

The Apple iPad

Trends and Statistics 2

February 2011



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Apple iPad - Trends & Statistics 2

“We are firing on all cylinders and we’ve got some exciting things in the pipeline”

Steve Jobs, **Apple CEO**

Since our first iPad trends report, published in October 2010, the device has continued to break boundaries. As Apple’s most successful product in its first year on sale, it would not be an exaggeration to say that the iPad has revolutionised the personal computer market and the technology industry as a whole.

Its immersive, enjoyable and personal take on the mobile computing experience has proven extremely attractive to consumers and developers alike. The impact of this innovative approach to mobile media computing has been reflected in its unparalleled success in the market.

In just under a year on sale, upwards of **14.8million** iPad’s have been sold around the world, with 7.3 million being sold in the 2010 Christmas quarter alone.

In this Q2 report we highlight further evidence of trends identified in the previous quarter’s report and discuss even more trends and statistics that have emerged since.



Quarter one trends update

Since our report on the first quarter of iPad results, further studies and research has been carried out which support and, in some cases, exceed previous figures.

Below are some brief updates where more up to date statistics were available.

- iPad is fast becoming the most popular mobile device

Morgan Stanley analyst Katy Huberty projected 16 million iPads would be sold in the first 12 months alone. In fact, approximately 14.8 million were sold in the first nine months on sale. These figures, released by Apple, suggest iPad sales will in fact exceed her predictions.

Previously, a Yahoo survey stated 35-44 year olds made up the greatest proportion of iPad owners, but according to a Nielsen Company report conducted in December 2010, 25-34 year olds now make up the core ownership of iPads.

At the time of the last publication, it was only known that consumer awareness of the iPad was 'very high'. **Adage** have since reported in January 2011 that **90 percent** consumer awareness amongst people surveyed. The same studies also found 21% of 18-34 year olds intended to buy an iPad.

• iPad is changing the rules of digital publishing

Despite the unprecedented initial magazine app sales reported in the quarter one report, the extremely high launch sales of a number of high profile eMagazines somewhat distorted their rate of adoption on the iPad as a whole. More recent studies have shown that these figures have dropped after the initial issues. **Mashable.com** has reported that sales performance of eMagazines on the iPad roughly correlates with the title's performance on the news stand, which show a higher initial sales for launch.

• iPad is becoming a major gaming platform

According to figures published by the app store analytics company **Distimo**, Gaming apps maintain the highest proportion of apps for the iPad, however they do not account for quite such a high proportion of all apps. In our previous report we highlighted the figures of April 2010, which showed that around 30 percent of all apps for the iPad were games. In contrast to this, gaming apps now represent only 23 percent of all iPad apps.

• iPad is creating a netbook sales drop

The decline of Netbook sales reported in the Q1 findings appears set to continue in 2011. **Acer's** sales manager has stated that this year "tablet launches will begin a gradual replacement of Acer's small laptop-style netback computers, in line with market demands".



- iPad apps are bringing in more revenue for developers and publishers

While there is no direct update to the research from Distimo, which reported the average iPad app costs \$4.67, they have released an encouraging report which states that: “paid downloads increased almost 30% more than free downloads in the top 300 in December 2010 compared to June 2010”.

- iPad internet usage is at a par with traditional PC's

Further supporting our findings in our Q1 report, in December 2010, **Chitika**, an online advertising network, reported that **0.83** percent of internet usage was generated through the iPad. It reported that it is currently on a par with all Linux product's internet share.

- iPad is becoming adopted for commercial applications

It was previously reported that **50 percent** of the Fortune 100 were using iPads for commercial use. Far more impressive figures announced by Apple now state that over 80 percent of the Fortune 500 are currently deploying or piloting the iPad.

1

Apple's App Store continues to dominate the app store market

"Many are wondering if the app frenzy we have been witnessing is just a fashion, and, like many others, it shall pass. We do not think so."

Stephanie Baghdassarian,
Gartner Research



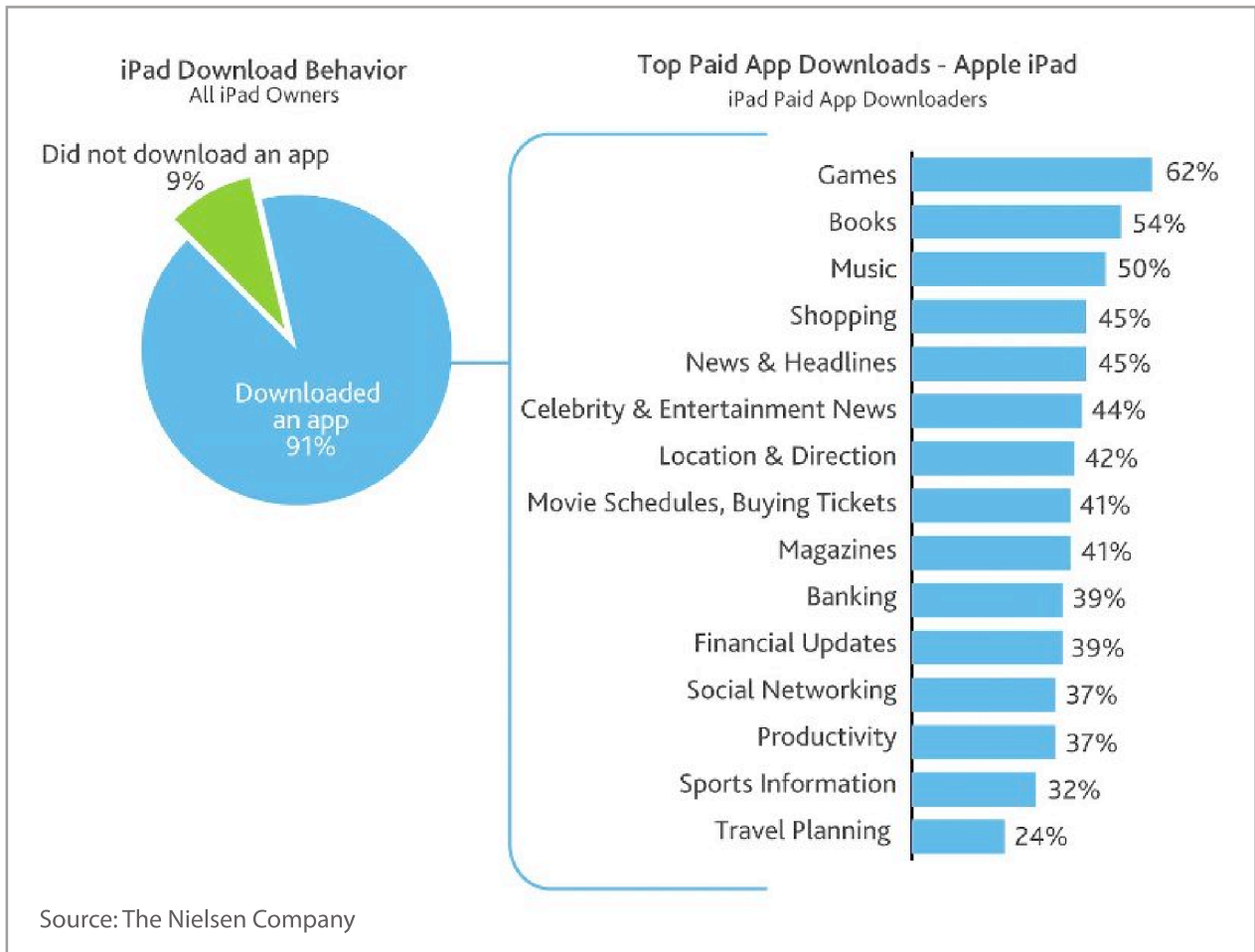
In the past 12 months, application downloads from Apple's App Store have skyrocketed. Figures published by Apple state that seven billion apps were downloaded from the store in 2010 alone, with the achievement crowned by the ten billionth download in January this year.

"The App Store has surpassed our wildest dreams"

Philip Schiller, *Senior vice president of worldwide product marketing*, **Apple Inc**



Such rapid growth of Apple's app market in 2010 can in no small part be attributed to the iPad's popularity during the same period. According to research carried out by **The Nielsen Company**, 91 percent of iPad owners have downloaded at least one application for their device, with 63 percent of those downloading a paid application.



The iPad's popularity has no doubt been a factor in Apple's continued dominance of the app market. Gartner research found that **9 out of 10 app downloads** of an estimated 8.2 billion were from Apple's app store.

It is therefore no surprise that the same research company are forecasting App sales of \$15 billion in 2011 - a figure that is nearly triple the \$5.2 billion Apple made from the App store in 2010.

"We estimate that Apple's App Store... will remain the single best-selling across our forecast period"

Carolina Milanesi, *Vice President,*
Gartner Research



2

Revenue generated from in-app purchase is increasing

“Apple will be the number one platform for a long time from a developer perspective, they have gotten so many things right....And paid content just doesn’t work on Android.”

Peter Vesterbacka, *Developer,*
Angry Birds



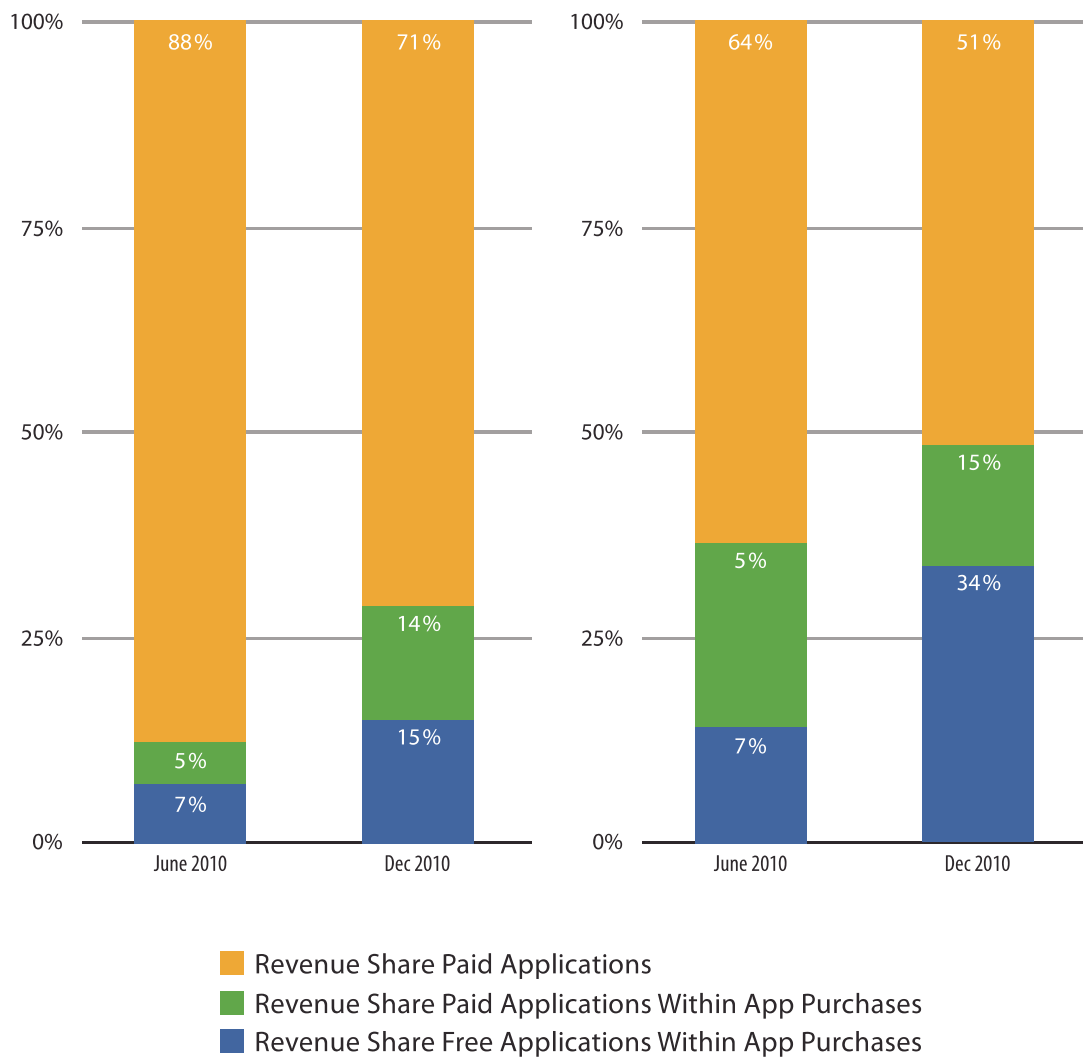
While upfront payments for purchasing an app were the primary source of revenue for iPad apps in 2010, research by the analytics company Distimo has identified an increasing trend towards revenue generation via in-app purchases. They found that in December 2010:

- In-app purchases on free apps accounted for 15 percent of total app revenue on the iPad. This figure was up from 7 percent in June 2010.
- In-app purchases on paid apps accounted for 14 percent of total app revenue. This figure was up from 5 percent in June 2010.

Distimo observed that developers were making a shift to free applications with in-app purchasing as it allowed them to create revenue whilst harnessing the high download rate of free applications.

This shift of both consumers and developers alike represents disappointing news for the Android Market, where in-app purchasing remains unsupported. It may go some way to explaining why Google’s Group Manager for the Android platform Eric Chu, recently told a conference he was “not happy” with app generated revenue on the platform.

Revenue Share By Monetization Type (US)



Source: Distimo

With Apple's in-app purchase system, many newspaper and magazine apps let iPad users buy individual editions or subscriptions from within the app. Articles published by the **Wall Street Journal** and **Forbes** in February 2011, reported that Apple are now enforcing the rule which states all in-app purchases need to be made via the Apple payment system- a move which could be detrimental to many publishers and developers who avoided doing this in the iPad's first quarter.

3

Advertising on the iPad is more effective than print

“Advertising in digital magazines can more effectively engage readers and create stronger purchase intention than similar static ads in print.”

Dave Dickson, *Product Marketing Manager*,
Adobe

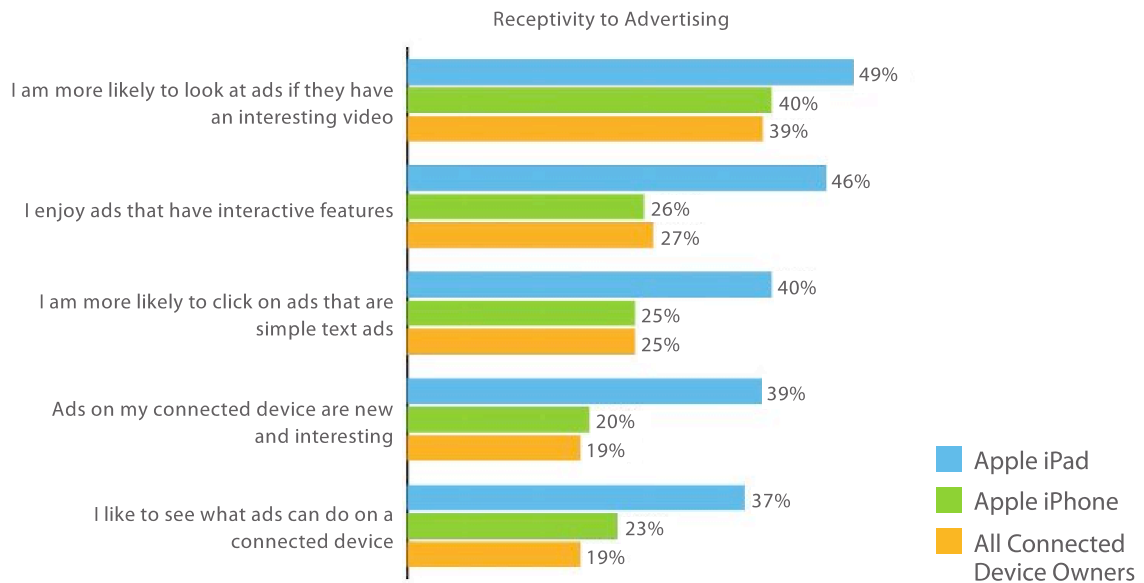
Research carried out examining the effect of iPad advertising in 2010 has largely found that ads viewed on the iPad are more effective than both print advertising and advertising on other digital platforms.

In a study carried out by Alex Wang, Ph.D. of the University of Connecticut, consumers were asked to gauge their reactions to different types of advertising. The study found that the interactive ads on the iPad were consistently better received than static print advertising. The test subjects were required to assign a rating (with 9 being the strongest), to a variety of different criteria. The results of this study can be seen below.

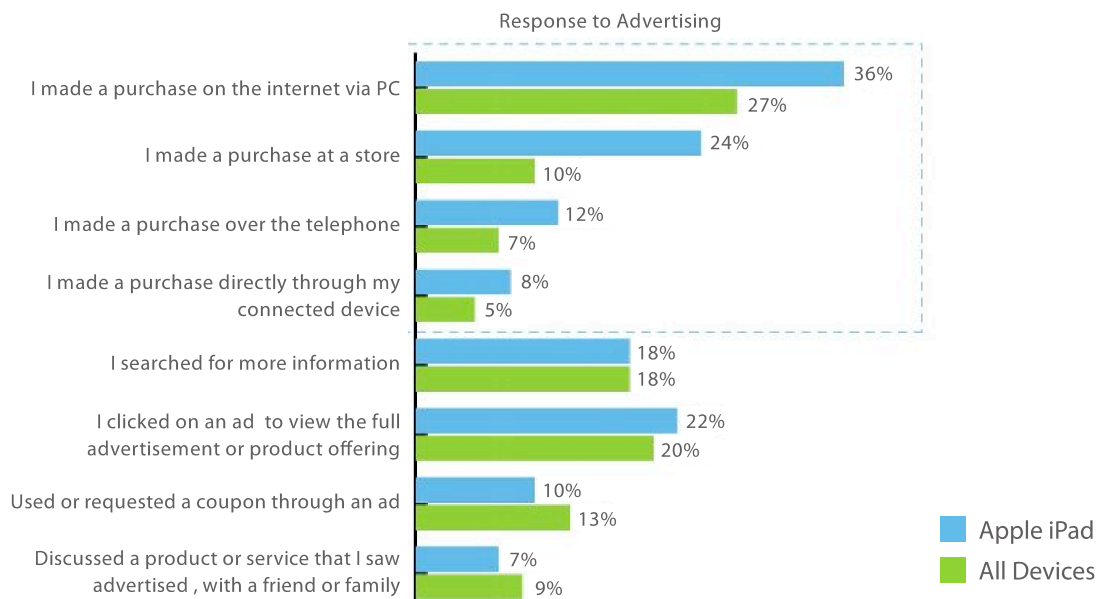
	Overall ads		The specific ad	
	Static ads	Interactive ads	Static ad	Interactive ad
	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>
Perceived interactivity	6.03	7.38	3.96	6.81
Perceived engagement	5.38	6.67	4.16	6.67
Message involvement	5.36	6.36	5.07	6.45
Attitude toward the ad	5.50	6.63	3.75	6.36
Purchase intention	–	–	2.50	3.98

The findings of this study are supported by research carried out by The Nielsen Company, which found that iPad users were far more receptive to advertising than users of other devices and that users were more likely to make a purchase as a result of an advert on the iPad compared to any other device.

iPad users are far more receptive to advertising



iPad owners are more likely to make a purchase after viewing an ad



Source: The Nielsen Company

4

The iPad is increasingly being used for eCommerce

“Many retailers report that already half of what they consider to be mobile traffic is coming through tablet devices.”

Forrester Research

A recent **study** by price comparison website **Kelkoo** has found that eCommerce sales now represent more than 10 percent of total retail sales in the UK. It is no wonder therefore that retail businesses are making ever increasing efforts to maximise their online sales. In order to do this though, it is essential for retailers adapt to the evolving technological landscape, and cater for increasingly popular devices such as the iPad.

Using specifically tailored apps, a number of companies have found that the iPad can be an exceptional tool for generating revenue from eCommerce. Its vivid, tactile approach to online shopping is one that retailers are now beginning to exploit.

“The iPad is the first mobile device where eCommerce really flourishes”

Munjal Shah, *Head of commerce sales*, **Google**

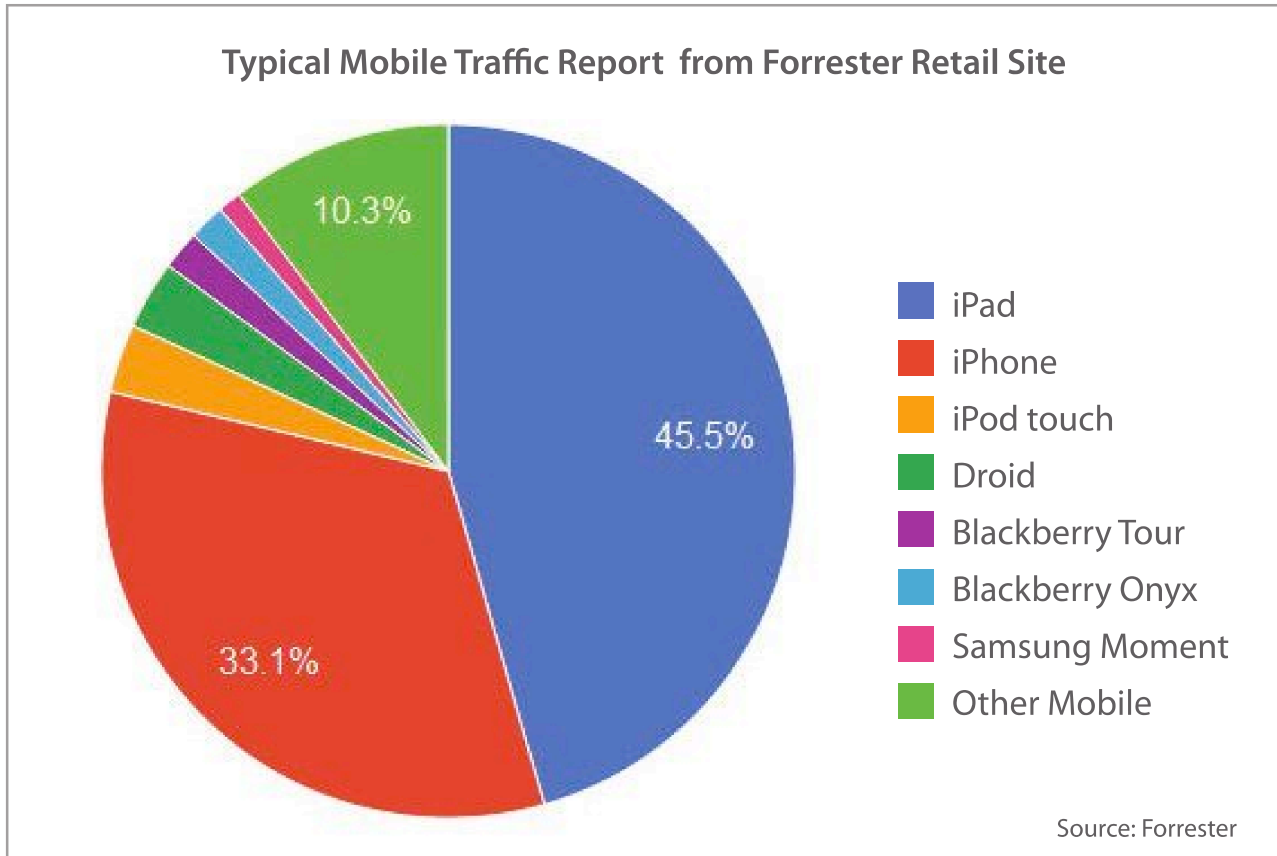
In the past year **eBay** have reported that shoppers using an iPad spend on average 50 percent more than **PC users**, with unique visitors to the site who make a purchase spending on average \$85 per week.

“Our iPad app is actually easier to use than our Web site.”

Han Yuan, *Director of engineering,
platform business solutions and mobile at eBay inc.*

As well as eBay, a number of retailers are hugely benefiting from the shopping experience offered on the device. **Wine.com** achieved over 8000 unique downloads of their iPad app in the first two months it was available. While **Wet Seal**, a retailer of teenage girls apparel, has stated that whilst promoting back-to-school clothing, they had close to 1 million outfit views via the iPad app alone.

Forrester has examined the mobile traffic driven to its own retail site. It found that 45.5 percent of traffic driven from mobile devices was from the iPad.



5

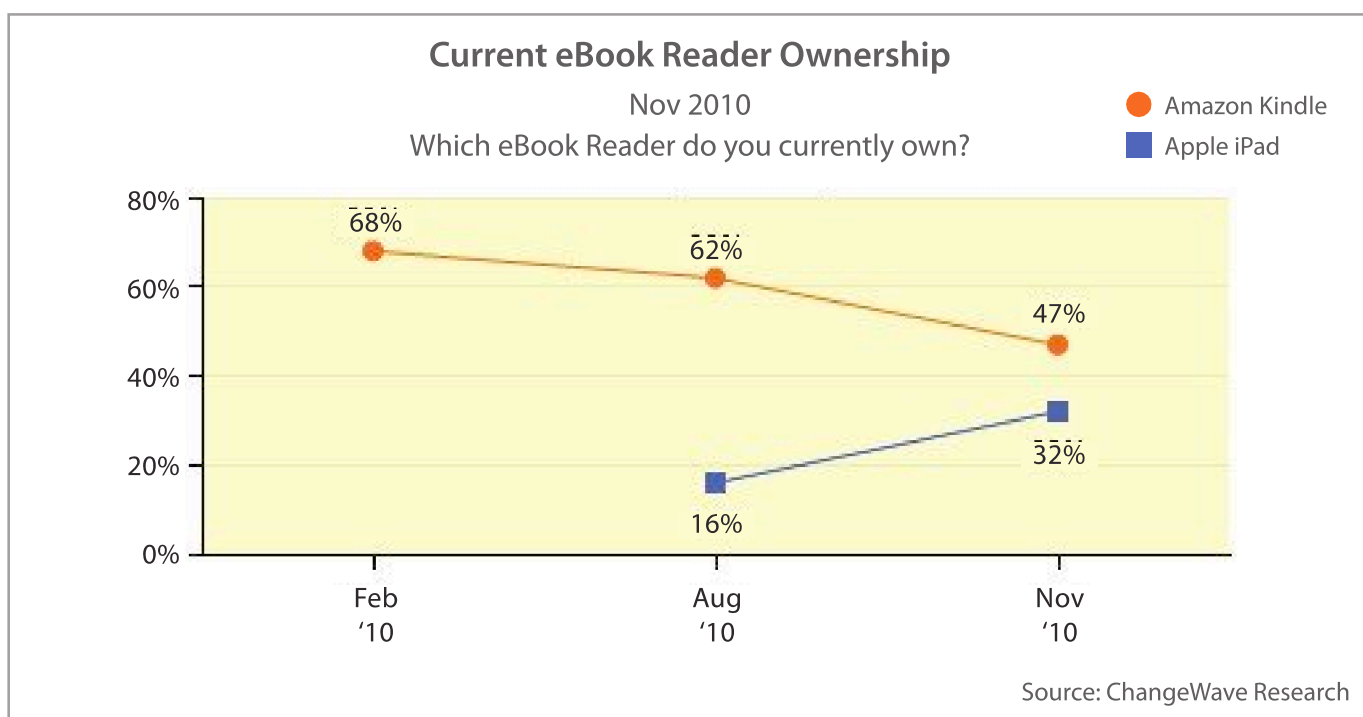
iPad is becoming one of the most popular eBook reading devices

While 2010 will undoubtedly be remembered for the unprecedented success of the iPad, it will also be considered the year eBooks (digital books) achieved success on a major scale. Global sales of the eBook rose by approximately **400 percent** and achieved nearly \$1 billion sales in the process.

“Publishers need to take digital seriously, they must make it the new default for publishing, preparing for a day in which physical book publishing is an adjunct activity that supports the digital publishing business”

James McQuivey, **Forrester Research**

In a year in which **Amazon** announced eBooks outsold paperbacks on its website in the final quarter of sales, **ChangeWave Research** indicates that the iPad successfully claimed much of the eReader market from its more established competitors.



The growth of the iPad as an eBook reader appears set to continue into the decade. An online survey conducted by **The Bookseller** in October and November 2010 forecast that eBooks would eventually be read primarily on tablet devices. Nearly one third (31.8%) of respondents forecast that the iPad or devices like it would be the most commonly used eReader platforms by 2015.

A survey by ChangeWave Research of 2,800 consumers suggests that these predictions are well founded, and if anything, conservative in their forecasts, given the projected adoption rate of the iPad as an eReader.

