
INSIGHTS AND
MASTERCLASSES

NOKIA Developer

IN-APP ADVERTISING

How to make the most of your options



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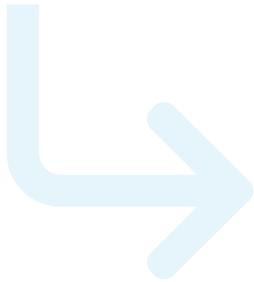
IN-APP ADVERTISING

How to make the most
of your options

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01

WHY IN-APP ADVERTISING MATTERS



Some do it for fun, some do it to impress their friends, and others do it to sharpen their programming skills. But most developers create apps to make money – then use that money to develop future apps. When it comes down to it, apps are all about business.

The challenge for many developers is figuring out the best way to make their app pay, and to do it in a way that is in line with the app category, their own revenue objectives and that does not harm the user experience.

In-app advertising is a relatively simple way for developers to make money quickly from their creations, while largely maintaining a good user experience. It has worked for Angry Birds, and media-based apps such as The Guardian – even the mobile versions of Twitter and Facebook include ads.

This article spells out the foundations of in-app advertising and provides guidelines showing the best ways for developers to use it to maximize their revenue.

“Obviously we can’t make every game free. The free games that we have, we have to monetize in some way. So we offer people a suite of ad-funded free games. It helps us with our branding and our brand awareness. It helps to push users into premium products. But we have to make sure the experience is enjoyable, not frustrating.”

— **Chris Bergstresser, Miniclip**

02

The foundations

Successful in-app advertising starts with the basics – here are some of the key performance indicators (KPIs) that affect in-app advertising:

Term	What is it?	Why is it important?
Click-Through Rate (CTR)	The percentage of how many people saw the ad and how many actually clicked on it.	Developers get paid per click – so the more clicks generated, the more money they can make.
Global Fill Rate	The percentage of ad impressions that are populated by an actual ad.	Ad networks only operate in specific countries – ads visible in the US might not appear to someone downloading the same app in Asia or Africa.
Effective Cost Per Mille (eCPM)	The amount of money developers get for every one thousand impressions of an ad.	This is the industry standard of measurement in mobile advertising – possibly the most important term in mobile advertising.
Cost Per Click (CPC)	The amount charged to the advertiser when a user clicks on an ad.	Cost per click is often used when advertisers have a set daily budget. When that budget is hit, the ad is removed for the rest of the day.

4TH SCREEN	ADMAXIM	ADMODA	AD DYNAMO	ADFONIC	ADIQUITY
ADITIC	ADMOB	ADORIKA	AIRPUSH	APPRUPT	ART OF CLICK
BUZZCITY	CPX INTERACTIVE	D'ARRIENS	DMG	FRACTALIST	GREYSTRIPE
HUNT MOBILE ADS	IAD	<p>THERE ARE MANY ADVERTISING NETWORKS AVAILABLE TO DEVELOPERS, EACH SPECIALIZING IN DIFFERENT SECTORS AND METHODS. IT'S IMPORTANT FOR DEVELOPERS TO IDENTIFY WHICH NETWORK WILL BE BEST FOR THEIR APP AND ITS TARGET MARKET.</p>		INMOBI	JUMPTAP
KOMLI MEDIA	LEADBOLT			LIFESTREET MEDIA	LUMATA
MADHOUSE	MADVERTISE			MASSIVEIMPACT	MATOMY
MBRAND3	MICROSOFT ADVERTISING			MILLENIAL MEDIA	MOBGOLD
MOBILE THEORY	MOBILEFUSE			MOBPRO: MOBILE PROFESSIONALS	MOJIVA
PAYPAL MEDIA PONTIFLEX	RED LOOP MEDIA	SEVENTYNINE	STARTAPP	TAPTICA	TODACELL
VSERV	WAPSTART	WEBMOBLINK	YBRANT DIGITAL	YOC MOBILE ADVERTISING	

REAL TIME BIDDING & DEMAND SIDE PLATFORMS

- [x+1]
- Amazon
- AppNexus
- Apsalar
- DataXu
- Digilant
- Dobleas
- Drawbridge
- EveryScreen Media
- Fiksu
- Human Demand
- Invite Media
- MdotM
- MediaMath
- Media Smart
- Moolah Media
- Plethora Mobile
- RadiumOne
- StrikeAd
- Tapad
- Turn
- ubimo

LBS

- Blismedia
- CityGrid
- JiWire
- Lat49
- Nokia
- PlacePlay
- Poynt
- Sense Networks
- Smadex
- Telenav
- Verve Wireless
- xAd
- Yelp
- Yoose

AGENCIES

- [a•mo•bee]
- Aegis Media
- Essence
- Fetch
- GroupM
- Havas Media
- Hill Holliday
- IPG Mediabrands
- M&C Saatchi Mobile
- Omnicom Group
- Publicis Groupe
- Velti
- WPP

RICH MEDIA

- AdGibbon Mobile Advertising
- [a•mo•bee]
- Appsnack
- Celtra
- Crisp Media
- GoldSpot Media
- InMobi
- Medialets
- Phluant Mobile
- PointRoll
- Simplytics
- Zumobi

VIDEO

- AdColony
- BrightRoll
- Jivox
- JustAd
- Tremor Video
- Vdopia
- Vungle
- Yume

AD SERVERS AND MEDIATION PLATFORMS

- AdJuggler
- ADTECH
- [a•mo•bee]
- Burstly
- DoubleClick
- Mocean Mobile
- Smart AdServer

EXCHANGES

- Mobclix
- Nexage
- OpenX
- Right Media
- Smaato

ANALYTICS

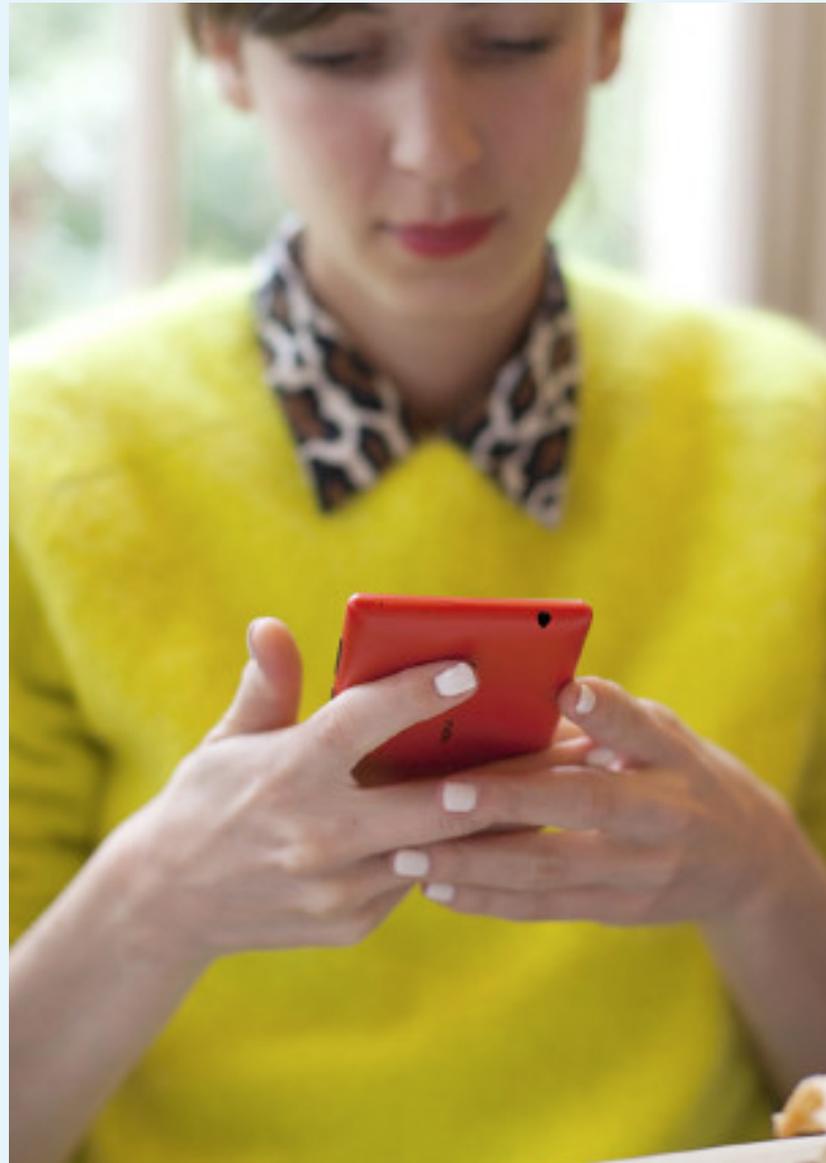
- Appboy
- Apsalar
- Bango
- Distimo
- Flurry
- GeoEdge

DIGITAL MEDIA PROJECTS

- AdMobius
- Adobe
- BlueKai
- Nielsen
- PlacelQ

SUPPLY SIDE PLATFORM

- AdMarvel
- Inneractive
- Mopub
- PubMatic
- Rubicon



03

In-app advertising tools

When deploying in-app advertising, developers will have specific tools to help implement it more successfully.

TERMS

- **Ad format:** Type of ad (e.g. image, video, rich media) that an advertiser would buy.
- **Ad size:** Size of the ad in pixels (e.g. 300x250).
- **Impression:** The number of views of an ad.
- **UUs:** Unique users who see the ad impressions in a given time period.
- **Ad inventory:** Number of advertising impressions available on an app.
- **Yield:** Revenue generated from the ad inventory, often measured as revenue per impression.

BUYING MODELS

- **CPM:** Cost Per Thousand (Mille) impressions; the advertiser pays when a user sees an ad.
- **CPC:** Cost Per Click; the advertiser pays when a user clicks on the ad.
- **CPA:** Cost Per Action; the advertiser pays when a user completes a specific action.

ENGAGEMENT METRICS

- **CTR:** Click-Through Rate; number of clicks on the ad divided by the number of impressions of that ad.
- **CVR:** Ad Conversion Rate, typically a percentage calculated by the number of ad conversions, divided by the number of clicks, multiplied by 100.

Some of the most common ad formats:

BANNER AD

The most common ad type, constructed from GIF, Flash or animation files.

EXPANDING AD

Ad size changes and expands out from its original size.

VIDEO AD

Like a banner ad, but with video.

INTERSTITIAL AD

An ad that appears while the original destination loads.

RICH MEDIA

Ways to make advertising more engaging – animated GIF, HTML5, Flash or full video.

In response to the rapid evolution of the mobile marketplace, the Interactive Advertising Bureau (IAB) and Mobile Marketing Association (MMA) have issued **Mobile Phone Creative Guidelines** to maintain consistency and also to make

buying and selling mobile ads easier. These are invaluable for any developer considering in-app advertising and can be viewed [here](#).

04

The rise of in-app advertising

In-app advertising is one of the main business models that developers have at their disposal. It's an extremely flexible model, open to many interpretations, so there is a lot to learn before developers can feel truly confident about implementing it in their apps and devising a strategy to get the most out of it.

According to Gartner, worldwide mobile advertising revenue will reach \$11.4bn in 2013, up from \$9.6bn in 2012. By 2016, worldwide revenue will reach \$24.5bn and it has the potential to create opportunities for app developers, ad networks, mobile platform providers, specialty agencies and even communications service providers in certain regions¹. In-app advertising is expected to form a significant amount of the total ad revenue.

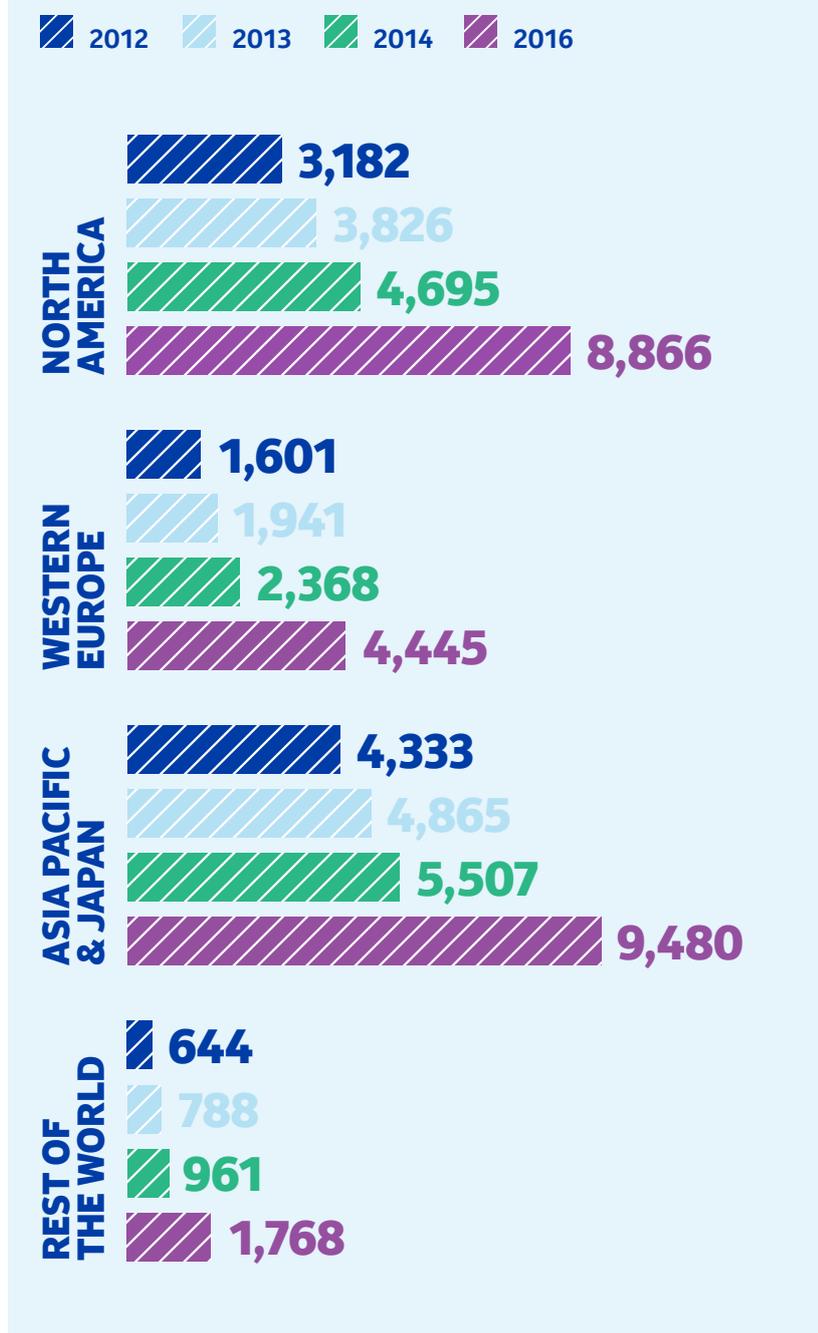
In 2012, in-app advertising revenue rose to \$1.7bn across the USA and the major western European markets, overtaking revenue from display ads on the mobile web (\$934.5M)². Global advertising revenue through mobile grew 85.4% between 2011 and 2012.

Smartphones and tablets will have their own role to play within this space, and will be able to generate further opportunities for revenue growth due to their ability to reach a broader audience.

A global spike in revenue is expected in 2016, with Asia Pacific and Japan expected to deliver particularly high revenues.

In-app advertising also has potentially high levels of effectiveness. According to Appssavvy⁴, in-app advertising

Mobile advertising revenue by region, worldwide \$M (2012-2016)³



performs 11.4 times better than standard banner ads. When done correctly, in-app advertising is less obtrusive and blends into the overall app experience much better than conventional banner ads. On the whole, in-app advertising is a phenomenon that is becoming impossible to ignore.

1. Gartner 'Gartner Says Worldwide Mobile Advertising Revenue To Reach \$11.4 Billion In 2013' (2012)
2. Strategy Analytics 'Global Mobile Media Revenues To Touch \$150 Billion In 2012' (2012)
3. Gartner 'Gartner Says Worldwide Mobile Advertising Revenue To Reach \$11.4 Billion In 2013' (2012)
4. Mashable 'The 3 Most Effective Approaches To In-App Advertising' (2011)

05

Current trends

In-app advertising is here to stay and developers should consider these trends:⁵

01 ADVERTISING WILL INCORPORATE MULTIPLE DEVICES

The burgeoning app ecosystem has not gone unnoticed by marketers. Mobile internet traffic is booming across the globe and it has been clear for some time that the mobile internet will grow far bigger than the desktop internet. Advertisers today are now adapting their campaigns to connect with consumers. While the buzz is mostly about smartphone advertising, soon we will see marketers making use of the broader mobile ecosystem. Feature phones with internet capability are still dominating emerging markets and are acquiring more apps. Advertisers are increasingly investing time into evaluating mobile habits and behavior patterns to create smarter campaigns.

02 DEVELOPERS USE A COMBINATION OF TECHNIQUES TO MAKE MONEY

With an increasing number of app users in emerging markets, developers have more to consider when developing their business strategy. While emerging markets have a high mobile penetration, the amount spent per person is much lower, and credit card penetration for now is only in the single digits. Developers will receive payments by using operator billing for micro-transactions, or use powerful mobile/in-app advertising solutions. 2013 will see premium apps develop and advertisers will benefit from targeting the premium audience for these apps.

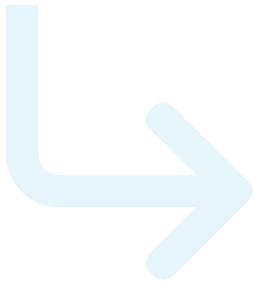
03 VIDEO ON MOBILE WILL EXPLODE

One of the most prominent trends in video is the rise in mobile viewing. As people get used to watching more and more videos on their devices, publishers will aim more video at mobile – and that means more mobile video advertising. Given the popularity of video ads online, mobile video advertising will become more widely accepted as advertisers realize the benefits of targeting consumers on the go.

04 MOBILE MARKETING WILL BE MEASURED ON PERFORMANCE

Much of the work in mobile advertising has been focused on rich media formats and app creation. But as mobile advertising goes mainstream, the focus will shift towards performance. In-app advertising, like all digital media, is highly measurable, and advertisers will be looking for response/outcome focused campaigns such as leads, acquisition, and other definitive actions that enhance the ROI of the marketing budgets.

5. Tech In Asia 'What's Hot, What's Not: Mobile Advertising Trends In 2013' (2013)



TVPyx

Developed by Pyxis Ventures, TVPyx is a TV and radio guide for the top TV and radio stations in the UK. The app is available for download on major software platforms such as Android, Windows Phone and the mobile web.

Introducing in-app advertising

Pyxis Ventures initially offered the app for free without any revenue model attached. Six months after launch, they began to include in-app advertising to boost its earnings potential.

UX implications

One of the major disadvantages that Pyxis quickly experienced with in-app advertising was that it hampers the user experience (UX), especially after such care was taken to develop a slick and well-functioning user interface.

Relevance is key

Pyxis also discovered that the relevance of ads is critical. The developers are now looking at ways to incorporate links to spin-off content within ads. For example, those looking for scheduling information on BBC1 may get links to Doctor Who DVD sales on Amazon.



“We released TVPyx with no revenue model. After six months we thought we should have something in there and we put ads in. There’s a compromise involved where you design a UI to look good and then with an ad – it can get spoilt. So the trade-off has to be very carefully balanced.”

— John Cooper, Pyxis Ventures

“Sometimes users will simply uninstall an app if they see an irrelevant ad come up. Relevance of advertising is critical. Any form of relevance engine that we could deploy would be very useful. We are looking to have some sort of Amazon link where we can put the relevant ad in at the relevant time.”

— John Cooper, Pyxis Ventures

06

How do users see in-app advertising?

61%
OF SMARTPHONE
USERS WANT FREE
APPS WITH ADS

60%
OF SMARTPHONE
USERS PREFER
IMMERSIVE,
INTERACTIVE ADS
TO STANDARD
BANNER ADS

62%
OF SMARTPHONE
USERS DO NOT
LIKE PRE-ROLL
ADS AND WOULD
PREFER TO HAVE
A CHOICE TO PLAY
THE VIDEO

01 People like ads

More specifically, people like ads more than they like paying for apps. According to MediaBrix – one of the industry’s leading advertising platforms for social and mobile games – on smartphones, 61% want free apps with ads, while 39% would pay to avoid the ads. If we compare this to Facebook, those numbers skew to 83% free, 13% paid⁶. Developers should therefore consider using in-app advertising as a more convenient alternative to paying for an app.

02 We like the right ads, at the right time

Counter to expectations, research shows that people prefer immersive and interactive ads to banner ads – even though they are more intrusive. An immersive and interactive ad demands more of the user’s attention. A banner ad, after all, can be ignored.

As many as 60% of smartphone users prefer immersive, interactive ads to standard banner ads, and even more for Facebook app users: 72% versus 28%⁷.

For this to work, the most important factor is to provide the right offer at the right time. So if a game player needs a power-up, a message appears offering five free power-ups in return for the user interacting with an ad. In this case the user remains in control: they can decide whether or not to accept the power-up. If they don’t accept it, they continue playing the game. But if they do, the ad unit is engaging, built specifically for the game, and immediately rewarding.

03 Consumers hate pre-roll videos

A large number, 62%, of smartphone users do not like pre-roll ads and would prefer to have a choice to play the video or have it shown during a natural break in the app that they are playing or using⁸. Interstitial ads can be created for session-based games, where users are congratulated for an achievement on a particular level and are then shown a video while the next level loads. The message, art and entire ad are customized and integrated into the game experience.

Clearly, custom ad experiences need to be designed into apps so they can be innovative and integrated into the user experience.

6. Venture Beat 'In-App Ads: How To Get 20% Engagement And 2,000% Higher Click-Through' (2012)

7. Venture Beat 'In-App Ads: How To Get 20% Engagement And 2,000% Higher Click-Through' (2012)

8. Venture Beat 'In-App Ads: How To Get 20% Engagement And 2,000% Higher Click-Through' (2012)

07

How should developers use in-app advertising?

01 NEVER COMPROMISE ON THE PRODUCT

02 THINK ABOUT YOUR PORTFOLIO AND ALIGN EXPECTATIONS ACCORDINGLY

03 GET TO GRIPS WITH THE TERMINOLOGY – SKETCH OUT A STRATEGY AND STICK TO IT

04 MAINTAIN THE USER EXPERIENCE – THIS IS VITAL FOR SUCCESS

05 SELECT YOUR PARTNERS CAREFULLY

01 Never compromise on the product

Developers should keep in mind that the **single biggest** revenue generator for their business will be the app itself. Fortune plays its part; you'll need to be in the right place at the right time, meet the right people and catch the mood of the target audience. But a killer product is what will ultimately put you in the limelight and build your audience. Never lose sight of the quality of your product. It is **the** most important driver of success.

02 Think about your portfolio and align expectations accordingly

It is unlikely that in-app advertising alone will make anyone a millionaire. It should therefore be used as part of a money-making strategy with other business models. Naturally this means that a portfolio of apps would need to be developed and each app's role should be considered on its own while building a model that works for the whole portfolio.

“It’s difficult for an independent developer to make money from a paid download. Advertising is therefore a means to an end. But it’s a trickle, not a flood. Unless you’re developing a lot of apps or one app gets millions and millions of hits, you’re not going to be a millionaire”

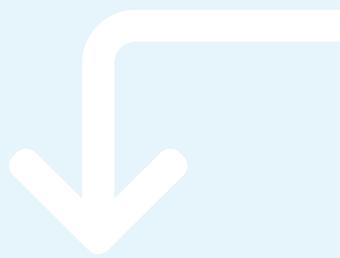
— John Cooper, Pyxis Ventures



03 Get to grips with the terminology – sketch out a strategy and stick to it

There is a multitude of different terms, metrics, formats and channels that anyone using in-app advertising will need to understand. Developers should treat in-app advertising as though they are about to enter a new industry – because this is in effect what they’re doing. Developers must make sure they understand these terms and the ways different metrics could impact their business – there are plenty of tips [here](#).

Having got to grips with everything, developers should create an in-app ads strategy that spans their entire portfolio. It is important to plan how much revenue is expected per month, through which ad slot and how many impressions are needed to achieve this. Once the strategy has been set out, performance needs to be reviewed constantly.



“Initiating rewards for the user is a way to drive engagement. We’ve seen very high rates of engagement with the users, with the best performing campaigns hitting 50%+. So people interact with the rewards and the customer is happy to receive this type of targeting and engage with the brand. The eCPM is also approximately four to five times the industry average of other monetization platforms. With banner ads this is much higher.”

— George Makkoulis, Avocarrot

04 Maintain the user experience – this is vital for success

Building a great app is the first step – remember, the app itself is the single biggest revenue generator – but maintaining a first-class user experience is quite another. If executed poorly, adding in-app advertising is one sure-fire way to destroy the overall user experience. For instance, when a user clicks on a banner ad, it will immediately take them away from your app. The user will have to claw their way back to the app to continue using it – if they can be bothered. Of course, the developer has just gained a little revenue to help develop their next app, but what use will that be if no one wants to use it?

Therefore, developers should choose the different types of advertising carefully and make them relevant to the app. Games with transition screens can include an interstitial ad while the user waits. Also, users could be rewarded for their participation in an ad campaign. For example if a weather app knows that the user has just awoken from a long night’s sleep and it’s a cold Monday morning, he or she could be presented with an offer for a free coffee on the way to work. This is relevant, engaging and positively reinforces the app experience.

05 Select your partners carefully

Most advertising networks provide a competent, reliable and efficient service. However, each has its own strengths and weaknesses and it is important to choose the best provider for a particular business strategy. When choosing their ad network, developers should consider:

- **Is the solution multi-platform?** Developers today are generally multi-platform publishers and will be expecting a service that will help them to earn across different platforms.
- **Is the solution transparent?** Developers should look for providers that are upfront about their fill rates and the services they offer. There is nothing more frustrating than a provider who promises the earth but delivers much less.
- **Is the solution truly global?** The app industry offers global opportunities to developers who can be sat in their living rooms and making money from the other side of the world. But to do this, the network has to understand the mechanics of the global marketplace. Ads must appeal to the users wherever they are to get them to click. A truly global network will provide ads that speak the right language.
- **Does the solution provide data analytics?** Developers need to know where their money is coming from. A solution that provides the analytics behind the ads is critical to measuring whether or not a strategy is working.