

Mobile Applications & Apps Stores

Business Models, Opportunities & Forecasts 2009-2014



Table of Contents

Glossary	8
Executive Summary	
Introduction	10
What This Report Covers	11
The Market for Mobile Applications	11
How Content is Monetised.....	15
Strategic Recommendations.....	16
I. The Rise of the App Store	
I.1 Introduction	20
I.2 What is a Mobile Application?	21
Table I.1: Examples of Mobile Applications by Entertainment Category.....	21
I.3 What This Report Covers	21
I.3.1 Categories of Mobile Application.....	22
i. Games.....	22
ii. Finance & Productivity	22
iii. Multimedia & Entertainment.....	22
iv. Education & Reference.....	23
v. Lifestyle & Healthcare	23
vi. Social Networking.....	23
I.3.2 Mobile Widgets	23
I.4 The Development of Mobile Applications.....	24
I.4.1 OTA Downloads.....	24
I.4.2 The Rise of Enterprise.....	24
I.5 The First App Stores – Handango, Motricity and GetJar	25
I.5.1 Handango.....	25
I.5.2 Motricity/PocketGear	26
I.5.3 GetJar	26
I.6 The iPhone and the App Store	27
I.6.1 Apps Market pre iPhone	27
I.6.2 Launch of Apple’s iPhone.....	27
I.6.3 The Impact of ‘The App Store’	28
I.6.4 Industry Reaction to the iPhone/App Store	29
I.7 App Store Deployments Since Mid-2008.....	30
Table I.1: App Store Launches, July 2008 onwards	31
I.8 Key Drivers of the App Store.....	32

1.9 Generic Drivers for App Stores.....	32
2. The App Store, the Mobile Value Chain and Revenue Distribution	
2.1 Value Chain Analysis.....	34
2.1.1 Traditional Value Chains.....	34
Figure 2.1: Traditional Value Chain of Mobile Content	35
Figure 2.2: Mobile Content Value Web.....	35
2.1.2 App Store Value Chain.....	35
Figure 2.3 App Store Value Chain.....	36
i. Implications of This Model.....	36
2.2 App Store Business Models.....	37
2.2.1 Pay-Per Download	38
i. Case Study – Bolt Creative	38
2.2.2 Free to Download	38
2.2.3 Upselling Content	39
2.3 Opportunities and Benefits Across the Value Chain	40
2.3.1 Attractiveness for Operators	40
Figure 2.4: Operator Opportunities from Open Access Model. Western Europe Revenue Share 2008 & 2013	42
i. Case Study: JIL (Joint Innovation Lab)	42
2.3.2 Advantages to Vendors	43
2.3.3 Attraction for Content Providers	43
i. Case Study: Shazam.....	43
2.3.4 Challenges for White Label Storefront Providers	44
2.3.5 Advantages for Advertisers	45
Table 2.1: Key Drivers of Advertising in Mobile	45
i. Apps in Advertising - Case Study: Lynx.....	46
ii. App Store Advertising – Case Study: Carling.....	47
Figure 2.5: The Carling iPint.....	47
2.4 The Future of Legacy Distribution Channels.....	47
2.4.1 Operator Portals.....	48
2.4.2 Aggregators	48
2.4.3 Off Portal D2C	49
2.5 Market Hurdles and Constraints	49
2.5.1 Addressable Market.....	49
2.5.2 Access to the End-user	50
2.5.3 Visibility.....	50
2.5.4 Scale	50
2.5.5 Application Saturation?.....	51
2.5.6 Competitive Pricing.....	51
2.5.7 Cost of Data Services	52

2.5.8 The VoIP Issue	52
2.5.9 Macro Economic Issues	53
3. The Market for Mobile App Downloads	
3.1 Introduction	56
3.2 Relative Popularity of Mobile Applications	56
Figure 3.1: Most Popular Categories of Applications on App Store (%) Split by Number of Titles, March 2009	57
Figure 3.2: Top 100 App Store Paid-for Applications (%) Split by 6 Categories, March 2009 ...	57
Figure 3.3: Top 100 App Store Free Applications (%) Split by 6 Categories, March 2009	58
Table 3.1: % of Handango Downloads Attributable to Games, by OS 2005-2008.....	58
3.3 Methodology	58
Figure 3.4: Bottom-Up Methodology for Derivation of Onstore/Offstore Mobile App Usage and Revenues	59
3.4 Global Mobile Subscriber Forecast	59
Figure 3.5: Global Mobile Subscriber Forecast (m) Split by 8 Key Regions 2008-2014.....	60
Table 3.2: Global Mobile Subscriber Forecast (m) Split by 8 Key Regions 2008-2014.....	60
3.5 Mobile Application Users and Usage	60
Table 3.3: % Mobile Users Who Download Apps Split by 6 Categories 2008-2014.....	61
Figure 3.6: Number of Mobile Users (m) Who Download Apps Split by 6 Categories 2008-2014	61
Table 3.4: Number of Mobile Users (m) Who Download Apps Split by 6 Categories 2008-2014.....	62
3.6 The Retail Market for Onstore Applications.....	62
3.6.1 Onstore Users and Usage	62
Table 3.5: % Application Downloaders (m) who Download via App Stores Split by 6 Categories 2008-2014	62
Figure 3.7: Number of Application Downloaders who Download via App Stores Split by 6 Categories 2008-2014.....	63
Table 3.6; Number of Application Downloaders (m) who Download via App Stores Split by 6 Categories 2008-2014.....	63
Figure 3.8: Average Number of Onstore App Downloads per User per Year Split by 6 Categories 2008-2014.....	63
Table 3.7: Average Number of Onstore App Downloads per User per Year Split by 6 Categories 2008-2014	64
Figure 3.9: Total Number of Onstore App Downloads Per Year (m) Split by 6 Categories 2008-2014.....	64
Table 3.8: Total Number of Onstore App Downloads Per Year (m) Split by 6 Categories 2008-2014	65
3.6.2 Retail Revenues of Onstore Applications.....	65
Table 3.9: % Onstore App Downloads Which are Paid For Split by 6 Categories 2008-2014	66
Figure 3.10: Number of Onstore App Downloads (m) Which are Paid for Split by 6 Categories 2008-2014.....	66
Table 3.10: Number of Onstore App Downloads (m) Which are Paid for Split by 6 Categories 2008-2014	66

Table 3.11: Price Per Onstore Mobile Apps Download (\$) Split by 6 Categories 2008-2014 67

Figure 3.11: Onstore Mobile Apps, Retail Value (\$m) Split by 6 Categories 2008-2014..... 67

Table 3.12: Onstore Mobile Apps, Retail Value (\$m), Split by 6 Categories 2008-2014..... 68

3.7 The Retail Market for Offstore Applications 68

3.7.1 Offstore Users and Usage 68

Table 3.13: % Offstore Application Downloaders who Download, Split by 6 Categories 2008-2014..... 69

Figure 3.12: Number of Offstore Application Downloaders (m) who Download Split by 6 Categories 2008-2014 69

Table 3.14: Number of Offstore Application Downloaders (m) who Download Split by 6 Categories 2008-2014..... 70

Figure 3.13: Average Number of Offstore App Downloads per User per Year Split by 6 Categories 2008-2014 70

Table 3.15: Average Number of Offstore App Downloads per User per Year Split by 6 Categories 2008-2014..... 71

Figure 3.14: Total Number of Offstore App Downloads Per Year (bn) Split by 6 Categories 2008-2014 71

Table 3.16: Total Number of Offstore App Downloads Per Year (bn) Split by 6 Categories 2008-2014..... 72

3.7.2 Retail Revenues of Offstore Applications..... 72

Table 3.17: % Offstore App Downloads Which are Paid For Split by 6 Categories 2008-2014 72

Figure 3.15: Number of Offstore App Downloads (m) Which are Paid for Split by 6 Categories 2008-2014 73

Table 3.18: Number of Offstore App Downloads (m) Which are Paid for Split by 6 Categories 2008-2014..... 73

Table 3.19: Offstore Mobile Apps, Price per Download (\$) Split by 6 Categories 2008-2014 74

Figure 3.16: Offstore Mobile Apps, Retail Value (\$m) Split by 6 Categories 2008-2014..... 74

Table 3.20: Offstore Mobile Apps, Retail Value (\$m) Split by 6 Categories 2008-2014..... 75

3.8 Total Retail Market for Mobile Applications..... 75

3.8.1 Application Usage Levels 75

Figure 3.17: Total App Downloads (m) Split by 6 Categories 2008-2014 75

Table 3.21: Total App Downloads (m) Split by 6 Categories 2008-2014 76

Figure 3.18: Total App Downloads (m) Split by Onstore/Offstore 2008-2014 76

Table 3.22: Total App Downloads (m) Split by Onstore/Offstore 2008-2014 77

3.8.2 Application Retail Revenues 77

Figure 3.19: Mobile Apps, Total Retail Value (\$m) Split by 6 Categories 2008-2014..... 77

Table 3.23: Mobile Apps, Total Retail Revenues (\$m) Split by 6 Categories 2008-2014 78

Figure 3.20: Mobile Apps, Total Retail Revenues (\$m) Split by Onstore/Offstore 2008-2014 . 78

Table 3.24: Mobile Apps, Total Retail Revenues (\$m) Split by Onstore/Offstore 2008-2014 79

4. The Market for Mobile App Value-Added Content and Services

4.1 Methodology 80

Figure 4.1: Bottom Up Methodology for Derivation of Onstore/Offstore Incremental App Revenues (Games, Lifestyle & Healthcare, Multimedia & Entertainment).....81

Figure 4.2: Top-Down Methodology for Derivation of Onstore/Offstore Incremental App Revenues (Social Networking (SN), Finance & Productivity).....82

4.2 The VAS Market for Onstore Applications..... 82

4.2.1 Onstore Users and Usage (Games, Lifestyle & Healthcare and Multimedia & Entertainment)..... 82

Table 4.1: % of Downloaded Applications That Upsell VAS, Onstore Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....83

Figure 4.3: Number of Onstore Downloaded Apps That Upsell VAS, Upsold Content, Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-201483

Table 4.2: Number of Onstore Downloaded Apps That Upsell VAS, Upsold Content Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.83

Figure 4.4: Average Number of Onstore VAS Sold Per Upselling Download Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....84

Table 4.3: Average Number of Onstore VAS Sold Per Upselling Download Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....84

Figure 4.5: Total Number of Onstore VAS Sold (m), Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....85

Table 4.4: Total Number of Onstore VAS Sold (m) Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....85

4.2.2 Incremental Revenues of Onstore Applications..... 86

Table 4.5: Price Per Onstore VAS, Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-201486

Figure 4.6: Onstore Apps, Upselling Revenues (\$m) Split by 5 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment, Finance & Productivity, Social Networking) 2008-201486

Table 4.6: Onstore Apps, Upselling Revenues (\$m) Split by Category (Games, Lifestyle & Healthcare, Multimedia & Entertainment, Finance & Productivity, Social Networking) 2008-2014.....87

4.3 The VAS Market for Offstore Applications..... 87

4.3.1 Offstore Users and Usage (Games, Lifestyle & Healthcare and Multimedia & Entertainment)..... 87

Table 4.7: % of Downloaded Applications That Upsell Offstore VAS Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....87

Figure 4.7: Number of Downloaded Apps That Upsell Offstore VAS, Upsold Content, Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-201488

Table 4.8: Number of Offstore Downloaded Apps That Upsell VAS Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....88

Figure 4.8: Average Number of Offstore VAS Sold Per Upselling Download Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....89

Table 4.9: Average Number of Offstore VAS Sold Per Upselling Download Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....89

Figure 4.9: Total Number of Offstore VAS Sold (m) Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....90

Table 4.10: Total Number of Offstore VAS Sold (m) Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-2014.....90

4.3.2 Incremental Revenues of Offstore Applications..... 90

Table 4.11: Price Per Offstore VAS Split by 3 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment) 2008-201491

Figure 4.10: Offstore Apps, Upselling Revenues Split by 5 Categories (Social Networking, Finance & Productivity, Multimedia & Entertainment, Lifestyle & Healthcare, Games) 2008-2014..... 91

Table 4.12: Offstore Apps, Upselling Revenues Split by 6 Categories (Social Networking, Finance & Productivity, Multimedia & Entertainment, Lifestyle & Healthcare, Games) 2008-2014 92

4.4 Total VAS Market for Mobile Applications..... 92

Figure 4.11: Mobile Apps, Total VAS Value (\$m) Split by 5 Categories (Games, Lifestyle & Healthcare, Multimedia & Entertainment, Finance & Productivity, Social Networking) 2008-2014..... 92

Table 4.13: Mobile Apps, Total VAS Revenues (\$m) Split by Category (Games, Lifestyle & Healthcare, Multimedia & Entertainment, Finance & Productivity, Social Networking) 2008-2014 93

Figure 4.12: Mobile Apps, Total VAS Revenues (\$m) Split by Onstore/Offstore 2008-2014.... 93

Table 4.14: Mobile Apps, Total Retail Revenues (\$m) Split by Onstore/Offstore 2008-2014 93

4.5 How Content is Monetised 94

4.5.1 The Implications of the App Store Model.....94

Figure 4.13: Total Market for Mobile Apps, Retail and VAS Revenues (\$m) Split by Onstore/Offstore 2008-2014..... 94

Table 4.15: Total Market for Mobile Apps, Retail and VAS Revenues (\$m) Split by Onstore/Offstore 2008-2014 94

Figure 4.14: Total Market for Mobile Entertainment (\$m) Median-Case Scenario Split by Onstore App Revenues vs Traditional Revenue Channels 2008-2013 95

Table 4.16: Total Market for Mobile Entertainment (\$m) Median-Case Scenario Split by Onstore App Revenues vs Traditional Revenue Channels 2008-2013..... 95

5. App Stores: The Key Players

5.1 Storefront Brands 96

5.1.1 Google96

5.1.2 Palm.....97

5.1.3 Orange.....98

5.1.4 Research in Motion99

5.1.5 Nokia 100

5.1.6 Microsoft 101

5.1.7 O2 Litmus 101

5.1.9 Samsung..... 102

5.1.10 Cydia..... 102

5.2 White-label Storefronts 102

5.2.1 Amdocs 102

5.2.2 SurfKitchen 103