

A sensitive issue – iPhone App Pricing

Insight from the iTalk Online Research Community

It's widely recognised that the success of Apple's iPhone has a lot to do with iTunes and the mammoth number of apps in the App Store. With more than 100,000 apps available across many categories, it seems there's an app to suit everyone, for every need.

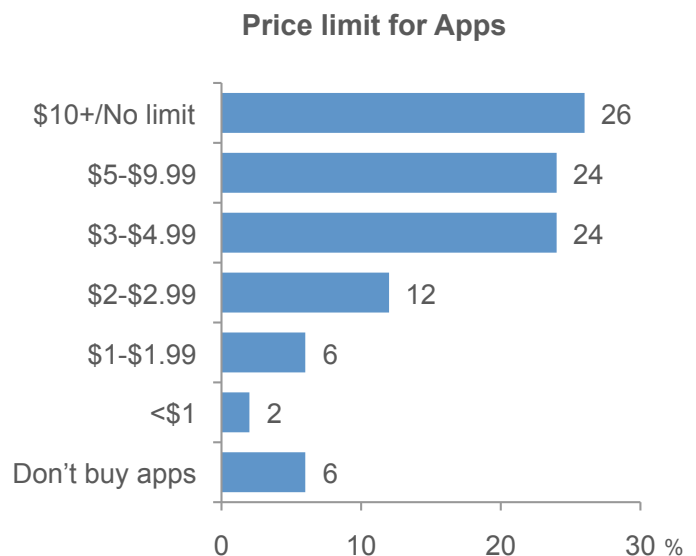
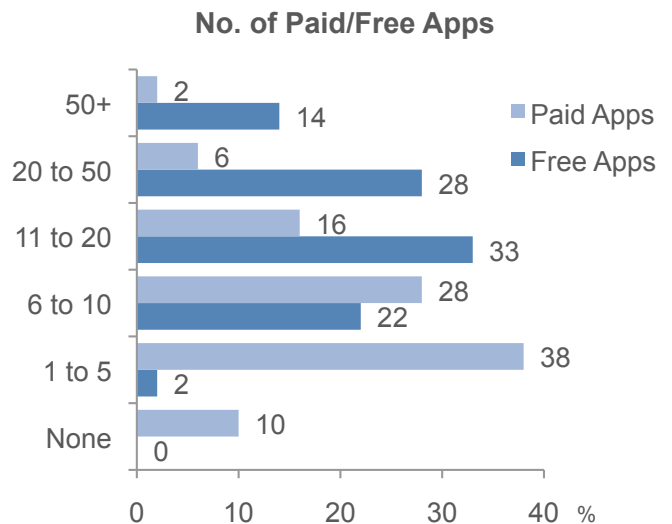
However, despite apps being a legitimate and increasingly powerful distribution channel for content, services and brand experiences, iPhone users are seemingly reluctant to spend a lot of money to access paid apps.

It's not surprising that people have more free apps, than paid apps. Even when it is estimated that 70% of apps in the App Store are paid apps*, that still leaves tens of thousand free apps to download.

Almost four in ten iPhone users in our community had no more than 5 paid apps on their phone, while 10% did not have any paid apps. Conversely, more than three-quarters of the community had more than 10 free apps on their iPhones.

When it comes to price sensitivity, one in four people were willing to spend in excess of \$10 for an app. But the threshold for others was as little as a couple of dollars.

Downloading apps is a fairly regular activity for iPhone users, with 32% doing it at least weekly, while 30% were downloading at least fortnightly.



* PinchMedia

Agonising over apps

For some iPhone users, even at low price points, downloading an app is not a quick and easy decision. They can find themselves deliberating over a few dollars, or seriously trying to rationalise a need for the app. There's recognition that this behaviour is incongruous with how they spend money in other categories.

"Price does matter and given that most are less than \$5 and I spend that on a coffee, I have no idea why it matters. I think its because there are so many free ones and I'm still working through them, there is no need to pay"

"The most I've paid for an app is \$3.95, and I can't believe that I hesitated to do so"

"I am dancing around the idea of a \$6 app at the moment that I really want, but am not rushing in. Weird psychology really, since I have no problem throwing far more than that away on far more frivolous things"

So why are people price sensitive when the cost is typically minimal?

- The plethora of free apps has created a mindset that apps should be free or very low cost
- For many, apps are a throwaway item – something that is amusing for a short time before a new app takes its place
- It's difficult to ascertain the 'value' of an app, or determine its 'quality' prior to purchase, hence there is a fear of wasting money or being disappointed
- The cost of downloading is factored into the overall cost of the app

But not everyone is reluctant to spend money on apps – so long as the app delivers what it promises and there is perceived value. Value can come from entertainment, utility and particularly from apps which make people's lives easier in some way.

Attitudes towards paying for apps are also influenced by the way people use their iPhones. For some it is still a communications device with advanced gaming capabilities, while others have explored ways in which apps and the device itself can be relied upon for other purposes and integrated into their personal and work lives. Apps that 'do' something and have a tangible impact on time or convenience, etc, can be worthwhile and valued purchases.

Can brands charge for their apps?

Apps are gradually being recognised as a new distribution channel for brands, particularly those which can deliver content, or provide access to their services via mobile internet. Furthermore, many iPhone users are looking for more brands to engage with them via their mobile device, however, not at a cost.

iPhone users are looking for new interactions or ways of dealing with companies anywhere, at anytime, and branded apps provide companies with another opportunity to connect with their customers. But, most brands can not charge for access to their own distribution channels, or for content that is not unique – why pay to access something that can be obtained elsewhere for free?

There will be, of course, exceptions, particularly when a branded app can be a primary distribution channel for unique content or intellectual property, and/or the experience has significant benefits and value to the consumer. Although, at this point in time, consumer brands are yet to fully explore how they can become part of their customers' lives via owning app territory on their customers' Smartphone.

Implications for iPad

The low-cost or no-cost pricing of most apps may well have an impact on the uptake of paid apps and content delivered to iPads via the iTunes App Store. It is not unreasonable to suggest that Australian consumers are not yet ready to embrace a user-pays approach for digital content. Owning the latest device is one thing, paying for additional content is another.

It's a matter of whether the device (iPhone or iPad) is a true lifestyle tool, or merely a communications or entertainment unit. iPhone users who have integrated their Smartphone into their lives in more ways, appear to also be more likely to pay for apps. It may take time for people to find a true role for iPad in their lives, and that's when they'll be more likely to consider paying for apps, or at least substituting other content with iPad apps.