



Monetization is the process by which you turn interest into value. It is important because it turns a hobby into income, serves as a scorecard, and measures engagement.

How It Works

How do some games monetize better than others? Keep the following three principles in mind, as you start to develop your app:

- **5% Rule:** The 5% Rule states that five percent of your users will pay for the majority of overall revenue.
- **Relevance and Excitement:** Make the app and its experience relevant to the user, and ensure that they believe that something will happen if they spend money.
- **Advertising:** It is an option to generate traffic through your portfolio for a fee. That means taking your traffic, and moving it to another app, who pays you a fee.

Types

- **Paid apps**—people pay to use the app.
- **Free apps with in-app purchases**—users have the option to buy upgrades, coins, etc. inside the app.
- **Advertising**—you run advertisements inside your app, and when users click the ad and install the other app, you get a kickback.
- **Subscriptions**—users pay a monthly stipend to use your app.
- **Sponsorship**—someone pays you to have access to your app and your users.

Terms to remember:

- **Cost Per Install (CPI)**
- **Profit Per Thousand Impressions (eCPM)**



- Revenue
- Install Rate
- Funnel

Paid Apps

There are four major buckets of pricing your app. It's difficult to go wrong when you use this system:

- How to Price Your App
 - Intro Level at \$1 to \$3. Use with mass market apps.
 - Second tier at \$4 to \$6. Use with niche markets.
 - High value at \$7 to \$10. Use with a specific target demographic.
 - Premium at \$10 and above. Use with premium subscription models, financial reporting, or exclusive clubs.
- App Pricing Best Practices
 - Do not use ads in your paid app.
 - Provide an onboarding experience.
 - Solicit reviews without annoying the user.
- In-App Purchases
 1. With in-app purchases on paid apps, subtly build anticipation of greater value.
 2. That greater value must be significant.
 3. Access, in addition to functionality, is motivation for in-app purchases.



Free Apps

Free apps are monetized from within the app via purchases, advertisements, or subscriptions.

- Consumable vs. Non-Consumable. Consumables are repeatable in-app purchases. A non-consumable is a one-off, permanent in-app purchase.
- Selling Consumables. To sell consumables, you must build a store with 3-10 items.
 1. The purchase must improve the experience.
 2. A larger purchase must improve the experience more.
- Selling Non-Consumables. The purchase must enhance the core experience. Start with a free trial of the full package.

Test different prices for both consumables and non-consumables, and do not display prices in your graphics; instead, use symbols to indicate which tier is available, and prices will be sorted in the app store.

Advertisements

Advertising is a way to monetize without paid apps or in-app purchases. It works by moving your customers to your advertiser and is effective only with users who are engaged and relevant.

- Types. Types of advertisements include banners, videos, native, and full screen. The types of apps that benefit from advertisements are games, or those with high volume, long/repeated usage, or simple engagement.
- Advertising Best Practices
 - Do not interrupt user experience.
 - Use targeted ads.



- Smaller is more effective.
- Only use advertisers if you have no product to sell.
- Which Ad Networks to Use. Chartboost is a good ad network for games, and AdMob works better for non-games. When searching for a network, consider the following candidate attributes:
 - Their current inventory reflects a potential fit with you
 - Their size reflects their longevity
 - Their product's flexibility
 - Their product's fill rate

Subscription Models

Also called “memberships,” subscriptions are monthly payments for your app's service or access. They are a compelling in their long-term revenue stream, predictability, and consistent engagement. They best serve news, finance, business, and resource apps. To implement subscriptions, code them straight into your app—Apple will typically handle the rest.

- Types
 1. Direct Subscription, a.k.a. “In-App Purchase;” typically the easiest model
 2. Newsstand Subscription (users receive regular updates, similar to receiving the latest edition of a newspaper or magazine)
 3. Indirect Subscription offline with access through the app; saves 30% by removing purchases from the app store; requires a complex data system
- Pricing
 1. Model your competition



2. \$2 to \$4 per month: Newsstand
3. \$10 per month: access (e.g., a Spotify membership)
4. \$100 per month or \$99 per year: membership

Cross-Promotion

Cross-promotion is advertising one of your apps in another app within your network. It works best when your portfolio contains similar apps that are not already drawing revenue from outside advertisers. When successful, existing users will download the rest of your apps, thereby increasing revenue and strengthening your network. To get started, download top apps and review their cross-promotion, then implement their methods.

Sponsorships

Sponsorship is partnering with another company to monetize your apps. You receive money or traffic in exchange for access to your portfolio. It takes your dollars and distribution sources out of the app store.

- How To Use It
 - White-label your homescreen and add their logo.
 - Add their name to your app for a revenue split on downloads from their distribution network.
- Pitching
 - Use your analytics to inform your list of potential sponsors. Assess your audience size, usage rates, and niche.
 - Start with small companies to get your chops.
 - Hire a salesperson.



What to Do Next

Sign up for an AdMob account, even if you're not thinking about doing any advertising. Look around the site, and get an idea of what ad networks and advertising is all about. Then, write down any in-app purchases you may include, and how you will price them. After you have done those things, decide on the price of your app. Finally, write down three potential app sponsors, and why they are a good match for you.