



MIT AITI Entrepreneurship Class

Session 7: Show Me the Money

Financing Mobile Apps

Think back:

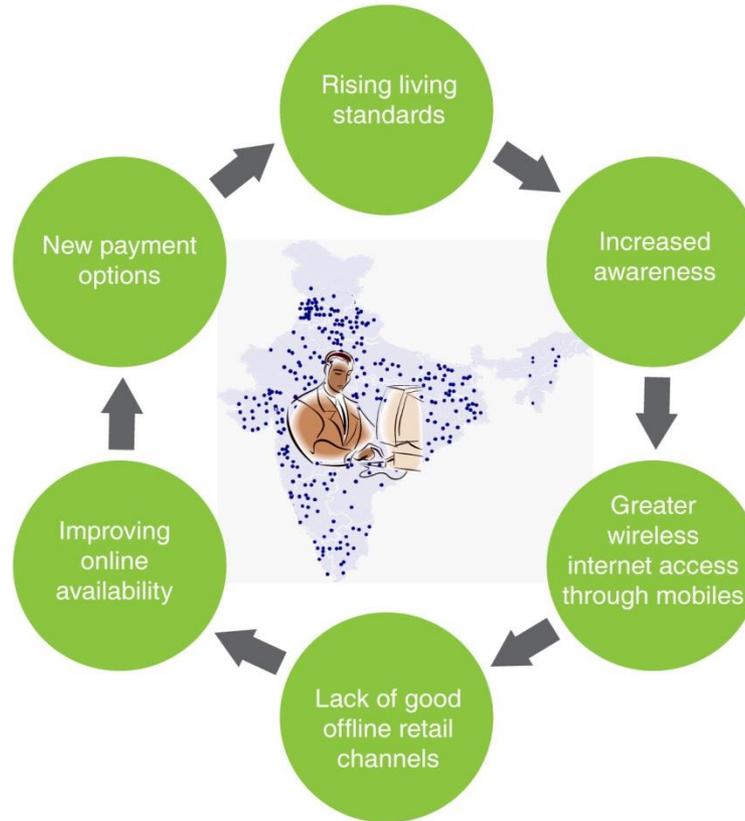
What are the 3 ways Raj mentioned to finance
Mobile Apps?

Financing Mobile Apps

- E – commerce
- Advertising
- Direct Consumer Pay

E-commerce

What's driving e-commerce adoption in small towns?



But Very Capital Intensive!

Main Payment Models

- Paid Downloads
- Exclusive Sponsorship
- “Freemium” Model
- Sell Advertising Space

Today's Class

- Forrester Research estimates that \$17.5 billion worth of mobile apps will be sold this year across all platforms.
- Subtracting the cut that Apple, Google, and others get for placement in their app stores, that's at least \$13 billion for developers to pocket.
- How do we ensure you get the biggest slice of the pie?

User Engagement Model

- **Low user engagement:**
 - Ad-supported model makes no sense, as you'll earn just pennies per user.
 - Better to Price at ~ Rs. 30/month
 - Even though sales at the paid price will be a fraction of the free, ad-supported version, the total revenues are likely to be larger.
- **High user engagement:**
 - News, sports scores, social feeds, or other information-stream-oriented app: advertising model makes much more sense.
 - You'll make more money from the many more impressions over the app's lifetime even at a few paise per impression than if you charged a one-time up-front fee.

Which begs the question ...

- What about high-engagement apps that aren't about information streams, where ads would be a turnoff?
Ex. Angry Birds
- Combine a relatively low up-front price with app purchases for virtual goods (such as powers and hints in games) and additional functions
 - Ex. bookmarking of your favorite teams for a sports app or ad removal to convert a free trial app to a paid one
- Another advantage of in-app purchases is that billing is usually easy, either through the app store's own system or through an established provider such as PayPal that users likely already have a relationship with.

To select the best model

- Consider
 - Utility
 - how useful a person finds the app
 - Engagement
 - how often a person uses the app
 - Value
 - how much the person likes what the app provides relative to the other options

Free Model

- Mobile ad networks like InMobi and AdMob offer easy integration with apps, thereby helping you start earning your revenue almost immediately.
- Employing rich media ad networks such as Greystripe helps catch and sustain the interest of your viewers, even making them to return to you more often.
- The downside here is that they also can put a strain on your resources, both in terms of server space and finances.
- Getting sponsorship for a mobile app is the best way of getting assured high returns from it. Also, creating an app for the advertiser assures better integration of the app with the sponsoring brand.
- The downside with this is that the app has to be a perfect fit for the brand. This is definitely not for amateur developers.

‘Freemium’ Model

- Offering both free and paid versions of the same app will help you maintain the free version without having to worry about its returns. Running a single ad network on the free version would mean easy integration without draining off your resources.
- People like free, even if they know there's money being made off them in some other way; thus, it's easier to market a free app over a paid app.
- The marketing cost shouldn't be your primary criterion; attracting a lot of users who aren't paying for an app or end up using it little, thus not getting you the ad or in-app revenues you counted on, doesn't make you the money you sought in the first place.

Other Models

- Interactive Advertising
- Merchandizing
- Microwork
- Gaming
- Drive Installs for Other Apps

Conclusion

- No matter your pricing model, remember one thing: The apps have to be good at what they do and how users engage with them.
- Quality still matters most to gain customer loyalty and referrals to their friends and colleagues.
- It's absolutely worthwhile to spend the time and resources required to invest in solid analytics.

