Subject:	App Commerce preso
From:	"Ron Okamoto" < ███████████
Received(Date):	Thu, 11 Dec 2008 21:08:40 +0000
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Attachment:	App Commerce Models 6.key.zip
Date:	Thu, 11 Dec 2008 21:08:40 +0000

All,

Attached is a keynote preso outlining the various app commerce models used by MS Xbox, Nintendo, Sony Playstation, etc. We've included summaries for other models and developer so we can see the current scope of what's offered.

Let me know if you have any questions.

Thanks.

Ron

In-App Commerce

December 10, 2008

Current App Commerce Models

Subscription

- Periodic fee for pre-negotiated content and/or service

- Developers frequently have their own billing service

Download & Install

- Content purchased, delivered, and installed <u>out</u> of the game context

- Content ranges from additional object to full expansion packs

- Most common

In-App

- Content purchased, delivered, and installed <u>within</u> the game context

- Commerce solutions are custom built

- Requires the game be architected to accommodate

Hybrid

- Combines retail distribution, subscription, and in-app commerce

Current Game Commerce Models

Subscription

- Periodic fee paid for pre-negotiated content and/or service
- Developers frequently have their own subscription billing service they'd like to use with Apps
- Many developers would be happy to use iTunes for billing

Download and Install

- Game content purchased, delivered, and installed out of the game context
- All types of content ranging from additional object to full expansion packs
- Easy to leverage existing e-commerce infrastructure
- Minimally invasive to the design of the game architecture
- Most common model for games
- Least optimal user experience

In-game Commerce

- Game content purchased, delivered, and installed in the game context
- Commerce solutions are custom-built
- Requires the game be architected to accommodate
- Not very common yet
- Provides superior user experience

Game Commerce Models

APL-APPSTORE_10080251

Subscription

Subscription
Regularly Updated

- **Business Model**
  - New content added every day, month, season, etc
  - Users need/want the updated content
  - Don't want to pay for old content if they are subscribing "mid-year"
- **Medical Products**
  - Epocrates – $125 – 150/year
  - Skyscape – $15 – 200/year
  - Lexi-Comp – $75 – 300/year
- **Magazines**
  - ESPN The Magazine – $26 for 26 issues annually
  - Whitepages people search app – $25/year
  - Wine Enthusiast Wine Guide – weekly content updates – $40–60/year
  - Bite Size Candy iMag – $10/year
- **Real Estate**
  - MLS Listings for realtors – $500/year
- **Radio/Creative**

Subscription
Per Usage

- **Business Model**
  - New content added every day, month, season, etc
  - Users need/want the updated content
  - Don't want to pay for old content if they are subscribing "mid-year"
- **Services**
  - AT&T Phone Attendant – Hosted PBX Service – $15–30/month
  - Jott – every message needs to be transcribed – $20/month
  - Shazam – $4 – 11/month
  - ForeFlight – Pilot flight planning – $90/year
- **Weather Alerts**
  - The Weather Channel – $6.99/month
  - WeatherBug – $2.99/month
  - ForeFlight – Pilot Weather Data – $20/month
- **Educational Learning Tools – Curriculum**
  - Houghton Mifflin Harcourt – $12 – 25 per student/year

Subscription
Software as a Service

- **Business Model**
  - Mobile version is just another client
  - Updates included in monthly fee
  - All users are using the same version of the application
- **SalesForce.com**
  - Customer Relationship Management – $30 – 150 per user/month
- **Bloomberg Anywhere**
  - Complete Financial analysis and management – $12,000 – 15,000 per user/year
- **Pearson**
  - Student Information System – $100,000 – $1 million/year depending on district size
- **NetSuite**
  - Customer Relationship Management, eCommerce, and ERP – $20 – 200 per user/month
- **Existing Deployments**

Download & Install

Xbox Live
Download & Install
### (Console & Web)

Business Model

- – Microsoft Points
- – Works for Xbox Live and Zune
- – Can buy on-line w/ a credit card, or at retail with cash
- – 88 points for $1 (Amazon)

Available Content

- – Premium games from $13 to $20
- – Installable game content from $1 to 18
- – Movies from $3.60 (SD) to $5.50 (HD)
- – TV Shows from $1.80

Examples of download and install game content

- - Beautiful Katamari accessory sets from $1.30
- - Mass Effect, full expansion pack for $3.50
- - Forza 2, track pacs for $2.70, car packs from $2.70
- - Guitar Hero Tracks from $1 to $2

microsoft points
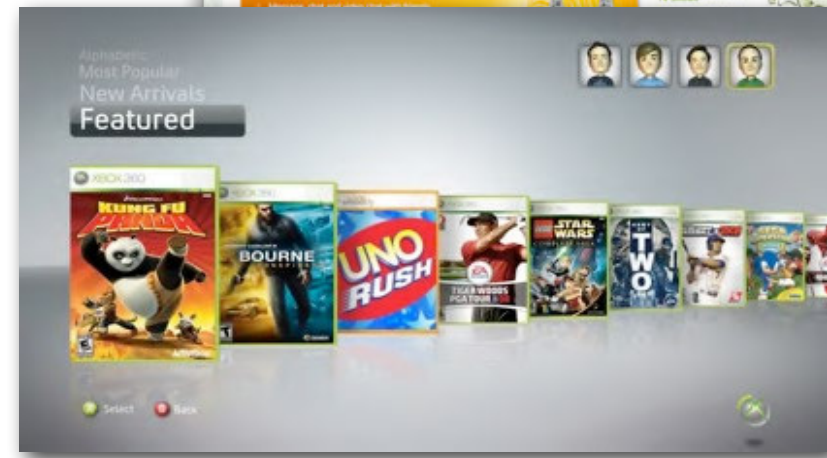
PlayStation Store
Download & Install

Business Model

- Can buy on-line w/a credit card, or at retail with cash
- Point system in Asia markets use "Network Cards" (similar to iTunes gift cards)

Available Content

- Downloadable games
- Add-on Content
- Themes
- Music
- Movies

Examples of download and install content

- Wipeout HD $14.99
- EA - Burnout $29.99 (Full Game)
- Movies: $9.99-14.99 purchase,
    - $2.99-5.99 rent
- Guitar Hero Tracks from $1.99 to $2.99

In-game Commerce

Nintendo Wii & DSi
Download & Install

Business Model

– Nintendo Points for Wii or DSi
– Can buy online with your PC/Mac/Wii or Points cards at retail
– Convert points to Wii or DSi -- locks them to that platform
– US$1 = 100 Wii Points

Available Content

– Games
– Applications (ie. Opera Browser, Virtual Console Simulator)
– Downloadable game content

Examples of download and install game content

– Wii Ware games: 500-1500 Wii Points
– Virtual Console games: 500-1000 Wii Points
– Wii Channels: 1-500 Wii Points

In-game Commerce

– Some services for billing are provided to developers
– Refer to In-Game commerce section

Microsoft Software Store
Download & Install

Business Model

– Credit Card only (no Microsoft points)

Available Content

– Browser based implementation.
– Digital download – Microsoft products only.
– CD/DVD versions of software.
– Categories
  – Windows, Office, Entertainment
  – Harware, Home+Reference,
  – Design+Developer, Business
– Only 1 3rd party software product:
  – EPIC, Gears of War (DVD only)

Examples of download and install content

- All versions of Vista (Full & Upgrade)
- All versions of Office (Full & Upgrade)
- Microsoft Flight Simulator
- All other game titles DVD only

In-App Commerce

– Not supported by platform
– Left to developer to implement on their own
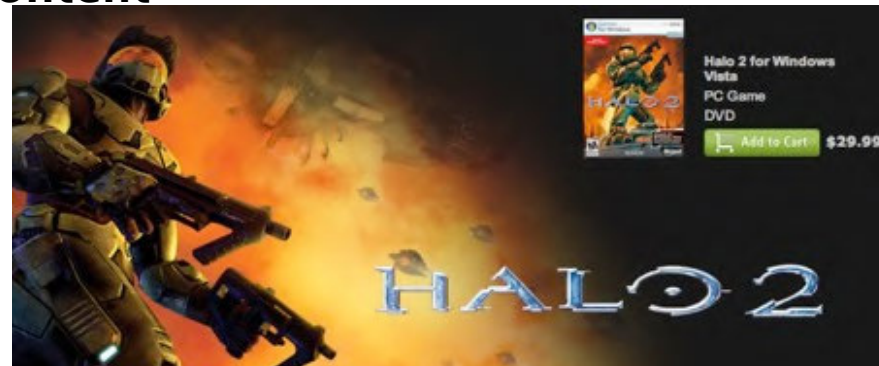
Valve – Steam
Download & Install

Business Model

- – PayPal
- – Credit Card
- – Click and Buy (EU equivalent of PayPal)

Available Content

- - Sometimes referred to as "iTunes of Games"
- - 1000+ game titles (EA, Activision, id, Rockstar, EPIC, PopCap, 2K, Atari,
- - 13 million registered users worldwide.
- – Integrated chat between users.
- – Automatic game updates & server stored game settings

Examples of download and install game content

- - Grand Theft Auto
- - Fallout 3
- - Call of Duty
- - Left 4 Dead
- - Bejeweled Twist
- - FarCry 2

In-game Commerce

- – Not supported by platform
- – Left to developer to implement on their own

In-App Commerce

In-Game Commerce
Nintendo Wii

MegaMan 9

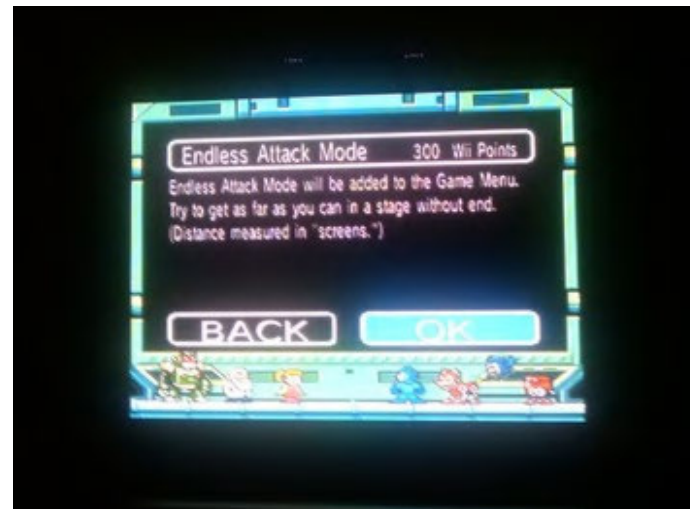– Developer implemented in-game store for special game functionality

What You Can Buy

- Proto Man Mode: 200 Wii Points
- Endless Attack: 300 Wii Points
- Hero Mode: 200 Wii Points
- Superhero Mode: 100 Wii Points
- Special Stage: 100 Wii Points

In-game Commerce

– Leverages billing provided by Nintendo

In-Game Commerce
Xbox 360 & PS3

Rock Band 2

– Developer implemented in-game music store to buy, download & install music tracts
– Many singles have already gone "gold"
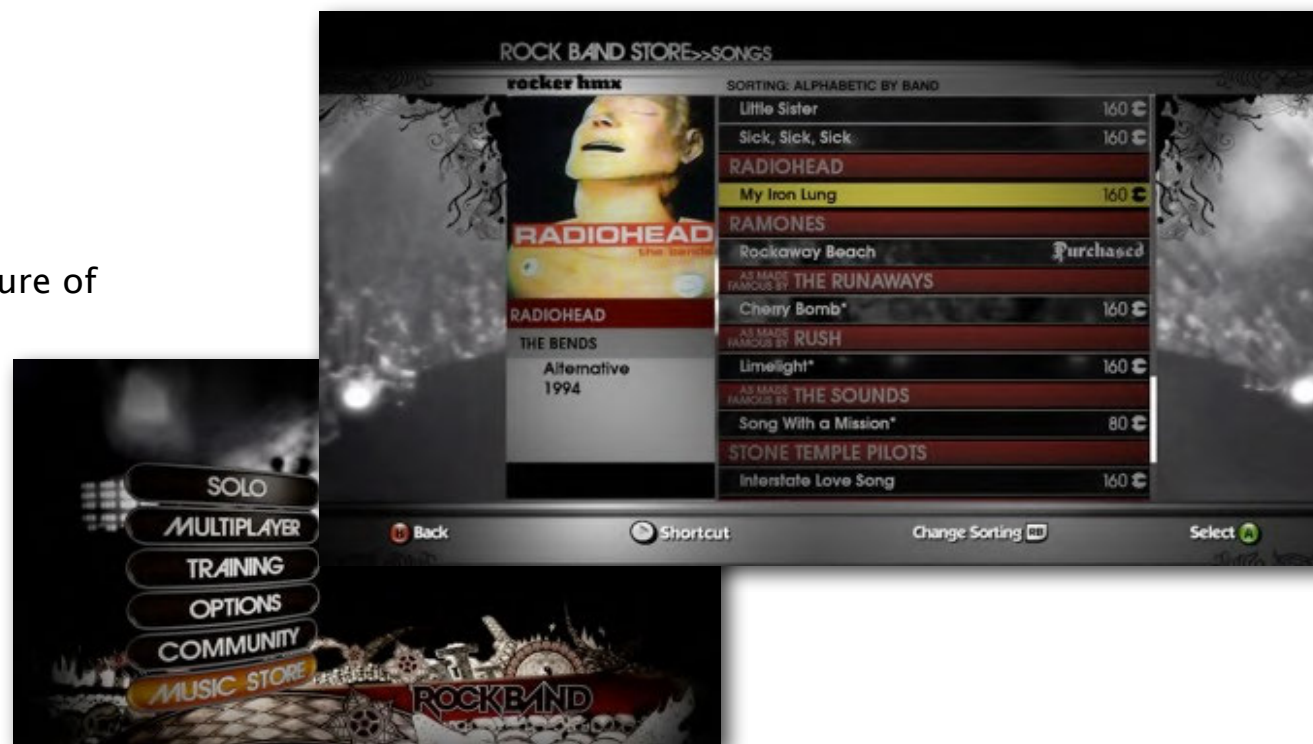– Over 6 million songs have already been purchased

What You Can Buy

– Price is ~ $2 for a song
– Song Packs from $5

In-game Commerce

– Leverages billing infrastructure of Xbox Live & Sony PS3

In-Game Commerce
Nokia N-Gage

Credit Card or Operator Billing

- Purchase online directly from N-Gage with your CC
- If your operator billing has been integrated, one-click billing directly to your operator bill

What You Can Buy

- Full games (lifetime): US$9.49-13.49
- 7 Day Pass: US$6.99
- 1 Day Pass: US$2.99
- Game Extras in the future (none available at this time)

In-game Commerce

- Supported within the N-Gage platform
- In-game purchase and unlock full versions of games or daily/wkly passes
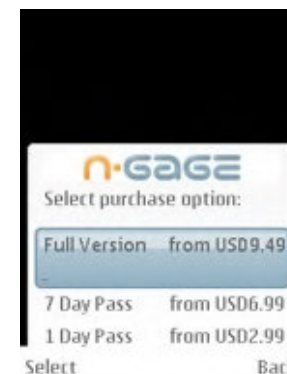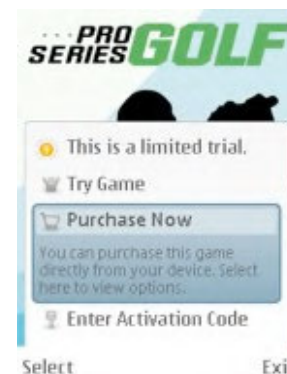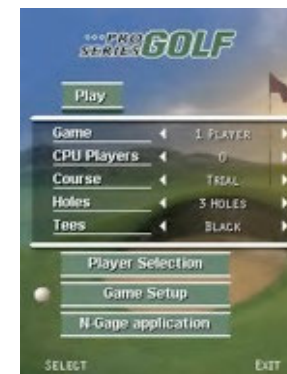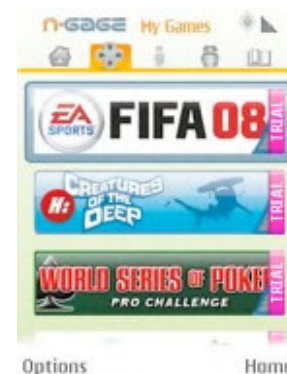
In-Game Commerce
Second Life
Mobile, Mac, PC

Linden Dollars

– Currency of Second Life virtual world
– Exchanged between users for good and services or for real-world currency
– Linden Labs offer a brokerage service, LindeX, for these transactions
– Approx. US$1 = L$270

What You Can Buy

– Physical goods and virtual goods from branded shops (ie. American Apparel, Reebok, 1800Flowers)
– Other goods (ie. apparel, avatar hair, vehicles, homes) & services (ie. build homes, clothes)

Second Life Sanctioned Ecosystem

– LindeX to buy/sell L$
– Enterprises, Education, Government, Non-profits
– Second Life Grid

Second Life Grey Market

– eBay: Residents auctioning L$ and letting the bidders dictate exchange rate

*Second Life has 16.1M resident total to-date with a total supply of L$5.3B. As of April 2007, economic average averaged over US $1.5M per day with LindeX trading activity averaging US$250 a day. Premium subscription fee is US$6 per month.
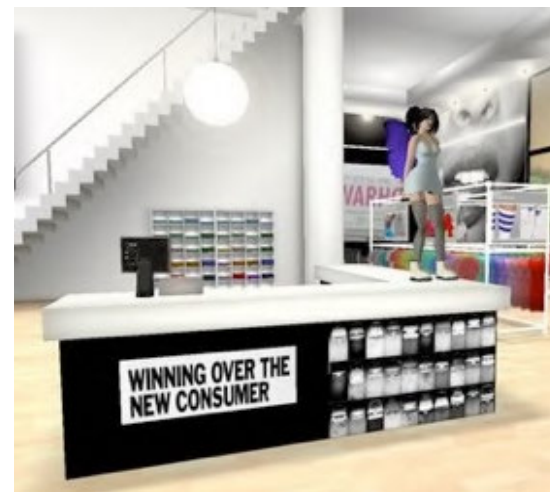
In-Game Commerce
Zynga/Facebook

Chips

– Purchase online directly from Texas Hold'Em game page on Facebook
– Players receive 1K chips a day for free
– US$20 = 100K chips

What You Can Buy

– VIP Table Access: 1M Chips
– Min Buyin to Private Tables: 20–2M Chips (set by user)
– Tournament Entrance: Starting is 1K Chips
– Drinks: 18–270 chips
– Game Extras in the future (none available at this time)

In-game Commerce

– Chips used to buy play time, entrances to tables and tournaments and "drinks"
– No opportunity to "cash out"

Hybrid

Hybrid Model
Retail, Subscription & Other
World of Warcraft (PC)

Retail

- $50 (Original Game)
- $50 (Burning Crusade Expansion Pack)
- $50 (Wrath of the Litch King Expansion Pack)

Subscription

- $15 Monthly in North America and Europe
- Billed hourly in China (approx. $0.10/hour)
- 1.5 Billion / Year Revenue

Sanctioned Ecosystem

- eBay–like auction house in game for game items
- Items are bought and sold for gold
- Blizzard also allows characters to be moved between servers for a fee

"Grey Market" Ecosystem

- Gold has "gray market" $ value ($5/100G)
- Has spawned a cottage industry in China where players can actually make more

Developer Feedback

What Developers are Asking

- **Subscription**

  - **The Weather Channel, WeatherBug, Accuweather**: Users can subscribe to severe weather notification service.

  - **Kodansha, Shogakukan, IDW Publishing (comic book publishing)**: Users can subscribe to new issues of comic books for a limited number of issues, time or lifetime.

  - **Hearts Publications, Bauer Media Co.**: Users can subscribe to new issues of wkly, monthly, bi-monthly magazines for a limited number of issues, time or a lifetime.

  - **MobiPocket, Stanza**: Users can subscribe to frequently changed updates to reference materials on a periodic basis (ie. medical texts, equiment service manuals).

  - **Hands-On Mobile**: Users can subscribe to frequently updated Billboard Top Charts or astrology updates.

- **In-App Commerce**

  - **EA**: Players can purchase additional trivia packs for Trivial Pursuit.

  - **ngmoco**: Players can purchase additional pets, "dog-sitting," accessories for Touch Pets or new cars, car parts, special paint jobs, etc. for Cart Finger.

  - **Zynga**: Players can buy more chips to replenish their pot for longer gameplay (rather than install new apps to replenish) for Live Poker.

What Developers are Asking For

- **EA:** Purchase additional trivia packs for Trivial Pursuit.

- **ngmoco:** Touch Pets (additional pets, "dog–sitting," accessories), Cart Finger (new cars, car parts, special paint jobs, etc.).

- **Zynga:** Players can buy more chips to replenish their pot for longer gameplay (rather than install new apps to replenish).

- **Digital Chocolate:** Players can buy more AvaChips to purchase virtual goods (ie. apparel, entrances to events & clubs, flirts).

- **The Weather Channel:** Users can buy severe weather alerts.

- **TomTom, Garmin:** Users can buy traffic data, premium POI data, map updates.

- **eReader.com:** Users can download one free eReader app, buy many books as they wish from their catalog.

- **Marvel**: Users can download new editions of comic books.

Summary

1. Download and install is the widely supported model by major consoles.

2. In-game commerce is just coming to fruition without a clear leader to benchmark against.

3. Developers believe Apple could vault into a leadership position, and turn iPhone/iPod touch.

Interested Developers

Gaming
EA
Sega
NAMCO
Konami
Harmonics
Gameloft
THQ
RealNetworks
Zynga
Digital Chocolate
Glu Mobile
Hands–On Mobile
i–Play
Tapulous

Weather
The Weather Channel
WeatherBug
My Weather
Accuweather

Navigation
Garmin
TeleNav
TomTom
Dash
Xroad
Way Finder
Ulocate
Churchill Navigation

eReaders
eReader
Mobipocket
Fictionwise

Books/Lifestyle
Kodansha (Voyager)
Shogakukan (Celsys)
Shueisha (Sharp)
Marvel
Aarden Entertainment
Antarctic Press
Ape Entertainment
BlueWater Productions
Moonstone Books
IDW Publishing
Image Comics Creators
Jim Valentino
Mark Andrew Smith
Alex Gracian
Kid Kong Comics
Frazetta Comics
Steve Rude Comics
Great Big Comics
Red 5 Comics
Hearts Publications
Time Inc.
Sanoma Magazine B.V.
Axel Springer AG
Bauer Media Co.

What Developers Want

APIs

- Scalable
- Micro (cents) to Macro (dollars) price–points
- Billing
- Subscription services
- DRM for items and privileges
- Secure
- Cash out?
- Enable fine grain control of quantity and frequency of transactions
- Sufficiently abstract to enable various UI:
    - HUD Text
    - Widget–based GUI's
    - Character dialogue based sales
    - etc.

Commerce APIs

↔

Commerce Solution

App
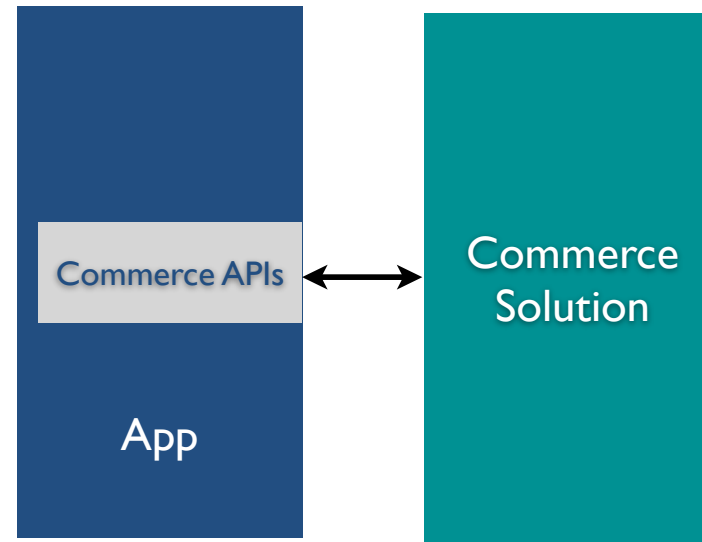
Developers' Requests for Commerce

Subscription

- – Periodic fee paid for content and/or service
- – Mainly driven by content licensing with 3rd party on a per user, per month basis
- – Content such as severe weather notification, magazines, comic books, Billboard top charts, safety camera locations, traffic info, etc.

Micro-transactions

- - Small one-time fee to enhance already installed application
- - Content such as additional game levels, expansion packs, virtual goods, maps, POIs
- - Delivery mechanism:
  - - Download and install
  - - In-app delivery

Bundling

- – Tie two or more SKUs either within App Store or SKUs across iTunes stores for a lower bundled price
- – SKUs can be two games titles or a game and a movie

Gifting

- – Gift code for a specific SKU within App Store
- – Ability to use codes for promotions and for reviewers

Comics, Magazines, Periodicals and Reference
Subscription

Comic Books

- Dozens of Comic Book publishers have reached out to Apple
- Each comic book has dozens/hundreds of issues
- Publishers would like to provide free or paid with subscriptions
    - A limited number of new issues (e.g. next 12 issues)
    - Al limited period of time (e.g. next 12 months)
    - A lifetime (every new issue ever produced)
- Comics for sale with all produced issues

Magazines

- 100's of magazines publishers worldwide have content for iPhone and iPod touch
- Would like to support monthly, bi-monthly, and weekly basis
- Would like to support limits on subscription service (1 year, 6 months, etc)

Periodicals and Reference Materials

- Dozens of devs, pubs, and institutions create single apps with 100's of referenced resourced
- Users choose, pay for, and unlock the content they want (micro-transaction)

AvaPeeps: Flirt Nation
In-game Commerce

Mac & PC

- – "AvaChips" are used to ask for dates
- – Players get a set amount daly for free
- – To play more in a given day you need to buy more chips

Uses of AvaChips

- – Ask for dates (chat)
- – Buy flirts
- – Virtual goods (clothes, bling)
- – Entrance to virtual events