Amazon courts software developers for apps and games

Alistair Barr, Reuters

(Reuters) - Amazon.com Inc has focused single-mindedly on consumers for much of its existence. Now it has a new obsession: developers.

The world's largest Internet retailer is ratcheting up its courtship of apps software developers as it pits its Kindle Fire -- and potentially other mobile gadgets -- against Apple Inc and Google Inc.

Games and apps are key to that effort, so Amazon is plowing a lot of resources into wooing this increasingly important community.

Amazon sees the Fire as a way to spur sales of its trove of online content -- from books to TV shows to music. But analysts say it is also taking aim at the booming market for mobile applications and games, increasing competition with platform operators Apple, Google, Microsoft Corp and Facebook Inc.

Amazon has assembled a team, overseen by Aaron Rubenson, that works with developers one-on-one to design, test, launch and market apps and games for the Fire.

Amazon had begun hiring for this team before it launched the Fire in September, but the recruiting drive has accelerated since then, according to a person familiar with the company's strategy for developers who was not authorized to speak publicly. An Amazon spokeswoman declined to comment.

"Amazon is a very viable platform and we are encouraged by the speed at which they are moving," said Niccolo de Masi, chief executive of game developer Glu Mobile. "They have a very good chance of being the number three player in developer revenues, ahead of Microsoft, if they execute over the next few years."

Apple, considered the mobile platform leader by developers, unveiled the iPhone in early 2007 and did not launch its App Store until mid-2008.

"It took them about three years to really have a semblance of developer relations," de Masi said. "Amazon's gotten there a lot faster, which is a benefit of starting later. They are trying to compress what Apple did into a year."

'VIRTUOUS CYCLE'

Amazon is moving fast because it wants a piece of what is expected to be a huge market for games, apps and other digital content. Lazard Capital Markets sees this growing 26 percent a year to $67.4 billion worldwide by 2015, with games

accounting for more than $30 billion.

"These are just the early chapters of a truly transformational story from a pure e-commerce player to digital media platform," Lazard analyst Atul Bagga wrote in a recent note to investors.

Like other platform operators, Amazon typically takes a 30 percent cut of app and game revenue. This may be more profitable than Amazon's original online retail business. Bagga expects profit margins of about 10 percent for Amazon's digital media business, versus 3 percent to 5 percent for its core operations.

Strong developer interest in Amazon's platform is crucial if the company is going to be a credible digital media player, Bagga added.

If Amazon can pull this off, it may create a "virtuous cycle," in which good apps and games encourage more people to buy Amazon devices, which in turn attracts more developers bringing yet more apps and games, the analyst said.

POOR START

When Amazon launched its tablet in September, the Appstore was understaffed and some developers were frustrated because apps took several weeks to get approved, said Ted Morgan, chief executive of Skyhook Wireless, which supplies location data for Kindle Fire developers.

But several developers said the company has improved this year.

"They have hired and trained people to work with developers and that was clearly not there when they launched," said Evan Conway, president of OneLouder, which designs social mobile apps for the Fire.

In July, Amazon hired Robert Williams, a business development executive from Microsoft's Windows Phone unit, to help with developer outreach at its Appstore.

"Amazon is not excellent at developer relations," said Charlie Kindel, who worked with Williams as general manager of the Windows Phone developer experience.

"Hiring people like Robert will help fix that."

Kindel is founder of BizLogr, a software startup, and his Kindel Systems LLC is an advertising affiliate of Amazon.

SHARING DATA

In recent months, Amazon has unveiled a slew of new services for developers, including in-app purchasing, a gaming leaderboard and cloud syncing add-on called GameCircle, and an online toolkit with design tips and sample code.

Most apps take less than a week to be approved now and Amazon has a dedicated

team who test the apps to make sure they work on the Fire tablet and do not contain malware, according to the person familiar with Amazon's developer plans.

When an app fails to pass, Amazon emails developers with suggestions on how to get it approved, the person added.

Once apps are published on Amazon's platform, developers can see online reports detailing the number of downloads and what in-app purchases are being made, the person said.

Amazon is much more willing to share such data with developers than Apple and Google, according to Lazard's Bagga.

"If you are a platform owner competing with Google and Apple you have to have something more," the analyst said.

'RATE CARD'

One developer, who has published on all three platforms, said Amazon is a lot clearer about how it will promote apps. The person did not want to be identified due to lack of authority to speak publicly.

Amazon offers free app promotion through a section at the top of the Kindle Fire's Appstore, which is curated by editors on Rubenson's team.

Developers can also pay to have their apps advertised and promoted by Amazon. The company has a "rate card" showing developers the cost of such promotions on various Amazon websites, the developer said.

This is a big contrast to Apple and Google, which do not offer a paid option and are "opaque" about their curated lists of apps, the developer added.

'CONDITIONED TO PAY'

Developers are most excited about in-app purchasing on Amazon's platform. That is especially true in the mobile game area, where a lot of games are free but let users buy things while they are playing.

When a Kindle Fire user downloads an app or game, it automatically links to Amazon's payment system, which has the consumer's credit card details on file.

Apple has a similarly smooth payment system, however some developers said Amazon has an advantage because its customers are more accustomed to buying on its site.

"Users have a propensity to pay and are conditioned to pay for content," said Yusuf Goolamabbas, chief technology officer at Animoca, a developer of mobile games. "Even with Apple, customers are not as used to buying things online."

That means Animoca is generating higher average revenue per user, or ARPU, from its games that run on the Kindle Fire.

"A lot of developers, including us, have seen ARPU numbers that are very high," Goolamabbas said. "For certain games they are the highest of any platform we work with."

(Reporting By Alistair Barr; Editing by Phil Berlowitz)

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