

May 22, 2020, 07:20am EDT

Mobile App Monetization Part 2: Revenue Generation Models



Boris Kontsevoi Forbes Councils Member

Forbes Technology Council COUNCIL POST

[Boris Kontsevoi](#) is a technology executive, President and CEO of [Intetics Inc.](#), a global software engineering and data processing company.



In my previous [article](#), we defined 11 revenue generation models and explained paid apps, in-app purchases and brand sponsorship. This time, let's focus on in-app advertising and merchandise.

In-App Advertising

Advertising provides the most revenue for gaming and nongaming apps alike. That should come as no surprise because through this model users can interact with your app for free, which means that you can grow a large user base and get more people to see relevant offers from a variety of advertisers.

Absolute Market Insights provides another interesting observation-and-projection perspective. According to its research, the market of in-app advertising was [more than \\$66 billion](#) in 2018. The forecast for 2027 indicates it is likely to reach approximately \$472 billion, increasing at an estimated CAGR of 24.4% throughout the forecast period.

As for the diversity of industries that can be successfully marketed through in-app ads, consider this recent study by Drum and Smaato. Although [10% of in-game ads](#) are placed in mobile games, the white paper says most in-game advertisers are digital entertainment platforms, retail stores, FMCG brands and auto manufacturers.

In-app ads are different in their format and type. Check out the following six varieties.

1. Interstitial ads: Interstitial ads are designed as natural steps in a user journey throughout the app. They are most relevant for apps that are built upon linear user experience, such as Uber. It takes several steps to order a cab, and you can insert a full-screen ad as one of these steps. According to an AdColony study, interstitial ads perform slightly better than in-app purchases, with ratings of [3.5 versus 3.4](#).

However, this ad type is not considered user-friendly for utility apps like flashlights. In this case, banner ads are a better choice. Google punishes [apps](#) that impair user experience with intrusive overlays by [ranking them lower](#) in mobile search results.

2. Banner ads: Banner ads have been around for decades. Initially used on websites, they expanded to mobile app layouts and remain one of the most efficient ad formats.

As users interact with an app, an ad banner stays within their eyesight, allowing them time to consider whether it is something worth clicking or not. In time, the banner switches to another ad.

3. Video ads: Video is today's most popular ad format. Hackernoon found recently that video made up [60%](#) of mobile advertising for 2019.

According to InMobi, video ads boasted [double the click-through rate](#) (CTR) of native ads, and 10 times the CTR of banner ads in Q1 2019. And the trend has been upward lately: In Q1 2019, video ads achieved 3.16% CTR on average, compared with 0.26% in

Q1 2018. InMobi also noticed completion rates of about [80%](#) and viewability of 91% in Q2 2019.

At the same time, video is a format that can be utilized through different ad types. The previously mentioned survey by AdColony indicates that publishers estimate rewarded video ads and interstitial video ads as the most efficient, rating them 4.6 and 3.7, respectively.

4. Native ads: Native ads are the most creative way of promoting a product or service to app users. Users may not even be aware that they are being targeted by advertising as they come across a native ad. It is typically introduced into UI components in the most unobtrusive way, and it serves a concrete purpose.

Here is an interesting story that shows how this works. A staff member at Adweek was swiping through Tinder, when he matched with a 25-year-old woman named Ava. After a conversation with Ava, he discovered that she was, in fact, [a bot promoting Ex Machina](#), a sci-fi thriller by Alex Garland.

Another interesting example of native in-app advertising is how brick-and-mortar businesses [paid to place PokéStops](#), important points in the Pokémon Go game, at their locations to drive foot traffic.

5. Rewarded ads: Rewarded ads encourage users to interact in exchange for rewards such as in-app currency, items or features. These ads can be presented in various formats including video, a full-screen banner with a CTA, or even a demo version of the product (game or another app).

Rewarded advertising is best for gaming apps, as an alternative to in-app purchases. According to Tapjoy, [76% of mobile gamers](#) in the US prefer opt-in rewarded ads, while only 24% are more comfortable with mandatory ads.

6. Text ads: Just like video, text ads are more a format than an independent advertising model. Some banner ads feature plain text, and sponsored posts on Facebook are also based on this medium. The average cost per click in one of the two biggest online advertising platforms, Google AdWords, is between [\\$1 and \\$2](#).

Merchandise

You can make money with your app by selling branded T-shirts, stickers, backpacks and other items, or selling the rights to other companies to do that for you.

This monetization model is relevant only for apps that are based on a brand that has a substantial, loyal following like Pokémon Go and Angry Birds.

However, this idea can propel you to invest more effort into brand building with your app and securing your proprietary rights. If and when your product gains enough traction to increase the demand for merchandise, you will benefit immensely.



Boris Kontsevoi

President & CEO

Intetics Inc.

Naples, Florida Area

Member Since 2018



Boris Kontsevoi is a founder and President of [Intetics Inc.](#), a leading global software engineering and digital transformation company. Under his leadership, a group of software engineers developed into a truly global technology company with multiple professional certifications and industry awards, including the Global Outsourcing 100, Software 500, and Global Sourcing Association best of class company.

COMPANY INFO

Intetics Inc.



INTETICS MEANS YOUR SUCCESS

Toll Free: +1 (877) SOFTDEV

US: +1 (239) 217-4907

DE: +49 (211) 3878-9350

UK: +44 (20) 3514-1416

Email: contact@intetics.com