research2guidance

the mobile research specialists

Global Smartphone Application Market Report 2010

A business guide to successfully publishing apps

20th August 2010

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1   Preface

research2guidance is a research organization focusing on providing insights into mobile market developments. Our aspiration is to provide business leaders with a fact base to better understand some of the most important trends shaping global mobile markets today. As with all research2guidance projects, the research behind this report has not been commissioned or sponsored in any way by any business, government, or other institution.

This document explores the major trends in the smartphone application market. The report is based on shared insights of market experts and leading corporate application publishers. It contains key insights for companies looking to enter or deepen their engagement in the application market.

In addition to this full report research2guidance offers most of the key research results as a ready to use Power Point package or single slide download.

Please visit research2guidance.com for more details.

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4   Market Background

The smartphone application market only recently became a hot topic inside and outside the mobile world. Most players are new to this market, and comprehensive information about the market is rare. The increased interest in the smartphone application business started without the advantage of comprehensive information covering major milestones in the development of the market. To provide a solid background for decision makers, this chapter reviews the development of the market and provides information about what have become key dimensions as of June 2010.

Key take-aways from this section include:

- Between 2007 and 2009, the smartphone application market grew by XX%[1], reaching a value of $XX billion US
- Market size is expected to more than double in 2010. During first half of 2010 smartphone application paid downloads revenue amounted to $XX billion US.
- The top five application stores represent XX% of all downloads in the market (1st HY 2010), with Apple still as the clear leader in this group (XX%).
- Independent application stores originally established the market, but are now threatened by the success of OEM, OS and MNO[2] stores.
- The average paid application price dropped by XX% between 2007 and 2009 – from $XX US to $XX US. (application prices remain almost stable in the first six months of 2010)
- Smartphone application numbers grew from XX in 2007 to XX in 1st HY 2010

4.1   Market Developments 2000-2010

The launch of Apple's App Store created hype within the mobile industry and beyond. Before long, companies all over the world were scrambling to publish their first iPhone applications. In the beginning this was fuelled mainly by a large number of small "garage" developers who took the opportunity to easily sell a product to a worldwide customer base. In 2009 larger corporations made their first significant steps into the applications market, with the main intention of becoming familiar with this new customer channel. As of October 2009, less than XX% of Fortune 2000 companies worldwide were active in the Apple App Store. Within the next few years most major organizations will have a mobile application, making publishing a corporate mobile application as essential as having a company webpage.

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[1] CAGR – compound annual growth rate

[2] OEM – original equipment manufacturer; OS – mobile operating system vendor; MNO – mobile network operator

Figure 2: The Application Store Race
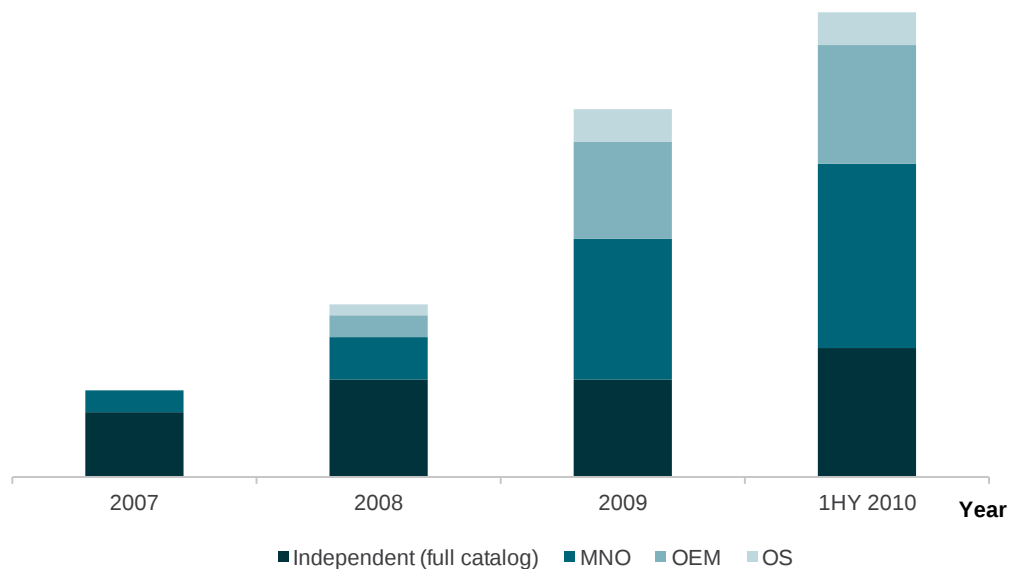
Source: research2guidance. Contact: www.research2guidance.com

In mid-2010 there were more than XX full-catalogue OEM, OS, MNO and independent stores. Most new launches took place in 2009, during which time the number of application stores increased by more than XX% in relation to 2007 numbers. 2010 saw a slowdown in new shop openings, as major operators and manufacturers had already launched their stores previously. Among more significant new launches should be mentioned Motorola's SHOP4APPS, and India's entrance to market with Idea Cellular and Airtel App stores

Future growth will come mainly from second tier MNO and niche stores that target specific customer groups. As of the end of 2009, these niche stores numbered between XX and XX.

Figure 3: Number of Application Stores 2007 - 1st HY 2010

Number of Stores
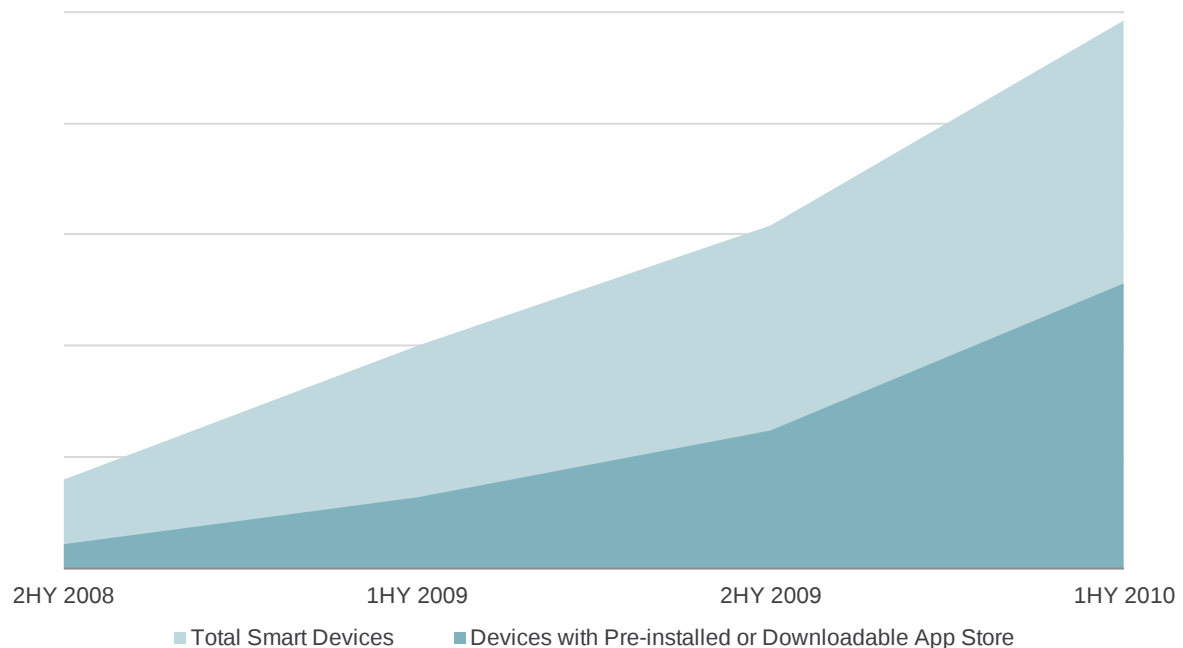
Another factor supporting market growth is the increasing number of pre-installed or downloadable on-device stores for smartphone devices. Before 2007 the vast majority of application stores were web-based, meaning the user had to browse to the store website before being able to search and download applications. With the Apple App Store and others pre-installed on the device, users are just one click away from entering the store.

At the end of 2009 around XX smartphones were shipped with a pre-installed application store, or were capable of downloading an application store. In the first six months of 2010 this number grew to XX. The majority of smartphones shipped in 2010 are capable of downloading an application store or come with an application store pre-installed.
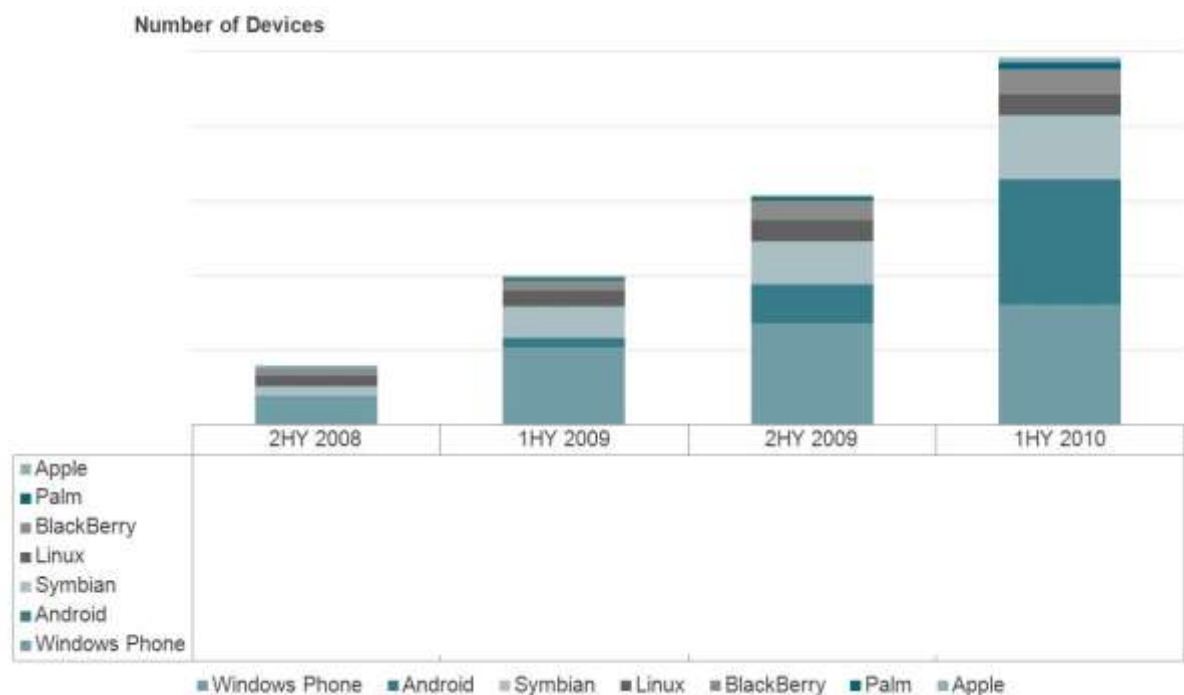
Figure 4: Number of Smartphones Launched since 2nd HY 2008 with Pre-installed or Downloadable Application Stores (2nd HY 2008 – 1st HY 2010)

Number of Devices

2HY 2008   1HY 2009   2HY 2009   1HY 2010

■ Total Smart Devices   ■ Devices with Pre-installed or Downloadable App Store

In 2010, Android has become the preferred mobile operating system of device manufacturers. All together there have been XX smartphones released to the market since the launch of the Apple App Store.

Figure 5: Cumulative Number of Smart Devices Launched since 2nd HY 2008 by Platform 2008-2010

11 About research2guidance

We are an international team of experts with backgrounds in consulting and market research. research2guidance was founded based on a shared fascination with the rapid developments in the mobile market, and channels this enthusiasm as well as our collective experience into comprehensive market studies, bespoke research and consultancy.

About the Authors

Ralf-Gordon Jahns

Ralf is a co-founder of research2guidance. He has a track record of more than 15 years in the telecom and media industry, and has worked previously as a partner for Cap Gemini Telecom Media & Networks. He has published various market studies dealing with current topics, including "Mobile TV," "Mobile Content" and "Fixed Mobile Convergence," and has helped more than 30 clients in the telecom and media industry to develop new business opportunities.

Markus Pohl

Markus is a co-founder of research2guidance. Prior to that he has been engaged in market research for more than six years. Previously Research Director for the UK-based Group GTI/trendence, Markus has conducted global research projects with clients such as KPMG, PricewaterhouseCoopers, Deutsche Bank, IKEA, Bain, BCG, McKinsey, Audi and BMW.

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Egle is a research analyst at research2guidance specializing in the mobile industry. She has a track record in market research and data analysis of more than five years. Prior to research2guidance she has worked for Ernst & Young, AC Nielsen and Euromonitor.

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12 Appendix

12.1 Application Store Detailed Profiles

This section provides in-depth reviews of major application stores. Each applications store profile is built around screen captures of the store interface and developer portals, where access to each section was possible. From these images, an analysis is provided of the available page elements, showcasing their functionality and assessing the possibilities they provide for users and developers.

Each application store profile includes high-level assessment according to several criteria that can assist with store categorization and evaluation.

- Content: The extent and type of potential downloadable items within a store. This can range from applications only, to both apps and games and often, in comprehensive stores, the inclusion of other media types such as themes, ringtones, music, movies, and images.
- Access: Each store has one or more possible interfaces through which users can access and download content. Whether available on a single platform or via multiple methods, possibilities include web, mobile web, downloadable on-device applications, and pre-installed on-device applications.
- Devices: Not only what handset software platforms are supported by a store, but also whether or not they focus exclusively on advanced "smartphone" models. Stores are either single- or multi-platform, and may provide smartphone content only or support both smartphones and feature phones.
- Developer Resources: Of key importance for developers is the amount of support provided by stores. Here, stores range from simply accepting submissions, to providing a full developer portal that may or may not include a software development kit (SDK).
- Maturity: The overall user experience within the store interface is also an important factor for publishers and developers. Stores vary in their capabilities, from basic (including search and content categories) to standard (search, categories and curated lists) and advanced (filtered search, categories, curated lists, and other features such as related content, community integration, and additional discovery tools).

Developers and prospective application publishers can quickly leverage these overviews to identify the market's available sales and marketing channels, and assess which stores' positioning and capabilities will best support their planned expansion within the mobile applications market.

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