ACT

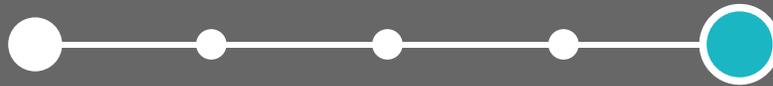# App Store after Five Years

What the Most Successful Apps Reveal about the Mobile Economy

By Jonathan Godfrey and Morgan Reed, III

July 19, 2013

ACT | The App Association

1401 K Street NW Suite 502
Washington, DC 20005

📞 202.331.2130   🐦 @ACTonline

🖥 ACTonline.org   f /actonline

The Association for Competitive Technology

actonline.org | @actonline

The Association for Competitive Technology (ACT) is the leading organization representing small and mid-sized software companies in the mobile app community. Representing more than 5,000 app companies and information technology firms, it is widely recognized as the foremost authority on the intersection of government and the app economy.

ACT has led industry self-regulatory efforts that allow technology companies to keep innovating without incurring the cost of government intervention. In addition to drafting best practices, guidelines, and FAQs to help inform app companies about new legal obligations, it hosts conferences, bootcamps, and workshops to provide developers the resources they need to ensure compliance.

Committed to identifying solutions through collaborative engagement, ACT has attracted support from a broad range of industry leaders, while its efforts have earned the praise of both government officials and the advocacy community. Through these efforts, ACT has created developer tools like the Privacy Dashboard that help app makers satisfy consumer privacy concerns and helped establish the online community Moms With Apps as a site for developers to create and promote a family-friendly mobile environment.

As the only organization focused on the needs of small business entrepreneurs from around the world, ACT advocates for an environment that inspires and rewards innovation while providing resources to help its members leverage their intellectual assets to raise capital, create jobs, and continue innovating.

Background

As Apple marks the fifth anniversary of the App Store, we decided to revisit our 2012 study, Apps Across America,[1] a report originally requested by the House Energy and Commerce Committee for its hearing "Where the Jobs Are: There's an App for That."

Twelve months later, we return to the same topic, but narrow our focus to the most successful apps to determine which companies are having the biggest impact on the mobile economy. We reviewed the top ten iPhone apps in the categories from our previous study - Business, Productivity, Education, and Games - with particular attention to company size, job openings, and geographic diversity. We also revisited the impact of U.S. companies in the China App Store.

Apple's stature as the top-earning platform for app developers, combined with the five-year anniversary of its store that launched the app economy, made it an obvious subject for our study. Apple has paid over $10 billion to developers through the App Store, half of that in the past year alone.[2] Revenues paid to developers from the Apple App Store are more than two-and-a-half times greater than the nearest competitor, a remarkable achievement considering the iOS market share is less than 20%.[3]
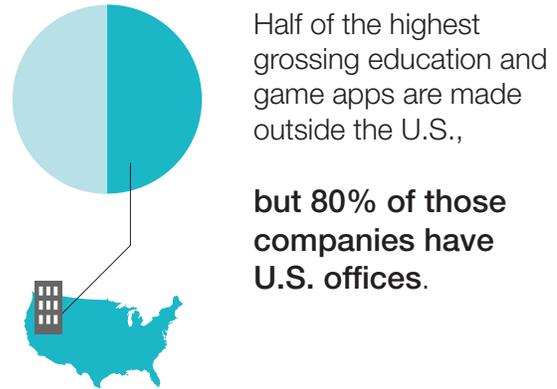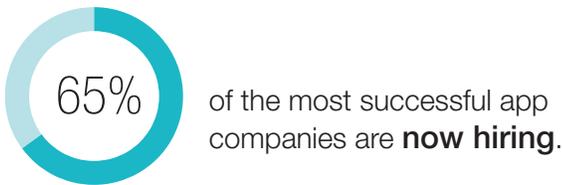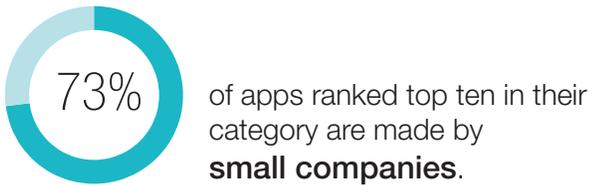
The sharp increase in App Store revenues over the last twelve months reflects the dramatic growth occurring throughout the app economy which is expected to surpass $140 billion in total revenues by 2016.[4] Job growth has also been an enduring feature of this industry expansion. In December 2011, Michael Mandel determined that 466,000 jobs had been created in the app marketplace.[5] His July 2013 study has seen that figure rise above 750,000.[6]

Growth of the Mobile App Economy
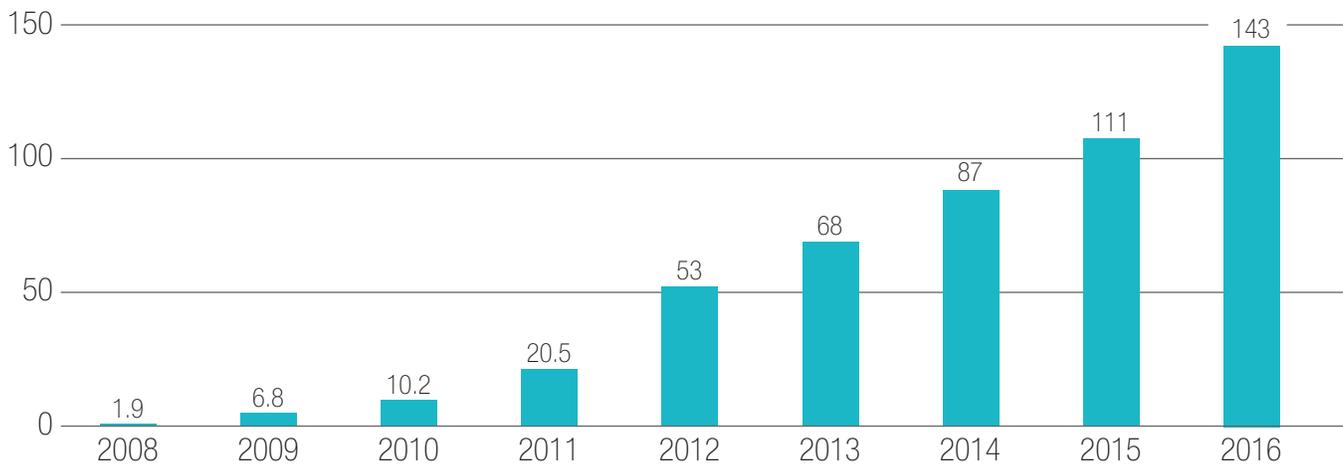
Findings

A year after the *Apps Across America* study, our latest research finds that startups, emerging companies, and small businesses remain the catalyst for industry innovation while the search to find new talent is becoming more challenging. Most significantly, our research found:

73% of apps ranked top ten in their category are made by **small companies**.

65% of the most successful app companies are **now hiring**.

60% of the top U.S.-made apps are produced outside **Silicon Valley**.

Half of the highest grossing education and game apps are made outside the U.S.,

but 80% of those companies have U.S. offices.

U.S. companies comprise 20% of the top ten rankings in China's App Store.

Methodology

On July 1, 2013, we surveyed the top ten grossing iPhone apps in the Apple App Store across the categories of Productivity, Education, Business, and Entertainment. We then analyzed each app by location, company size, and employment opportunities to measure the greatest influences impacting app economy growth. We also compared the performance of American and international app companies in the U.S. App Store and revisited our prior research on the China App Store. This analysis was conducted using publicly available data from the Apple App Store, company statements, and industry publications.

App Industry is Led by Small Companies and Startups

The overwhelming number of top mobile app companies are small businesses

Our current research finds nearly three-quarters of the highest grossing apps are made by small businesses. Small companies are dominant in all categories we reviewed except games, a sector that has seen a number of recent acquisitions and consolidation.

All apps in the business category's top rankings were made by small companies as were 80% in the productivity and education categories. Three- quarters of the categories reviewed had a small business product in the number one grossing position.

U.S. app companies are succeeding in all regions of the country and are finding consumers around the world. This includes small businesses like Splashtop in San Jose that has achieved a top ten business ranking in both the U.S. and Chinese App Stores.

With the high number of unfilled openings among U.S. companies, it is clear that many seek to expand but are constrained by limitations in the labor market.
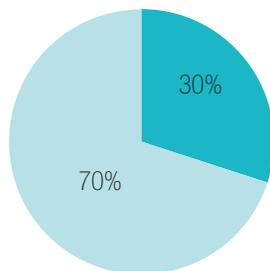
Average Across All Categories
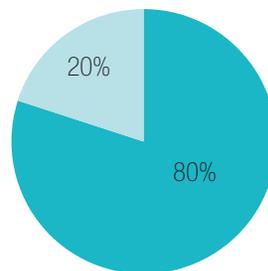

27%

73%
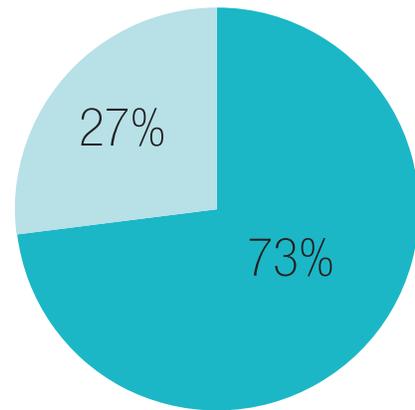
● Small Business   ● Large Business

Productivity

20%
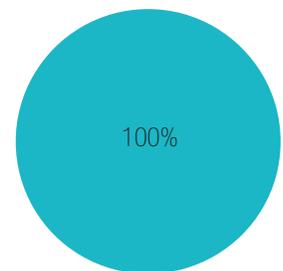
80%

Games

30%

70%

Education

20%

80%

Business

100%
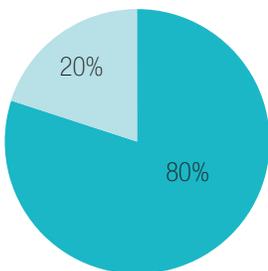
# Top App Companies Continue Search for Talent

U.S. talent shortage apparent as positions remain unfilled throughout the industry

Tech industry leaders continually make the case for immigration reform to overcome the shortage of skilled developers in the U.S. Our study reveals the high demand for talent is a challenge faced throughout the app industry, by both big and small companies.

65% of the top app makers identified had unfilled job openings. Large companies actively recruiting averaged 265 openings and small businesses averaged 17 per company. 87% of the openings among large companies are for jobs in the U.S. while that figure is 85% for small companies.

Top ten game company GREE places such a
high premium on filling open positions that the landing page of its website is an appeal for job applicants. Many companies reviewed highlighted openings in Canada, a country which has targeted foreign computer science students, studying in the United States, who may be uncertain about their future immigration status.[7]

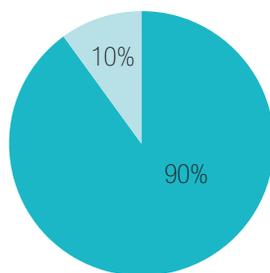## Nearly Two-Thirds of Companies Hiring
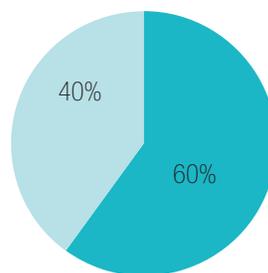
35%

65%
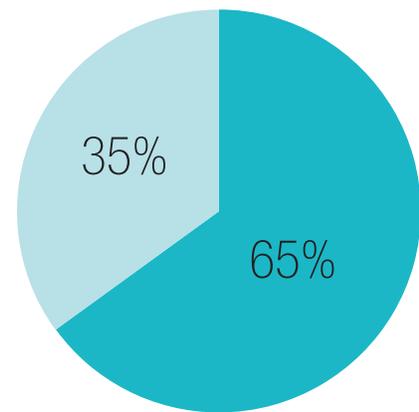
● Actively Hiring   ● No Openings

Productivity

30%
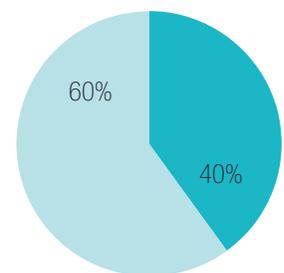
70%

Games

10%

90%

Education

40%

60%

Business

60%

40%
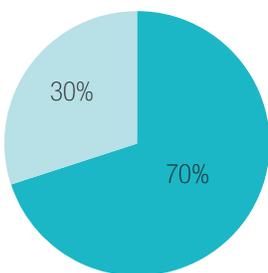
U.S. Remains the Preferred Location for App Companies

*American companies dominate the top rankings in the App Store*

The app economy was born in the U.S. five years ago with the introduction of the App Store. American software companies remain the dominant creative force producing innovative apps that captivate U.S. consumers.

At the top of the app charts, American software companies are most successful in business and productivity. Asian companies have made big inroads in mobile games, while Europeans are making their mark in the education space.

With schools across the United States investing in tablets for the classroom, and one- to-one programs gaining support across the country, interest among developers writing education apps is growing rapidly.

Companies like Sweden's Toca Boca are making the investment in the education marketplace with three apps in the top ten. It has brought this success to the U.S. having opened facilities in the States to complement its Stockholm-based headquarters.
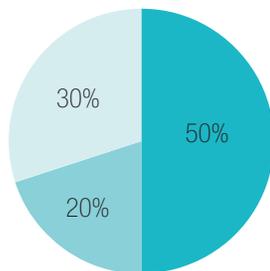
Nearly Two-Thirds of Companies Hiring

20%

20%

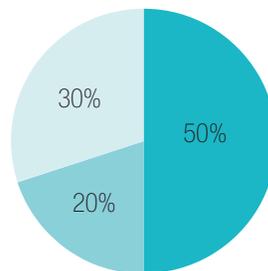60%
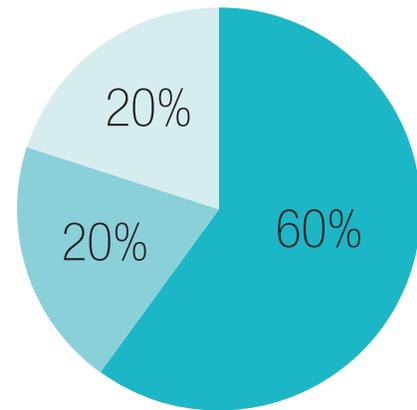
- U.S. Companies
- Int'l Companies
- Int'l Cos. w/ U.S. Presence

Productivity

20%

80%

Games

30%

50%

20%

Education

30%

50%

20%

Business

20%

20%

60%
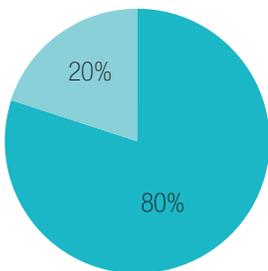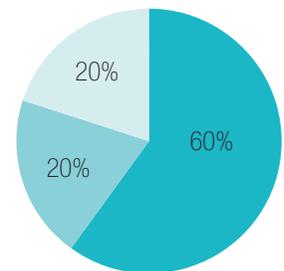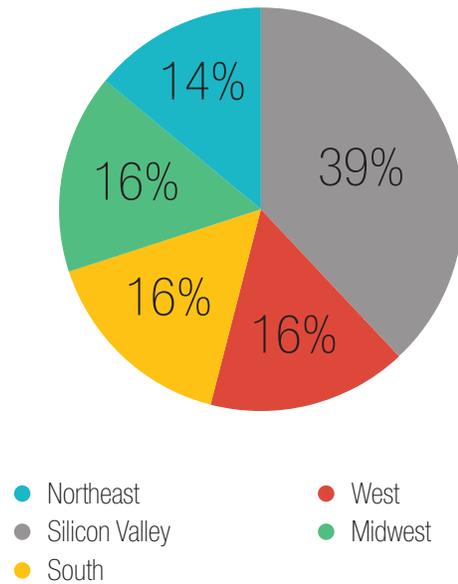
Apps Across America

The mobile economy extends to all parts of the country

Companies producing the highest grossing apps are found in every region of the country. While the 1,500 square miles of Silicon Valley are home to a large number of app companies, the geographic diversity we see among the most successful apps reveals that explosive industry growth impacts the entire nation.
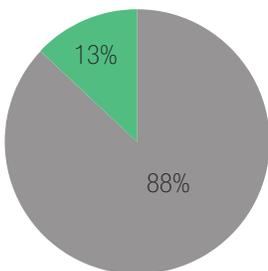
The decentralized nature of the app industry provides the marketplace with a broad range of influences. Needing only the ability to code and internet access, app companies emerge and grow in areas wherever there exists talented entrepreneurs.

A pair of 2010 Purdue computer science graduates were able to launch their app *Mail+* from Indianapolis and achieved a top ten business ranking in 17 countries - top hundred in 128 countries. In Milford, Connecticut, DataViz has grown into a thriving company through its *Documents To Go® Premium - Office Suite* which has achieved the number one ranking for business apps in 137 countries.
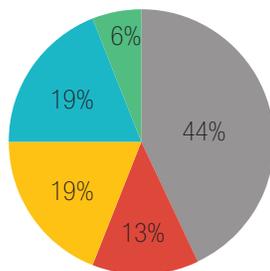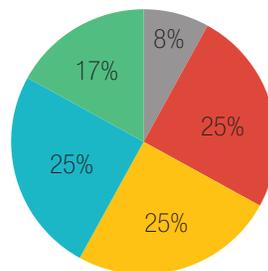
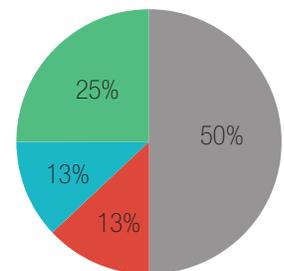## Location of U.S. App Companies

- Northeast — 14%
- Silicon Valley — 39%
- South — 16%
- West — 16%
- Midwest — 16%

Productivity
13%, 88%

Games
6%, 19%, 19%, 13%, 44%

Education
8%, 17%, 25%, 25%, 25%

Business
25%, 13%, 13%, 50%
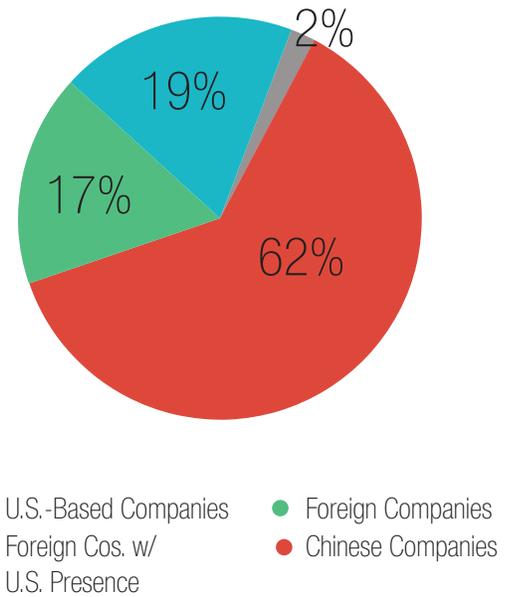
Success of U.S. App Companies in China

U.S. and international companies are finding success in China App Store

The China App Store is expanding rapidly and provides considerable opportunity for U.S. software companies. China surpassed the United States in total smartphone adoption in 2011 and the meteoric rise of its wireless internet consumer base is staggering.
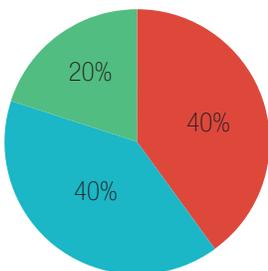
While only twenty% of Chinese mobile consumers have 3G connectivity, that amounts to 233 million users. That figure is an 82% increase from the previous year and, with a billion total mobile users, continued smartphone adoption and growth in the Chinese App Store is expected.[8]

Chinese companies occupy over 60% of the top rankings in the China App Store, but U.S. companies command more than half of the rest of the market. One is Seattle's OmniGroup whose *OmniFocus* app has averaged in the Productivity top ten since peaking at number one in 2009. Plano, Texas' *Quickoffice Pro* app has occupied a top ten Business ranking in China for over a year.
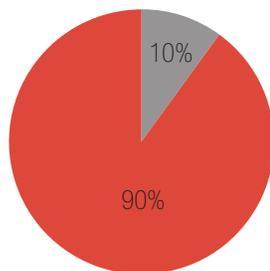
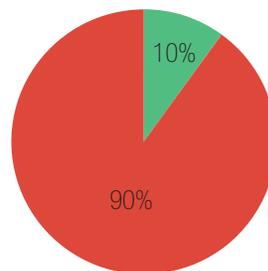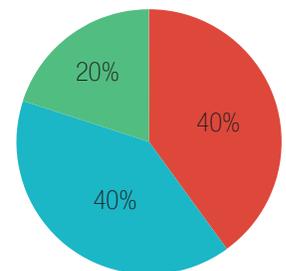### U.S. & Int'l Companies in China

2%
19%
17%
62%

- U.S.-Based Companies
- Foreign Cos. w/ U.S. Presence
- Foreign Companies
- Chinese Companies

Productivity

20%
40%
40%

Games

10%
90%

Education

10%
90%

Business

20%
40%
40%

End Notes

[1] Jonathan Godfrey, Morgan Reed III, E. Whitley Herndon, "Apps Across America," Association for Competitive Technology (July 18, 2012), available at http://actonline.org/files/Apps-Across-America.pdf

[2] Jefferson Graham, "Apple App Store marks 5 years of app-ortunity," USA Today (July 9, 2013), available at http:// www.usatoday.com/story/tech/columnist/talkingtech/2013/07/09/5-years-of-apple-apps/2499299/

[3] App Annie Index, "App Annie Index: Market Report Q1 2013 – iOS App Store revenue 2.6x that of Google Play," App Annie (April 17, 2013), available at http://blog.appannie.com/app-annie-index-market-q1-2013/#sthash.p9RbdxBC.dpuf

[4] Developer Economics, "Q3 2013: State of the Developer Nation," VisionMobile (July, 2013), available at http:// www.developereconomics.com/reports/q3-2013/

[5] Michael Mandel, " Where the Jobs Are: The App Economy," TechNet (February 7, 2012), available at http:// www.technet.org/wp-content/uploads/2012/02/TechNet-App-Economy-Jobs-Study.pdf

[6] Michael Mandel, "752,000 App Economy jobs on the 5th anniversary of the App Store," Progressive Policy Insitute (July 8, 2013), available at http://www.progressivepolicy.org/2013/07/752000-app-economy-jobs-on-the-5th-anniversary-of- the-app-store/.

[7] Matt O'Brien, "Canada comes to Silicon Valley to poach high-tech workers struggling with immigration problems," San Jose Mercury News (May 17, 2013), available at http://www.mercurynews.com/business/ci_23261666/canada-comes- silicon-valley-poach-high-tech-workers

[8] Edward Lin, "The Global Smartphone Industry: A New Era of Competition and Major Players' Strategies," MIC (November 8, 2012), available at http://mic.iii.org.tw/english/store/en_3_mic_store_1_2_1.asp?Doc_sqno=9269