appbot

Priced Right

The App Pricing Playbook

Claire McGregor
1st Edition

Priced Right: The App Pricing Playbook

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Table of Contents

Author's Note

Pricing is a mix of art and science. Art in how you communicate it, science in the numbers and mechanics of your model.

Some of the decisions about managing products that I've struggled with most relate to pricing. I've seen friends and colleagues suffer this "pricing paralysis" too, stuck in endless circular conversations, meetings or email threads about the best approach, or producing 40 iterations of an Excel model to forecast revenue based on umpteen different assumptions.

After going through this process hundreds of times I've discovered two golden rules for pricing strategies:

1. Your first iteration of any pricing strategy will be, at very best, an educated guess as to what will work. Don't waste time overthinking it, focus on testing it in the market ASAP.

2. Only real users can tell you what your app or it's features are worth. No expert, book, blog or crystal ball can tell you what you should be charging for your app (sorry, I know that's not what you wanted to hear).

These rules apply both pre- and post-launch. In other words, focus on finding ways to incrementally test your pricing rather than waste time trying to do the impossible: get your pricing "perfect" in one iteration.

The good news is that there are a few simple questions you can ask about an app and the company building it that will help you choose a pricing model that's likely to work. Once that's done you're left with decisions about the price itself, which are easier to test and change over time.

Since in-app purchases (or "IAPs") became a thing the App Store landscape has changed dramatically. From consumables in games to subscriptions for dating services the purchasing options in apps now span a huge range of options in price and value. For those of us building apps it can be hard to know where to start, and benchmarking data is difficult to find unless you have deep pockets.

In The App Pricing Playbook I'm going to share everything I've learnt about pricing over the years plus a bunch of data to help you benchmark your own pricing strategy for your apps, all condensed into around 40 pages. I hope you enjoy it.

- Claire -

Chapter 1:
Choosing a pricing model for your app

What are the options?

There are two key decisions you need to make up-front about pricing your app:

• Will it be free or paid to download?

• Will you offer in-app purchases (IAPs)?

This leaves you with 4 pricing model options:

• **Free:** Completely free, no IAPs

• **Freemium:** Free to download, with IAPs

• **Paid:** Paid download, without IAPs

• **Paymium:** Paid download, with IAPs

What about ads?

We're not going to look at in-app advertising in depth in this book, for a couple of reasons. Ad blocking tools are increasing in prevalence as app stores (including Apple) begin to approve their use. Some say this spells the end of advertising in apps, but only time will tell. At Appbot, our focus is on helping our customers build apps users love. Advertising tends to be viewed negatively by users, so we've chosen not to devote time to it in this book.

That said, ads have been huge revenue streams for some apps. To create a meaningful income from ads you need a very large, engaged user base to create enough ad inventory. Advertising therefore works best for apps with similar characteristics to those that are suited to the freemium model, which we'll talk about below.

When to choose Free

Some apps support another "primary" product. This means that the customer pays the business for something other than the app itself, and therefore the apps often don't need to generate revenue directly.

Here are some examples of apps that support another product:

Type of app	Primary product it supports	Examples
Retail banking apps	banking products & services	Most retail banks offer 1+ online banking apps
Remote control apps	Physical electronic devices like TVs, lighting, speakers, alarm systems	Nest, Sonos, Honeywell Lyric, Samsung TV Remote
Social networking apps	Advertising inventory	Facebook, Instagram, Twitter

Rather than generating income, the goals of these apps are generally to:

• improve user experience and/or

• improve engagement and/or

• improve retention of the primary product or service.

To meet these goals it's a good idea to keep friction for a user to download and use the app as low as possible, and making the app completely free is a simple way to do that.

When to choose Freemium

The freemium model has become wildly popular in recent years both in the app world and beyond. "Freemium" products are generally defined as offering some functionality for free indefinitely, but offering a better experience if users purchase an upgrade of some sort. For apps, freemium generally means the app is free to download and upgrades take the form of IAPs, either one-off items or recurring subscriptions.

In my experience you can expect between 2% and 5% of your user base to ever purchase an IAP, which means you usually need a large number of users to build a substantial revenue stream.

So how do you tell if your app has the potential to be big enough to work well as a Freemium product? There are two scenarios where freemium is the way to go:

1. Intrinsically viral apps

This is where users *need* to connect with other users inside the product in order to get the best value from it. It's this built-in virality that provides the lever for rapid growth.

Some good examples of apps that work well as Freemium are:

• file-sharing apps like Dropbox,

• collaboration apps like Slack,

• VOIP and messaging apps like Skype or Viber.

These apps are perfect for freemium. Offering the app free keeps friction very low for people whose friends invite them to use it, giving the business a big user base to up-sell IAPs to. However, intrinsically viral apps are in the minority despite the huge amount of attention they get in the media.

I've experienced how hard it can be to monetize a freemium product that's not intrinsically viral. There are some notable exceptions to this rule though, with apps where people just *want* to share them. Badly...

2. Extrinsically viral apps

Apps that users just can't help sharing, even though there's no obvious benefit to them if they do, are extrinsically viral. These apps lend themselves to sharing outside the app, either in real life or digitally via email and social media.

How do they do it? Most apps that fall into this category have one of more of these qualities:

- Are really, really good looking - people love to share tech that "looks cool". Think of the beautiful animations in Clear, as an example.

- Give users a "high five" feeling. Think fitness apps - my Facebook feed is always full of posts about people's running and cycling achievements! The story of 7 Minute Workout is a great example.

- Make a user's life noticeably better. Think of apps that save you a lot of time, or solve a problem you used to encounter often. Really awesome utility apps can behave like this.

- Are addictive..... yes, games, I'm talking about you!

You can't predict extrinsic virality reliably, even though you can build with it in mind. Get your app live on the app store and you'll very quickly see whether users are sharing the love. If you're not sure whether your app gets shared enough to make Freemium viable test it out on paid for a period, then on Freemium and see which generates the most revenue.

Which models work for SaaS apps?

If your app supports a Software-as-a-Service product you'll need to decide whether you want to offer subscriptions to the tool as IAPs or not.

If access to your service on mobile is a premium feature then offering subscriptions as IAPs probably makes sense. Offering users a way to subscribe when they hit your conversion prompt should optimize your conversion rate - many users won't bother to go to the web and pay.

In general, apps that are offering some kind of recurring SaaS IAP should be freemium. The app is serving as a potential conversion funnel, and your goal should be to get as many people in to the funnel as possible in order to maximize your revenue.

That said, some SaaS businesses often choose not to offer subscriptions within their mobile apps, either because of the technical complexity it entails or because the business doesn't wish to give a 30% revenue share to an app store... or both. There are plusses and minuses to both options, but my experience has been that freemium usually yields a better outcome.

Spotify is a good example of a company where access on mobile was a conversion lever for a long time: using Spotify on mobile was a premium feature. They tested not offering subscriptions as IAPs, and later added them. They're still available as IAPs in Spotify today, presumably because many more users convert if they can purchase in the app.

In general I follow the rule of thumb that if users spend 25%+ of their time using your service on mobile, then offering subscriptions as IAPs is a must.

When to choose Paid

If your app doesn't have the viral qualities you need to succeed with Freemium and you need to generate revenue from the app then a paid model is probably the way to go, at least initially.

Many apps have started out as paid whilst they've fine tuned the product to make it more extrinsically viral, and switched to freemium once the app is getting great reviews and a lot of word-of-mouth referrals. Alternatively, you might uncover an opportunity for recurring subscription IAPs, making your app a SaaS service. In either of these cases being paid can be a limiting factor for growth, and freemium is likely to be a better choice.

Yes, it's true that asking users to pay to download your app makes users think hard before they decide to buy it, but it does mean that you realize revenue from every user rather than only a small percentage. They also have the added advantage of awesome promotional potential - offering the app as a free download periodically can be a great lever to grow your user base.

Many apps have succeeded with a paid model, some on a massive scale (you've heard of Minecraft, right?). It's important that users can see the value in your product from your app store page if your app is paid - you need to be able to sell it with your screenshots, app name, and awesome reviews.

Focus on the feedback your early users give you. Look for good IAP ideas in your feature requests, get your IAPs in place and converting at 2-5%, then try paymium or freemium and see what works best for your app.

When to choose Paymium

Speaking of IAPs in paid apps... Paymium are apps that are paid to download, and that also offer IAPs. Paymium has been increasing in popularity in recent years. Paymium apps tend to only offer IAPs that are one-off, as recurring subscription purchases tend to work better as freemium apps.
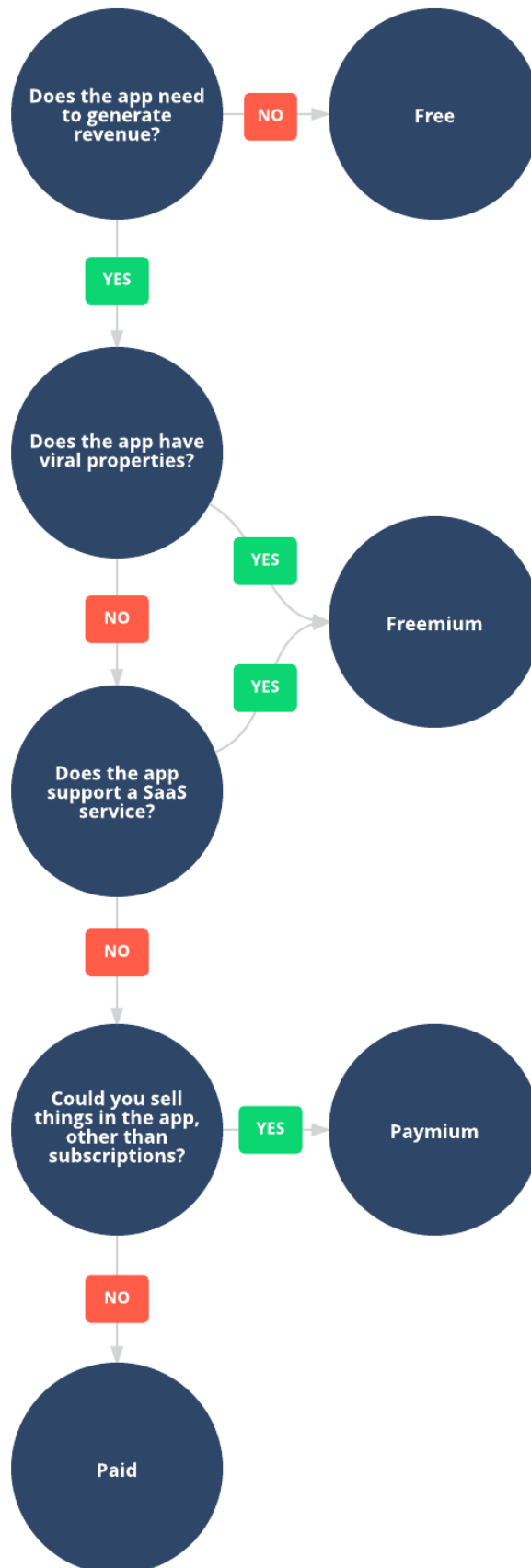
Low downloads: how to tell whether pricing is the problem

If you have a paid app that's not getting the volume of downloads you expected it's quite easy to test the degree to which your pricing is the problem. Alter the price downward and watch what happens to your downloads, especially when you make the app free. You can also check Apple's analytics for your App Store page. If you've got strong page visits but low downloads price could very well be part of the problem.

Still low downloads on free? Time to start looking elsewhere for the source of your problem, because pricing is unlikely to be it. Here's a checklist to help you:

- (Re-)do your research:

  - Make sure you know what keywords users are searching for that relate to your product. If you can't identify any keywords to optimize for that may be because no-one is currently searching for a solution like yours. Try driving awareness via social media and display advertising.

  - Consider whether your app is in the right category.

- Make sure you've optimized your App Store page:

  - Experiment with your app name

  - Try some different screenshots

  - Update your description.

  - If you need to brush up your App Store Optimization skills check out our first ebook where we discuss it in detail.

- Talk to the demographic that you thought the app would appeal to. Find out where it misses the mark. Listen to suggestions. Aggregate feedback, use it in your next iteration, rinse and repeat.

- Read your app reviews and cluster the feedback by topic or theme, or use a tool like Appbot to do it. Look for trends, both positive and negative. Addressing the issues users have with your product will help improve your star rating, which will both help your rankings in the app store and improve the chance that a user landing on your app store page will download your app!

Choosing a pricing model in a nutshell

```
Does the app need              NO              Free
to generate          ──────────────────────▶
revenue?

      │
     YES
      │
      ▼

Does the app have              YES
viral properties?    ──────────────────────▶   Freemium

      │
     NO
      │
      ▼

Does the app                   YES
support a SaaS       ──────────────────────▶   Freemium
service?

      │
     NO
      │
      ▼

Could you sell                 YES
things in the app,   ──────────────────────▶   Paymium
other than
subscriptions?

      │
     NO
      │
      ▼

    Paid
```

Chapter 2: Pricing a paid app

For many apps the paid model is still the most reliable way to generate revenue, especially in the early days. Choosing a price is never easy, so I took a snapshot of the Top Paid App chart in the US App Store and analyzed the data to see how the most successful paid apps do it.

When I think of successful paid apps I think of indie games, fitness, utility and business apps, but I wanted to see if there were other types of apps successfully using the paid model. First I took a look at the composition by Category of the Top 200 Paid App charts in the US App Store.
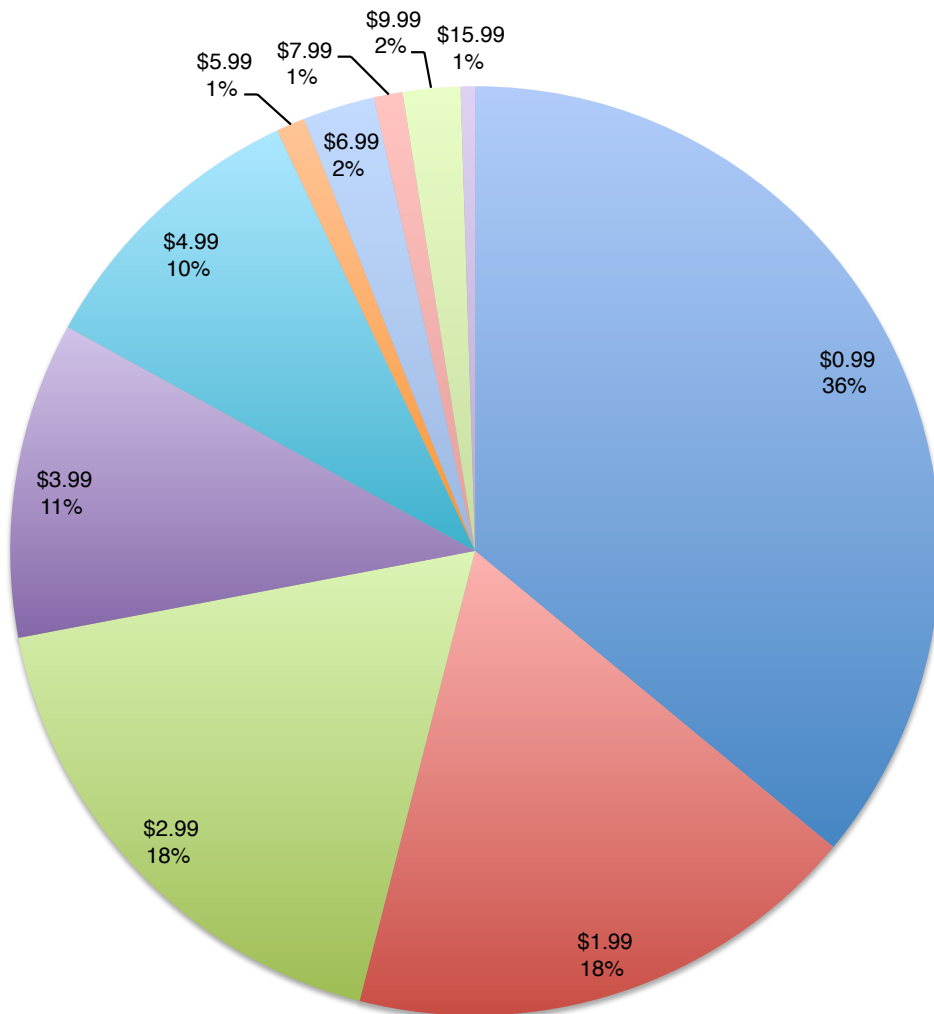
Top Paid Apps by Category (USA)
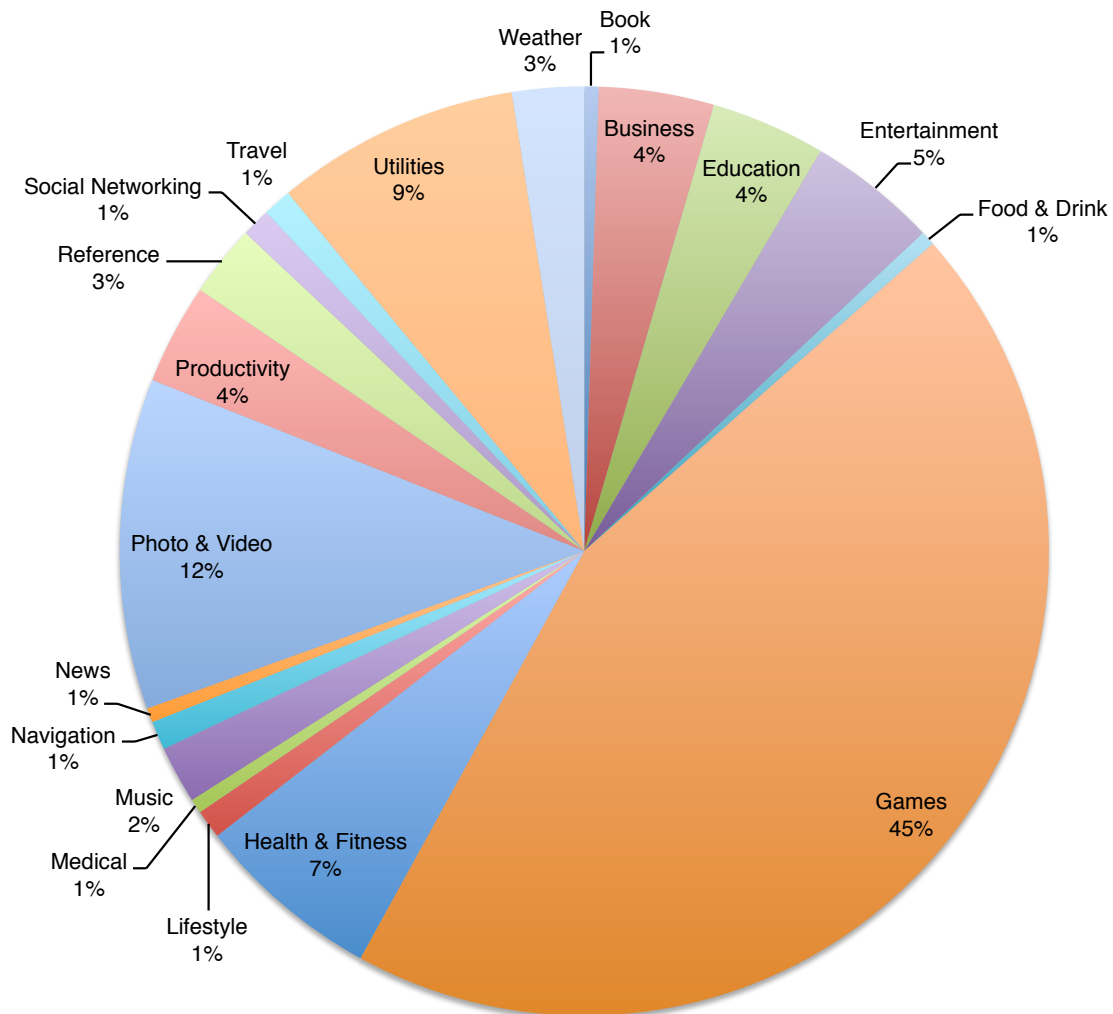
A massive 45% are Games, and Utilities do features but only make up 9% of the total. Health and Fitness apps do feature at 7%, but Photo and Video was the surprise for me here with 12% of the chart.

Benchmark: how much do the top paid apps charge?

**Download prices of Top 200 Paid Apps (USA)**

Pretty much every game I've ever bought seems to be priced at 99c, so although 99c is very popular it's not quite as dominant as I expected.

93% of apps are distributed across only 5 price points though, so it seems clear that if you want to be competitive as a paid app $4.99 or lower is the way to go.

Benchmark: What do the top Games charge?

Given the massive representation of Games in the paid charts I decided to look at those in isolation to see if the trends were different.
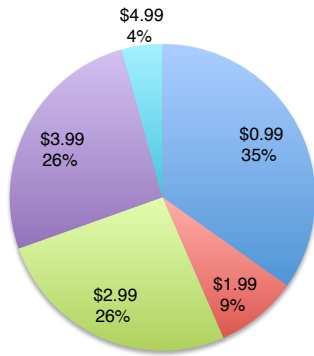
Prices of Games in Top 200 Paid chart (USA)
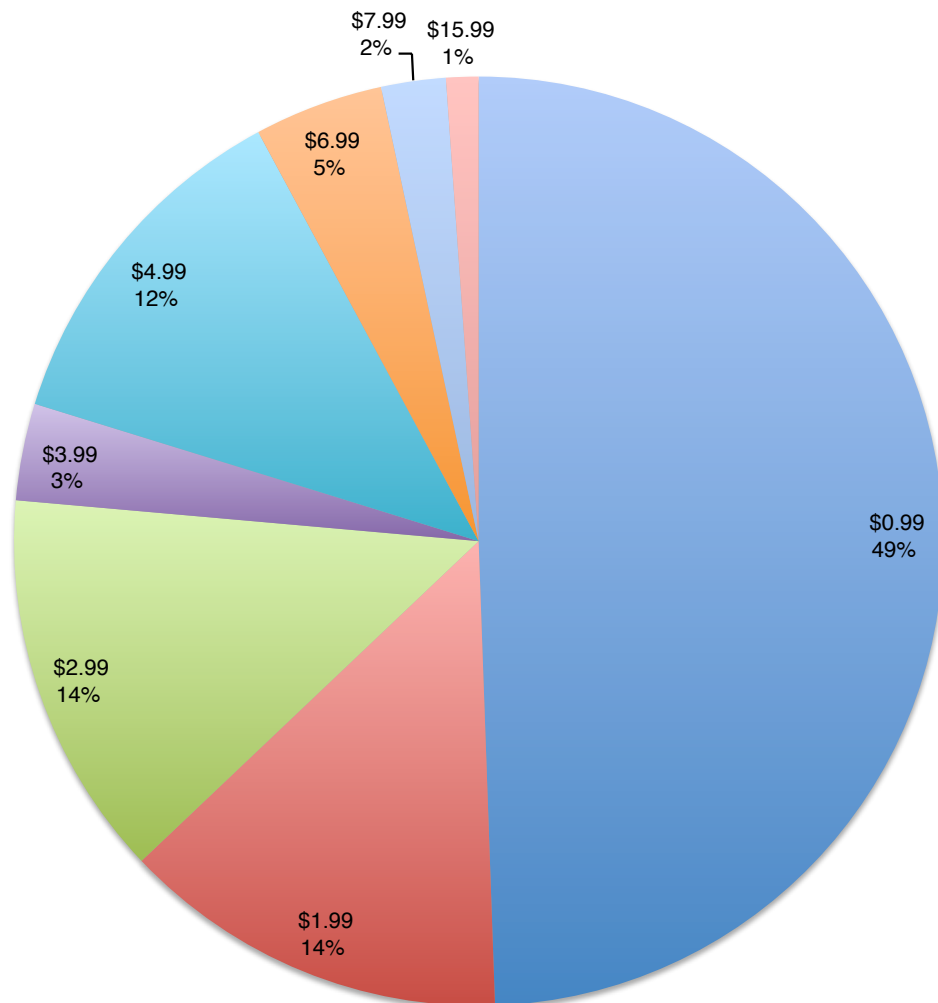
Almost half of the top paid games are using the 99c tier! If you want to be competitively priced with a paid game you clearly need to be thinking $2.99 or less, and if you're really serious then 99c seems to be the safest bet.
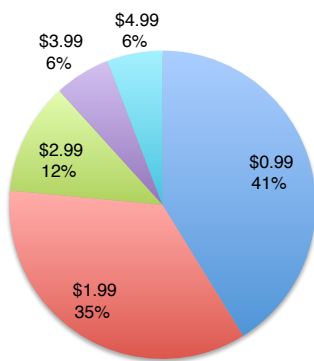
Benchmark: Pricing trends in other hot paid categories

Top Paid Photo & Video App Prices (23 apps)

Higher prices seem to fly well in the Photo & Video category. You can comfortably consider pricing at $3.99 and remain competitive with others in the top charts.

Top Paid Utility App Prices (17 apps)

With 76% of top charting Utility apps priced at 99c or $1.99 it seems like the low tiers are where it's at for Utility apps.

Top Paid Health & Fitness App Prices (13 apps)
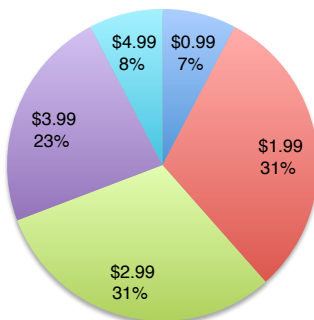
If you're making a Health & Fitness app the most popular pricing tiers are $1.99, $2.99 and $3.99 - similar to the Photo & Video app price points.

How to use this data

Benchmarks aren't "answers". As I said earlier, no-one except real users can tell you what they'll pay for your app or it's features.

Users perceive value in different ways. Sometimes they make comparisons to other solutions to the same problem, sometimes they extrapolate a number from the amount of time, money or some other finite commodity that your product saves them, sometimes they simply pluck a number out of thin air.

Benchmarks are helpful to give you an understanding of the marketplace you're in and help you to identify other solutions that users might compare yours too. Price is only one lever that is available to help you drive downloads, and users won't even pay $0.99 for your app if they don't think it's "worth it".

Test your choice of pricing tier, making sure you let tests run until you have a statistically significant sample size. Optimize for revenue, unless you're looking for the "wow" moment that gives your app some viral power.

Here's a summary of the benchmarks:
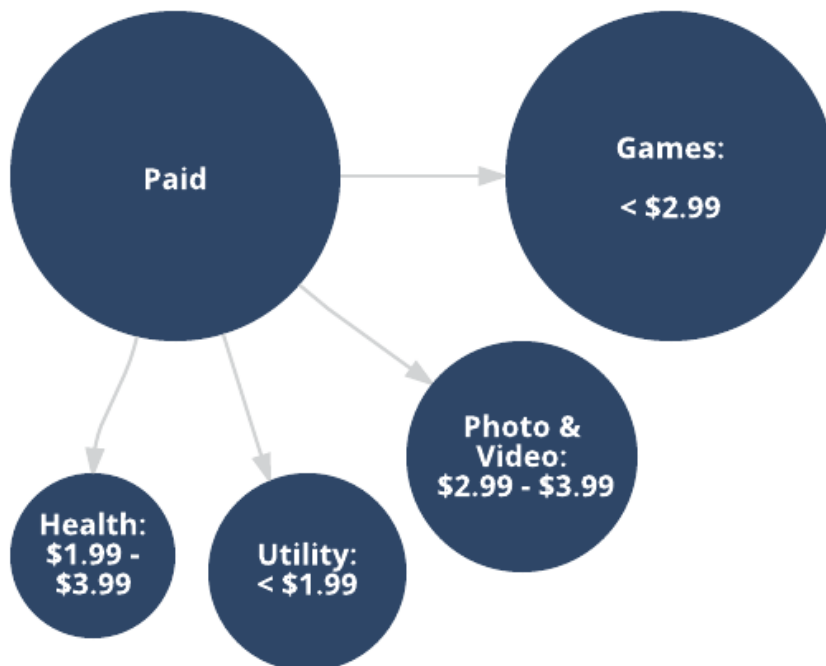
Chapter 3: The In-App Purchase Checklist

Tips for creating IAPs users actually love

Love them or hate them, In-App Purchases (IAPs) have the potential to transform your bottom line. You might have read about how Stuart Hall saw a threefold increase in revenue as a result of offering IAPs for 7 Minute Workout and there's been increasing adoption of this pricing model for apps in recent years.
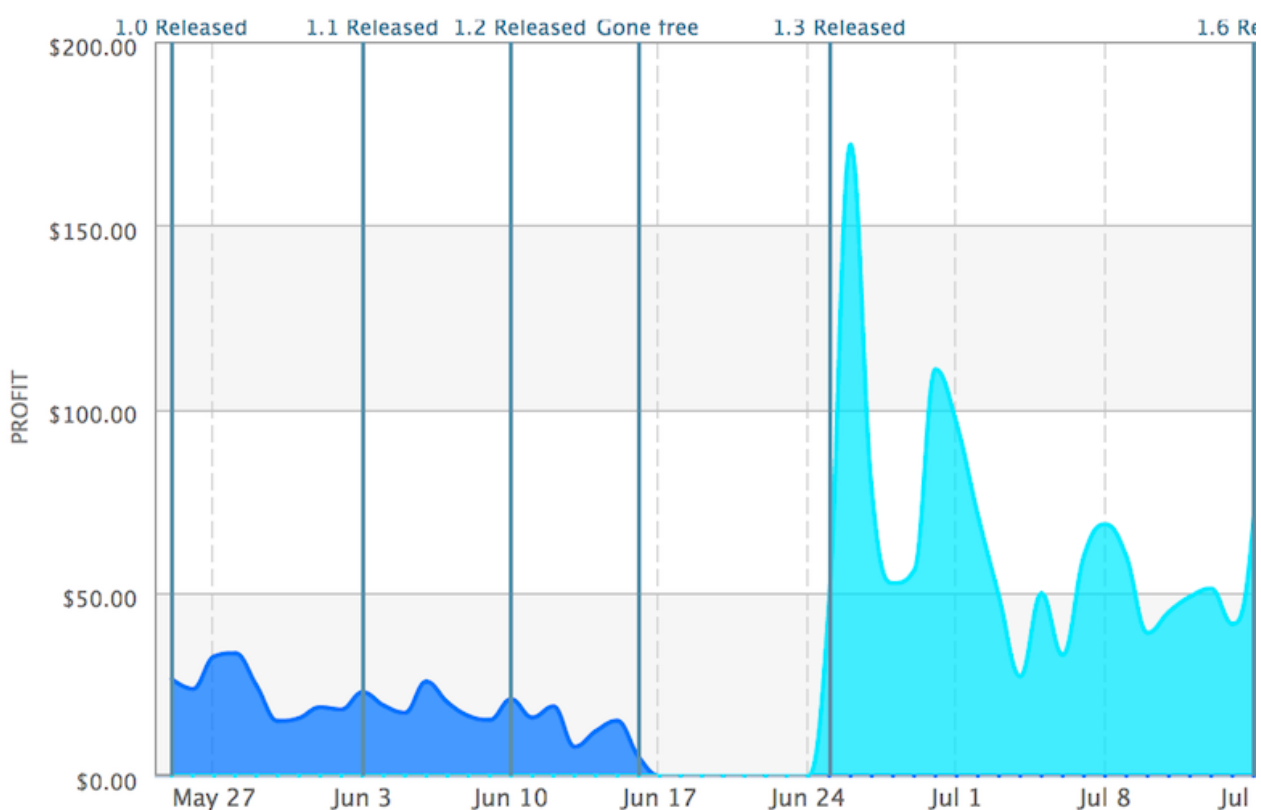
Chart from "How I Got 2.3 million downloads (without spending a cent on marketing)" by Stuart Hall

Sounds like all upside, right? Not exactly.

Introducing IAPs to your product has the potential to put users off your app completely, lead them to leave a cranky 1-star review, or simply stop telling their friends about it. There are lots of ways to offer upgrades without irritating your users though. At Appbot we literally see thousands upon thousands of app reviews per day about pricing and IAPs in particular, so I decided to compile our top tips for maximizing your app revenue AND keeping your users happy:

#1 Make the Free version valuable (enough)

Only a small portion of your users will ever upgrade. Typical conversion rates are 2-5% of your user base, so you need to ensure you're constantly getting new downloads into your sales funnel. If the free version is awesome, just less awesome than the upgraded version, you'll maximize the chance that free users will drive word-of-mouth downloads and social shares, keeping your funnel nice and full. You'll also get better reviews and keep your star rating nice and healthy, like this:

January 14, 2015
★ ★ ★ ★ ★ by **Tricked365** for version 2.4.0 in Australia
Great
Even the free version is ideal. [^]
Share: 🐦 f ✉

Or this :)

January 11, 2015
★ ★ ★ ★ ★ by **Digi Digi Digi** for version 2.4.0 in USA
Good Stuff From The Free Version
Solid. [^]
Share: 🐦 f ✉

#2 Look for IAP ideas in your feature requests

Aggregate feature requests received via app reviews, on social media, or through your support channel (or **shameless plug** use Appbot to automate it) and figure out if some might make cash-worthy IAPs. Not only will you probably increase your revenue, but users will be happy you listened and built what they asked for.

#3 Check out what competitors' customers are asking for

Ditto competitors. Maybe you have an opportunity to grab some market share AND make some money at the same time by solving a pain point for competitors' customers.

#4 Consider charging (new users) for your most-used feature

If you're using an analytics package this next part is easy. Work out what your most valued feature is, then think about whether you could make it into an IAP. Look for themes like the one you can see in this sample of reviews...

July 1, 2015
★ ★ ★ ★ ★ by **sameroche** for version 3.1.2 in USA
I love it!
Doesn't take much time AND I'm truly winded afterwards. Plus the app provides video tutorials of how to do the exercises if you're unsure of what exactly they entail. Will definitely be using to get me in the habit of working out again!! [^]
Share: 🐦 f ✉

June 8, 2015
★ ★ ★ ★ ★ by **Uuthrag** for version 3.1.1 in USA
A streamlined, functional, useful tool.
I really like the way this app works. The functions are great and the included video samples of workouts are really helpful. This has been a great tool for me early in the morning and before going to sleep. These workouts may not turn you into the next Tony Horton, but they get your heart rate going and allow you to feel like you got some fairly energetic exercise during the day, when there isn't always time to plan out an hour-long workout. I am totally happy with this app. [^]
Share: 🐦 f ✉

June 6, 2015
★ ★ ★ ★ ★ by **ClaireSBaker** for version 3.1.1 in USA
Exactly what it says it is
This app is exactly what I expected and wanted. It tells you what exercise to do, when to rest and when to switch sides. No frills - no gimmicks. There was one move which I was unfamiliar and it was nice that they had a video to show the proper form. [^]
Share: 🐦 f ✉

Be careful not to prevent users from completing a core task, and keep #6 on the list below in mind...

#5 Be respectful of existing users

Think hard about taking features away and asking users to pay for an IAP in order to access them, especially if you have a large user base - you can generate a lot of negative word of mouth in an amazingly short period. Where possible, grandfather old users. Think about new things they might pay for instead.

#6 Suggest IAPs after a "wow" moment

Suggesting an upgrade when a user feels productive and positive is the way to go – your chances of conversion will be far greater! It goes without saying that your suggestion should only be made when the user has completed the workflow/task/process/thing they're engaged with.

#7 Target your most engaged users

There's a temptation to just pepper your app with conversion funnels and upgrade prompts, but be mindful that not everyone will find your app valuable enough to even consider a purchase.

In fact, interrupting users who aren't very engaged may cause them to abandon your product completely. Work out which users are likely to get value from upgrading, and make sure that 90% of the prompts you serve are to those users. The risk that you'll lose out here is very low, the users who aren't very engaged wouldn't buy anyway!

#8 Package upgrade features together

Got a few IAP ideas now? You might want to think about offering all the possible upgrade features as a single package or bundle. Worked like a charm for "All The Things" in 7 Minute Workout (more about that here – thanks to Stu for the images)....
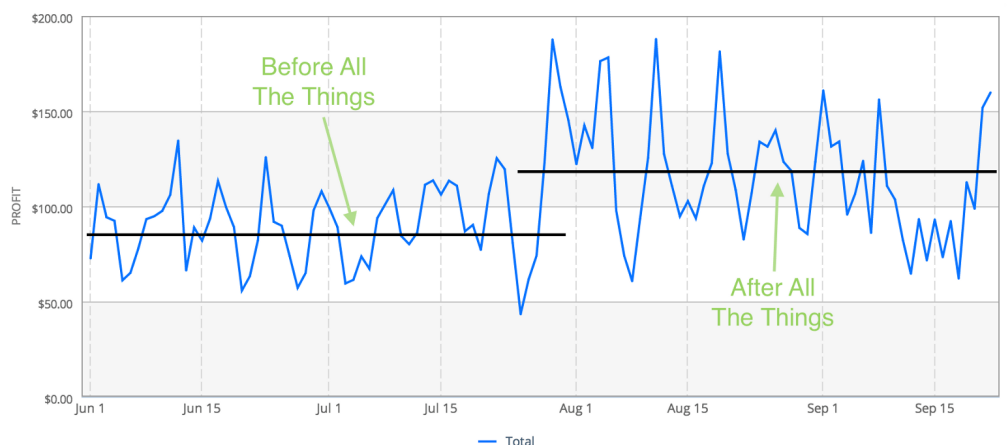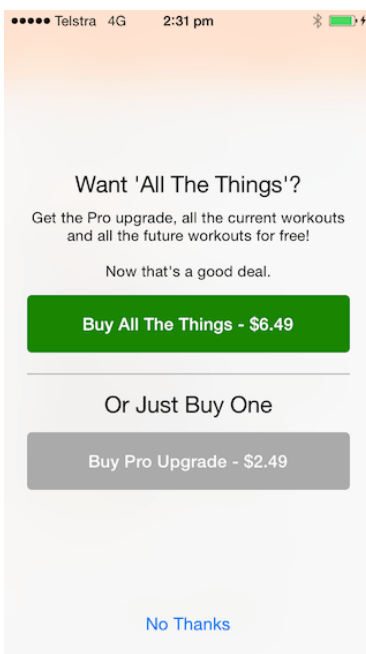
#9 Test different price points

Pricing is a tricky beast... The good news is that users often give you <u>feedback in reviews</u> and other channels to help you work out how to improve your pricing model. On the plus side, changing your price doesn't require you to ship a new version.

If you're looking to learn a bit more about developing a solid pricing strategy we recommend <u>this awesome post</u> we found earlier in the week by Thierry Meier about pricing IAPs (and getting a 30% increase in revenue) in the Lonely Planet app.

#10 Look for a commodity in your app

Do your users need a Pile of Gems to advance faster? Games really lend themselves to commoditization, so if your app is a game think outside the box on this one.

#11 Don't interrupt users with IAP prompts or conversion funnels

Annoyed users are very unlikely to buy. This point feels like common sense, but there are still many, many apps that interrupt users who are in the middle of doing something valuable. If your app involves a series of very quick tasks (or very brief levels in the context of games) work out what your average session duration is, and consider it when you drop in IAP prompts and conversion funnels. If users typically perform 10 tasks, or complete multiple levels in your game, you probably don't want to make them feel like this:

April 22, 2015
★ ☆ ☆ ☆ ☆ by **cruzmary** for version 1.7.0 in USA
Used to be good..
I first played this game years ago when it first came out and it was great!! Downloaded it right now and got annoyed REAL quick by the ads. There is an ad after every single level. I get that you want to make revenue off a free app, but wouldn't you want your users to enjoy the game too? If you want to place an ad, maybe once every 10 levels or something more reasonable. Not after every level. Deleted the app and will not return. [^]
Share: 🐦 f ✉

#12 Don't ask users to upgrade too early

This is especially important if your app is a paid download. Give users a chance to at least enjoy your app and experience (hopefully) solving the problem they hoped it would solve before you ask more of them. Think of it like dating…. Let users get some value from what they've just downloaded before asking for bigger commitment. Ask too soon and you risk losing them completely, plus negative feedback.

#13 Don't annoy disengaged/infrequent users with repeated prompts

By all means offer low engagement users upgrade prompts when it makes sense, but be careful not to overdo it – you'll just damage their perception of your product as a whole. No-one wants their users to feel like this…

July 21, 2015
★ ☆ ☆ ☆ ☆ by **estoughton** for version 7.7.9 in USA
Nagware
The ▨▨▨▨ app has turned into a nagging advertisement for the plus and premium subscriptions. [^]
Share: 🐦 f ✉

Or this, for that matter…

July 27, 2015
★ ★ ☆ ☆ ☆ by **CSharp7** for version 7.7.9 in USA
Stop asking me to upgrade!
I swear, I have a new pop up asking me "Which ▨▨▨▨ is right for you?" every single day. I have consistently selected the Basic plan because IT IS RIGHT FOR ME! I don't run a business with my ▨▨▨▨, I don't NEED any of the premium features, I promise you that in the event I ever do need to make a power point presentation out of my notes, I will let you know. This has gone from being a minor nuisance to an every day source of aggravation. PLEASE STOP. [^]
Share: 🐦 f ✉

#14 Don't just copy your competitors' IAP strategy

Who's to say they've nailed it? If an upgrade prompt in a competing app seems annoying or obstructive to you it will feel the same to your users. Avoid!

How do you know when you've got it right (or wrong)?

Don't worry, users will tell you! Filtering your reviews for words like "upgrade", "premium", "expensive", "cheap", the names of your upgrade products and other price-related terms is a simple way to identify successes and epic fails.

Ultimately, we hope these tips help you get some reviews like this one,

January 9, 2015
★ ★ ★ ★ ★ by **Gemmajoon** for version 2.4.0 in USA
Love it! Upgrade! Well worth the price'
Love it! Just used it with my Hubby :) [^]
Share: 🐦 f ✉

not to mention a nice bump in your revenue.

Chapter 4:
Pricing In-App Purchases like the pros

So how do apps that have been hugely commercially successful know what to charge for their IAPs? Are there any obvious trends? Any rules to follow about what to charge in different contexts?

I took a snapshot of the top IAPs for the App Store's Top 200 Grossing apps in the USA on September 24, 2015 and here's what I found…

The Method

For each app in the Top Grossing chart we looked at these data points:

- the app's rank on the Top Grossing chart

- price to download the app (obviously most were free)

- the list of IAPs displayed on their public App Store page including:

- price of each IAP

- name of each IAP

- position on the list of IAPs for that app

For any one of these apps we were only able to grab the Top IAPs, up to a maximum of 10 per app, as these are the IAPs that are publicly available on the App Store. It's important to note that these 10 IAPs are the top IAPs for each app over time, so not all of the IAPs listed are necessarily live for the current version of that app.

Which categories make it to the Top 200 Grossing charts?

On the day in question 12 app categories were represented in the Top Grossing chart. 74% of the apps were games, which I'm sure doesn't come as a surprise. The two next most popular categories were Social Networking (8%) and Music (6%). Fittingly, this chart looks like Pacman:

Top Grossing Apps by category
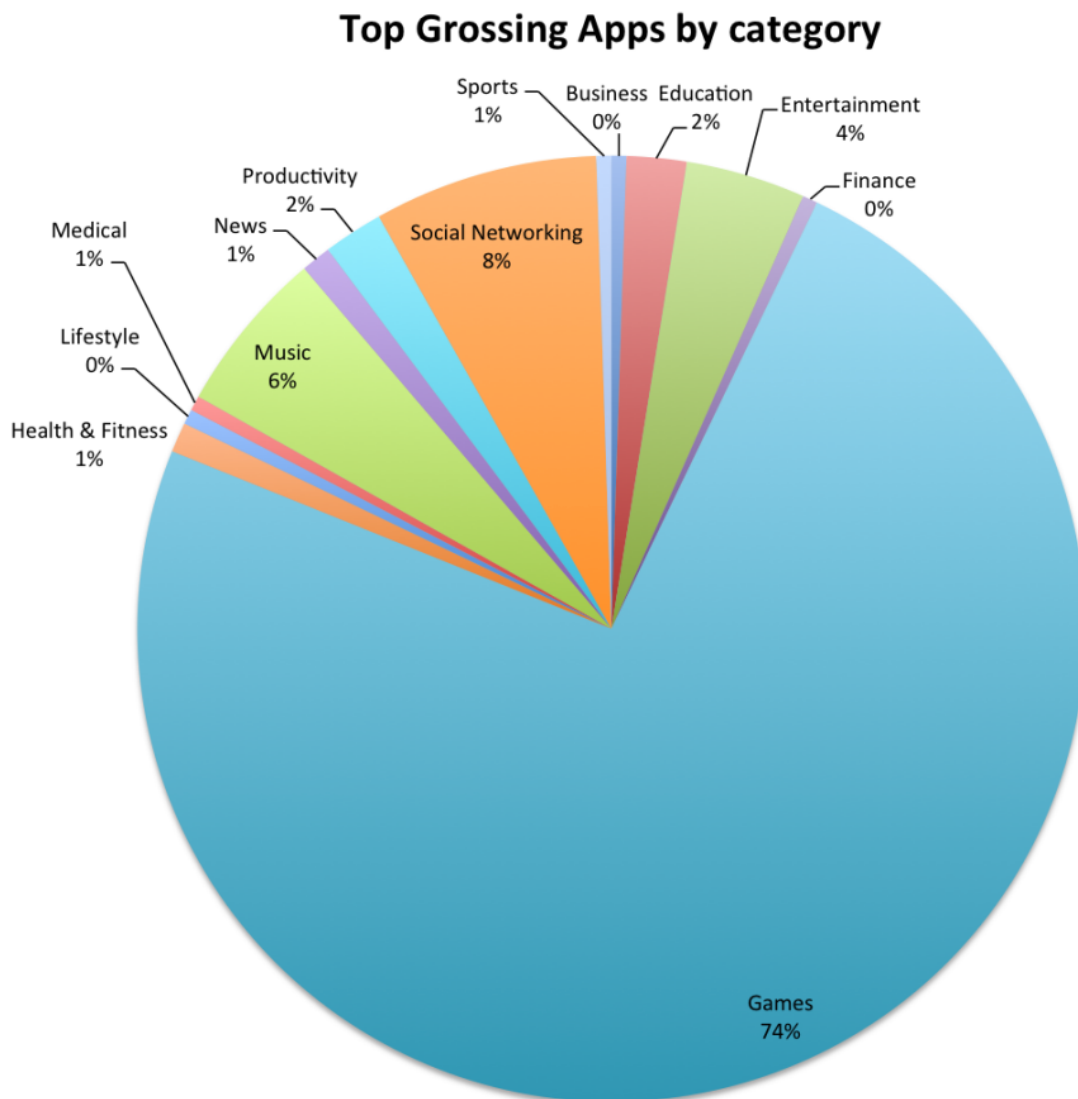
We looked at the percentage of these apps that are free downloads expecting it to be a high percentage, maybe 95%. In reality it's even higher – 98%! Of the 200 apps we looked at only 4 were a paid download. They were:

Rank	App Name	Download Price
47	Minecraft: Pocket Edition	$6.99
66	Grindr Xtra - Gay, same sex, bi social network to chat and meet guys	$0.99
151	Plague Inc.	$0.99
182	Bloons TD 5	$2.99

How the Pros do it: IAP pricing for the Top Grossing apps

Here's a quick overview of the IAP data for all 200 of these Top Grossing apps:

|	
Total Number of IAPs	1671
Lowest IAP Price	$0.99
Highest IAP Price	$299.99
Median IAP Price	$8.99
Mean IAP Price	$19.11
% apps with 10+ IAPs	69%

The two-fold difference between the mean and median IAP prices tells us there are some high-value outliers.

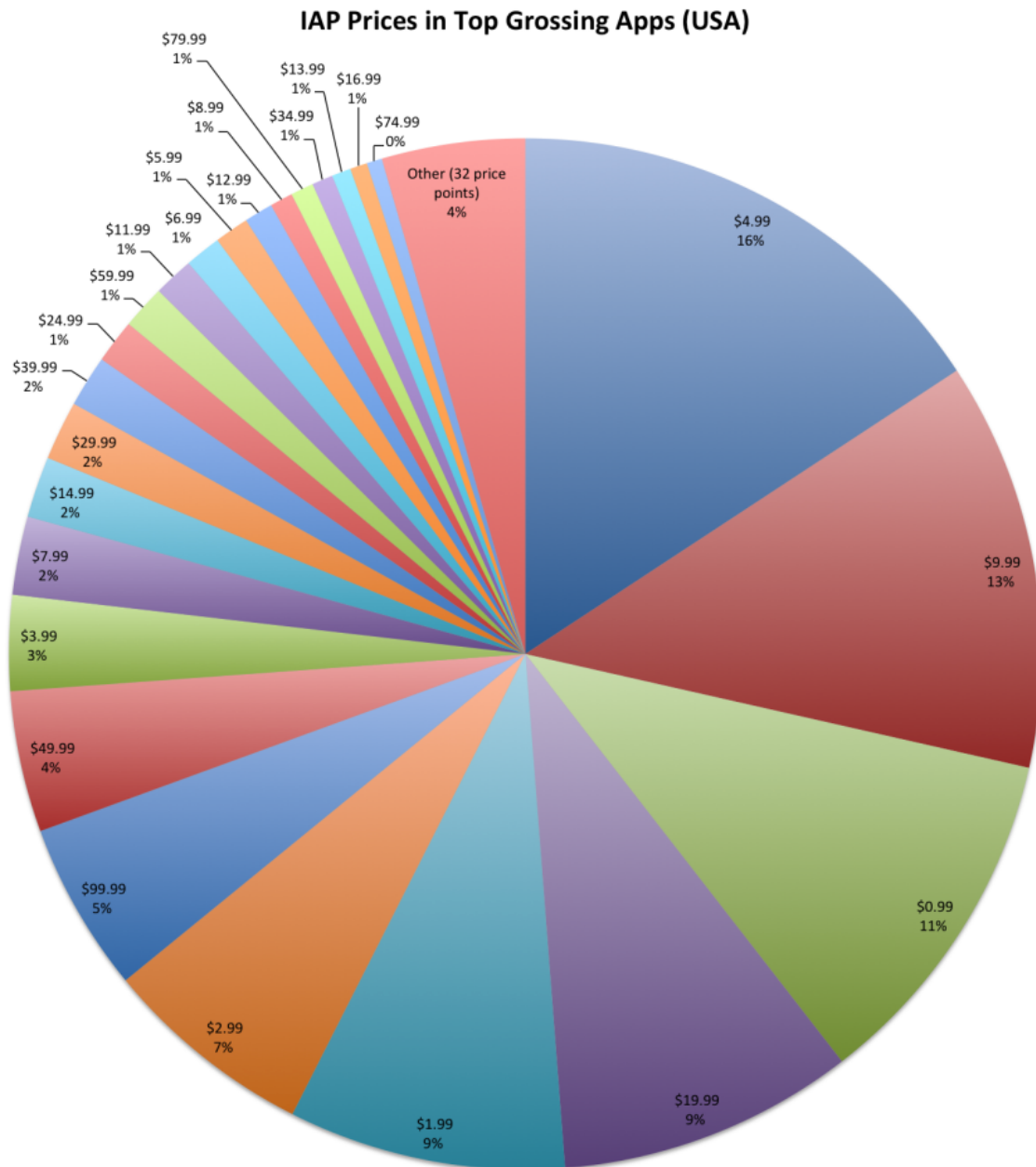Next I put the data into a scatter chart to identify those outliers.

The scatter chart makes it easy to see that any IAPs that are listed for these top grossing apps above $100 in value are clear outliers – only 9 out of the 1671 IAPs that are above $100 in value. One app, Happify, offered an IAP valued at $299.99! Happily is a Health & Fitness app, and ranked 171 on the chart.

What surprised me a little about this chart was the prevalence of some higher value IAPs, specifically:

- $99.99

- $49.99

- $19.99

IAP Prices in Top Grossing Apps (USA)
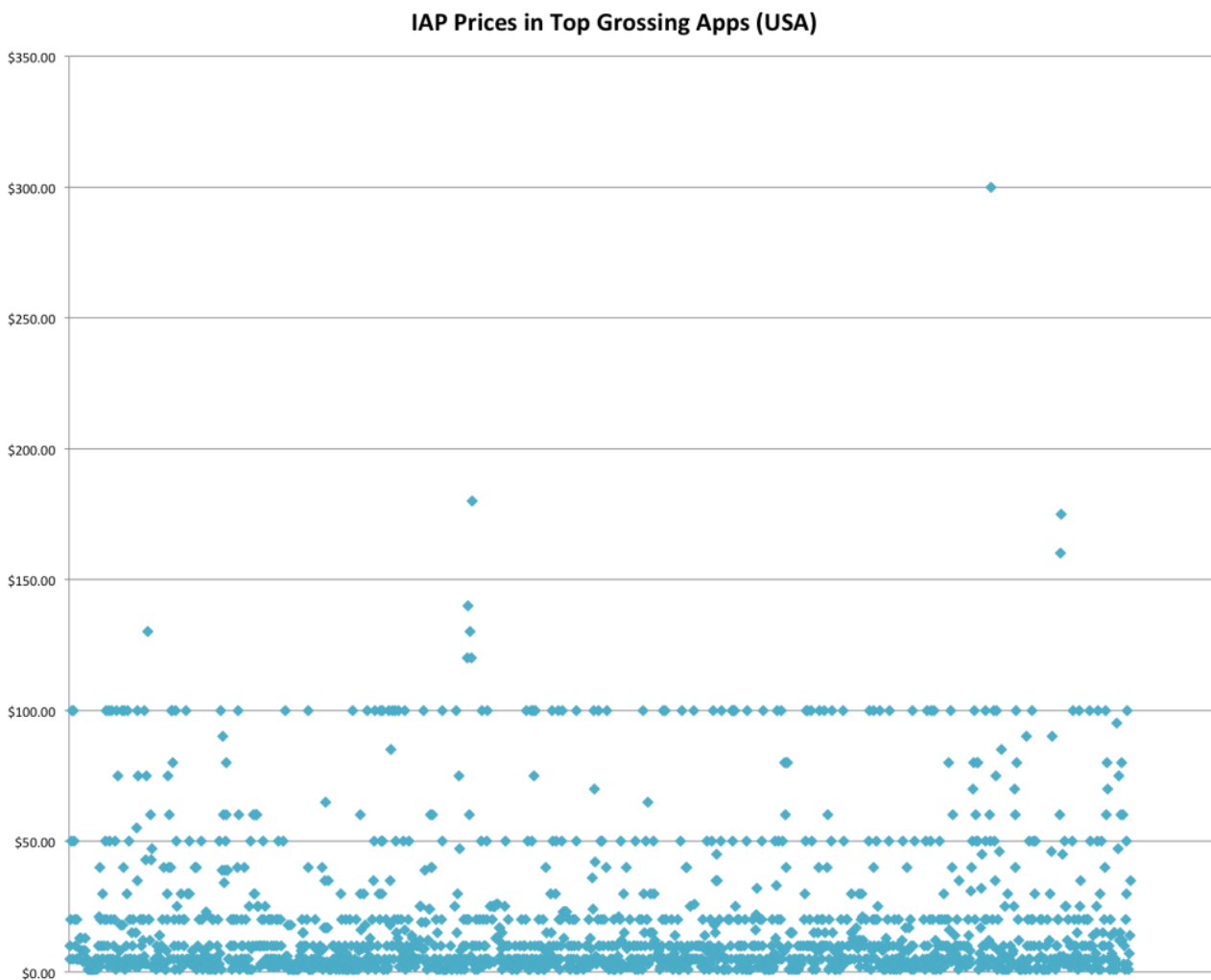
It's possible that I'm just a cheapskate (or not addicted to any iOS games), but in my own experience most of the IAPs I encounter tend to be below this level. To get a clearer picture I decided to revert to our favorite chart type at Appbot, the almighty pie:

IAP Prices in Top Grossing Apps (USA)

- $79.99 — 1%
- $13.99 — 1%
- $16.99 — 1%
- $8.99 — 1%
- $34.99 — 1%
- $74.99 — 0%
- $5.99 — 1%
- $12.99 — 1%
- Other (32 price points) — 4%
- $6.99 — 1%
- $11.99 — 1%
- $59.99 — 1%
- $24.99 — 1%
- $39.99 — 2%
- $29.99 — 2%
- $14.99 — 2%
- $7.99 — 2%
- $3.99 — 3%
- $49.99 — 4%
- $99.99 — 5%
- $2.99 — 7%
- $1.99 — 9%
- $19.99 — 9%
- $0.99 — 11%
- $9.99 — 13%
- $4.99 — 16%

The huge popularity of $4.99 as an IAP price point wasn't so easy to detect from the scatter, but on the pie chart we can see how common it really is. Probably the most interesting thing for me on this chart was that $0.99, $1.99 & $2.99 IAPs are far less common than I thought.

Are IAPs in Games different?

Now that I'd had a look at the overall data for this top chart I wanted to see how the picture changes if we isolate Games.

Trends in IAPs for Games

Number of apps	149
Total Number of IAPs	1344
Lowest IAP Price	$0.99
Highest IAP Price	$99.99
Median IAP Price	$4.99
Mean IAP Price	$16.77
% apps with 10+ IAPs	78%

If anything, filtering down to Games only makes trends clearer on a scatter chart:

Top Grossing Games IAP Prices
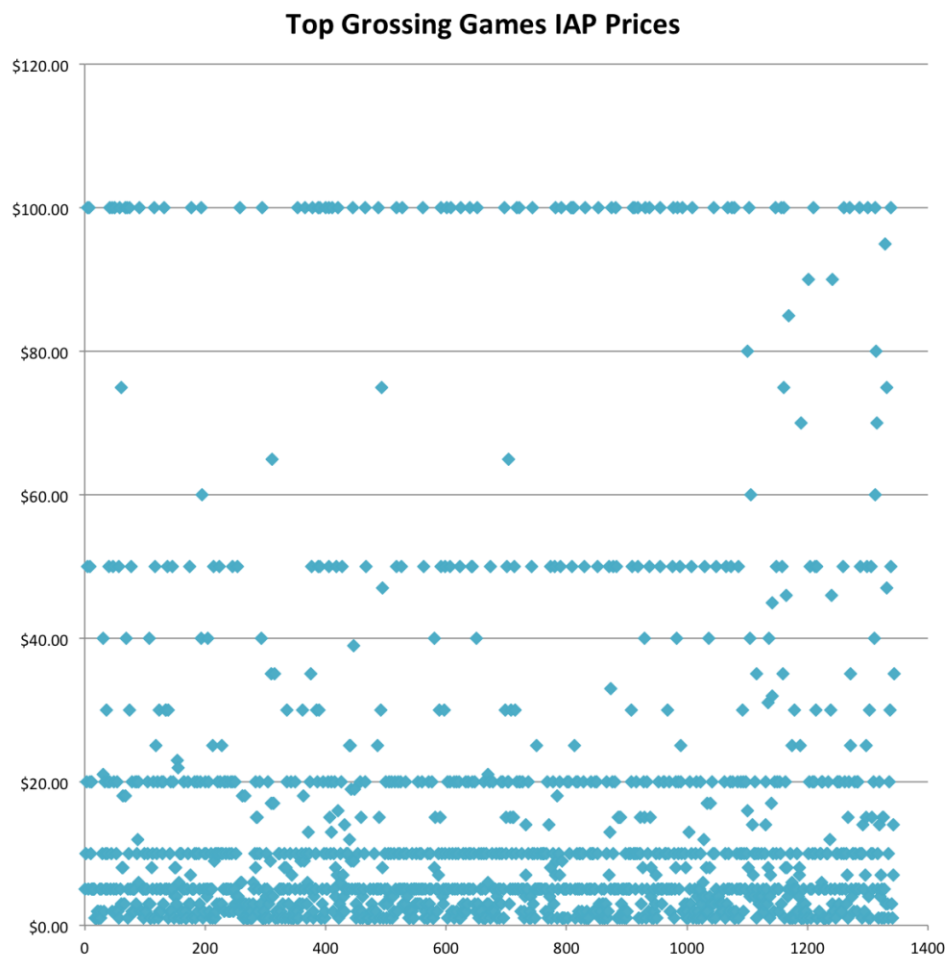
I can't resist making a Game Pie 😏

IAP Prices in Top Grossing Games Apps (USA)
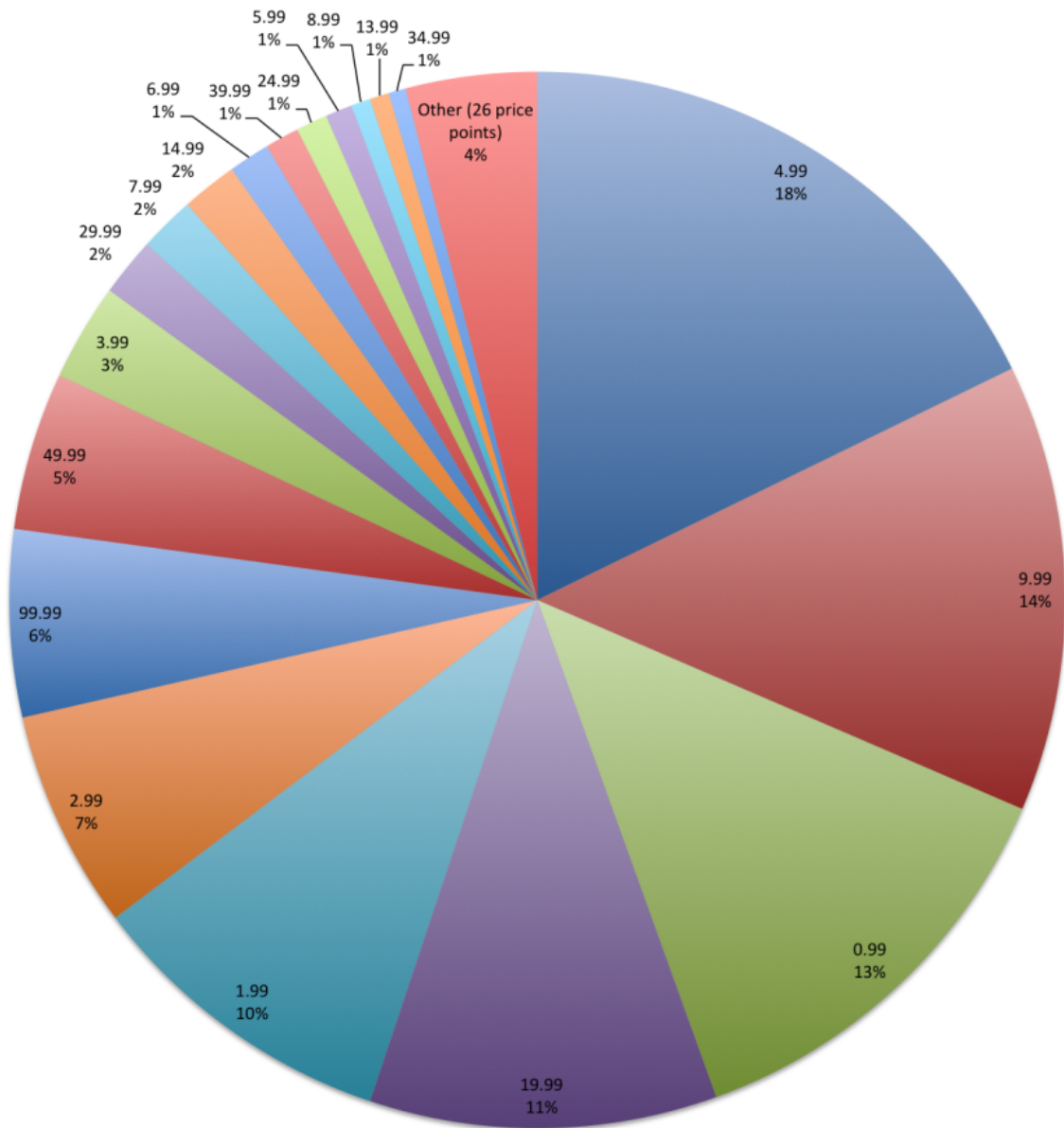
Again, this makes the lower tiers easier to distinguish. For legibility I grouped together all price points that represented <1% of the total into the "Other" category.

The common price points in the overall data all show slightly greater representation when we filter down to games. In fact over 50% of the 1344 IAPs analyzed were priced at one of 4 price points: $4.99, $9.99, $0.99 or $19.99.

Trends in IAPs: other top categories

Now for the other side of the coin. Here is the overall data for non-Games apps:

Number of apps	51
Total Number of IAPs	327
Lowest IAP Price	$0.99
Highest IAP Price	$299.99
Median IAP Price	$12.99
Mean IAP Price	$28.70
% apps with 10+ IAPs	43%

As you might have guessed, with games removed the IAP prices are more broadly distributed. Makes sense when you consider that there are music, social networking and other categories all mixed together here. Non-games also tend to offer higher-value IAPs, with a median price of $12.99 and mean price of $28.70. Non-games top grossing apps also offer fewer IAPs than their game counterparts, with only 43% listing 10 or more IAPs on their public page.

As a pie chart, it looks like this:

IAP Prices in Top Grossing Non-Games Apps (USA)
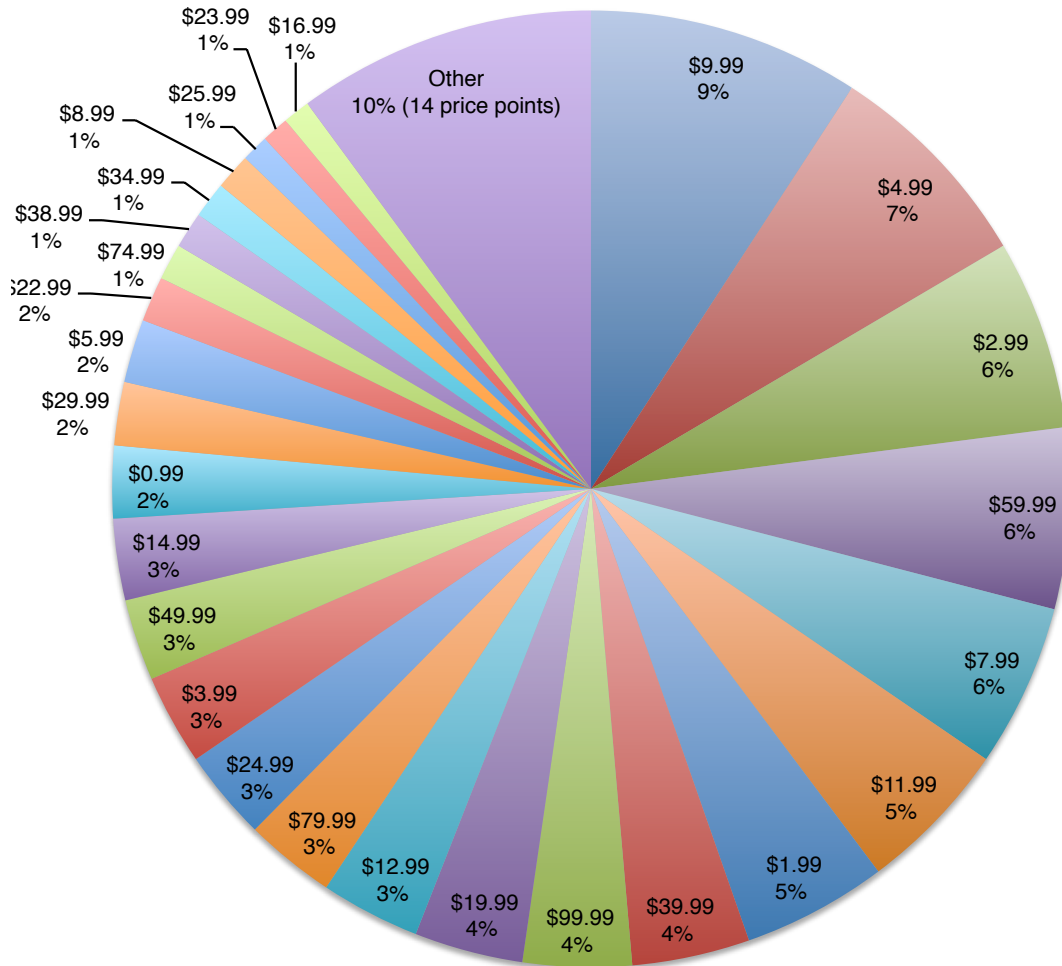
Again I grouped together all price points that represented <1% of the total into the "Other" category. 10% of these apps have chosen relatively esoteric price points.

This also adds up – many of these IAPs are subscriptions to a service – likely to be more expensive, possibly with web functionality also. It's also normal for SaaS subscriptions to be broken down into only 3-5 tiers – this may explain why these apps offer (or have offered) fewer IAPs on average.

Honing in on those top two non-game categories, here's how the data looks:
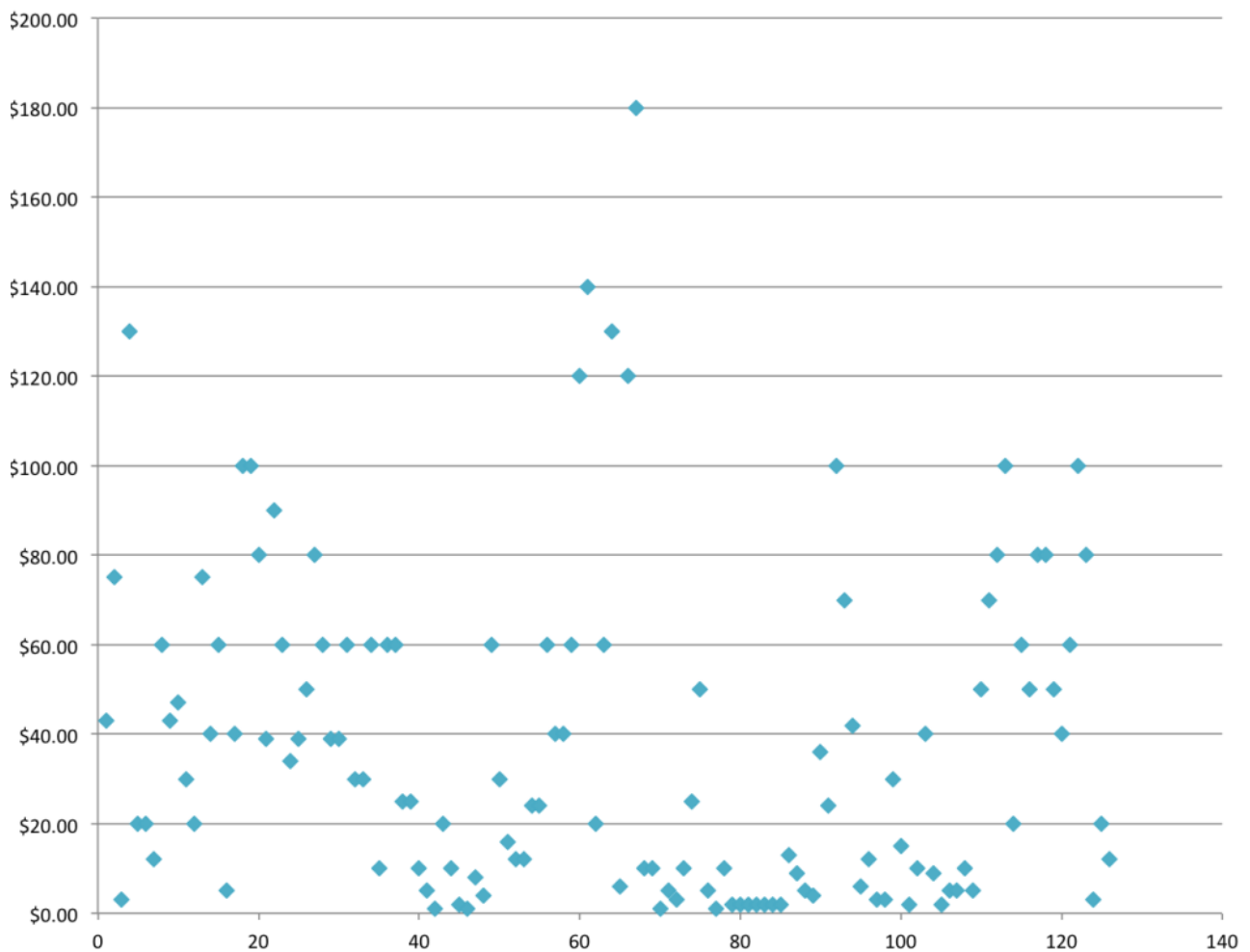
IAPs for Music Apps

It seems that the clear trend for music apps is <$20. Interestingly, almost all of these IAPs are subscriptions. Surprise, surprise it's Apple's Beats app that offers a $99.99 IAP.

Top Grossing Music Apps IAP Prices
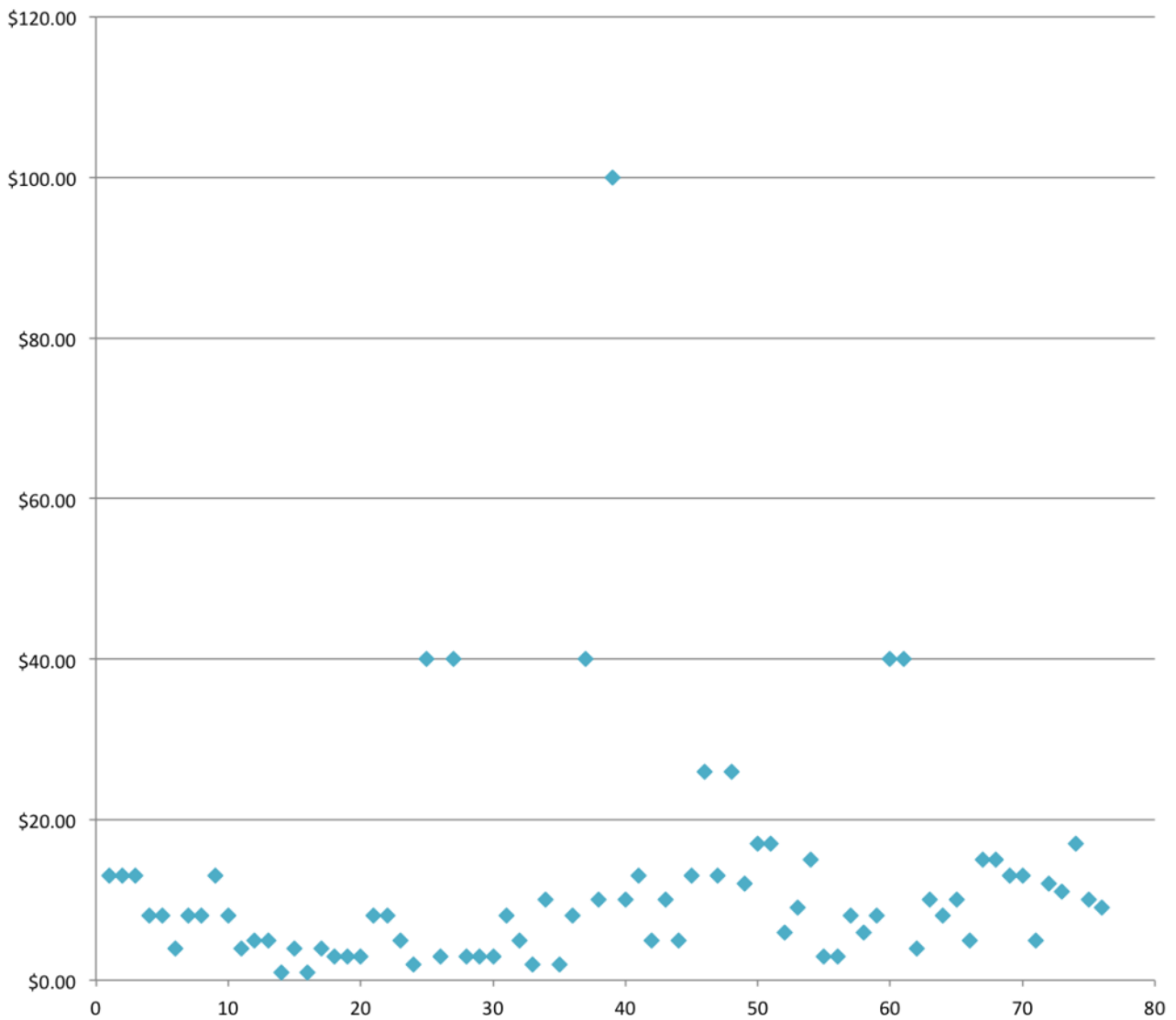
IAPs for Social Networking

Top Grossing Social Networking Apps IAP Prices

Given the much broader nature of this category it's not too surprising that there's no such clear trend, although there are some interesting points here:

11 of the 15 apps in this category of IAPs offer or have previously offered an IAP priced at $59.99. These are the apps in question:

1. Ashley Madison

2. eHarmony

3. Grindr Xtra – Gay, same sex, bi, social network to chat and meet guys

4. Hot Dating: Meet New People, Find Single Women and Men, Chat, Flirt, Date and Make Friends

5. LinkedIn

6. Match – Dating App to Flirt, Chat and Meet Local Single Men and Women

7. OkCupid Dating

8. POF – Free Dating App

9. Zoosk – #1 Dating App

60% of the $1.99 IAPs are offered by one app: Viber. It's therefore not as significant as it looks for the category as a whole.

Conclusions

It's important to note that this data isn't perfect – flicking through it manually there are some apps that list an IAP with the same name but different price several times. I assume this is down to price testing, where the owners have deployed new versions with different pricing to see how it performs. This wasn't as common as I thought it might be though. Music apps seem to use this approach most often, yet they also seem to test pricing within a very narrow range. This approach is very uncommon amongst game IAPs.

So what did I learn from this exercise?

Freemium works at this scale, clearly, with 98% of these apps offered as a free download with IAP. Bear in mind that it might not be possible to build your revenue on IAPs only in the early days, unless your app is inherently viral.

Games:

$4.99, $9.99, $0.99 or $19.99 are the most common price points for game IAPs. If you're launching a new game think about IAPs around these values to ensure you're competitive with the big guys.

Variety is the spice of life. 78% of top grossing games offer 10 or more IAPs. Giving users a lot of choice logically maximizes conversion rate.

IAPs over $99.99 aren't a thing for these successful guys, so don't get greedy :)

Non-Games:

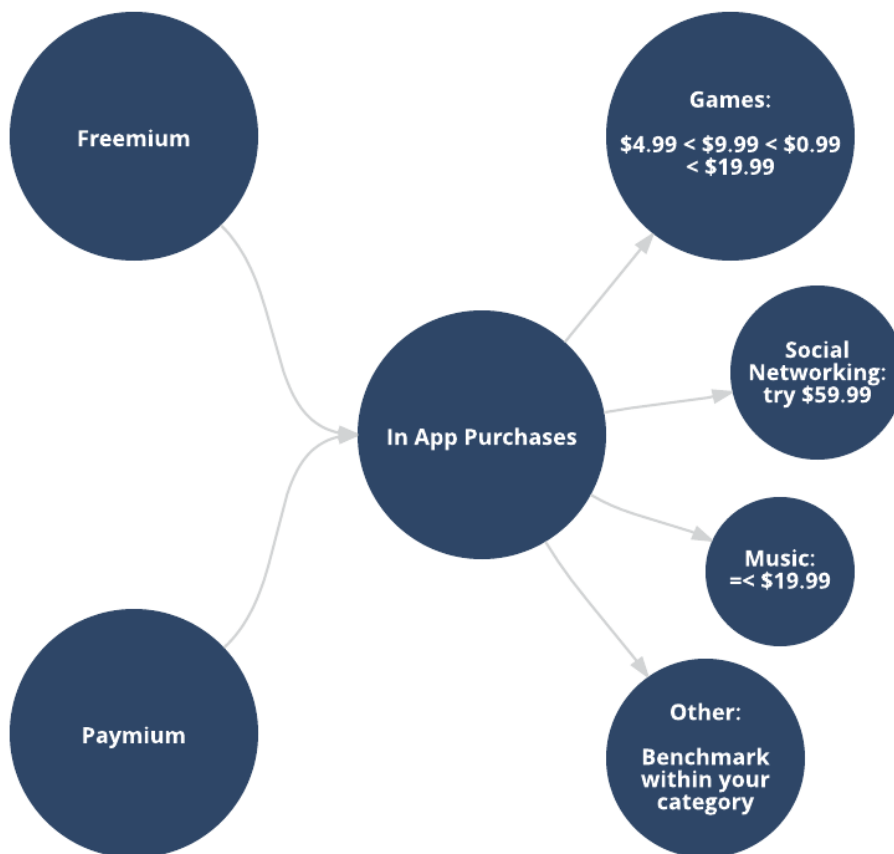Subscriptions baby! If you're not in the games... er... game, then SaaS models are very common. Trust us, recurring revenue businesses are awesome :)

Think big(ger) price tags. Both mean and median prices for non-games are around 2-3x that of games.

If you're building a Music app you'll need to keep your IAPs in the <$20 region to stay competitive. Unless you're Apple, of course.

Here's a flow chart to help you:

How and what to charge in a nutshell

Does the app need to generate revenue?

NO → Free

YES ↓

Does the app have viral properties?

YES → Freemium

NO ↓

Does the app support a SaaS service?

YES → Freemium

NO ↓

Could you sell things in the app, other than subscriptions?

YES → Paymium

NO ↓

Paid

Freemium / Paymium → In App Purchases

In App Purchases:

Games:
$4.99
$9.99
$0.99
$19.99

Social Networking: try $59.99

Music: =< $19.99

Other: Benchmark within your category

Paid:

Games: < $2.99

Photo & Video: $2.99 - $3.99

Health: $1.99 - $3.99

Utility: < $1.99

That's all for now folks...

You made it to the end! Thanks for reading.

We've looked at how to choose a pricing model, what to charge for paid apps and trends in in-app purchase pricing for some of the world's most commercially successful apps. More importantly, we've talked about the importance of testing your pricing on real users and measuring the results both in terms of revenue and in terms of user feedback.

I hope you've come across some new ideas to test in your apps and we would love to hear how you get on implementing the next iteration of your pricing strategy.

If you've enjoyed the App Pricing Playbook I'd love it if you'd pass it on to your friends and colleagues. Until next time!

About Appbot
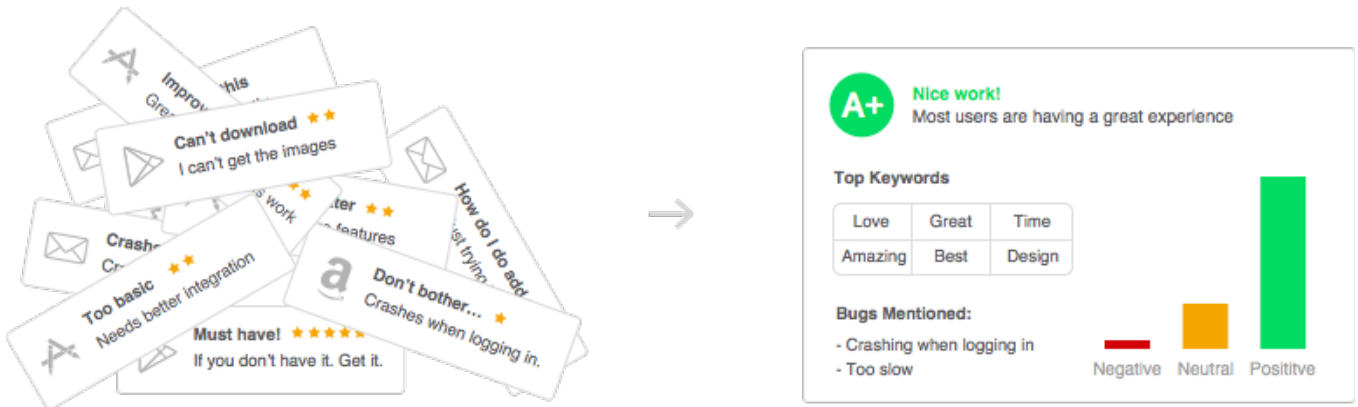
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