Monetization

Where is the money?

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Outline

- Insights from DeveloperEconomics.com
- Dissecting Monetization
- Determining Value
Aims

- To help you make wiser decisions regarding your monetization strategy
Insights from Developer Economics 2013

Developereconomics.com
Geographical distribution of 6,000+ respondents

% of respondents from each region (n = 6,032)

Europe: 40%
North America: 27.7%
South America: 5.5%
Africa: 2.9%
Asia: 6.5%
Rest of Asia & Oceania: 8.2%
Russia: 5.5%
China: 5.5%

Source: Developer Economics Q3 2013 - State of the Developer Nation
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Big regional differences

North America leads revenue table
Average revenue per app per month for each region (n=1,653)

North America: $2,172
Europe: $1,653
Asia: $1,126
South America: $1,109
Africa: $598

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iOS still leads the game

iOS continues to dominate revenues
Average revenue per app per month by platform (n=1,725)

- iOS: $1,880
- Windows Phone: $1,528
- Android: $1,456

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More platforms more money
App Stores is not the answer
High pay-off revenue models are tough

Royalties & licensing fees pay better
Average revenue per app per month by revenue model used (n=1,725)

- Per device royalties preloading: $4,385
- Licensing fees from distributors: $4,106
- Commissioned apps: $3,006
- Subscriptions: $2,649
- Indirectly through brand awareness: $2,300
- In app purchases: $1,835
- Freemium: $1,365
- Pay per download: $1,283
- Advertising: $1,014

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vision mobile
Grow by expansion

Extending apps into new markets pays better
Average revenue per app per month (n=1,749)

- Extending apps into verticals: $2,957
- Extending apps to countries: $1,952
- Monitor app stores: $1,883
- Discussing with users: $1,713
- Buy market research: $1,685
- Develop me too: $1,148
- Discussing with friends: $1,021
- Develop apps that I use: $779

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App Categories with highest return

Games
(not highest but massive market share)

Productivity

Enterprise
Analytics and monitoring pay-off

Higher revenues for developers using developer tools and services
Average revenue per app per month by type of services/tools used (n=2,135)

- using Crash reporting & Bug tracking: $3,663
- not using Crash reporting & Bug tracking: $1,148
- using User Analytics: $2,712
- not using User Analytics: $1,011

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Other interesting observations

- At least half of all downloads will never actually sign up and start using the app.
- Each and every step in your sign-in process is going to cut about 25% of your potential users.
- Apps using cross-promotion get on average 2-3x more downloads and earn 40% more.
- Even where push notifications are clearly not essential to the app (less than half of users opt-in), the retention after 4 months of users who opt-in is ~80% greater than of those who don’t.
Want more?

- Go to: developereconomics.com
- Many free data- and analysis-packed reports and infographics

DEVELOPER ECONOMICS
6th edition

HAVE YOUR SAY & WIN PRIZES

visionmobile.com/DE1Q14survey
Dissecting Monetization
What is monetization?
What is monetization?

- Who is willing to pay me for a problem I solve?
- Why?
- How much?
- Over what period?
But business is not only about exchanging money...
Business is exchange of value

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<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Proposition</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
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Traditional Merchant model
Being replaced by asymmetric business models in several sectors.
Asymmetric business models: two key concepts

- Network effects
- Core vs complements
“multi-sided platforms bring together two or more distinct but interdependent groups of customers. Such platforms are of value to one group of customers only if the other groups of customers are also present.

The platform creates value by facilitating interactions between the different groups.

A multi-sided platform grows in value to the extent that it attracts more users, a phenomenon known as the network effect.”

Source http://BusinessModelGeneration.com
Network effects: positive feedback
Network effects

Android, iOS - Devices sold vs. apps available in app store

Source: vendor releases, Gartner
Core vs Complement

Microeconomics: Every product has substitutes and complements.

Core Product

Product demand increases as complement prices decrease

Complement

A product consumed with the main product
Core vs Complement

Google Core Product

On-line advertising

Google Complements

mobile networks
handsets
browsers

Commoditisation of mobile increases demand for Google products

Closed ad network

net neutrality
open source OS
Chrome, WebKit

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Your **core business** will be defined by your vision, aims, market, know-how, competition etc.
Monetization Considerations

In order to plan a successful monetization strategy you need to:

- Clearly map value exchange(s)...
- ...across all stakeholders/ecosystem (*)
- Test the correct parameters for sustainability / growth
- A good pricing strategy
Finding out who and why is going to pay

Tools of the trade
Mapping the stakeholders and value exchange

- Data
- reputation
- Credits
- Exposure

Money
Less Money
Product
Service
Experience
Right

My organization
Company
Consumer
Supplier
Government
Non-profit

Business Model Kit  Source http://boardofinnovation.com/
Metro International is a worldwide media company that publishes the Metro newspapers. Metro is a freesheet, meaning that its distribution is free, with revenues generated entirely through advertising. The newspaper is primarily intended for commuters who move in and out of big cities' business areas on a daily basis.

- **HQ**: Luxembourg
- **Founded**: 1995
- **Employees**:
- **Category**: News
- **Website**:
- **Cocktail of**:
  - Paper-Industry
  - Advertisement
  - Subscription-model

Go to Brainstrom Cards
Ebay Inc. is an online auction and shopping website that focuses on P2P networks. People and (small) businesses can buy and sell a broad variety of goods and services worldwide. With operations in over 30 countries, Ebay is a notable success story of the web 2.0 generation. Services such as “Buy it Now”, online classified advertisement systems and online money transfer service Paypal have made Ebay a market leading company.

HQ: California, US

Founded: 1995

Employees:

Category: Consumer Web

Website:

Cocktail of:

° Auction
° P2P
° Broker-model
° eCommerce
Get your pencils out #1

- Draw a simple diagram of all stakeholders and value-exchange within your company’s ecosystem
Conclusion

- Having a clear picture of value exchange between stakeholders helps you identify opportunities for monetization
De/Refining the value proposition

**The Value Proposition Canvas**

- **Value Proposition**: Describe how your products and services create customer gains.
- **Customer Job(s)**: Outline in which specific context a job is done, because that may impose a constraint on your job.
- **Gain Creators**: Describe how your products and services create customer gains.
- **Pain Relievers**: Describe how your products and services eliminate customer pains.
- **Pains**: Rank each pain according to the intensity it makes your customer feel bad.
- **Gains**: Rank each gain according to its relevance to your customer desire.
- **Customer Segment**: Are they crucial or trivial to your customer?
- **Products & Services**: What makes your customer's job or life easier?
- **Co-creator**: Describe how your products and services create customer gains.
- **Buyer**: Describe how your products and services produce savings.
- **Transferrer**: Describe how your products and services make your customer's job or life easier.
- **Co-creator**: Describe how your products and services produce savings.
- **Buyer**: Describe how your products and services make your customer's job or life easier.

**Designed for:**

**Designed By:**

**Use in Conjunction with the Business Model Canvas**

Source and © http://businessmodelalchemist.com/
http://BusinessModelGeneration.com
Value Proposition design is about Product – Market fit
Value Proposition design

- **Jobs**
  - Functional jobs (tasks)
  - Social jobs (status / peer recognition)
  - Emotional jobs (feel good)
  - Basic needs (communications)

- **Pains**
  - Negative emotions (frustrations)
  - Costs and situations (time, money, mistakes, performance)
  - Risks (Technical, Social, Financial)

- **Gains**
  - Expected, desired and surprise benefits
  - Functional, Social, Emotion, Cost

Image source and © http://businessmodelalchemist.com/
JTBD #1

Focus on the customer Problem, not on your solution

Source: twitter @susyjacks
JTBD #2

- Scenario: a social entrepreneur has created a 2nd hand toys and clothes-swapping store aiming to help families that have financial difficulties.

- Can you identify some of the potential JTBDs for two stakeholder groups: parents and donors.
Value Proposition design

- **Product/Services:**
  - Tangible
  - Digital/Virtual
  - Intangible (quality, copyrights)

- **Pain relievers**
  - How does your solution eliminates the customer pains?

- **Gain creators**
  - How does your solution create expected, desirable, surprise benefits?

Image source and © http://businessmodelalchemist.com/
Get your pencils out #2

- Draw a Value Proposition Canvas for your primary customer and core solution
- **Product/Services:**
  - Tangible
  - Digital/Virtual
  - Intangible (quality, copyrights)

- **Pain relievers**
  - How does your solution eliminates the customer pains?

- **Gain creators**
  - How does your solution create expected, desirable, surprise benefits?

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Pivoting

Remember to compare value propositions by using the same variables e.g. price, risk, quality.
Pivoting; comparing value propositions

Design, Compare, Iterate

Observe, Ask, Validate

unfair advantage

open slot
Conclusion
Monetization strategy needs a continuous out-of-the-box view of your stakeholders and value exchanges.

The one with biggest pain and pocket is usually your primary customer.

Monetization strategy involves:
- Identify and quantify the value exchange between all stakeholders
- Identify a sustainability/growth strategy that will ensure your income exceeds your burn rate (at a minimum..."
Important topics not covered

- Pricing (see Further Reading) ... but start high!
- Metrics and Analytics (see Further Reading); Vanity Metrics; Growth Strategies & Hacking;
- Value Proposition design can provide valuable input to your marketing strategy (*subject of other talk*)
- Get familiar with decision making & brainstorming techniques and tools. It **will** pay off.
  Fall in love with post-it notes vs notepads when constructing any form of canvas ;)


Further reading
(disclaimer: I am not affiliated with nor endorse any of the following paid books or products, except VisionMobile’s Developer Economics)

- [http://Developerconomics.com](http://Developerconomics.com)
- “Lean Analytics”, Alistair Croll, Benjamin Yoskovitz (2013) O’Reilly
- “Four steps to Epiphany: 2nd edition” Steve Blank (2013) K&S Ranch
- [https://www.udemy.com/startup-how-to-7-steps-to-creating-a-successful-product/?couponCode=LEANFTW](https://www.udemy.com/startup-how-to-7-steps-to-creating-a-successful-product/?couponCode=LEANFTW)
- [http://Custdev.com](http://Custdev.com)
Thanks! Keep in touch

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