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the app market specialists

WHITEPAPER: THE SMARTPHONE APP MARKET 2013

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research2guidance is a market intelligence and strategy consulting company based in Berlin.

We concentrate on the mobile app ecosystem. We develop mobile strategies, provide market reports and app analytical support.

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The "Smartphone App Market Monitor" is a quarterly report with the latest updates on the smartphone app market.

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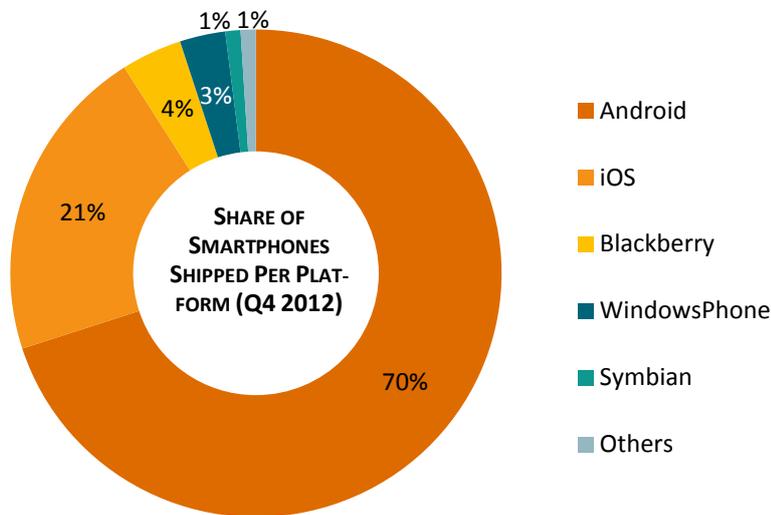
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Symbian has dropped off from the list of top 5 mobile operating systems

Symbian which was mainly run by Nokia, continued its downfall in Q4 2012. From the previous quarter, the number of smartphones sold with a Symbian OS dropped off 29.3%, ac-



counting for just 2.9% of total smart-phones shipped in Q4 2012⁷. Nokia's transition to Windows Phone since Q4 2011 has clearly spurred Symbian's downfall.

Mostly smaller players

70%
OF ALL SHIPPED SMARTPHONES COME WITH AN ANDROID OPERATING SYSTEM⁷

continued to build partnerships to improve their market position.

There is a window of opportunity for new and fresh operating systems

With the increasing dominance of Android and iOS as operating platforms for smartphones, device differentiation becomes more and more difficult. That might open the door for new and fresh operating systems that have been launched in recent months.



JOLLA INKS FIRST CARRIER, CHIPSET DEALS FOR SAILFISH PHONES

The Finnish start-up launched by a group of Nokia former employees, has advanced plans to launch a device based on the MeeGo mobile OS – claiming it has raised €200 million from a consortium of mobile industry investors.

The firm has also struck a deal with Finland's number-three mobile operator DNA, which has agreed to market Jolla smartphones "as soon as they enter the market."

The company is also partnering with ST-Ericsson on chipsets for its smartphones. And it already has a distribution deal in place with D.Phone, China's largest mobile phone retailer – suggesting China's fast growing smartphone user base will be a target market.

⁷ Gartner, 2013

UBUNTU SET TO MOVE TO MOBILE PHONES

Canonical, the company behind the Ubuntu operating system, announced the platform will be made available for mobile phones, describing this as “our most important ever product”. It said it is “ready to start working with partners with an aim to releasing phones before the end of 2013”, although it did not name any vendors it is set to work with.




Firefox OS

FIREFOX OS GETS ON ZTE DEVICES

ZTE is set to offer a device powered by Mozilla’s anticipated Firefox OS in Europe in 2013. A report also suggests that a device powered by the platform, which is targeting the entry-level smartphone sector, may make it into the US market.

The platform, which has been backed by operators including Deutsche Telekom, Etisalat, Smart, Sprint, Telecom Italia, Telefonica and Telenor, is first set to be used in a device offered by Vivo, Telefonica’s unit in Brazil.

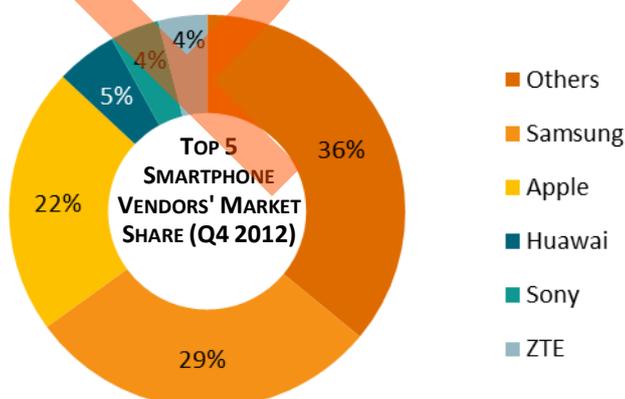
WEBOS PLATFORM LAUNCHED AGAIN

Hewlett-Packard has launched webOS version 1.0, opening up the underlying code for the former Palm smartphone platform to the open source community.

Open webOS 1.0 includes support for core applications such as email, browser and HP’s previously-announced Enyo cross platform developer tool.



Samsung’s market share grew to 29% by the end of 2012. Samsung is now the biggest smartphones vendor followed by Apple with 22% of the market⁸. In the smartphones’ vendors landscape the third position is still ed over. In the last few years different manufacturers have taken this position, with some of them lasting only for a quarter or two.



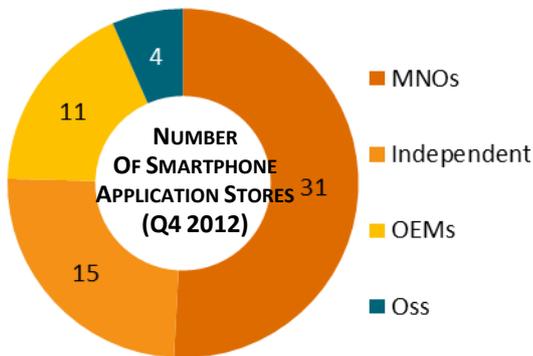
**SAMSUNG IS THE
MOST IMPORTANT
SMARTPHONE
VENDOR IN THE
WORLD WITH**

29%

MARKET SHARE⁸

⁸ IDC, 2013

CHAPTER 2: THE APP STORE RACE



THERE ARE MORE THAN
60 APP STORES
 TO OFFER DISTRIBUTION AND
 APP MARKETING SERVICES¹⁰

The app store landscape showed some changes in Q4. The number of full catalog⁹ stores that are included in research2guidance's monitoring stopped at 61 with three new entrances into the market¹⁰. Although app stores from OS and hardware providers like Google and Apple have a dominant role, they don't represent the biggest group of app store owners. Nearly all major MNOs opened an app store in 2010 or 2011. The monitor now lists 31 stores managed by MNOs. Independent app store operators are responsible for 15 stores.

⁹ Full catalog refers to mobile application stores operated by MNOs, OEMs and 3rd parties and whose catalog does not target a specific OS, device or category.

¹⁰ research2guidance, 2013

OPENINGS

- **Microsoft started WP8 app store:** Microsoft is supporting its new operating system WP8 with the launch of a new app store. Windows Store is the new application store powered by Microsoft and completely dedicated to the new operative system (OS) Windows 8. At Q4 2012 the store counts 35,000 apps.
- **Mozilla launched app store:** Mozilla has opened access to its Firefox Marketplace for early adopters and testers using the latest 'Aurora' version of its Firefox for Android browser. Firefox Marketplace is an online store for web apps using HTML5, JavaScript and CSS technology, which will become a key component in the company's forthcoming mobile-focused Firefox OS. All apps are currently free but Mozilla said it will add payments, ratings and reviews soon.
- **TIM and Opera launch Brazilian app store:** TIM, the second biggest operator in Brazil, partnered with Opera Software to launch the TIM App Shop, which is said to offer "a vast collection" of mobile apps. The store will be preloaded on all devices sold by TIM, and accessible to the operator's close to 70 million subscribers in the country. TIM App Shop offers more than 55,000 apps, including free and paid products, for platforms including Android, Java, Symbian, BlackBerry and iOS.



On the other side app store activities are being closed down:

EXITS

- **Verizon closed its app store:** Verizon Wireless closure of its app store is one of the most prominent during the last months. The store, which was opened in March 2010, offered apps for Android and BlackBerry devices, and the operator said that "most apps existing on Verizon Apps are already available on multiple storefronts, such as Google Play, Amazon and BlackBerry App World". The company started removing the Verizon Apps icon from Android and BlackBerry devices in January 2013, and the process is expected to be complete by the end of March 2013. Instead of operating its own app store US number one operator Verizon Wireless is going to cooperate with Amazon. Verizon will sell smartphones featuring Amazon's app suite preloaded, providing access to the online retailer's shopping, MP3, fashion, ebook and audiobook products. The move is significant because it will see Verizon customers provided with an integrated alternative to Google's Play store for multimedia content. The deal is reported to be exclusive for an unspecified period. The first device to support the integrated Amazon app suite is the HTC-made Droid DNA.
- **Motorola closes China app store:** Google closed Motorola's Shop4Apps store in China, arguing that "Chinese consumers now have many mobile app store alternatives where they can access an extensive inventory of local and international Android apps".

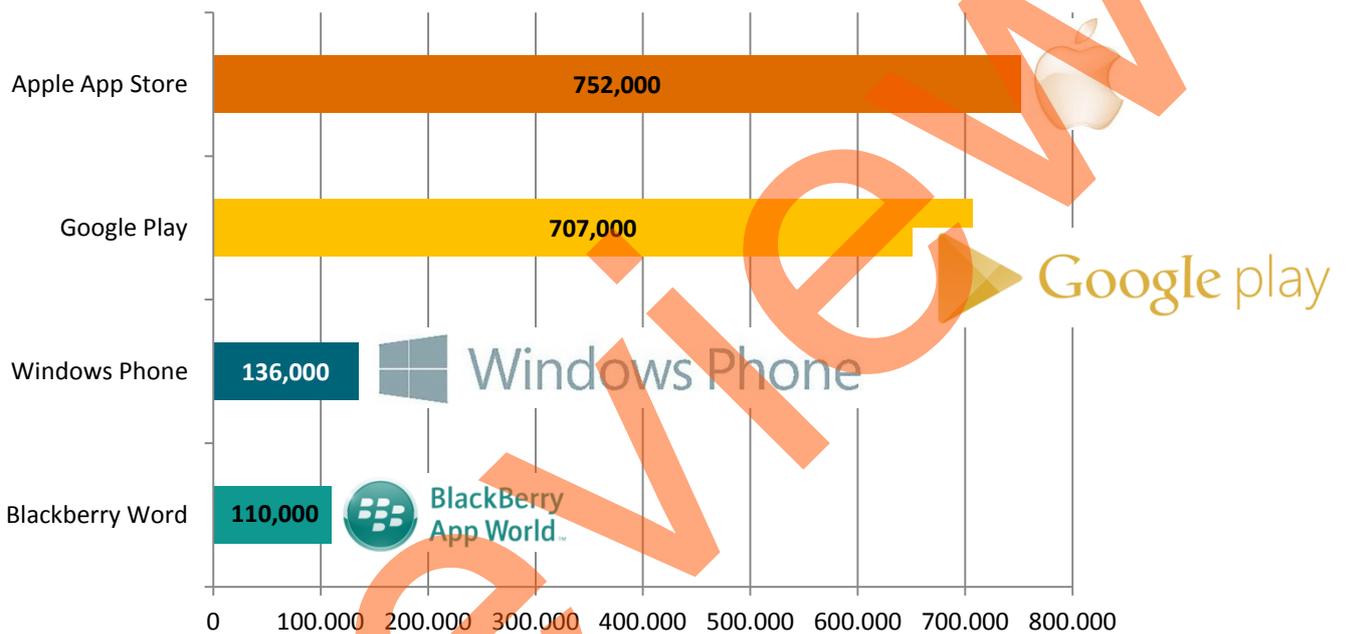


<750,000
apps

The Apple App Store is still the biggest app store showing more than 750,000 apps (EoY 2012)

App numbers of the main app stores increased steadily over the fourth quarter. The gap between the big two: Apple (including only iPhone apps) and Google Play against the rest of the mobile app platforms increased. The two app stores list almost 1.5 Mio. apps.

The choice of apps in other OS application store is only a fraction although both followers (Windows Phone and BlackBerry app stores) are investing a lot of effort and money to become attractive for the developer community.

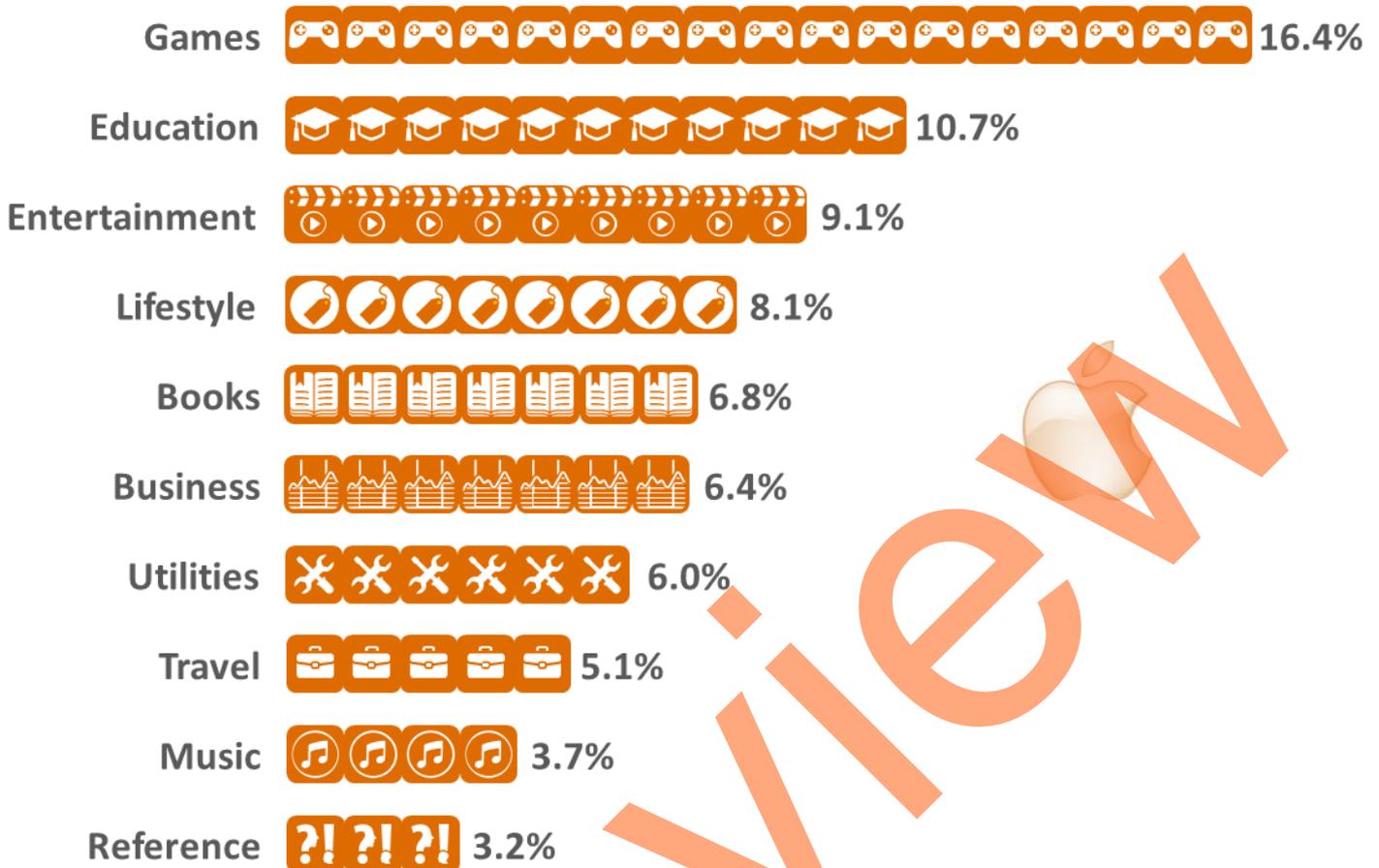


NUMBER OF APPLICATIONS PER PLATFORM (Q4 2012)¹³

By the end of Q4 2012, the combined number of apps of BlackBerry World and Windows Phone Store amounted to 240,000, accounting for 8.6% of the total.

¹³ research2guidance, companies websites, Prioridata and 148apps.biz, 2013

Games are still the biggest app category on Apple App Store¹⁴



TOP TEN APPLE'S APP STORE CATEGORIES (Q4 2012)

¹⁴ research2guidance and 148apps.biz, 2013

The average paid app selling price across all the most important stores varies between US\$ 1.76 and US\$ 3.66

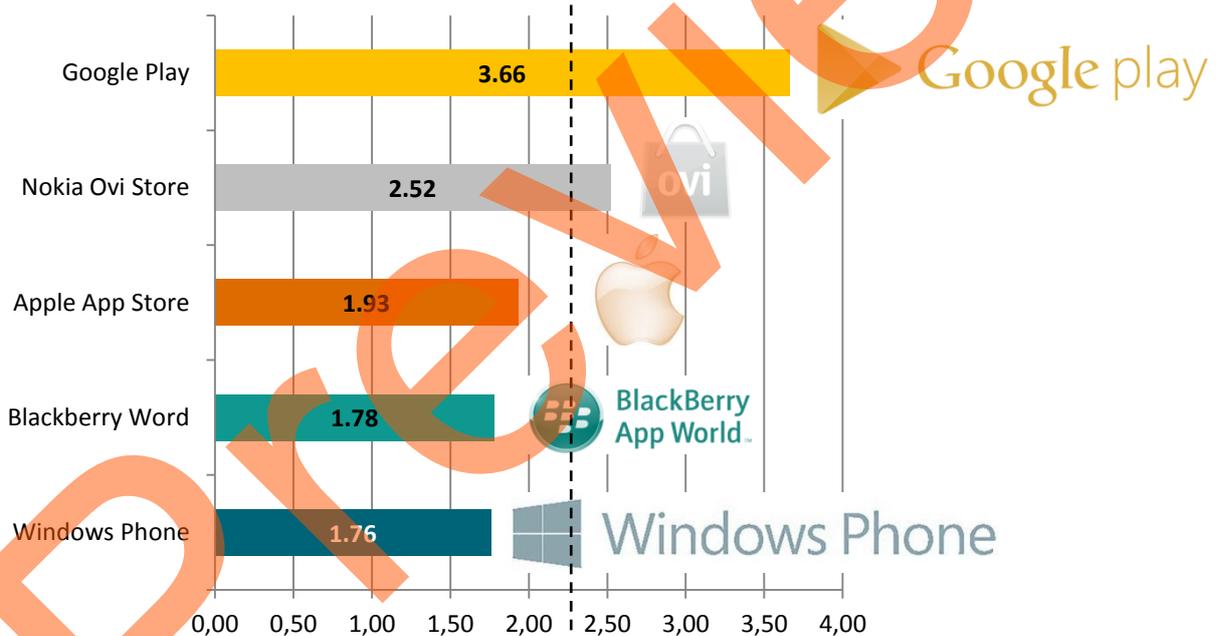
In Q4 average app prices remained mostly stable. The average app price in all stores reached US\$ 2.33. The sharp decline in prices during the years 2009-2011 has slowed down in 2012. Google Play now lists the highest average price equaling US\$ 3.66. Microsoft average app price remains constant as compared to at US\$ 1.76. As shown in the graph below Windows Phone Store are the platforms displayed paid



the last quarter stopping BlackBerry World and with the lowest average app price¹⁷.

AVERAGE DISPLAYED APP PRICE

US\$ 2.33



AVERAGE DISPLAYED PAID APPLICATION PRICE IN OFFICIAL OEM & OS APPLICATION STORES (Q4 2012)

¹⁷ research2guidance, 2013 and store websites.

Base: Top Paid apps in Google Play, Nokia Ovi Store, Apple App Store, BlackBerry World and Windows Phone.

CHAPTER 3: APP PLATFORMS PERFORMANCE BENCHMARKING



In Q4 2012 the total number of downloads reached almost 14.4 billion¹⁸. Apple has taken the biggest share of cumulated downloads but Android users are now downloading more apps today.

Since the launch of the Apple App Store, the total cumulated downloads hit 40 billion. Google Play total app downloads account for 31 billion by the end of Q4 .

**14.4 BN
DOWN-
LOADS**

MORE THAN

14 BN

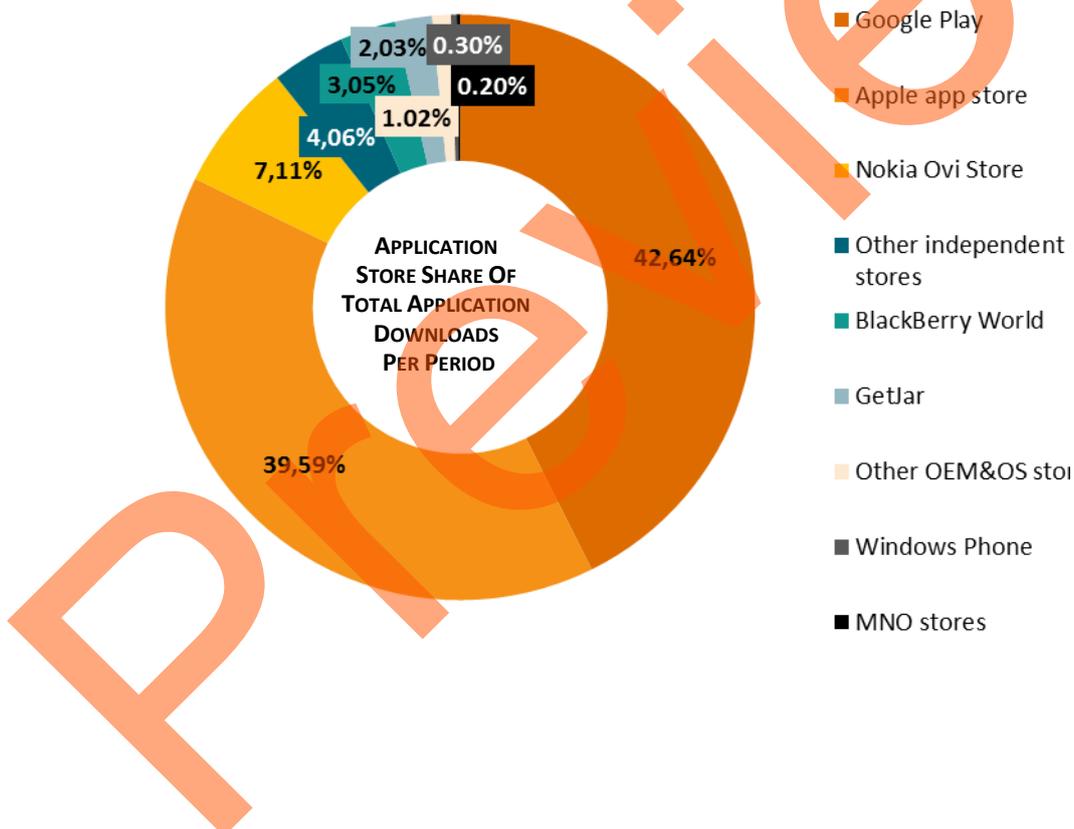
DOWNLOADS IN Q4 2012¹⁸

¹⁸ research2guidance, 2013

Google Play has overtaken Apple as number one app platform²¹

Today 42,6% of the all downloads are made on Google Play while 39,6% on the Apple App Store. Third is Nokia Ovi Store accounting for 7,1% of the total. First among the independent stores is GetJar with a market share of 2% still more than Windows Phone Store. MNO stores are being left aside from smartphone users for app downloading.

43%
**OF ALL APP
 DOWNLOADS ARE BEING
 MADE ON GOOGLE
 PLAY²¹**



²¹ research2guidance, 2013

CHAPTER 4: THREE THINGS TO TAKE AWAY

There are many conclusions that can be drawn out of the collection of data displayed in the previous chapters. We want to highlight three.

DIVERSITY OF MOBILE OPERATING SYSTEMS WILL INCREASE

Today, 90 % of all smartphones come with an iOS or Android operating system. Maybe mobile phones user can live with this uniformity but most of the smartphone device manufacturers can't, if they don't want to compete only by price. As a consequence new and fresh operating systems will be loaded on smartphones especially from 2nd tier device manufacturers like HTC, Huawei and ZTE to offer something different.

APP DEVELOPMENT WILL BECOME MORE COMPLEX

Compared to the world today, where most of the app publishers and developers are concentrating on iOS and Android, the need for adding at least Windows Phone and BlackBerry to the "served platform list" will increase over the next 2 years. If companies want to reach out to the community of early adopters they would even have to include new OS platforms like Ubuntu or Jolla to the list. Adding HTML5 makes 2-7 platforms to watch and/or maintain. That is good news for the app development industry and multi-platform tool vendors²², but starts to become a real management task for companies trying to reach their customers with the help of mobile apps.

MANAGING THE APP STORE LANDSCAPE WILL BE KEY FOR THE DISTRIBUTION SUCCESS OF AN APP

App stores will remain the main distribution channel for apps during the upcoming years. With the growing number of apps, we will see that new app distribution platforms emerge. They will specifically address e.g. business, health, adult and children app users needs and offer additional downloads and marketing opportunities for app publishers. The number of app stores increase month by month and it is not possible to track all of them, but it is a safe bet to say that there are more than 500 apps stores out there. App publishers don't need to know all of them but they should be aware of the most relevant for their target groups as

²² End of Q2 2013, research2guidance will release the 3rd edition of the „Multi-Plattform App Development Solution Report“. E-Mail us to get on the distribution list.

ABOUT RESEARCH2GUIDANCE

research2guidance is a strategy consultancy and market intelligence company specializing in the mobile app market.

Our service offerings

- **App strategy:** Projects tailored to assist you in developing your mobile strategy
- **Reports:** Market insights on selected topics
- **Research:** Custom-made research for your individual needs
- **Knowledge center:** A subscription to a wealth of data, analyses, profiles, and daily news and opinions

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