

ARTILLERY DATA BRIEFS

LESSONS FROM POKEMON GO'S \$800 MILLION IN '18

02/11/19



We continue to see clues for consumer AR success factors. Those clues are important in early stages of any emerging tech sector. Because it's open season for potential killer apps, questions loom around optimal product strategies, UX design and revenue models. And the stakes are high.

With that backdrop, the latest data point is that Pokémon Go drove \$800 million in revenue in 2018 according to Sensor Tower (standard disclaimer: third-party extrapolated figure). That comes after Niantic's own disclosure in November that it drove \$2 billion in revenue to date.

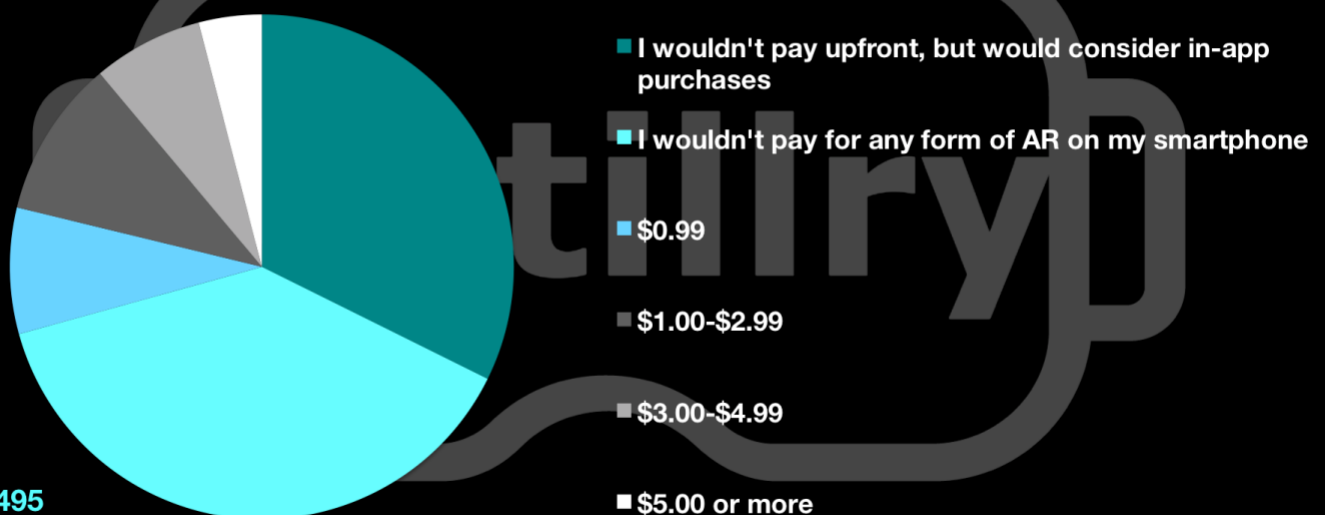
The \$800 million is a 35 percent year-over-year increase, amplified by a strong December which drove \$75 million. It's also an average of about \$2.2 million per day, up from \$1.6 million in 2017. The surge has a lot to do with game updates and releases, a key lesson for app engagement.

What are other lessons? First and foremost, Pokémon Go's revenue model provides some clues over what types of AR experiences consumers will actually pay for. As we've examined, early/unproven tech like AR has high price sensitivity for upfront purchases (premium apps).

Pokémon Go has gotten around that by basing most of its revenue model on in-app purchases (IAP). Beyond price sensitivity, IAP is generally a validated payment scheme, around which consumers have been acclimated through years of successful apps, especially in gaming.

MOBILE AR APP PRICING (NON- USERS)

WHAT IS THE MOST YOU WOULD PAY FOR A MOBILE AR APP?



N= 1,495



(Simplified view: see report for full data set.)

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Further in support of IAP, it was validated in our consumer survey research with Thrive Analytics. The data indicate that non-AR users — those who don't currently use AR but are asked about their willingness — wouldn't pay upfront for premium apps. But they are open to IAP.

We should acknowledge a few variables though, in order to avoid false positives or take away the wrong lessons. All of Pokémon Go's success isn't due to AR, as it's just one component. It's primarily a location-based game that includes AR features (which many users deactivate).

Furthermore, the notion that IAP = AR success should first consider the app category. IAP is conducive to gaming due to game mechanics that drive micro-transactions at scale (a lesson in behavioral economics). The same can be true in other categories... but IAP isn't a silver bullet.

Another category where IAP aligns is social. AR lenses have already started to follow the path of Snapchat's geo-filters where individuals pay to create custom lenses for an event (think: birthday party). Most AR lens revenue is brand ads, but there could also be a long-tail revenue play.

Where will IAP not work in AR? This is a moving target but signals indicate that media and information experiences won't work. We say that because consumers have been conditioned to expect subscription or free ad-supported experiences. This is how Google Lens will play out.

As for lessons in UX, AR's success in Pokémon Go is owed to the fact that it's, again, a feature rather than a primary function. AR is integrated into an app that has other points of appeal, thus riding its coattails into mass awareness. And the strength of Pokémon's IP can't be understated,

The latter is a success factor that we'll see replicated in Harry Potter Wizards Unite. Built on proven game mechanics of Pokémon Go, Niantic's expanding game architecture, and a strong brand/IP, it has all the ingredients for mass adoption. And that could be a moment of truth for AR.

Of course, all this just scratches the surface for AR lessons from Pokémon Go. Like we said, it will be a moving target. But we can extrapolate lessons as we go. And that exercise gains precision with more data points and as evidence stacks up. That will take time but we're watching closely.

Video Companion

(click URL to view)

https://youtu.be/sEYrzIY_Q1E



About ARtillery Intelligence

ARtillery Intelligence chronicles the evolution of augmented reality (AR) and virtual reality (VR). Through writings and multimedia, it provides deep and analytical views into the industry's biggest players, opportunities and strategies. It's about insights, not cheerleading.

Run by analysts and former journalists, coverage is grounded in a disciplined and journalistic approach. It also maintains a business angle: Though there are lots of fun and games in AR & VR, long-term cultural, technological and financial implications are primary.

Products include the *AR Insider* publication and the *ARtillery PRO* research subscription., which together engender a circular flow of knowledge. Research includes monthly Intelligence Briefings, market-sizing forecasts and consumer survey data, all housed in a robust intelligence vault.

Learn more at <https://artilry.co/about>



About the Author

Mike Boland was one of Silicon Valley's first tech reporters of the Internet age, as a staff reporter for *Forbes* (print) starting in 2000. He has been an industry analyst covering mobile and social media since 2005, and is now Chief Analyst of *ARtillery Intelligence* and Editor-in-Chief of *AR Insider*.

Mike is a frequent speaker at industry conferences such as VRLA, ad:tech and LeadsCon. He has authored in-depth reports and market-sizing forecasts on the changing tech & media landscape. He contributes regularly to highly read online news sources such as *TechCrunch*, *Business Insider* and the *Huffington Post*.

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