



# The State of In-App Spending



Global & Regional Benchmarks, 2016



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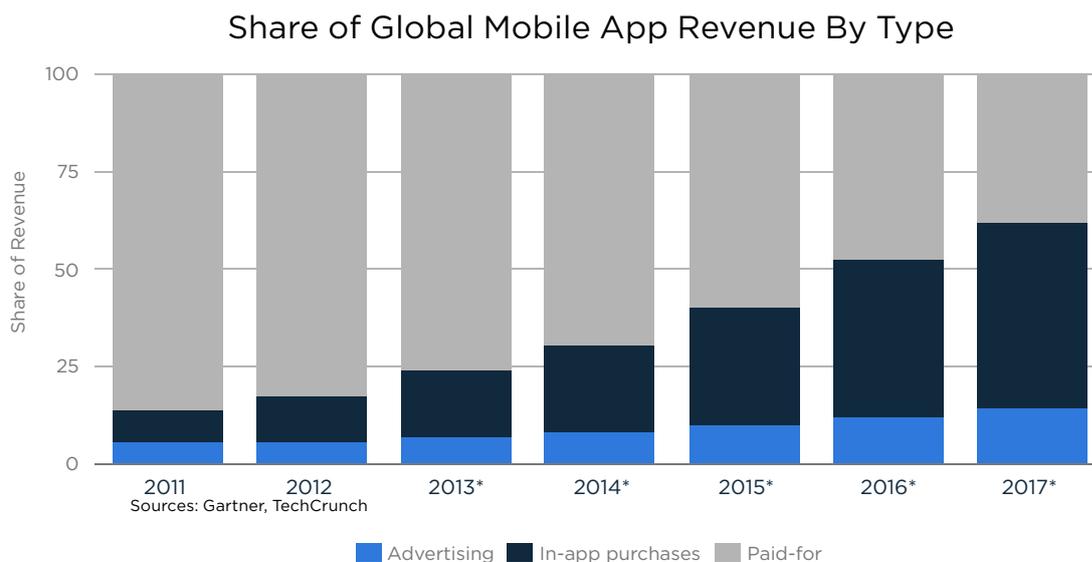
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## Introduction

In the 2016 app economy, buying smart is often the difference between success and failure. Sophisticated app marketers are now optimizing their campaigns based on the fundamental understanding that lifetime value (LTV) is the most important KPI they have to measure. When the LTV of a user is higher than the cost to acquire that user, the app is ROI positive.

However, this seemingly simple formula is anything but. Measuring the LTV of an average app user is centered on two main parameters:

**1) Monetization:** Revenue generated by app developers from in-app advertising, premium models, subscriptions, and in-app purchases (IAPs). In a freemium-dominated space, reliance on IAP revenue is growing, so it is no wonder that it is projected to grow from \$14 billion in 2015 to [\\$37 billion](#) by 2017.



**2) Retention:** A highly important engagement KPI that measures how active your users are (see [The AppsFlyer Performance Index](#) ranking top ad networks based on their retention, and [The State of App Marketing](#) which explores retention by category and channel).

In order to help app marketers predict and measure their LTV but are missing key data points and insights into in-app purchases, AppsFlyer presents *The State of In-App Spending* — the industry's most comprehensive report on the subject to date. This report provides detailed global and regional benchmarks that include an overview of all categories combined, in addition to a breakdown of the top three categories: gaming, shopping and utility/tools.

## Methodology

- Duration: April-May 2016
- Spend: \$300 million worth of in-app transactions
- Number of Apps: Over 1,000 apps that have in-app purchase activity
- Unique Users: 100+ million
- Purchase events measured: Nearly 30 million

### Notes

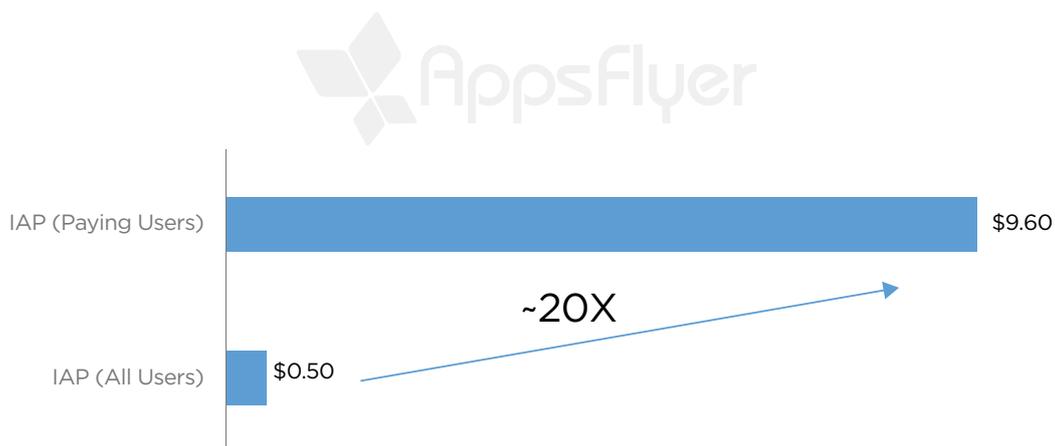
- In-App Purchases (IAP) includes any transactions performed in-app (a virtual goods purchase where the app store takes a cut, booking a flight in a travel app, etc.)
- Global data totals all categories (not the total of categories included separately in the study)

## Key Findings

### 1) The Paying User is King

In the app space, a huge gap exists between paying and non-paying users. To best illustrate this point, the average global paying user spends \$9.60 a month per app, which is 20 times more than the average user (taking into account both paying and non-paying users). Since only about 5% of users make purchases, each and every one of them has significant importance for developers.

Monthly In-App Spend Per User, Per App With Purchase Activity  
(Global, April-May 2016)

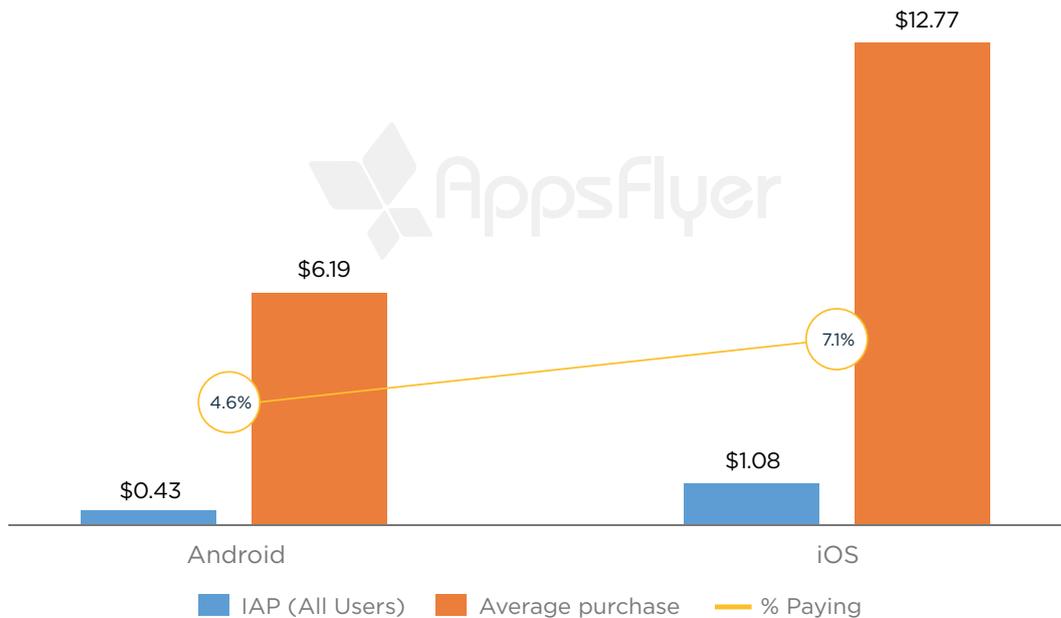


### 2) iOS Users Outspend Android

iOS users spend nearly 2.5 times more than Android users on in-app purchases, while the former's average purchase value is double the latter's (\$12.77 vs. \$6.19). The percentage of users who make in-app purchases on iOS is also 50% higher than on Android. Overall, iOS dominance in in-app spending was seen across regions and verticals, with the exception of the utilities/tools category (see point #8 for more).

**Key Findings**

Monthly In-App Spend Per User, Per App With Purchase Activity  
(April-May 2016)



**3) Mobile-First Asian Users Ahead of the Pack**

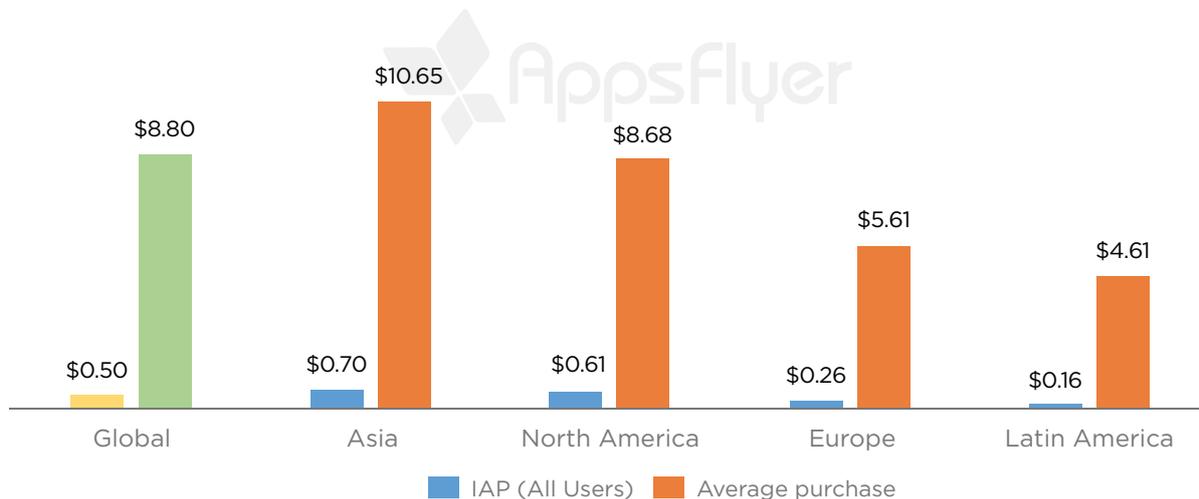
The average global user spends \$0.50 a month per app with purchase activity (spend includes all transactions that occur in-app). A regional comparison puts Asian users ahead of every other region, with a \$0.70 average spend, followed by North American users who spend \$0.61. Europe and Latin America trail far behind. The same pattern holds true when isolating spend on iOS and Android, and when looking at the average purchase value.

These findings suggest that when comparing different users across the globe, [mobile-first Asian users](#) are more likely to both trust and rely on their mobile-savviness to spend money in app.

Asians are also the most avid spenders on in-app gaming purchases, with a 75% higher spend and a 85% higher average purchase than the global user (\$0.56 vs. \$0.32 and \$12.92 vs. \$7.00, respectively).

**Key Findings**

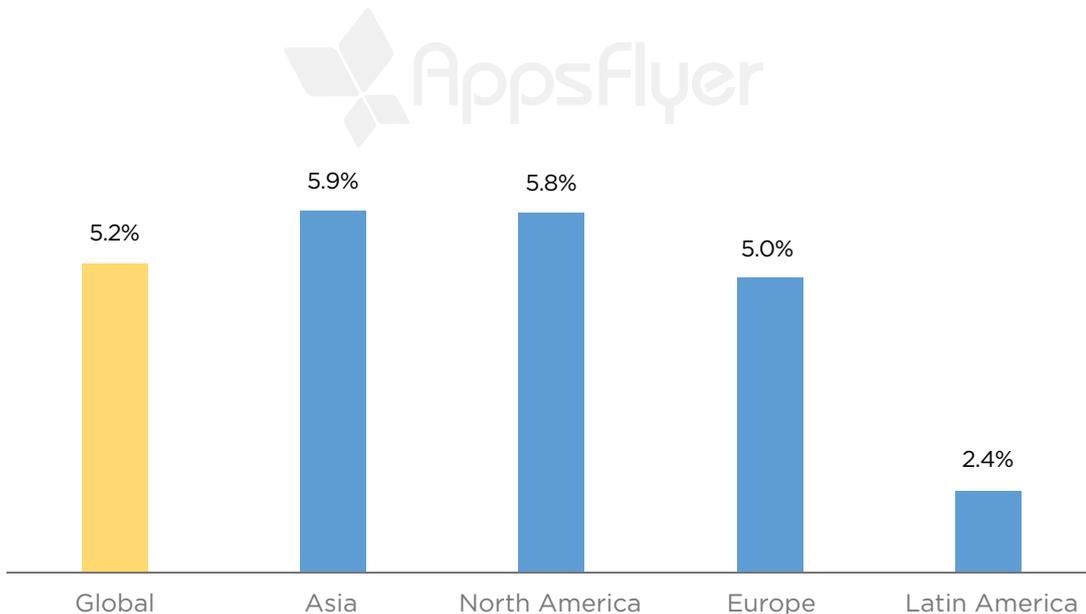
Monthly In-App Spend & Average Purchase Per User, Per App  
(April-May 2016)



**4) Latin America Still Adapting to the Mobile Era, But They Have Great Whales**

Latin America is still an emerging market when it comes to mobile and this is especially true when examining conversions and actual money being spent. Indeed, the share of users making in-app purchases in Latin America is about half their share in other regions. However, those who do spend are extremely valuable, spending 48 times more than the average user.

Share of Paying Users by Region



## Key Findings

### 5) Gaming Apps Are All About Whales

It is a well-documented fact that a very small percentage of gamers contribute a significant share of the in-app revenue in gaming. It's called the [whales phenomenon](#). In line with this trend, our data showed that only about 3.5% of gamers spend money in-app, but those users are big spenders, spending 30 times more than the average gamer (paying and non-paying) with \$9.39 vs. \$0.32 a month per gaming app.

### 6) North American Shoppers Reign Supreme

The average North American user spends \$2.48 on in-app purchases per shopping app. North America was a clear frontrunner as compared to other regions, with over 3 times higher spend than the average European app shopper, and nearly 3 times more than the Asian shopper. This pattern is even more evident when looking at the average in-app purchase value, with the North American user spending \$42.58, far more than any other region (4x when comparing to Asia's \$11.13).

### 7) Android Users Love Utility Apps

The fact that Android is an open OS means it is a much stronger platform for utility apps, offering many more functions (memory boosters, launchers, anti-virus etc.) than the more closed iOS platform. This explains the high percentage of Android users globally who spend money in utility apps: 5 times more than iOS users, reaching over 1 in 5 users. As a result, the average in-app spend per app for Android users stands at \$0.85 compared to only \$0.24 in iOS.

### 8) Shoppers & Gamers Are Worlds Apart

The average global app gamer and shopper are two completely different animals. First, only about 3% of gamers make in-app purchases compared to 12% of shopping app users. This makes sense as the act of downloading a shopping app indicates strong intent to make a purchase. Furthermore, the average purchase of a virtual good is obviously much lower than a physical good (\$7.00 vs. \$36.54).

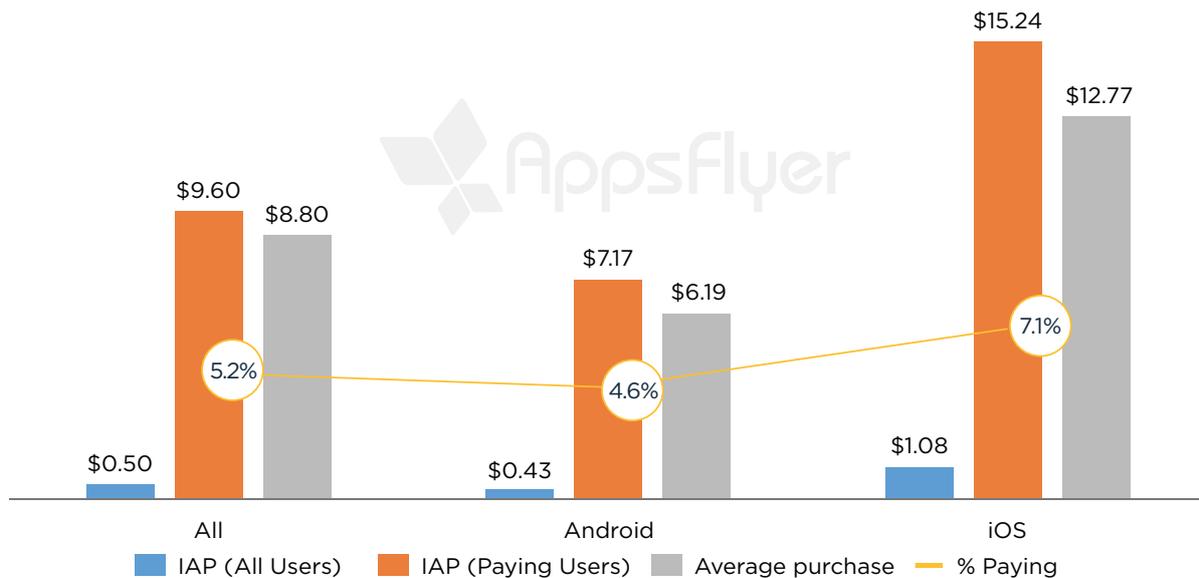


# Global & Regional Benchmarks

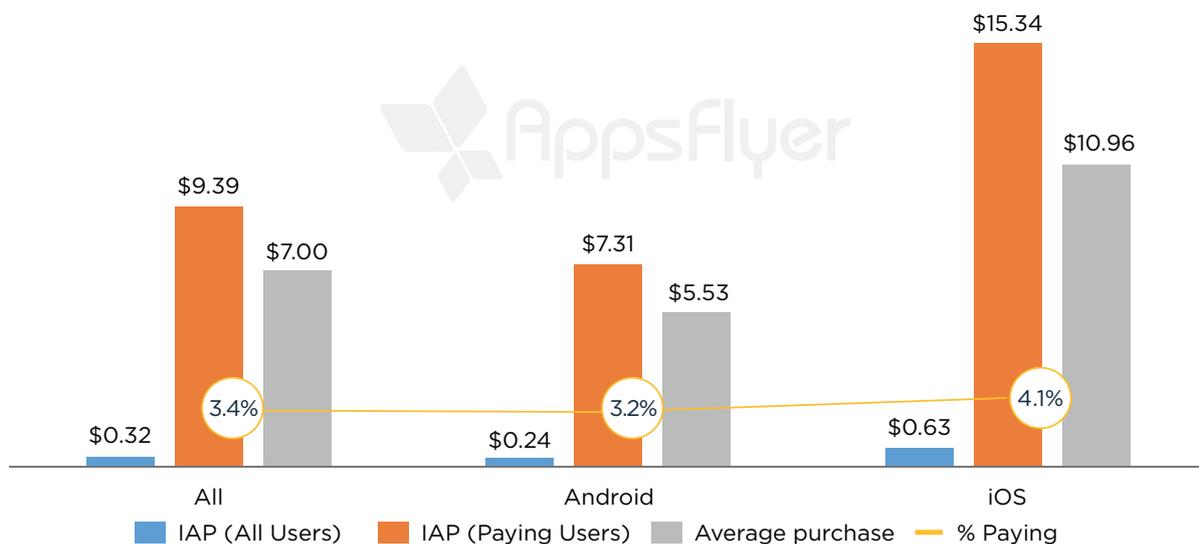




Monthly In-App Spend Per User, Per App With Purchase Activity  
(Global, April-May 2016)

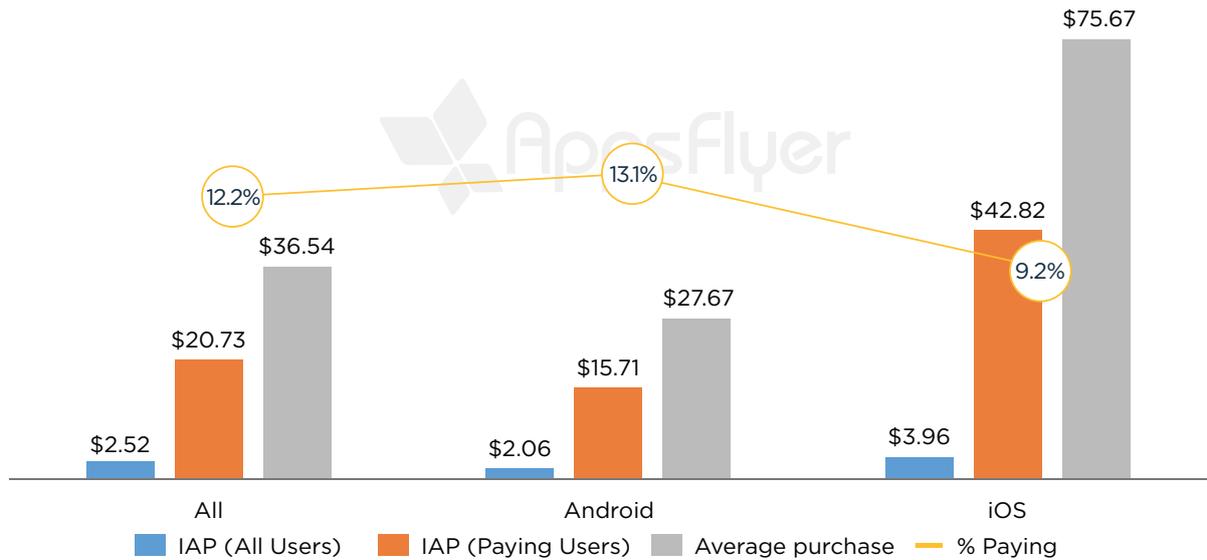


Monthly In-App Spend Per User, Per Gaming App With Purchase Activity  
(Global, April-May 2016)

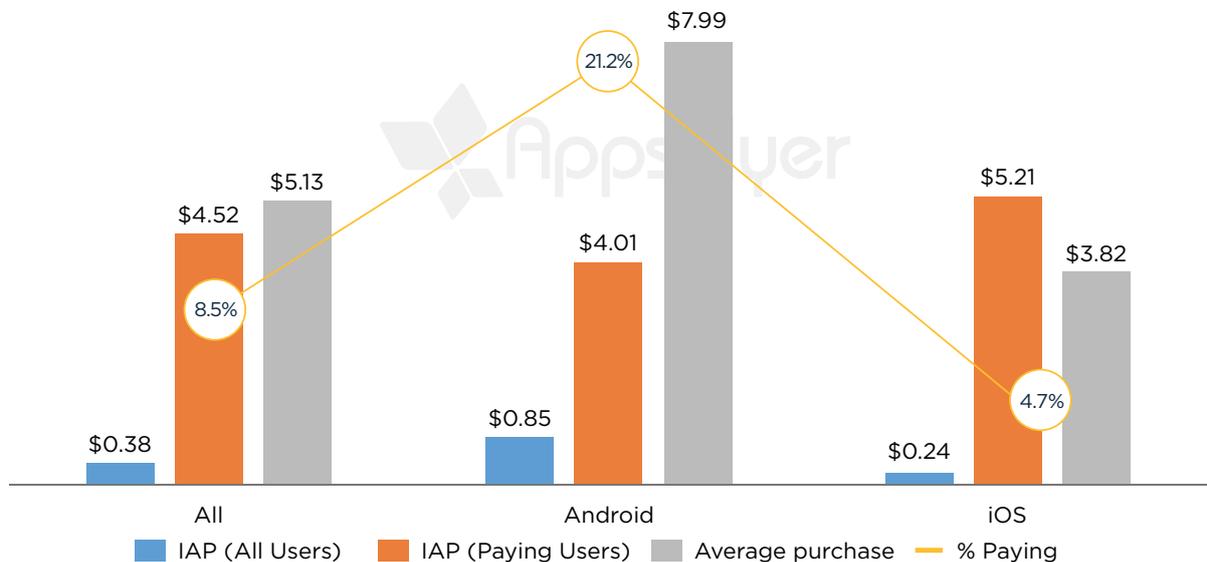




Monthly In-App Spend Per User, Per Shopping App With Purchase Activity (Global, April-May 2016)



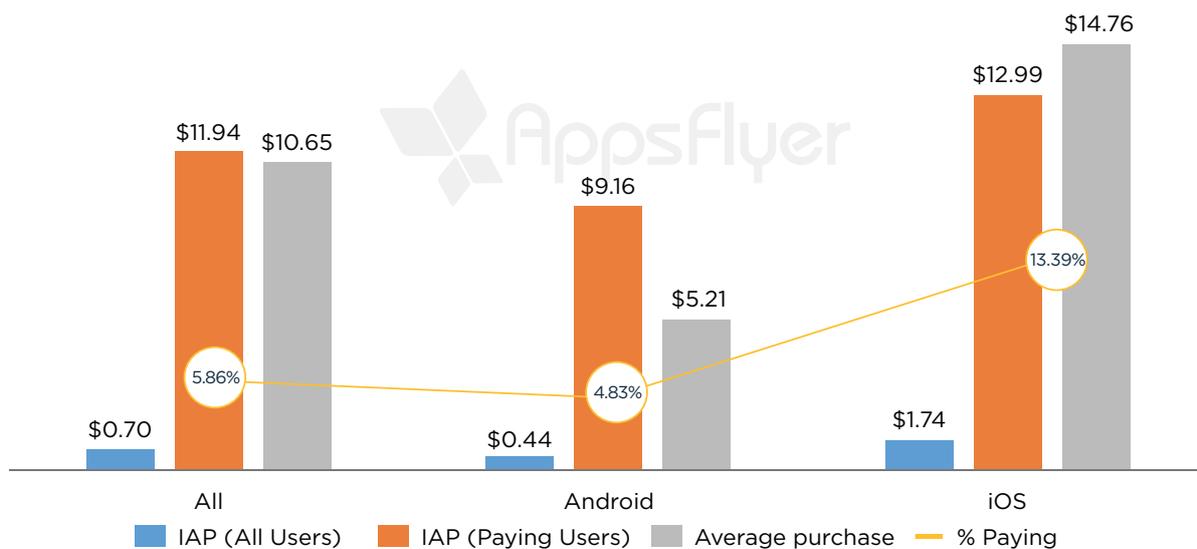
Monthly In-App Spend Per User, Per Utility App With Purchase Activity (Global, April-May 2016)



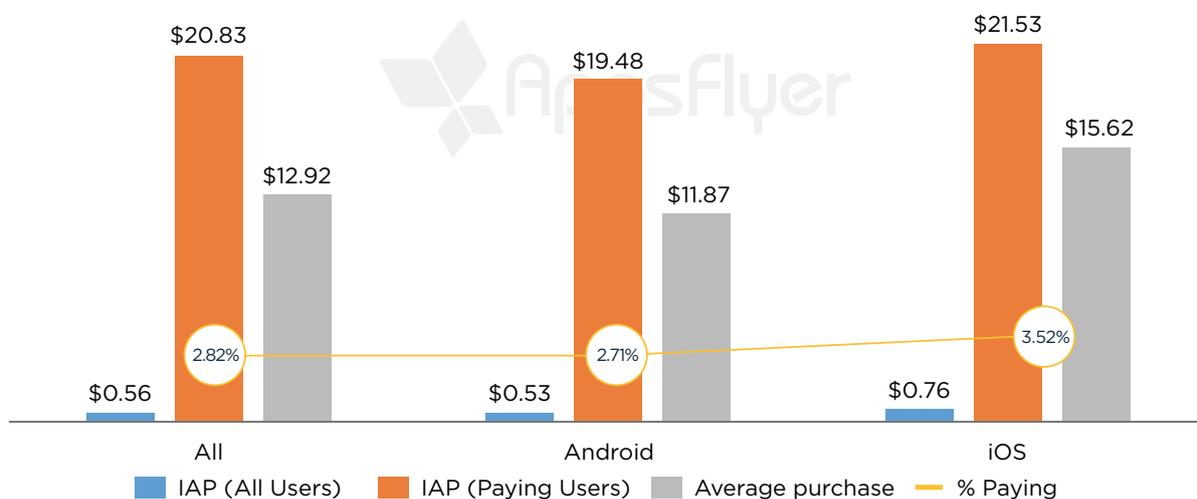
# ASIA



Monthly In-App Spend Per User, Per App With Purchase Activity (Asia, April-May 2016)

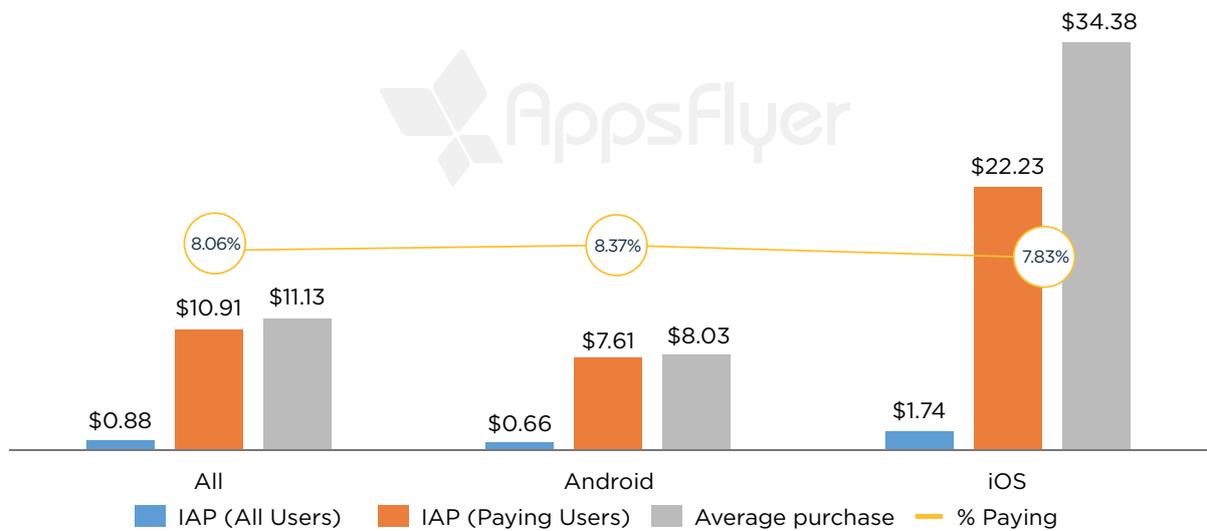


Monthly In-App Spend Per User, Per Gaming App With Purchase Activity (Asia, April-May 2016)

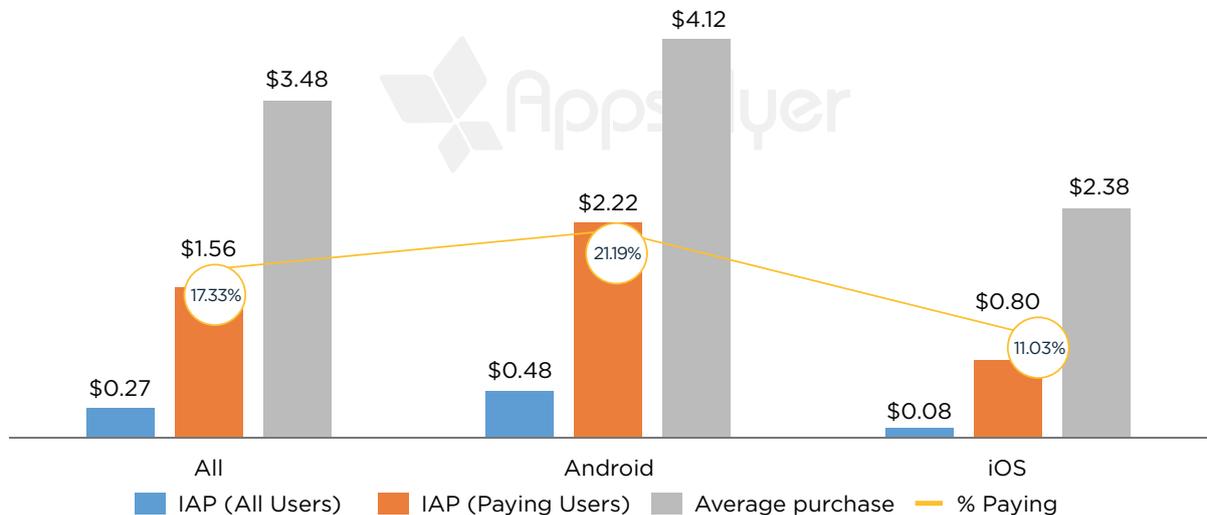





Monthly In-App Spend Per User, Per Shopping App With Purchase Activity (Asia, April-May 2016)



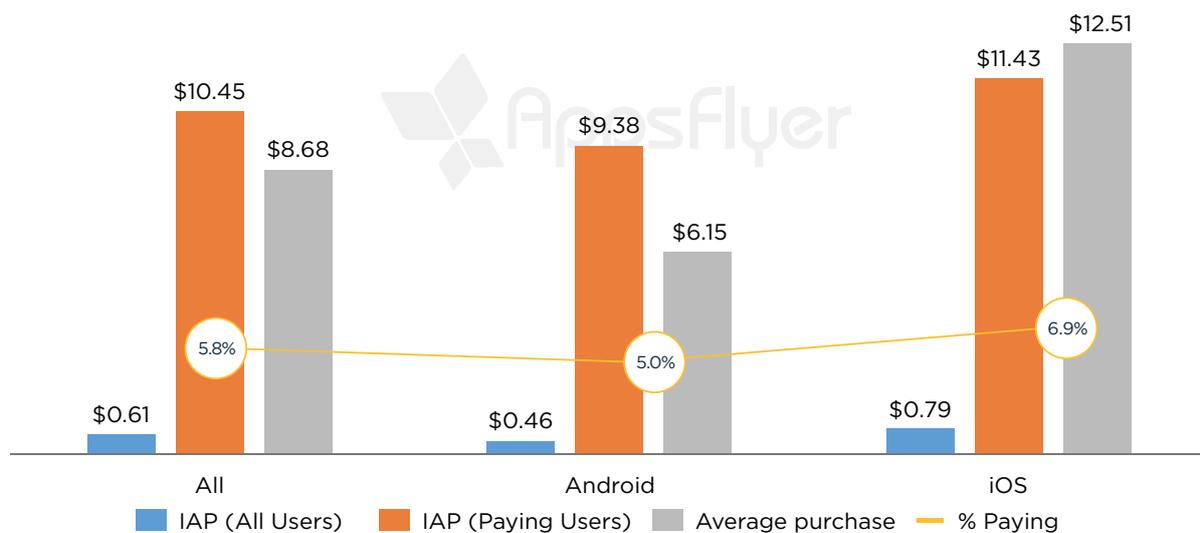
Monthly In-App Spend Per User, Per Utility App With Purchase Activity (Asia, April-May 2016)



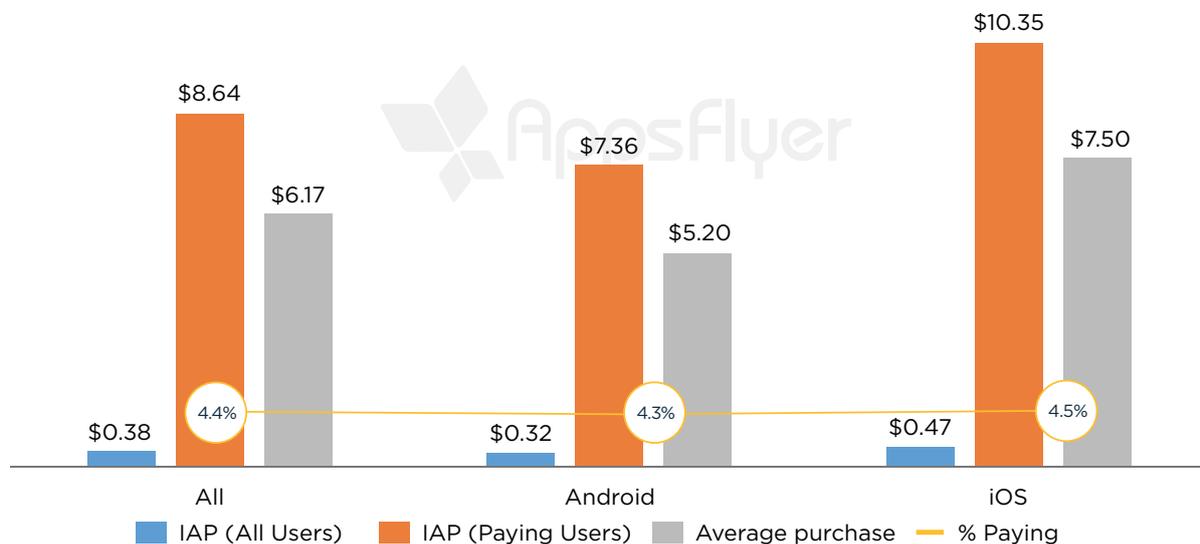
# N. AMERICA



Monthly In-App Spend Per User, Per App With Purchase Activity  
(North America, April-May 2016)

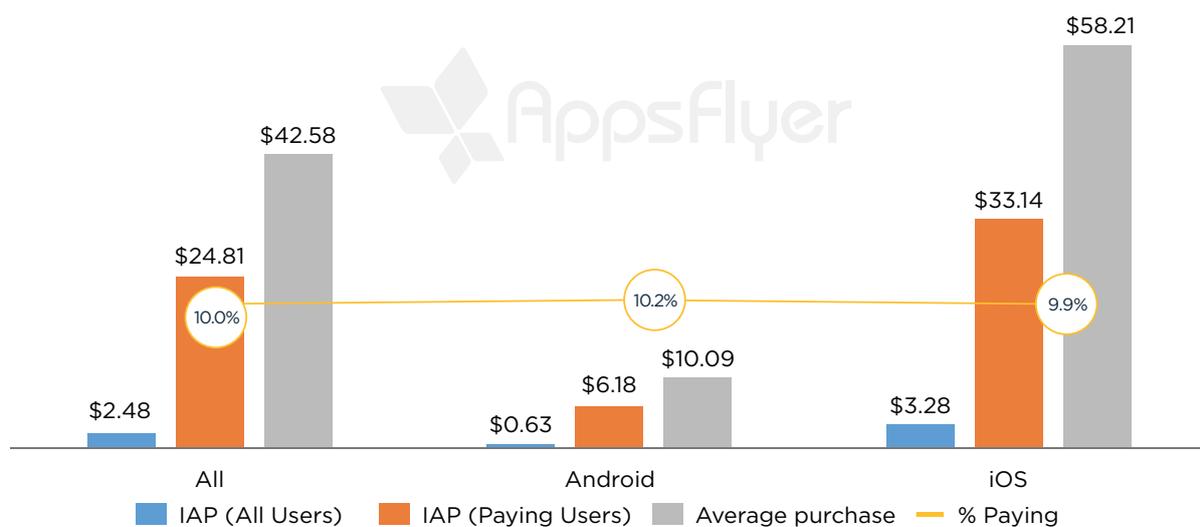


Monthly In-App Spend Per User, Per Gaming App With Purchase Activity  
(North America, April-May 2016)

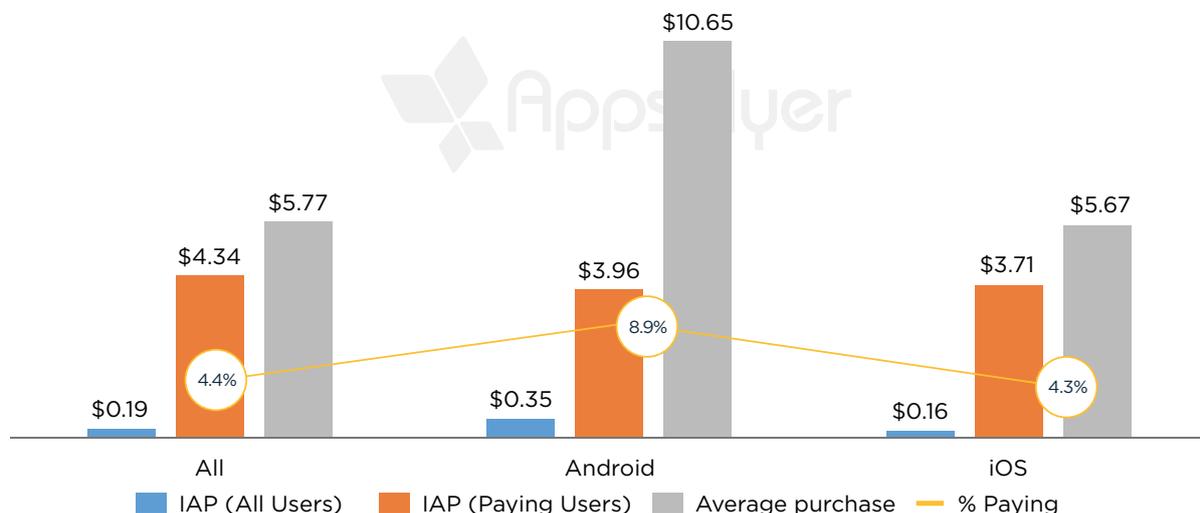




Monthly In-App Spend Per User, Per Shopping App With Purchase Activity (North America, April-May 2016)



Monthly In-App Spend Per User, Per Utility App With Purchase Activity (North America, April-May 2016)

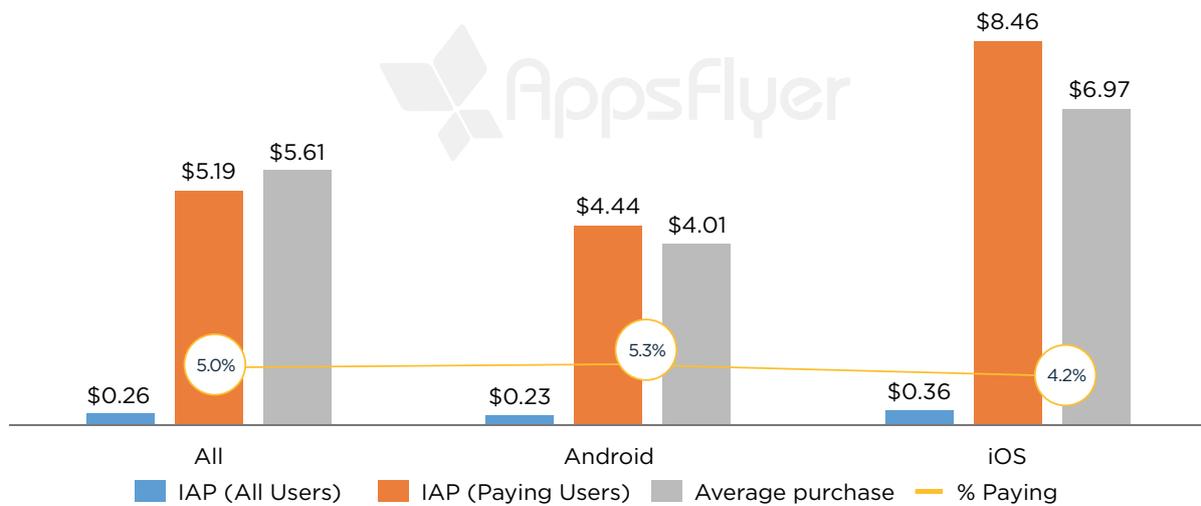




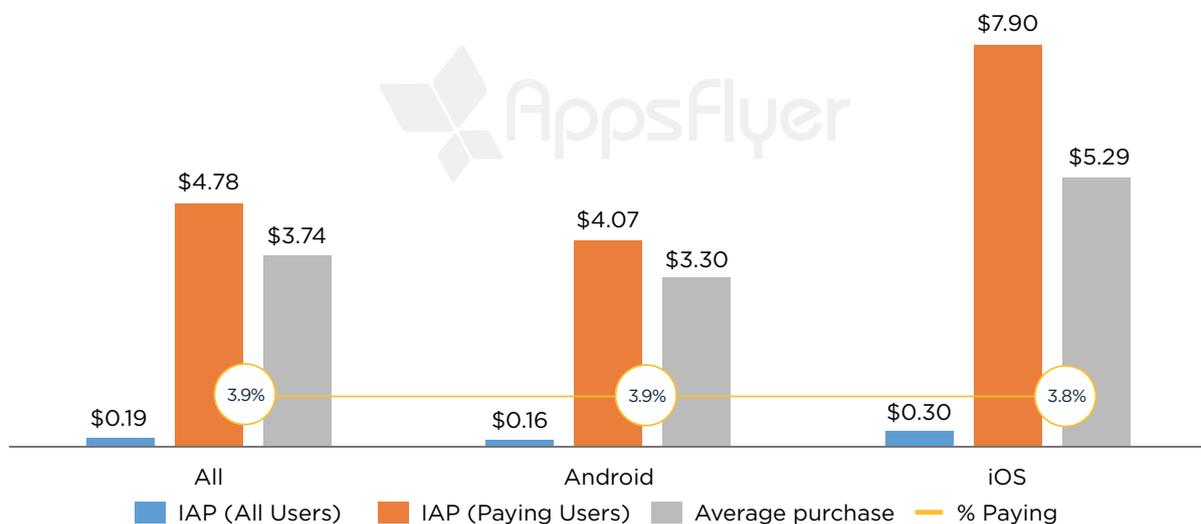
EUROPE



Monthly In-App Spend Per User, Per App With Purchase Activity  
(Europe, April-May 2016)



Monthly In-App Spend Per User, Per Gaming App With Purchase Activity  
(Europe, April-May 2016)

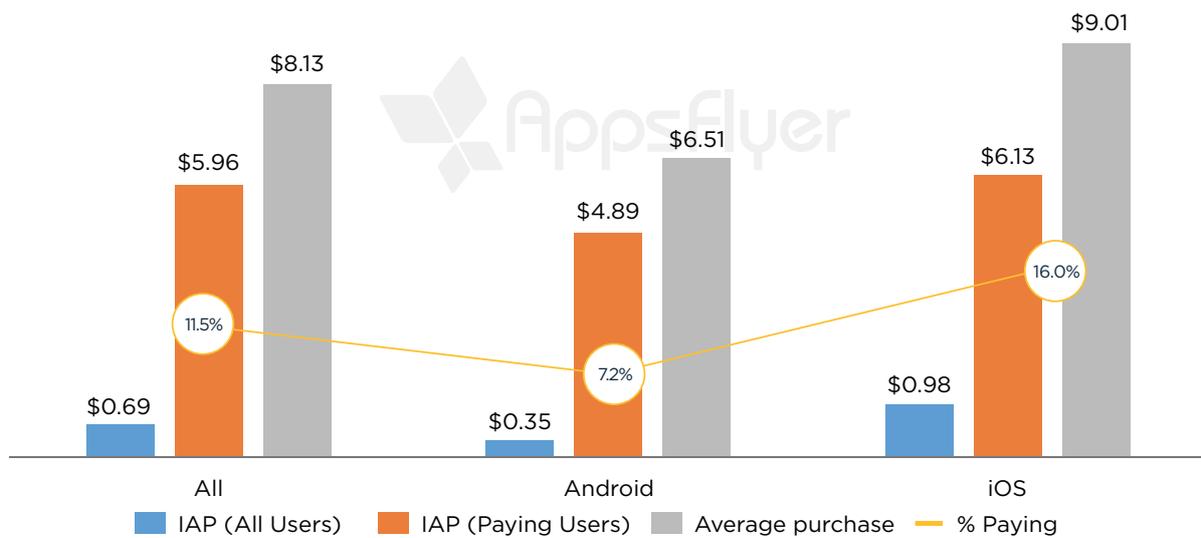




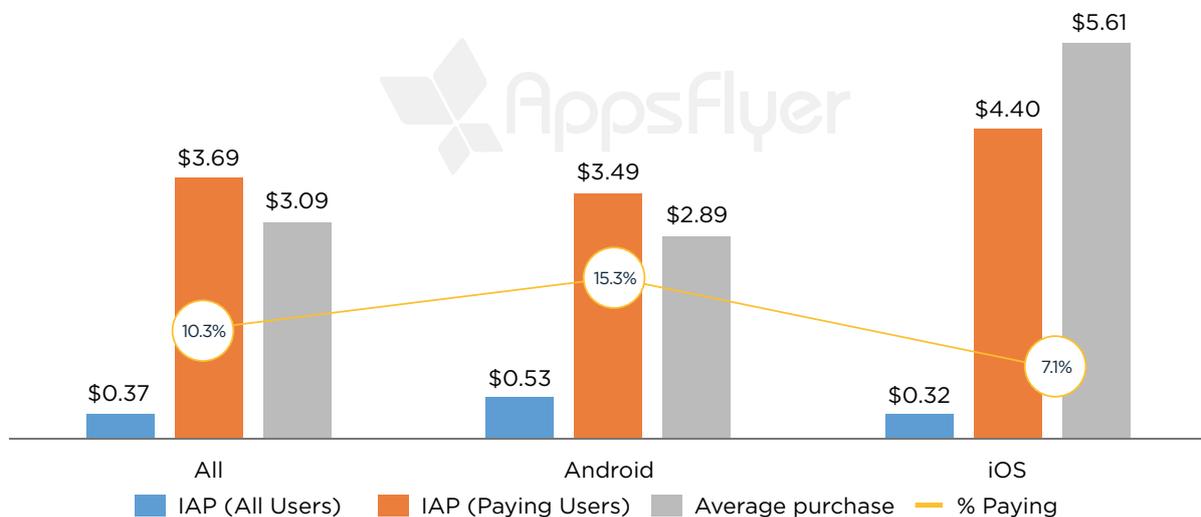
EUROPE



Monthly In-App Spend Per User, Per Shopping App With Purchase Activity (Europe, April-May 2016)

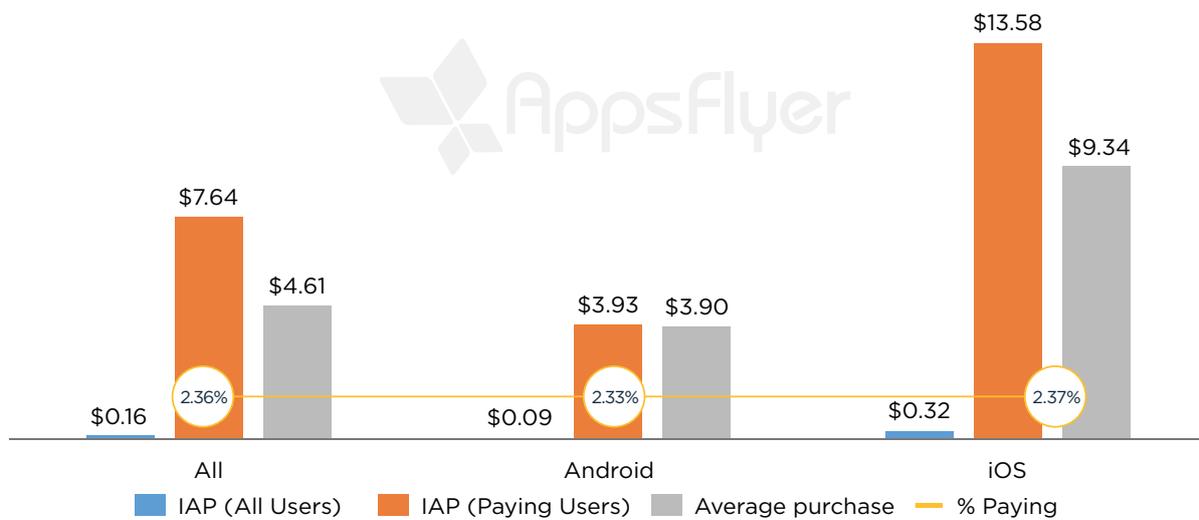


Monthly In-App Spend Per User, Per Utility App With Purchase Activity (Europe, April-May 2016)

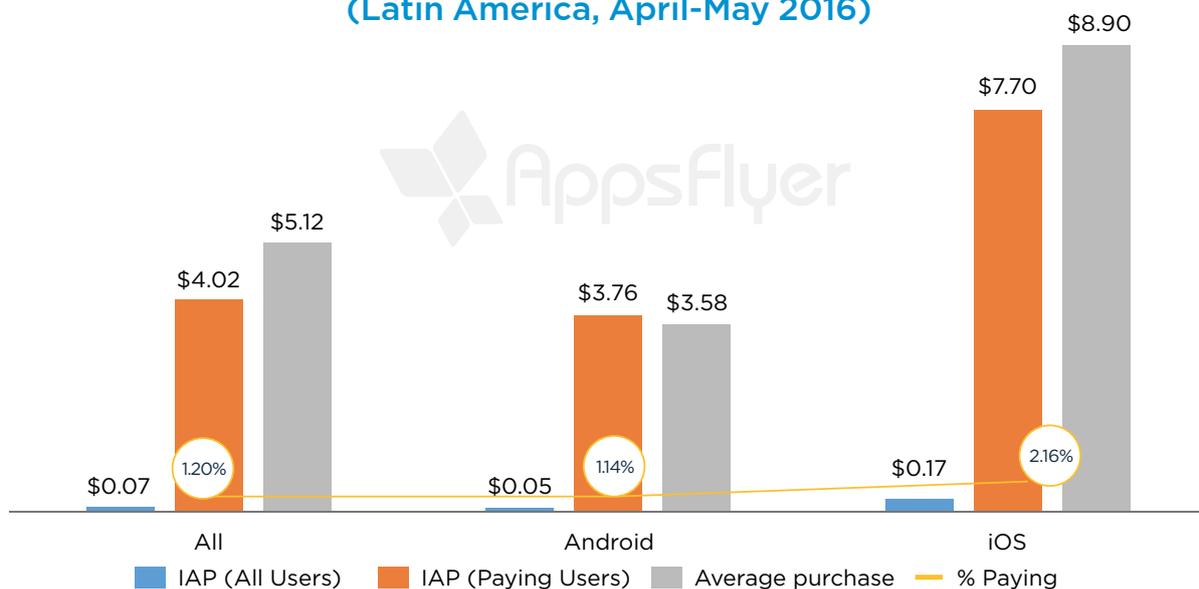




Monthly In-App Spend Per User, Per App With Purchase Activity  
(Latin America, April-May 2016)

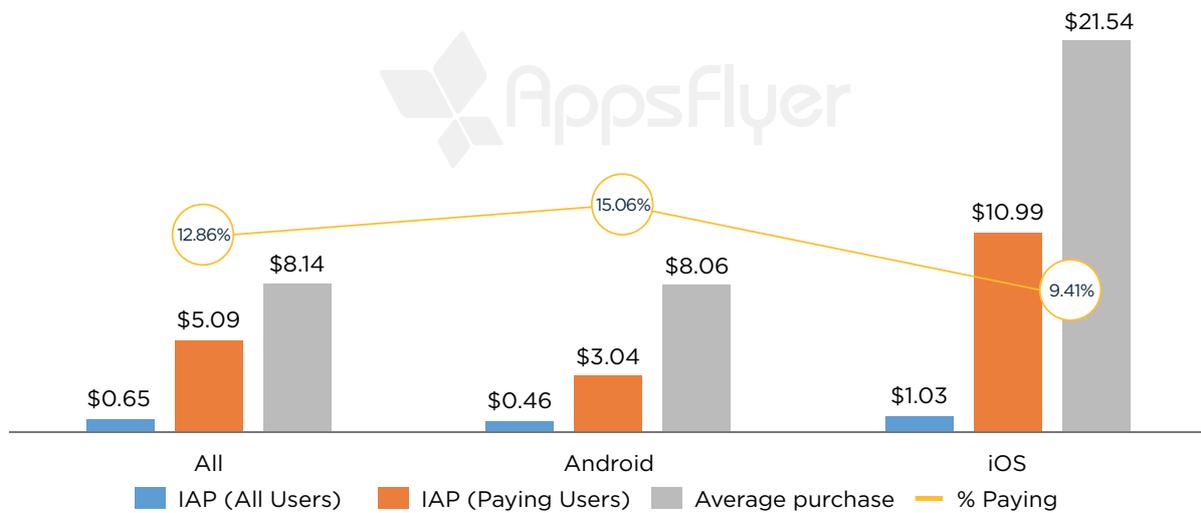


Monthly In-App Spend Per User, Per Gaming App With Purchase Activity  
(Latin America, April-May 2016)





Monthly In-App Spend Per User, Per Shopping App With Purchase Activity (Latin America, April-May 2016)



Monthly In-App Spend Per User, Per Utility App With Purchase Activity (Latin America, April-May 2016)



DID NOT PASS SCALE THRESHOLD



## Recommendations for Marketers

### Measure In-App Spend, Total Revenue and Cost to Determine Your ROI

The goal of mobile app marketing is to drive a positive ROI and then to optimize it. When measuring your ROI, make sure you are including the right data:

- **Your app's revenue data:** In-app spend (the focus of this study), advertising, premium apps, and subscriptions. If you're getting started, use data benchmarks to compare your performance and build predictive lifetime value models.
- **Cost data:** Make sure your media partner passes on cost data to your attribution provider so you can measure your ROI from a single dashboard.

### Focus on Paying Users

If getting new users in a saturated app marketplace is hard, finding quality users is even harder. But these quality users, especially the paying ones, are extremely important across all categories as they drive in-app spending. Focusing on these users means knowing everything there is to know about them through granular measurement. This will enable you to:

- Make intelligent decisions on your user communication through owned or paid channels so that they stick around, remain happily engaged and continue spending.
- Run lookalike targeting campaigns to get more users that resemble your paying users.

### Go East, But Know Where You're Going

Asian users are mobile-first and great spenders. As the global leaders in in-app spending, they are comfortable using their app for anything, including payments. There's much to gain from going East: higher payouts from users on top of [lower costs](#) than Europe or the US. But if you do make the move, know this: the Asian market is a different animal altogether so make sure you [know the market](#) before you proceed.

## Recommendations for Marketers

### Take Advantage of the Latin American Growth

The Latin American app market is still developing, and therefore lags behind other regions in terms of in-app spending and share of paying users. However, this also presents an opportunity to enter a market that is not as competitive and gain a market foothold prior to the inevitable mobile rush. Invest now and there's a good chance you'll reap the rewards later.

### Ensure Your Payment Process is Flawless to Drive Purchases

Making an in-app purchase must be a seamless user experience. But since it's the most demanding of acts yet also the most important, any friction in the process and a user will likely bounce, and with it some hard earned revenue. Make sure any transaction process in your app works perfectly and easily. Smooth sailing in this regard will certainly increase your revenue.

### Do What's in Your Power to Boost Mobile Savviness in Your Region

Since making purchases in-app is related to mobile savviness, do what you can to help educate the market about the advantages of mobile, safety and ease of in-app spending in apps, etc. This can be done through PR, advertising, or even content you produce and distribute.



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## About AppsFlyer

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AppsFlyer is the leading mobile attribution and marketing analytics platform, measuring more than \$4 billion in mobile ad spend annually. Over 10,000 app marketers, agencies and brands use our proprietary solutions to measure and optimize their performance. With over 1,900 integrated ad networks, and as an official measurement partner of Facebook, Google, and Twitter, AppsFlyer provides marketers with unbiased attribution, smart deeplinking, mobile campaign analytics, in-app tracking, lifetime value analysis, ROI and retargeting attribution for over 800 million installs each month. Clients include Playtika, IHG, Alibaba, Baidu, Trivago, Macy's, Samsung, DeNA, and HBO.

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