



**Over 50,000 Apps in the Appstore – How Do Apps
Get Discovered?**

June 2009

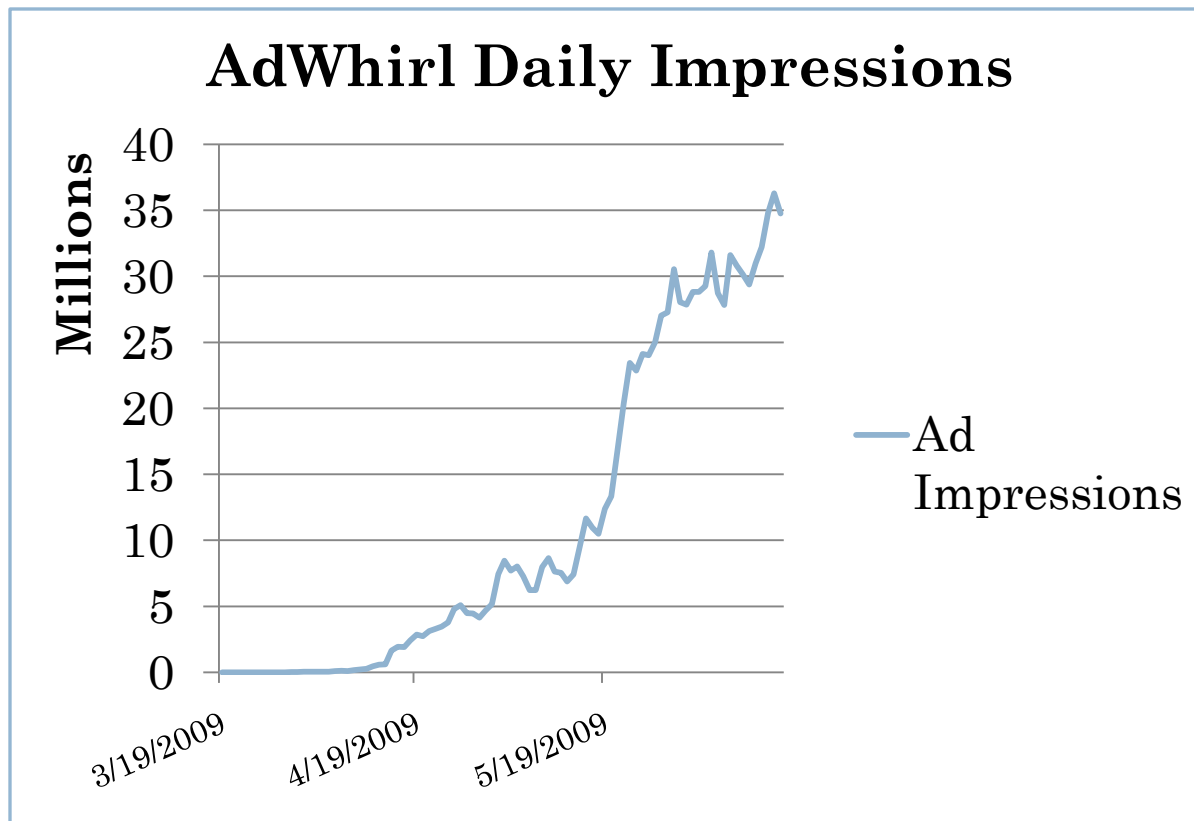
THE QUESTION

- Last time: **“How much can iPhone developers make on ad revenue?”**
 - Top apps can make \$400 to \$5,000 a day
 - <http://www.techcrunch.com/2009/05/06/just-how-much-money-can-free-iphone-apps-make-quite-a-bit/>
- This time: **“With over 50,000 apps in the Apple App Store, how do apps get discovered?”**



OUR DATASET

- As of June, 2009, AdWhirl is serving **over 1 billion** monthly ad impressions with **over 1,000** publishers



PREFACE: MEANS OF DISCOVERY

- A few of the more prominent means of discovery are listed below, with this report focusing primarily on the data behind **ads**
- **Ads**
 - Only 25% of apps in the Appstore are free, yet they comprise 95% of app downloads¹
 - In order to leverage the greater demand for free apps, developers build their own personal ad networks of iPhone/iPod Touch users by creating free apps
 - Effectively, developers then have a large audience to whom they can freely advertise
- **App Store Featured Section**
 - With Apple's blessing, being featured is a golden ticket to downloads
- **External Promotion**
 - YouTube, TouchArcade, AppVee, IGN, PocketGamer, etc. are all great channels for users
- **Gaming Networks**
 - Open Feint, ngmoco Plus+
 - For games, these platforms offer great viral discovery. We're fans since the growth emerges organically from app usage

1. App store secret - 95% of downloads are free (<http://wmpoweruser.com/?p=4391>)



OVERVIEW: AD DATA SUMMARY

- **Untargeted** cross-promotions generate conversions at approximately **0.2%** or less from impression (20 downloads for every 10,000 ads displayed)
- **Targeted** cross-promotions convert at approximately **3x or more** – we've seen from **0.4%** to **0.8%**
- Effectively, today, you can break top 100 free in a popular category such as “Entertainment” with approximately **half a million daily targeted** ad impressions or **1+ million untargeted** impressions
- This translates to a minimum **\$1875 one day ad campaign** to break top 100 free in a popular category (assuming your downloads are exclusively from ads). For most developers, this is hard to justify

UNTARGETED CONVERSIONS

- These conversion numbers were obtained from developers utilizing AdMob's Download Exchange

The Fuzz: #6 top free

Date	Ex. Impressions	Ex. Downloads	Conversion %
May 2009	2.5 Million	5,385	0.22%

Webworks and Applications (Cool Facts: #1 top free, Drink Recipes: #2)

Date	Ex. Impressions	Ex. Downloads	Conversion %
June 21-24, 2009	780k	158	0.02%

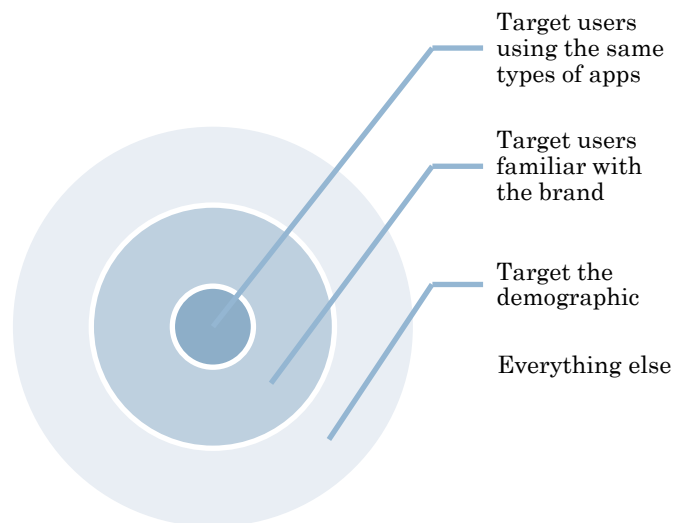
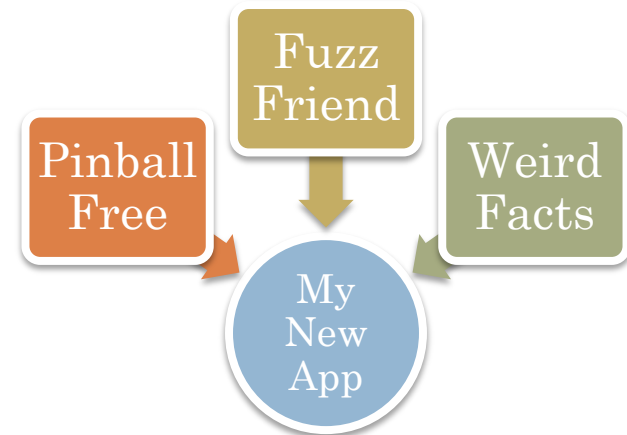
Inedible Software (Shotgun Free: #2 top free)

Date	Ex. Impressions	Ex. Downloads	Conversion %
June 20, 2009	46k	0	N/A



UNTARGETED CONVERSIONS: TWO ISSUES

- “Ad credits” earned from apps are non-transferrable
 - Developers cannot, for example, run a million download exchange impressions across apps they own and then direct those “credits” towards promoting a new app they just released



- Ads cannot be run against similar audiences (targeting)
 - If a developer wants to promote a medical device application, being able to run ads on apps with a similar audience (i.e. an MCAT's study app) will yield higher conversion rates

TARGETED CONVERSIONS

- These conversion numbers were obtained from running custom banner ads across apps by the same developer (similar app & brand targeting)

The Fuzz: #6 top free

Date	Ex. Impressions	Ex. Downloads	Conversion %
Apr 23-29, 2009	4.8 Million	35,047	0.73%

Webworks and Applications (Cool Facts: #1 top free, Drink Recipes: #2)

Date	Ex. Impressions	Ex. Downloads	Conversion %
May 16-18, 2009	3.2 Million	26,863	0.84%

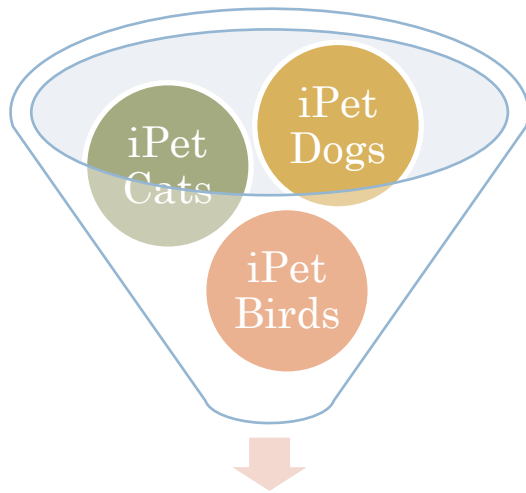
Inedible Software (Shotgun Free: #2 top free)

Date	Ex. Impressions	Ex. Downloads	Conversion %
June 20, 2009	641k	2,844	0.44%



TARGETED CONVERSIONS: HIGHER YIELD

- **Bottom line:** More control leads to 3x or more increase in conversion rates

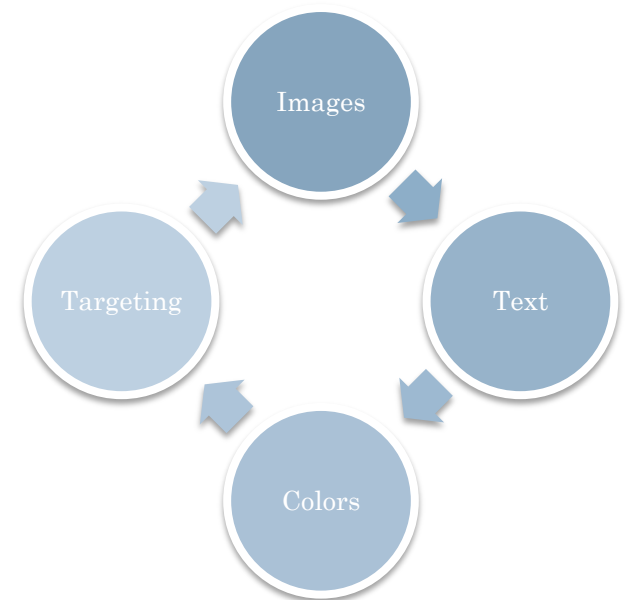


Epic Pet Wars App

- Funnel ads with similar audiences
 - You'll get higher conversions with less wasted inventory (which you can monetize with paid ads)

- Experiment and iterate to improve conversions

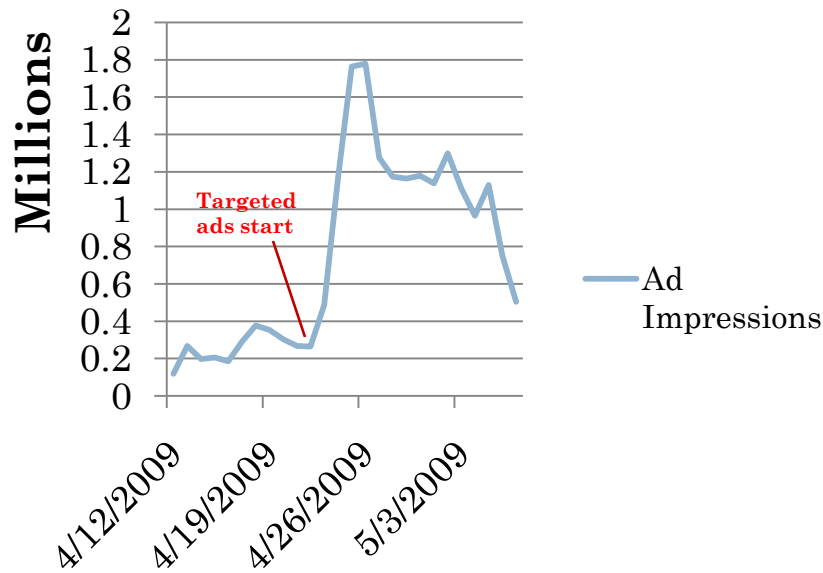
- Banner images, text, colors, and targeting parameters can all affect performance



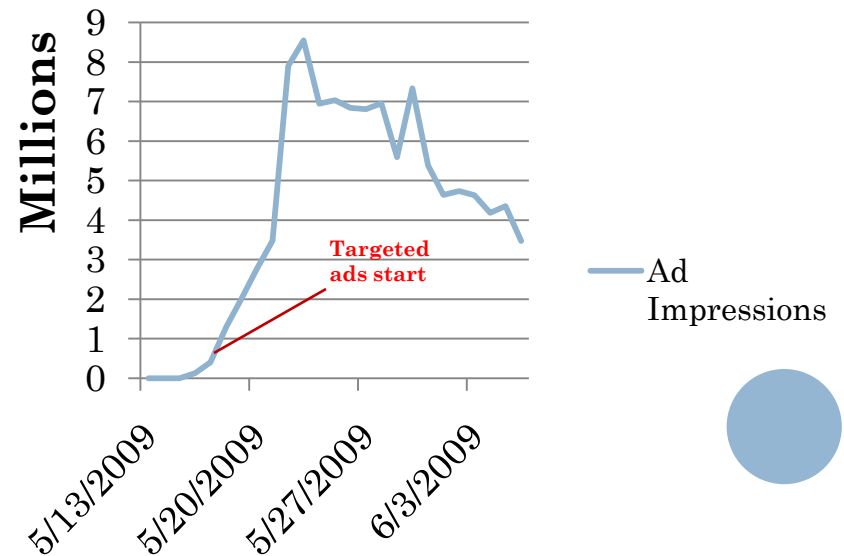
TARGETED CONVERSIONS: SAVE MONEY

- Higher yield on conversions actually leads to **more ad impressions** on the app being advertised, which **can be monetized** to make up for the inventory used for conversions

Fuzz Friend: #6 Top Free



Cool Facts: #1 Top Free



TARGETED CONVERSIONS: PAID

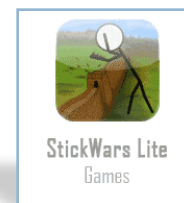
- This same strategy works across paid apps, too
- Tapulous has always been running promo ads across their tap tap products simultaneously with paid ads



- Optime Software has seen sales increase 4x-5x after cross-promoting lite to paid versions
 - Creator of the popular games Checkers Free, Dots Free, Four in a Row Free, Tic Tac Toe Free, Chess Free, Crack the Code Free



- StickWars, even though it was already #1 in the paid app store, saw sales increase by 30% upon the launch of StickWars Lite, eventually doubling sales within a week
 - Proof of little to no cannibalization



HOW MUCH WOULD IT COST TO RUN A PAID CAMPAIGN?

- **Goal:** Break top 100 in a popular app store category
- You need about **2500 daily downloads** to crack the top 100 in a popular category (the iPhone app POW by Inedible Software hit top 60s in Entertainment with 2800 daily downloads)
- With untargeted ad impressions converting at a **high estimate of 0.2%**, we need **1.25 million ad impressions** to get 2500 downloads
- Ad networks typically sell inventory on a CPC basis, at a minimum of **5 cents per click**. With top networks performing at around **3% CTR**, 1.25 million ad impressions generate **37,500 clicks**
- This translates to a **one day minimum cost of \$1875**, which is probably too expensive for many developers²

2. We note 2 assumptions here: first, not all downloads come exclusively from ads, and secondly, conversion rates for paid ads are generally higher because they are often first-run inventory, depending on bid price per click. With that said, \$1875 could be viewed as the opportunity cost of giving up any inventory for conversion at 0.2% or less instead of monetizing it.



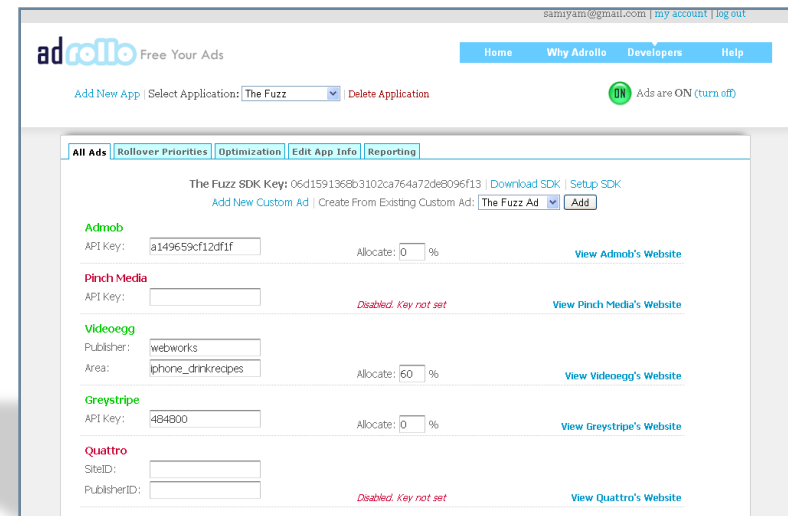
SUMMARY

- **Don't spend money where you don't have to**
 - \$1875 per day is a convenient shortcut, but having a network of apps yields more value in the long run
- **Leverage the greater demand for free apps**
 - Whether you want to increase paid sales with a lite app or promote your new app releases, you'll gain much greater reach with free apps than you could with only paid apps
- **Find a way to do meaningful targeting**
 - Take advantage of your audience's familiarity with your other apps when advertising ("Like iPet Kittens? Try Epic Pet Wars!"), which most effectively captures your users' intent
- **Higher conversions lead directly to more money**
 - When promoting paid apps, you increase sales
 - When promoting free apps, you have a larger audience and more ad inventory to monetize



WHAT DOES ADWHIRL DO?

- AdWhirl is a free open ad platform that the developer installs in the app and then fully controls from a web interface



- Key features

- Developer can freely switch among ad networks
- “Rollover” feature guarantees 100% fill rates
- Auto-optimization feature maximizes revenue from ads
- Custom ad builder can cross-promote paid/lite app combos

