

# How many App users do you need to Be successful?

I get this question all the time:

“Hey Armando... We’re coming to the point in development of our new app startup and we have no idea how many users we need to be successful. Can you help?”

Building a web or mobile application can be time and cost expensive and it is not developed from the ground up with the user’s experience, engagement and retention in mind, your app can be among the 78 percent of apps users never return to after registering.

Before you can know how many users you need to be successful, you need to figure out other things as well.



The amount of users you need to be successful depends on many things, such as pricing model used, niche targeted and market competition.

Many companies come to us and want to provide it for free, they hear of success stories such as Angry Birds, SnapChat and Candy Crush and think that they can succeed with the same model.

Providing your application for free can be risky, as free apps have little value in the eyes of the user, but you can increase usage by providing a free trial period.

People are cautious about cheap or free products. The free model rarely works for those without huge marketing and development budgets, and have money to burn initially. For example, when YouTube was started, they offered the service at no cost and free of advertising all the while running up a 15 million dollar a month hosting and development debt. YouTube was able to be successful due to high user engagement and high user return rate, which they parlayed into a sale to Google.

Even Snapchat, a 100% free app was purchased for an unbelievable \$3 billion-dollars by Facebook because of its incredible user engagement numbers (currently over 400 million photos shared per day).

A user simply wants to improve his or her situation, whatever that may be. Your app should improve it. YouTube allowed users to improve their current situation by making video searches for efficient, Snapchat allowed users to transfer pictures securely and privately. This is how you draw and retain users.

There are 3 major modern app pricing strategy models and each one determines the engagement and amount of users you need to be successful.

**Freemium** – Freemium is a pricing strategy by an app is provided free of charge, but money (premium) is charged for proprietary features, functionality, or virtual goods. This app works well

with games and business applications that house historical or important information. Using this model, downloads must be high because under several studies, 97% of users will NEVER pay you a dime, so in order to make a profit you have to get many users signed up and engagement has to be very high.

For example:

If you have 1000 users and you get a 2-3% conversion and your pricing is \$19.99, you will be making roughly \$600 per month, which would not be enough to cover hosting, data fees and support. Even at 25,000 highly engaged users you would struggle. The burden to get new users is high in this model and requires a substantial advertising budget.

Remember, when you hook someone with “free” it becomes almost impossible to charge them for access later on, this is why the conversion rate is so low.

Candy Crush Saga, a Freemium game, generates almost \$1,000,000 per day because of its high engagement and user base.

**Free (Advertising supported)** - Again, this pricing strategy requires high amounts of users, even more than the Freemium model. According to a major company that provides in app advertising analytics, Android developers received an average \$101.76 per 1,000 users. There is a myth that ads bring millions for developers, but the truth is that they don't bring in as much money as is generally thought.

This has led to developers using tricks such as the very annoying popup ads or placing fundamental UI buttons near ads, so that users accidentally click the ad.

**SaaS (Software as a Service)** - SaaS is a way of delivering applications as a service instead of a product. Instead of installing and maintaining software, you simply access it via an app and it is paid monthly, quarterly or yearly.

SaaS requires the least amount of users, even less if you service a niche industry or group such as “Air conditioner repairmen”. Engagement is irrelevant to your pricing, as your user base will likely pay for your app for one main feature such as inventory tracking or GPS tracking.

If you can, SaaS is the best pricing model because it provides reoccurring revenue and the burden for user signups and engagement is much lower.

With the proper app implementation and marketing strategy, an app can succeed with any of these models.

Before begging any app project, be sure to know how many users you need to signup, pay and engage to be successful, this affects app development such as UI and infrastructure from the ground up.

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