Pricing is a big part of any business strategy, but it tends to be overlooked in the app world, even though it is no less important. This lesson is all about how to price your app in order to maximize your revenue.

Free Strategies

One of the biggest strategies to use in order to increase your revenue, is to offer free downloads. Use one of these three methods when offering free downloads:

- Offer it totally free: This isn't for most publishers as it can become very difficult to monetize down the line. Free apps are used primarily for marketing (event, attraction, etc.), or account access (bank, brokerage, etc.). They usually require a bigger business backing it.

- Free with in-app purchase ("freemium"):   The most popular model that you will likely see. This typically brings in the most income (especially with games), because it allows users to "try before they buy." If people like the app, they will tend to spend money on it more regularly. This is a great way to get a lot of new users, because there are no financial barriers prohibiting entry. In addition, it is a very useful way to gather metrics and data. Make sure to have one quintessential in-app purchase.

- Free with ads: The fastest monetization strategy when starting out. You get as many people as possible downloading your app, and try to match the right user with the right ads. Be careful to balance income and user happiness—too many ads will cause a user to get rid of your app and never come back. Try to keep the ads subtle. You can also offer people the option to pay for a different, ad-free version.

Download apps that are similar to yours, and see what they are doing in terms of pricing. Remember, ads are the easiest solution, but also the shortest-term. In-app purchases are

the longer-term solution, but can be a much more difficult sell in the beginning. Make your business plan before deciding how to price your app.

Paid Strategies

Similar to free downloads, these are three main ways to increase revenue with paid apps:

- Paid only: Great for when you don't care as much about a large reach. This works better for established brands, and generally brings in dedicated users.

- Paid with in-app purchase: Most people do not use this model unless their app is absolutely premium (e.g., navigation). A strong brand and value is absolutely required to make this strategy work.

- Subscription: An excellent source of recurring revenue. Requires consistent updates dictated by the users.

When to Use Different Pricing

Research your market before deciding how to price your app. Make sure to ask yourself:

- What do the most successful apps in my niche do?

- How much are people willing to pay?

Don't necessarily reinvent the wheel—stick with what works. Make a spreadsheet of your 25 top competitors, and track their pricing models.

Know what your ultimate goals are before pricing the app. Ask yourself:

- How much income do you want to make?

- How much are you willing to spend on marketing?

- How many users do you want?

Your answers to these questions will tell you what kind of pricing model to follow. For example, if you want a larger user base, start with a subscription model.

When developing your business plan, make sure to:

- Define how your app fits into your business

- Estimate your development costs

- Estimate your likely income

- Choose a pricing strategy based on these estimations

Test Your Plan

Always test before you invest. Show your app to your friends, and ask if they would pay for it. If they would, ask them how much they would pay for it. Ask other publishers in a similar niche what they think—don't necessarily ask your competition, but look for people who are doing something similar to you. If everything looks good, then go ahead and launch your app!

Price Drops

Price drops are one of the only ways that you can use pricing as a marketing tool. Drop your price for a limited time , and you should see a big increase in the number of downloads.

There are many websites that specifically track app price discounts, so if you make a big price drop in the app store, people will find out. To get the word out even more, run a promotion through different marketing channels (e.g., blogs, YouTube channels, etc.), who will be happy to promote you for free.

Use a price drop to:

- Get a short-term boost in downloads

- Run a promotion

- Test different price points

- Take advantage of a holiday or event