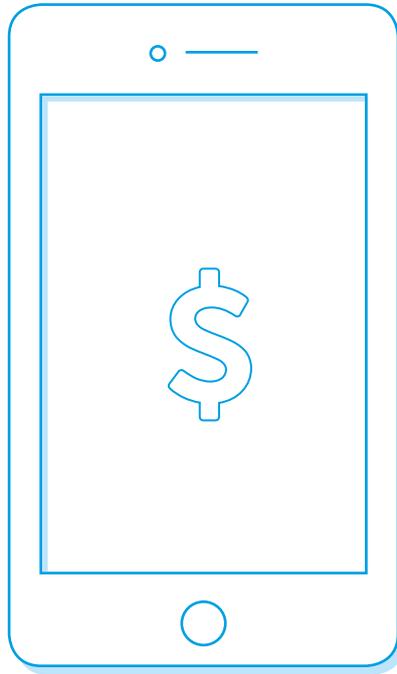




White paper

App Creation based on Adobe InDesign



WHITE PAPER

App monetisation:
3 key strategies to start earning
money with your apps today

Contents

03 THE THREE MONETISATION MODELS

- 03 Why apps?
- 03 Foundations for app success

04 1 DIRECT MONETISATION OF APPS

- 04 1.1 Paid apps
- 04 1.2 In-app purchases: offer added value with additional offerings
 - 04 1.2.1 Teasers for premium content
 - 05 1.2.2 Strategies for magazines
 - 05 1.2.3 Strategies for games
 - 05 1.2.4 Score with your own currency
 - 06 1.2.5 The premium version
 - 06 1.2.6 Pricing for in-app purchases
 - 08 1.2.7 Increase sales of in-app purchases
- 08 1.3 App curation as a new option

08 2 INDIRECT MONETISATION OF APPS

- 09 2.1 Customer loyalty
 - 09 2.1.1 Service with sensors and functions
 - 09 2.1.2 Reward customers with discounts
 - 10 2.1.3 Get started with creativity
- 10 2.2 New customer acquisition
- 10 2.3 Own advertising and purchase incentives
- 11 2.4 Connecting with the offline world
 - 11 2.4.1 Growing acceptance of augmented reality
- 12 2.5 Market research
- 12 2.6 Lower costs: effective publication as the key to success

12 3 LATERAL MONETISATION OF APPS

- 12 3.1 Mobile advertising
 - 12 3.1.1 Selecting an advertising network
 - 13 3.1.2 Mobile marketing trends
 - 13 3.1.3 Use the power of video
- 14 3.2 Collecting and subsequently selling user data
 - 14 3.2.1 Selling data
 - 15 3.2.2 Selling the user base
 - 15 3.2.3 Trustworthiness as an important criterion for company apps

15 SUMMARY – BUSINESSES NEED A COMPREHENSIVE MOBILE STRATEGY

17 APP LINKS

18 SOURCES

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The three monetisation models

The focal point of any mobile strategy is the question of how the company benefits from apps and how they can be used to directly or indirectly generate profit. There are three models for monetising apps:

- Direct: selling the content through paid apps, in-app purchases, subscriptions
- Indirect: marketing, services, branding that affect purchasing behaviour
- Lateral: paid third party advertising or selling user data

In this white paper, we tackle the individual models and their features in more detail. As the choice of monetisation strategy strongly depends on the content, appropriate market analysis and the app's defined target group, it is often best to combine models. Before we turn our attention to the first model, we shall first describe the advantages of an app as well as the foundations for its success.

Why apps?

Current [figures and forecasts](#) show just how fast the digital world is turning mobile. According to these, around 80% of the world's internet use will take place via mobile devices like smartphones and tablets by the end of 2018. Measured by site views, mobile internet use already overtook desktop use globally in October 2016. The ongoing development of global markets as well as increasing digital possibilities have led to a continued increase of app turnover. The company for app analytics and market data, AppAnnie, predicts that in 2018 there will be a 30% increase in global consumer spending in all mobile app stores. This amounts to over 110 billion US Dollars.

Furthermore, users have never spent more time using apps. In mature markets such as the USA, Great Britain, Germany and Korea, users already spend [an average of two hours a day on apps](#), totalling a full month over the course of a year. Apps also play an important role in almost all industries, including retail, banking, travel, QSR and CPG as well as media and entertainment.

Foundations for app success

Companies can provide apps as a channel for service and communication or as a standalone product to offer added value. This added value is the key to any app's success. It is impossible to impress customers with a simple replica of the website, as it is difficult to adapt this content to reflect constantly increasing expectations of mobile use.

Regardless of the chosen app model, some principles apply to all apps, are essential for their success and must be taken into consideration (figure 1).

- Attractive content: uniqueness, interaction and animation, intuitive user interface
- Optimisation for mobile devices: own format for smartphone and tablet, excellent user experience (not PDF style)
- Pleasant to frequent: continuous updates, long vs short content, suitable nuggets of information

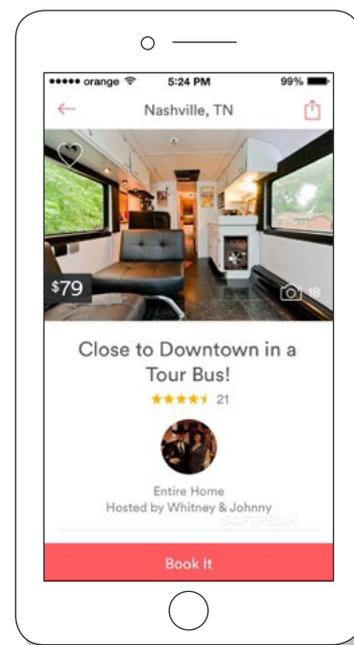


FIGURE 1 Hospitality service Airbnb's app takes all the foundations for app success into account: it's simple, intuitive and straightforward. The user simply enters the location, date and number of guests and is immediately given a selection of properties that meet their needs. Source: screenshot from the Airbnb app

Furthermore, companies should keep in mind the app's development and maintenance costs as well as the challenge of sustainable development.

1 Direct monetisation of apps

This encompasses the direct sale of content through paid apps as well as (one-off) in-app purchases and subscriptions.

1.1 PAID APPS

Fewer and fewer app providers are opting for direct app purchases. The choice of seemingly free apps is just too vast. The only funded study is a little old, but [the figures from the AppAnnie study](#) from 2014 still offer a good insight. Even at that time, 83% of all apps in the Google Play Store and iTunes Store were available for free. While this might discourage some initially, the turnover figures put it into context. A large proportion of total app turnover, 92% at iTunes and 98% at Google Play, was achieved via in-app purchases even three years ago. Games still form the most popular app category for both operating systems. They dominate [transactions in both stores](#). They make up 39% of Google's and 29% of Apple's top 100 apps, crowding out other topics such as navigation, productivity tools and health (figure 2).

WHICH PAID APPS ARE THE MOST SUCCESSFUL?

Top 100 paid apps by category in the Play and App Stores.

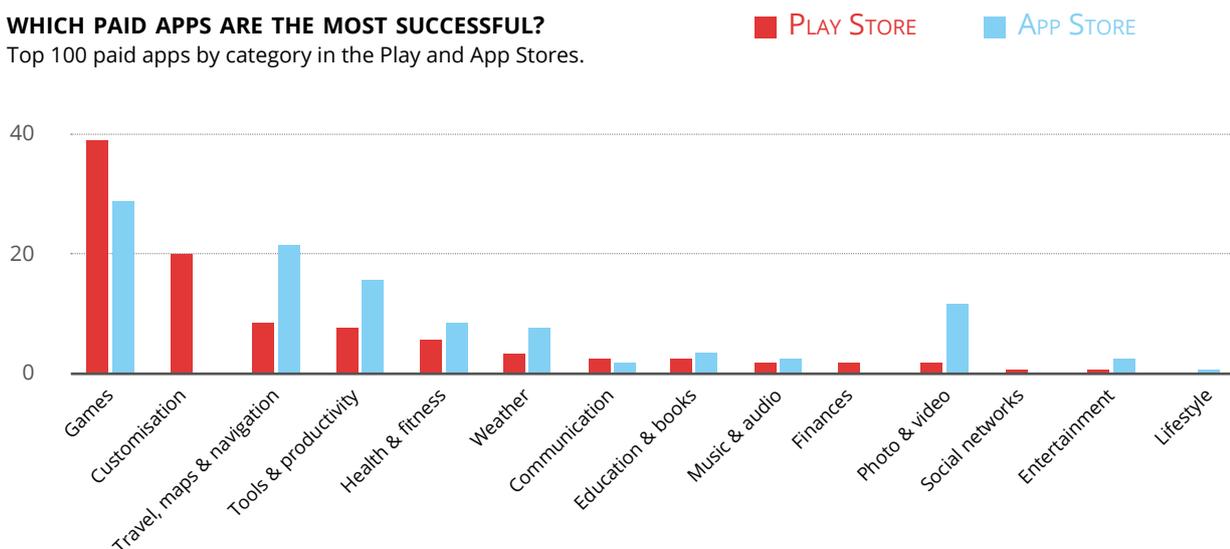


FIGURE 2 In an analysis of the top 100 paid apps, it is clear that game apps are dominant and that there is a significant difference between Google and Apple. Source: statpedia.com

1.2 IN-APP PURCHASES: OFFER ADDED VALUE WITH ADDITIONAL OFFERINGS

In contrast to paid apps, free apps benefit from lowered inhibitions upon installation. Whether they're games, magazines or specific applications, the user has nothing to lose when it comes to free apps. Once the app is installed, the app has to win over the user and convince them that additional services are worthwhile. Do not overwhelm the user with purchase impulses straight away, simply offer example content and basic functions to create a bond with the customer. Play with the curiosity of your app user in the preview and descriptions of additional services (figure 3).

1.2.1 Teasers for premium content

Most users are willing to pay for premium content, as long as the process is simple and understandable. A paywall is used to achieve this. In general, there are [three different paywall models](#). Apart from the games market, this is mostly used by newspapers.

A hard paywall typically only shows the title of the article and some introductory sentences before asking the reader to pay. This variation is often used by finance titles. The introduction of a hard paywall leads to a dramatic and immediate loss of digital audience, but can cultivate a dedicated readership over time. The Times of London [lost over 90% of its readership after debuting its paywall](#), but now generates over 60 million US Dollars per year of brand new income.

A very popular type of subscription platform, known as **metered access**, was developed by the Financial Times and later successfully used by the New York Times and hundreds of other newspapers worldwide. It allows a certain number of free articles per month. Once this is reached, the user has two options: wait or pay.

The first two models are mostly used by highly frequented publications. The news portal BILD.de uses a third model, the **freemium model**. This means that it uses its visual homepage to tease its users with BILDplus content (premium) alongside countless free articles. The premium articles must have a significant added value to avoid negative reviews and disappointed customers.

Direct monetisation strategies differ by industry and target group.

1.2.2 Strategies for magazines

The magazine sector has often sold cheaper online subscriptions, also in combination with a print subscription, or offered individual editions as in-app purchases (Spiegel, QC, iX magazine apps etc). Additional content such as interviews and background information on special interest topics, videos or podcasts were only rarely additionally purchasable until now, with most available alongside other paid content or making up part of the subscription. This provides additional upselling potential for publishers. Only special editions are often offered separately. It should be considered whether the user is to decide what content they would like to pay for or what extra content they would like to purchase separately, so that the payment is more based on the value of individual content - and, therefore, individual needs.

At this point, it is worth mentioning that publishing houses should ensure that their digital editions are not simply published as PDF files for the sake of convenience. This comes across as unprofessional to the readership and puts off digitally competent readers. It would be more worthwhile to use the large range of options offered by tablets and smartphones, and provide optimised formats.

1.2.3 Strategies for games

Many games have already been successful using direct monetisation methods by offering additional content such as new characters or more tools as in-app purchases. This investment gives the gamer an advantage over other players or simply lets them reach their goal faster or with greater ease (e. g. [Candy Crush Saga](#)). The game app [Gardenscapes](#) uses extra levels that can be unlocked for a small price as additional content. Here, the app profits from the users' passion and desire to play. In total, an

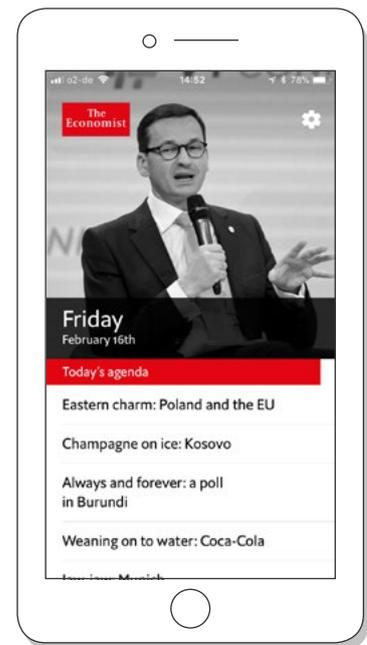


FIGURE 3 The app [The Economist Espresso](#) provides users an editorial overview of the day's most important news each morning. The app is free and includes one free article each day. Source: screenshot from The Economist

average of 27 US Dollars per iPhone user is spent on games, over half of all App Store spending (figure 4).

1.2.4 Score with your own currency

Another popular form of income generation is to introduce your own currency. This is offered in the app and purchased with real money. You might recognise this format from other digital services such as the iStock platform by Getty Images, where users first have to buy credits in order to purchase photos. This model is especially worthwhile in apps such as Clash of Clans, where customers can use the game’s own currency, “gems”, to gain clear advantages. An in-app currency can also be considered for a larger range of products or services. But this strategy can scare off some users aiming for a one-off purchase (figure 5).

U.S. APP STORE REVENUE PER ACTIVE IPHONE – TOP 5 CATEGORIES

Figures based on U.S. iPhone app revenue estimates from 1 Jan. 2016 through 31 Dec. 2016. Includes premium apps and in-app revenue (IAP). Gross amounts used.

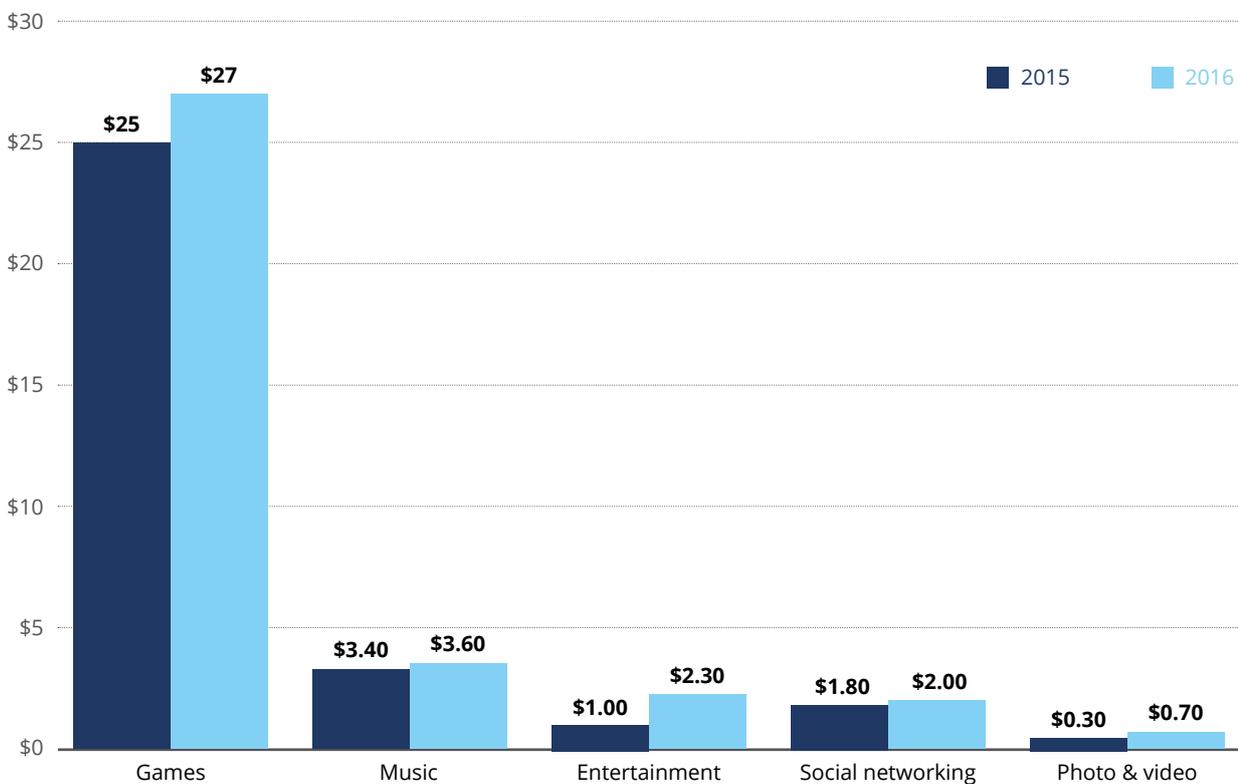


FIGURE 4 App spending by U.S. iPhone users by category, annual comparison. Source: sensortower.com

1.2.5 The premium version

A tried and tested strategy for various markets: offering a premium app that allows advertising-free use, additional functions or customisation. The premium version of [WeatherPro](#) offers users exclusive extras such as hourly forecasts, high-resolution weather maps and precipitation and wind animations (figure 6). As well as additional functions such as various calculation modes and tutorials, the calculator app [Calc Pro HD](#) tries to impress its users with additional customisation options such as skins and colour combinations. This strategy is especially well received



FIGURE 5 Anyone wanting to progress in Clash of Clans can purchase the game's internal currency "gems" in exchange for real money. Source: clashofclansforum.de

by young people. They place especially high value on individuality and are used to being able to create their own profiles and adapt apps to suit their own needs and preferences.

1.2.6 Pricing for in-app purchases

To be successful with the in-app sales model, the app needs either a large user base or a high conversion rate - ideally, both. According to a study by AppFlyer, an average of just 5% of European users (5.2% worldwide) make in-app purchases. The shopping cart value of this relevant user group averages 9.60 US Dollars a month. In Europe, this sum is significantly lower at 5.19 US Dollars. For companies, the challenge is identifying this five percent of users and keeping them happy in the long run.

Pricing is an important indicator here, and can be set using the ARPPU formula (Average Revenue per Paying User). To work out this target revenue per paying user, it is important to first understand the average revenue per user (ARPU) as well as the relevant share of users that are willing to make in-app purchases (conversion rate).

Formula

$$\text{ARPPU} \times \text{PURCHASE RATIO IN \%} = \text{ARPU}$$

It is also important to consider that the app store keeps 30% of revenue generated by purchases of apps and in-app content (15% for subscriptions).

In general: the payment model should be simple and easy to understand. Depending on the app store, the following payment methods are usually available:

- Credit or debit card
- Store credit from redeemed gift cards
- Billing via selected mobile phone providers
- Billing via selected external providers (PayPal, Click and Buy, Alipay, WeChat Pay)
- Prepaid cards (MyWirecard)
- Online banking (only in selected countries)

Although Android has more than twice as many market shares as Apple



FIGURE 6 The premium version of WeatherPro offers users exclusive extras such as hourly forecasts, high-resolution weather maps and wind animations. Source: giga.de

iOS, Apple is still number one for consumer spending. According to a recent [AppAnnie study](#), iOS and Google Play apps together achieved a revenue of almost 17 billion US Dollars in the third quarter of 2017 alone. This was an increase of 28% compared to the previous year.

One reason for the considerably higher income achieved by the Apple App Store is differing user groups. Lots of services, especially those for business customers, are exclusively available for iOS devices because these are preferred for professional use. In contrast, Android devices are mostly used by private individuals. These have other needs and prefer to use free services (figure 7).

WORLDWIDE GROSS CONSUMER SPENDING BY STORE (Q3 2017) ■ PLAY STORE ■ APP STORE

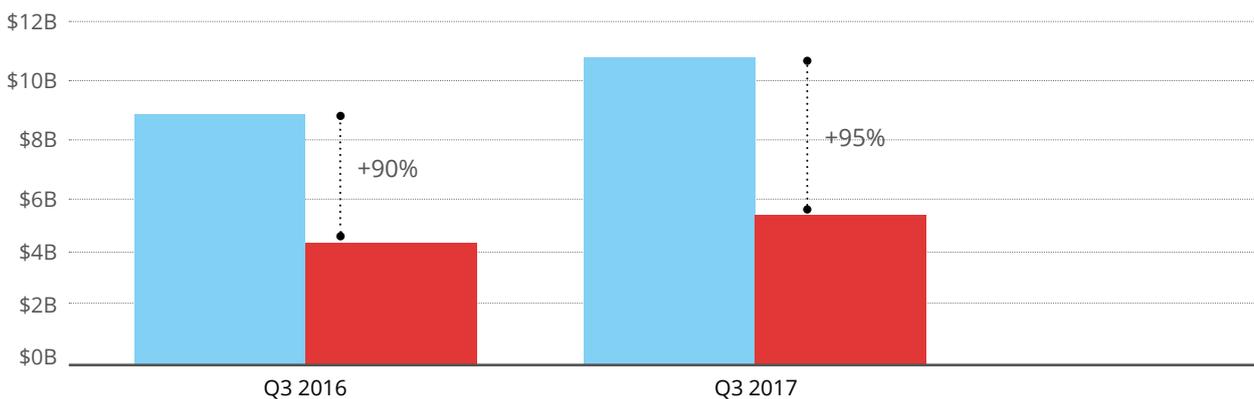


FIGURE 7 Gross global consumer spending in the iOS App Store and Google Play, annual comparison. Source: [AppAnnie](#)

1.2.7 Increase sales of in-app purchases

Well-known sales strategies such as offering graduated prices or limited offers (time-based or based on sales numbers) are also successful when applied to mobile apps. Discounted apps enjoy special attention in app stores, which in turn increases reach and the ARPU. You can also animate your users to get discounts for certain behaviour. For example, offer app users a discount or free content for a Facebook like or a recommendation tweet.

There is no better app marketing than recommendations from satisfied customers. After a purchase, users should be given the chance to write a customer review and share their experiences with other potential customers. App store marketing also plays a major role in finding an app and heavily influences an app's success or lack thereof. App marketing is a topic in its own right, which we tackled in a [three-part blog post](#), so we will not go into extensive detail here.

1.3 APP CURATION AS A NEW OPTION

As the number of apps tirelessly increases, apps are becoming harder to find. The growing variety may offer more options and choice, but also makes it harder to find individual apps in the stores. In June 2017, Apple and Google announced updates for the iOS App Store and Google Play intended to deal with this problem through app curation, such as categorisation and editing. [According to AppAnnie](#), apps in the entertainment and leisure sector are especially set to benefit from these new measures. Correctly implemented, app curation can prompt significantly higher revenue from in-app purchases in almost all areas (figure 8).

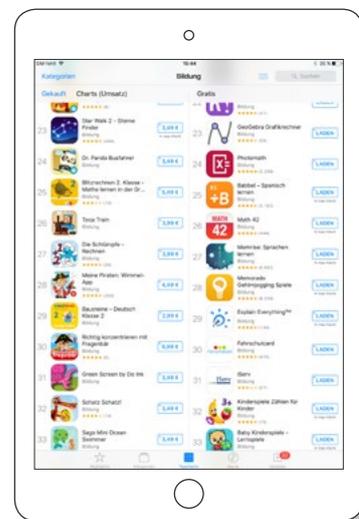


FIGURE 8 At the end of October 2017, there were 2.2 million apps in the App Store and 3.4 million in the Google Play Store. With the constantly increasing number of apps, app store marketing has become indispensable for an app's findability and thus its success. Source: top charts in the App Store

2 Indirect monetisation of apps

Many companies opt for the indirect monetisation of apps. Hereby, apps are often used as additional communication channels where digital marketing activities are displayed. Companies should keep in mind when and how smartphones and tablets are mostly used – on the go and as a secondary focus. Therefore, it is advisable to make offers easy to understand and accessible.

App marketing activities can be used to achieve various aims that lead to indirect revenue increases. These include:

- Customer loyalty
- New customer acquisition
- Own advertising and purchase incentives
- Connecting with the offline world
- Market research
- Decreasing costs

We deal with these six aims in more detail below.

2.1 CUSTOMER LOYALTY

Satisfied customers can be connected to the company or brand even more strongly through good marketing communication. As always: it is on average ten times more expensive to acquire a new customer than to retain an existing customer. If you want to increase your existing customers' loyalty to your company, apps can make a big difference. Strong customer loyalty through apps could take place via a digital customer magazine, for example. As well as product introductions with useful tips and short anecdotes, interactive brand storytelling can also be employed.

2.1.1 Service with sensors and functions

Depending on the industry, a service app could help increase customer loyalty. When used correctly, apps even have the potential to decrease costs in the medium term. Take advantage of the wide range of special sensors and functions offered by mobile end devices. For example, BMW uses the app [BMW Connected](#) (figure 9) to ensure seamless networking of the customer's car. If they allow the app to access their calendars, they can be reminded when to set off for an appointment, taking current traffic into account. Furthermore, upcoming trips are directly transferred to the car's navigation system. The tank level and total reach can also be shown on the user's smartphone alongside the vehicle's location.

More options could include a live chat via Facetime so the user can ask support staff for help. The camera could also be involved to pass on damage claims and a barcode scanner could be used to identify the car to offer the handbook as a download. The possibilities are endless.

2.1.2 Reward customers with discounts

Of course, we couldn't mention customer loyalty without covering discounts and bonus programmes. These include exclusive VIP apps, such as Telekom's [Mega-Deal](#) app. This deal app offers customers lots of free or discounted leisure and entertainment offerings as well as discounts on products from Telekom and selected partners.

Often, apps complement existing customer loyalty programmes. Bonus programmes could also become part of an app. The voucher and deal app



FIGURE 9 The app BMW Connected was optimised for vehicles released from 2014. Over time, it learns the customer's preferences and offers plenty of benefits, large and small. Source: BMW Connected in the App Store

[Shopkick](#) rewards its users for using the app with individual coupons or bonus points for entering the shop or scanning a selected product. The app [The Entertainer](#) (figure 10) lets customers save money, encouraging them to use the app with a wide range of offers. And [users that use the app a lot are offered even more benefits](#).

Even taking a quiz in a digital customer magazine or taking part in weekly campaigns could be encouraged in this way. Let the user see the status of their bonus account, and show them how many points they need to get the next coupon.

2.1.3 Get started with creativity

The pharmacy dm offers several different apps that successfully use several different creative elements. Especially creative is the [dm Designer app](#), which lets the customer design labels for own brand products and then purchase the products.

L'Oréal is also trying to score creative points with its customers, and spread joy this way. Their [Makeup Genius app](#) (figure 11) uses facial mapping technology to turn the user's smartphone camera into a virtual mirror so that they can try out products in real time. The app even lets the user move around with the virtual make-up on to see their face from several different angles.

Another example where brand awareness was successfully increased is the [MY ASICS run training app](#). It provides free tailor-made training plans for athletes to suit their personal skills, fitness level and goals. It also lets users compare themselves with others and share their results. Anyone that manages to make their customers happy and ideally combine this with a considerable benefit has very good chances of success with their app.

2.2 NEW CUSTOMER ACQUISITION

Acquiring new customers is the hardest task an app can have, but it's not impossible. A clever strategy was undertaken by the Tate Gallery of Modern Art. This releases features in their [Magic Tate Ball](#) app when the user checks into the gallery with the app.

Another promising method of customer acquisition is recommendation marketing. A strategy that works in classic as well as digital marketing. 'Tell a friend' functions connected to social media channels reach users beyond the confines of the app. This is how the app [Draw Something](#) (figure 12) went viral and became extremely successful. This was partly because they knew how to playfully encourage users to share individual results and experiences. The chance for users to compare themselves with friends and easily challenge them via social networks within the app was also a contributing factor in increasing reach. However, the game's initial popularity waned quickly. A hidden type of this 'tell a friend' version is the wish list. Users can store products there and share these with friends and relatives.

Competitions can also be used to generate new users. The app [Schnäppchenfuchs](#), a platform for discounts and shopping deals, became known due to a competition and now has over 500,000 installations.

2.3 OWN ADVERTISING AND PURCHASE INCENTIVES

Often, advertising and purchase incentives result from the measures already described. Brand storytelling can also be used in many ways to

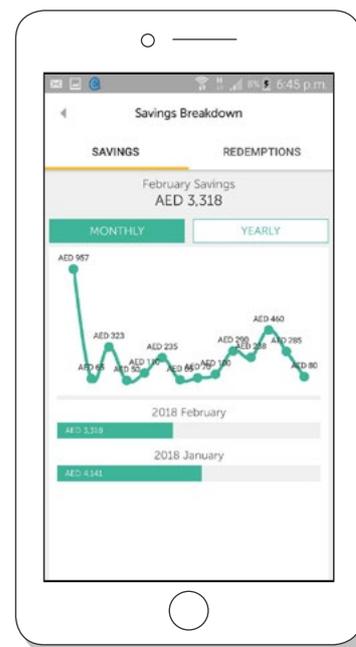


FIGURE 10 *The Entertainer is an everyday lifestyle saving app with thousands of 2-for-1 offers. The app lets users quickly find the best spots in the city, share offers with friends and see in detail how much money they have saved. Source: theentertainerme.com*

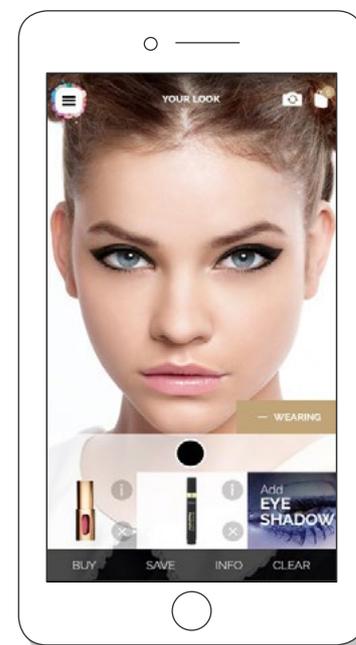


FIGURE 11 *L'Oréal is trying to score with its customers with an app to help them choose make-up. With the make-up simulator, users can virtually test countless of the brand's beauty products on their own faces. Source: Makeup Genius in the App Store*

operate advertising without seeming intrusive or gimmicky. Advertising can also be placed in digital customer magazines in a targeted manner. Apps are ideal for introducing and advertising a different product each month. And if you want to go one step further, you can tease users with a sneak preview of exclusive new products.

2.4 CONNECTING WITH THE OFFLINE WORLD

The app has established itself as a fully fledged channel for online research before making a purchase in a shop.

There are several apps that have specialised in location based services (LBS). The Shopkick app already mentioned is one such example. More of these services are indoor navigation systems with iBeacon technology, mobile payment services or even a bonus system where rewards are given when a user checks into a store or scans a till receipt.

From January to October 2017, users of Android devices in the USA and Great Britain spent on average almost an hour a month on shopping apps. AppAnnie even predicts that people's expectations of trust and comfort will increase in the next few years to the point where a new retail paradigm will arise. According to this, customers will make their purchasing decisions completely online, order their products online or reserve them and just pick them up from the shop.

2.4.1 Growing acceptance of augmented reality

Another benefit of apps is that they make it possible to look into local businesses from the sofa. The customer can use their app to find out the full range of a brick-and-mortar shop, find the nearest branch and check the availability of a product. Another option is the use of augmented reality.

Ikea customers can use the [Ikea Place](#) (figure 13) app to project furniture in their homes to make purchase decisions easier. To achieve this, Apple's software uses the augmented reality interface ARKit, introduced with iOS 11. Major upcoming AR initiatives from Facebook, Google, Apple and Chinese heavyweights Alibaba, Baidu and Tencent also mean that many augmented reality experts are predicting another important step in 2018 towards releasing its full potential. This development will also be necessary due to the high costs for returns (figure 14).

2.5 MARKET RESEARCH

Smartphones and tablets offer the one-off chance to follow the user's behaviour and interests. Analysis tools, advertising IDs and A/B testing help to interpret this data correctly in order to create better offers and target group appropriate approaches. Furthermore, the app user can be involved directly through surveys and product reviews or favouriting products.

2.6 LOWER COSTS: EFFECTIVE PUBLICATION AS THE KEY TO SUCCESS

The greatest challenge facing company apps is guaranteeing constantly up to date content and embracing elements that encourage the user to use the app regularly. This could include, for example, "tip of the day", push notifications and aforementioned special offers. Again: be creative and stand out from the crowd.

If you regularly publish content, it often makes sense to automate the process as much as possible. If content is structured, complete automation can be achieved with a fully automated workflow. App examples for this include [AutoBILD](#) (figure 15) and [Procurement Leaders](#).

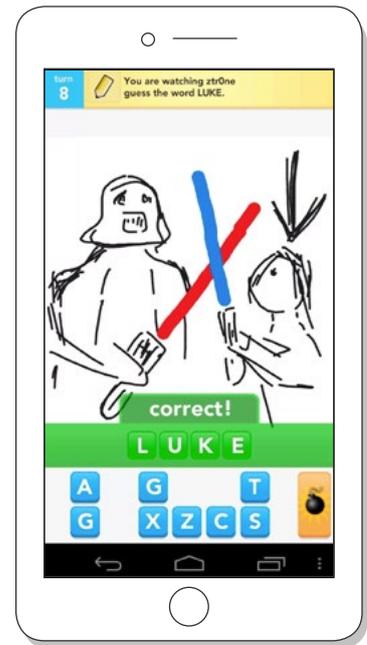


FIGURE 12 Within the first five weeks of its launch, the game 'Draw Something' was downloaded 20 million times. One reason for its fast circulation: the option to invite and challenge friends via social networks. Source: [androidmag.de](#)

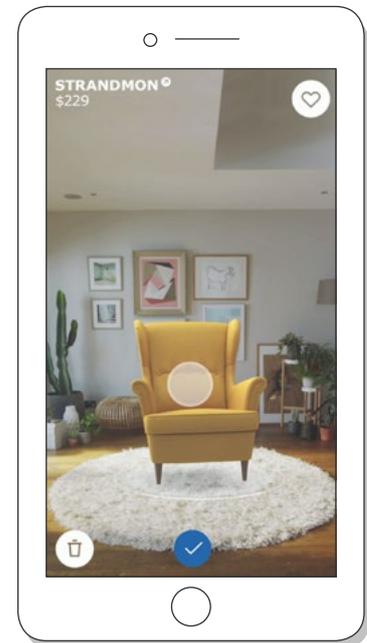


FIGURE 13 With the Ikea Place app, users can place objects from the furniture giant's catalogue in their own homes. They can even virtually walk around the piece of furniture and check whether it suits the environment. Source: Ikea Place in the App Store

MONTHLY DOWNLOADS OF THE TOP 500 APPS BY APP STORE SEARCH FOR AUGMENTED REALITY

United States, iPhone. Top 500 apps based on ranking place on the first day of each month; downloads calculated during the course of the full month.

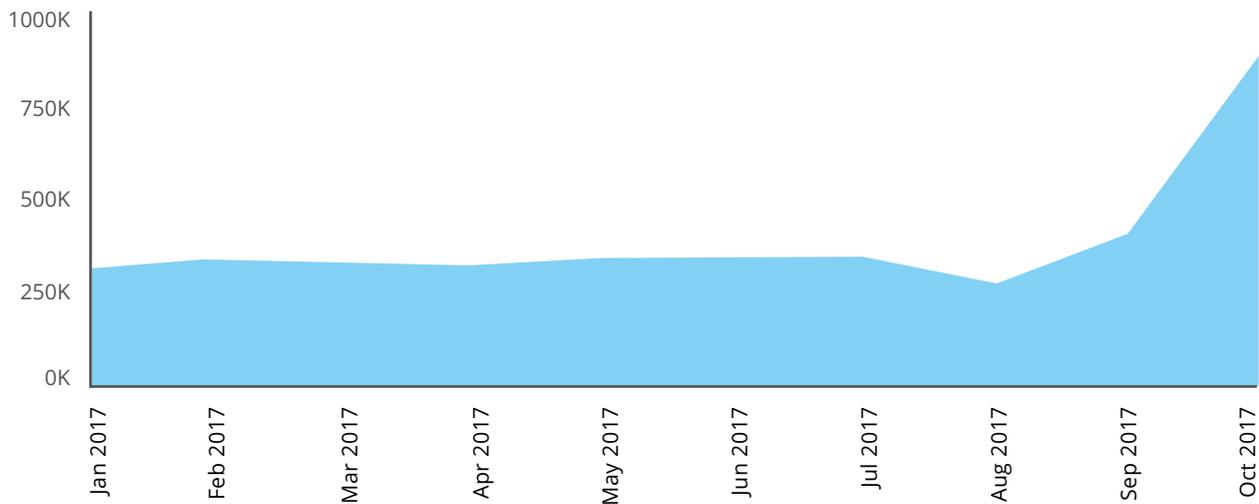


FIGURE 14 Due to the increasing number of new AP apps as well as the use of AR in existing apps, a significant increase in downloads for these apps for the iPhone was noted from September 2017. Source: [AppAnnie](#)

3 Lateral monetisation of apps

Until now, we have only covered the direct and indirect financing of business apps. Lateral monetisation is especially suitable for B2C business models, sole traders, publishers, games providers or services that already use this strategy online. There are two ways to laterally monetise an app. Firstly, external advertising from third parties and, secondly, selling user data. Both strategies come with certain risks but can be very successful when used properly. We'll deal with external advertising first.

3.1 MOBILE ADVERTISING

Mobile advertising now makes up the largest portion of expenses in digital advertising. In forecasts, the revenue generated by mobile advertising tends to be touted a little too much, so it's advisable to put this estimation into context. The greatest benefit of in-app advertising is obviously [that consumers spend almost 86% of their total mobile time](#) (smartphone and tablet) using apps. The catch is this: the majority of this percentage is strongly shared by a few top apps. Several studies have actually found out over the years that the [five most popular apps together account for over 80% of the total time](#) spent using mobile apps.

A controversial example is the initially very hyped, but now deleted for iOS and Android, game Flappy Bird, which had over 50 million downloads in the Google Play Store alone and made up to 50,000 US Dollars per day through advertising according to their own data.

It should also be considered that there are different forms of mobile advertising. Companies should balance the pros and cons here, as the direct sale of adverts could also be of interest to some e.g. for online magazines. For most companies, an automatic ad placement via advertising networks and affiliate programmes should be of merit.



FIGURE 15 The weekly editions of *Autobild* are created with InDesign and displayed via an automated workflow with the Purple DS templating client. Daily news published on the website is also automatically displayed in the app by a CMS. Source: screenshot from *Autobild* 10/2017

3.1.1 Selecting an advertising network

In principle, it is easy for the developer to integrate advertising because advertising networks provide all the interfaces. Advertising networks can especially use thematic orientation and the technology used to differentiate:

- Horizontal: grouping of websites, extends across several themes and industries, high reach, placement not always free to choose
- Vertical: bundling of advertising space and inventory e.g. niche sites, special interest magazines and blogs, lower reach, high relevance for users
- Focused: delivery is based on behaviour and context, big data technologies

Well-known advertising networks include Google Ad Network, DoubleClick, mopub and Flurry. But this list is a long one. Providers like plista and AdMob are options for native advertising. Native advertising is very closely based on the content and often constitutes paid additional content such as articles or videos. Content-related forwarding along the lines of “this may also interest you” or “other customers also purchased” are also included in this. The choice is vast and can quickly become overwhelming, but app strategy and user analysis are decisive factors (figure 16).

3.1.2 Mobile marketing trends

The more important the smartphone becomes, the more important mobile marketing will become as a strategy. Considering the background that more and more target groups exclusively or at least mostly use their smartphones, a look at the trends is worthwhile:

- **Augmented reality:** In 2017, Facebook and Apple positioned themselves with the launch of the Facebook camera and the new iPhone models respectively. Even Google is trying to gain a foothold in AR since the volatile development of Google Glass.
- **Artificial intelligence and messenger:** Many companies already have digital advisors (bots) on WhatsApp, Facebook Messenger etc, whether this is for customer service or marketing purposes. Facebook diligently supports developers in this area.
- **Speech assistants:** Over the last few years, around ten to 20% of all search requests were spoken searches. By 2020, this number is set to increase to 50%. This change will have a great impact on search engine optimisation (figure 17).
- **Video and live streaming:** Increasing data volumes offered by mobile providers will further increase the demand for moving content on smartphones. Social networks are becoming more and more mobile, offering the perfect platform for distributing videos and live broadcasts.

3.1.3 Use the power of video

With targeted video marketing, considerably more people are now being reached than with static text and image structures. Especially due to convenience and cinematic production, videos are more popular online than ever before. A video is so attractive to us humans because it's audiovisual, so several senses are engaged at once. This brings new possibilities, e.g. animating customers as passive brand ambassadors.

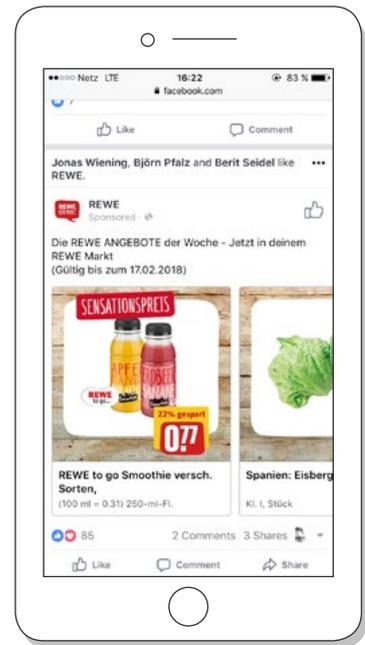


FIGURE 16 Native ads are used to overcome standard advert display. According to the Facebook Audience Network, native web adverts lead to an increase in CPMs of around 18% to 200%. Source: mopub.com

DIGITAL SPEECH ASSISTANTS AS INTELLIGENT HOUSEHOLD HELPERS

Why would you use digital speech assistants?

Base: German citizens from the age of 14 that are interested in a speech assistant

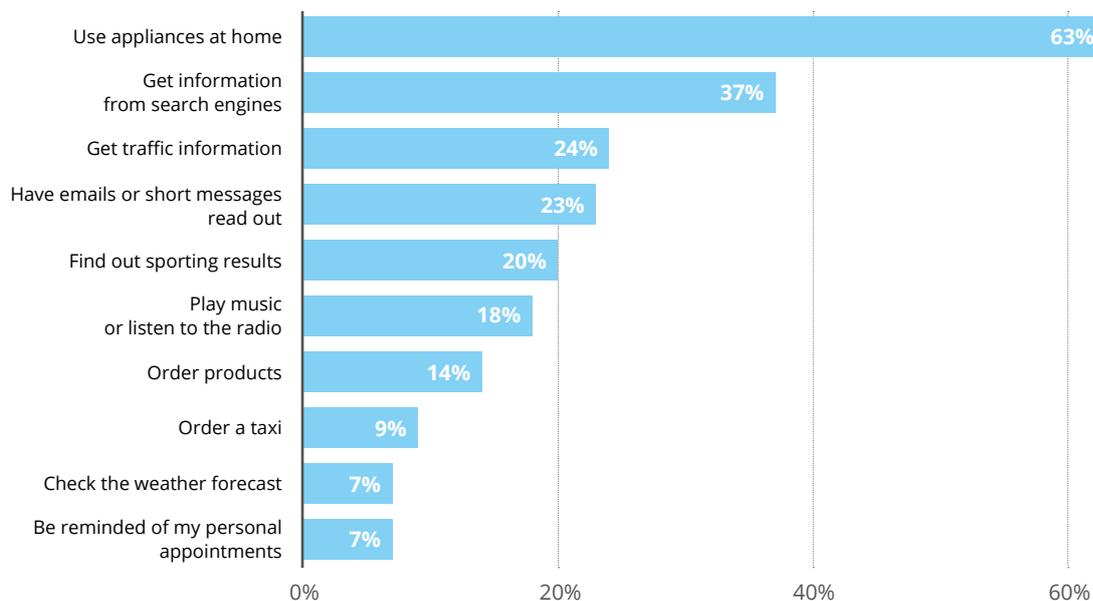


FIGURE 17 The graphic shows: 63% of those asked would use digital speech to use appliances in their homes and 37% would use it to acquire information from online search engines. If this trend continues, changed user behaviour would have a major impact on search engine optimisation. Source: [Bitkom Research](#)

One [report from Perspektive Mittelstand](#) stated that 70% of consumers have shared a brand video on social networks.

Videos are an ideal tool even when it comes to recommendation marketing. [An online study by ARD-ZDF](#) found out that a website consisting solely of text has an average retention period of 48 seconds. If you add a video, this increases to over 5 minutes and 50 seconds. But it gets better: sites with video content are linked around 267% more often than articles without video content. Increased linking and a considerably longer retention period are also criteria for Google and other search engines to list these pages significantly more prominently in relevance.

3.2 COLLECTING AND SUBSEQUENTLY SELLING USER DATA

As well as integrating advertising, an app can also be monetised through the sale of user data. User data is the fuel of the data business. Many internet services only seem to be free, as the customer actually pays for the digital service with their own data. A great challenge in finding valuable knowledge in massive amounts of data is logical linking and the guarantee of validity and quality. Metrics for data quality are, for instance, individuality, authenticity, currentness and defined context of data sets. To put it simply, the more complete and credible personal data sets are, the more valuable they are.

The area of application is vast: it extends from analyses for information services, research or the prediction of user behaviour in certain scenarios to the precise placement of individual advertising and much more.

3.2.1 Selling data

If user data is to be sold, a large user base is often an initial goal. That's why apps with this strategy are mostly free of charge. The data collected is

then mostly used for direct marketing. It should be taken into account that selling data is getting more and more difficult in Europe - and especially in Germany. Compared with the USA, many German users are suspicious if a mobile service or an app requests access rights to functions that have nothing to do with the actual service being provided.

This is not least due to [scandals such as the popular browser add-on Web of Trust \(WOT\)](#), which sold data about over 140 million users' surfing habits, such as websites visited, dates and times, IP addresses and locations, without sufficient anonymisation. Fundamentally, selling data is permitted under strict regulation, while personal data especially worthy of protection, such as health data, generally may not be traded.

Also something to keep in mind: the end of May 2018 will see the end of the transition period that lawmakers in Europe allowed companies to switch their processes over to comply with new EU data protection law (GDPR - General Data Protection Regulation) From this time, supervisory bodies can issue fines of up to 4% of a company's global revenue as well as cease and desist warnings.

3.2.2 Selling the user base

Another way to laterally monetise an app is the development and sale of a user base. A popular example of an app that aims to develop a user base is WhatsApp. To this end, the service is offered for free or for a low cost over several years to acquire new users. After its purchase in 2014, Facebook has not publicised how it intends to monetise the [user base](#). Generally, this strategy is a risky one, as months or even years have to be invested in the app to attract the interest of attractive investors or buyers. It is generally accepted that Facebook will start to generate significant income via WhatsApp by way of paid B2C communication or partially replicating a model implemented by WeChat (figure 18).

3.2.3 Trustworthiness as an important criterion for company apps

For trustworthy companies, it is all the more important to clearly explain data protection regulations and the use of data, and to consider a paid pro version without data collection. For many companies, the direct or indirect monetisation of apps is more suitable in order to avoid mistrust, image damage and bad press.

Summary – businesses need a comprehensive mobile strategy

According to our experience, a combination of various monetisation strategies is often the best option. Still, the decision depends on the company app's offerings and character. Thorough analysis and preparation are unavoidable. Especially because the options are so diverse, choosing the right strategy is decisive in the app's success or failure.

Often, direct and lateral financing strategies are combined. One possible example of this is the free magazine app, whereby free articles are offered alongside additional articles available as in-app purchases. The free articles come with advertising.

Many business models, such as that of 6 Wunderkinder with their [Wunderlist app](#), offer a free basic service. To access other features, the user must pay for an upgrade (figure 19). Especially for companies that benefit from partner commissions, a mixture of lateral monetisation and



FIGURE 18 The Chinese company WeChat shows where the path can lead for some messenger services. Anyone following Nike receives access to sporting tips, events, running routes, training plans and more. However, the strategy of selling stickers to users is certainly not suitable for all cultures. Source: screenshot from Nike's WeChat account

in-app purchases of partner items is worthwhile. Users of the [Tchibo app](#) can find out about new products in individual branches as well as the stock of partner shops.

Furthermore: possible stumbling blocks such as incorrect pricing, users annoyed by excessive advertising or a target group's mistrust of data protection should be taken into account and avoided wherever possible. Otherwise, failure to address these topics could even damage a company's image in the worst case scenario.

In 2018, the question facing companies is not whether they need a mobile strategy, rather how they can make theirs as effective as possible. With the right approach and as long as all the possibilities offered by mobile end devices are taken advantage of, there is nothing to stand between you and successful monetisation. Quite the opposite: mobile growth will increase rapidly. The potential regarding customer loyalty, decreasing costs, sales opportunities and collecting valuable customer information has never been greater, so your app has the potential to make a real difference in your company.



FIGURE 19 *The Wunderlist app's basic service is available to users for free. If the user wants to use the full service, they have to upgrade to the pro version. A monthly subscription costs €5.49, while an annual subscription is €54.99. Source: Wunderlist in Google Play*

App Links



AUTOBILD
[Apple App Store](#)
[Google Play](#)



BMW Connected
[Apple App Store](#)
[Google Play](#)



Calc Pro HD
[Apple App Store](#)
[Google Play](#)



Candy Crush Saga
[Apple App Store](#)
[Google Play](#)



Clash of Clans
[Apple App Store](#)
[Google Play](#)



dm Designer
[Apple App Store](#)
[Google Play](#)



Draw Something
[Apple App Store](#)
[Google Play](#)



Gardenscapes
[Apple App Store](#)
[Google Play](#)



IKEA Place
[Apple App Store](#)



Magic Tate Ball
[Apple App Store](#)
[Google Play](#)



Makeup Genius
[Apple App Store](#)
[Google Play](#)



Mega-Deal
[Apple App Store](#)
[Google Play](#)



My ASICS Run Training
[Apple App Store](#)
[Google Play](#)



Procurement Leaders
[Apple App Store](#)
[Google Play](#)



Schnäppchenfuchs
[Apple App Store](#)
[Google Play](#)



Shopkick
[Apple App Store](#)
[Google Play](#)



Tchibo
[Apple App Store](#)
[Google Play](#)



The Entertainer
[Apple App Store](#)
[Google Play](#)



WeatherPro
[Apple App Store](#)
[Google Play](#)



Wunderlist
[Apple App Store](#)
[Google Play](#)

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