

Are Mobile Apps The Salvation Of The Publishing Industry?

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3 principle strategies for traditional publishers entering the smartphone app market research2guidance, by Zena Cherop and Ralf-Gordon Jahns

One of the consequences of the advent of the internet and free online content was the steady decline in revenue that the traditional print media sector has experienced in the last decade.

In the first years of the new century the internet offered opportunity, with publishers expecting a growing revenue stream from the sale of online content and ad sales.

The fact has been sobering â€“ because of the glut of free content available online consumers have demonstrated a resistance to paying for information freely available on the internet, and hence the challenge of generating revenue in the digital age has become a genuine issue for publishers.

Although significant investment in building up online business has been made, in most cases this has not compensated for the loss of business caused by the decline in print and print advertising sales.

Following a decade of the initial hype around the online market, there is a new hype, this time around the mobile market and the opportunities for content delivery offered by mobile applications. This has been instigated by the new generation of smartphones, tablet PCs and the new distribution platform, the app store.

The following table shows potential business models, publishers can apply for their market entry.

The opportunity for publishers to create genuine and important new revenue streams by delivering content to mobile screens rather than via the web is much greater, however. Here we present just three arguments that indicate why:

1. Itâ€™s a paid environment: The primary distribution platforms for mobile apps are stores rather than open platforms like the WWW. Every user has to set-up an account and provide payment information before they can enter the store.

In a store it is normal to find price labels and to pay for the things you want. Nobody would expect to get a free copy of the WSJ at a normal kiosk, and therefore users expect to pay for it in the app store kiosks. There are free apps in the app stores, but nonetheless paid apps represent between 10%-20% of all downloads.

2. Mobile business models are similar to traditional publisher models: Traditional publishers are well prepared because the business models of todayâ€™s app stores are a 1:1 copy of traditional publisher business models. No one has to explain how subscription works or how to up-sell in a content-based environment. (see table)

3. Traditional publishers have great content for users on the go: What a great thing to be able to get the latest news while you are moving or to be shown the best second-hand bag in a classified ad section when you are very close to the seller. The content is instant and convenient and only needs to be brought to the small screen.

On the other hand publishers face some barriers which must be understood to avoid failure when incorporating these new models.

First of all the market is still too small for regional content. Currently mobile apps are being used by more than 100m users worldwide. Despite the hype, it is still a small market for most countries apart from the US.

As most publishers concentrate on a single country or region, the addressable market/user base does not support a fast return on investment. Today, for a major app country (not including the US), a paid app exceeding 100,000 downloads is a great success. But these few successful apps still donâ€™t generate more than a â‚¬50,000 revenue stream for the publisher, where the retail price is â‚¬0.79. This is far from the expectations which have been raised by the hype.

This means that despite the hype specifically around the iPhone and iPad, for 99% of all publishers the development of the app business is not a quick win and needs, not surprisingly, at least another 3 years to show significant returns.

Because of these figures some of the traditional publishers have given their mobile app projects a low priority and postponed their activities. Management of expectations is key to not losing faith in the mid-term potential of the market, indeed it is essential in becoming successful in this market.

Secondly there is great temptation in re-using the web content a publisher already has. Looking at the apps published by newspaper and magazine publishers, we can see that most of them are just re-using web content and in most cases the results are disappointing and not only because of the arguments presented above.

It is no big news that usage behavior on the move is different than when stationary, such as when reading a paper or sitting in front of a PC. Furthermore the capabilities of smartphones and tablets, having additional features such as Instant photo and video, accelerometer, augmented reality, voice and navigation and many more, greatly differs from PCs or paper copy. People pay for these features and they expect to a certain degree that apps incorporate them. People pay for these features and they expect to a certain degree that apps incorporate them.

So what are the 3 main strategic options for traditional publishers:

Assuming that the new market has great potential, growing from 100m to almost 1bn users by the end of 2013, we see three main strategies that traditional publishers should follow when entering the mobile app market:

1. Be bold and amongst the first: International publishers of newspapers and magazines as well as national publishers in the USA, Germany and UK should follow a first-mover strategy. The re-use strategy will work in the beginning. Users will pay for The Wall Street Journal's or The Guardian's content to gain easy and convenient access while on the move. In this early phase the biggest challenge is educating the users to pay for the service right from the beginning.

The second step is to use the international visibility to up-sell additional content and service features or drive traffic to the mobile web page. The first-mover strategy should also include the active development of a multi-platform distribution strategy to gain reach, a dominant market position and experience the first mover increase in download numbers.

2. Be smarter and innovative: National publishers in other countries and regional publishers in the advanced markets should concentrate on the Apple platform because of its highest reach today. Their app offering should be more specifically designed to meet the needs of mobile users, rather than bringing their online format to the mobile screen.

Single purpose apps like a football team app, local search app, special interest apps e.g. fitness, health or music apps should be carved out of the existing content. Whenever possible the global market should be targeted.

3. Become a "normal" app publisher or wait and see: All other publishers must either have an app developer which is a 100% demand oriented and run the business as separate (publishing apps which might not even use current content) or execute a follower strategy over the next 1-2 years by copying the business models which work at the time the market reaches its peak.

These strategic options are only the framework for any company-specific market entry plan.

research2guidance runs workshops for publishing companies to evaluate their specific market entry options and to develop the strategy implementation plan.

For more information please contact info@research2guidance.com or call +49 30 60 989 3363.

What do you think. Do you have any best practice examples in the industry?

Please see also our market report about the Smartphone Application Market Trend and Figures 2010-2013. <https://www.research2guidance.com>

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