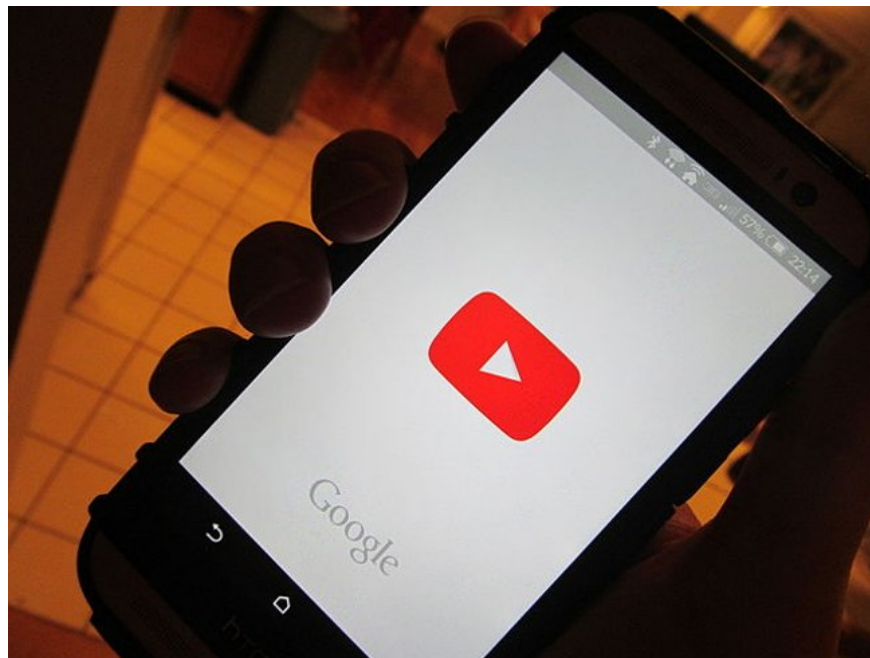


This is why users often do not want to pay for applications

Do you know why so many people are willing to spend \$ 4 to buy a bag of chips or drink a glass of StarBucks but always refuse to spend \$ 1 on the phone app?

" *Why are so many people willing to spend \$ 4 to buy a bag of chips or drink a cup of StarBucks but always refuse to spend \$ 1 on the phone app?* " - Quora asked. - a Q&A service website (Q&A) created, answered and edited by the user community.

Reply by *Balaji Viswanathan* , PM at Black Duck Software, on Quora.



First, we need to briefly explore the important psychological phenomenon called: **anchor effect** (*anchoring*). The anchor effect can be understood simply as a factor that makes us decide on a certain issue (*in particular, a purchase*) based on the flow of information that appears first and the word as a milestone for comparison. and compare. We often have implicit expectations about what to pay (*affected by the environment*) and compare prices with anchors.

An example of software, when there are many products, can bring the product with the highest price to the top. Users will be " *anchored* " at the highest priced software. As they continue to look at similar applications, they will compare with the first product and reduce demand based on it, from which the application they buy will be closer. Conversely, if you put free apps on top, users will also reduce demand around free packages and of

course they will buy cheaper apps.



Contrary to what some people have mentioned, the difference is not tangible. People pay a huge sum of money to **buy software** and that's why software companies are so "big" and profitable. If people do not spend too much money buying invisible goods then Microsoft, Intuit, Oracle and Adobe will not work. The difference is the anchor effect.

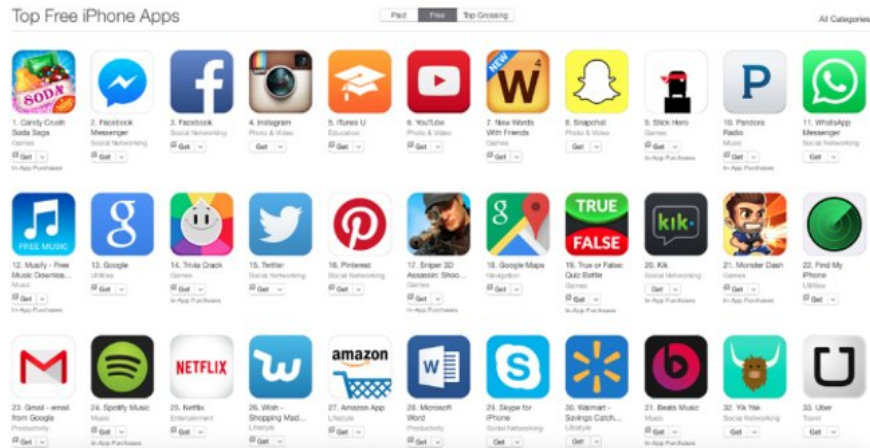
Therefore, the determining factor of a product line is the anchor effect of the user. In fact, there are a lot of extremely successful anchor effect application software companies such as Microsoft, Adobe. This is why we do not hesitate to pay \$ 200- is for desktop software such as **Microsoft Office** office **suite** or Adobe's **Photoshop** image editing suite, but we will definitely scream if an iPhone / Android application requires \$ 200, regardless of how good the application is.



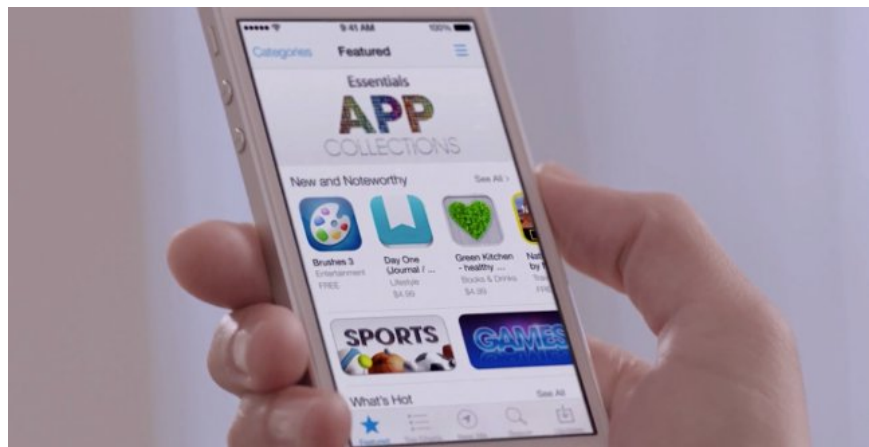
That's because giants have taken advantage of their monopoly strengths. At the time of launch, is there a good writing application and many functions like Microsoft Word? At the moment, is there any photo editing software that is as good as Adobe's Photoshop? It is these **monopoly strengths** that create a very heavy "anchor" and sink deep into the minds of consumers.

They argue that the new applications deserve a price of \$ 200-500 (*although they may never know all the advantages and disadvantages of the application*) - the standard for quality computer software. . 25 years ago people paid so much money (*at that time, good hardware cost thousands of dollars*). In particular, Bill Gates has helped people to know that way through an exclusive strength organization in the application market. Applications on the cloud and mobile apps have appeared at a time when people think commodity information should be free and so they have a fixed price of \$ 0.

So why can't application developers change the " *anchor* "? Because no one in the computer software industry has the exclusive control like Bill Gates, a monopoly strength capable of placing anchor prices. It is the monopoly strength that makes it possible to decide on the price of anchor products.



The price of mobile software is not high due to the extremely fierce competition in the mobile application market. Try to imagine, you will only have about 2-3 brands of computer chips to choose from (*Intel, AMD* .), about 10 office applications . but there are from a few dozen to thousands of applications Mobile phones belong to the same category. Therefore, competitiveness is extremely high and leads to very low price of mobile software floor prices, even for free.



The application market makes any of us hard to form " *monopoly* " and have the right to set prices. In addition, the price anchor in the mobile application ecosystem is also greatly affected by the " *price fixing* " of two giants Apple and Google. Charged **Apple iTunes** apps start at \$ 0.99, from which almost all software revolves around this number. Meanwhile, **Google Play Store** started with free apps and results as well, free software is the most

important and abundant component on today's Android app market.

The above is one of the most objective explanations about the current state of the mobile application ecosystem. Unfortunately, there is not yet a developer who has an application good enough to make the same monopoly as Microsoft or Adobe has done.

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