. At the same time, side loading of apps from the PC has grown explosively driven by emerging markets such as India, China, Indonesia but also in more advanced markets. People that don't even have a PC go into an Internet cafe or to a friend's place to transfer the latest games, ringtones and applications to their phone via cable or Bluetooth. The advantage to the end-user is that there is no data cost involved but also that it's quick, easy and reliable.

Online and mobile application communities such as Mobango, Getjar, Mobile9 and Nokia OVI can be a great marketing channel to create a buzz and thousands or in some cases even millions of downloads. The greatest challenge is around difficulties of targeting, but as the cost is very low the waste usually doesn't matter.

When the Apple Appstore, Mobango, Getjar and Nokia OVI first launched, all you had to do to make your app an instant hit was to upload the app with a short description. Over the past year many of the appstores have become a lot more competitive attracting over 100,000 different apps making it more difficult for consumers to find your app and for you to promote it to them. Most of the appstores therefore offer pay-per-download or pay promoted download (PPD) packages where the publisher or developer pays per download in a particular country and the appstore then promotes the app on mobile and web. The cost ranges from 0.05 to 0.30 USD per download. Our recommendation is to invest in PPD at the launch of a new app to attract users that will then hopefully spread the word and put it among the top downloads which will then give you additional downloads for free. We also recommend quickly responding to user feedback as great reviews and ratings are critical to generate downloads without having to spend too much money.

In addition to the appstores there are also a myriad of online and mobile forums and communities where users post application download links, reviews and recommendations. Used appropriately these can be very efficient in terms of making your app a success.

Examples of appstore seeding:

Malibu Bowling game developed for iPhone, feature phones (Java), Symbian and Blackberry was uploaded to over 10 appstores in May 2009 and received 2.6 million downloads worldwide in two months.

Vodafone McLaren Mercedes Formula One app developed for Feature phones (Java), Symbian, Blackberry and Limo was seeded to more than 10 appstores in August 2009 and had 750,000 downloads during a four-month period in the target Vodafone markets.

2. Mobile Banner & In-application Advertising

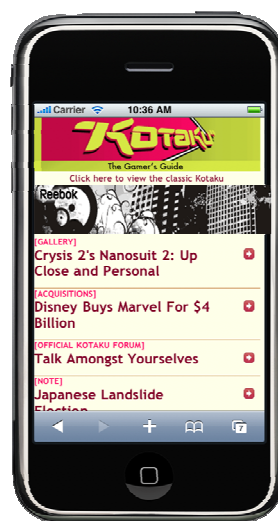
The mobile banner advertising companies and market is currently experiencing a similar boom to the online market in the late 90s. A combination of rapid growth in uptake of mobile web services, high click-through rates and limited competition is driving both the cost per banner exposure and the number of hits upwards at a rapid rate. During the past 12 months the growth has primarily been driven by in-application advertising on the iPhone and more recently on Android devices.

What is mobile banner advertising on the mobile?

Just like with web advertising the mobile ads can vary in shape, content, design, etc but at the moment most ads are either a banner ad or a text link on a mobile website or in an application. See the following images from Quattro Wireless as examples:



Static Banner



Animated Banner



Interstitial

How efficient is mobile banner advertising?

The click-through rates and the conversion rates depend on:

- Content of the campaign, e.g. a free game scores higher than a car brochure
- Format and content of the banner, e.g. download a free cookbook scores higher than download a ringtone.



The click-through rates are typically between 0.2-5% depending on the inventory where it's placed and the content with the high-end being for free content such as games and applications and the lower end for content such as ringtones, wallpapers, etc that the user must pay for. This makes it practically impossible to forecast the exact click-through rates. Therefore the trend is that the industry is moving towards pay-per-click or pay-per download for open ad networks and CPM for premium ad networks.

The conversion rate for a customer that has clicked on a campaign to actually download and engage with the application also varies drastically. For free content such as the campaigns mostly offered by Golden Gekko the download success rate for a customer that has reached the download page is between 50-90%. For premium content this rate is currently in the region of 15-40% but this is expected to decline further as more and more users expect free content.

How does it work?

You or your supplier creates a banner or a text and this is then placed on one of the ad networks. The user clicks on the banner or text to access the campaign.

Who are the ad networks?

The major players in mobile ads globally today are Admob/Google, Quattro Wireless/Apple, Millennial Media, InMobi, Third Screen Media and Yahoo. In addition to this every country has its own local players. We also expect that other companies will soon enter the market as the barrier to entry is still very low.

What is the cost?

The typical business model is to pay per click-through and rates vary from 0.05 USD to 1.20 USD depending on channel, target group and inventory. The effective price is usually in the lower range with a price about twice the cost of a SMS. With the CPM model the prices range from about 5 to 40 USD in the US and UK.

When should the banner advertising networks be used?

Whenever there is a wide audience or group of people which can be targeted through banner ads and a positive business case in spending the money to get these people to engage with the campaign we recommend the use of advertising banners. We also highly recommend the use of advertising networks to get a campaign going before word of mouth gives a true viral effect.

3. Push Advertising through SMS, MMS and E-mail

In a "push" system the consumer does not request the product or service; it is "pushed at" the end-user by promotion.

Text messaging (SMS)

Due to its ubiquity, SMS has been the most popular way to interact directly with the consumer over mobile. Until recently there were also no regulations in terms of sending SMS with marketing messages to any mobile number. However, its obtrusive nature this led to complaints from customers and consumer groups. Therefore most mobile operators in Europe and all in the US have now agreed on a policy requiring users to opt-in to receiving marketing and information messages even if they are free of charge. The result of this is that the target group for push marketing is quite limited unless you are cooperating directly with the mobile operators who normally retain the right to inform customers of new products and services. Alternatively there are mobile marketing companies in most countries that provide the service of sending promotions to customers that have opted in to receiving mobile marketing.

One scenario where SMS seems to work extremely well is to keep customers informed once they have opted in. As long as the messages are not sent too frequently the responsiveness is very high and the customer sees it as a service rather than advertising.

The cost of using SMS advertising range from about 0.02 euro per SMS to 0.10 euro depending on country and volume.

Example of the use of SMS push advertising

To promote a new drink a major consumer brand sent out 50,000 SMS to customers in the age group 18-25 in Sweden promoting the free photo application. The SMS campaign resulted in about 7,500 downloads.

Multimedia messaging (MMS)

The text-only nature limits the type of message that can be delivered to the user using SMS. With MMS, advertisers can introduce video clips or photos of the products, or find creative ways to increase the appeal of receiving marketing messages. However the same issues as for SMS apply to MMS. There is a great risk that the user interprets the advertising as spam and that it results in a negative perception or bad publicity.

The cost of using MMS push advertising varies from about 0.06 euro per MMS to 0.20 depending on country, volume and size.

Example of the use of MMS push advertising

The mobile operator Vodafone regularly use MMS push advertising to promote new products and services. They consider this to be one of the most efficient methods of promoting new services but usually allow a maximum of one MMS per month and generally charge too much per MMS to third parties for the campaigns to give a good ROI.

E-mail

E-mail newsletters can be used to promote mobile campaigns just like the web pages. See Online/Web for more information about how this can be done. Based on our experience the conversion rates from e-mail newsletters that customers have opted in to are slightly higher than web adverts.

4. Mobile search advertising

Over the last couple of years the importance of search has made Google one of the highest valued companies in the world less than 10 years after its inception. Clearly search will also play a central role on the mobile. Yahoo and Google are already among the top destinations outside of the mobile operator portals and are expected to continue to gain market shares as traffic moves off-portal with flat rate data tariffs and vastly improved mobile phones. In addition to this many of the mobile operators offer search advertising through their own portals.

Despite this growth we should not necessarily expect search to work the same way on the mobile as it does on the web. Smaller displays, lack of full keyboards and mouse, slower connectivity and processing speed, battery life and a different usage behaviour means that we could expect the usage behaviour and the use cases to be different. The search engines are all currently experimenting with this and we can expect a lot of changes during the coming years.

Most searches on the mobile are currently for adult content, well-known Internet brands (e.g. Google, BBC, Facebook, eBay, etc), free games, free ringtones and wallpapers. The searches are not as sophisticated but instead usually shorter words and fewer words. This makes it increasingly difficult to target users with the appropriate keywords and to optimise your mobile site for the search engines. Nevertheless, here are a few guidelines:

a) **Focus on free and popular content**

Free ringtones, free games and free wallpapers are among the most popular searches and normally the user will end up on a premium content WAP-site anyway where they try to trick the customer into signing up for a ongoing subscription. By being honest, clear and straightforward in the communication you can easily win the customers hearts and minds.

b) **Budget and measure**

The nice thing about both ad-words and banner advertising is that it's easy to track and measure conversion rates and thus see how well the money is spent. Measure the conversation rates and evaluate whether it's worth the money.

Optimise your mobile website for search

As with the web the depth and breadth really matters. Create pages with text information that is not necessarily something you would expect customers to consume but that is relevant to the campaign. E.g. for a movie campaign include the credits on the mobile website to make sure that customers find it if they search for one of the actors. Also ensure that URLs are clean and sitemaps are available for the major crawlers.

5. Mobile operators

In 2008 almost 50% of all mobile data services including games, music, ringtones, news, entertainment and more across Europe were accessed through the mobile operator portals. With the Apple Appstore, Android Market, Nokia OVI, Blackberry World and other non-operator appstores this is rapidly changing but the operators still have a direct relationship with hundreds of million consumers in Europe alone. Therefore the mobile operators are still one of the most attractive distribution channels. Unfortunately they are also one of the most difficult channels to deal with directly. Convincing a mobile operator that they should do anything for free unless they can generate revenue from the service used to be practically impossible. Recently this has started to change and Golden Gekko has successfully distributed several applications through the mobile operators in Sweden, Spain and UK with great results.

Although dealing directly with the mobile operators is possible the general recommendation is to work with their advertising networks or advertising partners unless they have their own dedicated sales team like O2 Media for O2 UK. Vodafone UK has a partnership with Yahoo for banner advertising and Google for mobile search. Orange UK also has a partnership with Yahoo where Yahoo is responsible of selling the advertising space across the operator portal, other channels and targets the appropriate customers. The business model of this is the same as for the mobile banner space described above. Finally you can also leverage the operators appstores that are constantly growing in numbers and popularity.

More reading

To continue reading about distribution through five other channels including Online/Web, Opt-in from ATL and BTL, PR and Viral/Sharing read Part 2 of this report.



About the author

Magnus worked at Vodafone as a senior manager until December 2006 when he joined Golden Gekko full time. Magnus has over 9 years proven experience with mobile and broadband operators across the world with development and implementation of marketing strategies and due diligence of suppliers that have lead to the successful launch of industry leading products & services. Most recently Magnus has been responsible for developing the global product marketing strategy for Vodafone's consumer services including services such as mobile TV, mobile music and casual gaming that generated more than €1.4Bn in 2006. Prior to this Magnus has worked in several marketing and strategy roles at Vodafone, Orange, Driftbolaget and Framfab. He is also the co-founder of three successful start-ups whereof one was sold in 2001, the second one went public in 2003 and the third one is currently under offer. Few other people in the mobile entertainment industry come close to Magnus knowledge, experience and network in the business.