



# 10 ways that free messaging apps monetise

Mark Watts-Jones

August 2013

@MWJ



# This slide deck is a companion piece to a fuller blog post which contains all sources

<http://wattsjones.org.uk/post/61010619439/>

wattsjones.org.uk/post/61010619439/messagingappmonetisation

## MOBILE, MESSAGING AND MARKETING

This blog is mainly about mobile messaging apps (as that's what I work on) but there's also stuff on mobile, marketing and growth.

The blog is written by Mark Watts-Jones, Director of Product for Myriad Group, where I lead the development of large scale consumer mobile messaging apps.

I used to work for Orange and Everything Everywhere and still have an interest in mobile operators.

I like cycling, mobiles, cider and small dogs, not always in that order.

Boring disclaimer: these are my views only, not those of

### 10 ways that free messaging apps are monetising









Free messaging apps didn't have a business model until along came stickers and games platforms. This post looks at the options for messaging apps to monetise.

	Kik	KakaoTalk	Tango	Nimbuzz	Viber	LINE	WeChat	WhatsApp
Paid for/Subscription	No	No	No	No	No	No	No	Yes
Advertising	No	No	No	Yes	No	No	No	No
Stickers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Sponsored stickers	No	Yes	No	No	No	Yes	Yes	No
Official accounts	No	Yes	No	No	No	Yes	Yes	No
Content merchandising	No	No	No	No	No	Coming soon	No	No
Other content – filters, themes...	No	Yes	No	No	No	Yes	Yes	No
Platform SDK incl in-app purchases	Yes	Yes	Yes	Limited	No	Yes	Yes	No
Commerce incl payments	No	No	No	No	No	Coming soon	Yes	No
Music	No	No	No	No	No	Coming soon	No	No



# Here's a quick bit of background...

# The free messaging app market is growing very rapidly and there's a lot of competition out there

App		Downloads	Monthly Active users
Kik		80m	
KakaoTalk		100m	
Tango		130m	
Nimbuzz		150m	
Viber		200m	
LINE		230m	
WeChat		300m	
WhatsApp			300m

But they're often doing very similar things, with similar features

Sources: Various, correct at August 2013

# WhatsApp dominates many countries – with some exceptions



WhatsApp

- UK
- Europe
- Latin America



WeChat

- China



LINE

- Japan



KakaoTalk

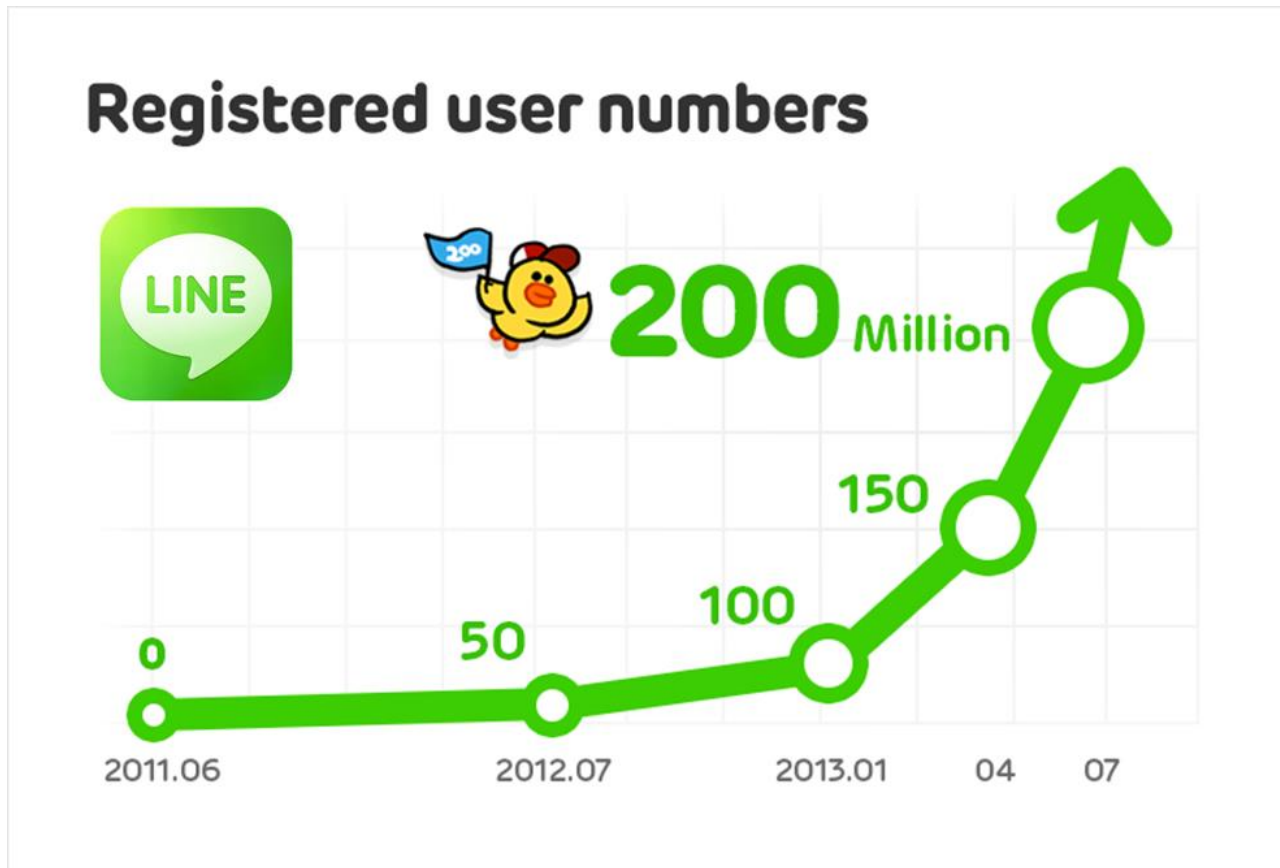
- Korea



		FB Msngr	KakaoTalk	LINE	Pinger	Skype	WeChat	WhatsApp
Anglo		13%	1%	1%	8%*	16%	1%	9%
		18%	1%	-	-	23%	2%	18%
		15%	-	-	-	23%	-	46%
		20%	2%	4%	-	27%	4%	22%
Latin America		29%	-	12%	-	51%	-	91%
		33%	-	-	-	35%	-	83%
		28%	-	9%	-	59%	-	91%
		31%	-	10%	-	32%	-	90%
Europe		31%	-	1%	-	23%	-	90%
		13%	-	57%	-	23%	-	98%
		20%	-	1%	-	24%	-	18%
		34%	-	3%	-	24%	-	90%
E. Asia		-	2%	12%	-	15%	79%	17%
		22%	3%	41%	-	21%	45%	95%
		18%	10%	69%	-	35%	-	7%
		6%	94%	11%	-	8%	-	2%

Data: market share (reach) of iPhone apps in selected countries during May 2013.  
\* Pinger doubles its market share and jumps to the lead in the US when factoring in all iOS devices (iPhone, iPad, iPod Touch)

# But this doesn't mean that all is over for WhatsApp competitors



- In July 2013 KINE announced 230 million users!

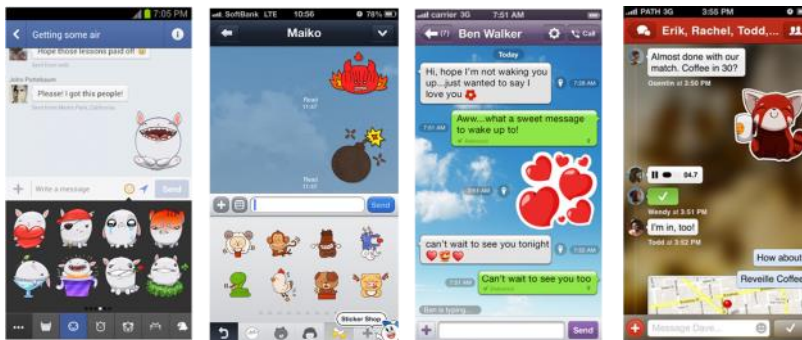
<http://en.lineblog.naver.jp/archives/30767259.html>

# Building a large community creates lots of different revenue generating opportunities

	Kik 	KakaoTalk 	Tango 	Nimbuzz 	Viber 	LINE 	WeChat 	WhatsApp 
Paid for/ Subscription	No	No	No	No	No	No	No	Yes
Advertising	No	No	No	Yes	No	No	No	No
Stickers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
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Music	No	No	No	No	No	Coming soon	No	No
Call termination	No	No	No	Yes	Limited trial	No	No	No

# Although the primary routes to monetisation in the market are becoming clearer

Stickers are now minimum requirements for messaging apps



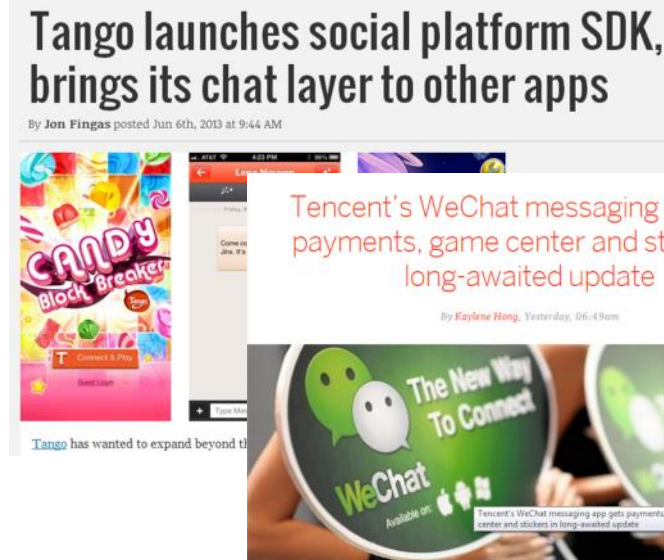
Facebook

LINE

Viber

Path

And messaging apps are following with their own 'platform' SDK's



<http://www.engadget.com/2013/06/06/tango-launches-social-platform-sdk/>

<http://thenextweb.com/asia/2013/08/05/tencents-wechat-mobile-messaging-app-gets-payments-game-center-and-stickers-in-long-awaited-update/>





# ...which can earn a lot of revenue (in the 'right' market, with the 'right' solution)

## Example LINE:

- Total revenue in Q2 13 \$101m
- In-game purchases contributed \$53m
- Sticker purchases \$27m

In-app purchases in games

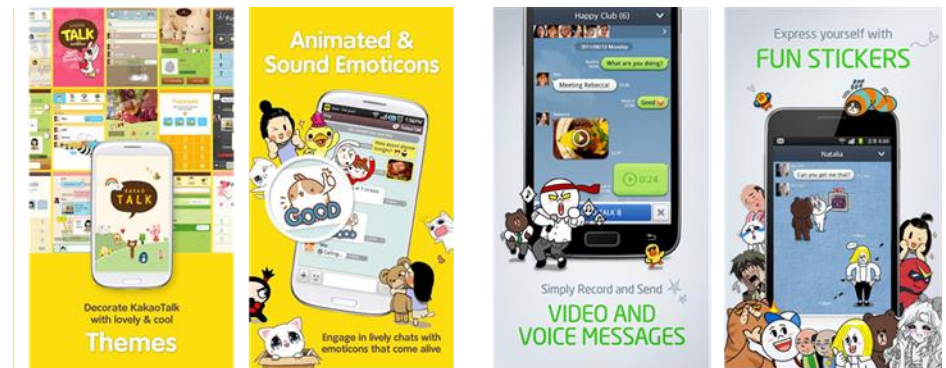


Line Pop took 3 days to hit 1 million users - the fastest ever

## Example KakaoTalk:

- Revenue from games H1 2013 \$311m

Sticker, wallpaper and content sales



KakaoTalk

LINE



...and, of course, lead to very high valuations for the apps themselves

The image shows three overlapping screenshots of news articles. The top screenshot is from Mashable with the headline "Google Rumored to Be in Talks to Acquire WhatsApp For \$1 Billion". The middle screenshot is from TechCrunch with the headline "Path Is On The Path To New Funding, Approaching \$1B Valuation" and includes social media sharing buttons for Comment (107), Like (372), Tweet (532), Share (155), and +1 (69). The bottom screenshot is from Forbes with the headline "In Less Than Two Years, Snapchat Is An \$860 Million Company" and includes social media sharing buttons for 607, Share, and 1.6k.

\$1 billion+

# But as most apps aren't going to get bought they have to start earning some cash...



- The following slides look at 10 ways that messaging apps can monetise

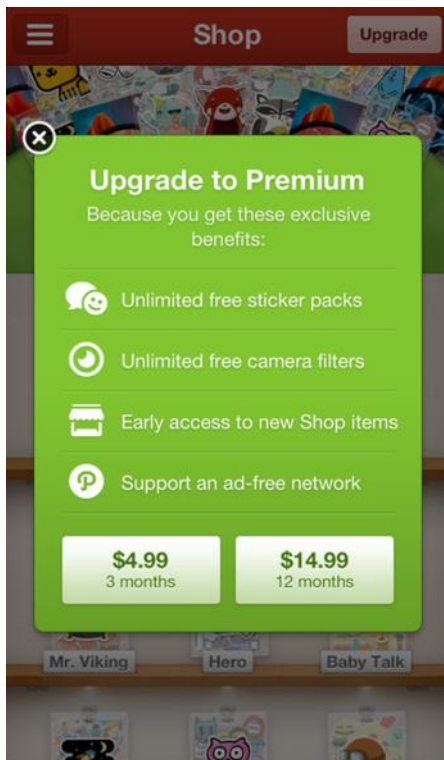
# 10 ways that free messaging apps monetise

# 1. Paid for/Subscription – charge for access or offer a recurring subscription



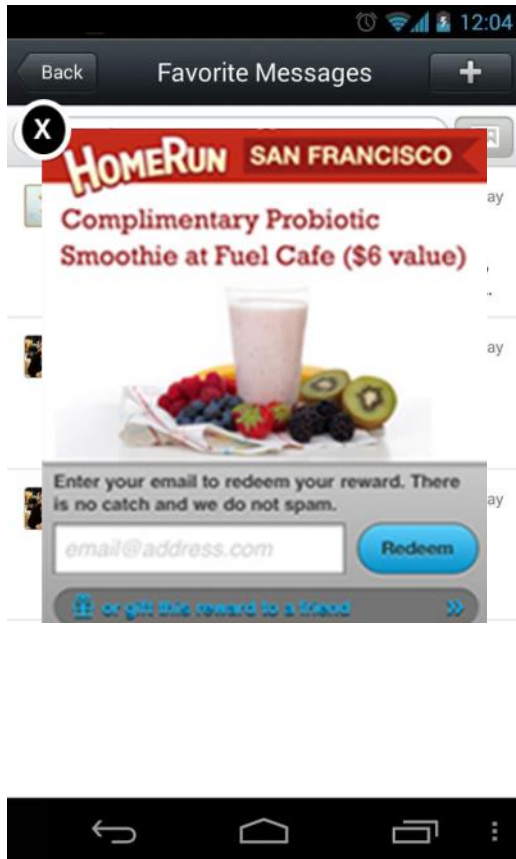
- Of the leading messaging apps WhatsApp is unique in charging for access...although they now offer the first year free, with subsequent years costing \$0.99
- Path offer a premium subscription ad-free with unlimited stickers and filters
- The only reason WhatsApp can charge is they're market leaders and any other apps following their lead will likely fail

Path



<b>Difficulty:</b>	1/10	<b>Revenue:</b>	WhatsApp 5/10
			Anyone else 0/10
<i>Works for WhatsApp but won't for anyone else. Avoid.</i>			

## 2. Advertising – display, banner or inline advertising



*Example only*

- Most of the top messaging apps exclude advertising from their messaging features believing that such advertising adversely affects the user experience
- And who can argue with that – messaging apps are for messaging, not viewing adverts
- Either way the market leaders WhatsApp don't include advertising so anyone who does is going against the market



<b>Difficulty:</b>	2/10	<b>Revenue:</b>	3/10
<i>Might make a few \$'s but likely to annoy your users so tread carefully</i>			



# 3.1 Stickers - pictures, sometimes animated, that are exchanged by users within chats

In August 2013 LINE, KakaoTalk, Viber, Tango, Kik, Facebook Messenger and Path all offered stickers



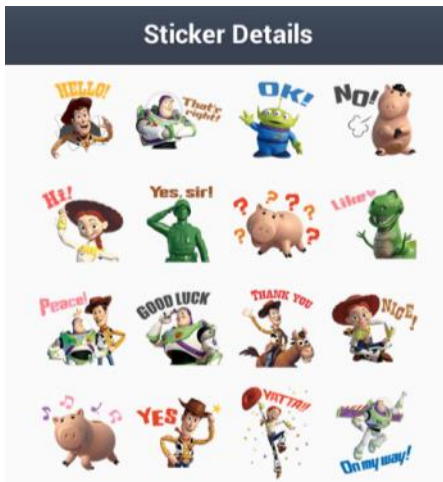
- Stickers are small, visually rich, often cartoony images used by users to embellish their chats - to express emotion or to represent how they feel
- Come in 'packs' of up to 20 and can be downloaded and used within one-to-one or group chats
- Free stickers drive awareness and encourage usage with the hope that users become premium stickers users

<b>Difficulty:</b>	4/10	<b>Revenue:</b>	9/10
<i>The only business model so far and users seem to like them so it's a win/win</i>			

## 3.2 Premium stickers – stickers that users pay for

In July 2013 LINE are earning \$10m per month from stickers alone

LINE



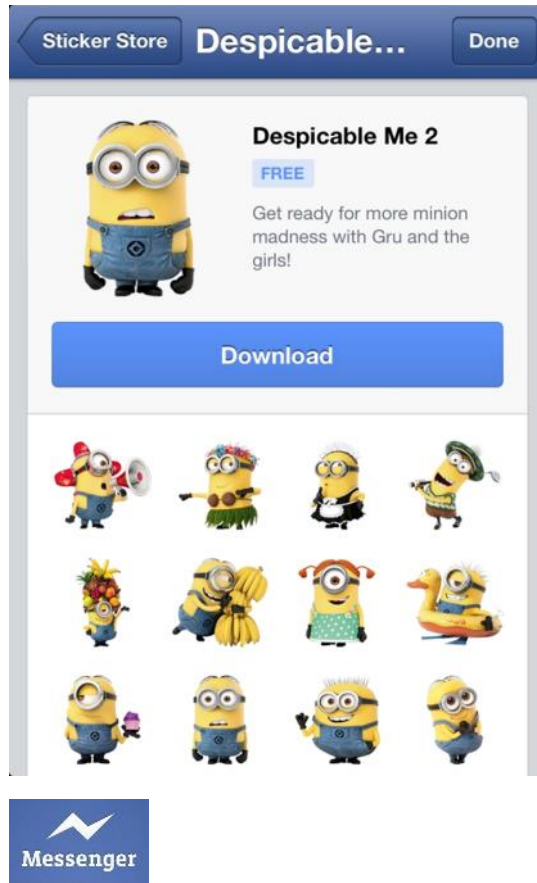
Path



- Premium sticker packs are priced at around \$2 per pack
- Premium stickers are often a mixture of:
  1. Apps own-produced content  
(see 6 Content merchandising)
  2. Content from established producers such as Disney or Sony
  3. Smaller providers who produce bespoke content especially for the app  
(Path have particularly good examples)
- Content in 2 and 3 are sold on a revenue share basis – no risk, some reward



## 4. Sponsored stickers – enable brands to offer free stickers – in exchange for a fee



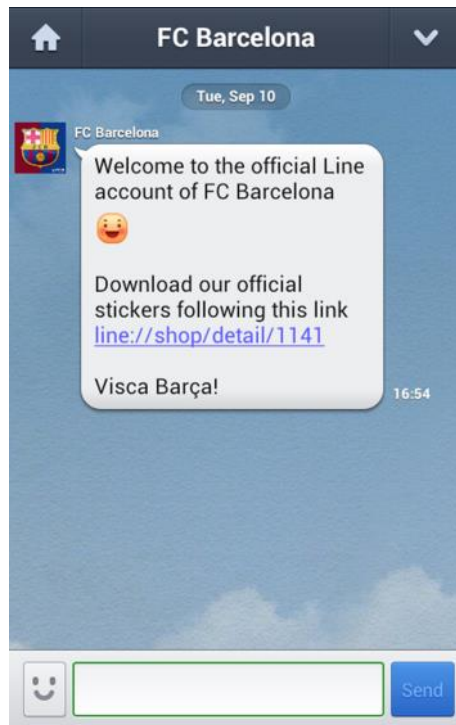
- Straightforward extension to stickers
- Enable brands to get users to do the content sharing for them
- Works well for music artists, movies or other mainstream digital content where users genuinely want to get their hands onto content
- Messaging apps can monetise with:
  1. Charging for access to users
  2. Payment per download
  3. Payment per message

<b>Difficulty:</b>	4/10	<b>Revenue:</b>	3/10
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*Needs large user base for brands to be interested.  
Won't make massive money as only so much you can give away.*

# 5.1 Official accounts – give official accounts direct access to users

Brands, celebrities and merchants can connect, exchange messages and share content with users



- Brands can take advantage of the closeness of the relationship to the user by including prizes, media, exclusive news, offers, coupons or discounts
- Several ways to monetise:
  1. Pay to create official accounts
  2. Pay for promotion of official account
  3. Pay per engagement e.g. per contact added, per message exchanged, per content downloaded
  4. Sponsored content

<b>Difficulty:</b>	6/10	<b>Revenue:</b>	4/10
<i>Needs large community for brands to be interested and will require a lot of admin. High risk if official accounts start spamming their followers</i>			

LINE



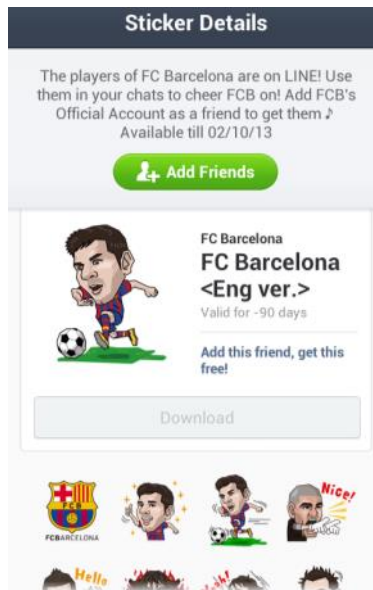
## 5.2 Official accounts – WeChat and LINE examples

WeChat



- WeChat users can add brands or celebrities via their user ID or using a QR code reader built into the app

LINE




- LINE have brought together official accounts and sponsored stickers in their promotion of FC Barcelona
- Users download a free Real Madrid sticker pack in exchange for adding Real Madrid's official account as a contact

# 6. Content merchandising – sell spin-off merchandise e.g. toys, clothing, games...



- Merchandising isn't going to be an option for every messaging app but for the one's creating their own characters licencing them for merchandising may well prove to be a highly lucrative move
- In July 2013 sales of LINE character goods already accounted for \$40m in sales

**Sticker Details**



LINE  
**Brown & Cony's Secret Date!**  
No Expiry Date

100  
My Coins: 0

Send as a Gift    Purchase

<b>Difficulty:</b>	7/10	<b>Revenue:</b>	9/10
<i>Apps need to create and own the character IP. Licencing can make approach easier. Will earn huge revenue or none at all!</i>			

**LINE**

# 7. Filters, wallpapers, themes and other content



- With stickers having finally demonstrated a business model that works expect to see more content e.g.
  1. Wallpapers
  2. Filters
  3. Themes
- Whether this works or not depends on the implementation - there's more to success than shoving content down a user's throat but stickers have proven that at least some users will pay so expect more content

<b>Difficulty:</b>	3/10	<b>Revenue:</b>	3/10
<i>Once content store is built it's not hard to add new content although revenue likely to be less than stickers.</i>			

# 8. Games platform SDK and in-app purchases – open up platform to games and other apps



- Platform SDK's enable users to:
  1. Discover and download games/other apps
  2. Play against each other
  3. Share results and leaderboards
- Revenue comes from in-app purchases of virtual items and extra's like coins, levels, tips, boosts or anything that the user needs to progress in the game
- Games can be produced in-house like LINE and some of KakaoTalk or through partnerships

Apps with games platforms:



<b>Difficulty:</b>	6/10	<b>Revenue:</b>	10/10
<i>Needs large user base. Quality of games vital. Unless developing in-house needs good relationships with developers.</i>			





# 8. Games platform SDK and in-app purchases – impressive results



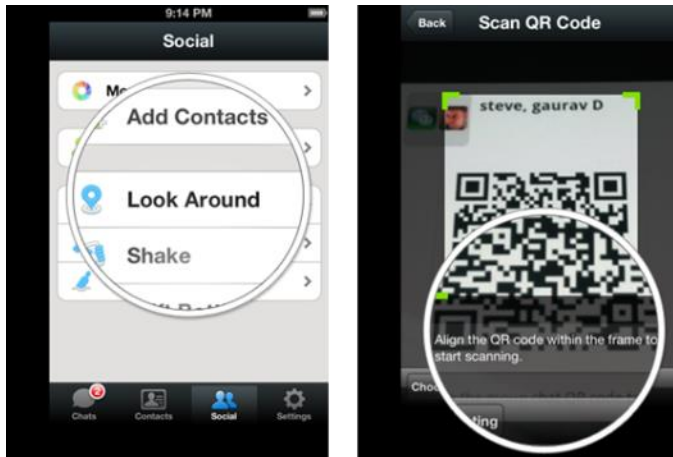
LINE



- LINE's games platform
  1. Contributed 53% (\$53.7 million) of their revenue in Q2 2013
  2. Earned \$26m per month in July 2103
  3. Line Pop now has 32 million downloads and \$43m total revenue
  4. Line Bubble has 25 million downloads and \$19m total revenue
- Korea's Kakao Talk revealed some impressive statistics about the games on their platform:
  1. \$311m revenue in H1 2013
  2. 30 million users have played at least one of their 180 titles
  3. 400 million+ downloads



# 9. Payments – connect bank/credit card, pay for items from within app



- China's WeChat has the most advanced approach to payments:
  1. Enables user's to connect their credit/debit cards so that they can [make purchases from within the app](#)
  2. WeChat QR code scanner has been updated so it can read product barcodes, allowing users to scan barcode and pay for the product from within WeChat
  3. Official accounts can use their messaging to push offers and vouchers based on location directly to a user

WeChat

<b>Difficulty:</b>	10/10	<b>Revenue:</b>	2/10
<i>Big opportunity but requires massive scale, huge admin resources and revenue will arrive in med/long term</i>			



# 10. Music – stream music within the app, with links to full track download?



LINE

- LINE Music announced for “Fall 2013”
  - Included in LINE’s basic functions (not a separate app)
  - Listen and share with friends
  - Available outside the country as well.
- How easy it is to deliver music remains to be seen as requires support of the record labels
- Playing song snippets and pushing users to pay for a full track download doesn’t seem that interesting for users

<b>Difficulty:</b>	7/10	<b>Revenue:</b>	2/10
<i>Complicated to achieve and requires support of record labels. Returns may be small initially especially if users unwilling to subscribe or purchase tracks.</i>			