



How to Monetize Your Applications (New Business)

Description

The smart phone revolution brought with it a gift that keeps on giving, the mobile application. What a time to be alive. Today there are apps for everything; there is an app that can tell you if a food is a hot dog or not. Closer to home, [Bottles The App](#) helps keep the party alive with liquor deliveries to select areas direct to your doorstep. With computing resources becoming even more accessible, the number of mobile app developers has sky rocketed as well. With this growth, however, monetizing applications is becoming increasingly tough.

In a recent [blog post](#), one of our greatest analytics influencers, Avinash Kaushik spoke proudly of how his 13-yr old son has published his first Android game. It must be brilliant too cause it boasts a whopping 4.7 rating on the app store, with good reviews.

So with so many ideas for an app and app creation becoming relatively easier, you could be contemplating creating your own. Even without a background in code yourself, you could be thinking of an app idea so grand, you know it will take the world by storm. And you are willing to outsource its development. Which leaves one pertinent question; how do you make money from your brilliant app.

Competition is tough in the app stores and many of these applications are free to download so you might have to launch free as well. In this post, we discuss a few ways that you can monetize applications, even the "free" ones.

In the [second part](#) of this post, we touch on monetizing mobile applications for existing businesses. If you are looking at monetizing a mobile application that is your core product, strategies you can look at include;

Service Applications

The trend of application developments that support a service is going strong. With good reason too because these apps have very high valuations, think Uber and Airbnb. In this model, the developer doesn't usually provide the underlying service but develops the app as a platform for buyers and sellers to interact. The, therefore, the developer doesn't need to be in the industry the app services. The app developer then gets a percentage of the sales when transactions are carried out on the app, or charges a subscription to potential sellers, even buyers.

The service need not be exclusively external though. The app could be developed as a delivery platform for a service that the developer provides. Companies like Takealot use their applications to enable consumers to buy from their warehouses. As opposed to traditional storefronts, customers order directly from the app. The application is monetized by making it part and parcel of the organisations broader product, the delivery of goods and services in the comfort of the client's home.

If you can think of a product that can be seamlessly combined with an application, you have the makings of a business model that monetizes your application.

In-App Advertising

In the digital world, advertising drives the majority of revenue. It is the Santa we have to thank for the gift of so many free resources. From applications to the internet and everything in-between, advertising allows us to enjoy many freebies. With this model, you provide your application free, and then generate revenue by showing ads to people using it. All you need is build a solid engaging app with a large following, and rack in the advertising dollars.

With this revenue model, you need to be careful though. Should you rush to maximize revenue and not consider the end user, your client base may thin. Clients are for the most part not fond of being bombarded with advertising. Should you monetize your application using advertising, the following caveats should be observed;

- Advertise content relevant to your applications, or use analytics to advertise content the user has shown interest in.
- Be tactical about ad placement, users will abandon your application if ads appear during critical moments.
- Be tactical about ad frequency, more ads might be the quicker root to monetizing your application but placing ads every other second will cost you clients.

Sponsored Content

A variation of the advertising model, this requires a credible app trusted by users and brands alike. The content also strictly needs to be related to your application. When monetizing applications via

sponsored content, unlike in advertising, the content becomes the center of the experience. If for example, you have a cooking app, brands can pay to have their products featured as ingredients. Just make sure the content you have sponsored meets the standards you want your app to meet with your users. Make sure you have a system to gather feedback from clients and you apply it promptly, otherwise poor sponsorship and endorsements could sully your brand.

Freemium Application

Monetizing your application using this model entails getting them hooked with a freebie then charging for additional benefits. This usually takes one of two forms. Clients either get charged to access additional content or to remove some. In a freemium model, clients usually get charged to remove advertising. This works very well because, for the most part, users tend not to be very huge fans of advertising as already mentioned.

Your safety net is even if some chose to stomach the ads, their shortfall is covered by the revenue the ads generate. Or you could start off the application with limited capacity then charge to extend functionality. This is essentially different from a free trial model because the user could choose to use the application indefinitely with this limited functionality. When monetizing your application with this model, do not be stingy with content. Find the right balance. There must be enough for users to sign on and try the application, yet just little enough to get them to purchase more.

In-App Purchases

This is essentially part of the freemium model, but in-app purchases have other applications that need further elaboration. When monetizing applications with in-app purchases, it extends beyond additional content, including resources that can be used in the app. This is particularly important for gaming applications. A full version of the game can be offered free as opposed to selling additional content. Purchases could include in-game resources such as power-ups and lives.

Subscription Applications/ App Purchase

Monetizing applications with a subscription model is the simplest to implement, yet the toughest to succeed at. The model involves charging clients for use in one of three ways;

- A once off outright purchase of the application from the relevant application store,
- A subscription service billed at set time intervals
- Piecemeal payment for the use of the app every time it's used

The model pays you for your efforts up front. While instant reward may be tempting, this model could derail the success of your application.

As already mentioned, competition is very tough in the app stores. Most of this competition is offering some form of a freebie, likely for what you are looking to provide as well. You have to be certain your application is of sufficient quality to justify the upfront charge. Considering some of these freebies and freemiums are from very big houses, this model is tough to pull off.

And with that level of competition, any form of differentiation is tough as well. Even while offering a completely unique product, someone is likely to catch up with a freebie very soon.

Conclusion

There is really no right or wrong model for monetizing applications. you need to consider prevailing circumstances. Take a close look at factors such as brand recognition, target audience, competition levels and your own desired outcomes before deciding on any. You need not be strict with your application, work at finding high-breeds of all these models until you find the right fit. The most important indicator is the end user. Have a system to gather and implement feedback to make sure your pricing model resonates with your target audience.

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