A Survey of Over 500 Advertisers, Publishers & Developers - October 2010

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DIGIDAY:PRO

The State of the Apps Industry: Yesterday, Today & Tomorrow

A Survey of Over 500 Advertisers, Publishers & Developers - October 2010

Table of Contents

Executive Summary

In Q3 2010, Millennial Media collaborated with DIGIDAY and Stifel Nicolaus to survey advertisers/marketers, publishers, and developers on their current mobile app practices in 2010 and intended plans for 2011. As the mobile applications industry continues to evolve, this data provides a critical view on where the industry stands today and where advertisers/marketers, publishers, and developers will be placing their bets in the coming year. An earlier DIGIDAY: State of the Apps Industry study that was run in Q4 2009 enables directional year-over-year comparisons from 2009 to 2010.

This report illustrates how mobile continues to drive deeper into digital ad budgets, which platforms have surged in adoption, and how advertisers, publishers, and developers plan to support in-application advertising and development in the coming year.

Highlights

- The number of mobile applications developed by advertisers/marketers in 2010 increased significantly year-over-year.
- From 2009 to 2010, Android and iPad saw the most significant growth as the app platforms used by advertisers. iPhone still leads the pack, but RIM, Windows Mobile, and Symbian also saw increases, as advertisers continued to diversify to balance their application platforms.
- 71% of advertisers worked with a network in 2010 (up 12% from 2009) to help further their apps strategies. The top 3 reasons cited for working with a network were reach, targeting, and cost per download.
- Applications budgets in 2010 moved away from cannibalizing online budgets. Budgets designated specifically for app development grew year-over-year, now comprising nearly 25% of the overall mix.
- Advertisers, publishers, and developers will continue to diversify their applications strategies in 2011. Android, iPad and Windows Phone 7 lead the pack among the platforms next on the docket to receive support in the coming year.
- Publishers anticipate significant growth in their applications revenue in 2011. When asked to estimate their earnings over the coming year, a full 31% expect their applications revenue to increase 100% or more in 2011, with another 17% expecting an increase of 50% or more.

State of the Apps Industry Yesterday & Today

Advertisers, publishers, and developers grew their presence in the apps space significantly from 2009 to 2010. Marked by increases in the number of mobile apps developed, diversity across platforms, and dedicated budgets for apps development, this shows healthy year-over-year growth.

Number of Mobile Apps Developed by Advertisers (2010 vs. 2009) CHART A

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

The number of mobile applications developed by advertisers/marketers in 2010 increased significantly year-over-year. When asked the number of mobile applications developed in 2010 vs. 2009, advertisers stated growth in every area. In particular, advertisers developing 20-50 apps stated an astounding jump (from 4 in 2009 to 83 in 2010). Conversely, the number of advertisers who did not develop a single application decreased year-over-year (from 19 in 2009 to 11 in 2010).

Growth for publishers in 2010, as with advertisers, came in the amount of experience in building applications. While the bulk of publishers in 2010 focused on developing 1-5 mobile applications, there was a burst of publishers who mastered the art of developing mobile apps and turned out greater than 50.

Verticals Building Branded Applications

CHART B

2010	2009
1. Entertainment	**1. CPG**
2. Technology	**2. Retail**
3. Media	**3. Auto**
4. Retail	**4. Entertainment**
5. CPG	**5. Financial**

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

Of those advertisers/marketers developing applications for their business, a number of key brand verticals are represented. In 2009, CPG, Retail, Auto, Entertainment and Financial companies were the top 5 verticals building apps. In 2010, however, Entertainment displaced CPG to claim the number one spot, followed by Technology, Media, and Retail. CPG remained in the top 5 at number 5.

State of the Apps Industry Yesterday & Today CONTINUED

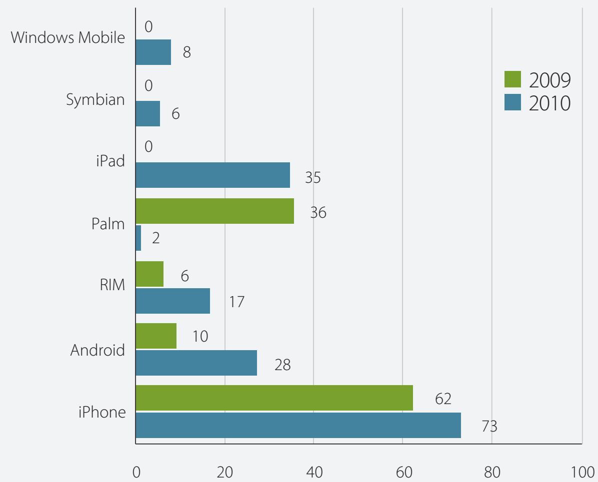
Top 5 Considerations for Choosing a Platform:

Both advertisers and publishers, when selecting which platform to develop for, have taken an increasingly cross-platform approach. Android and iPad have led the pack with significant growth, though iPhone still remains the top platform of choice. Windows Phone 7 and Symbian also saw growth among both advertisers and publishers.

1. REACH
2. DEMO
3. BETTER BRANDING
4. EASE OF USE
5. HIGHER SALES POTENTIAL

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

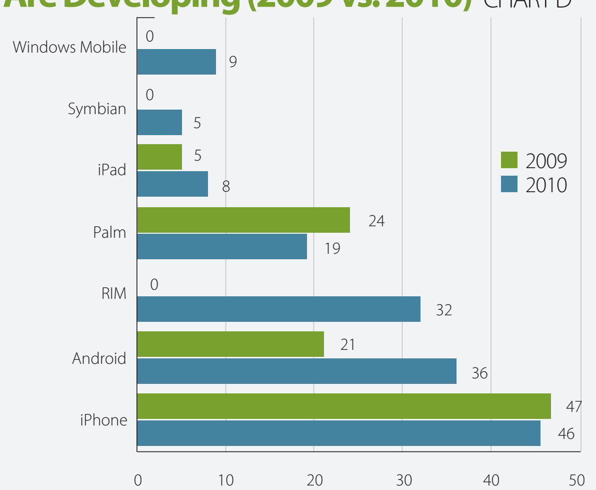
Mobile App Platforms For Which Advertisers/ Marketers Are Developing (2009 vs. 2010) CHART C



State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

From 2009 to 2010, Android and iPad saw the most significant growth as the application platforms used by advertisers. iPhone still leads the pack, but RIM, Windows Mobile, and Symbian also saw increases, as advertisers continued to diversify their application platforms.

Mobile App Platforms For Which Publishers Are Developing (2009 vs. 2010) CHART D



State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

Among publishers, Android, iPad, Windows Mobile, and Symbian also grew year-over-year from 2009 to 2010. Again, Android and iPad saw rapid acceptance by publishers, and efforts were focused on developing applications for these players. iPhone and Palm were the two platforms that saw year-over-year decreases.

State of the Apps Industry Yesterday & Today CONTINUED

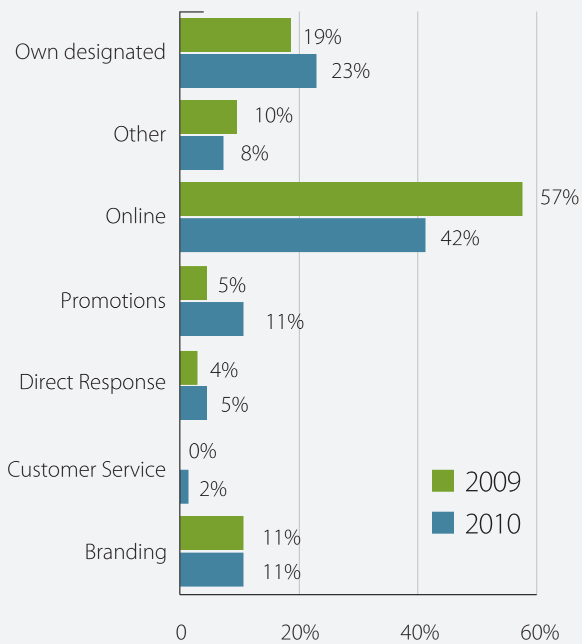
Top Considerations for Using a Network:

Of the 71% of advertisers who say they use a network (up 12% from 2009), the top 3 reasons advertisers listed for using a network include:

1. REACH
2. TARGETING
3. COST PER DOWNLOAD

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

Budget Area Funding Advertiser/Marketer Applications (2009 vs. 2010) CHART E



State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

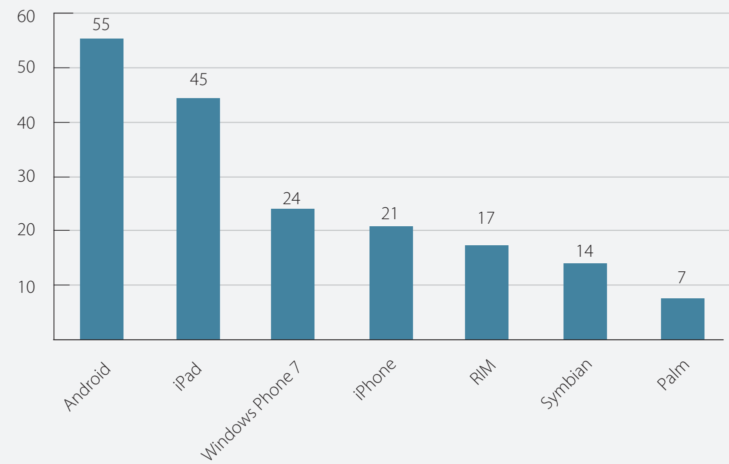
Whereas online budgets appeared to be the source of applications activity for advertisers/marketers in 2009, applications budgets in 2010 moved away from cannibalizing online budgets.

In fact, budgets designated specifically for apps development grew year-over-year, now comprising nearly 25% of the overall mix. Additionally, given the always-on nature of mobile media, a substantial portion of promotional budgets now funds applications.

Projections for the Apps Industry in 2011

To reach mobile consumers as effectively and efficiently as possible, advertisers, publishers, and developers will continue to diversify their applications strategies in 2011. The survey findings show that Android, iPad and Windows Phone 7 lead the pack among the platforms next on the docket to receive support in the coming year. Publishers also anticipate significant growth in their applications revenue in 2011 and mobile budgets on the whole should continue to increase.

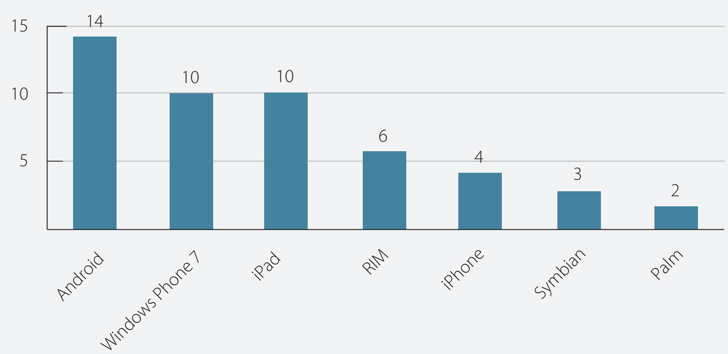
New Application Platforms Advertisers Plan to Support in 2011 CHART F



When asked what platforms advertisers/marketers will add support for in the coming year, Windows Phone 7 appears ready to supplant RIM and iPhone in emphasis, while marketers lend even more intensity to iPad and Android.

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

New Application Platforms Publishers Plan to Support in 2011 CHART G

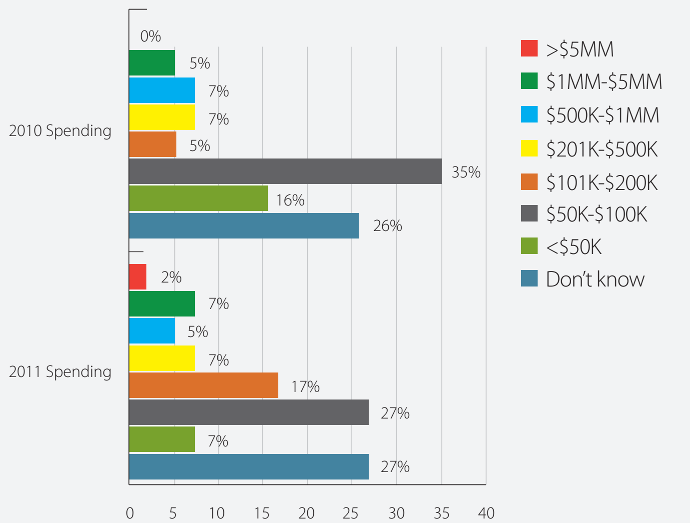


Windows Phone 7 is tied for second place with iPad as the platform that will be added to most publishers' plates in the coming year, and Android appears in pole position to challenge iPhone for the top spot of platforms for which publishers create applications.

State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

Projections for the Apps Industry in 2011

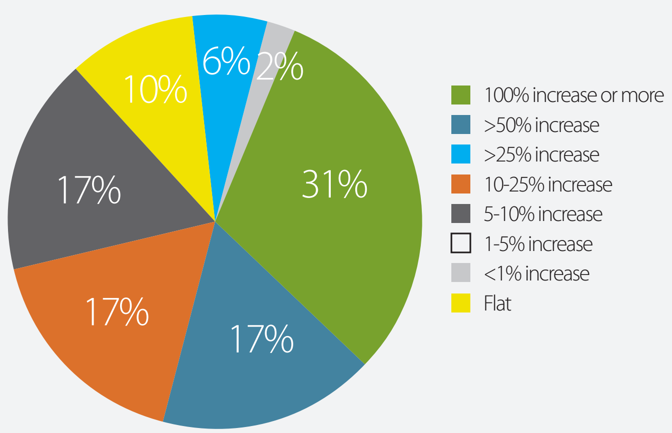
Advertiser App Budget Growth Projections for 2011 (vs. 2010 spending) CHART H



State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

When comparing actual applications budgets in 2010 and projected apps budgets in 2011, a small portion of advertisers project that apps spending will exceed $5MM in 2011. The percentage of advertisers expecting budgets to increase in the $1MM-$5MM range also increased year-over-year. Though these $1MM+ spenders make up just less than 10% of the overall group, the increase in million-dollar budgets highlights the growing importance of mobile apps within advertisers' plans. A significant increase is also expected in the $101K-$200K range, pulling primarily from the $50K-$100K and <$50K ranges.

Publishers' Expected Increase in Apps Revenue from 2010 to 2011 CHART I



State of the Apps Industry 2010 and 2009 Surveys; DIGIDAY, Stifel Nicolaus, Millennial Media.

Publishers anticipate significant growth in their applications revenue in 2011. When asked to estimate their earnings over the coming year, a full 31% expect their apps revenue to increase 100% or more in 2011, with another 17% expecting an increase of 50% or more. Only 10% of respondents expect their revenues to remain flat.

Summary & Methodology

About Millennial Media
Millennial Media is the proven leader in mobile advertising. With the largest mobile media audience in the U.S., Millennial Media uniquely offers brand advertisers the only set of specific, scalable audiences. Our ability to reach, target and engage consumers is unparalleled. As an innovative technology leader, our mobile decisioning, serving and mediation platforms are powering some of the largest companies in the media business today. The company is committed to growing the mobile advertising marketplace by becoming the preferred partner to all advertisers seeking to reach mobile consumers, all publishers and developers seeking to maximize ad revenue and all mobile operators seeking to further monetize their networks. For more information, please visit **http://www.millennialmedia.com** or follow us on **Twitter @millennialmedia**. Millennial Media was named the 2010 OnMedia Top Private Company in Digital Media and was awarded a 2010 Stevie Award (American Business Awards) for Most Innovative Company of the Year.

About DIGIDAY
DIGIDAY hosts conferences on emerging media for digital media and marketing professionals. Our brand promise is that, after any given DIGIDAY, attendees should have all the direction and resources they need to execute flawlessly in each new genre. Each conference provides the opportunity to survey the industry for market trends. Our State of the Industry snapshots are briefed in DIGIDAY:DAILY and the full studies published to DM2PRO.com, a knowledge base for digital media and marketing professionals with how-to tutorials on cutting edge media genres, winning creative and content award entries for the MOBI, SAMMY and DPAC Awards, and full video from our past shows. Sign up for DIGIDAY:DAILY at http://www.bit.ly/addTwS to follow our upcoming research.

About Stifel Nicolaus
Stifel Financial Corp. (NYSE: SF) is a financial services holding company headquartered in St. Louis, Missouri, that conducts its banking, securities, and financial services business through several wholly owned subsidiaries. Stifel clients are primarily served in the U.S. through 310 offices in 43 states and the District of Columbia through Stifel, Nicolaus & Company, Incorporated and Thomas Weisel Partners LLC, and in two Canadian provinces through Stifel Nicolaus Canada Inc. Clients in the United Kingdom and Europe are served through offices of Stifel Nicolaus Limited and Thomas Weisel Partners International Limited. Each of the broker-dealer affiliates provide securities brokerage, investment banking, trading, investment advisory, commercial and retail banking, and related financial services to individual investors, professional money managers, businesses, and municipalities. Stifel Bank & Trust offers a full range of consumer and commercial lending solutions. To learn more about Stifel, please visit the company's web site at www.stifel.com.

Survey Methodology & Disclosures
Two surveys were used to provide the data used in this report. The State of the Apps Industry survey pools used by DIGIDAY consisted of approximately 600 digital and/or mobile industry professionals in two industry snapshots taken in November 2009 (Q4 2009) and August 2010 (Q3 2010). For clarity, all charts in this report reference only the year in which the survey was conducted. In 2010, 41% of survey respondents classified themselves as Agency/Advertiser/Marketer, 30% as Application Developer, and 29% as Publisher. In the 2009 survey, the breakout was 41%, 30%, and 29%, respectively. DIGIDAY believes its data to be representative of industry trends, even in their more targeted segments. More recently, DIGIDAY partnered with Jordan Rohan of Stifel Nicolaus, a leading Wall Street analyst of emerging media, to capture his views of what the trends captured portend for the growth and direction of these media and their potential impact on the market as a whole.

For More Information

Visit **www.millennialmedia.com/research** to sign up to receive Millennial Media-related news, including Millennial Media's Mobile Mix™ and the Scorecard for Mobile Advertising Reach and Targeting (S.M.A.R.T.)™ reports.

To learn more about our growing mmDev developer community or to download our latest cross-platform SDKs, visit **http://developer.millennialmedia.com**.

For questions about the data in this report, or for recommendations for future reports, contact us directly at **marketing@millennialmedia.com**.