

INMOBI

# 2019 Report:

**Predicting the Future  
of In-App Advertising  
and Monetization**

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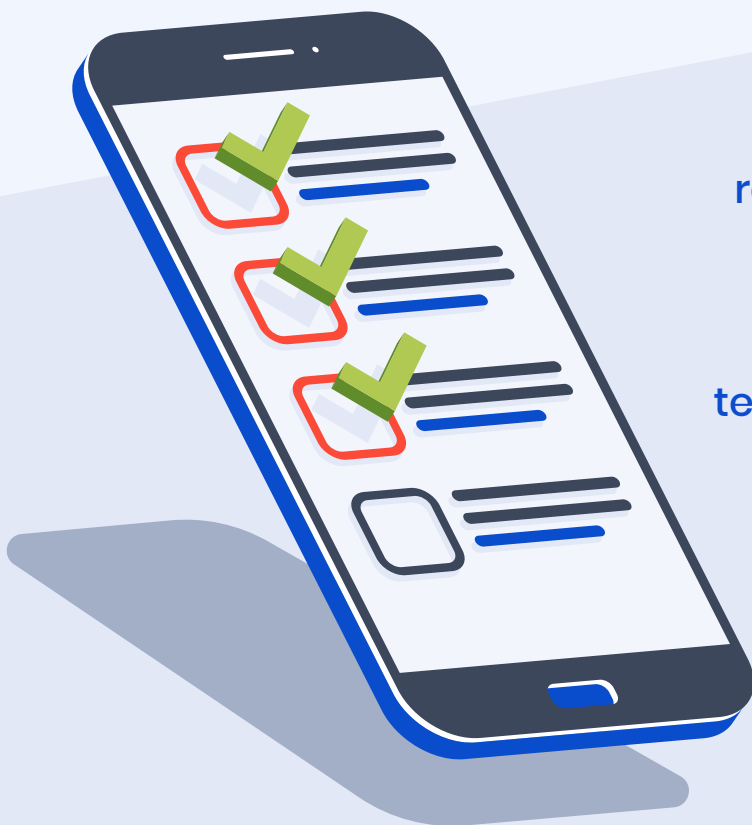
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About InMobi

# Introduction

What is the current state of mobile app monetization and in-app advertising today? What are app publishers and developers doing (or not doing) to earn ad revenue?

Last year, we embarked on a first-of-its-kind effort to see how in-app header bidding was impacting the mobile app monetization space. While header bidding had already revolutionized advertising in the web world, we wanted to determine out how it was being embraced in apps. To find out, we turned to the experts and asked the app publishers themselves.



In our 2018 report, our survey revealed that many app publishers were not yet embracing in-app header bidding; in fact, many held misconceptions about the technology and its potential impact.

# Introduction

Have those opinions changed in the past year? And, how are app developers and publishers thinking about revenue from a per-user standpoint? How are apps determining advertiser affinity towards specific sets of users? What steps do they take to understand more about the behavior of users outside of their own app ecosystem?

To find out the answers to these questions, we again surveyed scores of app publishers, developers and others in the ad monetization space to uncover their true opinions on mobile ad tech, mobile app monetization, in-app header bidding, ARPU (average revenue per user) and many other topics.

Our 2019 survey revealed that little has actually changed in the world of mobile app monetization. In-app header bidding has yet to be widely adopted, and many publishers are clinging to legacy monetization methods that are hindering their bottom line. As our research shows, there's a lot more app publishers could be doing to improve ad revenues and better understand the unique segments within their user base — and build a stronger monetization strategy combining the two.



# Introduction

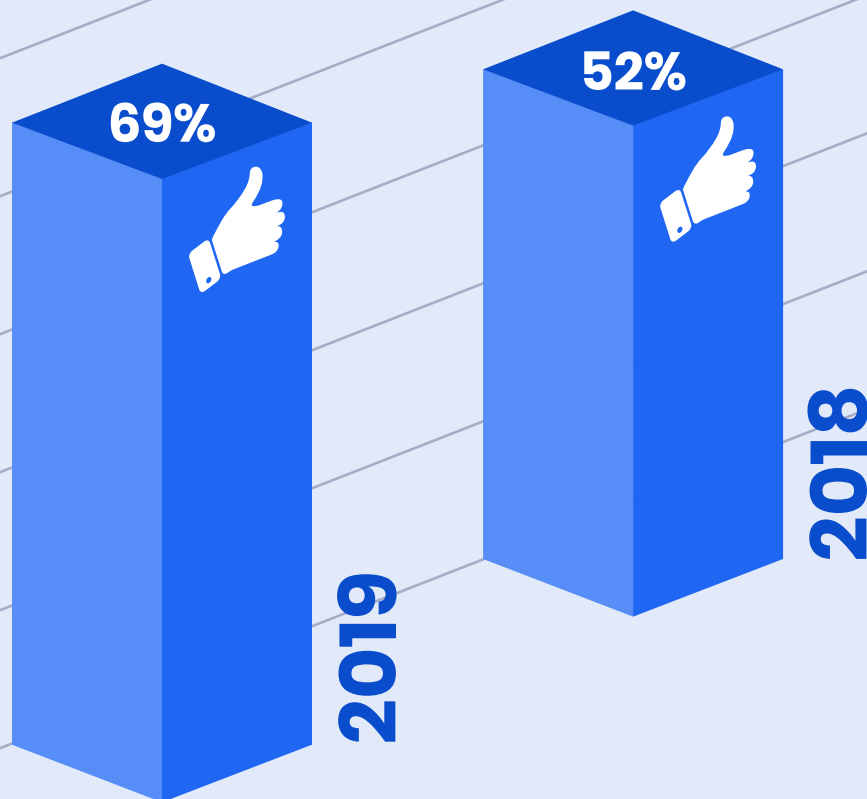
## Survey Methodology

We solicited the direct feedback of 83 app monetization and in-app advertising professionals, 81% of whom were app publishers. They were asked 21 questions about a variety of topics relating to in-app header bidding, ARPU and monetization. The digital survey was conducted in June, July and August 2019, and the survey was promoted via email and social media. Ten survey respondents were randomly selected to win a prize. Not all survey participants answered every question.



# Current State of App Monetization

Overall, over two-thirds of app publishers polled said they have a mediation solution, up from around half last year. This shows that they are getting smarter about how they are managing their ad partners.



**Q: Do you currently have a mediation partner?**

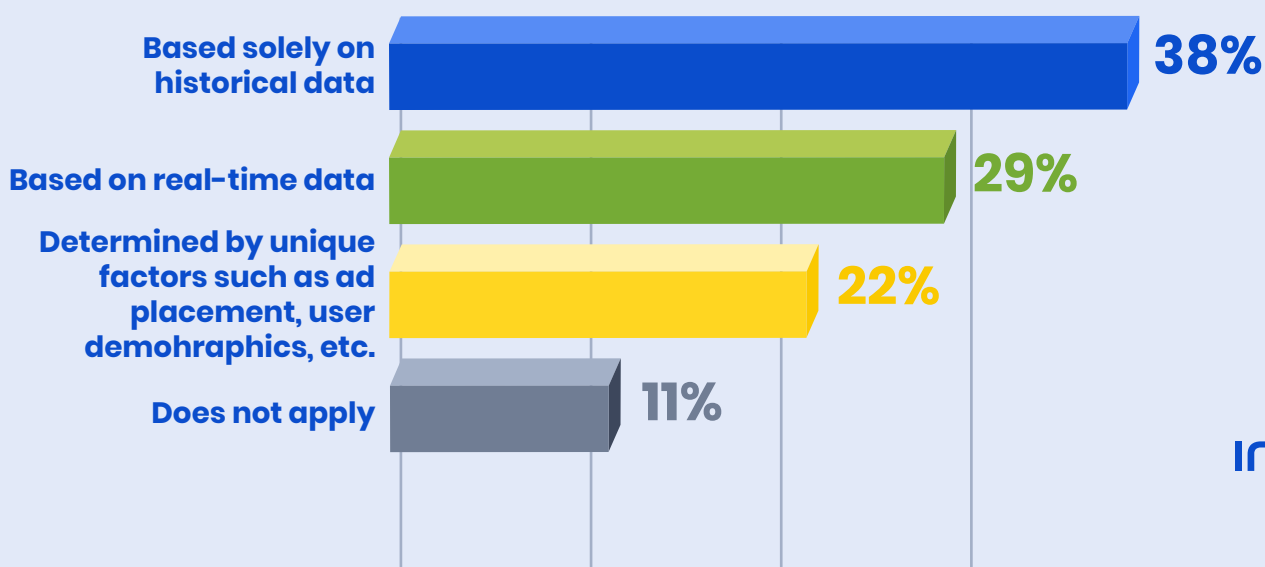
# Current State of App Monetization

How are apps making money today? Our research revealed that many app publishers and developers are still relying on legacy monetization methods.

**Among the app publishers surveyed, 65% of them said they use waterfalls.** This is up from last year, when 57% of respondents said they were using waterfalls.

Among those using waterfalls, 29% said they use real-time data to determine ad prices/eCPMs, while 22% said they use unique factors such as ad placement, user demographics, etc. And the percent who said they use historical data here fell from 56% last year to 38% this year. This is all good, as it means that app publishers are at least beginning to improve the efficiency of their waterfalls.

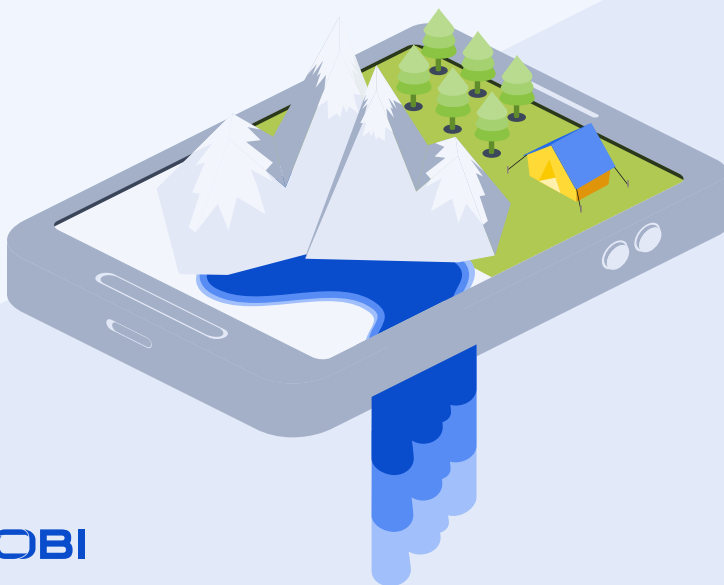
## Methods of determining ad prices/eCPMs



# Current State of App Monetization

So what do these waterfalls look like? Last year, 61% said their waterfall ad call order is based on historical data. That figure actually went up in 2019, to 80%. This is far from ideal, as historical conditions often are inadequate at determining which participants within the waterfall are actually willing to pay the highest price for that particular ad placement opportunity. By not using real-time data and conditions within their stacks, app publishers are leaving money on the table.

In some cases, specific ad networks in the waterfall might have access to better user segmentation that demand-side partners can leverage to target users. Depending solely on historic pricing deprives publishers of the opportunity to leverage unique and custom user insights that can bring in more demand.





# Current State of App Monetization

## Challenges Around Monetization and ARPU

Unfortunately, publishers are still dealing with inefficient ad monetization, while also testing solutions to increase the ARPU. Plus, the lack of platforms that offer a comprehensive solution to these challenges multiplies the concern, as seen in the responses.

For example, the share of respondents who said they **use a single ad network for all of their ad monetization needs went up from 14% last year to 17% this year**. And, the share of respondents using RTB (real-time bidding) went from 43% last year down to 36% this year.

Another major issue uncovered was around ad load times. The longer it takes for an ad to load the less likely someone is to see it, let alone click on it or interact with it.

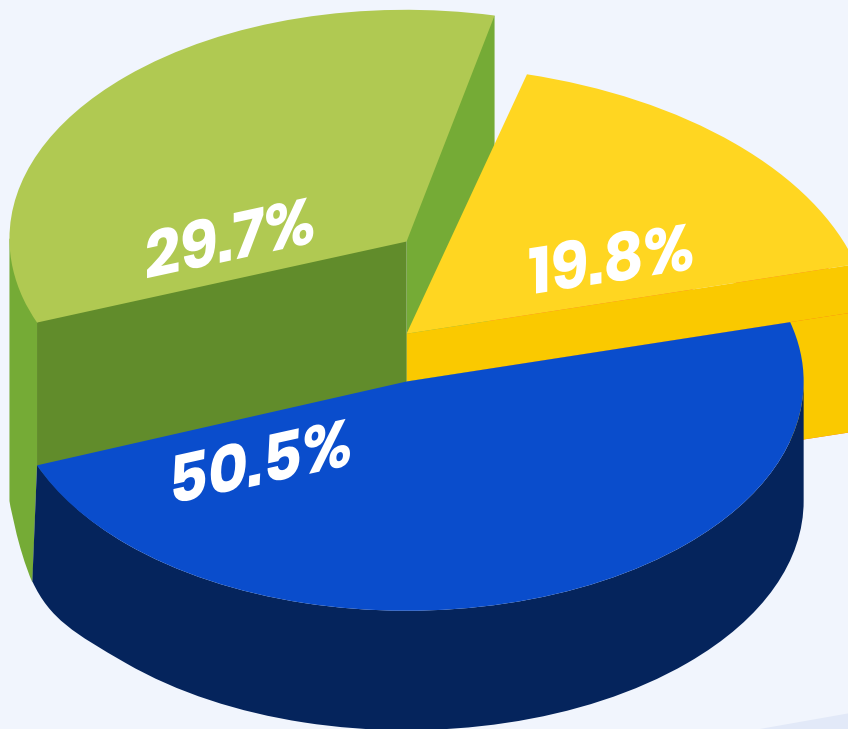
Both this year and last year, **30% said it takes about two seconds or longer for an ad to load**. This might not seem like much, but it is a very long time for a fast-moving media like mobile. After all, someone can easily check their weather app, transit app, traffic app, etc. and get all the information they need before the ad even has time to appear at all.

# Current State of App Monetization

● More than 2 seconds

● Between 1 and 2 seconds

● Less than 1 second



**Time it takes for an ad to appear in-app once the first ad call goes out**

These issues partially help to explain why many publishers are not solely reliant on ads for monetization. Close to half said they offer in-app purchases, while 29% charge to download the app and 23% charge subscription fees.

While in-app ad revenue is growing strongly, it is along with a healthy mix of in-app purchases/subscriptions, especially given their inefficiencies around ad monetization.

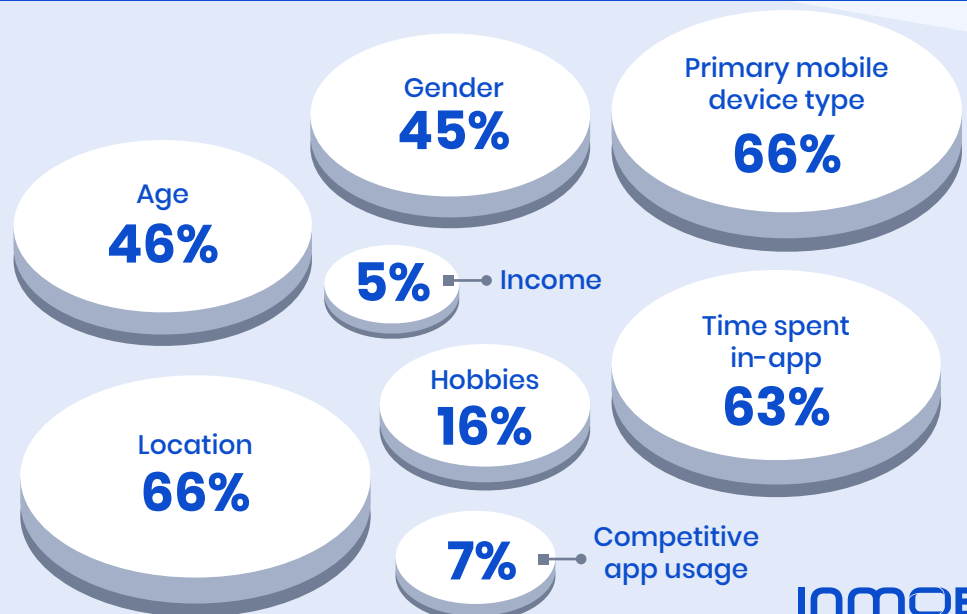
# Current State of App Monetization

## A Lack of Access to High Quality User Insights Hindering Publishers

There's also an overall dearth of accurate and relevant data for app publishers to leverage in order to make more intelligent monetization decisions. For instance, **only 7% of app publishers polled said they know what other apps their customers use** and just 5% know their income levels.

While around two-thirds of app developers and publishers know where their users are located and what devices/operating systems they use, less than half know the gender and age of their users and **only 16% know their hobbies and interests.**

Which of the following attributes do you know about your app users?

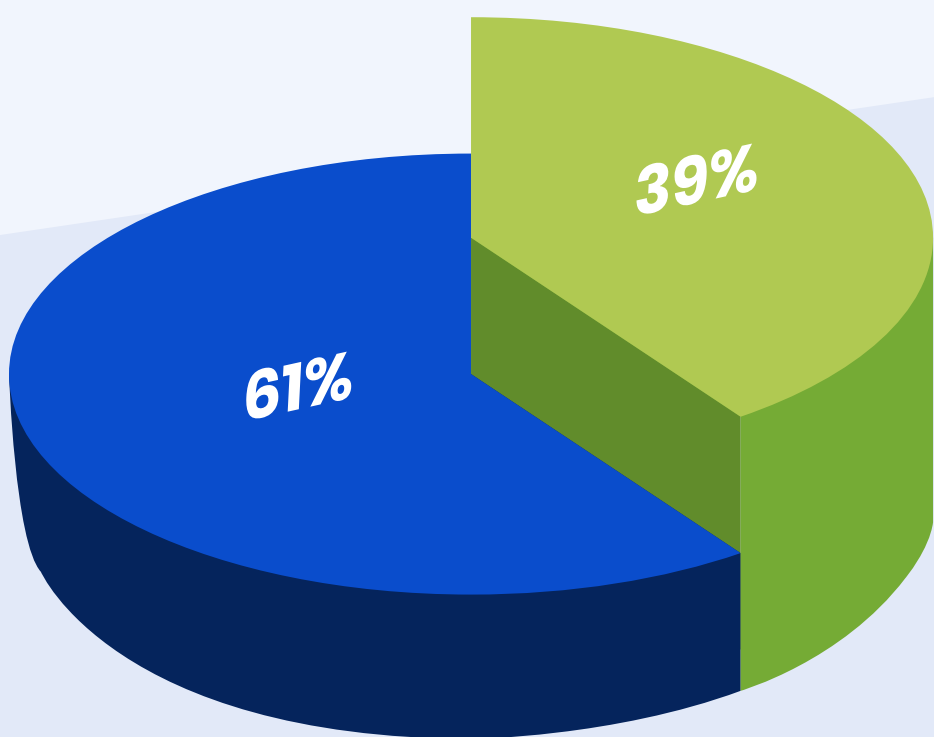


# Current State of App Monetization

According to the survey, 61% of app publishers polled said they have a standard ARPU for all of their app users. This is also a reflection of the capability deficit within the ad partner ecosystem. Publishers don't have access to data beyond their ecosystem, nor do ad networks have access to telco-grade user segments that publishers could rely on with a high degree of confidence.

● We calculate the APRU for different personas/user segments

● We have a standard ARPU for all of our app users



**How  
are you  
thinking  
about ARPU  
today?**

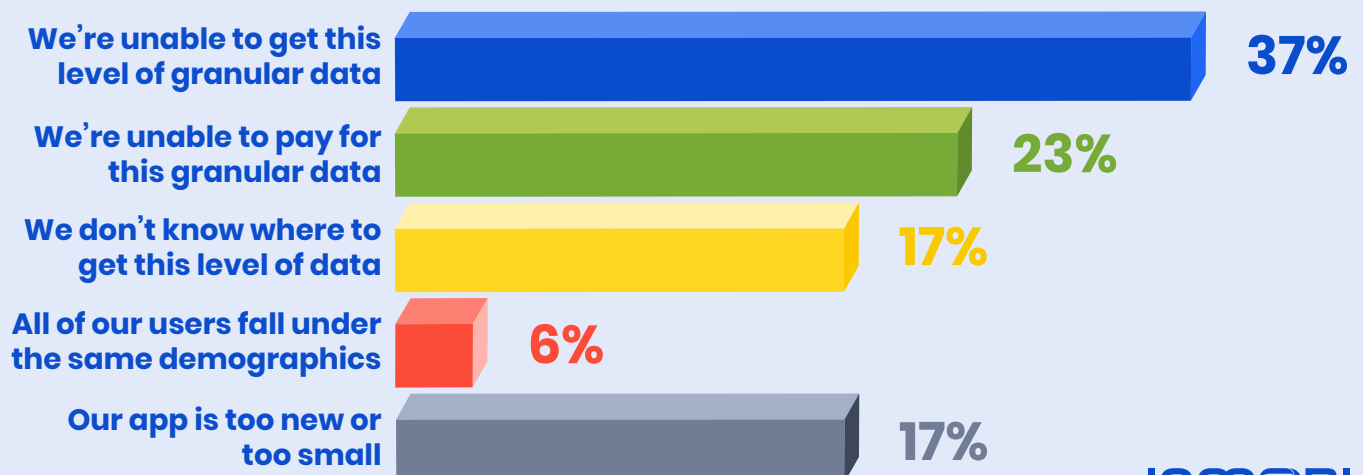
# Current State of App Monetization

Why is this case? **37% said they're unable to gain granular user ARPU data.** This means that everyone is seen through the same lens, even though some persona segments are actually more valuable than others.

Advertisers are often willing to pay more to reach certain audience segments, but too many app publishers only think of their users as one giant, undistinguished mass.

Why don't app publishers have the data they need to succeed today? Around a quarter of respondents said they are unable to pay for more granular user data, and **17% simply don't know where to get it.**

## Why don't you calculate the ARPU for different personas/user segments?



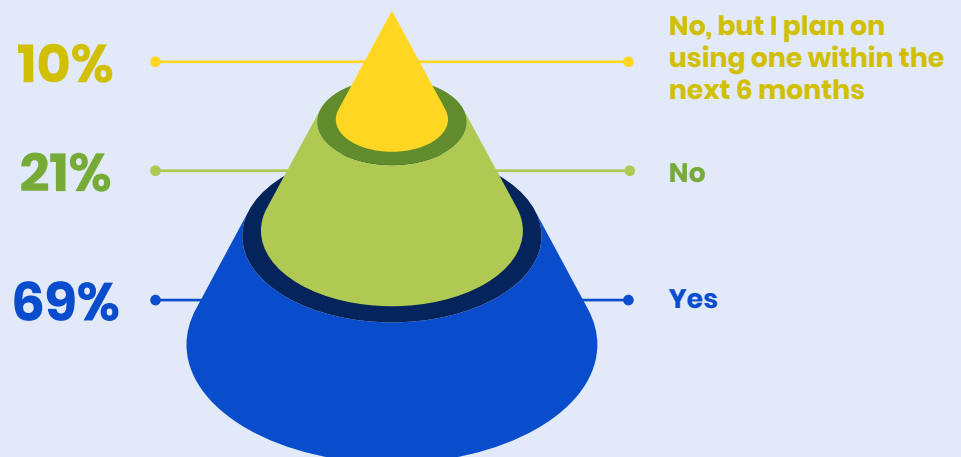
# Current State of App Monetization

The fact that most publishers look at their users as a single entity, as opposed to a collection of disparate personas, is likely because of the lack of granular data available to them. As a result, they focus on increasing overall revenue instead of segmenting their users and taking targeted action to maximize yield from each user group.

## Signs of Life in Monetization

But, the space is changing. As the statistics around mediation and real-time data mentioned previously show, app publishers and developers are getting smarter about how they are managing their ad partners. App publishers are at least beginning to improve their waterfalls.

**Do you currently have a mediation partner?**



# Current State of In-App Header Bidding

How has in-app header bidding adoption changed in the past 12 months? It's still not widely utilized, but it is becoming slightly more popular. This year, **38% said they have in-app header bidding in place now, up from 31% last year.** This is not a huge leap at all, but a slow and steady rise nonetheless.

Ultimately, publishers are still trying to determine if in-app header bidding is right for them. Of those not using in-app header bidding this year, 45% said they were not utilizing it because they didn't understand the technology. This is up from 31% who said the same thing last year.



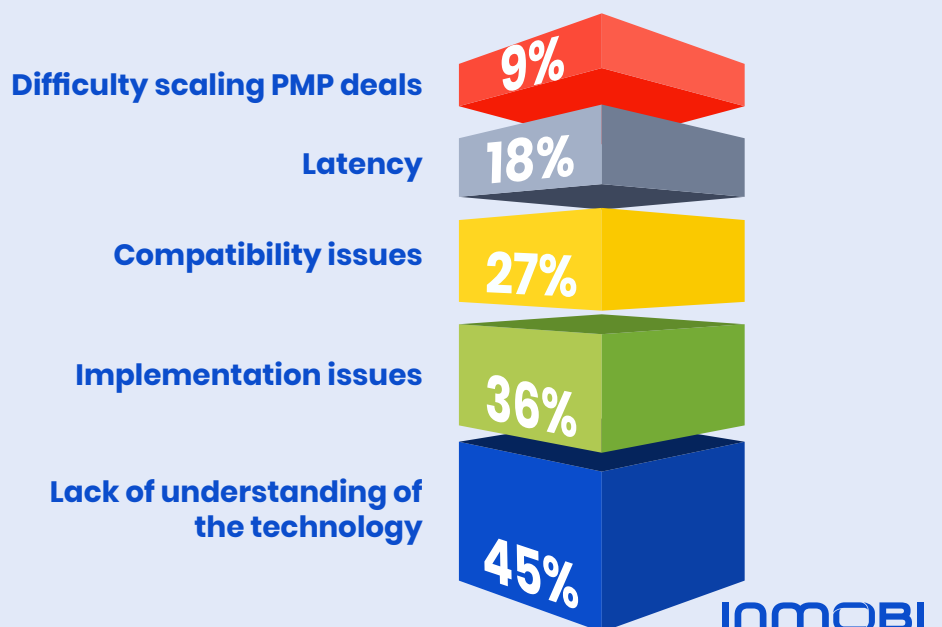
**38% said they have in-app header bidding in place now.**

# Current State of In-App Header Bidding

36% this year said they didn't have in-app header bidding in place because of implementation issues, which is up from 23% last year. Further, 27% said they're not using in-app header bidding because of compatibility issues; 10% indicated this was the case in last year's survey.

Another reason for the hesitation in adoption could be the lack of statistics/case studies that clearly point to a revenue increase after adopting in-app header bidding. Publishers continue to use waterfalls because of the abundance of legacy data on its performance. The devil you know is better than the one you don't, as the old saying goes.

## What are the factors that prevent you from adopting in-app header bidding?





# Current State of In-App Header Bidding

## Current Perceptions of In-App Header Bidding

Publishers are beginning to gain a more realistic and nuanced understanding of what in-app header bidding is and what it isn't. This year, 47% said they had either a "good" or "very good" understanding of in-app header bidding; last year 50% said they did.

These shifts are another sign that publishers are actually taking in-app header bidding more seriously and beginning to really look at its capabilities and features. Last year, many app publishers were really just beginning to wrap their heads around in-app header bidding. That appears to have changed in 2019, however.



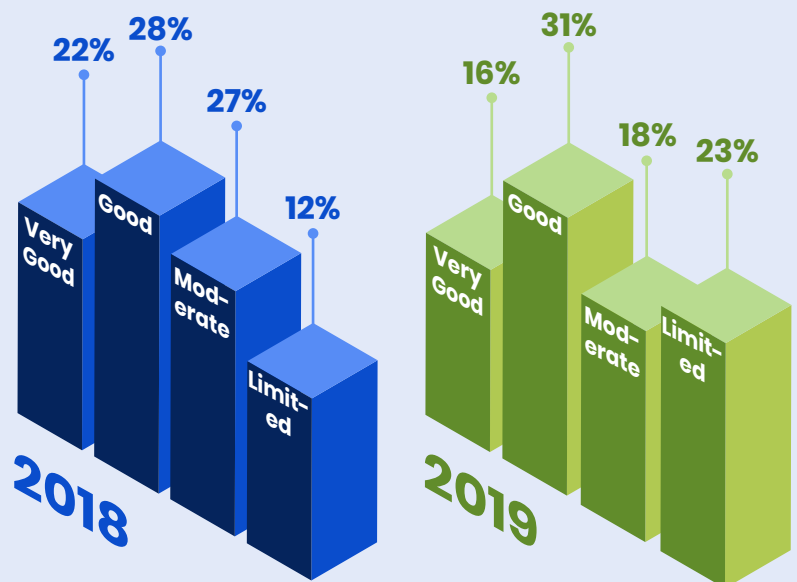
**47% said they had either a "good" or "very good" understanding of in-app header bidding.**

# Current State of In-App Header Bidding

This year, 23% said they had a limited understanding of in-app header bidding, up from 12% last year. This can likely be attributed to an increase in awareness about in-app header bidding and the proliferation of the header bidding solutions in the market from Google, MoPub, InMobi and Amazon, among others.

In 2019, 31% said in-app header bidding already has or will in the future resolve waterfall-related issues, down from 34% last year. And, when asked about what they look for in an in-app header bidding partner, **competitive and stable tech was the top factor selected**. Last year it was brand safety, oddly enough.

## Level of understanding of in-app header bidding



# Current State of In-App Header Bidding

## Benefits of In-App Header Bidding

Among those who either have in-app header bidding in place or expect to implement it in the future, 56% said it provides greater transparency into bids and impression value, and 56% said it provides better yield management and increased revenue, up from 37% and 54%, respectively, from last year.

Further, 74% said they either have already or expect to see a boost in revenue from in-app header bidding. And, 65% said they have or expect to see at least a 5% increase in revenue from header bidding. This shows that it's beneficial with those select publishers that are actually using it today.

The percent of those who are already using or want in-app header bidding to support banners, videos, interstitials and fullscreen ads all went up in 2019 compared to 2018. From an implementation perspective, 65% of those that have in-app header bidding in place today have a client-side integration, up from 17% last year.

# Current State of In-App Header Bidding

What ad formats do you currently monetize/wish to monetize using in-app header bidding?

**73%**

Banner Ads

**57%**

Interstitial Ads

**12%**

Carousel Ads

**57%**

Video Ads

**35%**

Other Format Types

**8%**

Fullscreen Ads

# Predicting the Future of Mobile App Monetization

What does this survey data say about the present and future of monetizing mobile apps through in-app advertising? While there's been some progress in the last 12 months, there's still a ways to go. But, it's reasonable to expect the industry to take a dramatic leap forward in the coming months.

Publishers simply cannot continue to rely on old methods and techniques, as it's just not sustainable. In terms of monetization, publishers need to move to something more efficient.

This likely points to a rise in adoption in in-app header bidding, although it's worth noting that the 2018 survey made the same prediction. So long as in-app header bidding technology matures and evolves to encompass server-side header bidding, more ad formats and multiple use cases, then it will likely gain more adherents. Helping this trend along would be a rise in knowledge of and understanding about this technology and how it actually works.

**Publishers simply cannot continue to rely on old ad monetization methods.**



# Predicting the Future of Mobile App Monetization

With the rise of supply path optimization, buyers are looking for more transparent and less risky routes to high quality inventory. This focus on a robust pipe that connects the demand sources to the publishers with minimal intermediaries will put additional pressure on publishers. It will drive them to ensure that they only work with mediation or in-app header bidding partners that can offer an efficient monetization stack and provide a unique path that's differentiated through enriched user/inventory insights and transparent auction mechanisms. This should most certainly be the playbook for publishers in the market for an in-app header bidding or mediation partner.

In such a world, publishers will have access to not just auction/bid level information across advertisers but also a deep understanding of high-performing segments. This can be achieved by using data that covers the location trail of the audience and demographics, along with their interests and pursuits as expressed both inside and outside the publisher's app.



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**Publishers should have a deep understanding of their high-performing audience segments.**

# Predicting the Future of Mobile App Monetization

Insights from such precise segments can then be used to grow and acquire high ARPU users through lookalike modeling, opening opportunities to build and strengthen direct sales channels and develop personalized content or services. This is in addition to, of course, monetizing these users through the in-app header bidding/mediation platform.

To this extent, to proactively cultivate their share of high quality audiences within a wider audience base and push ARPU through the roof, publishers will have to consider working with partners that both have access to a robust ad stack and can also help build granular profiles that they bring through proprietary first-party data partnerships (eg: telco data).

**Insights from precise audience segments can be used to grow and acquire high ARPU users.**



# Predicting the Future of Mobile App Monetization

## Conclusion

Overall, this report highlights two key points:

- Publishers are still using legacy monetization methods and are not yet fully embracing newer methods like in-app header bidding.
- Publishers lack granular data on their users and how they differ from one another.

This all points to an inadequate status quo; app publishers are not doing everything they can to most effectively monetize their apps.

# 65%

**65% of those that have in-app header bidding in place today have a client-side integration.**



# Predicting the Future of Mobile App Monetization

But as this report also highlights, there are a number of key steps that app publishers can take today to improve ad revenue and the overall user experience:

- The embrace of wider competition for ad demand, which should come from both in-app header bidding and the use of multiple supply sources, will boost both fill rates and overall revenue, among other benefits.
- The deeper segmentation of users will enable app publishers to understand which personas are most appealing to advertisers, thus enabling them to wring the most value from various user segments. It also provides additional benefits relating to user acquisition and user experience, all of which can help app publishers boost ARPU overall.

All roads lead to building a stronger and sustainable monetization strategy that focuses on maximizing ad revenue using unique data insights, a proposition that will grow by leaps and bounds in the next year.

# About InMobi

InMobi is the world's leading Marketing Cloud, driving real connections between brands and consumers. We create new paths for brands to understand, identify, engage and acquire consumers by leveraging our exclusive access to mobile intelligence and technology platforms.

As a leading technology company founded in 2007, InMobi has been recognized as a 2019 CNBC Disruptor 50 company and as Fast Company's 2018 Most Innovative Companies. For more information, visit [inmobi.com](http://inmobi.com).



# Power to the Publisher

InMobi is giving power to the publisher. Whether you are looking to maximize app revenue with an ad mediation platform or directly through in-app monetization, InMobi has the best solution for you. Tap into premium and diverse advertising dollars and demand from the largest brand advertisers around the world, through direct and programmatic channels. The InMobi Exchange brings exclusive access to 200+ DSPs and over 5,000 programmatic buyers representing top brands from around the world.

InMobi Audience Bidding is an in-app prebid/header bidding solution that helps you maximize your revenue through direct and parallel access to premium demand side bidders housing unique audience intelligence, with diverse advertiser demand at scale. Maximize your ad revenue with a true unified auction that brings the best of header bidding to mobile apps. Keep control in your hands with deep reporting into behind-the-scenes auction mechanics.

For more information about InMobi's solutions for app publishers, head to <https://www.inmobi.com/audience-bidding>.