



App Monetization Decision Guide

Free vs Paid vs Freemium vs Subscription vs IAP vs Ads. When each one wins.

6

MODELS

3-7%

HEALTHY FREEMIUM CONV

30-50%

ANNUAL SUB DISCOUNT

\$1-10

TYPICAL ECPM (ADS)

• The 6 models, fit for AI apps

BAD FIT FOR AI

Paid up-front

Revenue stops at install. AI costs continue. Only viable for no-server-cost apps.

INDIE DEFAULT

Freemium unlock

Free with paid unlock at value moment. RDR2 pattern. 3-7% conversion.

Subscription

Best for continuous value + recurring AI cost. Highest LTV. Annual at 30-50% off reduces churn.

IAP / credit packs

Buy units of usage. Aligns revenue with AI cost perfectly. Some users find it nickel-and-diming.

Ad-driven

Free, ad-supported. eCPM \$1-10. Rarely covers AI cost. Avoid for AI-heavy apps.

Hybrid

Free + ads + IAP to remove ads + Pro sub. Most successful apps mix.

Winning

FOR AI APPS SPECIFICALLY

Per-user cost is real and ongoing. Pure paid-up-front doesn't work long-term. You need recurring revenue (subs) or usage-based (credits). Rate-limit "unlimited" tiers aggressively.

COMMON MISTAKE

Promising "unlimited AI" without rate limits. A power user can run up \$100/mo in your costs while paying \$9.99. Always cap.

DECISION TREE

- 1 **Has per-user variable cost?**
YES → skip pure paid-up-front
- 2 **Continuous value?**
YES → subscription wins
- 3 **Audience accepts subs?**
YES → highest LTV
NO → freemium unlock
- 4 **Large audience?**
YES → freemium / ads viable
NO → higher prices / B2B

PRICING PATTERNS

- 1 **Indie freemium unlock**
\$2.99-\$9.99 typical
- 2 **Consumer subscription**
\$4.99/mo or \$39.99/yr
- 3 **Premium subscription**
\$9.99/mo or \$79.99/yr
- 4 **Credit packs**
100 queries / \$4.99

Full guide: djenterprises.ai/blog/monetization-models → Run the math

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