MAKING MONEY WITH APPS

THE ULTIMATE GUIDE

BY

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Welcome

How Money Works

The Definitive Guide To Making Money With Apps

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Carter

- Raised in New York and Maine, USA

- First app released October 19 ,2011

- Built and sold over 900 apps since then

- Consultant to some of the biggest apps and app companies in the world

Overview

Awwww yeah! Glad you decided to make the move and join me in the pursuit of happiness. I mean money.

While I joke, it's also important to call out that this **IS** the final icing on the cake for your app business. It doesn't matter if you're a true beginner, a seasoned veteran, or a new startup that just raised $10M - knowing how to make money with apps is extremely important.

In This Book

In this premium ebook I'm going to do everything I can to:

- Show you exactly how apps make money

- How to apply these strategies to your app

- How to make your business a winning one

You've done so much work already, both by reading the other ebooks and through your endeavors in the app space. Now it's time to *"close the loop"* as they say. This is all about giving you skills that will put the *"Return"* in *"Return on Investment."* It's really fun and can be very rewarding.

But it's not always easy. Success in apps comes from people who are willing to take action and go the distance. If you're reading this, you've proven that you're made of that cloth.

Let's get started.

"This is all about giving you skills that put the 'Return' in 'Return on Investment'"

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HOW MONEY WORKS
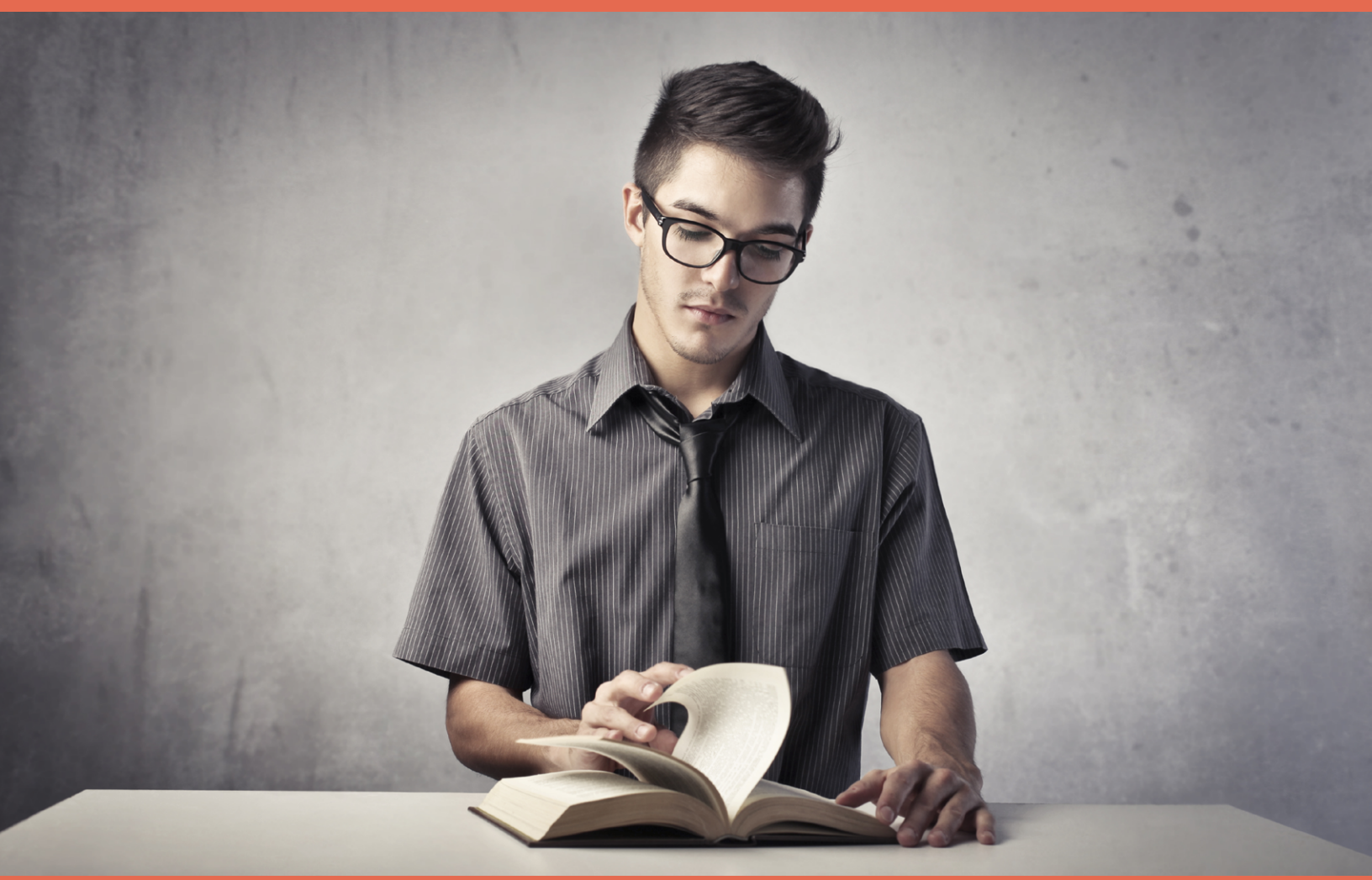
A Brief Lesson In App Economics

As you know by now, I'm a big believer in knowledge. The more you know, the better your business will be. When it comes to money, especially when you're in a marketing focused business like apps, it's important to understand how money goes from one place to another.

I'm going to break this into two parts because there are two major pieces to this puzzle: the app user profile and the market profile.

The App User Profile

This section will briefly explain to you how people spend money in apps. In the free ebook, you learned about in-app purchases and other monetization mechanisms - this will talk about who buys them and how often.

Once you're inside most apps, the primary methods of monetization happen from in-app purchases and advertising. We'll talk about advertising in a minute, but for now, let's focus on in-app purchases.

You may think that a **LOT** of people will spend money in your app. It's easy to think that 30%, 40%, even 50% of people will like it enough to spend money. Unfortunately, that's not really true.

Not even close.

In fact, the number is going to be closer to 5% of your user base. These are people that decide something in the app is worth purchasing and press that confirmation popup. Of course, some apps have much higher (and much lower) numbers than this, but 5% is a good place to start.

5%

This is not new - in almost all businesses you'll see similar patterns to this. Before you start feeling hopeless, please realize that this is **NOT** a bad thing at all.

If large apps can make $3M a day with 5% of people spending money, obviously it works :)

What's also interesting is that this small population of users are not just going to spend money once, assuming you have content that can be purchased often (coins, credits, etc). If they love what they're getting, they'll spend a lot. They'll keep coming back and spending over and over. In the business, these are called *"whales"* - people that account for a disproportionate amount of revenue.

A small population that spends lot of money can make any business successful.

In the United States, we have a similar bell curve - the top 0.5% of the population owns an enormous amount of wealth and money. They also pay the most in taxes for the government - nearly 30% of total revenues. A few thousand people paying billions - the same is true in an app with a few thousand people purchasing tons of in-app purchases.

The reason I am telling you this is because your will be **MUCH** more successful in most of your app monetization endeavors (especially in-app purchase driven apps) if you focus as most of your effort on the *"whales."*

Why?

- They have the money to spend

- They want to spend it

- They **WILL** actually spend it on content they want

Don't spend your time trying to get users to go from 0 to $1. Spend your time getting users to go from $1 to $1,000.

As you build your app and begin updating it, keep this in mind. You will drastically increase your ROI by doing so.

The Market Profile

Now that you understand the basics of how users spend money on in-app purchases, let's talk about the bigger picture - how top grossing apps stay at the top of the charts.

Within all those top apps, they understand the Whale strategy very well and execute it. In fact, they are **SO** good at executing it, they can generate revenues that dwarf anyone else. No one else can compete with some of the top apps because they are so incredible at getting money from users.

But - they still need more users. These apps don't just stay on top because they're lucky or pretty - they spend millions of dollars to get people to download the apps (we talked about this in the marketing ebook). How? They go to advertising networks and *"buy"* traffic. They pay for installs.

"They go to advertising networks and 'buy' traffic."

Let's walk through a quick example:

1. Top Grossing app MayhemX is killing it. They're currently #5 on the charts and making $880,000 a day. **WOW!**

2. MayhemX realizes that for every person who downloads their app, they can expect to make $3.25. Solution = get more people to download their app.

3. MayhemX goes to Chartboost (ad network) to *"purchase"* users for $2 each.

4. Chartboost turns to Carter and says *"Can you advertise MayhemX in your apps? We'll pay you $2 for each person that clicks through and installs the app"*

5. Carter says *"YEEEE HAW!"* or something.

6. Carter advertises MayhemX in his games and sends lots of traffic + gets paid for it.

7. Carter makes **WAY** more money than he could on his own 5% user base, MayhemX makes lots more money because their app is so much better.

8. MayhemX stays at the top of the charts, Carter finds new ways to generate more traffic to advertise in (building more apps, etc).

In a nutshell, this is the rich getting richer. But that's not necessarily a bad thing because they do so by *"paying"* people to give them traffic which keeps them rich.

What this eventually leads to is a bigger and bigger gap between top apps and everyone else. Just like the USA example, the app stores are dominated by a few apps - at one point the top 50 grossing apps accounted for 50% of the revenue going through the entire marketplace (that means over a million other apps didn't generate as much money as the top 50!).

MAYHEM X

$

CHARTBOOST

CARTER'S APP

So why am I telling you this? Because it's going to do a few things for you:

1. **DO NOT** compare yourself to a top grossing app. Seriously, don't. These are well run machines with custom analytics and data centers you can't even imagine. Maybe one day you'll get there, but you need to keep your expectations in check.

2. The more you help those apps get rich, the more they'll pay you. Makes sense, right? Finding ways to get these apps more installs will make you more money and get them more excited.

   Back when I first started I would build apps that were very similar themes to the top grossing apps and promote their apps. The conversion rates were astronomical. Start thinking like this (if you're using advertising) and you'll see a big increase in your revenue.

3. Do not be intimidated by words like *"competition"* or *"inequality"* when dealing with the app store. Those are reserved for people that don't understand how this stuff works. They think top grossing games magically pull that money out of thin air and everyone else is in trouble.

   As an informed marketer, you'll be able to see that as opportunity.

This information can be huge when you're deciding how to monetize your apps.

"As an informed marketer, you'll be able to see that as opportunity"

KEY TAKEAWAYS:

☐ Focus on your best customers and give them what they want for in-app purchase revenue

☐ Focus on sending high quality, targeted traffic if you're using advertising to make money

☐ Small populations account for huge percentages of revenue

Awesome. Now let's talk about the national budget!

Kidding :)

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THE DEFINITIVE GUIDE TO MAKING MONEY WITH APPS

Overview

This section is going to talk about specific how-to's and it's also going to give you the best strategies I've ever found. I'll also talk as much as I can about different categories, app types, and specifics so that you can apply them directly to your app business.

Before I start, however, I do need to give a disclaimer because we're talking about money. Everything you read here is not a *"get rich quick"* scheme and is purely based on my own experience with over 1,000 apps and business models. While I fully stand by everything and recommend it all, I cannot guarantee that you're going to make money. I wish I could! But, alas, guarantees like that get everyone into hot water.

Making money in any business is hard. That's why everyone wants it! But there are also a **LOT** of people that spend time doing the wrong techniques and focusing on the wrong parts of the business.

My goal is to arm you with everything I can so that you're in the best possible position for going to the next level.

Without further ado, let's jam.

The Paid App - The Purest Form of Revenue

It's true - the paid app is the ultimate example of making money in the app store. You offer a product that is so compelling, someone pays you to download it. Simple.

BUT, the paid app is anything but a half baked decision. There is a lot to know and a lot you can do (we'll discuss) to make sure you nail this.

The most important thing to keep in mind with a paid app is the relationship you're building with your customer. Instead of giving them a chance to *"test drive"* your app the way you would with a free app, you're asking them to trust you from the start. They read your description, see your screenshots, read your reviews and have to roll the dice.

The paying customer is different than the free customer. They have a lower tolerance for bugs and advertising - in a marketplace with so many options, they expect to get quality when they pay their hard earned money.

For Paid apps, I want to discuss two major pieces:

1. How to price your app and

2. How to deliver value for that price.

"The most important thing to keep in mind with a paid app is the relationship you're building with your customer."

Pricing A Paid App Correctly

Three years If you had asked me to write about that title, I would have said *"Umm...just make it $0.99, right?"* How far we've come. There is a distinct profile associated with prices which I'll walk through. This can make a big difference in effectively delivering the perfect value to your customer.

$0.99 - $2.99

Mass market, popular apps tend to be priced in this range. If you have a paid game, chances are you'll be right in here. If you have a paid utility app, same thing. Typically, the rule of thumb I go by is it there is nothing that is **REALLY** unique about your app, don't go outside this scale.

This is the byproduct of what is called *"price elasticity"* - also known as how flexible a price is for a product. Over the evolution of the app store, as people get used to paying certain amounts, this *"elasticity"* gets fairly well ingrained into what people expect.

In other words, people are willing to pay these amounts and still expect an *"introduction"* experience. They know they're not getting something incredible, but they also know that it's going be much higher quality than most free apps.

NOTE: Often within these pricing scales you can move back and forth and see comparable download volume. This is not always the case, but I've seen many great apps simply change their price to $1.99 or $2.99 and 2x or 3x their revenue with no change in download volume. At $3.99, however, it's a cliff.

Definitely something to test.

PRICING LEVELS

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Common price ranges that we'll focus on:

- $0.99 - $2.99
- $3.99 - $5.99
- $6.99 - $9.99
- $9.99 - $999.00

$3.99 - $5.99

This is getting into niche market and white label (branded) apps. You rarely see games priced in this range, but you will see a lot in categories like Finance, Food, and Newsstand. The reason is because in these categories there are a lot of apps that use proprietary information (Dr. Z's stock picks as seen on TV, Chef Bobby's Fish Grilling App, etc).

The development and marketing teams are forced to keep prices at a certain point to maintain their brand value that's outside of the app store.

Similarly, they also know people will pay higher dollars for niche brands they love.

Not everything in this price range hinges on a brand - you'll definitely see high function, very niche market apps in categories like weather or medical that have such a unique, valuable information set, it commands a higher price (GMAT Notes for Chiropractors in Europe).

Chances are you won't be in this price range.

PRICING LEVELS

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· $3.99 - $5.99

· $6.99 - $9.99

· $9.99 - $999.00

$6.99 - $9.99

Now we're talking about high level stuff. The first two price ranges were about mass markets, then high end content. Now we're talking about just awesome apps.

If you've ever seen some of the really amazing games that come out of big, big gaming studios, you know what I mean. 3D graphics, crazy attention to detail. It's almost as much as producing a movie. Those are the kind of apps you would see priced like this.

You'll also see some apps in categories like Productivity priced like this because they have such deep integrations and development behind them. They can perform huge tasks for you or even might be the mobile version of a desktop software.

Apps in this range are often associated with very high development and functionality power. It's less about the content and more about *"what can this app do for me"* type of usage.

PRICING LEVELS

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Common price ranges that we'll focus on:

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· $3.99 - $5.99

· $6.99 - $9.99

· $9.99 - $999.00

9.99 - $999

At this level, it's a total wildcard. There's really no strategy once you get to this level other than just pricing and testing, especially if you're selling the brand/content somewhere outside of the app store.

People have tried many times to price their app at sky high prices and *"dupe"* people into thinking it's something special. Now all that will get you is a phone call from Apple or Google that tells you to knock it off.

My only advice when you get to these prices is to use it as part of a sales funnel. You need to explain to people early on why they're going to get great value from the app, then introduce them to it. You'll have much more success than if you try to rely on organic traffic.

PRICING LEVELS

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- $0.99 - $2.99
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- $6.99 - $9.99
- $9.99 - $999.00

Delivering Value A The Prices

As I mentioned before, it's really important to meet and exceed the customer expectations with a paid app. Unlike free apps, users assume they are going to like and keep this app. That's why they paid for it!

Here's how you make sure you deliver the proper value.

- **Do not show ads in a paid app.** This is rule #1 for paid apps. It may work for some apps in the store, but it's rare. Just don't do it.

- **Explain how to use your app with an onboarding experience.** I'm sure you've seen something like this - you download an app and you are walked through 3-4 screens that show you exactly how to use the app. It helps, right?

  You should do that as well. The **WORST** thing that can happen is that your user downloads the app and deletes it just because they can't figure out how to use it correctly.

  By showing them how to use it and achieve the desired outcome, not only will people keep your app installed, they're going to feel like they're getting great value.

- **Give away a lot before asking for an in-app purchase (if you have them).** Once a user pays you for your app, they don't want to think about money again for a little while. And they shouldn't, that's why they paid upfront.

  That also means that you shouldn't be asking for money for a **WHILE**. They should be able to use the app as often as they like and get 99% of the functionality they want without ever having to purchase something again.

  Only then is it ok to start asking them if they're interested in purchasing the extended features.

If someone pays you $1.99 for your app, give them $100 worth of value.

- **Update your paid app based on reviews and support requests.** This is a big one. Remember that your app is always a work in progress, not a launch and leave situation (unless you're building a lot of apps, then this might change a bit).

  With paid apps, you will typically see less reviews but they will be thoughtful and helpful for you. They'll provide bug alerts and functionality wish lists. They'll tell you how the app could be better.

  Use this to cater to your audience. They'll update the app, use it more and your chart ranking will improve. They'll also tell their friends how much they like it which is more powerful than you might think.

Having a paid app is a terrific model...if you treat it well.

Remember that you're working with a more exclusive client base and to make money you need to treat them that way. The numbers may be smaller, but you can make really good money on the long term with a well crafted paid app strategy.

A Note on Paid + In-App Purchases

I've mentioned this a few times, but wanted to make sure we really talk about combining both the paid and in-app purchases into one app. It's a powerful model, but is **NOT** the same as a free app with in-app purchases.

The biggest difference between and paid app and a free app is the expectation by the user. When entering the app, a paid user wants to have one experience, the free user is more flexible in what you can present to them.

What I mean by this is that you need to be conscious of the user experience when monetizing your apps. Because paid users will want to *"get their money's worth"* before they're ready to spend **MORE** money, it's important to slowly walk them through the process. Think about it more as though you are offering them something as opposed to selling them something.

With free users, you can be a bit more aggressive and straightforward. Because they have nothing invested in the app other than their time, you can prompt them more often (and earlier) in their experience with language that is harder hitting about unlocking premium sections of the app or buying more credits.

Some people try have cross over with these two and, while it can work, it's not a best practice. Marketing to free users too lightly can leave huge amounts of money on the table... and it's not the reason you might think. Often it's because the free user doesn't even know what they're missing out on or how to use the app and **WANT** to get straight, direct sales language so they can have a better experience.

"...you need to be conscious of the user experience when monetizing your apps."

The other thing to note with free users is that if they don't spend money very early on in their experience, chances are they never will. It's true in almost app...so the sooner you can get them to become a paying user, the more money you will make over the lifetime.

On the flip side, people try to integrate these harder hitting sales techniques with paid users because they want to make money **NOW**. They see their paid user base and want to extract as much money as possible. Not a good idea.

Paid users are lifetime users. Treat them as if you're going to be marketing to them for the next year, not the next 48 hours. Offer terrific value and present it at the right time, in a classy way. They're educated and they know what they're getting themselves into so you don't need to treat them with the same hand holding as you do with the mass market free apps.

I wanted to tell you this because it's going to impact how you decide to make money with apps. A lot of my apps concentrate on making all my money as fast as possible, then re-creating new apps (app reskinning and app flipping). But I also have a lot of lifetime value focused apps where I slowly give out value and offer up in-app purchases in a subtle way. I usually end up making the same amount of money over the course of a year, but there are obvious pros and cons of each model.

Now, let's talk about the most popular way to make money on the app stores - freemium.

> *"Paid users are lifetime users. Treat them as if you're going to be marketing to them for the next year, not the next 48 hours."*

Free Apps With In-App Purchases (Freemium)

This is easily the most widespread (and often most effective) way to make money with apps other than advertising. The premise is pretty straightforward: make the app free in order to get huge amounts of users, then engage them well enough to have them purchase something in the app.

Sounds simple enough, right?

While the model is straightforward, it's important to understand how exactly this works so that you can implement it into your own apps.

The good news is I'm going to show you exactly how you can make as much money as possible using this model with your apps. We'll talk about how top grossing apps do it and fundamental principles that have worked for years (and will continue to work).

First I'll talk about how you can sell content within your freemium app, then we'll talk about how you can implement specific strategies across any category.

Consumables vs. Non-consumables

There are two types of in-app purchases - consumables and non-consumables. Consumables are items that you can buy over and over again - coins, credits, lives, points, etc. The user then uses the consumable in the app in a way that is depleted so they have to come back and purchase more.

Example: in a Blackjack casino game, a user may start with 1,000 coins. Over the course of 30 hands, they are down to 5 coins. They go to the *"store"* in your app and purchase a Bundle of Coins (500 coins) for $2.99. Now they can keep playing. Two days later, they lose all their coins and go back to your store to purhcase another bundle. Repeat.

A non-consumable is something that can be completed only once. Users will buy this one time and it will always stay that way. Examples include *"Premium version"* or *"Remove ads"* or *"Unlock all levels"* - you can't keep buying these.

CONSUMABLES

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...items that you can buy over and over again

NON-CONSUMABLES

•••

...something that can be completed only once

When you are monetizing your app, it's important to think about how you want to integrate these two types of in-app purchases.

NOTE: There are two simple rules you can use in order to realize how to build your app for making money. A lot of people never think about this until later and wonder why they have trouble with monetization. Here are the two basic principles:

1. If your app is highly focused on consumables (a casino app, for example), you want to focus less on marketing your app to get more users and more on updates to get your best customers to buy **MORE** consumables.

    In other words, consumables should drive awesome updates as opposed to trying to get more downloads.

2. If your app has non-consumables (unlock filters in a camera app, etc), then you want to focus on marketing and your conversion rate. It's hard to keep getting people to spend money when there is only so much to buy. Increase your conversion rate with analytics and knowing what to present to people for the sale and updating the app with improved features that gets more and more people to buy.

    In other words, non-consumables need new users coming in daily that convert at a high rate.

I can't tell you how often people don't step and realize that these are proven, tried and tested marketing practices that work for a reason. When you're building your app and thinking about how to monetize, think through what the next 6 months and what your strengths look like...then build accordingly.

The type of in-app purchases you offer will determine where you should be focusing your efforts – sales or marketing.

Using Consumable In-App Purchases with Free Apps

Now I want to show you how you can use consumables effectively in your free app so that you get people to buy over and over again.

Before I keep going, I think it's important to reiterate an underlying theme with everything we talk about when it comes to making money with apps. You **MUST** always provide value if you expect any of this to work. Any *"tricks"* or psychology switches you are relying on to drive huge revenues are ill founded and are not going to work in the long term. There are preferred ways to sell, of course, but you must always be selling something that is of value and quality. Just wanted to say that.

With consumables, you have two main ways to sell: a store and in-app usage. Of course, there is a myriad of other potential ways to incorporate these in-app purchases, but they are more specific to apps themselves. I'll explain these two so that you understand what it is I'm talking about.

THE STORE

This is the place in the app that people go to purchase more of something. You see this a lot in games, but you can also see this is social networking, education and even business apps where people need to get more credits to keep using the app.

Inside the store you'll offer various bundles of whatever it is you're selling that. A good tip is to add more of the currency as the price increases. For example, if $9.99 gets you 10,000 coins, $19.99 should get you 50,000 coins.

Another tip is to never design the prices directly into the app graphics. First, you have lots of currencies to account for an they'll all be different (your design won't be able to support that well). For example, $1.99 is irrelevent in Japan and doesn't convert in the graphics - a Japanese user would have no idea what that meant. Instead, show something like one star, two star, three star value packs. The second reason you don't want to design directly into the app graphics, you're going to want to test the pricing often which you can easily do via iTunes Connect (or Google Play/Amazon consoles).

The store should have at least 3 options to purchase and usually no more than 10. It all depends on how many different currencies you're selling.

IN-APP USAGE

This is when you prompt a user to purchase something while they are in the middle of using the app. This can happen in a variety of situations: ran out of coins, need more time, or just a generic prompt about buying more credits that will allow access to new purchases.

Examples:

1. You're playing a slot machine game and you run out of coins. When you try to spin the wheel again, you get a popup that says *"No more coins! Want more? Click here!"* that takes the user to the store.

2. You are playing a puzzle game and you only have 10 more seconds to finalize your word search. You get a small popup on the side of your screen that says *"Click here to add 20 more seconds!"* You click and an in-app purchase prompt comes up that allows you to purchase a "time pack" for $1.99.

3. You're using your favorite education app and making progress through the courses. As you reach the second phase of your training, you're presented with a popup that says *"Did you know? You can purchase more credits and unlock more training areas faster. Click here."* It's the same as when you fly on an airline and they tell you that you can purchase more frequent flier miles if you want to get to the next level more quickly.

    These tactics are very effective at driving people back to the store or directly to the in-app purchase screen.

Now that you have an understanding of **HOW** the users will find the consumables in the app, there are a few tips on **WHEN** you can deliver these to maximize the effectiveness of your efforts.

- **Moments when user is successful.** When you beat a level, or learn 20 vocab words, or save 10 dream trips to your wishlist, you feel great! Especially when apps recognize that you did something noteworthy.

  This is the best time to extend the purchasing experience.

  NOTE: it's also the time when people will get extremely annoyed if you aren't careful. That's where the whole "always provide value" piece comes in.

- **Directly before average user session length cutoff.** In every app, your analytics will tell you what the average user session length is. This is how long people spend in your apps.

  Let's say it's 50 seconds. Well, you probably want to promote your in-app purchase before that, otherwise you're missing out more than half your users. Unless there is a natural place to put the in-app purchase early on, make sure you find a way to get it included between the 40 and 49 second mark of user experience.

- **When the alternative is waiting.** This gets into the deeper mechanics of an app, but if you have any way to build in a time/value system, you'll be able to sell a lot of in-app purchases.

  This means that if you can give people the ability to purchase time with money (and they want to), they will. A lot.

  This is not always an option in apps so don't stress about finding a way to include it. You'll see this mostly in games, but can sometimes be used in other apps when the mechanics are right.

Using Non-Consumables with Free Apps

On the flip side of using consumables in your free apps, you can sell items once using non-consumables. This is defined as it sounds - something you cannot keep consuming. These are actually much more widely used in apps because they apply to everything and all categories.

Non-consumables are a bit more straightforward than the consumables because it's cleaner transaction - you're not *"feeding"* a user who wants something over and over, you're providing them with something once to make their experience better. It's a subtle difference, but an important one.

Non-consumable = Only Buy Once

I want to quickly run through a few of the most important strategies to use when implementing non-consumables that most people never think about (they're easy too!).

1. **Make it painfully clear why this purchase is REQUIRED to have an awesome experience.** I mean this in terms of attitude, not literally. Often, people sell with the intention that what they have to offer is optional. That's the first mistake. You need to make your users go through your app in a way where they love what's going on for free, but really can't imagine life without premium.

   Here's a real world example: You walk into your local electronics store to get a TV. You **DO NOT** want to spend more money, but you're also realistic that you watch a lot of TV. You talk to the sales rep and you look at the $300 models, the exact budget you brought with you. Looks fine, and you'd watch it a lot.

   But then he shows you the $500 model HD, 1080p model with some ocean documentary playing. Your jaw drops. The picture is amazing! You move back and look at the $300 version and realize that you're going to be using this TV a lot anyway, so you might as well invest one time and have a great experience moving forward.

   This is the same way you should be including non-consumables. The user should feel like it's not even close - life with the purchase will just be that much better, especially if it's only once.

"...life with the purchase will just be that much better, especially if it's only once."

The most important thing to remember is that you must give them a great app to begin with. You can't sell premium versions of garbage.

How exactly do you do this? A few ways:

- Start them off with a Free Trial of the app. They download it, if they login (or whatever) you give them 3 uses with full functionality. **THEN** it goes to limited functionality unless they want to unlock the full version. This type of marketing does very, very well.

- Give them a very high end tour/onboarding experience. Walk them through the free app so that they are die hard users after one use. Then slowly introduce all the awesome features that they are missing.

- Put out updates targeted for the premium users and tell the free users with push notifications. Free users will see how much value you're giving away and will start converting like crazy.

"You can't sell premium versions of garbage. "

2. **Sell them what they want.** This is an important one. It's easy to just list off different ideas and create more and more *"stuff"* to sell. While that can help you get good data, it's not a good long term solution.

What you want to do is build the app with your core set of in-app purchases, then listen to the reviews and look at your purchase analytics to see what people are buying. You'll notice that most people buy certain in-app purchases much more than others. Usually 3 out of 10 of your products will account for 80-90% of your sales.

When you start to see this, make more purchases that are like that. If you're building a fitness app and notice that diet plans are what sell the best, add more diet plans. If you see that people continue to ask for more video training in your education app, get more videos in there.

This is a huge advantage that you can roll into your strategy that will drive a lot more revenue than if you just tried to figure it out yourself.

KINGDOM ROULETTE FREE - VEGAS CLASSIC EDITION

Usually 3 out of 10 of your products will account for 80-90% of your sales.

3. **Sell various priced goods.** Make sure you have different prices so that people who want to purchase everything can do so with a discount.

   For example, if you have a $0.99 in-app purchase for each continent in your weather app, make sure you also include a $3.99 in-app purchase to buy everything at once.

   This is going to drive a lot more revenue because you'll turn singluar customers into more lucrative customers. Remember - it's almost the same amount of work to get someone to go from spending zero dollars to $0.99 as it is from zero dollars to $3.99.

   Also make sure you test these prices. You'll learn a lot about what your sweet spot is and be able to leverage much more revenue.

The rest almost always comes down to testing with both types of purchases. Realize that there is no golden formula for setting up these purchases, but following these marketing strategies will give you a great head start.

I know that was a lot of deep detail about in app purchases, but as I have said, I'd rather you have way too much info that you can always come back to than not enough.

Download three top grossing apps in different categories. Write down one technique each app is using to make money with in-app purchases.

1. _____

_____

2. _____

_____

3. _____

_____

Do you notice any patterns?

_____

_____

Is there anything that you like a lot?

_____

_____

*Now let's dive into the section that I bet a lot of you are interested in –
free apps with advertising.*

3

ADVERTISEMENTS

Using Advertisements to Make Money With Free Apps

Ahhh yes, the world of ads. This is an interesting one for me because so many people have so many opinions on it. It can be very lucrative, but it's not always the prettiest way to make money. It's an essential part of the business for everyone and continues to evolve every few months.

At the core of it all, ads are a way to move users from one place to another. Developers and development firms will create ads to get people interested, then display those ads every place they can. Often, the best place to do that is in other apps (like yours!).
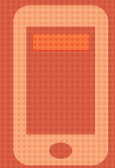
In general, there are a few different types of ads you'll see in apps:

- Full screen ads (interstitials)

- Banners

- Video ads

- Native ads

Note that these are all **FORMATS** - not necessarily content specific. I want to quickly start off by explaining which each of them are and what they are good for.

FULL SCREEN ADS

BANNERS

VIDEO ADS

NATIVE ADS

FULL SCREEN ADS

These are the ads that take over the entire screen. I'm sure you've seen something like it, maybe even on a website (they're call pop-ups on websites).

The reason these were introduced back in 2011-2012 is because they have very high clickthrough rates. Because they cover the entire screen, users cannot ignore them. If it is a well targeted ad, the user will click on it.

Specifically in gaming, ad networks found that they could drive **HUGE** numbers by using these full screen ads and promoted them like crazy. But there is a catch. Because they get big numbers, they are very aggressive to the user. What I mean by this is that you're really setting a tone with your user by showing a huge ad that is anything but subtle.

This can translate into lower retention rates and an overall lack of engagement from your users. Big money, but not evergreen.

Think of this as a flame that burns hot, but quick.

FULL SCREEN ADS
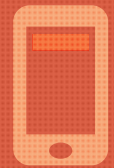
BANNERS

VIDEO ADS

NATIVE ADS

BANNERS

This is probably the most common form of advertising both on the internet and on mobile. It spans virtually all categories and accounts for billions, if not trillions of impressions every day.

You'll see banners placed at the bottom or the top of the screen in a way that usually shrinks the rest of the screen for the user. It can be somewhat annoying, but not a deal breaker. These ads can advertise big brands, other apps, and even products outside the app store.

Because these banners are less obtrusive, the click rates and eCPM (a term used to describe the estimated revenue per thousand impressions) is a lot lower than the full screen counterpart. But, that tradeoff also gets you better retention in your app (people are less annoyed).

This is a slow burn, like a piece of charcoal as opposed to a match.

FULL SCREEN ADS
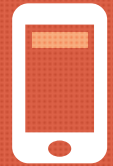
BANNERS

VIDEO ADS

NATIVE ADS

VIDEOS

These are a very effective and growing form of advertising in the app space. If you have never seen one, you basically have to watch a 5-15 second video in the app that shows a movie-like trailer or the app being advertised.

While it can be a bit annoying, it is also a compelling way to advertise. The advertiser gets to show really high quality footage of their app that the user HAS to watch (there's usually no close button). I'll admit it - I've never been interested in a game until I saw the video that showed the entire gameplay.

You can use these ads in virtually any category assuming there are advertisers that want to create the videos and buy your traffic. But, use these sparingly. While effective, 15 seconds is a lot of time. If you're not careful, you might really annoy a user.

This is a big knockout punch to get someone to click on an ad (not a jab, which you do many times).
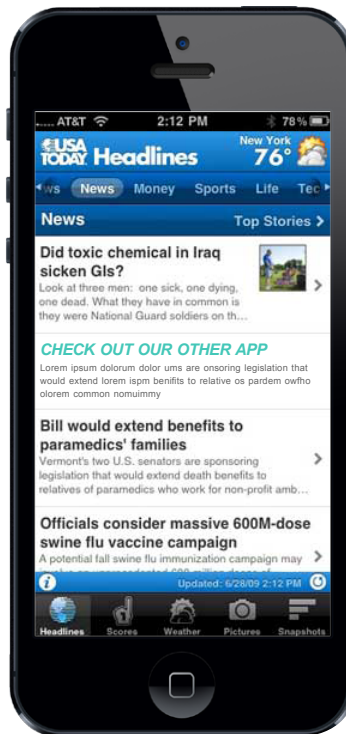
FULL SCREEN ADS
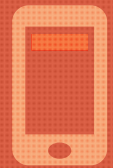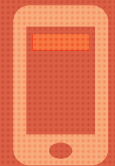
BANNERS

VIDEO ADS

NATIVE ADS

NATIVE ADS

These are ads that are usually custom designed and placed within an app so that the advertisement looks like it's part of the app. These can be very successful and have great metrics. Users actually don't really mind these kinds of ads as long as they're designed well and provide relevant information.

News apps are good example, but these can be applied to virtually any app. As you scroll through news stories, sometimes you'll see a Sponsored Post or something that looks just like the rest of the articles. People will click that just the way they would a regular article.

I think native ads are a terrific way to integrate ads to your app but are also the most time consuming and hardest to nail down. You need to really pick your advertisers wisely and make sure the design is top notch. If you do this, you'll see awesome numbers.

FULL SCREEN ADS

BANNERS

VIDEO ADS

NATIVE ADS

Now that you know the basic types of ads you can use, I want to walk through a few best practices (and mistakes) so that you can use these most effectively with your free app. Doing so can lead to a big increase in your revenue stream.

1. **More is not always better.** When it comes to making money, you can be faced with a situation where you realize that if you double your efforts, you double your revenue. It's a very exciting feeling, but unfortunately it rarely lasts (and can have negative long term effects).

   With ads, you might find that if you put in **TWO** fullscreen ads instead of one, you'll make more money. And with more banners, you make more money. Heck - you fill your app up completely with ads and you see awesome numbers!

   Until everyone starts giving you 1-star reviews. And they leave your app. And your chart ranking drops completely.

   My point is that when you use advertising in your apps, be very careful about how you integrate it into the game. Yes, it's OK to be aggressive in some cases, but you're giving up long term revenue. What may be exciting now translates into thousands of dollars you missed in the months following.

Best Practices:

- More is not always better

- Don't mess with app usage

- Display ads that relate to your app audience

- Show ads upfront

2. **Don't mess with app usage and user flow.** What this means is that you don't want a user to feel *"interrupted"* by an ad - that's when you get scolded in reviews.

For example, if you are playing a game and just when you're about to jump over the bomb, a full screen ad pops up and you can't play the game. End of level.

Not cool. Sometimes people will try to do things like this in order to get high click rates because people aren't really expecting the the ad, so they accidentally click on it. This is not going to work out well.

What you **WANT** to do is integrate the ads in places that are not related to the core experience - opening of the app, top of bottom banner, if they are checking the Menu screen to change the settings of the app, etc.

3. **Whenever possible, display ads that relate to your app and audience.** While this is not always immediately possible when using ad networks, you really want to try and display ads that are relevant to your audience.

   This may seem obvious, but you would be amazed at how many people included game-only ad networks into things like photo apps.then wonder why their numbers are so low.

   To do this, the best rule of thumb is to think about Games vs Non-Games. Don't try to cross these two worlds - it's a hard problem to solve. For Games, use ad networks like **Chartboost** and **PlayHaven**. For non-games try a network like **AdMob** and mediate a few others inside there.

Best Practices:

· More is not always better

· Don't mess with app usage

· Display ads that relate to your app audience

· Show ads upfront

4. **Up front.** Statistically, the best place to put your full screen ads when the app is opened and when the user goes back to the main menu screen (whatever that may be).

The best place to put banners is in a location where it can refresh many times before the user will switch screens (this gets you more impressions). An example of this is on the footer of a news app or website while people are scrolling the text.

Best Practices:

- More is not always better

- Don't mess with app usage

- Display ads that relate to your app audience

- Show ads upfront
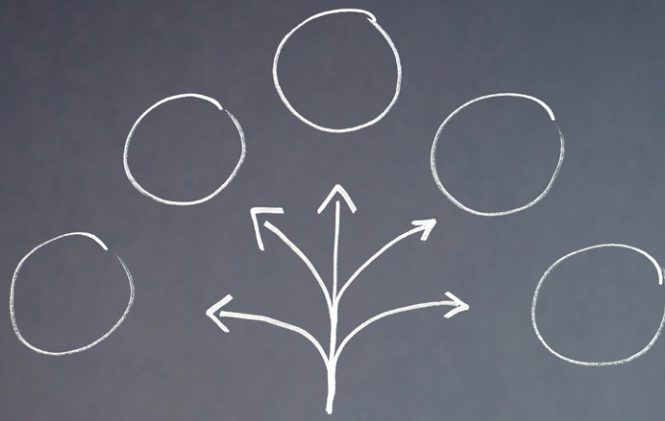
Choosing Ad Networks

"Carter, which ad networks do I use?" is one of the most common questions I get. For good reason - there are hundreds to choose from and so many different potential benefits. What does not make life any easier is that each network will tell you they're the **BEST EVER** and promise crazy eCPMs (a measure of revenue). While having different ad networks can surely drive large increases in your bottom line, it's important to know the ins and outs of specific networks. This will save you a huge amount of headaches.

Let's walk through a few key points and then also discuss specific examples on how to capitalize on the best networks.

GAME NETWORKS VS. NON-GAME NETWORKS

We've talked about this a bit before, but this is probably the biggest mistake I see - people will use game networks inside their photography or weather apps because they see the big revenue coming from the gaming category. But then they realize that they're not getting anywhere near the results they expect. Shocker.

Here's why: remember when I told you about matching your ads to your audience? This is a great example of when it doesn't work - non-game app users are most likely not interested in games being advertised. To achieve that big revenue, you need to have a lot of people clicking on and installing the advertised apps.

So, when you are creating your app, building your game, or reskinning a source code, use networks focused on games or non-games.

•••

Some examples of game ad networks:

· Chartboost

· Playhaven/Upsight

· Applovin

Some examples of non-game ad networks:

· AdMob

· Vungle - Video Ads

· Xplode

LONGEVITY

This is something that a lot of beginners (and veterans to a certain extent) don't think through because they've never been around the block. But that's why I'm here :)

Longevity refers to how long the ad network will be around. This may sound odd, but a lot of companies in mobile have lots of volatility - they may go bankrupt, they may be purchased, they may just stop caring about their users. It's unfortunate, but it's a fact of life.

Looking back, I wish I had thought about this early on. I built over 900 apps using the "hottest" ad networks only to realize I had to constantly change to something new once one of them went **AWOL**. Lesson learned, but I would recommend doing your research.

The best way to do this is to research the company's website, asking other people on social media, and see what other developers have to say.

FLEXIBILITY

This is more of an advanced topic, but you will be **VERY** happy you thought about this before getting too deep into your app portfolio.

What this means is that you have control over how your ads are displayed in your app. This will allow you to manually be able to change things without having to update your entire app (which is a huge help).

Game networks like Chartboost offer really good flexibility in terms of how you run your campaigns (groups of ads) simply by accessing their website - I use them a lot for being able to put my own ads in whenever I want to do a cross promotion campaign or if I can negotiate a direct deal with an advertiser. The how-to's on this are a bit more advanced, but for your purposes, you just need to know that you can have the option.

Non-game networks like AdMob offer this type of flexibility as well which is really helpful when you want to work in specific countries or even do what's called *"mediation"* - the process where you can setup a handful of ad networks that will *"compete"* against each other in the AdMob platform. This means you can test different networks in different apps and optimize accordingly.

CHOOSING A NETWORK

•••

"This will allow you to manually be able to change things without having to update your entire app."

•••

Ad networks are always going to be changing, but I can safely recommend Chartboost for games and AdMob for Non-games (especially banners).

Chartboost

CLICK HERE TO SIGN UP
FOR CHARTBOOST

admob

CLICK HERE TO SIGN UP
FOR ADMOB

A Quick Note About Fill Rate and Using Multiple Networks

I want to spend a few minutes giving you a heads up on something that is often overlooked but can make a really big difference on your overall app revenue - fill rate. Fill rate is a simple ratio of *"impressions"* related to *"requests."* Let me explain.

When an app is live and people are downloading it, when an ad is supposed to be shown, the app *"requests"* an ad from the network. If the network (lets use AdMob) has an ad to show and the network speed is working, it will show an ad. The user sees the ad, which is called an *"impression."* This means that if my app requests an add 100 times but Admob only shows an an 70 times, I have a fill rate of 70%.

This means that I **DID NOT** show an ad 30% of the time. You can't make money on that 30%.

Yikes.

This happens more often than you might think...and there are ways to mitigate this. Here are a few easy wins.

1. **Create "house ads" for your ad networks.** This is easy to do in Chartboost and AdMob. I'll let their documentation do the full explanation, but it's not hard. What house ads do is to display an ad that is **ALWAYS** available with a manually coded hyperlink.

   Here's an example: My camera app is requesting 500 ads a day, but AdMob is only filling 85% of those requests with impressions. **BUT**, now that you have house ads, when there is *"void fill rate"* you'll be able to display your own ads. Usually these will be cross promotions for your other apps. If you don't have other apps yet, you can create custom ads for other apps using links (more complicated but possible).

   The most important piece of this is to realize you can *"backfill"* your campaigns easily and maximize the impact of your ads.

Ways to mitigate fill rates:

- Create house ads

- Mediate your ads

2. **Mediate your ads.** As I mentioned with AdMob, it can be very powerful to mediate lots of ad networks against each other. If one network can't fill somewhere, another might be able to. Similarly, it one has a poor revenue structure in one place, another network may be able to beat that price.

   Without getting into the mechanics, it's important to think about this as a way to increase your app revenue. Networks like AdMob have this already built in.

   Other networks like Chartboost can be mediated through third party services or even custom built software. For example, all the source code I sell on Bluecloud have an *"ad library"* built in which allows for mediation with lots of game networks. If you want to use a third party, check out **MoPub** or search google for *"mobile ad mediation service"* - I'd give you more examples, but it changes often so it's better if you do so yourself. Plus it's great experience!

And that's how free apps with advertising works. Of course there is a lot of information in there so you might benefit from reading through it a few times. Remember - there is no *"magic"* ad network that will boost your revenue like crazy - it's much better to spend your time focusing on building a great app and integrate ads in the best possible way.

Now that you're well versed in in-app purchases and advertisements, let's talk a bit about other ways you can make money on apps.

Ways to mitigate fill rates:

· Create house ads

· Mediate your ads

4

SUBSCRIPTIONS

Using Subscriptions to Make Money With Apps

Subscriptions are a relatively untapped way to make money with apps. A lot of that is because it's a new idea - using apps as a service is still pretty new to people, whereas using websites is commonplace. **BUT**, just like everything else on the internet, apps will eventually follow suit.and could provide you with a really powerful monetization model.

One of the most incredible parts of the subscription model is that it is recurring revenue - each month you'll get a guaranteed purchase. This is like having someone pick up an in-app purchase each month, every time. That adds up! By getting someone signed up for a subscription, you're creating a great relationship with them.

There are a few different models when it comes to subscriptions:

1. **Offering a subscription service directly in the app.** Typically this is for a *"premium"* version of the app that will get you access to better parts of the app. You see this a lot in Finance apps for things like picking stocks or in one of my good friend's apps called Songza - a music service that gives you awesome playlists.

   These are great because they allow you to easily sell stuff to the users with a simple in-app purchase that Apple handles. The downside being that Apple takes their 30% cut on all subscription revenue they process, but they do handle all the processing and data which is worth a lot.

"One of the most incredible parts of the subscription model is that it is recurring revenue – each month you'll get a guaranteed purchase."

2. **Newsstand apps.** I think Newsstand apps are totally awesome because of this subscription model. Think of these as *"digital magazines"* that you sell for monthly subscriptions, just like you would if you sold something like People Magazine or the Economist.

These apps are great because they're fundamentally designed to sell subscriptions - people **KNOW** they are potentially going to purchase a subscription with these, which is huge for your barrier to entry in terms of being able to drive purchases.

You create the content publish to the app store, and people start subscribing. Then each month you get a nice little revenue stream that keeps growing.

And growing.

And growing.

"You create the content publish to the app store, and people start subscribing."

3. **Membership services that use an app.** This is for established businesses or companies that already have memberships and just want to give people the option to access it all on an app (as opposed to a website).

   Think of something like Netflix - you'd create your account on line, but you can use the same login information in the Netflix app to access your movies. Similarly, you can signup for a Netflix account in the app that will be viable in any platform.

   This is useful because it bypasses Apple's revenue cut, but it also requires a lot more backend setup (databases, shopping carts, etc) to manage. If you already have something like this, it could be really powerful.

"This is useful because it bypasses Apple's revenue cut, but it also requires a lot more backend setup."

Subscriptions are really exciting and there is a huge amount of opportunity with it. If you want to try subscription models, here is a quick hit list of ideas that are great for subscriptions:

1. Insider information - game tips (for your apps) or pre-releases on new apps

2. Constantly releasing premium info. This can be news, finance, medical, anything. If you can think of a way to create premium versions of what you're already offering, you have a subscription.

3. New value each month. Make sure that you don't give away tons of value up front so that people sign up, get their value, then cancel. You want to show that each month it's worth sticking around for.

In terms of pricing, you can get creative on this. Most of the time it will be in the $1.99-$3.99 range (think Magazines) but can shoot up to $9.99 a month or even $99 per year. Often a good strategy is to offer the three options: one time purchase (1 magazine or one download of premium info), a monthly subscription, or a yearly subscription (for a big discount).

Subscriptions have a ton of potential and something I'm really excited about. If you're interested in doing something new and potentially very lucrative, this could be a great way to make money with your apps.

"Often a good strategy is to offer the three options..."

5

CROSS PROMOTIONS

Using Cross Promotions to Make Money on Apps

Cross promoting apps is an interesting way to make money on apps because most often it is rolled into the marketing side of the business. People think that cross promoting is a great way to get downloads (it can be!) but they don't go the extra step to measure how effective it can also be at driving revenue.

So, let's talk about how you can make money using cross promotion.

Network Lift and Funneling

Don't let the name scare you, it's a lot simpler than it sounds.

Cross promotion is defined as advertising your own apps as opposed to other people's (the way traditional advertising works). The goal being that you'll send traffic to your own apps in order to maximize your total network and increase your overall impact. A rising tide lifts all boats.

What's important here is to remember that you're trying to build your overall portfolio, not just your app. The goal is always to get the most lucrative apps the most traffic.

With the *"network lift"* you're essentially keeping traffic within your own network and *"multiplying"* your users.

Here's an example: imagine you have a calculator app and 5 other high end utility apps. Without cross promotion, you can take all the downloads, add them together, and have a good idea how many total users you have. Why? Because it can be difficult for users to find your other apps, even if they like what you have.

But, if you have great cross promotion, you can push users to other apps they will like **IN ADDITION** to the app they already have. Now one user can get you two, three, or four more downloads. They'll keep the original, but use your other apps as well.

Your network is growing!

While this is awesome and deserves a pat on the back, we're still here to make money. Downloads and portfolio growth do not translate into money, conversions and in-app purchases do. So what do you do? Funnel your users.

Follow this step-by-step roadmap to funnel users correctly:

1. Take all your apps and divide the money that app has made in the last month by the number of downloads it has received in the last month. If it has 1,000 downloads and has made $100, the result will be $0.10. This is called Average Revenue Per User (ARPU). It is a very loose way to calculate, but is good enough for now.

2. Do this for all your apps and paste them into a spreadsheet, one on top of another so you can compare apps and their ARPU.

3. Find the app that has the best ARPU. This is your *"highest converting"* app. By definition, everyone who downloads this app spends more money than your other apps.

4. Find the bottom two or three apps that have the lowest ARPU. These make the least money on users.

5. You're going to promote the **HIGH** ARPU app in the **LOW** ARPU apps. Traffic will flow from your low converting apps to your high converting apps.

6. You make money while growing your portfolio.

Use Average Revenue Per User (ARPU) to funnel users from low earning apps to your higher earning ones.

This is a very effective way to cross promote apps and make money. A lot of people don't think about this basic analysis and send traffic to a *"losing"* app.

Don't have multiple apps?

No problem. You can still setup a practice campaign so that when you are ready, you know what's going on.

After doing this, your cross promotion strategy will move to the *"advanced"* side of marketing and require a lot of traffic to be worth your while. This will take care of 95% of your cross promotion success.

Another awesome monetization technique is getting an app sponsored. Want a big brand to pay for your app? Sure. Let's talk about how that works and how you can do it too.

For cross promotion campaigns, I typically use Xplode or Chartboost's cross promotion tools. They're super helpful and easy to use.

6

GET SPONSORED

Sponsored Apps

Ever seen a big sporting event that has a big company's name all over it? That's sponsorship. It comes in all shapes and sizes...including apps. This is becoming a more and more popular form of monetizing your app because it'a a really good relationship for everyone involved: the developer (you) gets a lump sum, the bigger company gets a mobile app and distribution.

Yeee haw!!

I've been involved in a handful of sponsorship deals ranging from $500 to $250,000. While the size of the deal and level of effort varies, the model is the same. In other words, how I would make either of those deals would involve the same basic structure.

Here's what the company/brand/celebrity is looking for (not all, but some or many of these):

- Revenue

- Exposure

- Downloads and app store expertise

- Marketing mechanism (something they can send traffic to)

- Brand building

- A developer

Here's what you're usually looking for (or should be):

- Distribution and marketing horsepower (downloads)

- Revenue

- Exposure to big deals

- Lower your risk

In a nutshell, the big companies want something that takes them a lot less time than doing it themselves and you want something much bigger than you to help you succeed.

Here are three ways to make a deal like this happen.

1. **Approach potential companies that are very inline with your expertise and/or your app.** You should be having conversations about relationships that make sense with little convincing - a music app with a rock star, a kids app with a kids book publisher, a casino game with a casino.

    This works in two ways: you build your app, show it's success and make it great, **THEN** go to someone and pitch them on sponsoring the app.

    OR

    You go to a company that you know is interested in an app and pitch them on an app you could build if they sponsor it. The second is usually more difficult because it's essentially the same thing as hiring a development company.

    If you're going to go the sponsorship route, you always want to work with companies that are inline with your marketing and category.

The Sponsored World:

- Approach potential companies that are inline with your app

- Start small

- Broker deals

2. **Start small.** When people think of sponsorships, they often think about major global brands. What they don't think about is the local sports store in their town that would love to spend $1,500 on *"sponsoring"* an app. Heck - they'll pay that much to sponsor the local little league baseball team...of course they'd do an app!

   Not only that, it's really powerful to start small and build your credibility. That's going to make your next sponsorship easier or bigger. It's not the fastest, most exciting way to the top, but it's definitely the most effective.

   How do you do it? Approach someone at the store and ask them if they'd be interested in having a turnkey way to reach thousands of new people. They'll say yes. Then explain how you can help them. Then show they what an app would look like with their sponsorship integrated.

   A the rest is history.

The Sponsored World:

- Approach potential companies that are inline with your app

- Start small

- Broker deals

3. **Broker the deal.** This is getting a little more into the business, but as you learn a lot about the app business, you'll realize that you can make things happen for a lot of people.

   You might not have an app yet, but you know a **LOT** about apps and also about companies. You can tap into your network and help existing become sponsored, then get a commission on the deal.

   This is more like a sales position, but it's still a way to make money with apps. I mean, who said you have to own anything? :)

This type of business model is going to continue to evolve and get more popular. If you can stay ahead of it, you're going to be in a terrific position and be able to open up lots of doors you never saw before!

The Sponsored World:

· Approach potential companies that are inline with your app

· Start small

· Broker deals

7

OPPORTUNITY EVERYWHERE

By this point you've made it through one of the most information packed ebooks I've ever written. It included information about every major way to make money on apps and armed you with a full education on how to take action.

You've learned:

1. How the app store creates big winners and how you can capitalize on that

2. How to create a hugely lucrative paid app strategy

3. What in-app purchases are and how to use them effectively

4. How you can create a *"freemium"* empire of money makers

5. How to dominate revenue with advertising

6. How to pick ad networks that will work best for your portfolio

7. How to setup and capitalize on cross promotions that make money

8. How to get your app sponsored

And virtually everything in between.

As you continue down your app journey, remember that this is always going to be a constant education in testing and optimization. The more you keep trying new techniques, the more you'll be able to find new ways of making money.

THANKS

As I release new information and ebooks, I'll be sure to give you the heads up. We'll do deep dives on lots of topics that will directly help you improve your business.

In the meantime, I urge you to check out our monthly membership program that will help you take your education to the next level. I will put on monthly videos based on the questions **YOU** ask with real, live answers that you can watch.

My goal is to always provide you with enormous value, which is exactly what we do in Bluecloud Select. Click the yellow button below to find out more.

Bluecloud Select

Thank you again for taking the time to read this ebook! I wish you all the best and am looking forward to helping you for a long time to come.