

White Paper

Access for All: Expanding Opportunities for Players and Publishers Worldwide



NIKO^o | CODA

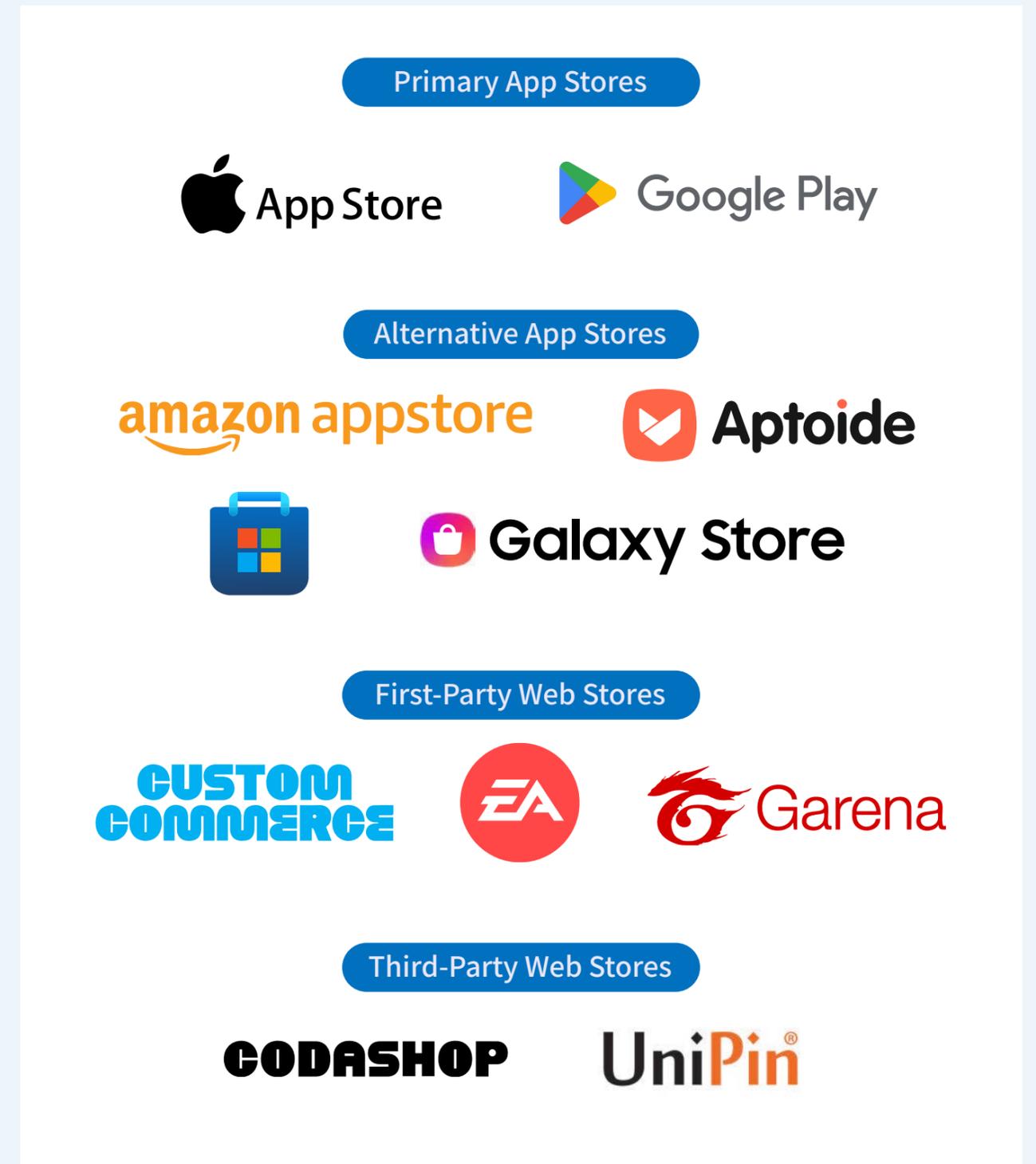
1 STAKES AT PLAY

This whitepaper explains the market opportunity available to publishers and developers who choose to work with a partner like Coda (or one of its competitors). Our goal is to provide an overview of digital content distribution and monetization, clarify market structure, and describe the steps developers and publishers should consider in order to take advantage of this significant incremental opportunity outside of the two primary app stores. The paper also aims to address potential publisher concerns and clarify the complexities a publisher might encounter when considering partners outside of the app distribution and monetization channels (Google Play and Apple App Store).

Google Play and the Apple App Store have dominated the app landscape for 15+ years and provide publishers a platform to enable discovery, distribution, and monetization. However, publishers are increasingly

demanding more channels to market their content and more flexible solutions to maximize distribution and monetization. This has created new opportunities and solutions to help publishers develop a more holistic go-to-market strategy.

- Publishers are demanding more channels to market and increasingly flexible and robust solutions, beyond primary app stores.
- Users are increasingly discovering and paying for content via diverse channels outside the primary app stores. This is called out-of-app monetization, for the purposes of this paper, we define this as alternative app stores, third-party web stores & marketplaces, and first-party web stores.
- The market place is now home to a wider variety of distribution and monetization options in order to meet these demands.



How can a publisher understand this landscape?

It is helpful to define key terms to help navigate this space. Although these terms are not new, clarifying the meaning of each can help optimize a publisher's go-to-market strategy. Companies like Coda Payments, UniPin, Xsolla and others have strong origins historically in the payments space, but are increasingly providing additional valuable solutions to help publishers optimize their distribution and monetization strategies. For Coda, this includes solutions in addition to Codapay such as Codashop, xShop, and the company's new Custom Commerce direct-to-consumer offering.



Distribution

Distribution is about selecting the right channels to make sure a company's product is available and accessible to its target audience (for games, the target being relevant gamers). Digital content publishers distribute apps and other in-app content or add-ons both online and offline and, importantly, via primary and alternative channels.

- **Primary channels**, such as the Google Play Store and the Apple App Store
- **Alternative channels** include other app stores and web stores that facilitate out-of-app monetization. Web stores can be further broken down into first-party (where a publisher runs their own web store) and third-party web stores (where a publisher relies on other digital marketplaces or e-retailers to sell content)



Monetization

Monetization is the process of ushering a potential customer through the marketing funnel, and ultimately generating a sale and revenue. For digital content and games, three main monetization models exist: advertising-led, subscription-led, and/or transactional (inclusive in-app and web-based purchases of digital goods and services). Each of these requires different strategies and tools to drive success, e.g. optimizing product availability, pricing, promotions, etc.



Marketing Funnel

The marketing funnel represents the buying stages that potential consumers go through, from initial awareness of a product or service, to making a purchase decision. Digital content publishers can work with many partners throughout the marketing funnel.



Purchase/Payments

Payment is the final step of the marketing funnel, and is a critical point where potential customers become paying consumers. If the payment process is cumbersome, unclear, or sparks doubt, it can lead to cart abandonment. A smooth, secure payment experience can boost conversion and increase revenue. Different consumers prefer different payment methods based on location and user preferences.

As such, publishers need to provide the right mix of payment options; credit/debit is popular in western markets and on Google Play and the App Store, but bank transfers, local digital wallets, in-person physical payments, etc are popular in other regions. Historically, monetization partners like Coda, Razer, or Xsolla began as providers of alternative payment methods.

The new trend in game monetization isn't new at all

Niko Partners has been tracking the games industry in Asia for over 20 years, and we find that Asia often leads the globe in gaming trends. Where and how games are distributed has become a major topic in the games industry over the last 3 years, following a growing number of legal changes related to in-app billing, take rates, and alternative payment platforms. However, the fact is, Asia has demonstrated the wider value – and need – for out-of-app monetization platforms for much longer than that.

Niko Partners' 2023 model estimates that in Southeast Asia, out-of-app monetization accounts for 21% of all mobile games revenue, and we note this share is even higher in certain markets. In China, where Google is absent from the market, alternative channels (alternative app stores, third-party web stores & marketplaces and third-party web stores) accounts for 53% of all app monetization. While credit card payments through primary app stores serve many users, Asian gamers often make purchases with e-wallets, through their phone carriers, with calling card top-ups, and other alternative payment methods, and these players rely on out-of-app monetization. To fully address these markets, publishers must provide alternative payment channels to fill in where primary app stores leave service gaps for many users.

** In Niko Partners' market model, Southeast Asia refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam; while China refers to mainland China.*

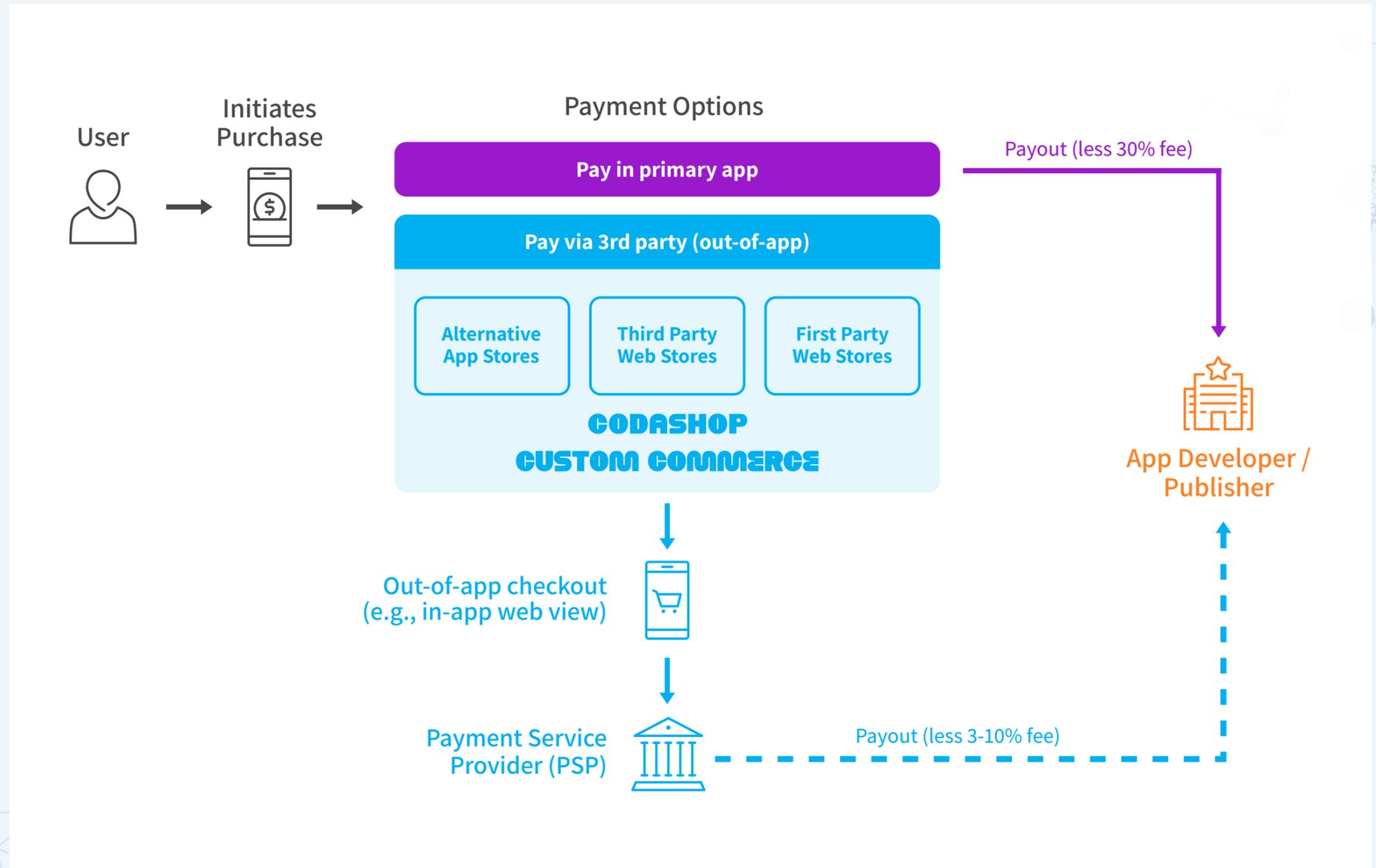
For over a decade, developers and publishers have been reaching gamers in Asia via channels outside of the two primary app stores (Google Play and Apple App Store). In some cases, publishers themselves build first-party solutions that match their players' demands – Sea Group's Garena is one example. However, it is often far more effective for international publishers to work with a monetization partner who can handle relationships with local payment providers, navigate local tax laws, and even leverage local payment and social channels for publicity and title discovery.

- Monetization options outside of Google Play and the Apple App Store are getting more press, but 1st and 3rd-party web stores have been the norm in Asia for over a decade.
- Global publishers who do not localize their go-to-market strategies are losing out, especially to regional publishers who have well-developed strategies in place.
- Legislation favoring competition, growing recognition of out-of-app monetization, and concern for the high fees primary app stores charge for the right to distribute on their platform is speeding the growth of the out-of-app monetization market share in Asia.

2 HOW DOES THE APP MONETIZATION LANDSCAPE WORK?

Transactional app monetization has historically been dominated by primary app distribution platforms like the Apple App Store and Google Play. Publishers enroll in a developer partnership program, submit an app for review and, if the review is successful, then submit the application for release. This walled-garden approach allows Apple and Google to ensure any release on their respective platforms is approved to meet their specific guidelines.

These platforms facilitate app monetization through in-app payments. Users click a button in an app and their payment is verified directly in the app for most cases, but not all*. This simplifies things for publishers, but in return they pay primary app distributors a significant share of each in-app purchase, called a take rate.



* Even more popular apps like Spotify and Netflix route users out-of-app for payments, because of the policies of primary app stores.

Take rates are at the center of the growing awareness of the app publishing and payments ecosystem. Primary app distribution platforms (Google and Apple) take up to 30% of payments made through their platforms, while limiting the ways publishers can direct payments through their own websites or through payment channels outside of primary app stores. (Although these limitations may be changing). This strict framework and the limitations that come with it are some of the main reasons why publishers are seeking alternative ways to monetize and distribute content. Alternative app stores (Amazon, Aptoide), generally have some of the same payment limitations as primary app stores and collect take rates similar to Google and Apple.

[First and third-party app monetization channels](#), as their name implies, offer publishers additional routes to monetize apps and content. [First-party web stores](#) (like EA, Garena, and many others which may be built independently or via a solution like a Custom Commerce by Coda.

A direct-to-consumer approach provides developers additional routes to onboard users, collect payments, and to distribute content efficiently. It also provides them access to robust data and insights to their users, enabling them to build deeper relationships and experiences.

Access to increased data also allows for better product customization, innovation, and content personalization.

Third-party web stores and marketplaces (like Codashop or others) also offer publishers a much better share of payments, allowing game creators to see more of the revenue generated by their content.

First and third-party web stores have existed for many years, but recent developments and legislation have led to wider industry awareness of this market segment. As more markets introduce legislation designed to increase competition on and outside of primary app stores, publishers are becoming more aware of the value of monetizing through these channels.

Additionally, the increasingly global nature of the gaming and app ecosystem is making partnerships with alternative distribution platforms a key strategy for publishers in emerging markets, where preferred payments are not fully covered by primary app stores. Combined, this is creating new opportunities for developers and publishers who wish to expand their reach and retain a larger share of the revenue their apps generate.

	In-App Monetization	Alternative In-App Monetization	Web Monetization	3rd Party Marketplace	1st Party (D2C) Web Stores out-of-house Partnership	1st Party (D2C) Web Stores In-House	
Examples	Google Play, Apple App Store	Amazon, Samsung, Microsoft, Aptoide, One Store			Coda, Unipin, Razer, etc.	Coda, Xsolla, etc	Publisher (examples: Tencent, Garena, etc)
Payment Types	Credit Card, Some online Payment Platforms	Credit Cards, Some online Payment Platforms			Often offer the more robust offering for preferred local payment methods. Credit Card, Direct Carrier Billing, E-Wallets, Bank Transfers, Cash at Retail, Vouchers, etc.	Built and implemented in partnership with 3rd-party provider	Must be self-implemented or built through direct partnerships
Take Rates or Costs	\$\$\$-\$\$\$\$	\$\$\$-\$\$\$\$			\$-\$\$	\$-\$\$	\$\$\$\$
Monetization Support	Templatized	Templatized			Bespoke and Templated options available	Coda: Custom Commerce (Bespoke Web Store). Xsolla: Site Builder (Templatized)	High Customization, High Investment, Non Compliance or tax support
Publishing & Marketing Support	App Store Discovery. Customer data/relationship owned by app store.	App Store Discovery. Customer data/relationship owned by app store.			**Localized Promotion and Marketing Support, as well as Tax Compliance and Regulation support, Payment Channel Integration, and Fraud support (with certain partners, not all). Customer Data/relationship largely owned by 3rd Party Marketplace Owner	Commonly includes: Localized Promotion and Marketing Support, as well as Tax Compliance and Regulation support, Payment Channel Integration, and Sometimes includes: Fraud support handled by certain 3rd party partners. Customer Data/relationship owned by 1st Party (Publisher)	*All expenses as well as Monitoring regulations, fraud, risk as well as driving marketing must be owned in house. Customer Data/relationship fully owned by 1st Party (Publisher)

3 PUBLISHER CONSIDERATIONS: WHY EXPLORE OUT-OF-APP MONETIZATION?

Particularly in fast-growing markets like Southeast Asia, Latin America, and MENA, users are not adequately covered by payment options available in primary app stores. Publishers who don't accommodate these users by providing access to preferred payments are reducing the total addressable market of paying users and leaving money on the table.

Globally, there are thousands of payment providers or payment options beyond the few that primary app stores accept. An emerging market may be home to hundreds of banks, local telcos, convenience stores, e-wallets, and other local payment methods, and payments collected through these channels are also subject to local taxes. For a publisher, building coverage of all these options can be daunting, so a monetization partnership is a way to expand access.

An out-of-app monetization partner will have relationships in place with local

payment providers and can streamline payment integrations, validate, and secure transactions, while keeping these activities compliant with local finance laws. For example, Coda reports aggregating over 300 preferred payment methods across the markets it covers. Each of these represents a pool of users who may otherwise have limited access to purchase app content.

Monetization partners are often simply associated with preferred local payments methods, but certain providers do much more than payments. A monetization partner with a strong local expertise can be an asset for player acquisition and strategy in key markets. These local insights allow a publisher to build promotions and marketing strategies that effectively utilize preferred local payment channels and networks.

As previously mentioned, increased insights remains a top reason for building a stronger out of app or direct-to-consumer strategy.

Increased access to robust user data allows for better product customization, innovation, and content personalization, enabling them to build deeper relationships and experiences. Today users have many more avenues for content discovery. As we have seen in the world of video and music, users are comfortable discovering content that appeals to them across a growing number of platforms. This is the case for games as well, publishers who don't diversify content discovery and monetization outside their app and primary app stores, are losing out to publishers who do. Monetization partners are a key to this, and enable publishers to tap into localized avenues for content discovery and user acquisition.

- A publisher who sees high downloads in a market, but lower-than-expected conversions may be able to convert more paying players by developing a local monetization strategy.
- Third party distribution will bring relationships with hundreds of third-party payment providers, regulations, and even local social channels for messaging and marketing.
- Out-of-app monetization expands and localizes user acquisition and content discovery. It also adds channels through which publishers can access better insights into their customer base.
- Better ROI on web store monetization allows publishers to keep more of the value generated by their apps and content in their ecosystem, which can be invested in further developing their product and audience.
- A publisher at this phase will also consider if their content could be integrated into an existing 3rd party web store or if they want to use a partner like Coda to build a custom 1st party store.

How are publishers making web stores work for them?

To effectively incorporate out-of-app monetization, a publisher must develop a strategy, which ranges from launching a templated web store to building a bespoke direct-to-consumer strategy, or even launching their own customized web store. If a publisher simply wants to create better access to preferred payments or quickly enter a market, a templated option might be fine. However, simply launching a web store usually isn't enough to convert users and drive discovery of out-of-app monetization. Nor does every solution offer the same coverage when it comes to compliance, fraud, and other complex financial factors.

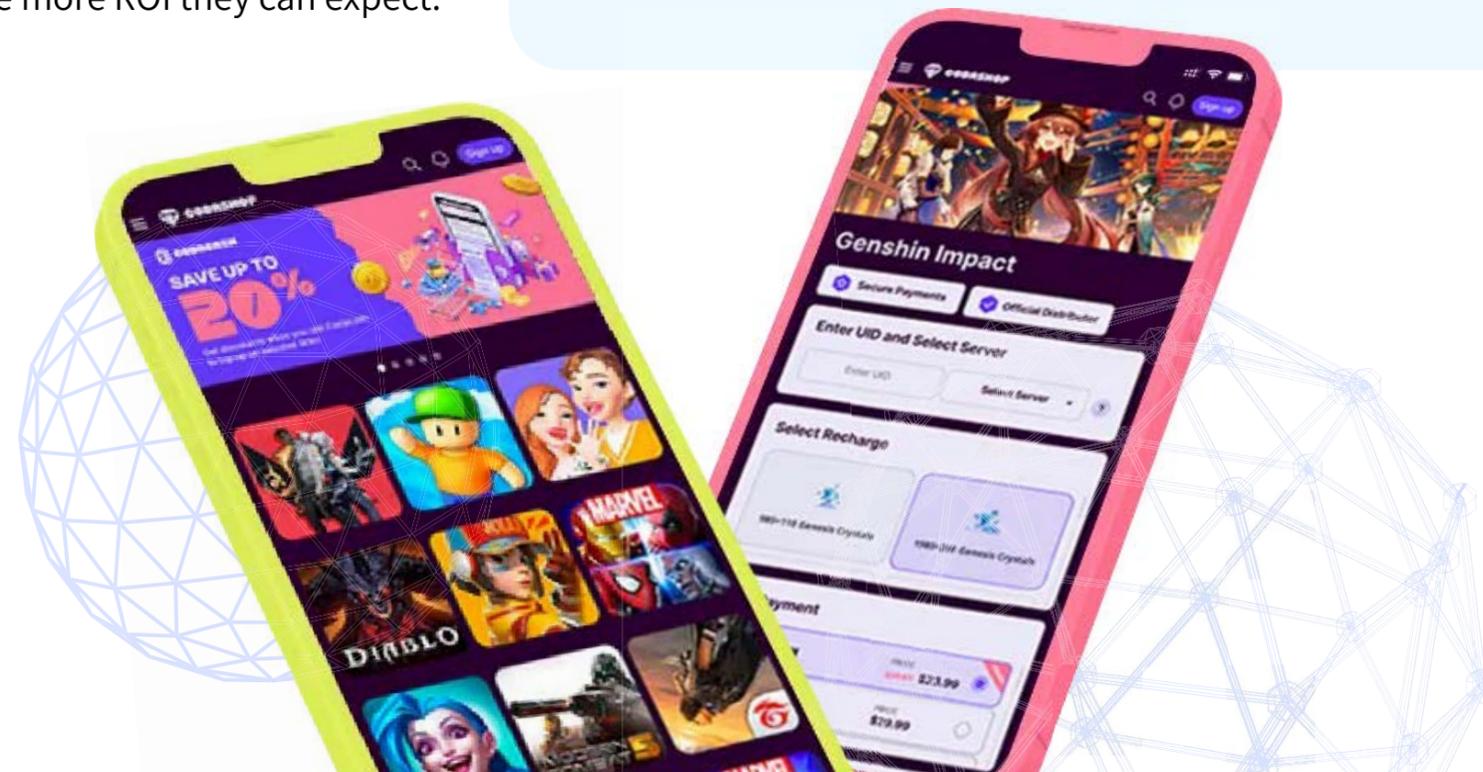
To fully leverage and access the nearly \$1 billion dollar out-of-app monetization market in Southeast Asia, a publisher also needs to develop a strategy for onboarding and engaging users. This kind of strategy needs to be developed, keeping the local

landscape for content discovery and engagement in mind.

Engaging a monetization or direct-to-consumer partner is like any relationship: it takes time to develop, must be approached with clear goals, and you get out what you put in. A more comprehensive strategy will include everything from pricing and incentives for users, to local activations with influencers or social media partners. The more a publisher can tailor their strategy for local markets the more ROI they can expect.

Publisher Considerations:

- Will you build your own distribution platform or are you interested in being discovered alongside other apps?
- Do you need a templated option, commit to building your web store in house, or want a customized store front built with a partner?
- What do your local users want and will they discover payment options available through a third-party platform?
- What will incentivize them to use it, can you integrate your web store strategy into your larger promotions and monetization roadmap?
- Is app store ranking or app revenue the leading priority for this title at this phase in its lifecycle?



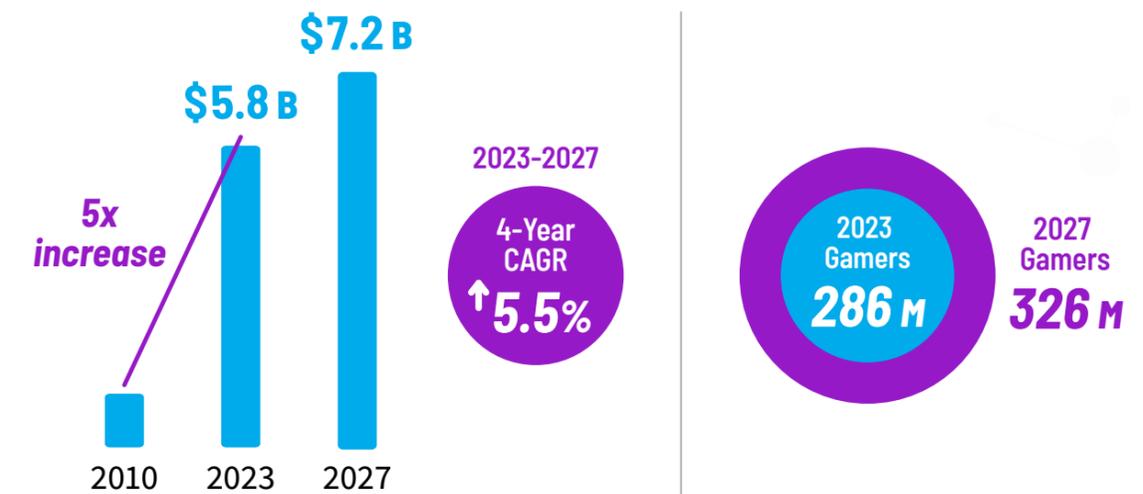
4 SOUTHEAST ASIA FOCUS

In 2023, the Southeast Asian games market generated \$5.8 billion* in revenue, more than five times its value when Niko Partners began covering gaming in the SEA Region in 2010. This explosive growth means more gamers in the market but it also means more players are not adequately covered by primary app distribution and payment methods. This year, there are 286 million mobile gamers in SEA-6 and this number is expected to grow to 326 million in 2027. However, outside of developed markets like Singapore and Malaysia, it is estimated that between 40-50% of the adult population are unbanked. Bank-based payments such as credit cards and debit cards are also among the lowest choices for games payments, with less than 30% of gamers in Indonesia, The Philippines, Thailand, and Vietnam preferring these methods for game payments, beyond primary credit and debit cards. Today we estimate that there are over 100 payment methods and providers in the region. Publishers intent on finding success here must be prepared to build these payment options into their funnel in addition to compelling awareness and top of funnel marketing activities if they hope to convert local gamers into paying users.

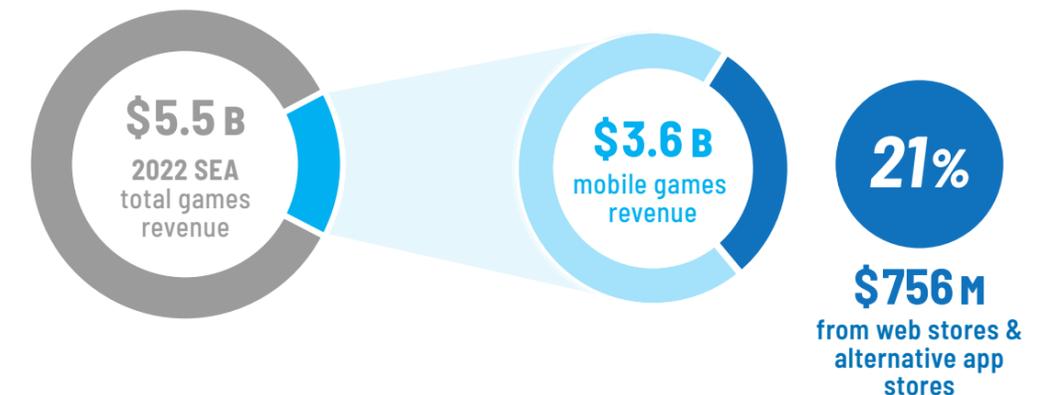
Homegrown players have learned this lesson early on, Singaporean developer, Garena, has operated its first party web store for over a decade as a way to streamline access to its content for users across Southeast Asia. Moonton, the publisher behind *Mobile Legends: Bang Bang*, the most successful mobile game in the Southeast Asian market, has adopted a similar strategy integrating web stores into its monetization model both in SEA and across the globe.

* This figure is based on Niko Partners' 2023 Market Model for Southeast Asia. The countries included in this model are Indonesia, Malaysia, The Philippines, Singapore, Thailand, and Vietnam.

Southeast Asia's Mobile Games Market



Web stores & alternative app stores share in 2022



5 REGULATORY MOMENTUM FAVORS OUT-OF-APP MONETIZATION

Over the last three years the strict enforcement of walled garden ecosystems by primary app store operators, including steep take rates for in-app purchases, have begun to draw more regulatory attention. What was historically an accepted cost of doing business for app developers and publishers, has now become a wider debate with regulators taking more interest in enabling fair competition and pricing around app-monetization. As of 2023, regulatory tailwinds are making it easier for publishers to explore monetization models that provide their users payment channels outside of apps.

Below are just a handful of cases that demonstrate these developments. Publishers want more freedom to provide out-of-app payment and distribution options and regulators want to ensure fair competition in digital marketplaces. We expect this environment will continue to become more favorable for out-of-app monetization as take rates and walled gardens receive more attention from regulators.

Regulations Affecting App Distribution and Payments

Market	Development
UK	In 2022, Google agreed to allow publishers to link to out-of app web stores in hopes of avoiding regulatory intervention. This would suggest primary app stores are reluctant to attract scrutiny from regulators, and are willing to make concessions to avoid additional oversight.
Korea	In 2022, Korea adopted legislation that prevents app store operators from forcing developers to use their in-app payments systems. The legislation requires app store operators to allow developers to link and sell content through out-of-app payment channels. In response Apple began to allow developers to use out-of-app monetization channels. Google Play Store, did not change its policy to allow out-of-app monetization and in 2023 was fined 42.1 billion won (\$31.4 million) by Korea's Fair Trade Commission.
Japan	In 2023, regulators in Japan announced plans to rule that Apple and Google must offer alternatives to their proprietary payment systems. This legislation is still developing, but may have serious implications for Apple and Google in these markets.
EU	In 2022, the EU's Digital Markets Act came into effect. The act is expected to force Apple to allow sideloading (downloading apps outside of its App Store). In 2023 Setapp announced plans to launch in the EU and provide alternative app distribution through its subscription service.

6 CASE STUDY



While out-of-app monetization may sound daunting to publishers who have not taken this route, more and more major publishers are expanding their monetization strategy to include web stores. Moonton, operators of *Mobile Legends: Bang Bang (MLBB)*, the most popular game in Southeast Asia, have long worked with Coda to finetune their monetization strategy in the region. Recently, Coda and Moonton have collaborated on a promotion that integrates one of the Philippines' leading e-wallet and payment platforms, Maya. The partnership demonstrates the type of strategic and localized approach that is made possible through a partner like Coda.

In a market like the Philippines, where 44% of the population is unbanked, providing access to game content through local forms

of payment is essential. According to Niko's research, credit and debit cards are only the 4th most popular payment method for gamers in the Philippines, behind e-wallets, carrier billing, and web stores or game vouchers. Working with Coda allows Moonton to reach gamers who prefer making payments with locally popular methods, like their Maya e-wallet.

For Moonton, the partnership with Coda constitutes a deeply localized monetization initiative. According to Niko Partner's research, there are at least 9 e-wallet services that are popular in the Philippines. In our 2023 gamer survey, Maya was the third most popular e-wallet among mobile gamers, with a fifth of respondents using the payment method. This means, though Coda Moonton was able to target a niche segment of the

market and to do so in a way that still made dollars (Pesos) and sense.

This particular partnership between Moonton, Coda, and Maya is great for *Mobile Legends: Bang Bang* and its players. Moonton is able to get some expert help navigating the complex payment landscape in southeast Asia from a partner that understands the nuances of the local market, while passing some of the value generated by growing their footprint in the Philippines back to their players. Moonton, Coda, and Maya offer players a 5% bonus on in-game currencies purchased through Coda's webstore (Codashop), which also helps to convert free-to-play users to paying players.

This case demonstrates several ways publishers and web stores can build

a partnership. First, the partnership establishes a value proposition: users who make payments through the promotion get better value on their purchases. Next, the partnership leverages Codashop, *MLBB's* marketing resources, as well as additional social media marketing resources to publicize the event. Maya also leverages its own marketing channels to extend awareness about the promotion.

This system works because Moonton builds trust in the offering by communicating the opportunity and value to their established users. Meanwhile, Coda builds awareness for the partnership through Codashop, with banners, notifications, and social activations, bringing *MLBB* players and even non-players on Coda information about the promotion. Meanwhile Maya does the same on their platform.



PARTIES INVOLVED

GODA

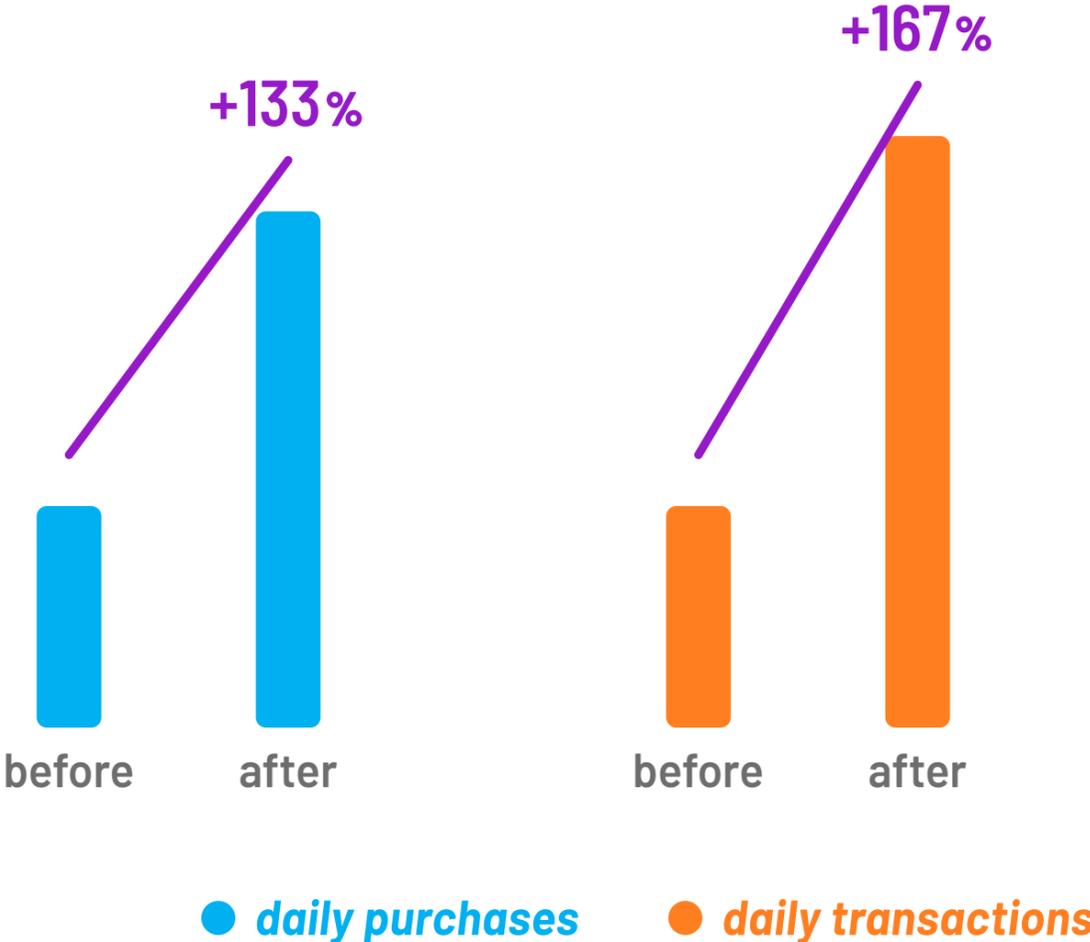
maya



MOONTON



DURING 4-DAY-PROMOTION



MARKETING CHANNELS

GODASHOP

maya



The result is a coordinated marketing campaign that results in thousands of transactions and bonuses passed on to players. It's a Win-Win-Win. According to Coda's data, daily purchase volumes over the 4-day event increased 133% while daily transaction volumes over Coda through Maya rose by 167%. Maya sees its market share improve among other payment options, Coda converts more players to its platform, players' dollars go further, all while Moonton expands the reach and accessibility of their leading title.

This type of partnership demonstrates the value of exploring out-of-app monetization in key markets. Coda and Maya's work with Moonton is particularly effective because preferred payments in the Philippines include telcos, retail, game vouchers, and e-wallets, all of which can be engaged in marketing activities. An out-of-primary-app monetization partner like Coda may also be able to engage other marketing channels leveraging local expertise including affiliates, influencers, player communities and more. The first step is building a relationship with this kind of provider.

What goes into building an out-of-app monetization strategy?

- Value Proposition for Users: Discounts, Bonuses, In-Game Codes, Cashback, Unique Items, Payment Channel Cashback, Promo Codes, and more
- Marketing the partnership
 - > Publisher marketing to build trust and awareness for the web store and value to users
 - > Web store marketing to extend awareness, facilitate new user acquisition and conversion
 - > Payment channel marketing building local, in region awareness of out-of-app monetization opportunities
 - > Additional marketing activities including utilizing affiliates and influencers, local player communities, and events

Building a successful campaign to convert users to a web store is the key to unlocking the value of out-of-app monetization.



ABOUT NIKO

Leveraging unmatched local expertise with a global perspective, Niko Partners delivers the most in-depth video game market intelligence for Asia and MENA, the world's fastest-growing regions. With our deeper understanding of these complex markets, game developers, publishers, investors, and suppliers can make smarter business decisions with the utmost confidence.

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