Mobile is eating the world

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The state of PCs

Global annual unit sales (m)

Source: Gartner, IDC, Enders Analysis
Smartphones are exploding

Global annual unit sales (m)

Source: Gartner, IDC, Enders Analysis
More mobile growth coming

Global annual unit sales (m)

Corporate PCs  Consumer PCs  Tablets  Smart phones  All mobile phones

Source: Gartner, IDC, Enders Analysis
The future is mobile

Global annual unit sales (m)

- 1995
- 1997
- 1999
- 2001
- 2003
- 2005
- 2007
- 2009
- 2011
- 2013e

- PCs
- Smartphones and tablets

Source: Enders Analysis
Growth in emerging markets

Global 3G/4G device unit shipments (m)

North America
Europe
Japan/Korea
China/India
Latam
RoW

2010 2011 2012 2013e

Source: Qualcomm
Fundamental change

- Mobile was always much bigger than tech, but always separate
- Smartphones mean the Technology and Mobile worlds merge
- Internet and Media are being dragged along
- Tablets accelerate the change
- This is changing everything
Fundamental change in scale

PC industry
- 350m PCs sold in 2012
- 1.6bn units in use
- Replaced every 4-5 years
- Shared

Mobile industry
- 1.7bn phones sold in 2012
- 3.2bn mobile users
- Replaced every 2 years
- One per person
- Data plan penetration/pricing is the only limit to growth
Fundamental change in use

PC internet

• Shared, or used at work
• Semi-portable at best
• Web and web search

Mobile internet

• Personal
• Taken everywhere
• Web, web search, apps, social, location, service integration, prediction, APIs, image recognition, local wireless...
What does mass mobile internet use really mean? From this...
...to this

“I love reading about TV soaps so I got the app on my phone”
Industry scale

2012 global revenue ($bn)

- Mobile networks
- Advertising
- Mobile phones
- PCs
- Apple
- Books
- Online advertising
- Amazon
- Google
- Watches
- Recorded music
- Facebook

Source: Zenith, Apple, Amazon, Google (excludes Motorola), Facebook, Enders Analysis, F5WI
Polarisation of manufacturers

Quarterly handset revenue, March 2011-Sept 2013 ($bn)

Source: Companies, Enders Analysis
The irrelevance of Microsoft

Microsoft share of connected device unit sales (%)

Source: Enders Analysis
Scale at Samsung...

Samsung Electronics marketing budget ($bn)

Source: Samsung
and scale at Apple

Daily visits to Apple retail stores (m)
Very different products

Global mobile handset industry, Q2 2013

Bubble area = revenue

Source: Companies, Enders Analysis
Apple sticking to the high end?

iPhone share of global mobile phone unit sales (%)
Scale  Tablets  Ecosystems  Mobile social & discovery
Glass is eating the world

Global LCD screen sales (billion square feet)

Source: Corning
Tablets overtaking PCs

Global unit sales (m)

Source: Gartner, IDC, Enders Analysis
• Tablets are not cannibalising PC sales yet - not exactly

• However, tablets and smartphones are crystalising a rethink of consumer needs

• “Do I really need to upgrade my PC? Do we need another PC? Do I need a laptop as well?”
iPad dominates use everywhere

Share of tablet web traffic, February 2013 (%)

Source: Adobe
Two distinct ‘tablet’ markets

The ‘post-PC vision’

- Rich apps and content
- $250+, 7” & 10”
- Still mostly iPad with some Samsung - Nexus 7 sold just 7m units in 12 months

The $100 generic

- Black plastic no-brand
- Cheap 7” $75-$125
- Massive volume, but usage of apps and web is near-invisible so far
- Mostly TV & free games
Tablet dynamic quite different to smartphones

Device prices ($)

- Smartphone
  - iOS premium
  - iOS mass-market
  - Good Android
  - Cheap Android

- Tablet
  - iOS premium
  - iOS mass-market
  - Good Android
  - Cheap Android
Tablet dynamic quite different to smartphones

- Price window underneath the iPhone is much larger than that underneath the iPad
- Tablet app gap is much larger - still very few premium apps designed for Android tablet
- So mid-range Android phones are much stronger propositions than mid-range Android tablets

Source: Companies
Blurring definitions

Estimated Android user base, August 2013 (%)

Global

South Korea

Source: Flurry
Tablets in 2013

• Well over 200m tablets will be sold in 2013

• Driven by size and price - 7” screens, $300 and (far) below

• A flood of cheap generic Chinese Androids - perhaps 125m units in China alone this year, with prices under $150

• Apple (and Nexus and Samsung) share falling fast - but really there are two markets
Still lots of unknowns

- One device per person or per household?
- Replaced every 2 years? 5 years?
- 10” tablets stay at home - will 7” ones? Will they become mobile?
- Will Android break into the premium usage segment?
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‘Four horsemen’ driving the agenda

Google    Apple    Facebook    Amazon
Ecosystem sizes

Active users (m)

Apple iOS  Google Android  Facebook mobile MAUs  Amazon accounts

Source: Apple, Google, Facebook, Amazon, Enders Analysis
Global internet audience, Q2 2013

Reach (≠ value)

PC: 47%
Google Android: 18%
iOS: 14%
China PC: 12%
China Android: 9%

Source: ITU, CNNIC, Google, Apple, Enders Analysis
(Chinese Android isn’t Google)

Chinese Android app install vectors

- 3rd Party store: 73%
- OEM store: 7%
- Play: 7%
- Publisher: 6%
- Other: 9%

Source: Umeng
Geographic variation

Facebook smartphone users by % of the base, November 2013

Source: Facebook, Enders Analysis
Ecosystem is the key leverage point

For Apple, the ecosystem is what sells hardware

For Amazon, Google and Facebook, the experience on the phone is what drives engagement with all their services
People like apps

Stated cumulative app downloads (bn)

Source: Apple, Google
Mobile platform wars over?

• Apple and Google’s Android have won: unlikely that other platforms will be relevant
• Apple camped out at the high end, Android taking the rest
• But Google’s control of Android is partial
• Facebook and Amazon trying to extract value
• Samsung’s position uncertain
Speed of innovation?

Active install base by operating system version, October 2013 (m)

- Current (iOS7 / 4.3)
- Last Year (6 / 4.1 & 4.2)
- 2 years ago (5 / 4)
- 3 years or older (4 / 2.x)

Source: Apple, Google, Enders Analysis
Different focus for innovation

Apple

• Integrated hardware & software
• Fingerprints, Bluetooth, Airdrop, 64 bit etc
• Move innovation down the stack (hard for Google)

Google

• Systemic fragmentation, little hardware control
• Google Now, Maps, Plus, semantic search etc
• Move innovation up the stack (hard for Apple)
App engagement

iOS

• 2bn downloads and $1.1bn gross revenue per month

• Average of 4-5 apps and $2 spent per active device per month

• Smaller, more engaged base

Google Android

• ~2-3bn downloads per month

• Average of 3-4 apps (perhaps) per active device per month

• Much lower payment rates (but no data from Google)
Self-selection

• The iPhone averages $575 and gets most of the high-end

• Android sells at anything from $800 to $50, but averages $250-$300

• Apple only sells to people with money to spend who (mostly) value apps and a good experience - Android sells to everyone

• Hence average engagement levels for iOS are far higher than average for Android - but not all of Android is low

• Wide geographic variation: a US $150 Android sees much lower engagement than a Chinese or Indonesian one
Ecosystem cohorts

High end devices, engaged users. Mostly iPhone

Midrange Android, some iPhone - engaged, but spending less

Symbian, featurephones, much low-end Android: little engagement yet
Ecosystem cohorts?

Active smartphones, Q2 2013

- 43%: iPhone
- 23%: Android China
- 12%: Premium Android users
- 20%: Other Android users
- 2%: Windows Phone
- 2%: Mostly highly engaged and high value
- 100-150m highly engaged users - value unclear
- Lower average engagement, slowly increasing
- Often highly engaged but hard for foreigners to address

Source: Apple, Google, Nokia, Enders Analysis
Future of Android

• ‘Android’ is many things

• Forks, different versions, Google layering tools on top, Amazon, Xiaomi, Samsung playing with the value chain in different ways

• For Google, Android began as ‘Webkit everywhere’ - a tool for reach - which it gets on iOS and Kindle Fire as well

• So how much control does it want? What happens to Chrome? Where does Google want to sit in the stack?
Mobile social scale

Mobile social messaging users (m)

- Facebook (FB)
- WhatsApp
- WeChat
- Twitter
- Line
- Instagram
- Skype
- Viber
- Kakao
- Kik

Monthly active

 Registered

Source: Companies
Mobile social scale

- Over 50 social messaging apps have had more than a million downloads on Google Play
- A dozen have had over 50m downloads
- Whatsapp now sends 14bn messages/day: global SMS volume is ~20bn
- 400m photos/day shared on Whatsapp, 350m on Snapchat, 350m on Facebook, 55m on Instagram
Children’s use of messaging

UK 12-15 year old children’s messaging per week, 2013

Source: Ofcom
Smartphones are inherently social, unlike the desktop web

- Smartphone address book is a ready-made social graph that all apps can tap into
- Photo library is open to all apps
- Push notifications remove the need to check multiple sites
- Home screen icons are easier to switch between than different websites
People happily abandon history

- Remember Myspace, Bebo, Tuenti, Orkut...
- People appear to regard almost all of what they share on a social network as transitory - and not just for Snapchat
- People walk away from the archive - social detox
- Perhaps social networks are sticky like nightclubs, not banks
- This makes mobile social potentially very volatile
• Vastly less friction to adopt social apps on mobile

• People jump from network to network and abandon old ones

• All that matters is what your friends use today
Facebook is one of many

UK 15-24 year old mobile users, May 2013

- Facebook and other social apps: 48%
- Other social apps, no Facebook: 21%
- No smartphone: 11%
- No social apps: 10%
- Facebook: 10%

Two thirds are using Facebook on mobile...

But half are using other apps as well

Source: Enders Analysis
Facebook is doing well on mobile

Facebook revenue by source ($m)

Source: Facebook
Half of DAUs are mobile-only

Facebook Daily Active Users - DAUs (m)

Source: Facebook
Is the mobile opportunity so big that it doesn’t matter to Facebook if it isn’t dominant?
Unbundling
The aggregation cycle

• Value to aggregating all your needs/services/content/messaging/friends in one place

• Over time, the gravity well sucks in more and more adjacencies

• Category killers emerge, lock-ins turn out not to matter so much and the aggregator is unbundled

• And then the cycle repeats
Unbundling Facebook

- Each part of the Facebook experience gets peeled away on mobile

- Photos, text, music, video...
Unbundling functions or unbundling friends?

• People aren’t using Instagram for photos, WhatsApp for text, Line for stickers...

• They’re using everything for everything

• Overlapping Venn Diagrams of networks, use cases and social groups

• Not really any different from choosing between SMS, email and voice - just more options
Mobile social is still in flux

- Facebook nailed the desktop social experience - no-one has nailed it on mobile yet

- Start with messaging & photos, but what then?

- Searching for new models of interaction


- Embedded content, sharing, discovery and distribution
There’s money in stickers
The real opportunity is creating the next platform

- Role of mobile social in discovery & distribution still undefined
- Line and Wechat now mounting expensive marketing campaigns - global and local
- Snapchat attracting a $3-4bn valuation, Instagram looks cheap?
- Building the next distribution and advertising platform
Cards as content packets - social as discovery
Two trends for mobile content

**Atomised content**

- Split content into individual packets that can be routed across multiple networks
- Pinterest, Tumblr, Twitter cards, Line, Kik, Facebook embeds
- Every piece of content is the home page

**App silos**

- Tablet apps can get 30 minute sessions
- Very tough to do SEO, SEM, acquisition data, sharing, social
- Deep linking in very early stages
- Tough acquisition but valuable users once acquired
Again, all this is in flux

Atomised content

- Future role of Facebook?
- Consolidation? Local winners?
- Simplicity (Whatsapp) or rich platforms (Line, Wechat)?

App silos

- App discovery?
- Deep linking?
- OS integration?
- HTML5/hybrid/native?
- Disaggregation and return to the web model?
Broader uncertainty and opportunity

• The basic interaction model of the web was set by the late 1990s - web page linking to web page

• Mobile isn’t nearly as clear yet: web, web apps, native apps, push notifications, deep links, OS integration (Siri, Now, Maps etc) - and much more to come

• Not just apps - all mobile service discovery is in a pre-PageRank state

• Not clear at all what mobile will look like in 5 years

• Very likely social apps could be a major part of the glue
Blurring boundaries

• The things that link and drive service use and discovery on mobile are still evolving - but social will be an important part

• What is the identity platform - if any?

• Pay attention to things that act both as protocols and services

• Pay attention to blank canvases, where users can create new services
Thank you

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