

# The 7 Mobile App Monetization Models

Something I typically ask my startup clients is “**how do you plan on making money?**”

Sometimes, I get a stunned silence in response. They're so caught up in their idea that they never think about the monetization model. This is especially true for startups that include an app as part of the business model. So, if you are at the napkin stage of your next app venture, here are **seven app monetization models** to give you food for thought.

## 1. The Price of the App

The most obvious way to make money is by selling it on the app store. On the Apple App Store, the price can range from \$.99 to \$999.99. Both Apple and Google take 30% but have pretty good systems that will deposit the funds directly into your bank account.

Although from what I've observed, putting a price on your app is often a barrier for people to download your app. We had a client that had a fairly successful app with thousands of downloads a week (as a free app). As soon as they charged 99 cents for their app, it went from thousands of downloads to forty. If your goal is to make a profit, my suggestion is to figure out how to monetize a free app. However, if your app solves a business problem and there's a definite ROI (Return on Investment), then you should charge accordingly.

## 2. In-App Purchases

Typically, in-app purchases for a free app allow users to:

- Unlock features
- Purchase a subscription
- Buy virtual goods
- Purchase additional content

Just as in the price of an app, Apple and Google Play take 30%. If you look at the top grossing apps in the Apple App Store, the top 30 apps are all free but offer in-app purchases.

## 3. Mobile Advertising

Mobile advertising nears \$100 billion in 2016.

## 4. License

Essentially, if you build an app that solves a problem, you can license it. A good example is event apps. There are a number of companies with an app template that will create custom apps for

organizations in need of an event app. They typically charge a setup fee and a monthly subscription. This follows a SaaS (Software as a Service) model.

## 5. Improving the Business Process

Although this isn't exactly a monetization model, effectively implementing a mobile app can substantially improve business revenue. A good example is Fandango. Their revenue increased by 57% after they launched their mobile app in 2012. If you have an existing business or startup, implementing a native app that improves your business process may be a way to increase revenue.

## 6. Deliver a Service

Uber is a great example of service delivery via a mobile app. In 2015, their revenue was estimated at \$1.5 billion and they currently have a valuation of \$62.5 billion. Other examples of delivering a service via a mobile app are TaskRabbit and Doctors on Demand. For developers, one of the most requested types of apps is an Uber-style app. Essentially, the model involves connecting a resource to a demand, handling the transaction, and then taking a percentage of the transaction.

## 7. User Acquisition

If you look at WhatsApp and Instagram, they practically had no revenue model before getting acquired. What they had were a lot of users. At the time of their acquisition, WhatsApp had 600 million users and Instagram had 30 million users. Their apparent strategy was to acquire a lot of users then get acquired. WhatsApp was acquired for \$19 billion and Instagram for \$1 billion. Not bad for businesses with no revenue model.

If developing an app is part of your business strategy, then hopefully this article has helped you consider the right monetization model for your business plan and pitch.

# THE TOP 6 MOBILE AD MONETIZATION MODELS

The mobile ad market is at a pace to hit \$31.5 Billion by year's end. Consequently, numerous mobile ad companies have sprouted up. The mobile ad companies are wooing developers with various monetization models that can easily be integrated into an app with their SDK. This post lists 6 of the dominant mobile ad monetization models.

**1. Banner Ads** is what most people think mobile ads are.

They typically will occupy the real estate at the top or bottom of an app. If the user taps the ad, all sorts of possibilities open up from watching a video to the option of downloading an app. The dominant players for banner ads are Apple's iAd and Google's AdMob.

**2. Interstitial Ads** are inserted at transition points in an app like right before an app starts or in a case of a game after a level is complete. It's like watching a commercial on television. It's typically a video that can drop the user off to the advertiser's desired URL or to download another app. Some of the mobile advertisers that use this model include TapJoy, RevMob, and Flurry.

**3. Rewards Ads** are my favorite because it's a win – win for all involved. The reward is triggered by some event in the app like getting an achievement. The user will see a pop up where they will get a discount, gift card, coupon, etc. The owner of the app will also get compensated too. So everyone's a winner. Players in this space are Kiip and Avocarrot.

**4. Offer Walls** are typically used in games where virtual goods are sold for real currency. The offer wall gives the player the option of earning virtual goods by performing some action on the wall. For example, a player can earn virtual gold by signing up for a trial Netflix account. Mobile Advertisers that support Offer Walls are TapJoy, StartApp, and Fiksu.

**5. Notification Ads:** I'm not a big fan of notification ads. Apps that support notification ads act like a Trojan horse (To be fair, users have to Opt-in.) They will be able to push notification ads even when the app is dormant. Notification Ads are only supported on Android. My theory is that the reason that it's not supported on iOS is that Apple rejects it because of the Trojan-like nature. AirPush and LeadBolt offer this mechanism.

**6. Native Advertising** is used for apps that are content based and typically show up in the apps' news feed. Facebook adopted native advertising and has done exceptionally well. Mobile advertisers that offer native advertising include AdRoll, Sharethrough, and PubNative.

If you plan to develop an app that incorporates mobile advertising, my advice is to research the different mobile ad models, select one, then design the app to support that model.