



# Investing in Consumer Apps

The Next Hotspots for Growth



**OC&C**  
Strategy consultants



# Highlights

- Consumer apps remain big business and a new cohort of Lifestyle and Content apps could represent the next growth frontier
- 3 emergent categories in particular could represent exciting opportunity for investment
  - Health & Wellness
  - Casual Learning
  - Fitness & Outdoors
- Favourable dynamics – including intersections with mega-trends – are likely to support growth in each of these categories and in each we see examples of businesses increasingly hitting ‘PE scale’, or with markers that they will
- Insights from OC&C’s work with apps in more established categories reveal learnings about building a user base, internationalisation and monetisation...
- ... as well as pointing to some of the key questions investors should be asking themselves – including how attractive is the headroom, what are the drivers of competitive moat and what is the threat of disruption from Big Tech



Technological advancements and evolving consumer habits are supporting a thriving, diverse eco-system of Lifestyle and Content apps

Almost everyone has a smartphone

310m

2024

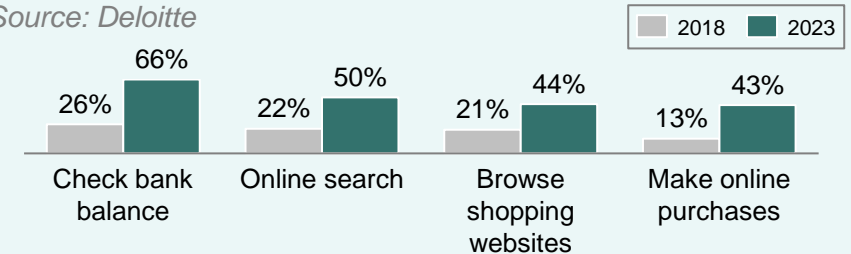
Smartphone Users US

Source: Statista

Smartphones are increasingly the 'go-to' for daily activities

Smartphone Preferred Method for Activity (UK)

Source: Deloitte



Functionality continues to improve

Processing Power

Connected Devices

AI

Consumers are more comfortable paying for digital products and services

\$64bn

2023

Non-Gaming In-App Payments

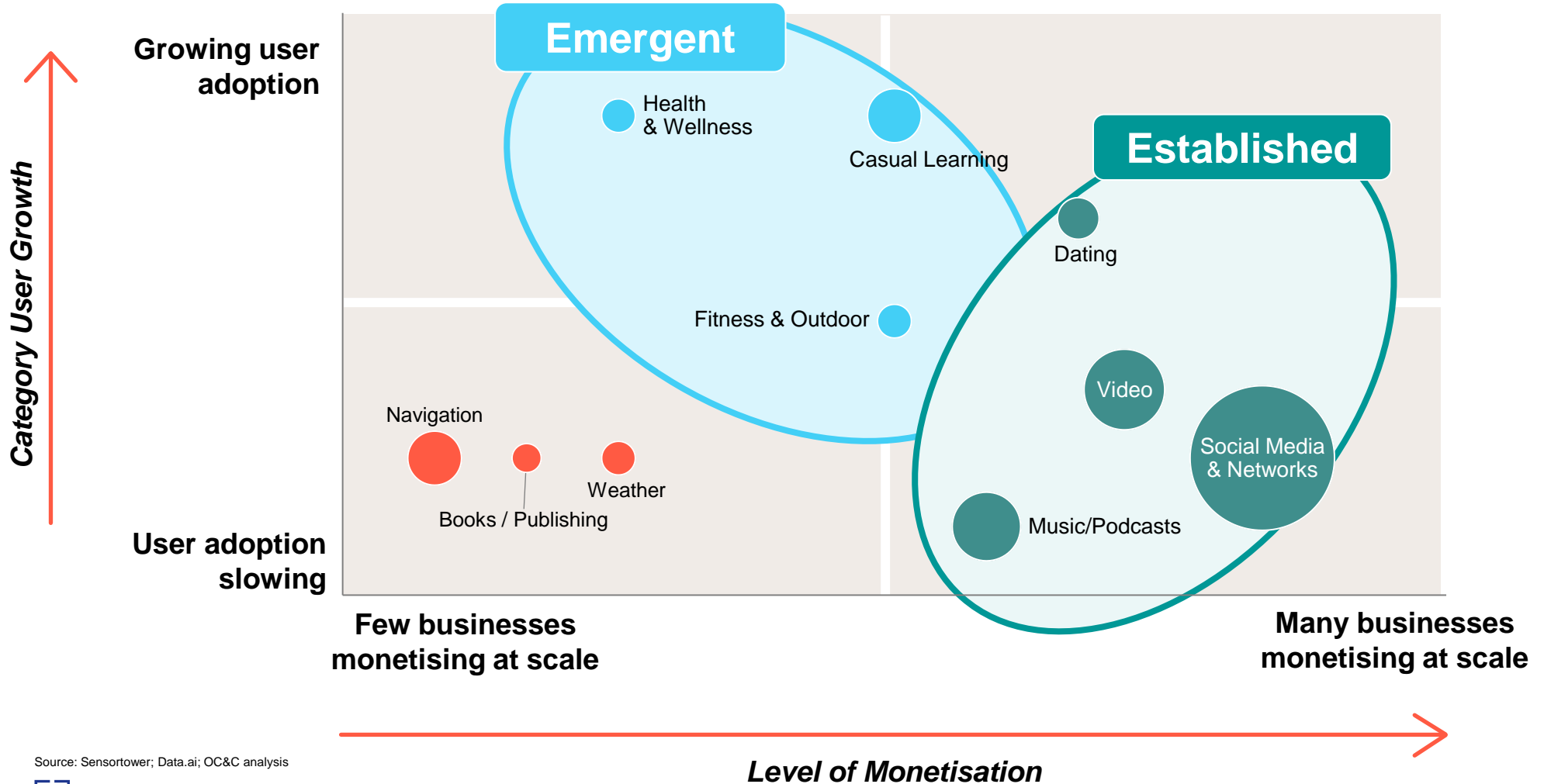
Source: Data.ai

# 3 emergent categories of Lifestyle and Content app could represent exciting opportunities for investment

Category Profiles

● Bubble Size Indicates Indicative MAU (Apr 24)

Illustrative



Source: Sensortower; Data.ai; OC&C analysis



Level of Monetisation

# Each of these three categories has favourable dynamics– with some intersecting with global megatrends that will drive growth

## Macro Trends Driving Growth




**Health & Wellness**

Aging Population & Lifestyle Diseases

Women's Health Movement

Increased Personalisation driven by AI Advancement



**Casual Learning**

Remote and Digital Learning (accelerated by Covid)

Trend towards Social and Gamified Experiences

Lifelong Learning & Skills Development



**Fitness & Outdoor**










Penetration of Wearable Technology

Younger Generation Preference for Experience over Things

Environmental Awareness, Urbanisation and Demand for 'Nature Escapes'

# In all we see evidence of businesses reaching meaningful scale – or with the markers they will

 <b>Health &amp; Wellness</b>		
App	Global MAU Apr 24	Description
Flo 	38m	Menstrual / pregnancy tracker
MyFitness Pal 	19m	Calorie / fitness tracker
YAZIO 	9m	Calorie and diet tracking
Clue 	9m	Menstrual / pregnancy tracker
WeWard 	7m	Guided walks and step count
Yuka 	6m	Food scanning
Calm 	6m	Meditation
Lose it! 	4m	Calorie and diet tracking
Headspace 	3m	Meditation
Gismart	Various (Total 30m+)	Various health and wellness apps

 <b>Casual Learning</b>		
App	Global MAU Apr 24	Description
Duolingo 	75m	Language learning
Brainly 	27m	Homework help platform
ClassDojo 	10m	Educator/student/parent communication platform
Kahoot! 	7m	Educational quiz platform
Headway 	5m	Daily, fifteen-minute book summaries
Babbel 	2m	Language learning
Buusuu 	1m	Language learning
Memrise 	1m	Language learning
NextVision	Various	Multiple nature identification apps
Simply	Various	Multiple instrument learning apps (eg Simply Piano)

 <b>Fitness &amp; Outdoors</b>		
App	Global MAU Apr 24	Description
Strava 	19m	Running / cycling tracking
JustFit 	13m	Female fitness
komoot 	9m	Route planning / inspiration
AllTrails 	5m	Route planning / inspiration

Source: Sensortower; OC&C analysis





OC&C's work with apps in more established categories reveal learnings about building a user base, internationalisation and monetisation

## **Multiple paths to monetisation exist but careful selection of optimal journey is required**

Charging users directly is successful when there are sufficient premium features for which they are willing to pay; advertising has high potential but carries trade-offs with user experience

## **Trade-offs between monetisation and building user base, particularly in the early years**


Significant monetisation in the first 2 years is unlikely; new entrants to an established category can get a 'second-mover' advantage that allows more rapid ramp

## **Internationalisation is a key growth lever but not all markets have the same potential**

N America and Western European markets have structurally higher propensity to pay for digital products and higher revenue per payer potential

## **Longer-term there could be more innovative opportunities to monetise engaged, specialist communities**

Including a trend of convergence between content and commerce



... as well as pointing to some of the key questions we'd be asking ourselves looking at any potential target in this space

## Questions we would ask:

### Levers to Grow

- How hard have monetisation levers been pulled? Is there scope to go further without damaging the user experience?
- Will the economics of scaling become incrementally harder as maximum penetration in sweetspot users is reached?
- Will the proposition resonate as highly outside of the existing market, and could this make scaling more challenging and/or expensive?
- Really how attractive and sustainable is the underlying market: could it be a fad / fashion that results in user decline or reverse network effects?

### Competition

- Could the market converge to a single “winner takes all” – where outside of the #1 it can be very hard to succeed? Or will it support multiple subtly differentiated offerings?
- What is the risk of larger competitors increasing marketing spend, and how would this impact economics?

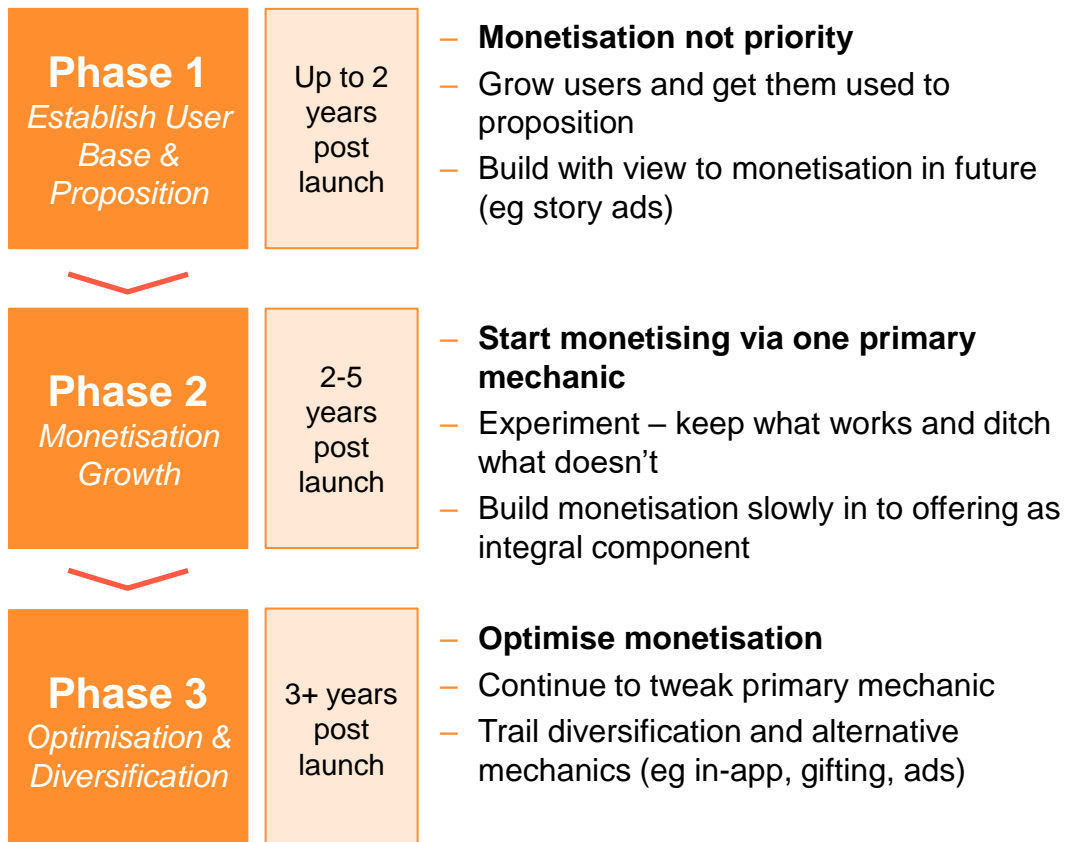
### Disruption

- How likely are large tech players to replicate comparable functionality for free to support their own eco-system stickiness or support uptake of wearable devices?
- What impact will / could AI have? Does it substantially lower barriers to entry?



# In many categories there are 3 phases to building monetisation as an app carefully trades off building user base with revenue

## Typical Phases of Monetisation



## TikTok Case Study

**Launch:** September 2017  
(as Tiktok in 2018)

**Concept:** Short-form video content creation and sharing

**Focus on growing user base**



**Monetisation:** Ads introduced 2019-20

**Format:** Initially in-feed ads, with expansion to branded hashtags and effects, shoppable content

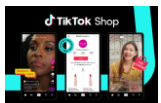
**Ads as primary mechanism**



**Monetisation:** New mechanics from 2021

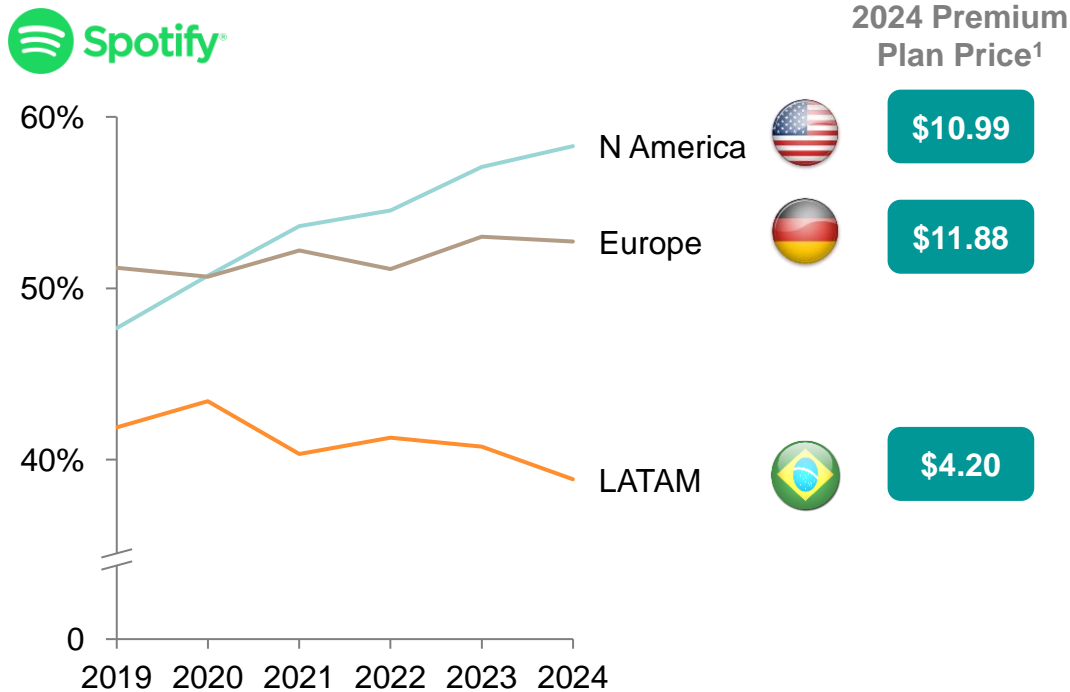
**Format:** Introduced creator gifting, content promotion and launch of Tiktok Shop

**Diversification of monetisation mechanisms including to eCommerce**

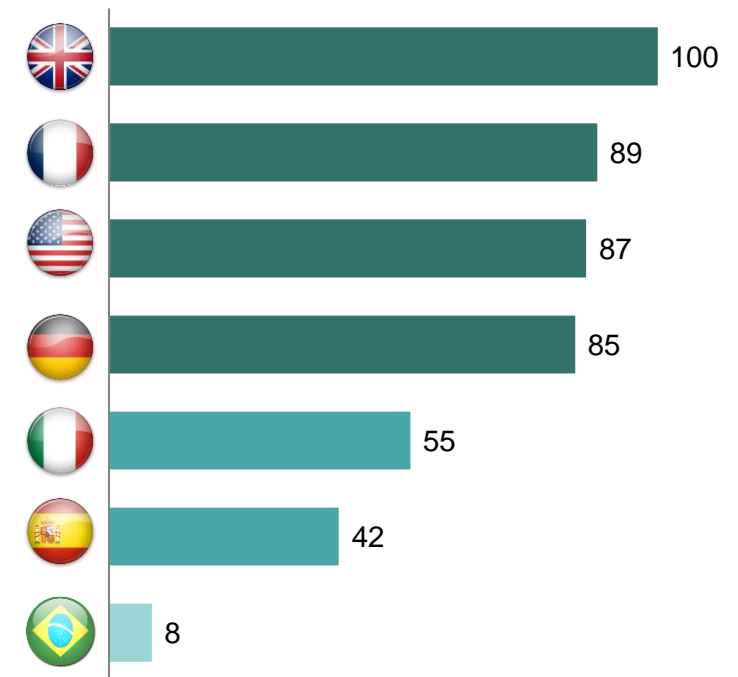


# Most large apps have diversified internationally but ARPU potential varies across geographies

Premium Subscriber Penetration, Q1  
(% of MAU)



Example Dating App Monthly ARPU,  
Indexed (UK=100)



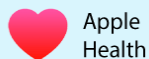
1. Individual premium plan price. Where relevant converted to USD at prevailing exchange rate in May 2024  
Source: Spotify Shareholder Statements; OC&C analysis



# There are several motivations for Tech Giants to develop consumer apps – being clear on threat and lines of defence is key

Many consumer apps developed by Big Tech will fulfil multiple of these objectives

- **Support wearables / integrated technology sales** (for revenue and customer stickiness)
- **Cross-promotion of other products / services**



Apple Health

GARMIN

amazon music



Ecosystem Development



Data & Innovation

- **Deeper understanding of user behaviour and preferences**



Google Maps

- **Brand loyalty and engagement**
- **Superior customer experiences**



Competitive Differentiation



Revenue Generation



- **Direct revenue generation through in-app sales / subscriptions / advertising**



# Get in touch if you'd like to know more



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# OC&C has experience working with businesses across the mobile economy

## OC&C Select Credentials

**Lifestyle Apps**

bumble  
tinder  
+Babbel  
macademia  
Flo  
Pinterest  
抖音电商  
PURE

A shield-shaped icon with a white star in the center, set against a teal background.

**Content Apps**

DEEZER  
pandora  
Discovery NETWORKS  
Spotify  
amazon music  
ITV  
BBC  
GIZMODO  
molotov.TV  
A+

Icons representing a television set and a musical note.

**Other Consumer Apps**

civitatis  
GET YOUR GUIDE  
kkday  
fever

An icon showing a group of stylized human figures with speech bubbles above them, representing social interaction or community.

**Mobile & Social Commerce**

Etsy  
Vinted  
N\*OT ON THE HIGH ST.

An icon of a shopping bag with a handle, representing e-commerce.