

# CONSTRUCT 3 IAP & GAMES

**WHAT EVERY GAME  
DEVELOPER NEEDS TO KNOW  
ABOUT IN-APP PURCHASES**



**How to Build Games that Will Earn  
Money Now and The Future**

# The Rise of In-App Purchases

Right now, it seems like everybody is using service upgrades and subscriptions to **make money**.

Music streaming services offer ad-free listening and offline downloads. News and media websites grant access to their articles and content. E-commerce stores are adopting subscription models more and more. And, yes, game developers offer in-app purchases for virtual currency and extra items as part of the game.



## Why IAPs are in every game

Developers profit significantly more from mobile apps featuring in-app purchases than the previous paid app and advertising models. This means developers can generate higher earnings through continuous in-app purchases. This increased revenue stream allows them to invest in creating more apps and games, fostering innovation and expansion in the industry.

In **early 2000s** the concept of microtransactions emerges, primarily in online PC games, allowing players to purchase virtual items, currency, or cosmetic upgrades. In **2009**, that "Freemium" games become popular on mobile platforms, offering games for free while monetizing through in-app purchases of virtual items or premium content.

In **2012**, in-app purchases become more standardized and regulated. Mobile games like Candy Crush Saga gain massive popularity, showcasing the revenue potential of IAP-driven games. Gaming companies start shifting their attention to a select group of players known for making substantial in-app purchases, becoming a noteworthy revenue stream.

During the **late 2010s**, various game genres, such as role-playing games, shooters, and strategy games, embraced the integration of in-app purchases as a significant element.

And that brings us to **2023** when in-app purchases continue to be a dominant revenue model for mobile games.

# The Difference with IAPs

“The key distinction is that IAPs involve users actively making purchases within the app, offering additional content or features that enhance their experience.”

Developers make money by offering users optional purchases after downloading the app instead of relying on upfront payments, advertising, or subscriptions.

This creates a recurring revenue stream as users make purchases throughout their engagement with the app. This ongoing revenue potential can be more sustainable than relying solely on a one-time purchase.



And what sets IAPs apart from other monetization models is the flexibility in pricing allowing developers to optimize revenue generation. And its ability to maintain app engagement by continuously updating and improving the game.

Other types of monetization models are much more limited in their ability to provide flexibility in pricing. They have limited control over pricing because it is generally fixed. IAPs, however, [allow developers to adjust price based on user preferences, so small, medium, and large packages can be offered to cater to different spending habits](#). Also, there's the ability to run limited-time promotions or offer discounts on in-app purchases to stimulate user engagement or boost sales during specific events or seasons. Plus, it can be experimented with to find the most effective pricing that maximizes revenue without compromising user satisfaction.

According to The Business Research Company, the in-app purchase market size grew from \$141.75 billion in 2022 to \$176.63 billion in 2023, at a Compound Annual Growth Rate (CAGR) of 24.6%. Statistics for 2023 reveal that the market size is expected to grow to \$419 billion through 2027 at about the same CAGR of 24.2%.

“In-app purchases are one of the most common monetization models. An estimated 50% of non-game and 79% of game apps use it.”

-Business of Apps

**Just imagine all the flexible ways to price your games and offerings using in-app purchases to cater to your users and increase your revenue.**

# IAP Makes Construct 3 Games More Profitable

“You could set up a store and sell anything you want inside your Construct 3 games.”

You'd be able to have a store with cosmetic items for playing your games... limited time power-ups... exclusive content... season passes... different paths... and anything else that adds value to the players. These optional purchases aren't required to enjoy or finish the game.

That's what in-app purchases can do for your game. And IAPs can generate ongoing revenue.

## How much more?

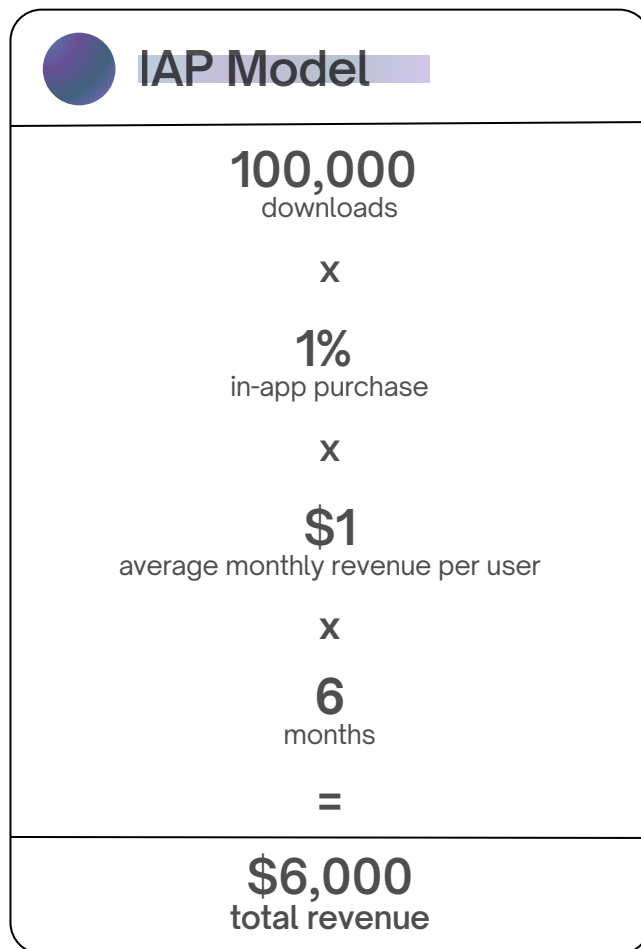
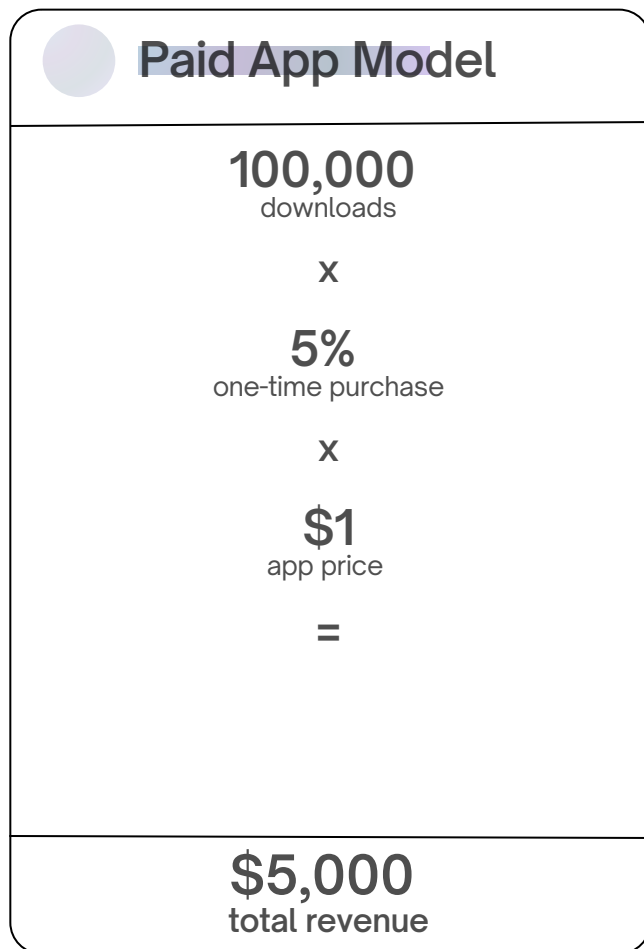
Let's look at the possible revenue for a hypothetical game with in-app purchases.



Using conservative round numbers for illustration.

<b>6 months</b> TIME PERIOD	<b>\$1</b> APP PRICE (ONE-TIME)	<b>5%</b> USER MAKE APP PURCHASE
<b>100K</b> TOTAL DOWNLOADS	<b>\$1</b> AVERAGE MONTHLY REVENUE PER USER	<b>1%</b> USER MAKE IN-APP PURCHASE

# What The Math Says



With this overly simplified comparison, the IAP model results in a total revenue increase of **\$1000** compared to the paid app model over a 6-month period. In 12 months, that number increases to **\$7000**. While the IAP model has a lower conversion rate, the higher engagement and ongoing revenue potential from in-app purchases contribute to the revenue increase.

This example demonstrates how the IAP model, with the right pricing and engagement strategy, can lead to increased revenue for game developers compared to relying solely on a one-time paid app model.

The actual revenue potential of IAPs depends on various factors, including the pricing strategy, user engagement, and the popularity of in-app purchases offered within the game.

To achieve a revenue increase with IAPs, developers should carefully analyze their game's specific user behavior, preferences, and optimize their in-app purchase offerings to provide value and entice more users to make purchases. The IAP model's revenue potential can be significantly higher when done right to meet the needs and interests of the users.

# Has The Ship Sailed For IAPs?

Some developers are hopeful and glad thinking, “I can make money building games! I can create all the games and make a decent living out of it!”

Others feel like bad press related to aggressive or exploitative in-app purchases is tarnishing the reputation of their games and the industry as a whole.

Some even feel pressure to adapt their monetization strategies to align with industry trends and consumer expectations.

The reality is that **all of this is expected.**



**In-App Purchases Are Ruining the Gaming Industry**

**The problem with In App Purchases**

**Google to repay parents for 'unfair' in-app purchases**

**Think Twice Before Buying In-App Purchases to Unlock More Content**

*The headlines above sum up the way people are thinking about in-app purchases right now.*

It's normal for new monetization strategies to hit the market with criticisms. Remember that the gaming industry is diverse. Different people have unique perspectives on in-app purchases and their impact. As the gaming landscape continues to evolve, attitudes and approaches toward in-app purchases will also evolve.

Concerns about the backlash from players who feel exploited or frustrated with the prevalence of in-app purchases will challenge game developers to refine their monetization strategies based on player feedback and market trends.

As of this writing, various consumer protection laws in different countries address issues related to transparency, fairness, and disclosure of in-app purchases. These laws aim to ensure that consumers are adequately informed about the cost and nature of purchases they make within apps.

Some app developers and companies have faced investigations and fines from regulatory authorities due to practices related to in-app purchases that were deemed unfair or deceptive.

And some industry players have taken voluntary initiatives to self-regulate and address concerns related to in-app purchases.

**Backlash is being heard and the repercussions are unfolding on the industry.**

## So what should you do?

Well, you do have to make money to keep making games. Because of the growing concerns and negative press surrounding in-app purchases, it's essential to find a balanced approach that prioritizes both revenue generation and player satisfaction.

By adopting a player-centric approach and finding the right balance between monetization and player experience, you can build a loyal player base and create a sustainable business model for your game development endeavors. Remember, player satisfaction and long-term success go hand in hand in the gaming industry.

“IAP isn't going anywhere. In fact, just like social media, it's only going to get more adoption.”

So developers need to know about monetization strategies and how to use them. And sometimes that means adjusting to new approaches to today's gaming marketplace.



For example, there are lots of criticisms surrounding social media today. It fundamentally changed how we interact and share information.

It has become an established and accepted part of our social lives, evolving with time and technology.

Social media is here to stay whether we like it or not.

My goal is to make that as easy as possible for game developers. So we will talk about how to use IAP in just a minute. Before we do, I want to explain quickly what challenges developers face with IAPs.

# The Challenges of IAP

It's helpful to know about Apps on the App Store to understand the challenges of IAP. This is one of a handful of stores for the gaming app marketplace. The store allows users to browse and download approved apps.

The App Store's privacy and data use for developer states that "The App Store is designed to be a safe and trusted place for users to discover apps created by talented developers around the world. Apps on the App Store are held to a high standard for privacy, security, and content because nothing is more important than maintaining users' trust."

**Whether you believe Apple, the inarguable part is maintaining user's trust.**



When you understand that trust is paramount in the relationship between users and app developers, you realize that it is the foundation on which successful app ecosystems are built. Trust is a delicate and valuable asset that takes time and effort to build but can be lost instantly if not handled with care. In the gaming app industry, trust plays a vital role in shaping user behavior and the platform's overall success.

And a lot of that trust has already been shattered.

Many games aren't using best practices when it comes to in-app purchases. Game developers may try to entice players with a seemingly free game, but in reality, they create a situation where players must make constant in-app purchases to progress or enjoy the full gaming experience. In such cases, the players are faced with the dilemma of wanting to play the game without spending money but finding it unplayable or severely restricted without making those purchases.

The gaming community impacted by in-app purchases often says, "Pay-to-win is the fastest way to kill a great game."

This is a key point for game developers who want to create profitable games.

Most gaming in-app purchases in the market feel like a money grab. But that doesn't mean they can't be used to create wholesome gaming experiences and be profitable at the same time. We'll talk about how to use IAP to create better experiences in a minute.





The other challenge is that game developers are charged upwards of a 30% commission for in-app purchases from the app stores.

The high commission rates have been a point of contention among developers, particularly for smaller or independent game developers who might find it challenging to absorb such significant fees. These fees can limit developers' profitability and affect their ability to invest in improving their games or offering competitive prices to users.

To cope with these high commission fees, some game developers have explored alternative app stores or platforms with lower fees or have adopted different monetization models, such as advertising or seeking direct payment options to bypass the app store commissions.

Okay, so if everybody is turned off by in-app purchases, then maybe you're thinking,

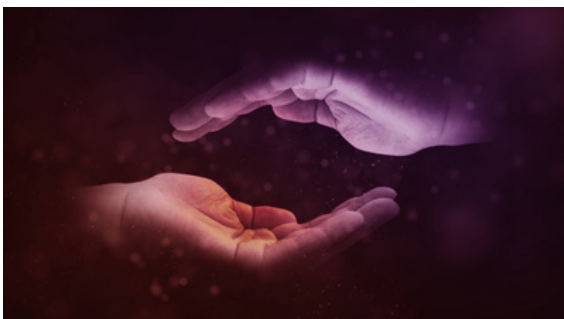
## “How am I supposed to make money with IAP?”

And to explain that, it helps to think about the relationship between value and trust...

### The Relationship Between Value and Trust

Think of it like this: Would you download a game that promises an exciting and immersive experience that's entirely free to play? Yes. Would you still play as you progress further, you encounter increasingly challenging foes and obstacles that require more powerful weapons and resources from the in-app store at Level 4? *Probably not.*

Instead, you want to play the game from beginning to end without hidden paywalls to progress. You don't want to be duped into a game that isn't entirely free like advertised.



Developers who prioritize delivering value to players and maintaining their trust are more likely to build a loyal and engaged player base. Offering optional in-app purchases that genuinely enhance the gaming experience without disrupting the gameplay flow is essential for fostering a positive relationship with players.

# IAPs Overload

This is a prevalent issue happening in the gaming industry.

Some developers excessively monetize their games with numerous in-app purchase opportunities, hoping to maximize short-term profits without adequately considering the impact on player satisfaction, engagement, and long-term sustainability.



“Overuse of IAPs in low-quality games lead to an overall decline in average revenue per user.”

Why spend time crafting engaging gameplay when you can demand money to play each level? They won't care if their game lacks story and added value or if it's terrible to play and unethical. They'll just keep taking advantage of IAPs to make more money. Because it works.

The prevalence of subpar games flooding the market and exploiting players' willingness to spend on IAPs can erode trust in developers as a whole. Players may become more cautious about engaging with new games and hesitate to spend money on in-app purchases, even in legitimate, high-quality games.

So the boom of IAPs as a form of game revenue without regard to the game's overall quality will soon bring the average revenue per user price per user down to pennies.

Now, this doesn't mean the end of in-app purchases for games. While many developers may struggle to attract significant spending due to the overcrowded market and lack of differentiation, others will be on an entirely different playing field...

# The Games That Will Keep Earning Money

In a landscape dominated by freemium games and in-app purchases, the demand for valuable games will indeed be strong.

Players are increasingly seeking exceptional gaming experiences without paying. The concept of providing value will extend beyond simply the initial download of the game. It will encompass ongoing support, regular updates, and meaningful expansions that keep the game fresh and exciting for the players.



Players are becoming more discerning and looking for games that offer genuine value and a delightful experience. Games that prioritize player engagement, enjoyment, and overall satisfaction will likely be the ones that people are willing to pay for.

So for a game to justify payment, it will have to:

## Be built on actual value.

The core gameplay should be engaging, entertaining, and rewarding on its own. And IAPs should offer more than superficial additions. Instead, offer additional worlds, new storylines, unique challenges, and expanded gameplay mechanics.

## Deliver delightful experience.

This requires not only engaging content, but players need to believe that their time and money spent are fair, offer genuine value, and that their financial transactions are secure.

“IAPs can be a successful revenue model when integrated into a player-centric game that genuinely delivers value and an enjoyable experience to players.”

The player-centric approach is crucial for game developers aiming to create successful games that can reliably earn money now and in the future.

By prioritizing value, developers focus on designing gameplay experiences that genuinely engage and delight players. That means offering optional in-app purchases that enhance the gaming experience without creating unfair advantages for paying players.

Developers who are transparent about the nature and cost of in-app purchases build trust with their player community. Also, listening to player feedback and addressing issues promptly demonstrate that the developer is invested in improving the game and catering to the players' needs.

This fosters a sense of trust and partnership between players and developers, making players more likely to support the game through in-app purchases or other means.

IAP can deliver that kind of value and trust when done right.

**Ultimately, developers who prioritize the player experience, cultivate trust, and create enjoyable gaming experiences will be better positioned to thrive in the dynamic and competitive landscape of the gaming industry.**



# The Next Step for Game Developers

Since you're reading this, I'm guessing you're not interested in IAPs for its own sake, but because you want to know how it can benefit you as a game developer. You want to increase your revenue, so you can reach more players (and earn more money). And as you've seen in this report, in-app purchases can absolutely help you achieve that intention, with more revenue in your games. I have a lot more to share with you, about exactly how to create profitable games that keep you growing... and how to create monetization strategies specifically for game developers in Construct 3.

I am developing payment software to help game developers set up a game store, in-app purchases, and subscriptions in as little as 2 hours. All while not shelling out 30% commissions to the app stores. I'll invite you to help me test for those as soon as they become available. *So please keep an eye on your email inbox for more updates on this topic for you.*

Here's to making quality games and getting paid for them!

Hushel Roberts  
Founder of Zalance

