How to Promote and Monetize "Free" Mobile Apps?

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Introduction

"The mobile device has become our communications hub, our diary, our entertainment portal, our primary source of media consumption, our wallet and our gateway to real-time information tailored to our needs. The revolution is now!"

- Nihal Mehta, General Partner - Eniac Ventures.

Saturday, 9 PM, after a hectic week at work, Sandeep was sitting with his six year old son, Kiran waiting for his wife, Rekha to serve the dinner. Kiran was pleading his father to give him the Tablet-PC for some time so that he could play his favourite game. Although initially reluctant, Sandeep gave the tablet only to get another request from his son after ten minutes - "Papa can I install XYZ game, it looks very interesting and the ad says it is free ? ". Sandeep was irritated and hence asked him to hand over the tablet and go to bed. However, while discussing this matter with his wife, Sandeep was wondering how could some body spend money to develop an app, distribute it free and also spend money to advertise it ?

The next day, Sandeep, who owns a small web services firm spent a lot of time working on his Tablet. He installed and explored many apps which were not just fun games, but also included apps related to many other domains like health, financial management etc. Bothered with his competition in the mushrooming web services industry and

looking at the phenomenal growth of Mobile Apps as an industry, Sandeep was enticed to enter into the fray of Mobile Apps Business.

What are Mobile Apps ?

According to Wikipedia, A mobile app is a computer program designed to run on smartphones, tablet computers and other mobile devices. Apps are usually available through application distribution platforms, which began appearing in 2008 and are typically operated by the owner of the mobile operating system, such as the Apple App Store, Google Play, Windows Phone Store, and BlackBerry App World. Some apps are free, while others must be bought. Usually, they are downloaded from the platform to a target device, such as an iPhone, BlackBerry, Android phone or Windows Phone, but sometimes they can be downloaded to laptops or desktop computers. For apps with a price, generally a percentage, 20-30%, goes to the distribution provider (such as iTunes), and the rest goes to the producer of the app. The same app can therefore cost the average Smartphone user a different price depending on whether they use iPhone, Android, or BlackBerry devices.

Mobile Apps Industry

By 2017, mobile apps will be downloaded more than 268 billion times, generating revenue of more than $77 billion and making apps one of the most popular computing tools for users across the globe, according to Gartner, Inc. According to mashable.com, the number of apps on Google play had reached one million by end of 2013 and Apple's App Store also had around one million apps. "Nearly five years after Apple Inc., kicked off the mobile-apps craze, the industry is booming. Mobile apps have become the official channel to drive content and services to consumers. There is an app for practically anything a connected consumer may want to achieve," according to Brian Blau, research director at Gartner.

Mobile apps have something to offer to everyone and hence consumers are spending number of hours a day with apps. On the

other hand, considering the exponential growth of mobile apps usage, many individuals/companies like Sandeep are venturing into the apps business. Although many market leaders believe that apps industry has matured in some respects, the critical question generally discussed even today before developing any apps is "How will we monetize it ?" Unfortunately there's no simple answer, as in spite of insatiable consumer appetite for new mobile tools, app developers feel it is to some extent, difficult to understand what monetization and advertising techniques work in the evolving mobile medium.

Sandeep's Confusion

When Sandeep interacted with some of his friends from the IT and Mobile industry, he was told that the best business model for him would be to invest in making a great app and then give it away for free. ? Sandeep found it difficult to grasp this idea and started researching on the business models used by many successful app developers. To his utter dismay, the same story was unfolded by his research. However what was obvious from his research was that advertisements is the only way to monetize his apps but the following questions remained unanswered.

1. Should the App be really free?

2. How to stand out or even get noticed in the mushrooming app industry by spending no or low marketing costs, considering that conceptualizing and developing a good app would itself would eat-up a lot of money.

3. How to lure advertisers unless the app itself is successful?

4. Assuming that advertisers see a value in the app and get ready to place their ads, will many ads be deterrent to the success of the app as too many ads may befuddle the consumer to use the app.

Where to Publish and What is the Best Strategy to Propel the App ?

Apple and Google Inc.'s Play store are today neck-in-neck in terms of smartphone apps catalogs and usage. Therefore most app developers are publishing compatible versions on both the platforms.

Regarding Free vs Paid Apps, according to a Forrester Research Study, more than one-third of survey respondents indicated that they have not paid for any apps they own, and another one-third have only paid for a quarter of their apps. These are clear indications that consumers are more willing to experiment with free-to-play apps, and a signal to developers that placing a price tag above "free" on an app can severely limit its audience potential and put a cap on its ultimate revenue opportunity.

The cost of acquiring mobile app users continues to rise exponentially. Also, unlike their early stages, the apps distribution platforms are well-ordered and does not allow cheap tactics to accrue downloads. New comers find it all the more difficult to make their presence felt because of dominance of old players. Only 2% of the top 250 publishers in Apple's App Store are "newcomers," versus 3% in Google's Play store for Android apps, according to research firm Distimo. Hence App developers are expected to be careful about marketing their apps and focusing on the few apps that work best.

Monetizing Apps

As conceptualizing, developing, promoting and maintaining a Mobile App is expensive, App Developers are scrambling for new revenue models. The streams generally used to generate revenue are – paid premium versions of the apps, contextual ads in apps etc. However as not all the apps have premium versions, the only option left for many is posting advertisements. Considering the stringent process of posting ads on the Apps, when they are part of App Distribution Platforms like Google PlayStore and complexity involved in promoting the apps independently, most App Developers have found subscribing to

Mobile Advertising Networks the most beneficial and sustainable option.

Mobile Advertising Networks

These platforms help app developers promote their apps to millions of app users and monetize their mobile and tablet apps with advertisements. Mobile Advertising Networks provide access to programmatic demand and best-in class mediation tools to maximize revenues effortlessly.

Table 1 :

Prominent Mobile Advertising Networks and their Key Features

Name of the Network	Owner of the Network	Key Features
AdMob	Google Inc.	• Drives installation of app at a target cost per acquisition, by using the Conversion Optimizer tool. • Has robust ad filters to help the app developers refine which ads appear in the app and protects the brand by displaying only relevant ads. • Maximizes earning by displaying ads from multiple ad networks with AdMob Mediation tool. • Facilitates Local payments (currency of the app owner) • Intelligent reports to identify new opportunities to grow the earnings.
iAd	Apple Inc.	• Drives download with iAd Workbench, the do-it-yourself campaign creation and management tool. • Delivers engaging ads to users by integrating few lines of code in the app. • Facilitates production of high-impact, interactive content for ads using simple tools. • Brings unique, compelling ad experiences to users by making it easy for app developers to earn.

Airpush	Airpush	• Facilitates HyperTargeting - patent pending approach based on the philosophy that the user's app download history reveals important information about their interests, which can be used by advertisers to better target ads. • Supports variety of ad formats, including industry standards as well as proprietary ones such as Push Ads, Icon Ads and Dialog Ads. • Support open APIs which allow advanced advertisers such as agencies, brands and resellers to deeply integrate Airpush's functionality into their tools and platforms.

Can Sandeep Effectively Monetize his Mobile App with Advertisements?

Many app developers are wary to integrate advertising as a monetization strategy, concerned that ads will befuddle users and can diminish usage of app. But a survey from Forrester has found that more than one-third of its respondents indicated that they would rather see ads than pay to use an app. This favourability toward ads is actually a huge gain for developers, as it helps justify and define the decision to embrace the free-to-play model, giving users the opportunity to engage with advertising in exchange for premium content, ultimately helping developers both monetize and reach users that wouldn't pay for the app. However according to some market leaders, the success of this model comes with some caveats, like everything in mobile, it's not a one-size-fits-all solution. Ads have to be relevant, unobtrusive and offer real value in order to prevent users from being put off by ad presence. Therefore it is important that Sandeep joins a Mobile Ads Network which besides having a large set of subscribers and a good CTR (Click Through Rate), should allow him to have control on the type and format of the ads being displayed.

This would ensure that the ads are relevant to his app and helps in creating a conducive setting for the usage of the app.

Although App Developers like Sandeep could currently grasp their share of pie from the Mobile Apps Business using advertisements, as the app market matures and get more and more impressive, app developers would have to devise forward-looking strategies to manage the delicate balance between monetization and experience.

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