

Apr 28, 2020,07:10am EDT

Mobile App Monetization Part 1: Revenue Generation Models



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Forbes Technology Council COUNCIL POST

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Every time my company, a global software data processing organization, is approached for services by a startup founder with a disruptive mobile app idea, we begin by asking questions to better understand how we can help. We frequently run into the same obstacle: startups not knowing how to monetize their idea.

Statista [predicts](#) that mobile app revenue will hit \$935.2 billion by 2023. It is important to think of your monetization model early on, so that you can pitch your mobile startup to investors showing your vision through figures, such as stats and projections presented by key app performance metrics. Developers monetize their products in many different ways, and you too can find a model that is right for your audience and product.

This article will introduce you to 11 major mobile app monetization models. As you read, remember that you can build your business upon one model, as well as a combination of models you might find suitable for your product and audience.

Navigate Your App Monetization Options With Ease

Here is a basic outline of the revenue generation models to be discussed in this series. When reviewing monetization models based on your company's offerings, consider:

- **Paid Apps:** If your app is a utility, productivity, photo, video or navigation tool.
- **In-App Purchases:** If you can quickly build a large user base and offer wow-level, free experience.
- **In-App Advertising:** There is no "if" — this model is suitable in almost every situation. Just make sure you choose the right ad format.
- **User Subscription (SaaS):** If you can provide value for users on an ongoing basis.
- **Brand Sponsorship:** If there are major brands interested in promoting themselves to your audience.
- **Affiliate Deals:** If you plan to work with businesses that offer high-demand products or services.
- **Service Fees:** If your app is designed to operate as a mobile marketplace.
- **E-Commerce:** If you plan to sell your own products and/or provide services within a unique ecosystem.
- **Crowdfunding:** If you can run a successful campaign and/or you are affiliated with an already popular brand.
- **Donations:** If what you do is highly important for your target audience.

- **Merchandise:** If your app is based on a brand that has a loyal fan base.

I will start the series with the description of paid apps, in-app purchases and brand sponsorships.

Paid Apps

Paid apps are a simple model: You pay a one-time fee to be able to use an app. Once a user has paid, they can access all app features. However, this monetization option is not very popular.

The reason behind the unpopularity of the paid model is the difficulty of ensuring stable revenues over time. It depends on the influx of new users, which takes substantial effort to maintain. Utility, productivity, photo, video and navigation apps can be considered candidates for monetization through a one-time payment model.

In-App Purchases

The freemium monetization model making revenue from in-app purchases is increasingly popular among app publishers. The freemium (i.e., free and premium) concept is that everyone can use the basic features of your app for free. If they enjoy their experience, they can purchase, add on or unlock other features for an additional fee. Sensor Tower [reported](#) recently that users spent 17% more on in-app purchases in 2019 than in 2018.

There are three major types of in-app purchases:

1. Consumable: Users can buy in-app currency, items, bangles, lives and other content that can be used once and purchased multiple times. For example, you can buy consumable "gems" on the mobile app game Candy Crush Saga.

2. Nonconsumable: Nonconsumable premium content is purchased or unlocked once and for the entire user lifetime. This can be car wraps, photo filters, character outfits, upgrades, VIP points and more. For example, the productivity app Forest allows you to upgrade to the "Pro Version" that, among other benefits, enables accountability partnerships.

3. Feature Subscription: Users can subscribe to particular features, such as daily delivery of valuable items or currency, for a recurring fee. For example, with NFS No Limits, users can subscribe to gold delivery for a particular period.

If you can rapidly build a large user base and deliver top-notch free experience, this model will work for you. Consider mixing and matching in-app purchase types to better suit the needs of your audience and business model.

Brand Sponsorship

Sponsorship is essentially a mix of the aforementioned ad formats promoting a limited number of brands or even a single business within one app.

What differentiates sponsorship from the in-app advertising monetization model is that you do not need to integrate your app with ad networks to run promotional content. Typically, ads for sponsors are more static in nature, and you can tailor them to the needs of the brand as much as the technology behind your app allows you to.

For example, you can add a sponsor's logo to the loading screen of your app or design a section dedicated to a brand in the app layout. Another popular practice is title sponsorship, whereby you change your app's name and white-label its design so that it represents a single brand.

There is also a multi-level sponsorship structure. In this case, brands are served the exposure based on the size of the sponsorship package they pay for.

The sponsorship model might be a fit for your app if:

- It already has gained momentum;
- You can prove that with clear, up-to-date, analytical figures;
- You know your target audience well;
- There are major brands interested in promoting themselves to this audience;

- You are flexible on the tech side to meet the requirements of your sponsors;
- The potential revenue from sponsors is high enough to ensure the growth of your business.

I will continue to explore the other revenue generation mobile app monetization models in my next articles.



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Boris Kontsevoi is a founder and President of [Intetics Inc.](#), a leading global software engineering and digital transformation company. Under his leadership, a group of software engineers developed into a truly global technology company with multiple professional certifications and industry awards, including the Global Outsourcing 100, Software 500, and Global Sourcing Association best of class company.

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