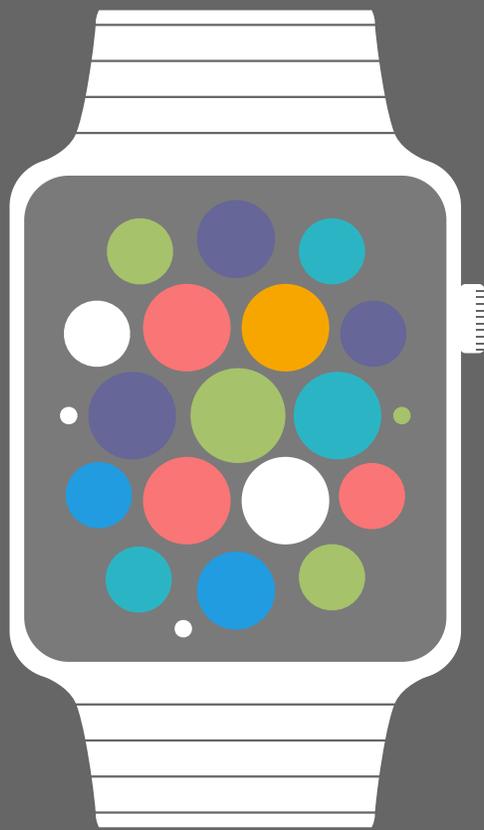


WWDC Preview: The iOS App Economy



Jonathan Godfrey and Morgan Reed

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Background

Beginning with the 2012 publication of Apps Across America,¹ ACT | The App Association has published extensive research on the mobile app economy. This data has been widely cited by industry leaders and inspired Congress to highlight the app industry's positive impact on job creation.

Approaching its seventh year, the app marketplace has grown at a tremendous rate. Analysts estimate that the economy will add 800,000 new developers² this year and project app market growth to exceed \$150 billion by 2017.³

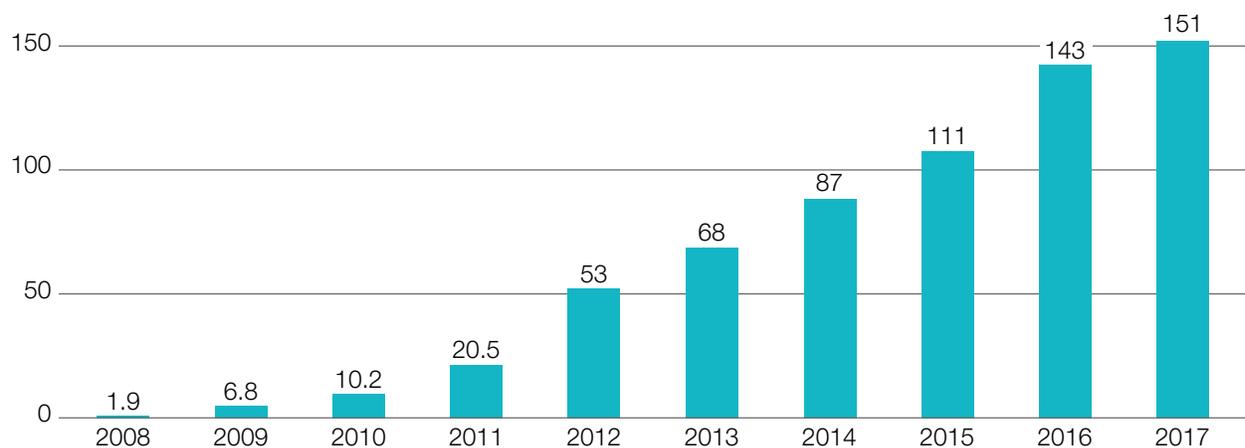
Much of this success derives from constant marketplace disruption – the signature feature of the App Economy. Iteration and development occur at a dramatically accelerated pace as product cycles last months instead of years. This rapid rate of innovation produces a steady stream of new entrants that challenge and unseat incumbents.

Product development from hardware manufacturers and platforms help fuel this innovation, dramatically reshaping consumer behavior. Most recently we have seen advances in mobile devices and wearables that offer new ways for users to manage their fitness and health. The recent introduction of the Apple Watch has connected users to a new level of app engagement.

Our research spanned the top 400 apps across key categories in the Apple App Store. This data helps illustrate the impact of recent market events and identify forces of change driving innovation.

Growth of the Mobile App Economy

Total Revenue (in billions)⁴



Findings

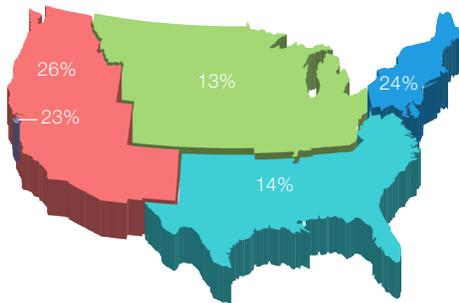
Rapid Apple Watch Integration:



40%

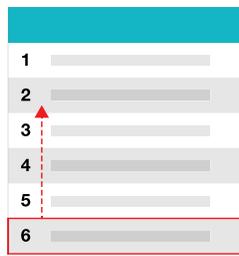
of Top Health Apps
Integrate with
Apple Watch

App Makers Prosper Across America:



Most U.S. App
Companies Are from
Outside Silicon Valley

App Store a Dynamic Marketplace:



32%

of Top App Companies
Were Unranked a
Year Ago

Apple Watch Revenue Impact

The Apple Watch was perhaps the most highly anticipated product launch in recent memory. Those who have one know it's a powerful device that provides timely notifications and remarkable insights on personal health and fitness. The apps with the most user engagement are tailored for this glance environment.

Dark Sky, an app made in Troy, New York, exemplifies this. It's a weather app that provides timely alerts to let Watch users know, to the minute, when to expect precipitation. Dark Sky has long ranked among the top ten iPhone weather apps. But after launching on the Watch, Dark Sky became the most downloaded iOS app for six straight days and its revenues soared.

Similar success has come to health app WaterMinder® from Oak Lawn, Illinois. Particularly important to kidney patients, athletes, and women who are nursing, the app allows helps users stay hydrated and monitor their water consumption. The Watch app is especially helpful with providing reminders. The Watch integration was so successful that its download rankings jumped from 297 to the top ten on the device's launch date. Those numbers have remained constant, as has the app's new status as a top grossing health app.

Finance app Chronicle-Bill Reminders from Oklahoma City jumped to the category's top ranking after introduction of its Watch integration as well. Many other apps seek similar success through the Apple Watch. In the categories of Health, Finance, and Weather, over one-third of the top-ranked apps have introduced versions for the Watch.

Top Apps Make Move to Apple Watch

Three categories see most rapid integration with new platform



Where the Apps Are

A consistent feature of the app industry has been its geographic diversity. This is especially true in the United States where software companies across the country bring products to market with minimal barriers to entry.

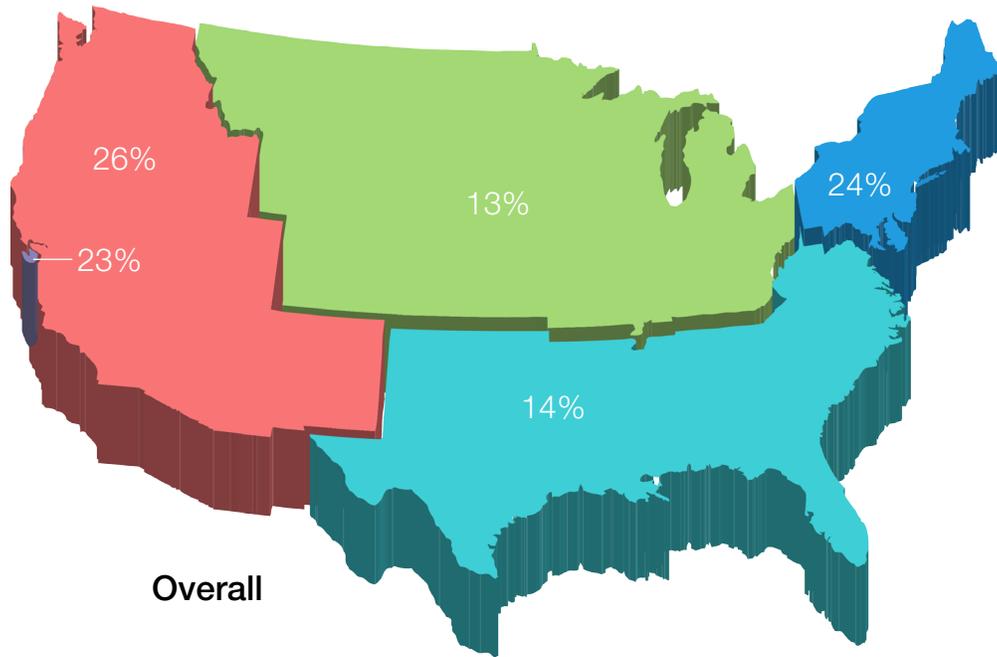
American app makers have contributed greatly to this thriving marketplace, with 80 percent of the top iOS apps coming from U.S. companies. While a number of them call Silicon Valley home, that region actually represents a small percentage of this American success story.

Seventy-seven percent of leading app companies are located outside the Valley with a fairly even balance throughout the country – and they're prospering in areas both urban and remote. These are companies like Limmer Creative from Kennebunkport, Maine. Specializing in medical education apps, the small New England company creates top ranking exam prep apps like EMT Pass.

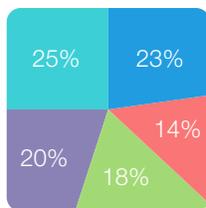
Charlotte, North Carolina's Freecloud Design is a one-person company making popular education apps. Its Stack the States™ app consistently wins awards like "Best Kids App for iPad."⁵

Successes like these owe much to the ease of publishing in the App Economy. Needing only an internet connection and coding skills, entrepreneurs with innovative ideas are able to thrive in any location.

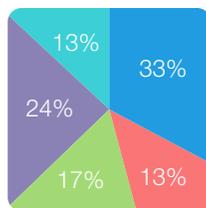
Geographic Diversity of iOS App Economy



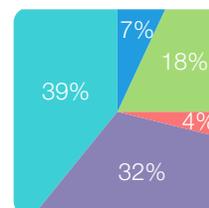
Overall



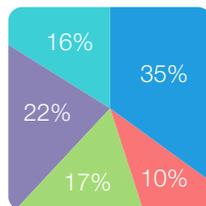
Business



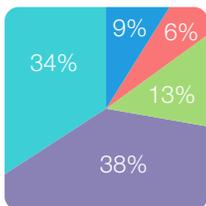
Health



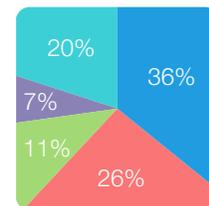
Games



Education



Productivity



Medical

A Dynamic Marketplace

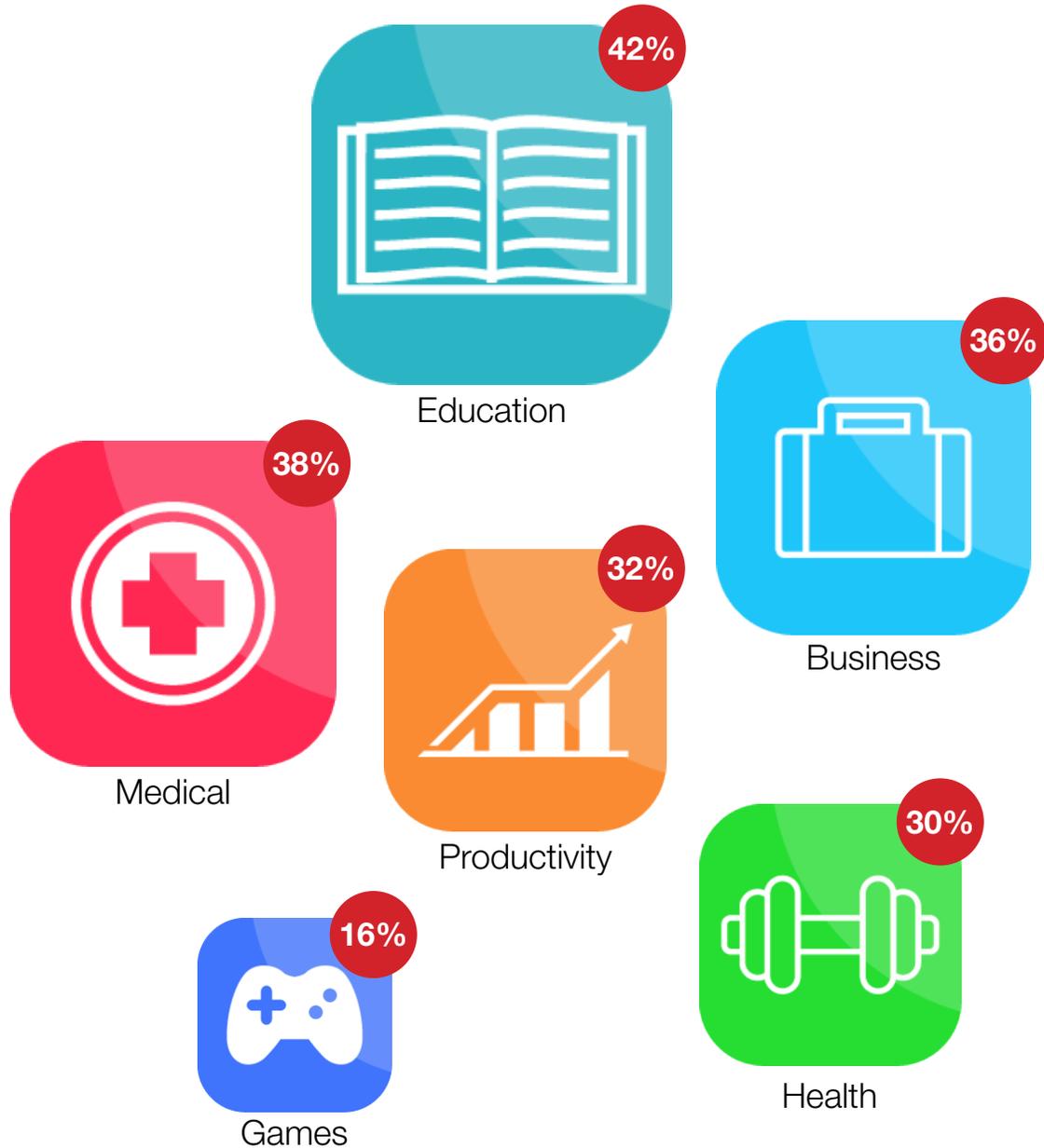
The iPhone was introduced in 2007 with 500 pre-approved apps. A year later the App Store was opened to third parties. This new marketplace allowed independent software developers to shift their focus to consumer-facing projects. The curated store provides a single retail location in a secure environment that manages transactions and offers protection against piracy.

With app makers free to focus exclusively on writing code, a blistering pace of innovation ensued. Mobile solutions have upended incumbent technologies that long governed how we work, shop, and play. Apps like Uber and OpenTable have given consumers alternatives in inefficient marketplaces. Remarkably, this market disruption has been felt within the app industry as well.

Successful apps must constantly update features to retain users and ward off competitors. The App Store is a marketplace where new entrants are able to displace established leaders if their product is better. This is reflected in the number of new entrants in this year's edition.

More than 32 percent of the companies in this year's study didn't rank at all in our previous reports. Many are small companies like Brooklyn's Tinybop whose series of kids' education apps have maintained high rankings for months. Large corporations like Microsoft also feature here. Having recently decided to sell its Office suite in the App Store,⁶ the Redmond, Washington, company found many customers eager to use its familiar applications on Apple devices.

Companies Unranked in Prior Years



Methodology

On May 25, 2015, we surveyed 400 top-grossing apps in the Apple App Store across the categories of Business, Education, Finance, Games, Health, Medical, Productivity, and Weather. We then analyzed apps by location and historic performance to measure the greatest influences impacting app economy growth.

This analysis was conducted using publicly available data from the Apple App Store, company statements, and industry publications.

About

ACT | The App Association represents more than 5,000 app companies and information technology firms in the mobile economy.

The organization 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.

Previous reports in *App Economy* series:

State of the App Economy 2014 [\[link\]](#)

App Store After Five Years 2013 [\[link\]](#)

European App Economy Report 2013 [\[link\]](#)

Apps Across America 2012 [\[link\]](#)

End Notes

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

² “App Economy Forecasts 2014-2017,” Vision Mobile (December 2014), available at: <http://www.visionmobile.com/product/app-economy-forecasts-2014-2017/>.

^{3,4} “APPNATION State of the App Economy Report Forecasts App Economy to Reach \$151B by 2017,” APPNATION (July 2013) available at: <http://appnationconference.com/main/research/>.

⁴ Pappas, Andreas “Developer Economics: App Market Forecasts 2013-2016,” Vision Mobile (July 2013), available at: <http://www.visionmobile.com/blog/2013/07/developer-economics-app-market-forecasts-2013-2016/>.

⁵ “Best Kids App for iPad,” Best App Ever Awards (2010), available at: <http://www.bestappever.com/awards/2010/>.

⁶ Nadella, Sataya, “Mobile First, Cloud First Press Briefing,” Microsoft (March 2014), available at: <http://news.microsoft.com/2014/03/27/satya-nadella-mobile-first-cloud-first-press-briefing/>.

ACT | The App Association

1401 K Street NW Suite 501
Washington, DC 20005

 202.331.2130

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