

Mobile Apps – Show me the money!

Cherry Media MD asks who's making the money from Apps

Around 2 years ago, I was struggling to get my head around apps. Were they on-device portals (which never really took off)? Were they games (which did, but as adult mobile games don't sell, not much opportunity for Cherry) or were they simply a more creative technical environment in which to promote and present service in a more compelling way?

A revered industry colleague of mine enlightened me by saying: "App's are just another way to package content, services and entertainment". This simplified the whole concept for me enormously and opened up a plethora of innovative ideas about how you could take, in my case, immersive fantasies to the next level AND have the access point right there on your customer's mobile home screen.

As the owner of an 8 year old, self-funded mobile erotic business I have intently followed industry news and developments on Apps, App platforms, App stores and App monetisation, waiting for the tipping point where sustainable ROI becomes standard before investing in it for either Cherry or its partners.

And I'm still waiting...

I hear the magical stories about Rovio and download figures from the Apple App store indicating I am missing the boat, but when I dig below the surface of the media hype I tend to find, in terms of making 'real' money, it's only the developers who are getting paid high development fees from companies who work on the 'We must have an App' strategy (ignoring a viable reason to have one, realistic customer demand – they just have to HAVE ONE!).

I've spoken to dozens of mobile companies, from different continents, with different business models and budgets and have yet to find one that tells me that they are making reasonable revenues from Apps.

The global stampede to be a part of the 'App phenomenon' is creating a fiercely competitive and over-populated market place. Don't get me wrong, I can clearly see the contribution that Apps are making to mobile entertainment uptake, handset sales and the migration to a direct-to-consumer marketplace, but from a commercial point of view, we are seeing an ever decreasing price average and worse, the gradual elimination of consumer's expectation to actually pay for Apps. A report released in January 2011 by Distimo found that the average cost of downloading an App in December 2010 was considerably cheaper compared to January 2010.

I notice all the time that the industry media and press only really detail downloads, very rarely revenues. Some App stores keep download stats for individual Apps a secret. This obviously saves the lower performing publishers from any embarrassment. Thus you only hear download figures for the more successful Apps, but whilst these sound impressive, they don't mean much without the retention rate -

i.e. how many people are still using the App a week, a month, or a year later? How many are upgrading to a paid premium service or paying at all?

Another point worth noting is that 'download figures' can sometimes be a bit slanted. The Facebook App has been downloaded 100 million times from [GetJar's](#), App store (December 2010), making this the most downloaded App from any store. [Mobithinking](#) rightly comment that this is not really a download App, it's a short cut to the Facebook mobile site – Facebook is a web App, available for anyone with any Web-enabled handset.

If it was tough a year ago for average companies to achieve sustainable income from Apps, it's only getting worse. One opportunity you could shout at me for overlooking here would be the possible consolidation of the App market as smaller developers and d2c mobile companies finally close their purses for the on-going challenge of enticing PAYING App customers. This would obviously expand the share of voice for those who were left, but apart from marketing opportunities, I'm really struggling to hear about viable commercial models, both in erotica and mainstream that answers our clients' requirement for making money from Apps.

How many of you have had client meetings that go like this?

Client: "We want an App."

Cherry: "Why? – Are you answering a demand from your customer base? Are you looking to increase brand awareness? Promote a new product? Target a new potential audience?"

Client: "No, we want to create a new revenue stream with our App. We basically want an Angry Birds type application."

Cherry: "Okay, have you thought about who might want to download this app, or how you might obtain customers for it?"

Client: "Well, we're planning to promote it in the apps stores and we'll put a link on our website / mobile site."

Cherry: "How do you plan to generate the revenues from it?"

Client: "Ah, that's easy, we'll allow users to download the App for free and then place up-sell links throughout, that will point to our PPV / Subscription mobile and/or website."

Answers on a postcard with how many things are wrong in this conversation!

All these issues might be irrelevant in a few years given some rumblings in the industry that Apps Stores may potentially have a short shelf-life. [ABI Research](#) (May 2010) predicted that App stores will slowly decline as subscribers migrate from download Apps to the Mobile Web, and more popular Apps, such as social networking, will just be preloaded onto the handsets. And then you have html5, which will change the landscape completely.

Now the reason I am having a whinge about this, is that one of the few areas where adult entertainment has always gained respect from mainstream industries is in the way it has defined many 'new media' channels (VHS, E-commerce, Digital Marketing), not only for usage (because its unprecedented demand), but also particularly for its innovation in monetising that demand.

Adult was a forerunner in monetising the purchase of content via the internet. Circa 1996, the issue was - "Adult users won't pay for internet porn using their credit cards, it's too insecure and they don't want it showing up on their credit card bill". "No problem" said the adult industry, "we'll just create a payment solution that allows you to be billed anonymously per minute via your dial up connection" and BOOM, users started happily paying between 1 and 3 dollar a minute when they could be subscribing to unlimited access for a mere 20 bucks per month.

It seems that in the world of mobile applications, this is not the case for the first time in digital history! When I see the complexity and amazing immersive environments for mainstream hobbies, services and games, I can't believe that adult entertainment is so far behind, given its track record. We are either looking at a magazine style application or a simple gallery of videos and/or images. Hardly thinking outside the box, is it?

I firmly believe there is a huge commercial opportunity to be had here. Cherry Media is currently working with various adult brands, App stores and producers to design a new breed of erotic applications. Apps that effectively merge with their customer's natural behaviour patterns, take advantage of the immersive opportunities that App environments bring, but most importantly, thinking beyond the simple 'ad-funded' or 'freemium' commercial models.

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