

The Power Of In-App Purchases

Noel Llopis
Snappy Touch



Monday, November 8, 2010



Monday, November 8, 2010

What? Business? I'm usually giving hard-core tech talks! :-)

Effective use of in-app purchases (IAP) from a business point of view.



Monday, November 8, 2010

What? Business? I'm usually giving hard-core tech talks! :-)



Monday, November 8, 2010

So, why me?
I created Flower Garden for iPhone and iPad
It's been out a year and a half!



Monday, November 8, 2010

Also created the Lorax Garden
although that's not very relevant because it had no IAPs

the flowers of flowergarden



Monday, November 8, 2010

Flower Garden has lots of IAPs, so that's where I'm going to be drawing a lot of the info for this talk



Monday, November 8, 2010

And Casey's Contraptions, my next game (along with Miguel Angel), it's also going to have IAPs, of course.

This is about IAPs in general. I'll probably say "game" all the time though :-)

IAP Strategies



Monday, November 8, 2010

IAP Strategies

- Chose the right model



IAP Strategies

- Chose the right model
- Sell the right content



IAP Strategies

- Chose the right model
- Sell the right content
- Communicate with users



IAP Strategies

- Chose the right model
- Sell the right content
- Communicate with users
- Integrate IAPs



IAP Strategies

- Chose the right model
- Sell the right content
- Communicate with users
- Integrate IAPs
- Bundle



IAP Strategies

- Chose the right model
- Sell the right content
- Communicate with users
- Integrate IAPs
- Bundle
- Let users spend as much as they want



IAP Strategies

- Chose the right model
- Sell the right content
- Communicate with users
- Integrate IAPs
- Bundle
- Let users spend as much as they want
- Consider going free



Choose the right model



Monday, November 8, 2010

Paid + IAP can be a tough pill to swallow. Easier if added after launch.

Choose the right model

- Paid app + IAP



Monday, November 8, 2010

Paid + IAP can be a tough pill to swallow. Easier if added after launch.

Choose the right model

- Paid app + IAP
- Free + IAP



Monday, November 8, 2010

Paid + IAP can be a tough pill to swallow. Easier if added after launch.

Choose the right model

- Paid app + IAP
- Free + IAP
- Free + Paid + IAP



Monday, November 8, 2010

Paid + IAP can be a tough pill to swallow. Easier if added after launch.



Monday, November 8, 2010

Two versions of Flower Garden (for historical reasons)
IAPs available in all of them



Monday, November 8, 2010

Two versions of Flower Garden (for historical reasons)
IAPs available in all of them



Monday, November 8, 2010

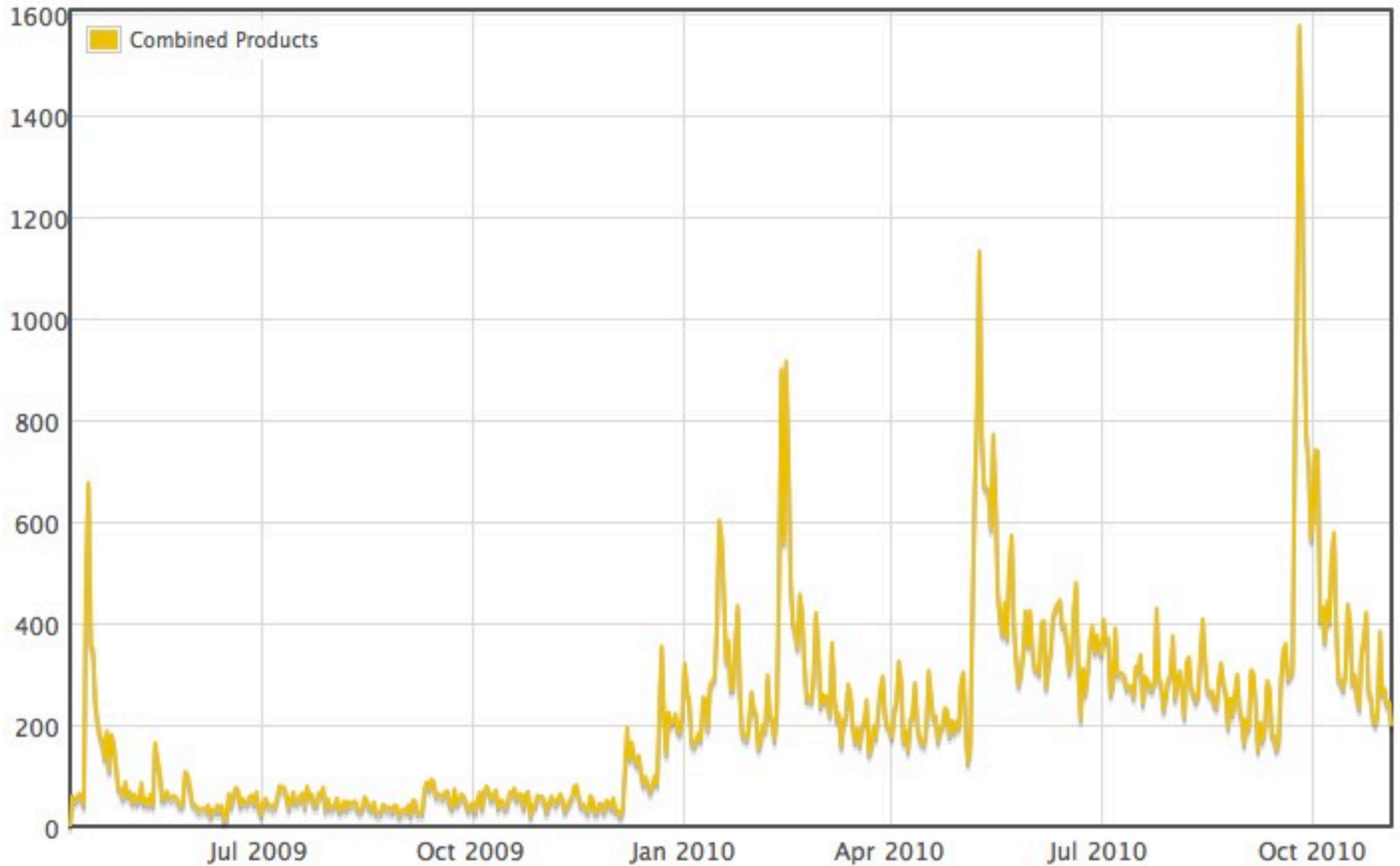
Two versions of Flower Garden (for historical reasons)
IAPs available in all of them



Monday, November 8, 2010

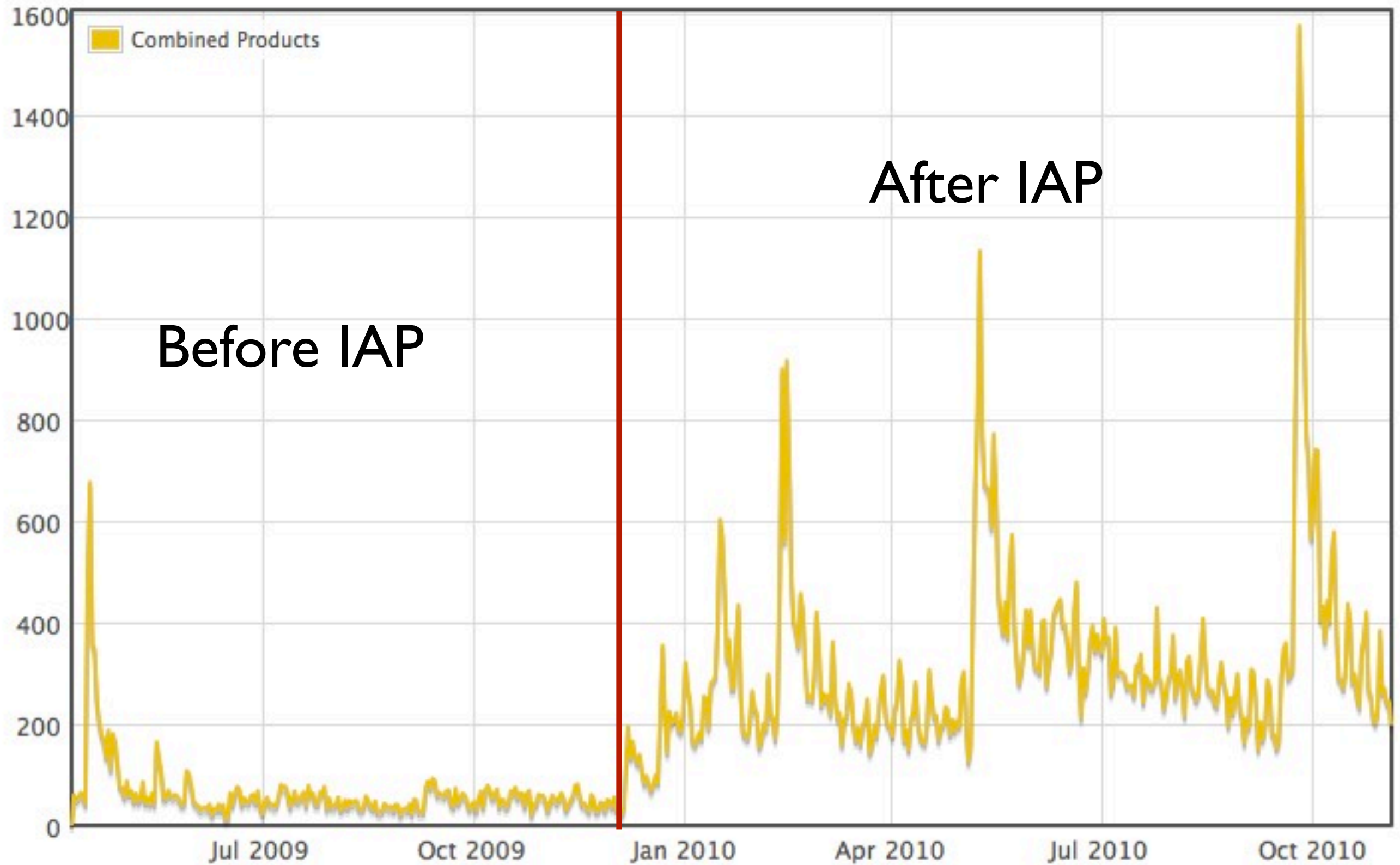
Two versions of Flower Garden (for historical reasons)
IAPs available in all of them

Flower Garden revenue

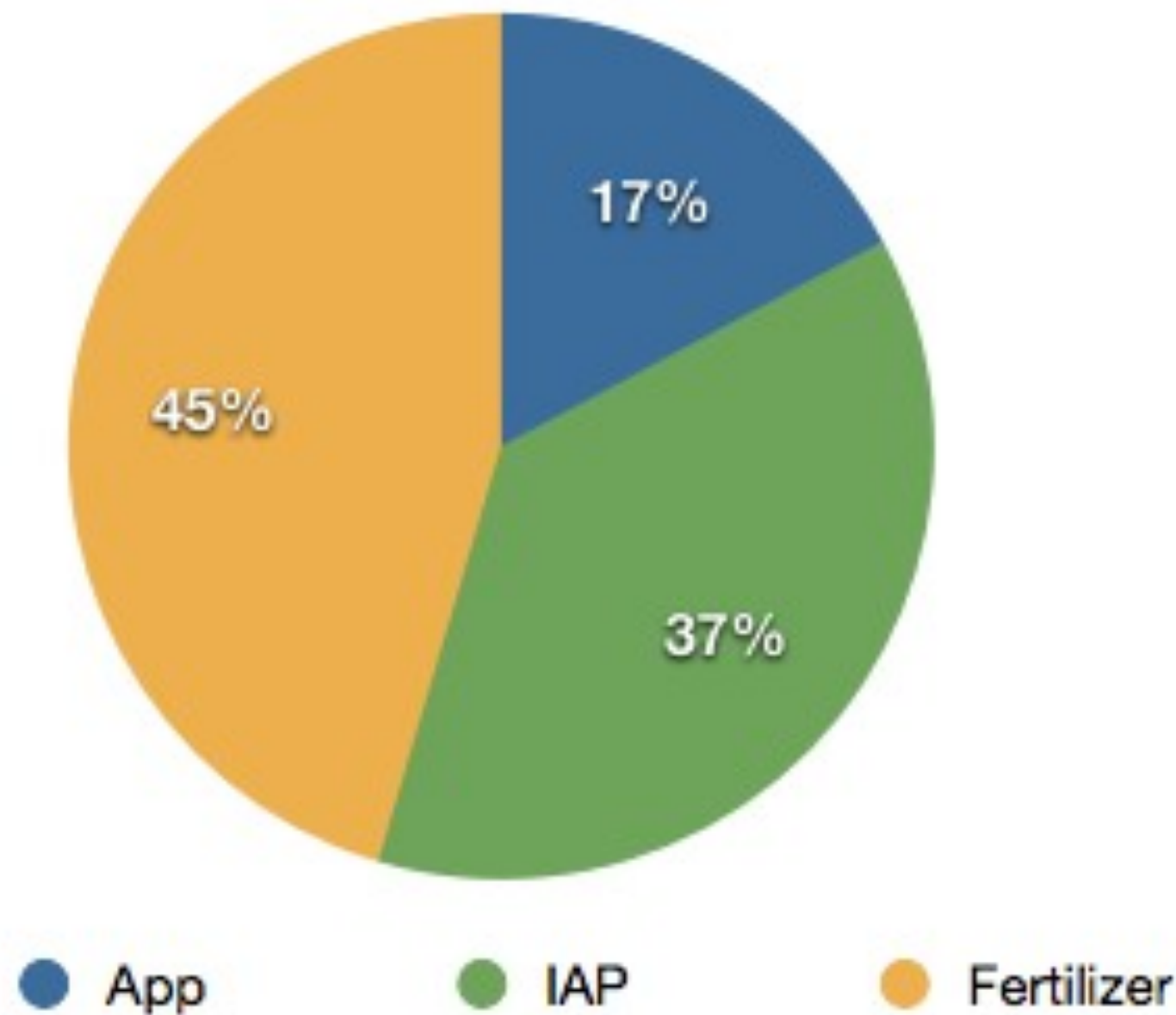


Monday, November 8, 2010

Flower Garden revenue



Revenue by type



Monday, November 8, 2010

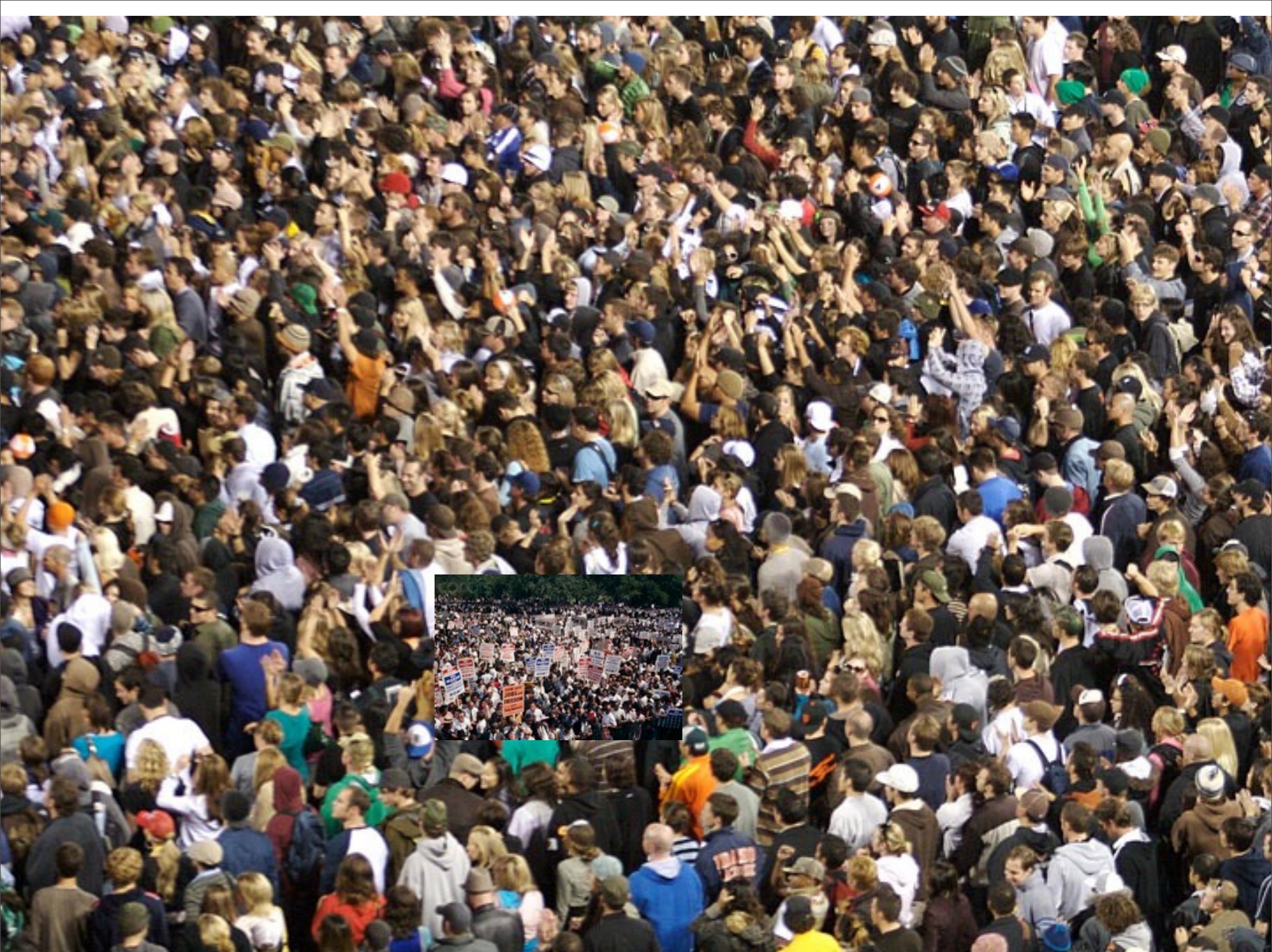
Most revenue from IAPs
That's 82% from IAP!
And that's after giving people a slight discount for the full version (\$2 for \$3)

Sell the right content



Monday, November 8, 2010

Some users balk at IAPs. They feel they're missing out if they don't buy things or that you'll nickel and dime them



Monday, November 8, 2010

Remember that's a very vocal minority. Lots of people don't mind.



Monday, November 8, 2010

Most importantly, sell content people want

What's a good IAP?



Monday, November 8, 2010

I'm making this up based on App Store observations and talking to other developers. No hard data to compare.

Extra lives



Monday, November 8, 2010

- It's like insert coin in the arcades
- Not great sellers
- People feel very ripped off usually
- Not a huge draw, although at least they're consumables

Extra lives



Monday, November 8, 2010

- It's like insert coin in the arcades
- Not great sellers
- People feel very ripped off usually
- Not a huge draw, although at least they're consumables

Extra lives



Monday, November 8, 2010

- It's like insert coin in the arcades
- Not great sellers
- People feel very ripped off usually
- Not a huge draw, although at least they're consumables

Extra levels



Monday, November 8, 2010

Extra levels by themselves better, but not a huge draw
Again, lots of people resent this because they feel they're missing out
Works well with music games though (music is different than levels?)
Pretty cheap to make

Extra levels



Monday, November 8, 2010

Extra levels by themselves better, but not a huge draw
Again, lots of people resent this because they feel they're missing out
Works well with music games though (music is different than levels?)
Pretty cheap to make

Extra levels



Monday, November 8, 2010

Extra levels by themselves better, but not a huge draw
Again, lots of people resent this because they feel they're missing out
Works well with music games though (music is different than levels?)
Pretty cheap to make

In-game currency



Monday, November 8, 2010

In game currency can be somewhat mixed
The more removed it is from real gold/coins the better
Otherwise lots of people will find it very materialistic

In-game currency



Monday, November 8, 2010

In game currency can be somewhat mixed
The more removed it is from real gold/coins the better
Otherwise lots of people will find it very materialistic

In-game currency



Monday, November 8, 2010

In game currency can be somewhat mixed
The more removed it is from real gold/coins the better
Otherwise lots of people will find it very materialistic

In-game currency



Monday, November 8, 2010

In game currency can be somewhat mixed
The more removed it is from real gold/coins the better
Otherwise lots of people will find it very materialistic

Optional content



Monday, November 8, 2010

Purely optional content has less of a backlash
Skins worked very well for Scoops (made more money as free with IAP skins than paid). And it was successful!

Different characters



Monday, November 8, 2010

Different characters also feels totally optional
Very popular and people react well to it

Different characters



Monday, November 8, 2010

Different characters also feels totally optional
Very popular and people react well to it

Different characters



Monday, November 8, 2010

Different characters also feels totally optional
Very popular and people react well to it

New game items



Monday, November 8, 2010

New game items

- They change the game, but they don't make people feel they're missing a lot
- TODO: More games

New game items



Monday, November 8, 2010

New game items

- They change the game, but they don't make people feel they're missing a lot
- TODO: More games

Social content



Monday, November 8, 2010

Extra content that you can show off to other people can be very popular

Anything with customization

Doesn't even need to have a purpose, just be different

TODO: Track down Russian company that makes one big sale per month

Social content



Monday, November 8, 2010

Extra content that you can show off to other people can be very popular

Anything with customization

Doesn't even need to have a purpose, just be different

TODO: Track down Russian company that makes one big sale per month

Social content



Monday, November 8, 2010

Extra content that you can show off to other people can be very popular
Anything with customization
Doesn't even need to have a purpose, just be different
TODO: Track down Russian company that makes one big sale per month

Money for time



Monday, November 8, 2010

Money for time is the most popular type of IAP
If only we could do this in real life!!

Money for time



Monday, November 8, 2010

Money for time is the most popular type of IAP
If only we could do this in real life!!

Money for time



Monday, November 8, 2010

Money for time is the most popular type of IAP
If only we could do this in real life!!



Monday, November 8, 2010

Consider selling one purchase that includes everything
Not many games do this
I considered doing it with Flower Garden, but it's tough once you have established players



Monday, November 8, 2010

Sell to remove ads

Tricky: Need to balance IAP revenue vs. ad revenue lost vs. player annoyance at ads
Actually getting \$0.99 is almost always better than ad revenue, so that's an immediate win.
Do it!

Reach your users



Monday, November 8, 2010

Charts and Apple features main way to get visibility today



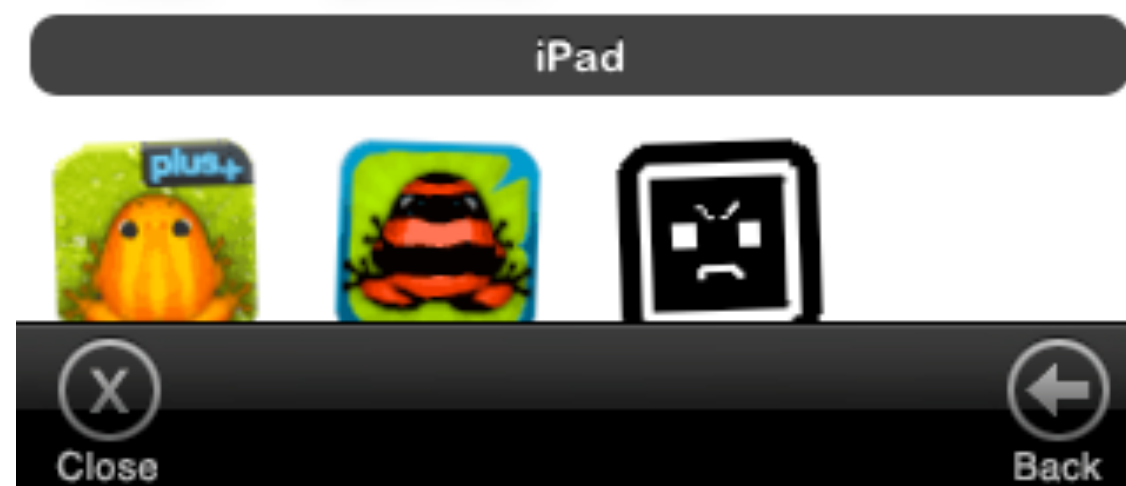
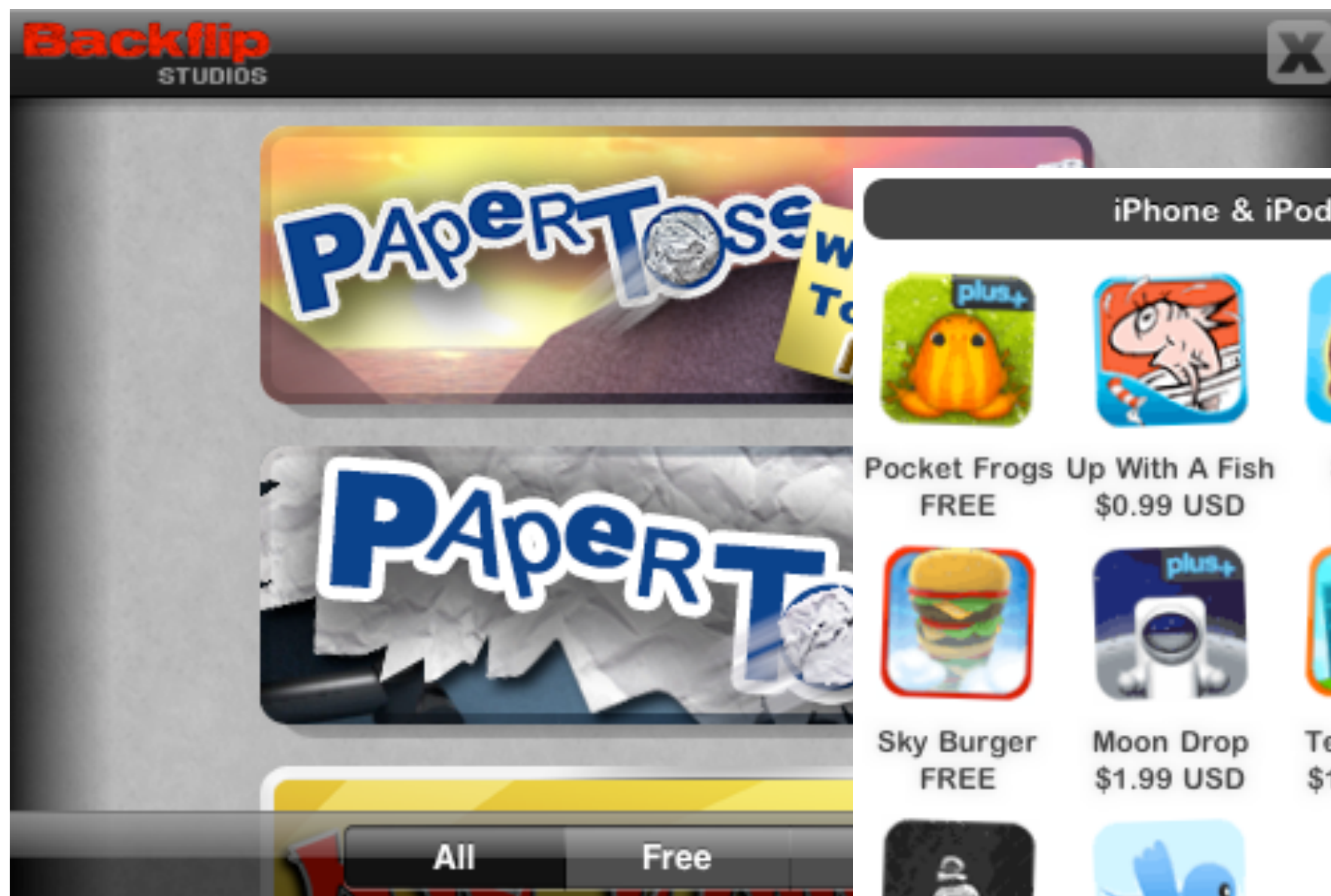
Monday, November 8, 2010

Remember when that was a big deal?
Now we have 300,000!!



Monday, November 8, 2010

This is one of the greatest strengths of IAPs: You can reach your users bypassing the clutter of the App Store



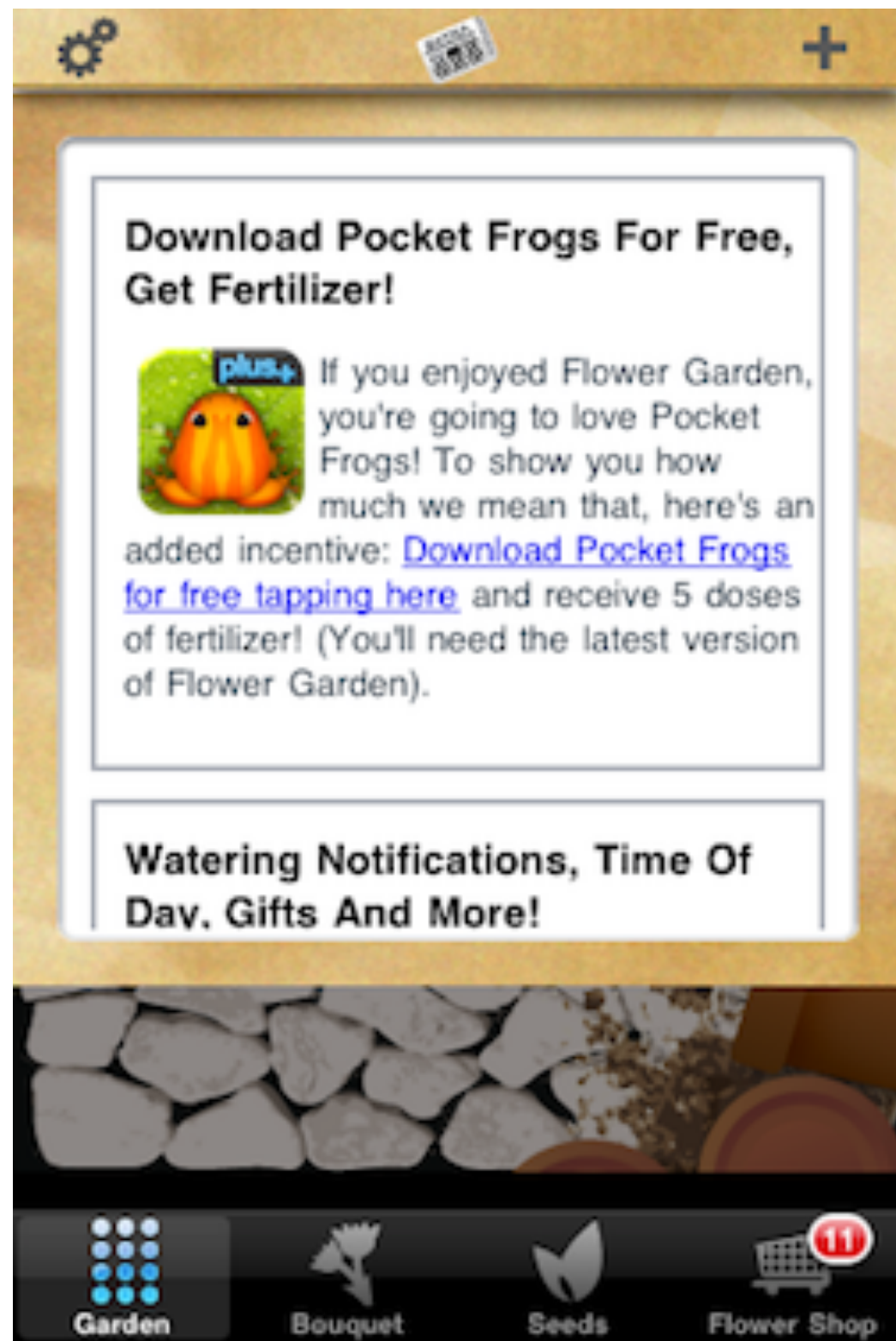
Monday, November 8, 2010

Having IAPs allows you to release new content and target your users
 That's also true of releasing new games and announcing it in your exiting ones, but the percentage of users doing the switch over will be smaller and it has the risk of feeling too much like ads
 IAP minimizes friction for users to buy new content



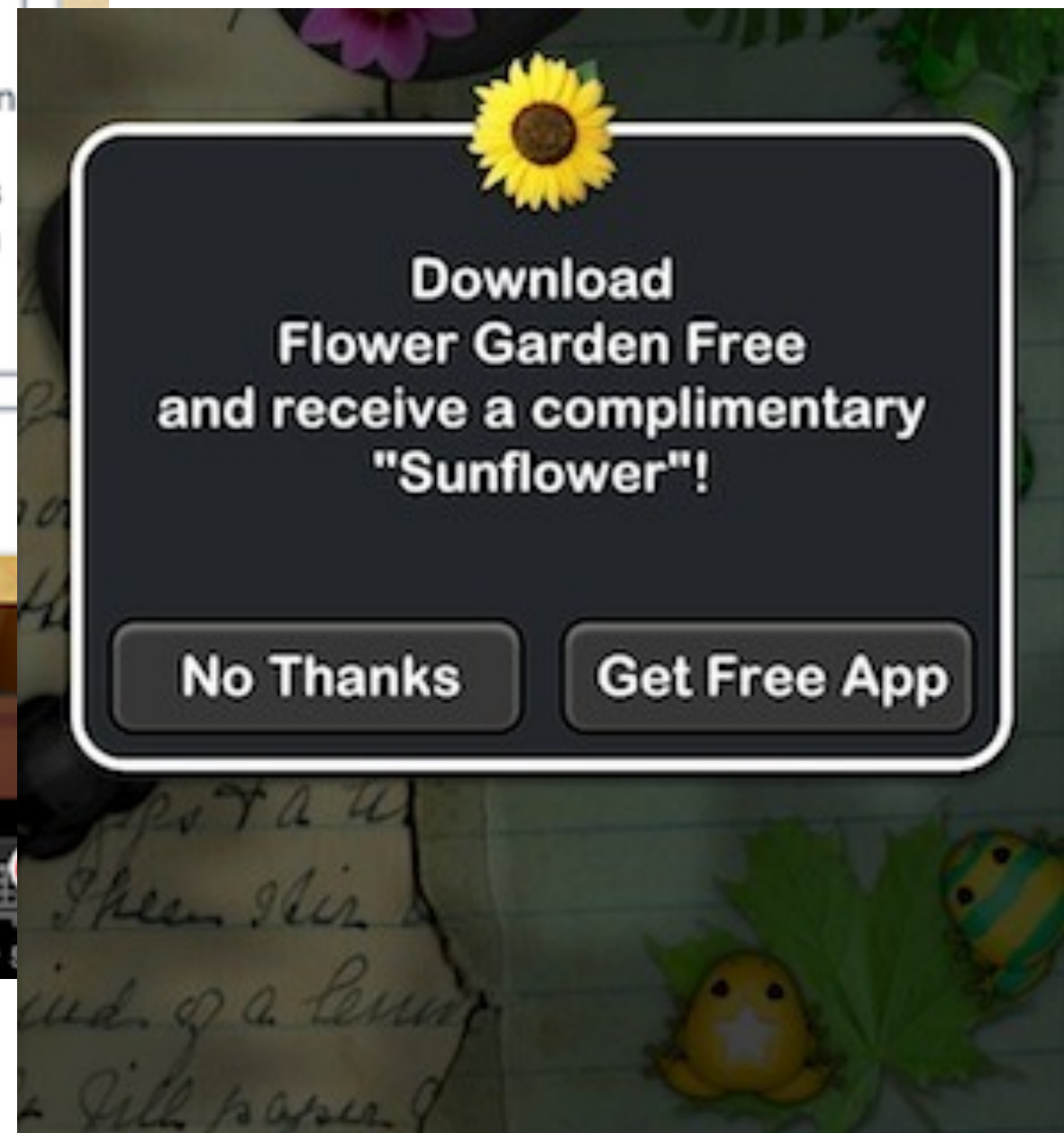
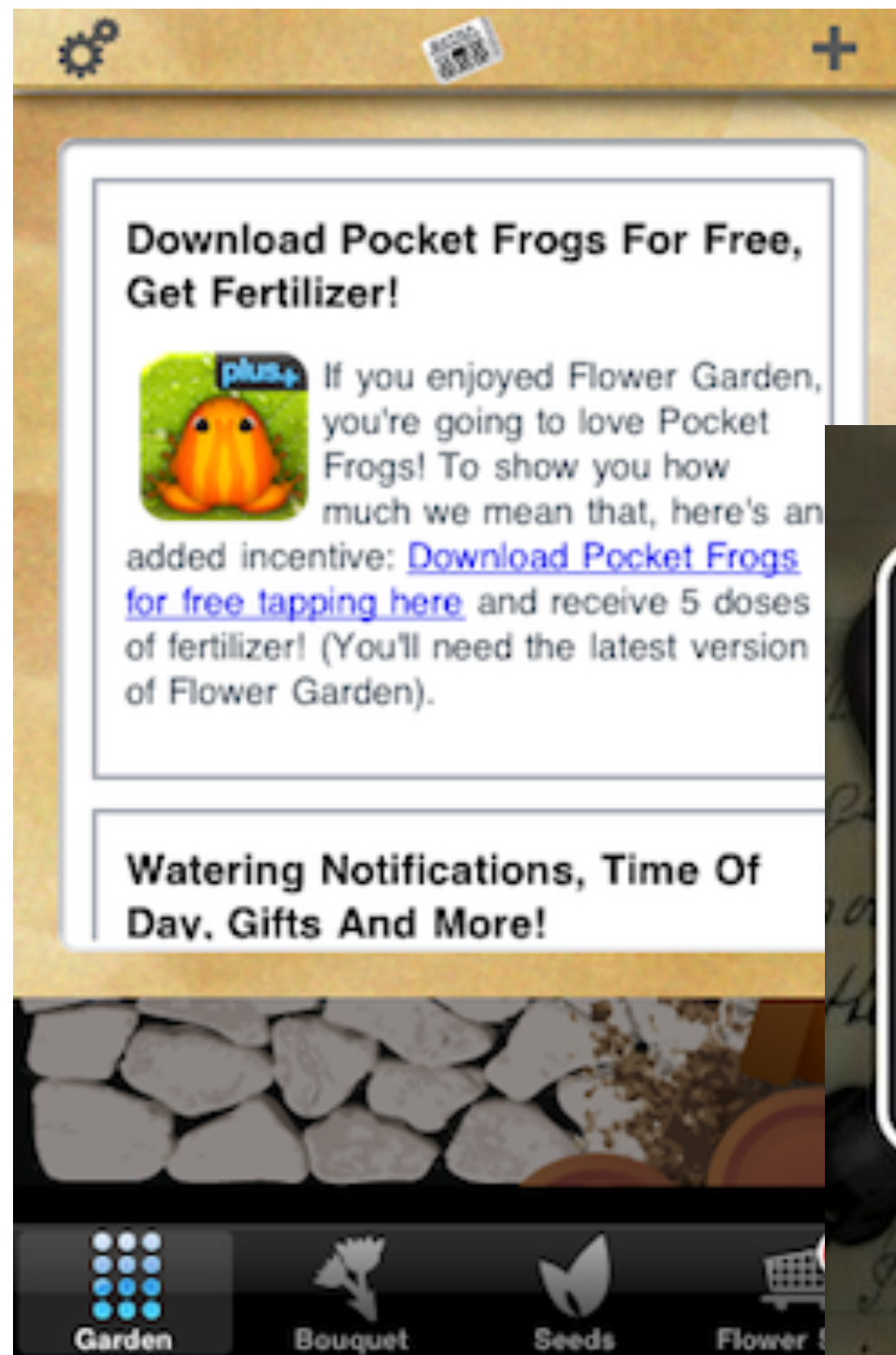
Monday, November 8, 2010

In game news



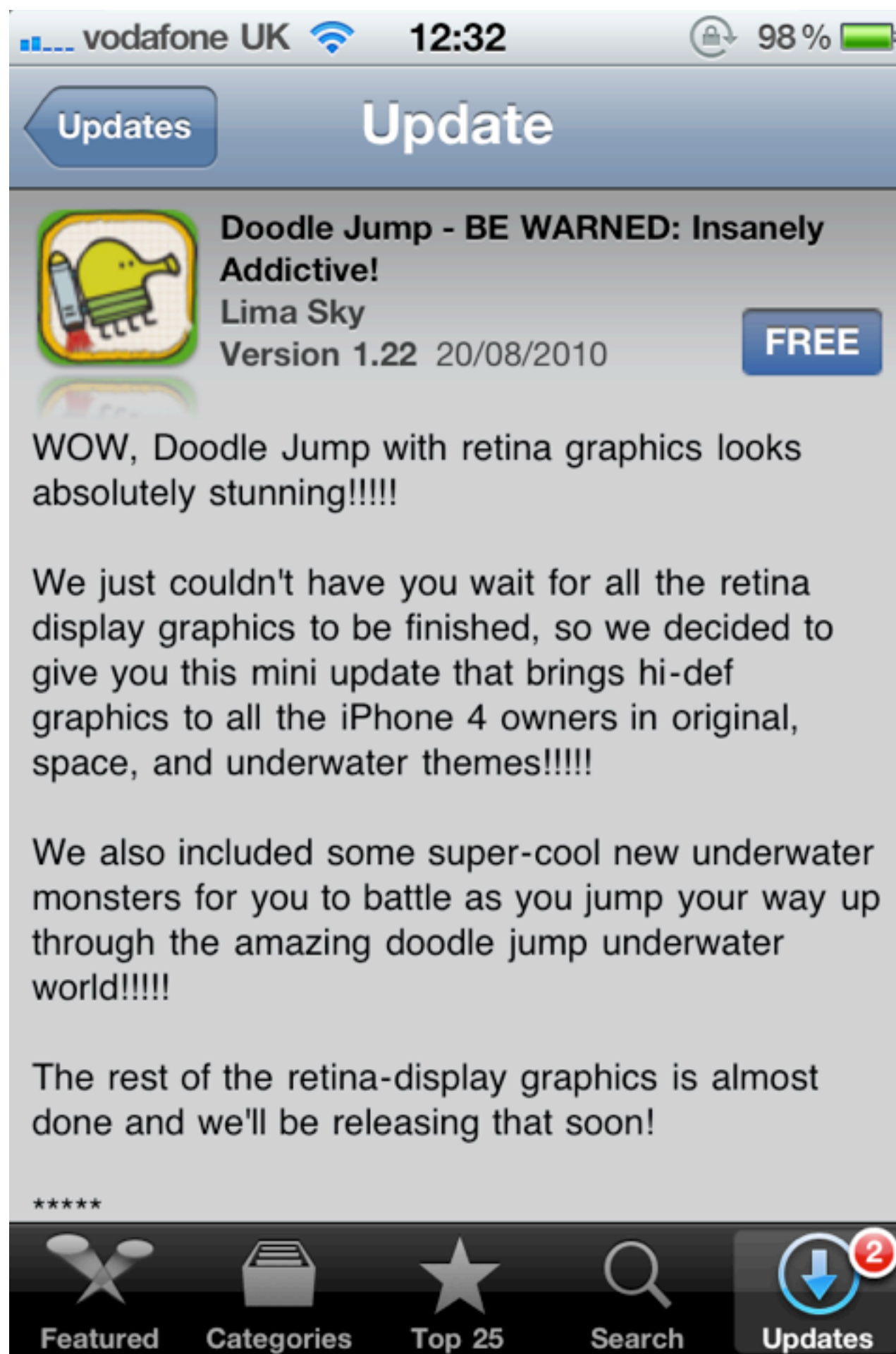
Monday, November 8, 2010

In game news



Monday, November 8, 2010

In game news



Monday, November 8, 2010

Update text

Links are even clickable! (they aren't in the App Store description)



Monday, November 8, 2010

- Offline
- Do everything you can to get some contact (FB, email, etc)
 - Facebook
 - Mailing list



[Edit Page](#)
[Promote with an Ad](#)
[Suggest to Friends](#)
[Remove from My Page's Favorites](#)

Coming soon to an iDevice near you.

Casey's Contraptions

[Wall](#)
[Info](#)
[Photos](#)
[Discussions](#)
[Reviews](#)
[+](#)

Share:
 [Status](#)
[Question](#)
[Photo](#)
[Link](#)
[Video](#)

[Casey's Contraptions + Others](#)
[Just Casey's Contraptions](#)
[Just Others](#)
[Spam](#)
[Settings](#)



Casey's Contraptions A look behind the scenes at the development of Casey's Contraptions.



Games from Within | Casey's Contraptions Weekly Update (Oct 29)
 gamesfromwithin.com
 I like to be as open as possible about any project I'm working on, whether it's giving talks, sharing technology, or discussing sales numbers. That goes for projects in progress too, although sometimes it makes sense to wait a while before announcing them. In the case of Casey's Contraptions, we had

[October 29 at 2:19pm](#) · [Comment](#) · [Like](#) · [Share](#) · [Promote](#)

Frédéric Tessier and David Marsh like this.



Monday, November 8, 2010

Offline

- Do everything you can to get some contact (FB, email, etc)
- Facebook
- Mailing list



Edit Page

Promote with an Ad

Suggest to Friends

Remove from My Page's Favorites

Coming soon to an iDevice near you.

Casey's Contraptions

Wall

Info

Photos

Discussions

Reviews

+

Share: Status Question Photo Link Video

Casey's Contraptions + Others

Just Casey's Contraptions

Just Others

Spam

Settings



Casey's Contraptions A look behind the scenes at the development of Casey's Contraptions.

Having trouble viewing this email? <http://www.oceanhousemedia.com/news/>

What Was I Scared Of? by Dr. Seuss Now Available for iPad & iPhone!

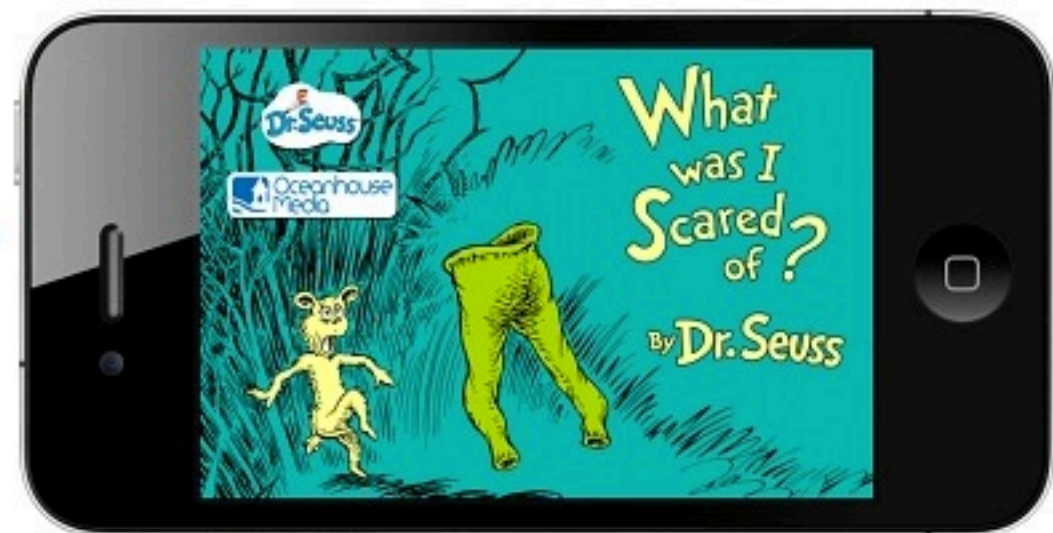
Newsletter #14
October 19, 2010



Dear Noel,

Oceanhouse Media is thrilled to announce the release of three new Dr. Seuss eBooks! Just arriving at the App Store are the Halloween favorite, **What Was I Scared Of?**, along with **You're Only Old Once** and **The FOOT Book**.

We are also delighted to note the availability of three new The Berenstain Bears eBooks: **The Berenstain Bears and the Gift of Courage**, **The Berenstain Bears and a Job Well Done** and **The Berenstain Bears: God Loves You!**



360 iDev
AUSTIN
November 7-10, 2010

Monday, November 8, 2010

Offline

- Do everything you can to get some contact (FB, email, etc)
- Facebook
- Mailing list

Integrate IAPs



Happy
touch



Monday, November 8, 2010

Don't hide them out of the way
Badge whenever there's something new



Monday, November 8, 2010

Give users a nudge whenever they could get IAP content (end of level, etc)
Don't make it too nagging or obnoxious though



Monday, November 8, 2010

Give users a nudge whenever they could get IAP content (end of level, etc)
Don't make it too nagging or obnoxious though

Bundles



Top In App Purchases

1	GRO - BOTTLE	\$9.99
2	GRO - BOTTLE	\$4.99
3	GRO - CARTON	\$19.99
4	GRO - JUG	\$39.99
5	GRO - JUG	\$49.99
6	GRO - TUB	\$99.99
7	GRO - JAR	\$2.99



Monday, November 8, 2010

IAP bundles are very popular
And for a reason!



360 iDev
AUSTIN
November 7-10, 2010

Monday, November 8, 2010

Having a few options, makes the consumer more likely to buy



Monday, November 8, 2010

Having too many has the opposite effect



Monday, November 8, 2010

People like to get a good deal



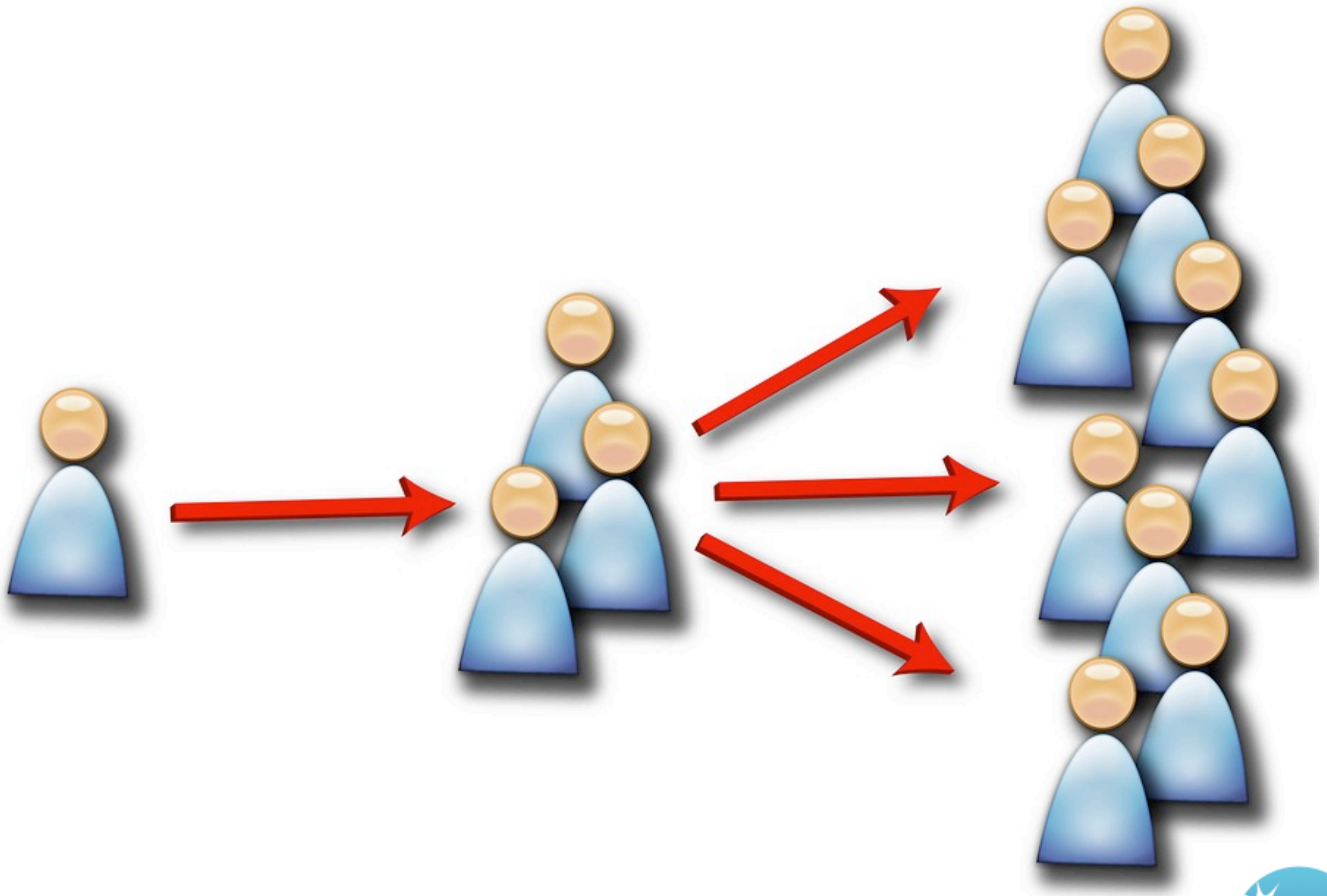
Monday, November 8, 2010

Bundles also represent an investment in your game



Monday, November 8, 2010

That means that users will keep coming back to your game and they'll play it some more

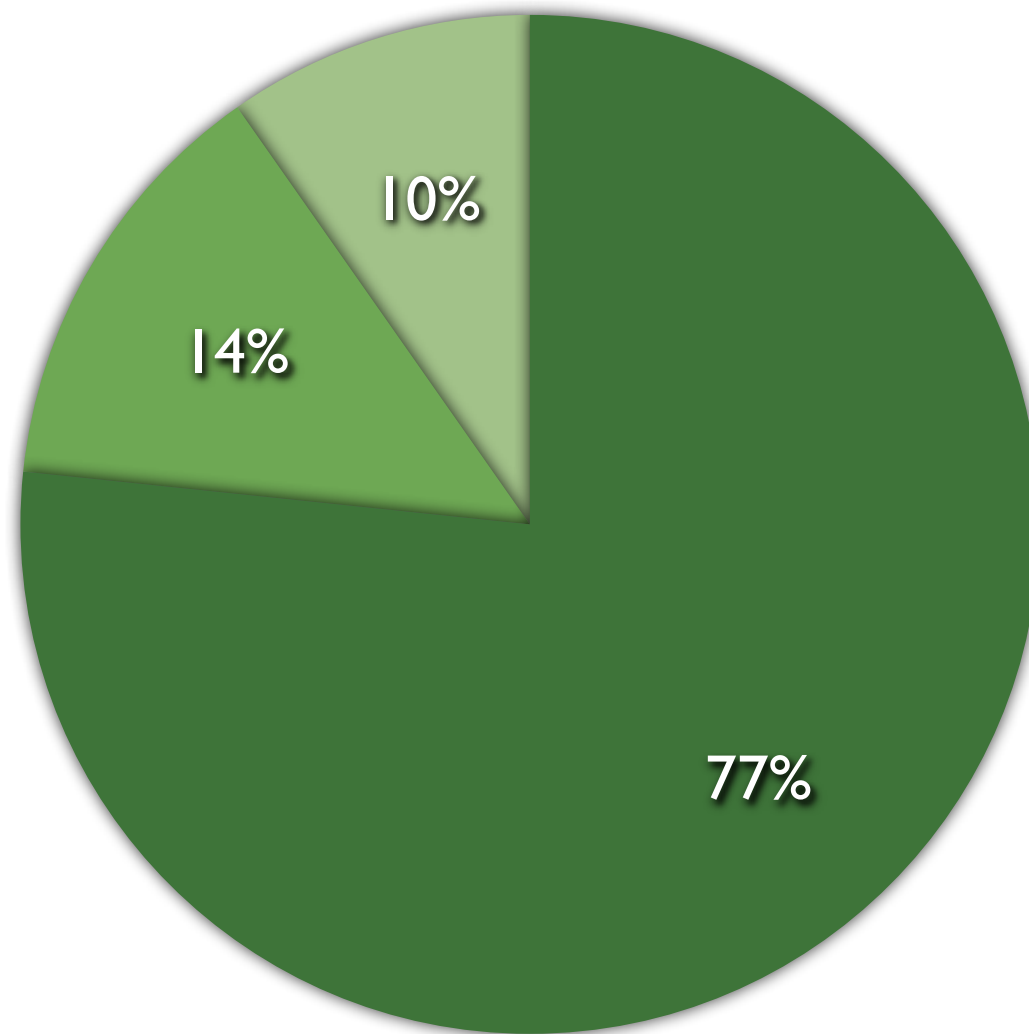


Monday, November 8, 2010

It also means that your app will get more exposure and has a chance to spread more

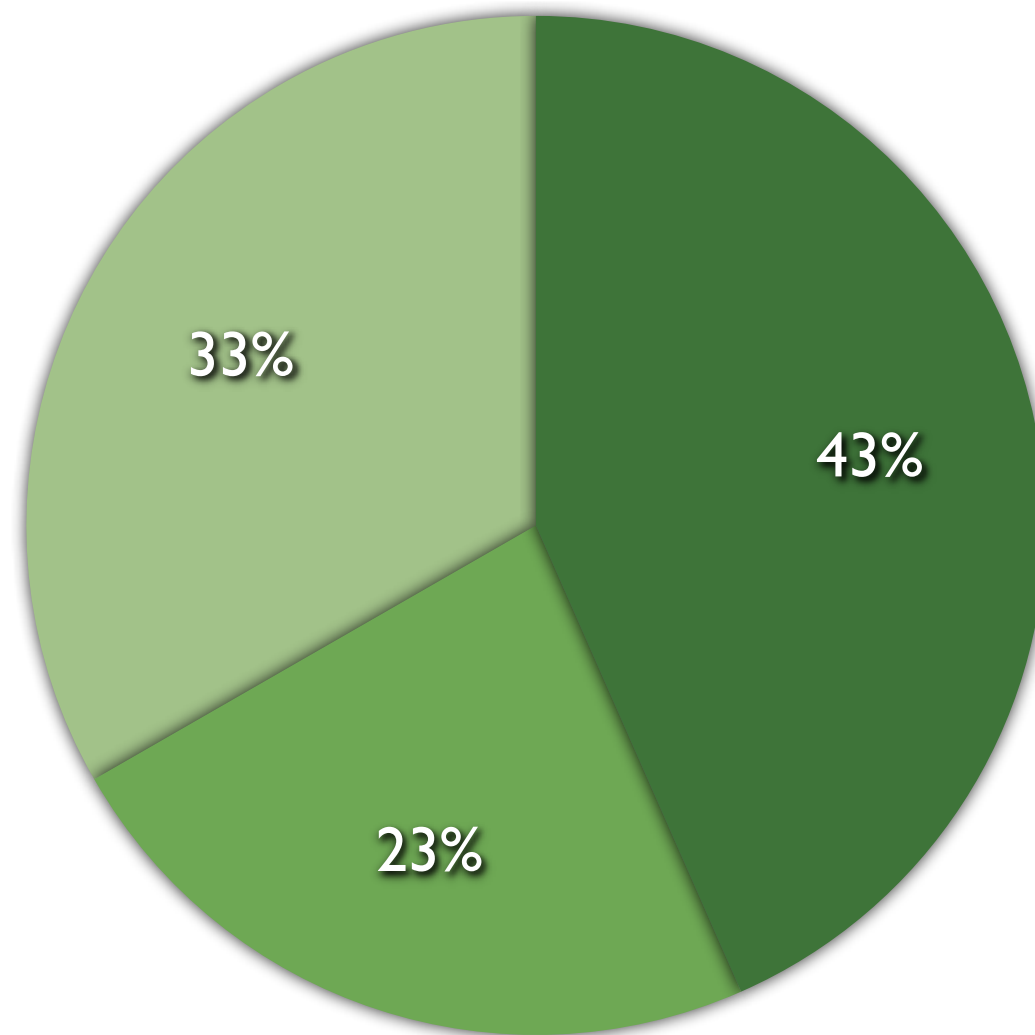
Flower Garden Bundle Sales

● Fertilizer 20 ● Fertilizer 70 ● Fertilizer 150



Flower Garden Bundle Revenue

● Fertilizer 20 ● Fertilizer 70 ● Fertilizer 150

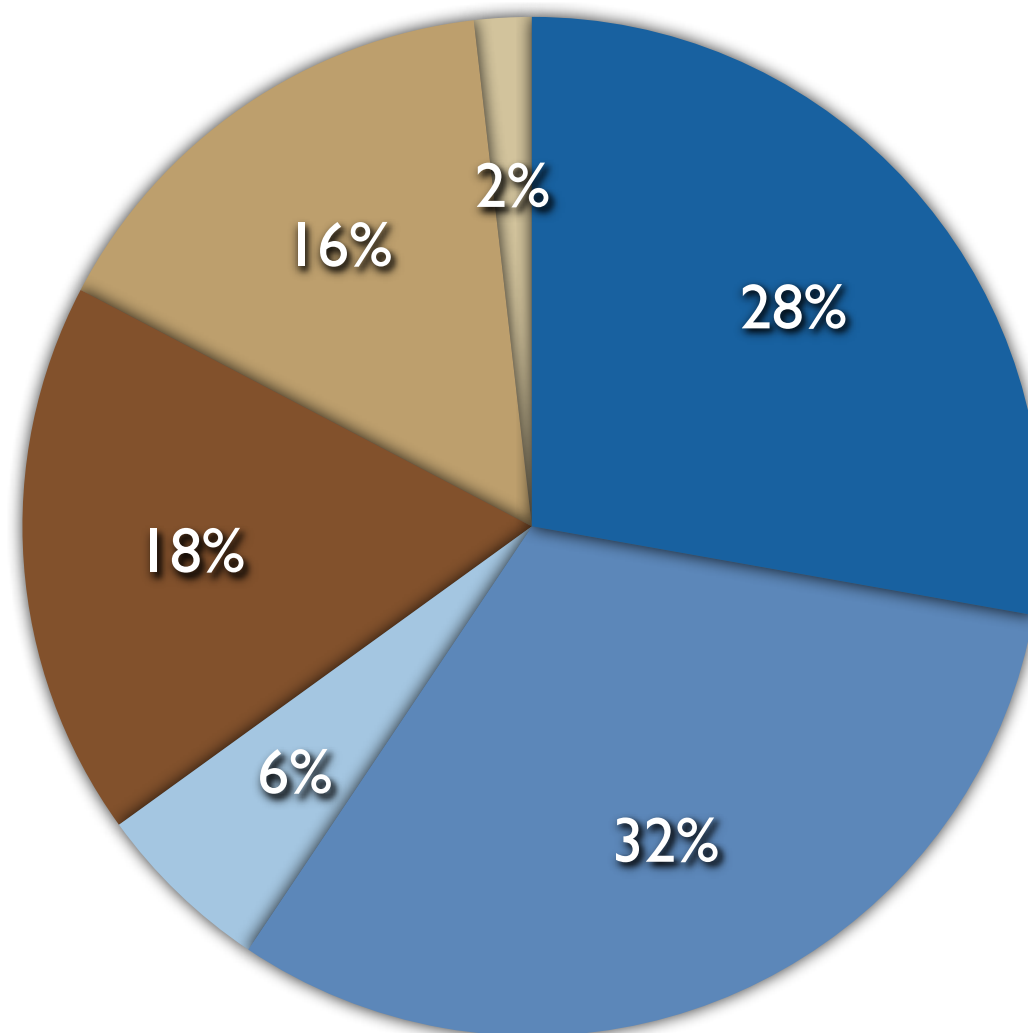


Pocket Frogs Bundle Sales

● Potions 10
● Stamps 10

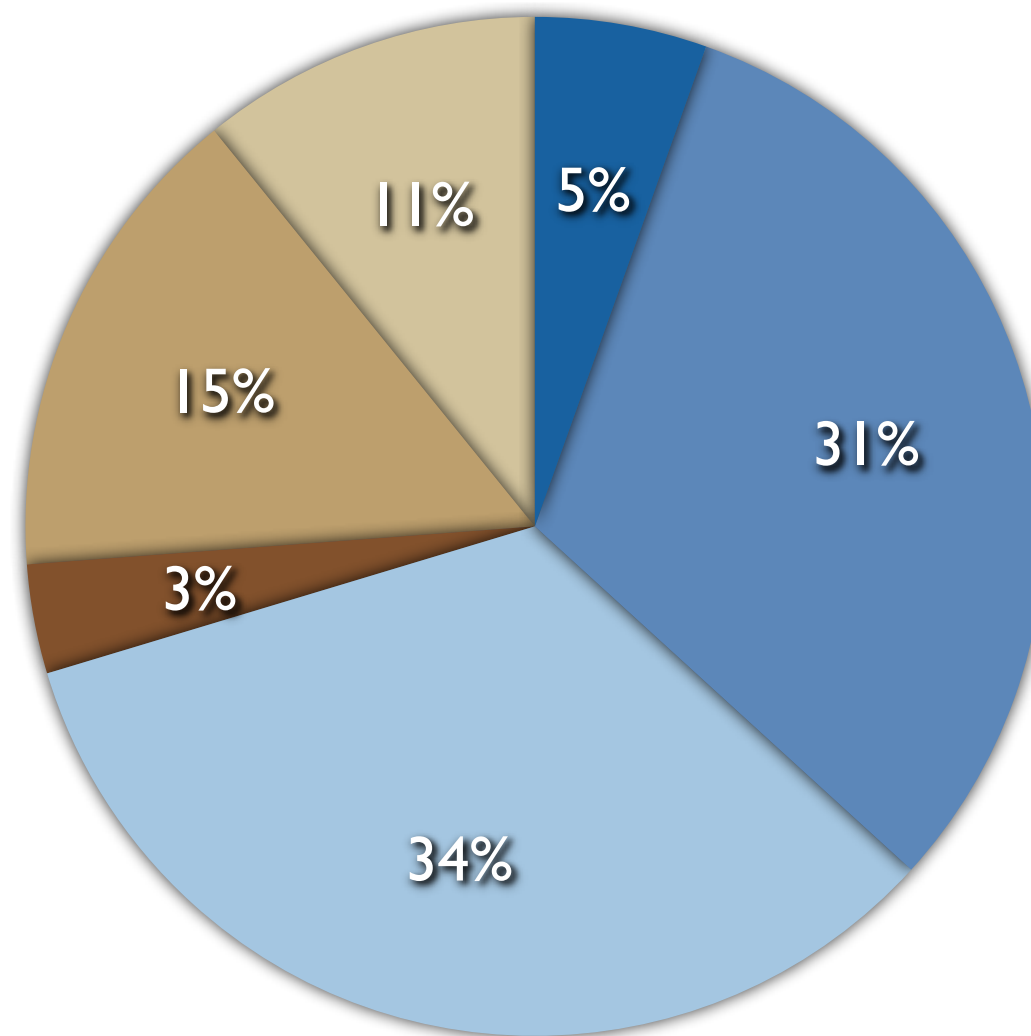
● Potions 100
● Stamps 100

● Potions 1000
● Stamps 1000



Monday, November 8, 2010

Pocket Frogs Bundle Revenue



Bundle experiments



Monday, November 8, 2010

Clearly PF is doing a great job of getting people to buy the big bundles.
I'm planning on running some experiments with Flower Garden to optimize revenue.

Bundle experiments

- Change prices and amounts of bundles to find what attracts players the most.



Monday, November 8, 2010

Clearly PF is doing a great job of getting people to buy the big bundles.
I'm planning on running some experiments with Flower Garden to optimize revenue.

Let users spend as much as they want



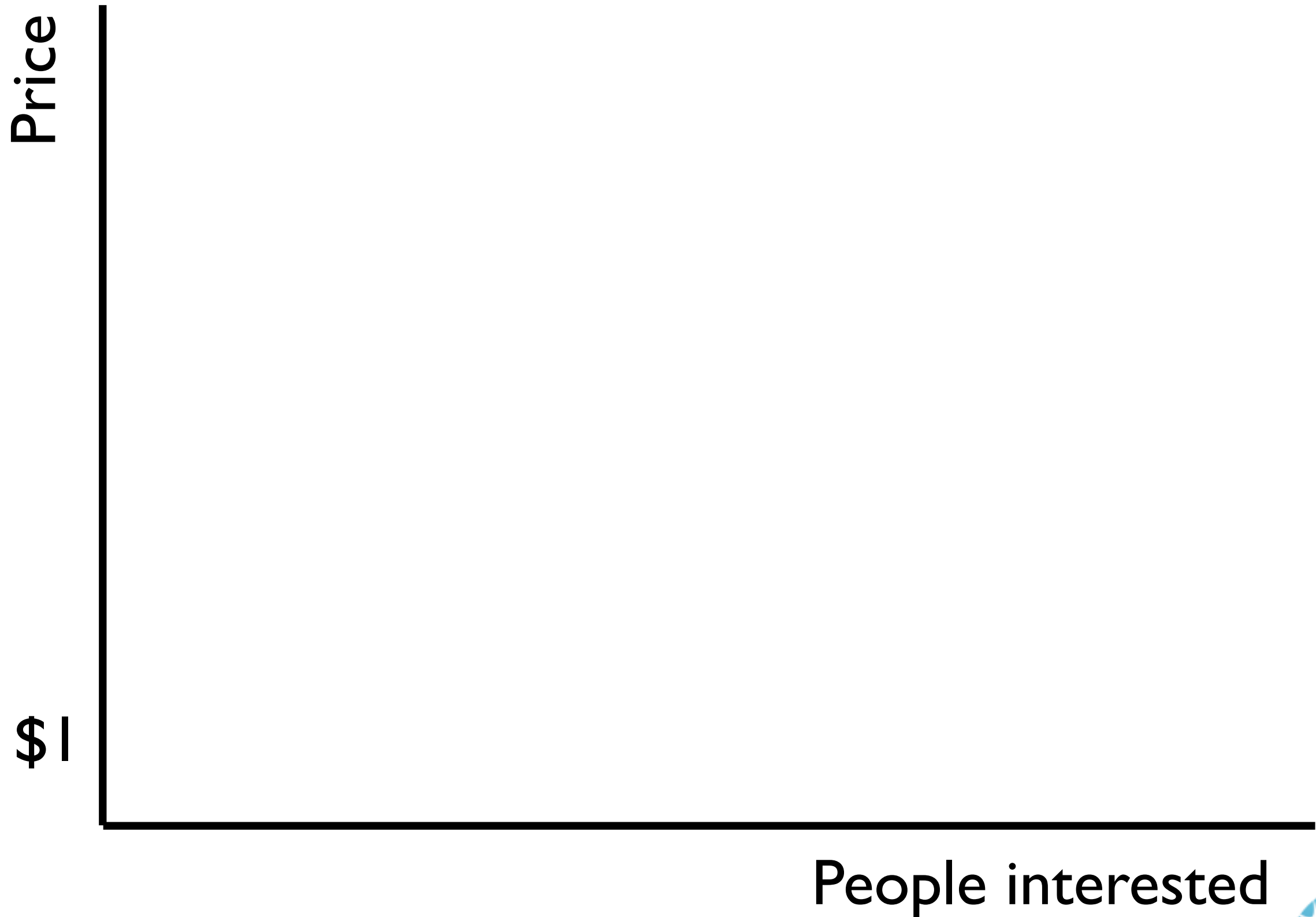
Monday, November 8, 2010

This is the key concept of this talk!



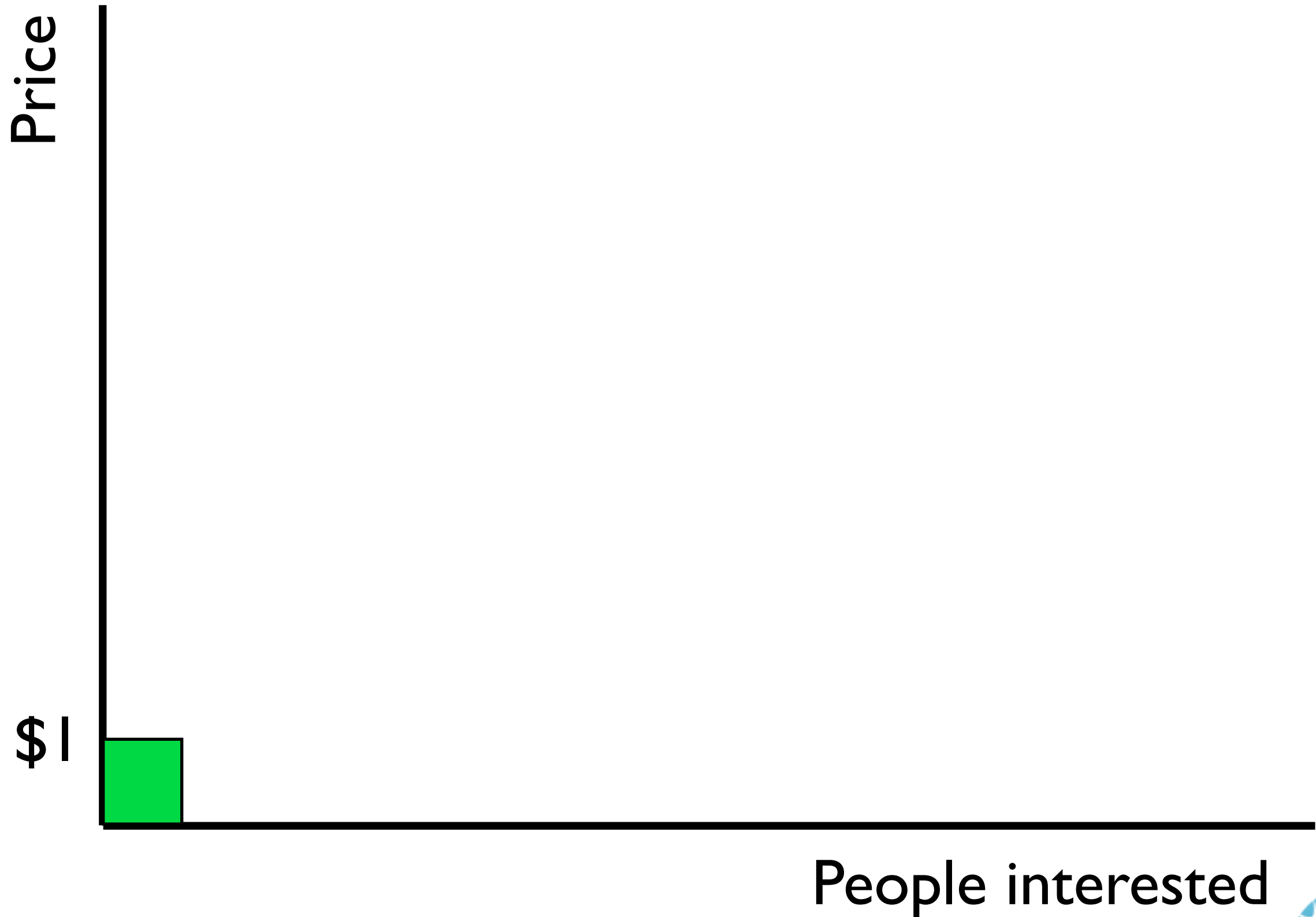
Monday, November 8, 2010

Games have traditionally been one size fits all
There's a price, you buy it or not
Same with a lot of apps



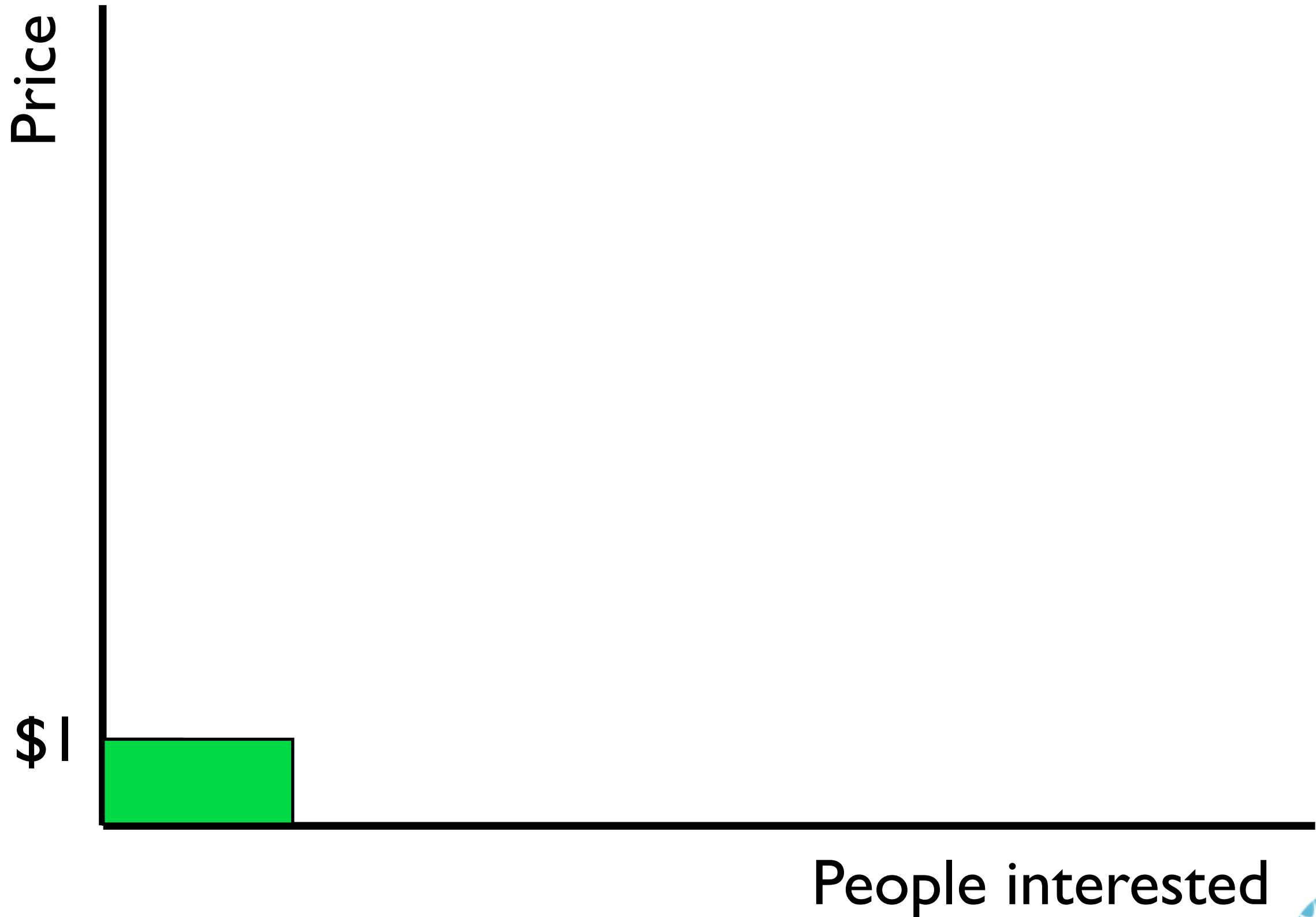
Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



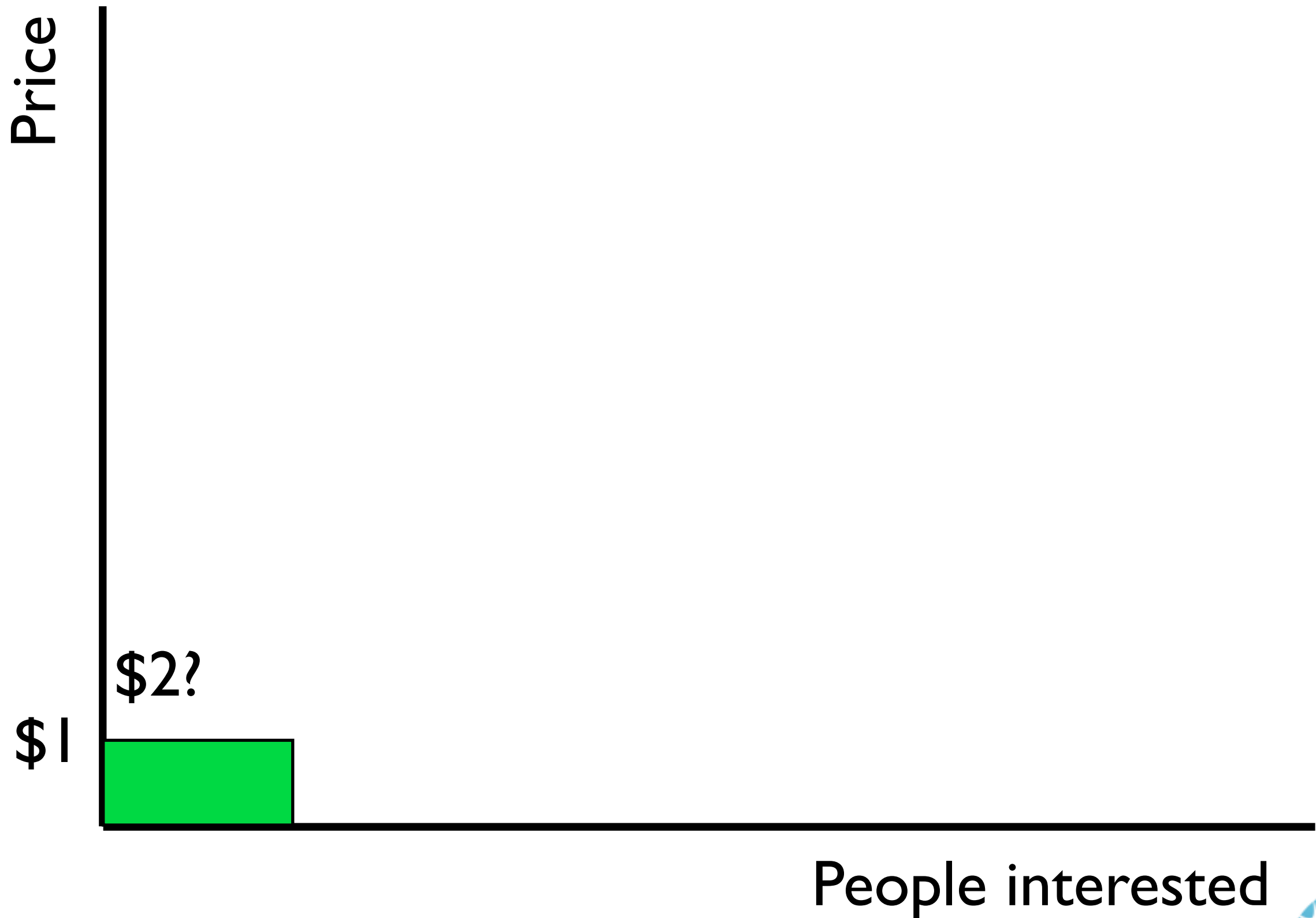
Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



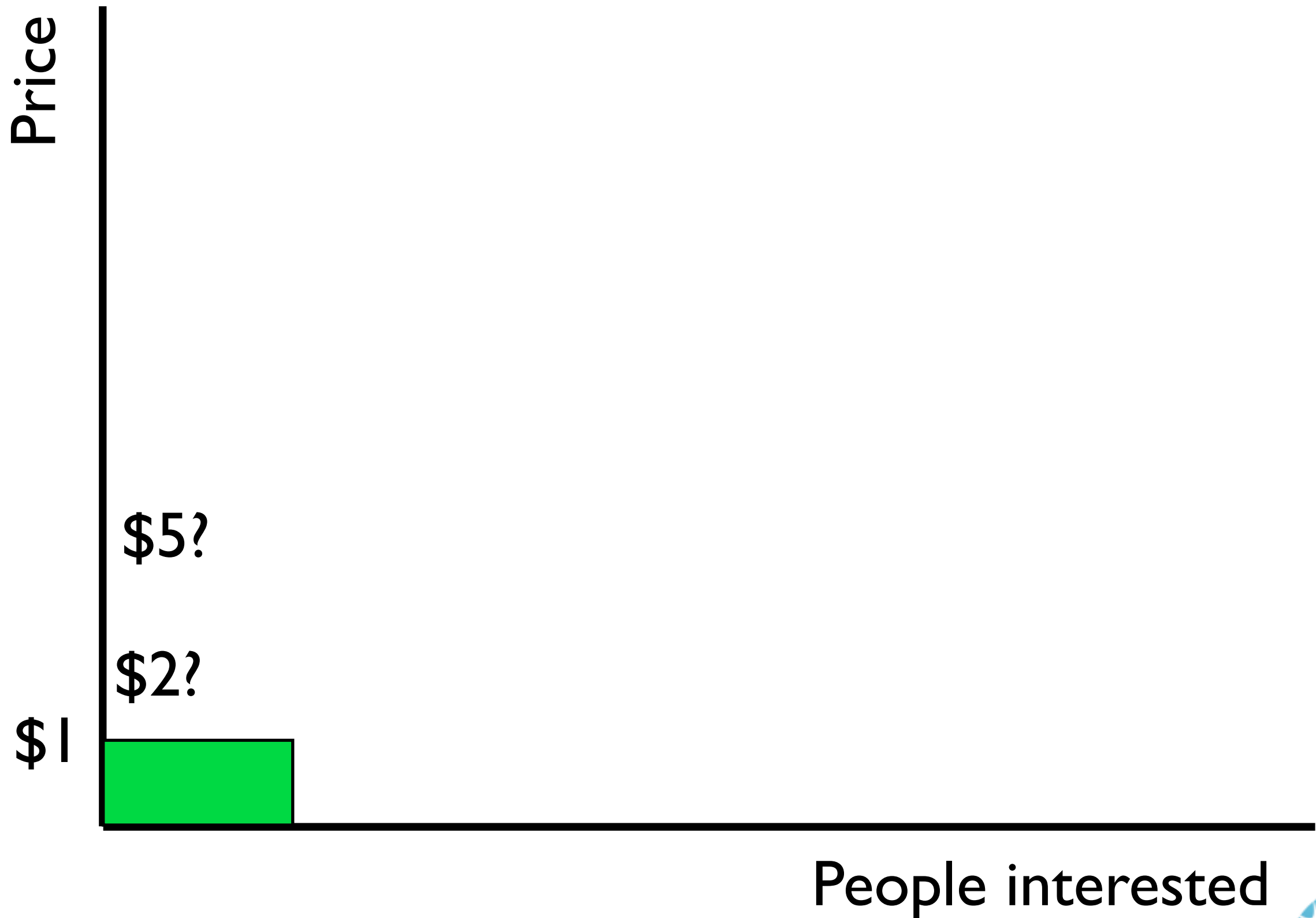
Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



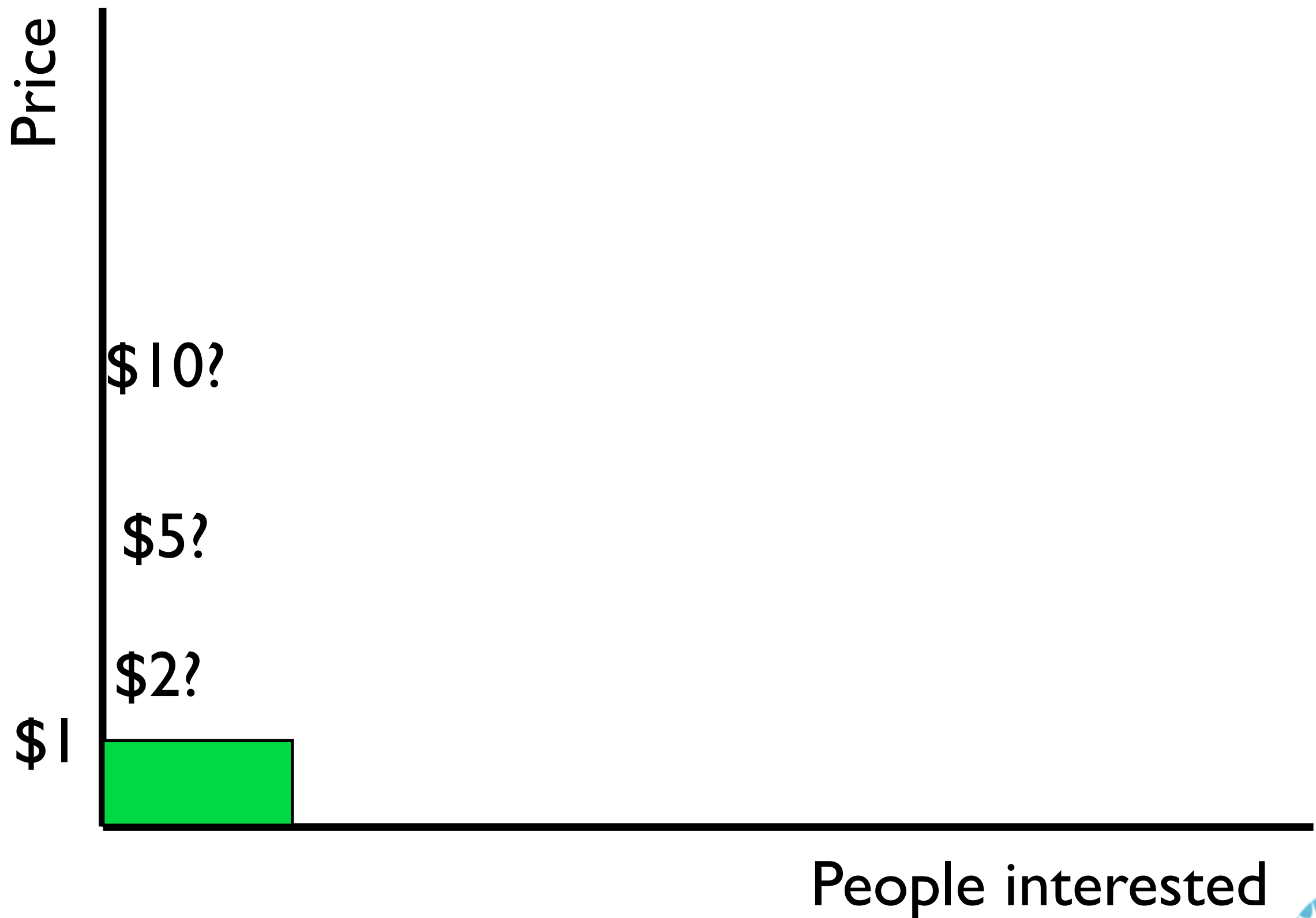
Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



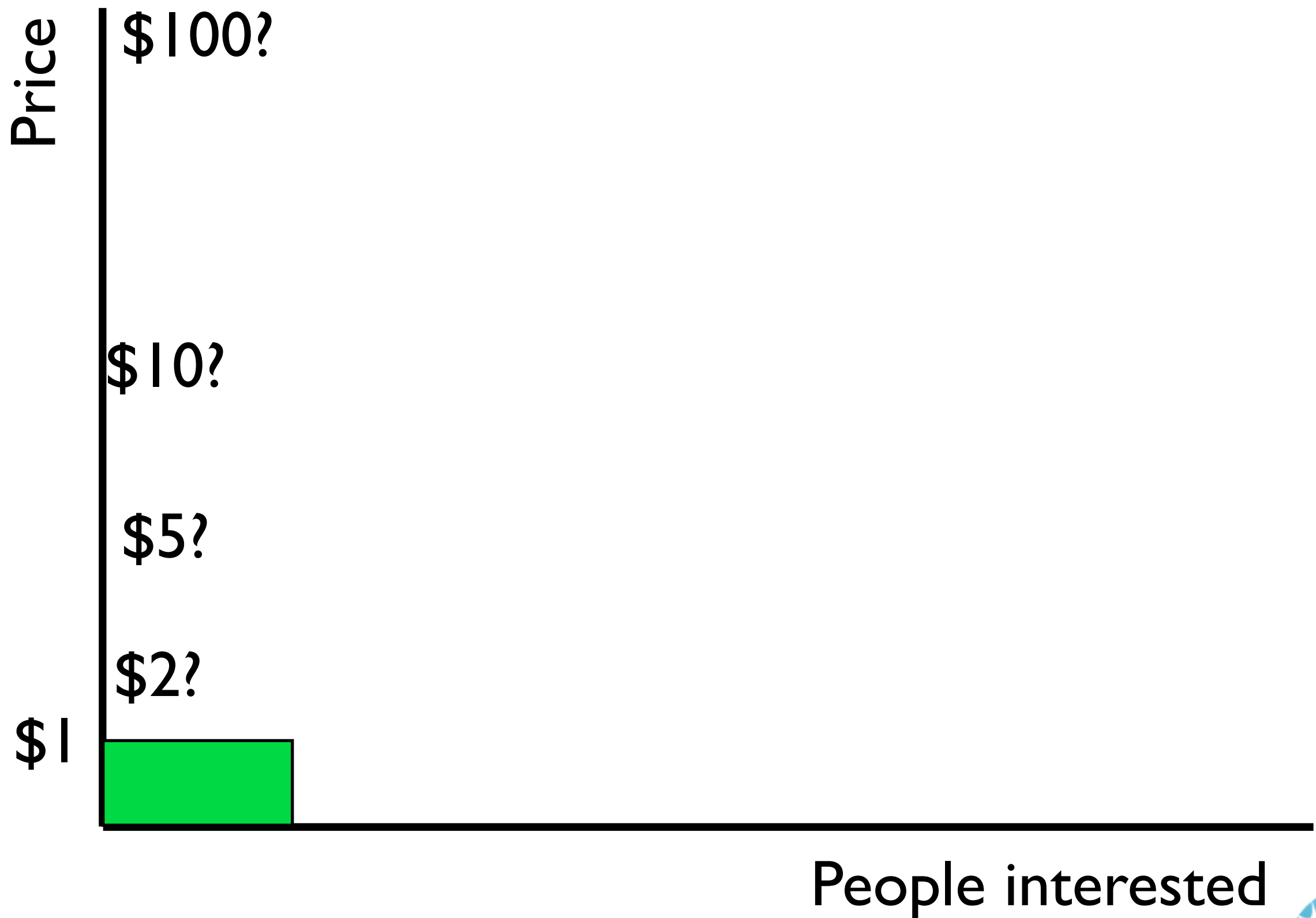
Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



Monday, November 8, 2010

An app for \$4. It's binary, people either buy it for that price or not
The way to make more money is to have a more people interested in buying it



[...] offer a variety of premium packages for sale and make them limited editions / scarce goods. Base the price and amount available on what you think you can sell. Make the packages special - make them by hand, sign them, make them unique, make them something YOU would want to have as a fan. Make a premium download available that includes high-resolution versions (for sale at a reasonable price) and include the download as something immediately available with any physical purchase. Sell T-shirts. Sell buttons, posters... whatever.



Monday, November 8, 2010

Trent Reznor in 2009



[...] offer a variety of premium packages for sale and make them limited editions / scarce goods. Base the price and amount available on what you think you can sell. Make the packages special - make them by hand, sign them, make them unique, make them something YOU would want to have as a fan. Make a premium download available that includes high-resolution versions (for sale at a reasonable price) and include the download as something immediately available with any physical purchase. Sell T-shirts. Sell buttons, posters... whatever.

- <http://forum.nin.com/bb/read.php?30,767183>



Monday, November 8, 2010

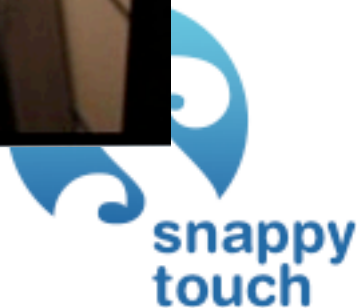
Trent Reznor in 2009



Monday, November 8, 2010

Quick aside: Merchandising is usually not a great money maker. It can help with getting the brand out there, but the amount of money you'll make from it is dwarfed by the game revenue.

Even if you put a sexy picture of you on your store like this :-)



Monday, November 8, 2010

Quick aside: Merchandising is usually not a great money maker. It can help with getting the brand out there, but the amount of money you'll make from it is dwarfed by the game revenue.
Even if you put a sexy picture of you on your store like this :-)

Price

\$1

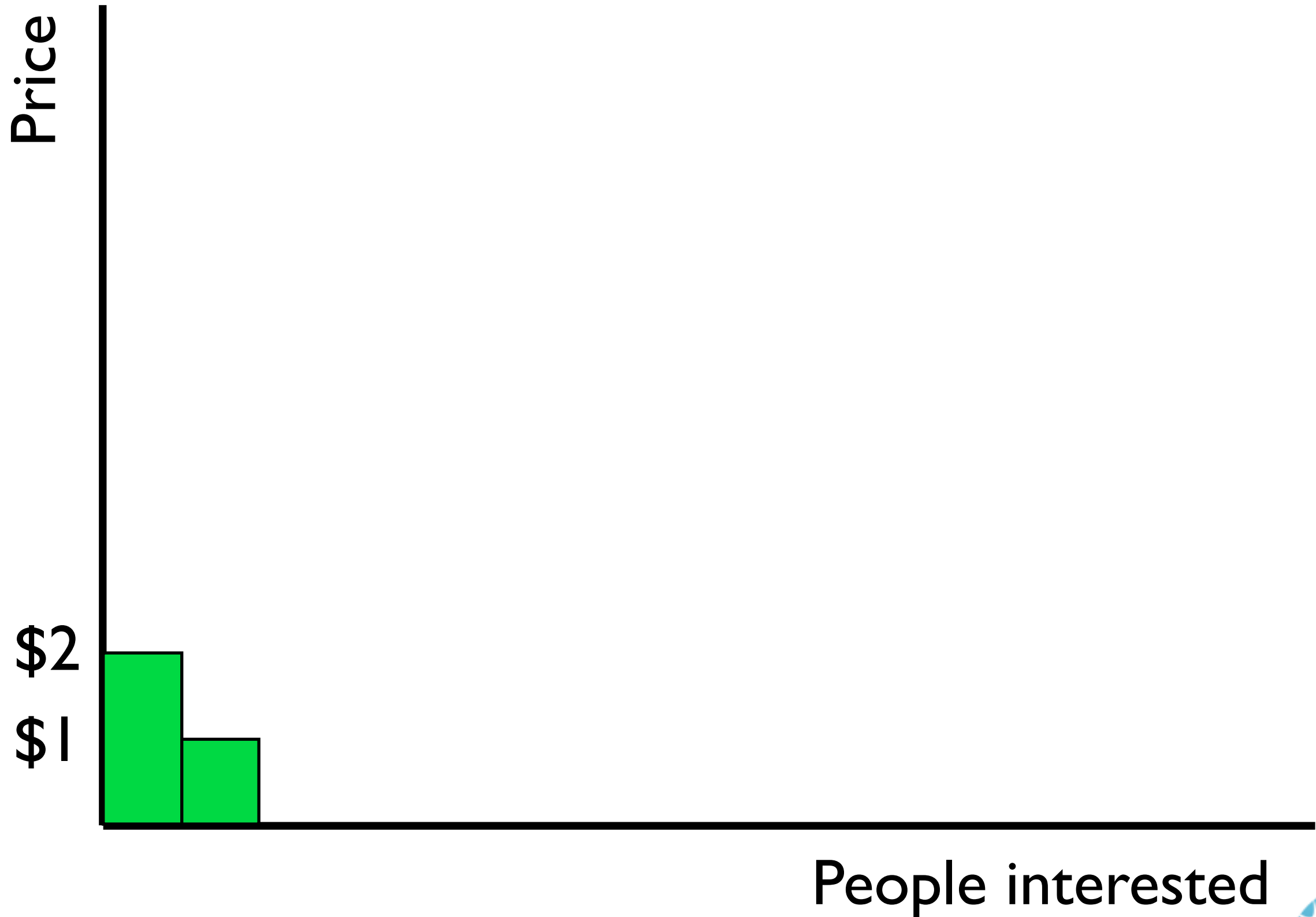


People interested



Monday, November 8, 2010

Need to have multiple IAPs to scale well



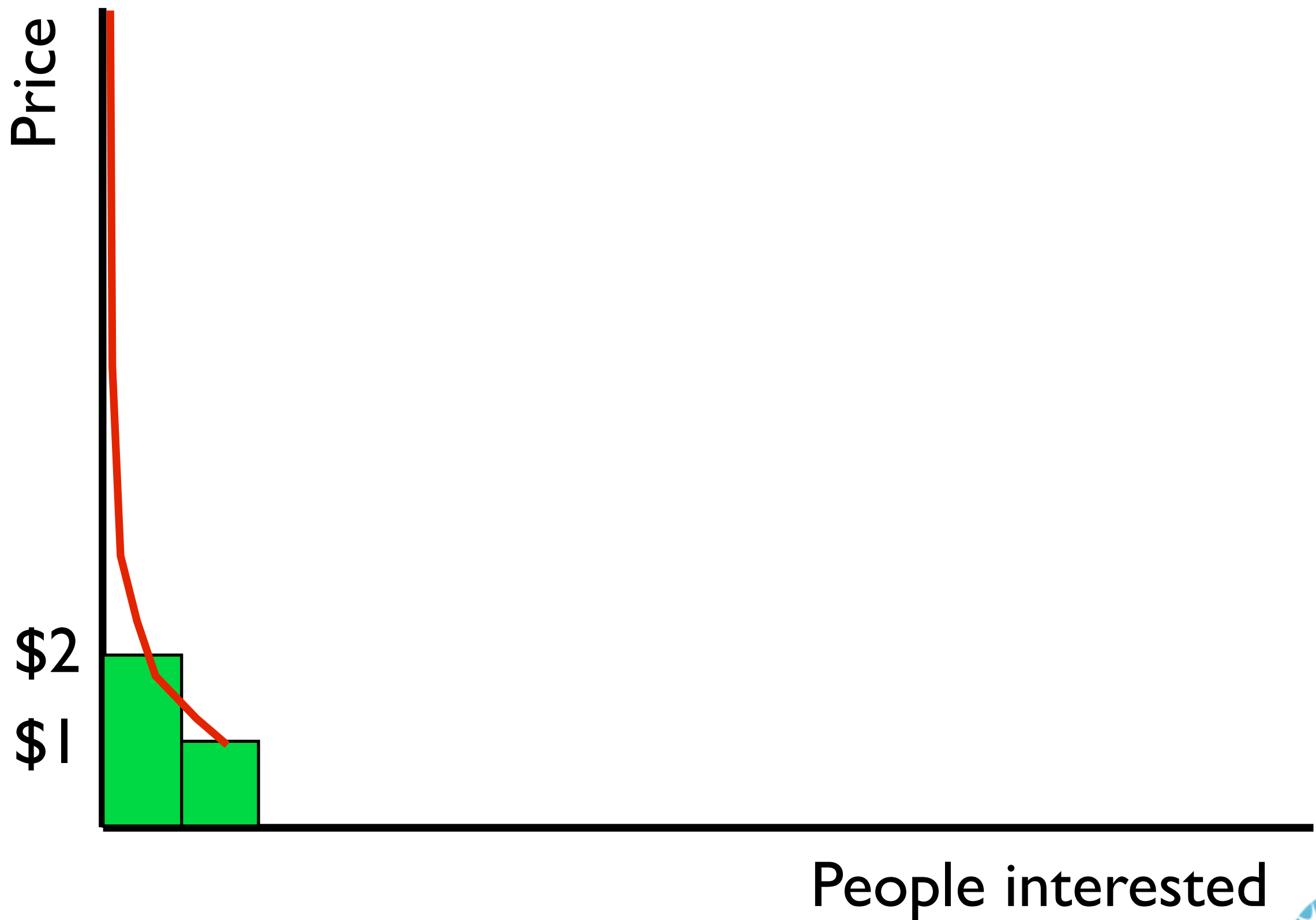
Monday, November 8, 2010

Need to have multiple IAPs to scale well



Monday, November 8, 2010

Need to have multiple IAPs to scale well



Monday, November 8, 2010

Need to have multiple IAPs to scale well

Price

\$2

\$1

People interested



Monday, November 8, 2010

Price

\$2

\$1

People interested



Monday, November 8, 2010

Price

\$2

\$1

Extra profit can be HUGE



People interested





Monday, November 8, 2010

For some large social apps

- Loyal purchaser = 20 x one-time purchaser



Monday, November 8, 2010

For some large social apps

- Loyal purchaser = 20 x one-time purchaser
- Top purchaser = 100 x loyal purchaser



Monday, November 8, 2010

For some large social apps

Fill in the blank

- 80-90% of profit comes from _____% of users



Monday, November 8, 2010

Rumor of a single user spending \$10K+ on an ngmoco game (wasn't able to track down reference)

Fill in the blank

- 80-90% of profit comes from 0.5% of users



Monday, November 8, 2010

Rumor of a single user spending \$10K+ on an ngmoco game (wasn't able to track down reference)



Monday, November 8, 2010

How do you do that? Lots of IAPs, or even better, consumables!

Revenue



Monday, November 8, 2010

Revenue now depends not just on users who buy your game/app but on the amount that use it every day

Revenue

- $R = \text{price} * \text{users}$



Monday, November 8, 2010

Revenue now depends not just on users who buy your game/app but on the amount that use it every day

Revenue

- $R = \text{price} * \text{users}$
- $R = \text{price} * \text{users} + \text{IAP} * \text{users} * p$



Monday, November 8, 2010

Revenue now depends not just on users who buy your game/app but on the amount that use it every day

Revenue

- $R = \text{price} * \text{users}$
- $R = \text{price} * \text{users} + \text{IAP1} * \text{users} * p$
- $R = \text{price} * \text{users} + \text{IAP1} * \text{users} * p1 + \text{IAP2} * \text{users} * p2$



Monday, November 8, 2010

Revenue now depends not just on users who buy your game/app but on the amount that use it every day

Revenue

- $R = \text{price} * \text{users}$
- $R = \text{price} * \text{users} + \text{IAP1} * \text{users} * p$
- $R = \text{price} * \text{users} + \text{IAP1} * \text{users} * p1 + \text{IAP2} * \text{users} * p2$
- $R = \text{price} * \text{users} + \text{IAP1} * \text{users} * p + \text{IAP2} * \text{users} * p2 + \dots + \text{CIAP} * \text{dailyusers} * pc$



Monday, November 8, 2010

Revenue now depends not just on users who buy your game/app but on the amount that use it every day

Flower Garden data



Monday, November 8, 2010

Still, results are representative

Flower Garden data

- Some disclaimers:



Monday, November 8, 2010

Still, results are representative

Flower Garden data

- Some disclaimers:
 - Counting only purchases (bundles count as 1)



Monday, November 8, 2010

Still, results are representative

Flower Garden data

- Some disclaimers:
 - Counting only purchases (bundles count as 1)
 - Counting only UDIDs (not App Store accounts)



Monday, November 8, 2010

Still, results are representative

Flower Garden data

- Some disclaimers:
 - Counting only purchases (bundles count as 1)
 - Counting only UDIDs (not App Store accounts)
 - Counting only 6 months (starting from the time only a few IAPs were included)

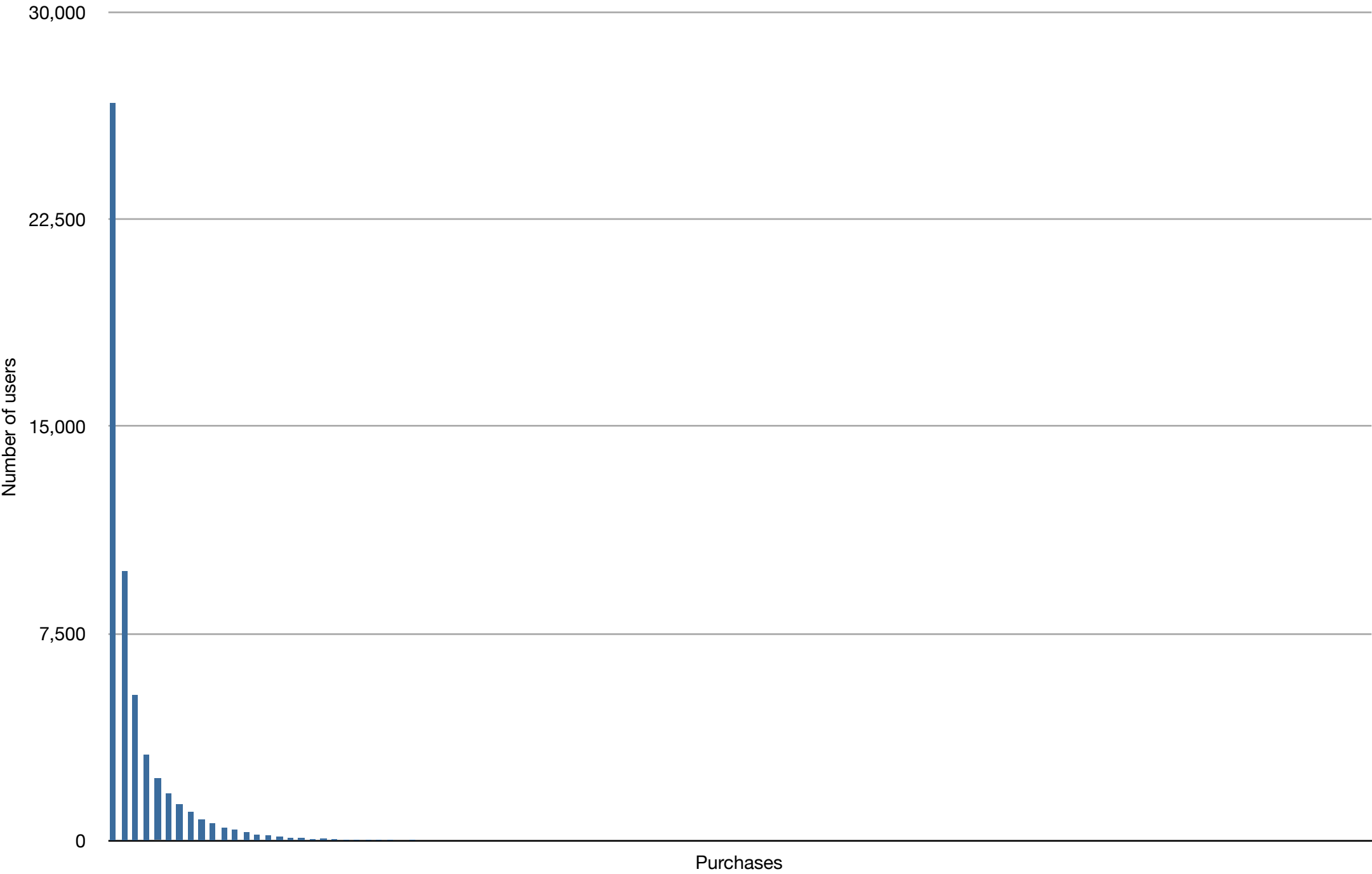


Monday, November 8, 2010

Still, results are representative

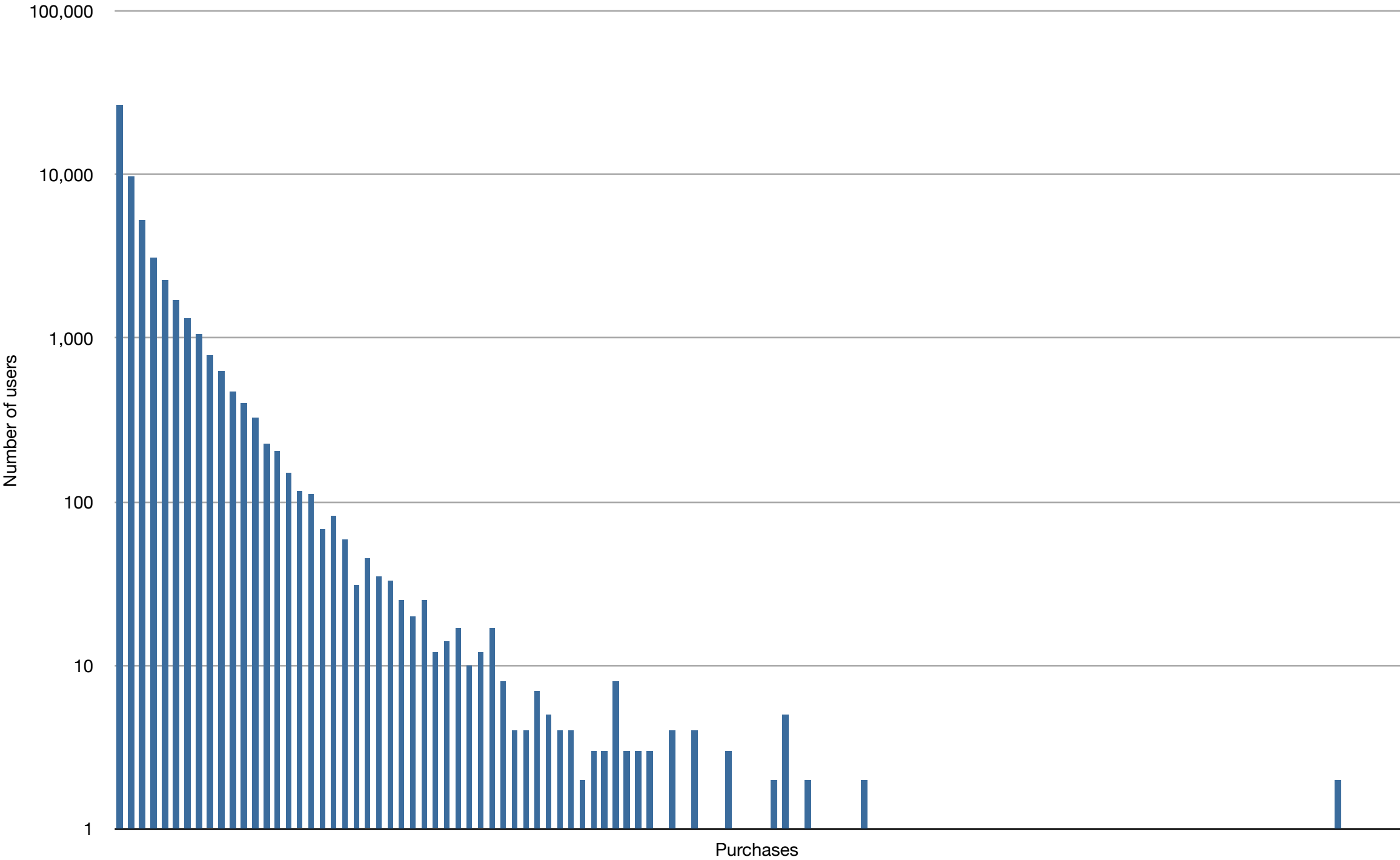
Flower Garden

Users vs. number of purchases



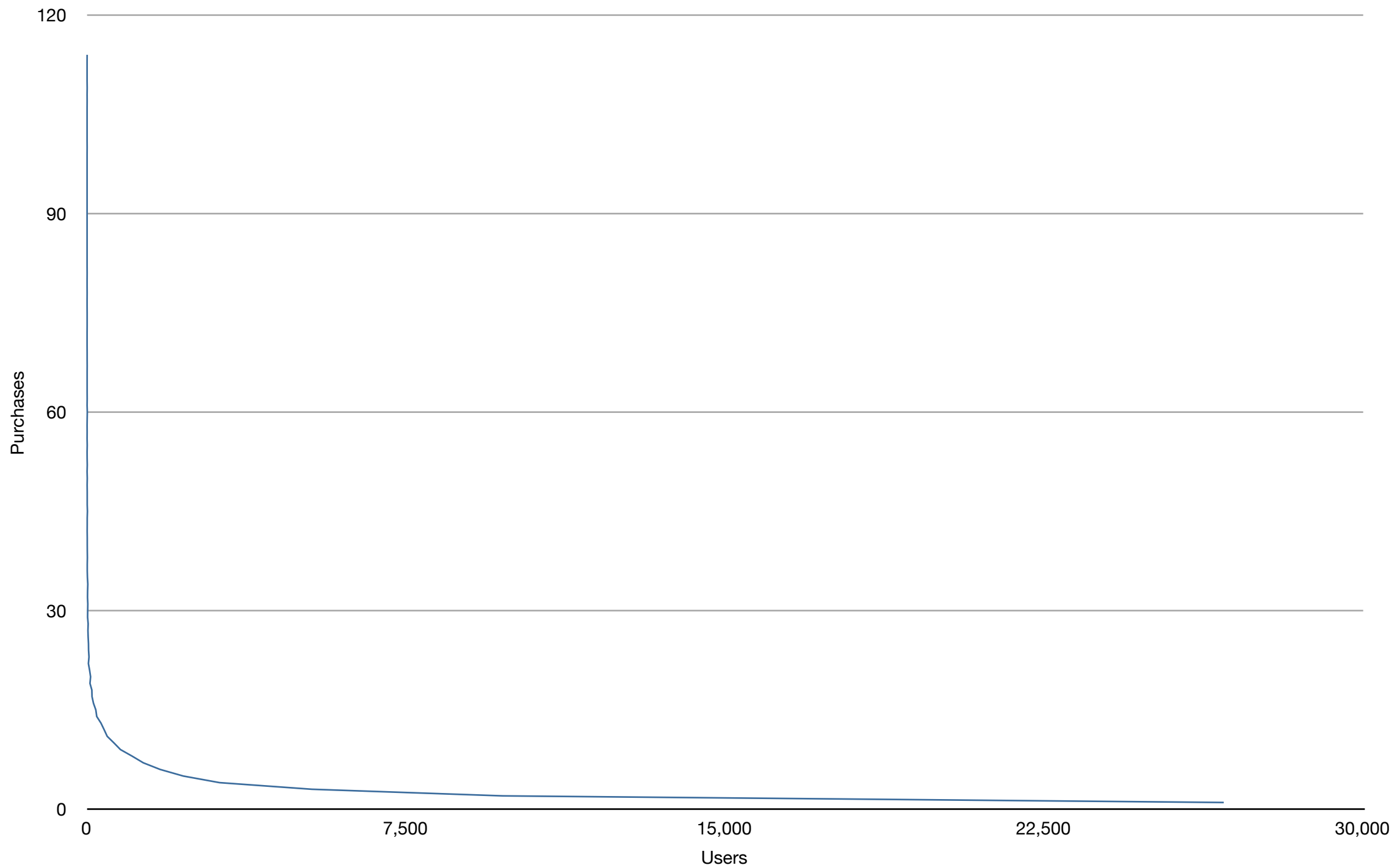
Flower Garden

Users vs. number of purchases



Flower Garden

Purchases vs. users



Monday, November 8, 2010

Textbook power curve!

Consider going free



Monday, November 8, 2010



As an artist you want as many people as possible to hear your work. Word of mouth is the only true marketing that matters.



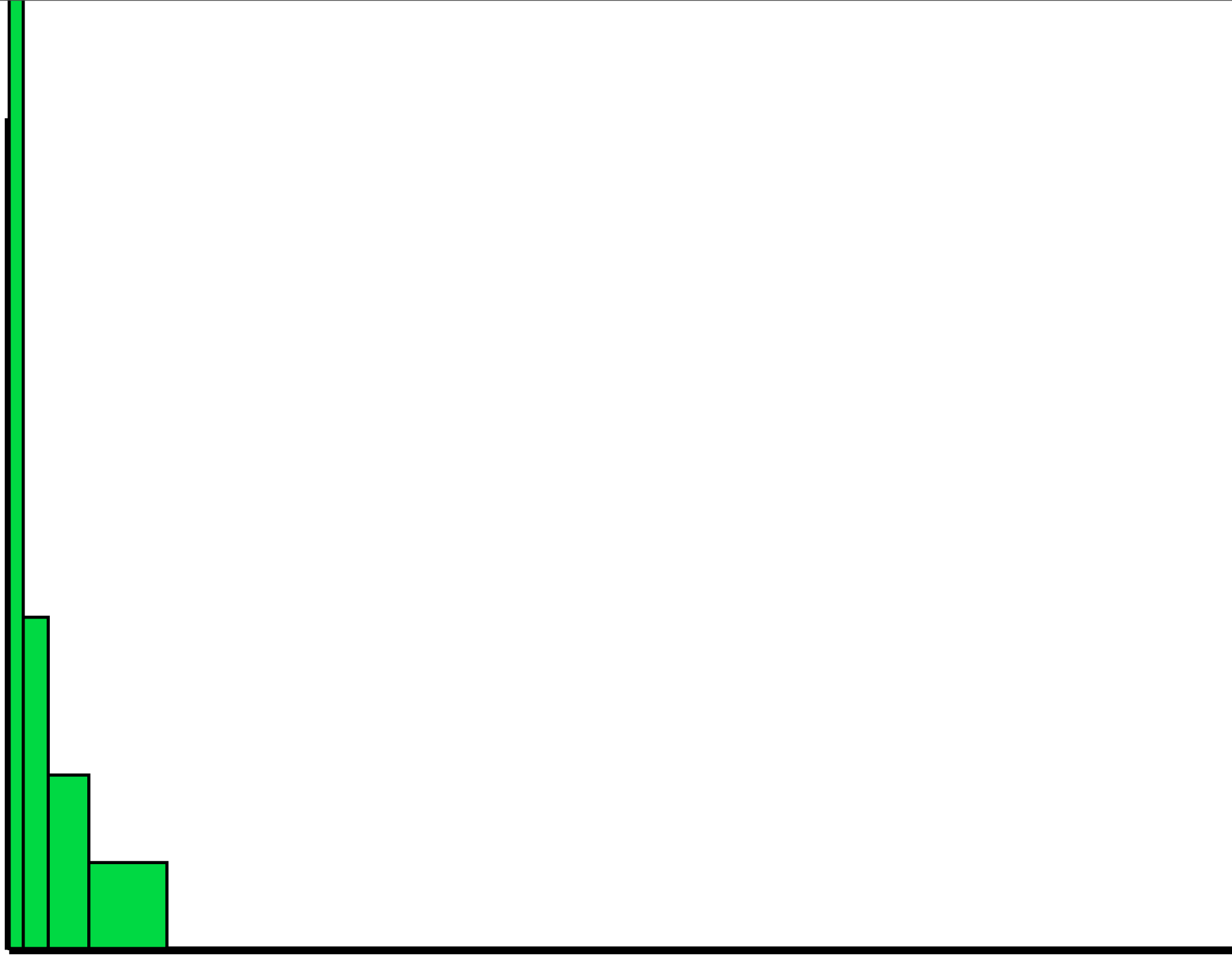
Monday, November 8, 2010

Remember him?

Price

\$2

\$1



People interested



Monday, November 8, 2010

Price

\$2

\$1

\$0

People interested



Monday, November 8, 2010

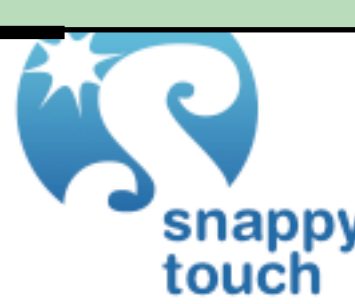
Price

\$2

\$1

\$0

People interested



Price

\$2
\$1
\$0

Amount of people interested in your
game for free == HUGE



People interested



Monday, November 8, 2010

Are free players valuable?



Monday, November 8, 2010

Extremely!

Are free players valuable?

- Word of mouth



Monday, November 8, 2010

Extremely!

Are free players valuable?

- Word of mouth
- More potential eyes



Monday, November 8, 2010

Extremely!

Are free players valuable?

- Word of mouth
- More potential eyes
- Other people want to pay to stand out



Monday, November 8, 2010

Extremely!

The magic number



Monday, November 8, 2010

Percentage of users that spend some money in a free game/app

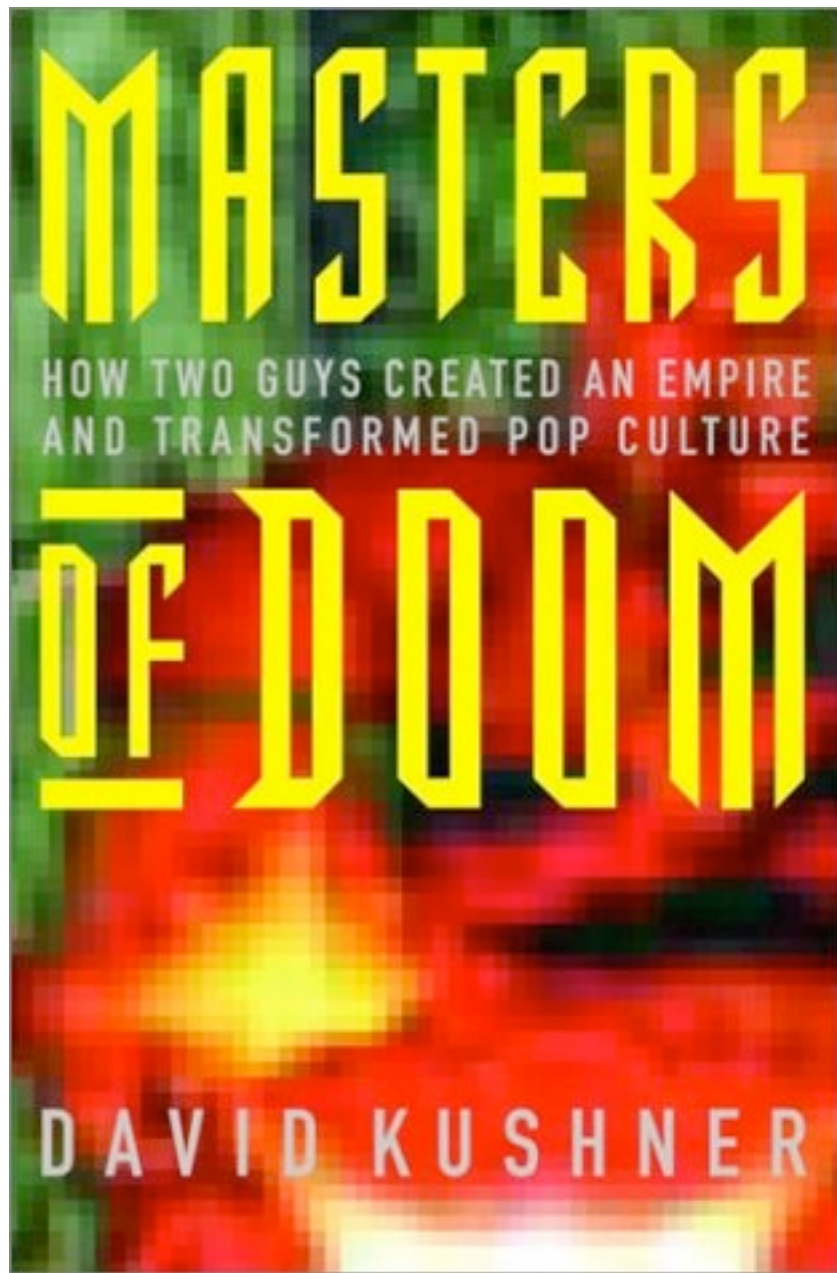
The magic number

2%



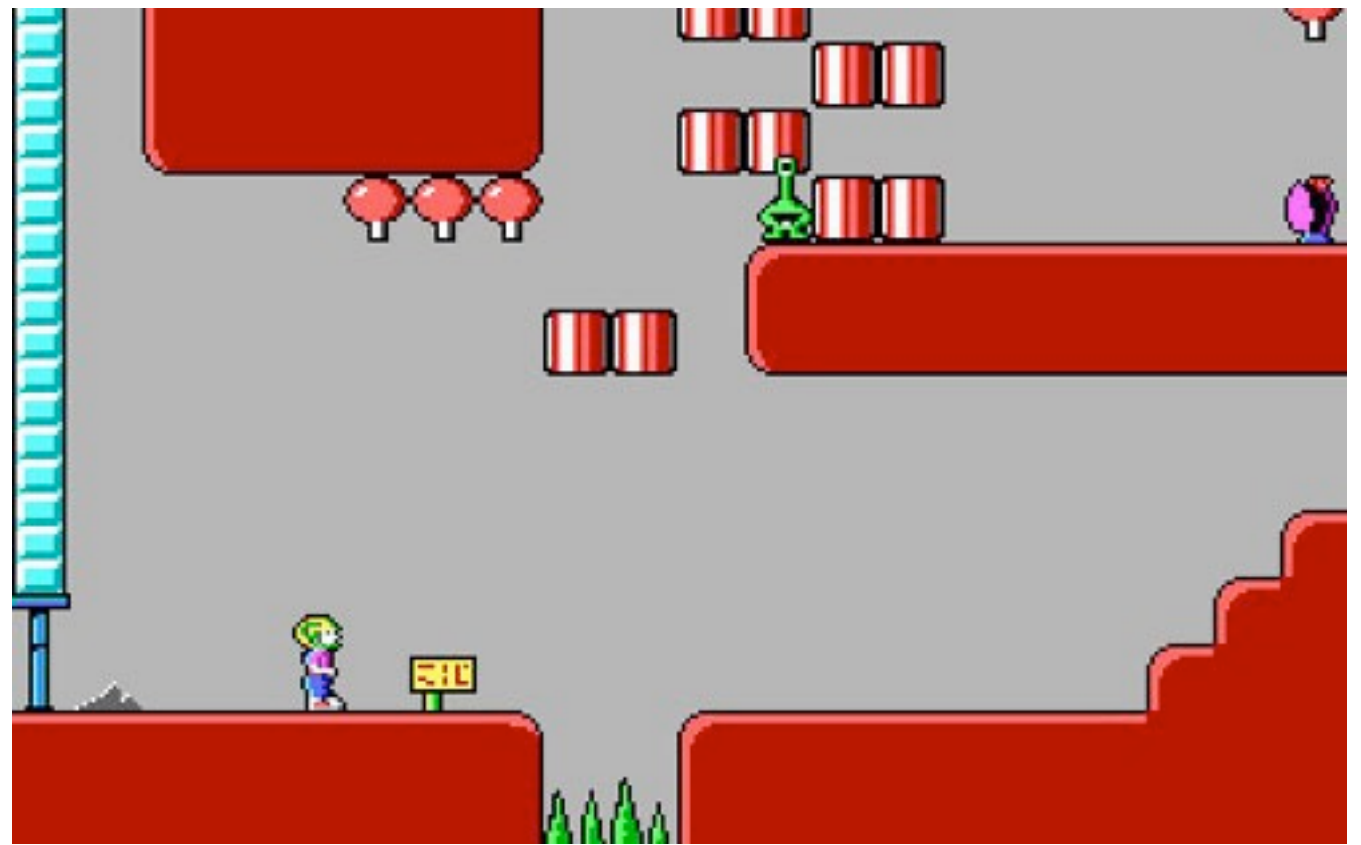
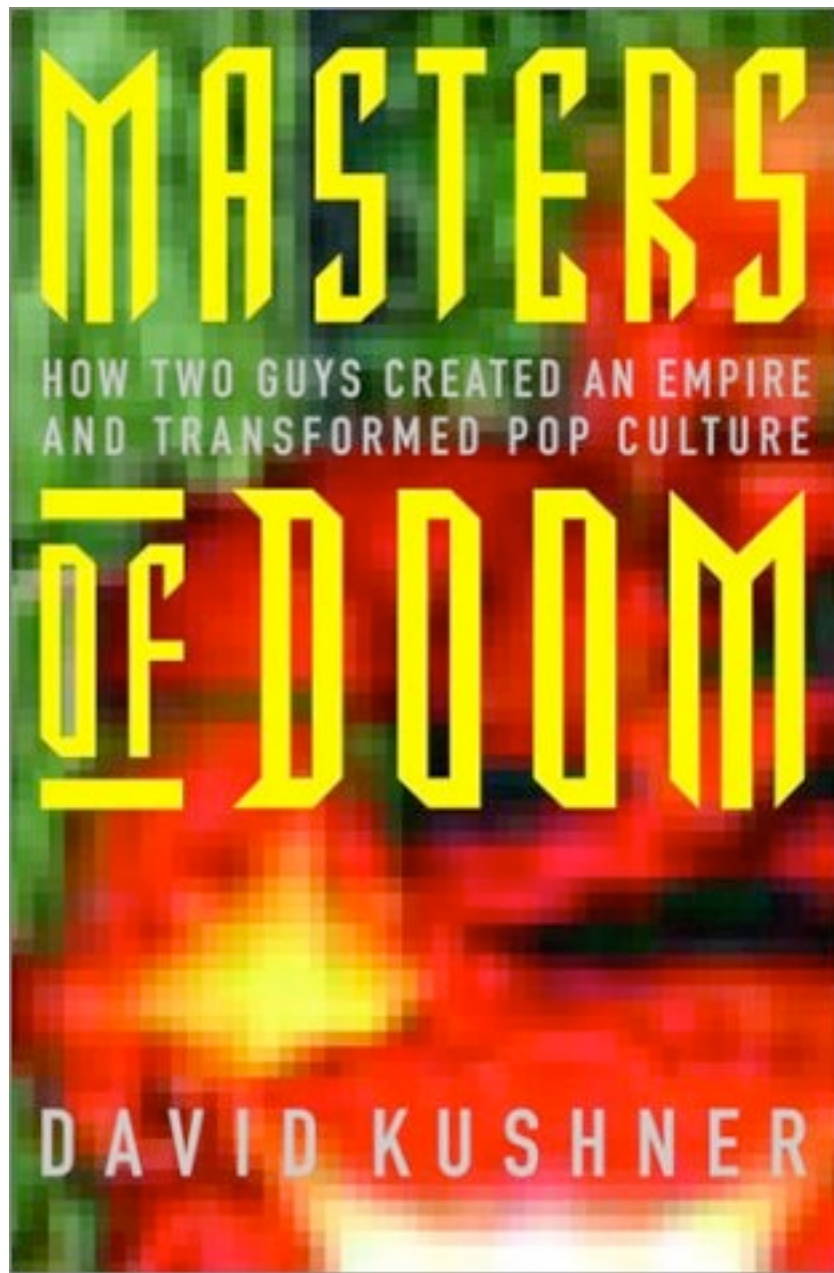
Monday, November 8, 2010

Percentage of users that spend some money in a free game/app



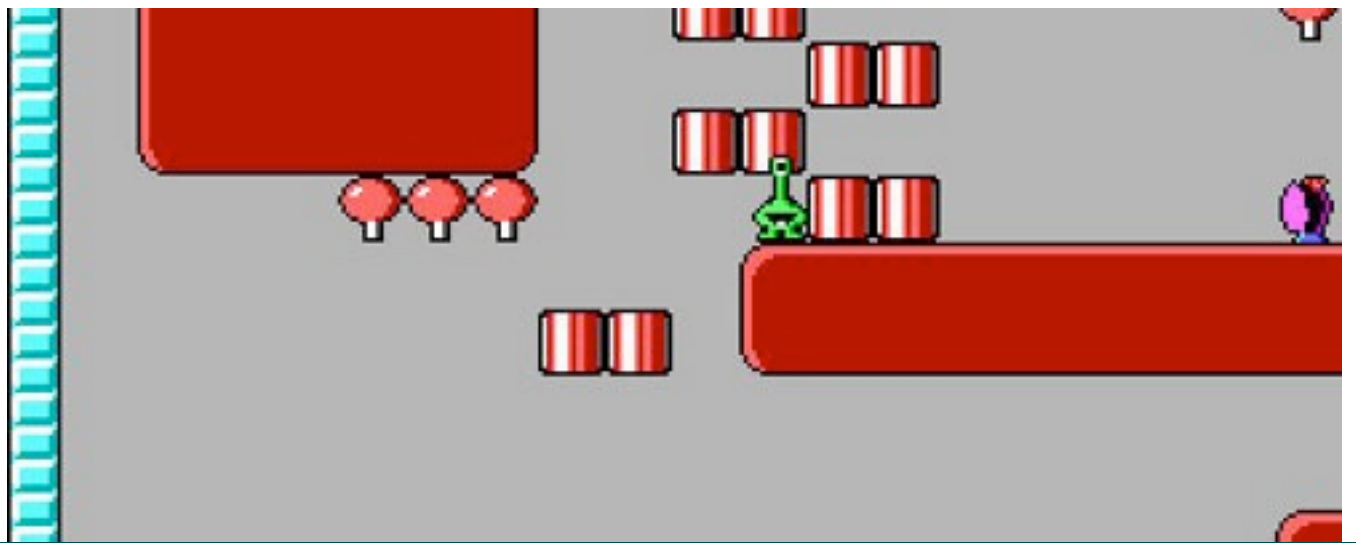
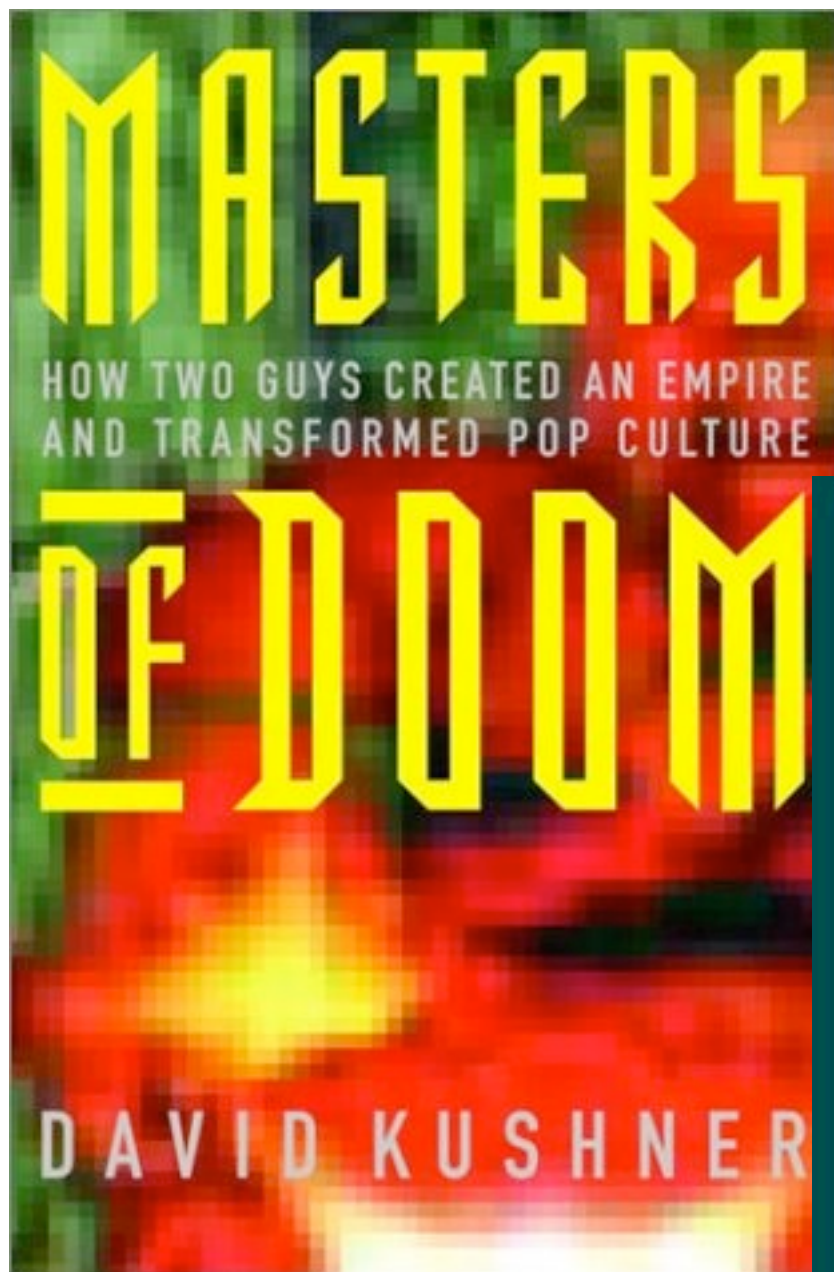
Monday, November 8, 2010

Rereading Masters of Doom
Any idea what that game is?
What do these games have in common?
Commander Keen and Wolfenstein. Shareware model. Very similar (free + paid upgrades).
Usual 1–2% conversion rate



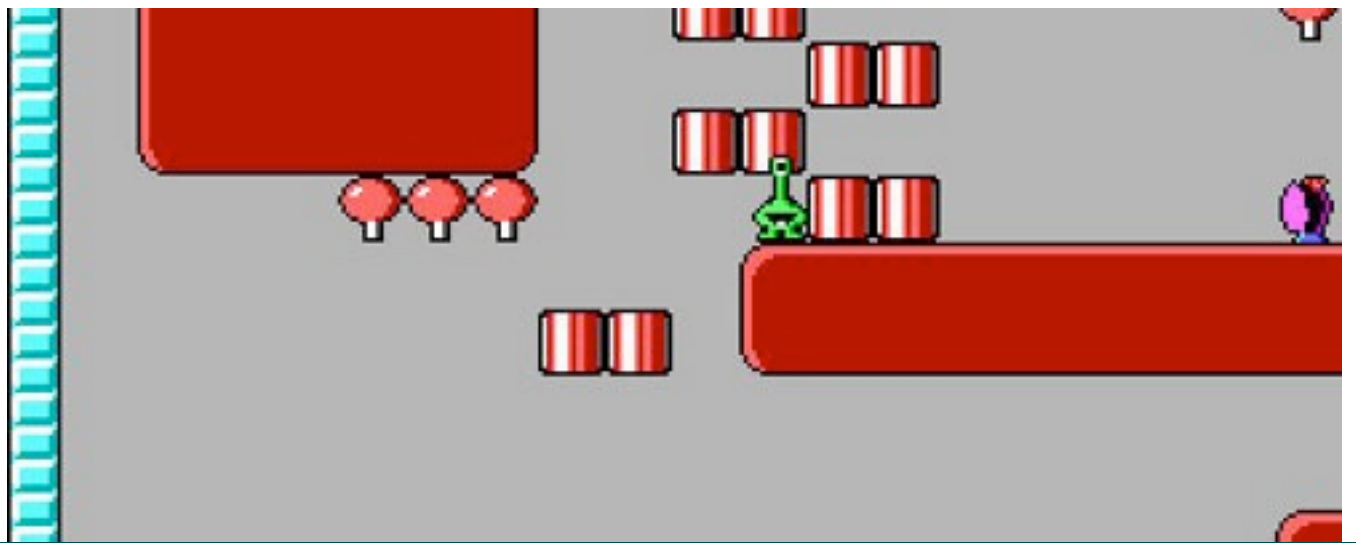
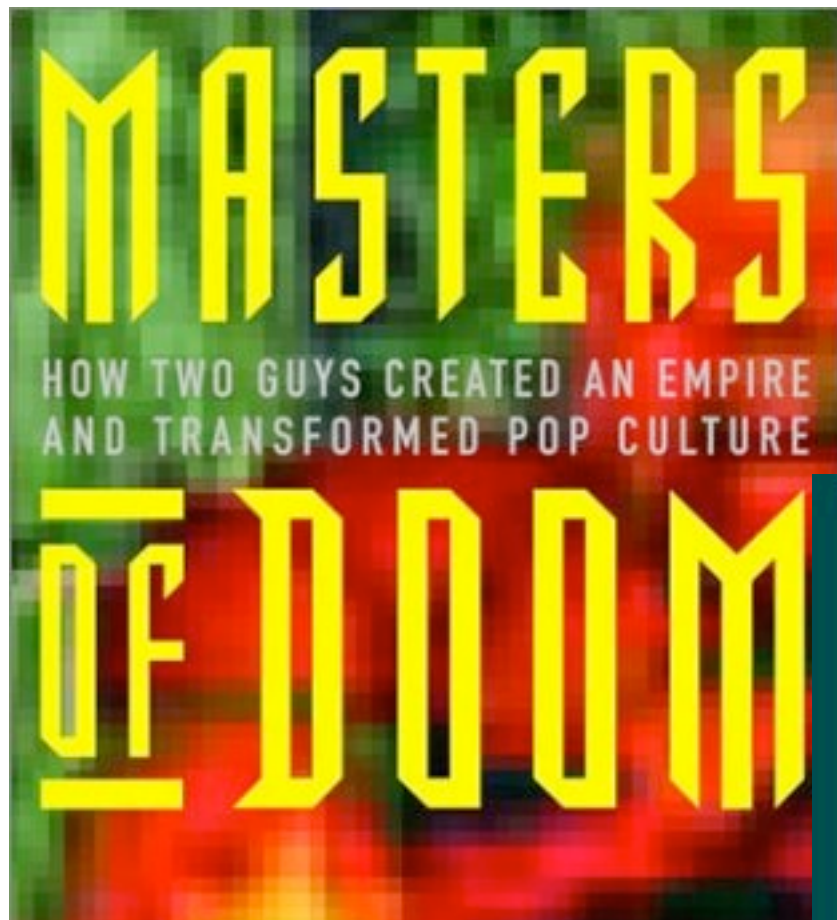
Monday, November 8, 2010

Rereading Masters of Doom
Any idea what that game is?
What do these games have in common?
Commander Keen and Wolfenstein. Shareware model. Very similar (free + paid upgrades).
Usual 1–2% conversion rate



Monday, November 8, 2010

Rereading Masters of Doom
Any idea what that game is?
What do these games have in common?
Commander Keen and Wolfenstein. Shareware model. Very similar (free + paid upgrades).
Usual 1–2% conversion rate



Monday, November 8, 2010

Rereading Masters of Doom

Any idea what that game is?

What do these games have in common?

Commander Keen and Wolfenstein. Shareware model. Very similar (free + paid upgrades).

Usual 1-2% conversion rate

Downsides of free



Monday, November 8, 2010

Of doing just one app and going free with IAP

Downsides of free

- Only one chart to compete in



Monday, November 8, 2010

Of doing just one app and going free with IAP

Downsides of free

- Only one chart to compete in
- Can't have sales (can do IAP sales though)



Monday, November 8, 2010

Of doing just one app and going free with IAP

Downsides of free

- Only one chart to compete in
- Can't have sales (can do IAP sales though)
- Always lower ratings



Monday, November 8, 2010

Of doing just one app and going free with IAP

Advantages of free



Monday, November 8, 2010

Advantages of free

- Only one app



Advantages of free

- Only one app
- Less confusion



Advantages of free

- Only one app
- Less confusion
- Easier to share content between players



Conclusions



Monday, November 8, 2010

Conclusions

- If you're not thinking of your top purchasers, you're in trouble



Conclusions

- If you're not thinking of your top purchasers, you're in trouble
- IAPs are the key to making money without a top 100 hit



Conclusions

- If you're not thinking of your top purchasers, you're in trouble
- IAPs are the key to making money without a top 100 hit
- Consumables are awesome



Conclusions

- If you're not thinking of your top purchasers, you're in trouble
- IAPs are the key to making money without a top 100 hit
- Consumables are awesome
- Implement it right to avoid a backlash



Conclusions

- If you're not thinking of your top purchasers, you're in trouble
- IAPs are the key to making money without a top 100 hit
- Consumables are awesome
- Implement it right to avoid a backlash
- Do. It. Now! :-)



References



Monday, November 8, 2010

References

- <http://www.gamesbrief.com/2010/08/whales-power-laws-and-the-future-of-media/>



References

- <http://www.gamesbrief.com/2010/08/whales-power-laws-and-the-future-of-media/>
- <http://www.slideshare.net/socialgold/virtual-goods-forumukvikasv161710>



References

- <http://www.gamesbrief.com/2010/08/whales-power-laws-and-the-future-of-media/>
- <http://www.slideshare.net/socialgold/virtual-goods-forumukvikasv161710>
- <http://forum.nin.com/bb/read.php?30,767183>



Contact

- Noel Llopis
- noel@snappytouch.com
- Twitter: @snappytouch
- <http://gamesfromwithin.com>



Contact

- Noel Llopis
- noel@snappytouch.com
- Twitter: @snappytouch
- <http://gamesfromwithin.com>

Questions?

