

State of the App Economy 2014



Jonathan Godfrey and Courtney Bernard

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Background

This is ACT | The App Association’s third annual report on the mobile economy. In 2012, we published our first study, Apps Across America,¹ a report originally requested by the Energy and Commerce Committee at the U.S. House of Representatives for its hearing, “Where the Jobs Are: There’s an App for That.” Last year we took a closer look at the Apple App Store² on its five-year anniversary to chart the greatest influences impacting app economy growth.

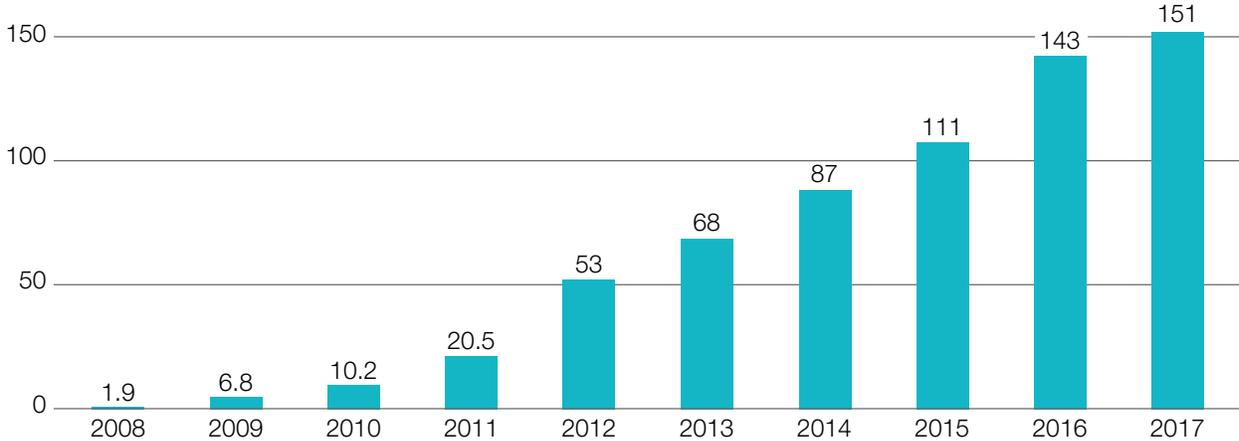
Only six years old, the app industry has grown at a tremendous rate that shows no signs of slowing down. Having risen to an \$87 billion marketplace, analysts project growth beyond \$150 billion by 2017.³ Much of this is derived from incredible innovation by app makers that have harnessed the power of mobile connectivity to change the way we work, play, shop, and communicate.

Most recently we have seen advances in mobile technology that offer new ways for consumers to monitor their health and connect with medical professionals. As more schools have implemented curricula using interactive touchscreen displays, there has been dramatic growth in education and children’s apps.

To explore the evolution of the app industry, we reviewed the top 650 apps across key categories in Google Play and the Apple App Store. In addition to the categories featured in our previous reports, we broadened our focus this year to include the categories Kids, Health, and Medical. We found that the app industry is growing and diversifying while creating new companies and jobs across the country.

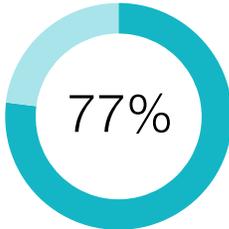
Growth of the Mobile App Economy

Total Revenue (in billions)

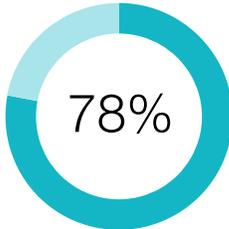


Findings

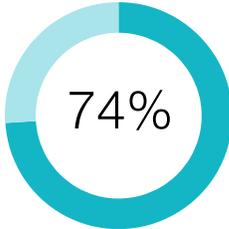
In our third annual review of the app industry, we find that small companies and startups continue to dominate the top rankings. Success is accruing to new entrants and nimble companies that are quick to respond to opportunities in the rapidly evolving mobile marketplace. Specifically, our research of the top grossing apps revealed that:



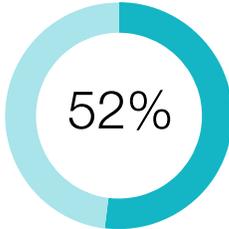
are made by **startups** and **small companies**



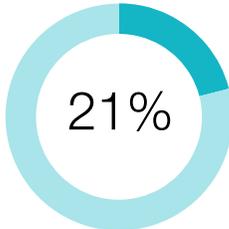
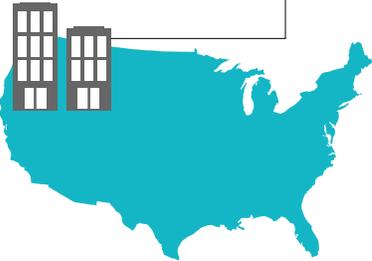
of U.S. companies are from **outside Silicon Valley**



are from companies **located in the U.S.**



are made by **companies that are hiring**



in the China App Store **are from U.S. companies**

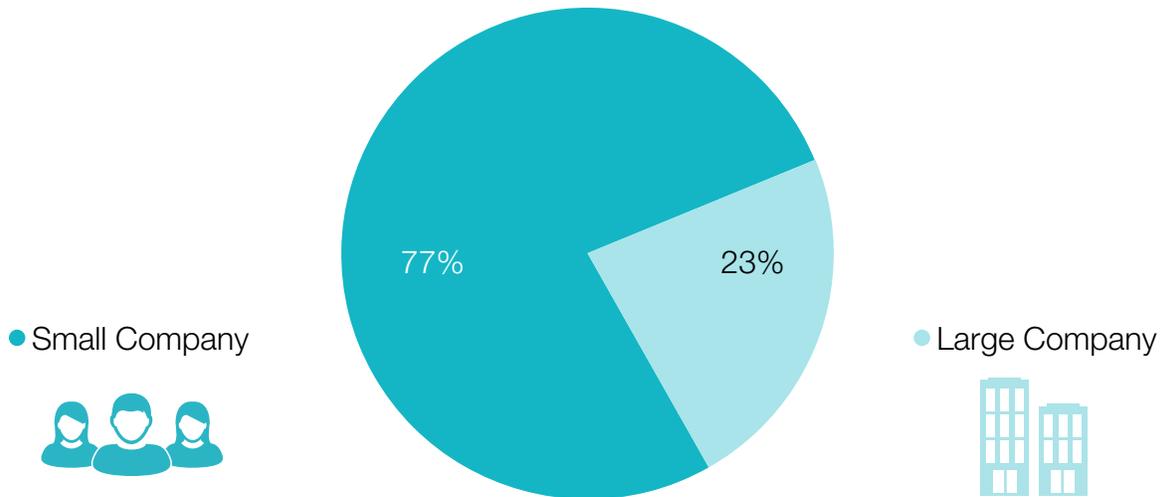
Size | Small Companies and Startups Dominate Market

More than three-quarters of the highest grossing apps are produced by startups and small companies. We found that this dominance extended across all categories except games where big companies were about even with their smaller competitors at 51%.

It's a common refrain that small business is the innovation engine of our economy. If true, then startups and small companies in the app economy are the jet engine of innovation. Product development cycles occur so rapidly in the mobile ecosystem that constant improvement is necessary to succeed. Small companies thrive in this environment because they are nimble enough to constantly add new features and quickly adapt to shifts in the marketplace.

Companies like Cozi exemplify this agility. This Seattle-based company makes the productivity apps Family Organizer for iOS and Family Calendar & Lists for Android – both of which have consistently ranked in the top 10 throughout 2014. Cozi has updated its iOS version 49 times since 2010 to provide added features and services. The company was able to achieve this remarkable rate of progress with fewer than 50 employees.

Small Companies and Startups Lead the App Industry



 Health



 Games



 Business



 Medical



 Productivity



 Education



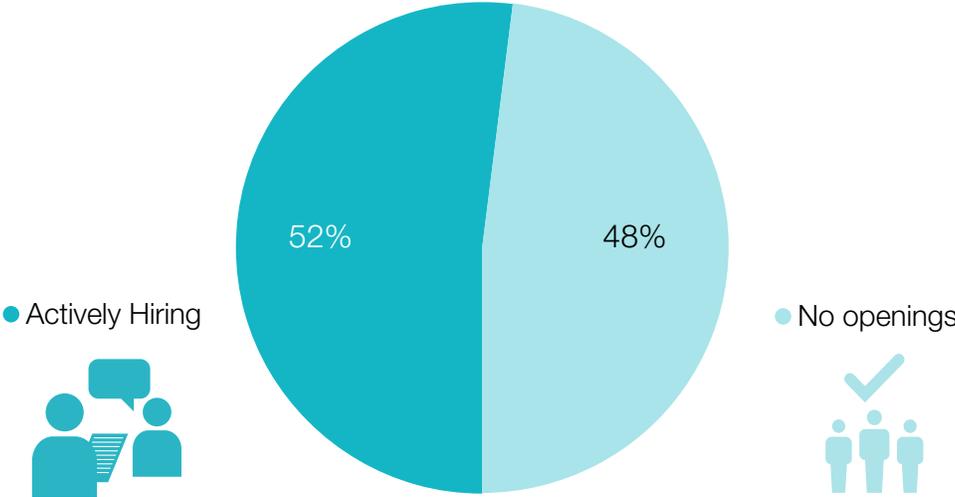
Jobs | Opportunity Abounds as Talent Search Continues

The tech industry has found the scarcity of talent to be a persistent obstacle to growth. Internet industry leaders have strongly advocated for changes in immigration law to allow more skilled workers to come to the United States,⁴ and for our school systems to make a serious investment in computer science education.⁵ Unfortunately, skilled tech workers are hard to find because U.S. schools devote far fewer resources to computer science education than in the 1990s.⁶ This is surprising since the median income for software developers is over \$90,000.⁷

Our study found that the app economy continues to provide more job openings than can be filled. The average number of unfilled positions among large companies was 208 while smaller companies averaged 10 openings. This shortage can impact small companies disproportionately where a single hire can make the difference in the ability to innovate and grow.

Dropbox is a widely popular productivity app in both the App Store and Google Play. What began as a lean startup in 2007 has grown into a large company with offices around the globe. As it expands, Dropbox is seeking to hire at a prodigious rate. At the time of this publication, the company had more than 100 job openings worldwide, the majority of which were located in its three U.S. locations. Last year that number only totaled 50.

App Companies are Hiring & Searching for Talent



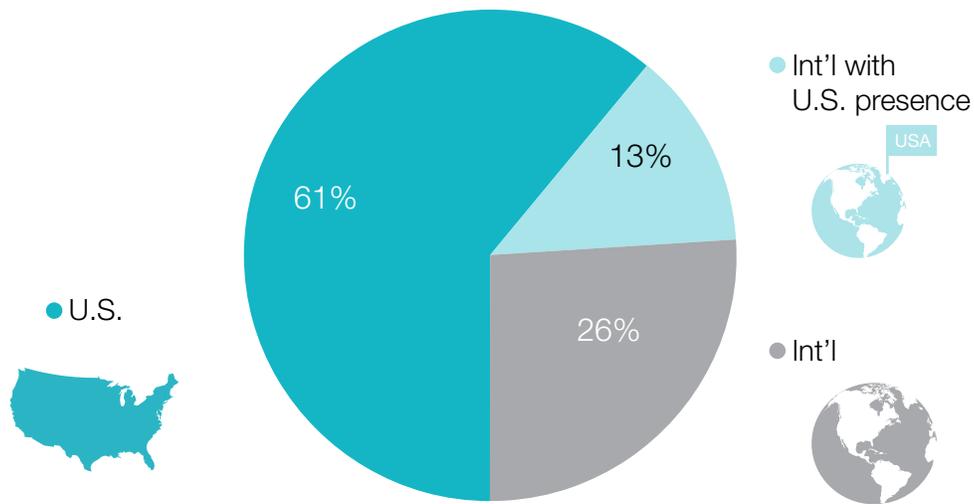
USA | App Companies Thrive in America

Six years ago the app economy was born in America with Apple's introduction of the App Store. Millions of apps and billions of dollars later, the United States remains the preferred location for companies in the mobile ecosystem.

U.S. companies still dominate the rankings across all categories in both app stores. Nearly three-quarters of all apps surveyed were made by companies located in the United States. Categories with the highest percentage of American companies were education and medical.

As the nexus of mobile innovation, many international companies are eager to have a U.S. presence. This is most prevalent in the lucrative market for mobile games. Eighty-seven percent of game apps are made by companies in the United States. Thirty-one percent of those companies are headquartered abroad. London's King – makers of Candy Crush Saga – and Finnish company Supercell, which makes Clash of Clans, both have offices in America and are hiring worldwide.

The U.S. is the Preferred Location for App Companies



Health



Games



Business



Medical



Productivity



Education



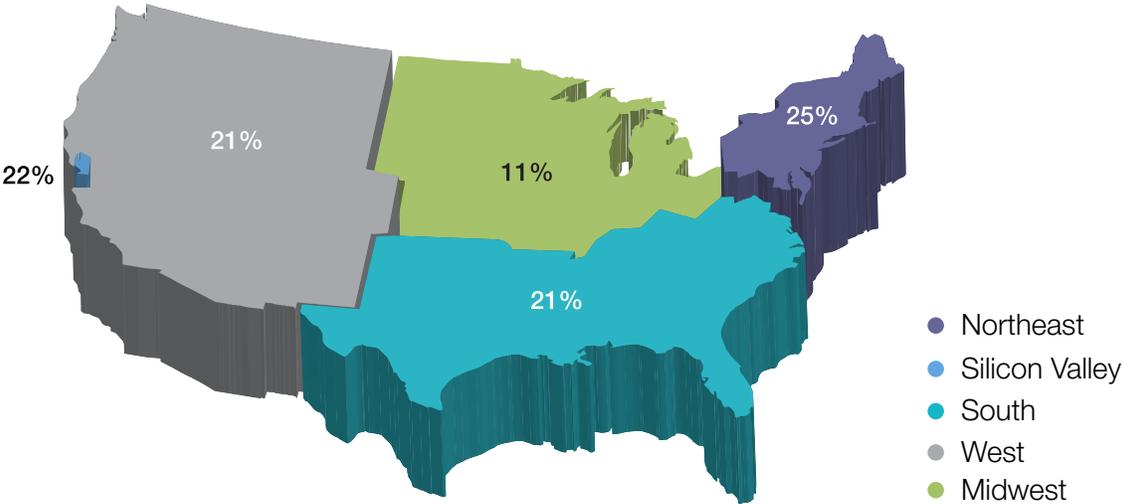
Location | App Economy Thriving in Every Region of the Country

Successful app companies can be found in every region of the country. While a large number still call the 1,500 square miles of Silicon Valley home, we see an incredible amount of geographic diversity among top U.S. app makers. Seventy-eight percent of the leading app companies we surveyed are located outside the Valley with a fairly even balance throughout the country.

This largely derives from the minimal barriers to entry for the app industry. Needing only an internet connection and coding skills, entrepreneurs with innovative ideas can succeed anywhere. One such company is Higher Learning Technologies in Coralville, Iowa. It makes a nursing exam prep app called NCLEX PN Mastery with sample exam content coming from nurses and nursing professors.

Another example is Boulder, Colorado-based Backflip Studios, a company with fewer than 50 employees that makes game apps like DragonVale. Their games have been downloaded over 300 million times, and have won awards as the top grossing iPad and iPhone apps.

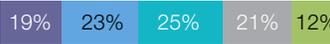
Geographic Diversity a Feature of Top U.S. App Companies



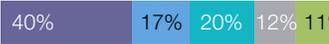
Health



Games



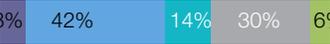
Business



Medical



Productivity



Education



Health | Innovation Changing How Patients and Doctors Connect

The explosive growth of health and medical apps led us to include them in our study for the first time. These help users monitor their health and allow caregivers to speed diagnoses and improve medical outcomes. The number of health and medical apps has doubled over the past two years and analysts are expecting mobile health revenues to reach \$26 billion by 2017.⁸ Rock Health, which provides seed funding for healthcare startups, reported that digital health funding has already passed the \$3 billion mark – a more than 100 percent year-over-year growth.⁹

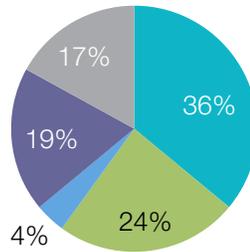
This summer, Apple and Google announced plans to launch services in this marketplace. Apple was first out of the gate with HealthKit which serves as a secure hub for users to review health and medical data from apps and devices. Google's health data collection product GoogleFit is expected to be released later this year.

New York-based Noom, which makes apps to help users lose weight and live healthier, is one of the companies to meet Apple's strict requirements for HealthKit: it does not share user data with advertisers or data brokers. With fewer than 50 employees, Noom's Weight app for iOS and Weight Loss Coach app for Android consistently rank at the top of the charts.

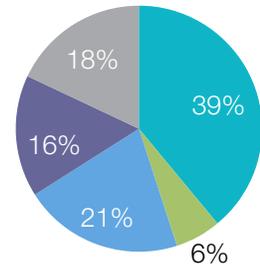
Location



Health app makers



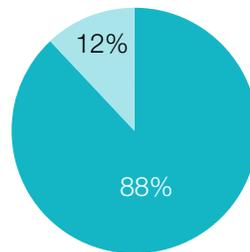
Medical app makers



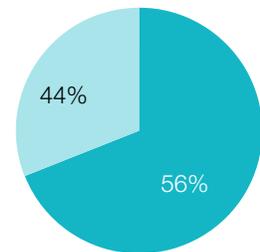
Company Size



Health app makers



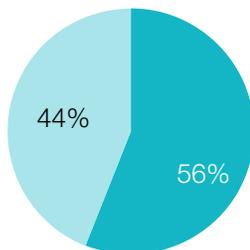
Medical app makers



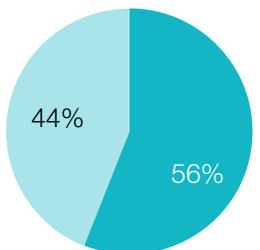
Hiring Status



Health app makers



Medical app makers



Kids | Interactive Mobile Devices

Showing Classroom Results

Over the past three years, we have studied the growth of education apps. Parents and educators have discovered the effectiveness of interactive mobile devices as teaching tools and schools are implementing these in the classroom with great results. Both the Apple App Store and Google Play have seen a rise in popularity of education apps made for children.

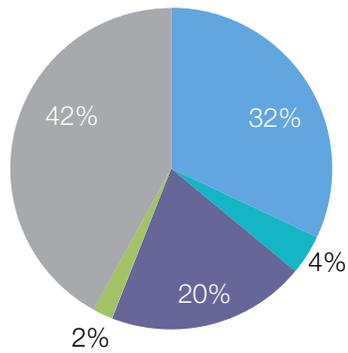
Last year, Apple introduced a new app category to meet this increasing demand. The Kids category separates apps in three age ranges. Parents can use the new Family Sharing feature to buy these for their children using a single account. They can also require parental approval for each download a child initiates in the App Store.

In its first year, the Kids category has provided a valuable platform for small companies. Glendale, California-based Age of Learning, Inc., is a company that has found great success making the ABC Mouse series of kids apps. Their team combines online and mobile resources to educate children ages two to six.

Location



- Northeast
- Silicon Valley
- South
- West
- Midwest



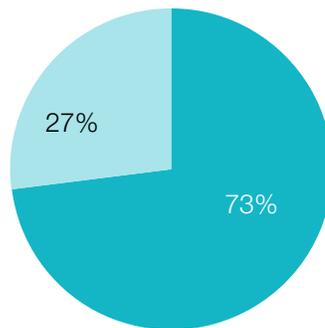
Company Size



● Small



● Large



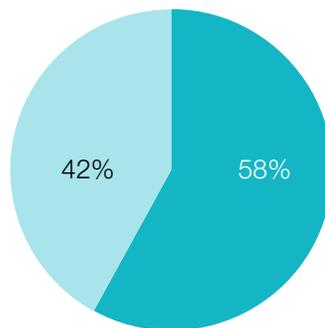
Hiring Status



● Actively Hiring



● No openings



China | U.S. Companies Remain Strong in China Market

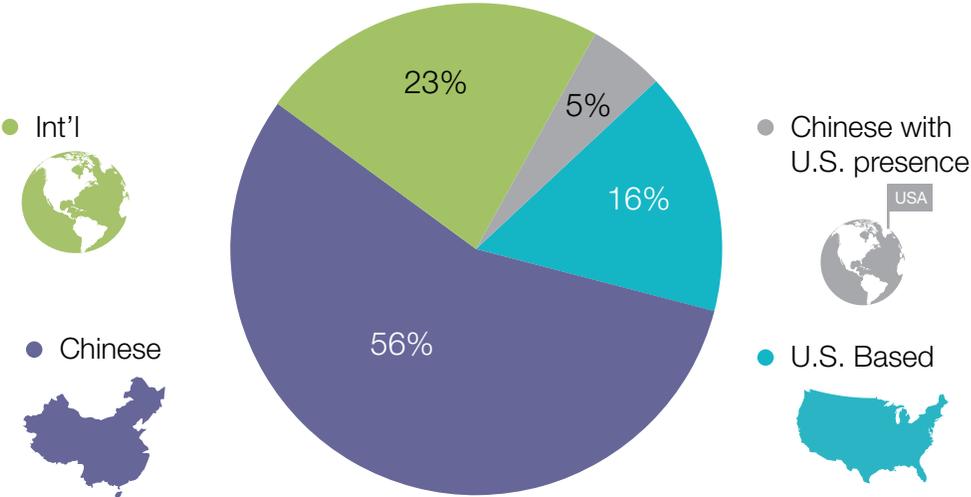
China has traditionally been a marketplace beyond the reach of independent software developers. That all changed with the rise of the app economy.

There are still considerable piracy challenges for software companies competing in China. But the emergence of the app industry brought curated stores to protect consumers and app makers from counterfeit products.

Where this has most benefited app makers is the Apple App Store, which began accepting Chinese currency for transactions a year ago. We have subsequently seen a sharp drop in the jailbreaking of iPhones in China and a commensurate rise in app revenues.¹⁰

Twenty-one percent of the apps we surveyed were made in America or by companies with a U.S. presence. China was the key market for Apple App Store growth, with revenues growing around 70 percent quarter-over-quarter in Q1 of 2014.¹¹

American and International Companies in China



Health



Games



Business



Medical



Productivity



Education



Government | Microsoft Targets Government App Market

While the bulk of our study focused on apps in the two largest stores, we discovered some interesting features unique to the Windows Phone Store.

Windows Phones have a special Government app category that isn't a part of other platforms. The leading entries here are a wide range of globally focused apps that provide resources for governments or access to government resources.

We found apps from the Phillipines, Israel, Egypt, India, Brazil, Sweden, and Finland as well as many from the United States that explain everything from the Philippine constitution, to World Bank development indicators, to the laws of India.

One of the apps that caught our attention was Know Your MP! This app lets users browse the profiles of UK Members of Parliament, providing access to their contact information, Twitter activity, and floor debates.

Know Your MP! - MP Profile



Shabana Mahmood
Labour
Age
Updated 5/7/2010

[Website](#)

[Wikipedia](#)

[Biography](#)

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Methodology

On July 31, 2014, we surveyed 650 top grossing apps in the Apple App Store and the Google Play Store across the categories of Education, Health, Medical, Business, Productivity, and Games. We then analyzed each app by location, company size, and employment opportunities to measure the greatest influences impacting app economy growth. We combined the results from each store to provide a full picture of the app economy from the two stores where the vast majority of apps are downloaded. For the purposes of this study, the small company definition comes from the Small Business Administration's Table of Small Business Size Standards Matched to North American Industry Classification System Codes.¹²

To further expand our research, we took a closer look at the top 50 children's apps in the Apple App Store, as well as the top 50 government apps in the Windows Phone Store. We also revisited our prior research on China's App Store, looking at the presence of international companies in the categories of Education, Health, Medical, Business, Productivity, and Games. This analysis was conducted using publicly available data from the Apple App Store, the Google Play Store, company statements, and industry publications.



ACT | The App Association is the leading organization for software companies in the mobile app ecosystem. Representing more than 5,000 app companies and technology firms around the world, it is widely recognized as the foremost authority on the intersection of government and the app industry.

ACT | The App Association designs and promotes self-regulatory initiatives that allow technology companies to succeed with minimal cost from government regulation. Committed to collaborative engagement, the group connects a broad range of industry leaders with policymakers to identify solutions that foster innovation and growth.

ACT | The App Association also provides resources and tools to help its members leverage their intellectual assets to raise capital, create jobs, and continue innovating.

End Notes

¹ Godfrey, J., Reed III, M., & Herndon, E. W., “Apps Across America,” ACT | The App Association (July 18, 2012), available at <http://actonline.org/2012/06/apps-across-america/> (visited October 08, 2014).

² Godfrey, J. & Reed III, M., “App Store after Five Years,” ACT | The App Association (July 19, 2013), available at <http://actonline.org/2013/07/app-store-after-five-years/> (visited October 08, 2014).

³ Ianni, D., Rubin, R. & Vasa, S., “APPNATION State of the App Economy Forecasts App Economy to reach \$151B by 2017,” APPNATION (July 2013), available at <http://appnationconference.com/main/research/> (visited October 08, 2014).

⁴ Fwd.us, http://www.fwd.us/about_us:

Our mission is to mobilize the tech community to support policies that keep the American Dream achievable in the 21st century.

We support comprehensive immigration reform, improving the quality of American education, and encouraging more investment in scientific innovation.

⁵ Roll Call Editorial, Morgan Reed, Tech Industry Ready to do Its Part for STEM Education, available at http://www.rollcall.com/news/reed_tech_industry_ready_to_do_its_part_for_stem_education-223901-1.html (visited October 8, 2014)

⁶ National Center for Education Statistics, U.S. Department of Education, Nation’s Report Card, available at <http://nces.ed.gov/nationsreportcard/pdf/studies/2011462.pdf> (visited October 08, 2014).

⁷ Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, 2014-15 Edition, Software Developers, available at <http://www.bls.gov/ooh/computer-and-information-technology/software-developers.htm> (visited October 08, 2014).

⁸ research2guidance, mHealth App Developer Economics 2014, pg. 6, <http://research2guidance.com/the-market-for-mhealth-app-services-will-reach-26-billion-by-2017/> (visited October 08, 2014).

⁹ Rock Health, Q3 funding update: Digital health rakes in \$3B, <http://rockhealth.com/2014/10/q3-funding-update-digital-health-rakes-3b/> (visited October 08, 2014).

¹⁰ Umeng, Umeng Insight Report - 2013 China Mobile Internet Review, pg. 3, <http://www.slideshare.net/umengnews/umeng-china-mobile-internet-marketing-insight-report-q3-2012-english> (visited October 08, 2014).

¹¹ App Annie, "Market Q1 2014: Revenue Soars in the United States and China," App Annie (April 15, 2014), available at <http://blog.appannie.com/app-annie-index-market-q1-2014/>

¹² U.S. Small Business Administration, Table of Small Business Size Standards, pg. 28-29, (effective as of July 14, 2014) http://www.sba.gov/sites/default/files/Size_Standards_Table.pdf

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