

THE MARKET FOR MOBILE APPLICATION DEVELOPMENT SERVICES

SELLING THE SPADES FOR THE APP GOLD DIGGERS

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1 PREFACE

research2guidance is a specialist research organization that focuses on providing insights into mobile market developments. Our aspiration is to provide business leaders with guidance and a fact-base that will assist them in better understanding the most important trends shaping mobile markets today.

This report concentrates on the service market for application developers. The targeted audience for the report includes CEOs and Marketing Managers of companies providing application development services, as well as IT, Marketing and Purchasing Managers of companies who are planning to publish mobile applications. Mobile network operators (MNO) and mobile handset manufacturers will benefit from key insights into the application developer market to improve their app store ecosystems.

To access additional research documents on the smartphone applications market, please visit <http://www.research2guidance.com/>. research2guidance offers different content and format options to provide you with the information that you need.

- A. **Reports:** Our reports explore the major trends and developments affecting the market in detail. Separate research papers cover both the entire market, as well as concentrating on specific parts of it. The reports contain key insights for companies looking to enter or deepen their engagement in the mobile applications market, providing data and analysis on all relevant aspects of the market to ease investment decision-making.
- B. **Ready-to-use results (1-50 Power Point pages):** Take advantage of our broad selection of Power Point presentation slides by selecting specific content that can easily be downloaded and incorporated into your presentations.
- C. **Research projects:** Projects are tailored specifically to address your mobile application market information needs. Examples of projects include: developer surveys, mobile application strategy definition, and competitor and country analysis.

As with all research2guidance projects, the research behind these reports has not been commissioned or sponsored in any way by any business, government, or other institution.

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3 SCOPE OF THE REPORT

The report analyses the mobile application development service market.

Services are defined as all activities which enable the creation, marketing and management of an app. Application creation tools (e.g. multi-platform and white-label solutions) are also included in the scope of the report.

Not included in the scope of the report are all aspects which directly refer to the application download and advertisement business. For market insight on the application product business please see other market reports of research2guidance.

Mobile applications are defined as software that runs on a smartphone, tablet and in the future also on other devices like internet TV and home automation devices. Services that concentrate on creating other mobile content types like ringtones, wall papers, logos and music are excluded in this report.

Market insights are based on research2guidance's industry network and expert know-how. In addition, a global online and telephone survey was conducted between December 2010 and March 2011. The results help to draw a detailed picture of the current status of the application developer service market as well as to validate market trends.

Almost 400 companies active in the application development service market participated and shared their views, experience and insights for the report. We would like to thank each of these companies, without whom this project would not have been possible:

- Apalon
- Alibro
- bitHeads
- brightsolid
- BulkyPix
- CapGemini
- Cirquent
- Conduit
- Corbus
- Diaspark Inc
- DoApp
- ez4phone
- Grapple Mobile
- Handmark
- iconmobile
- Ideaworks Labs
- ideas2mobile
- InfoStretch
- Infosys
- InMobi
- inneractive
- Intersog
- iPadCTO
- Lechill Mobile
- LiveCode
- MoSync
- Naranya
- Netbiscuits
- Polar Mobile
- OpenPlug
- Quick Connect Family
- Rhomobile
- Rightware
- SAP
- Sevenval
- SmilingMobile
- SoftServe Inc.
- Telecom Italia
- Valiton
- Wipro
- Worklight
- WSP Digital
- Xilisoft
- [x]Cube
- And others...

5 THE SUPPLY SIDE: SELLING SPADES TO THE GOLD DIGGERS

The types of companies providing application development services have changed over the last ten years. In the pre-app store world mobile application and content developers were classical developers with backgrounds in Java, Symbian, BREW, Palm OS, Windows PocketPC and other mobile development platforms. It was a niche market with small customer numbers. In last two years the market for mobile application development has experienced a tremendous change in the service provider landscape. This chapter analyses the current status of the application developer business as of end of 2010. The results are based on a global developer survey conducted at the end of 2010.

Key takeaways

- iOS (Apple) and Android are by far the most prominent platforms amongst mobile application developers.
- The average developer has the ability to deliver projects on XX platforms.
- The primary industry for application development services is the XX, with XX%, and YY, with YY%.
- Developers might have started with developing applications for their own business, but now concentrate on third party application development with XX% of all projects in 2010 delivered to external clients.
- Average project size in 2010 was US\$XXX,000.
- Daily rates show significant differences amongst regions but project margins are almost the same with XX% on average.
- Customers of third party application development come mainly from XXX (XX%) and YYY (YY%).
- XX% of all developers are offshore companies⁷.

5.1 CURRENT STATUS OF THE APPLICATION DEVELOPER MARKET

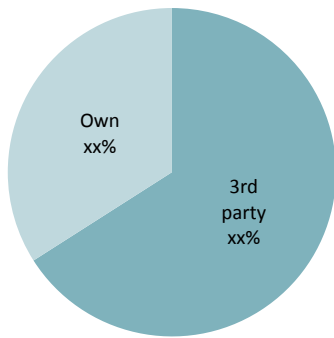
There are typically three types of companies which are active in the market.

1. **The mobile application specialists:** With the launch of the Apple Developer Kit (SDK), new garage developers with little experience in mobile content and application development rushed into the market. Most of them initially developed their own applications but soon found out that developing for third parties generates a more secure revenue stream than becoming a publisher themselves. They make the majority of their business revenue with application development.

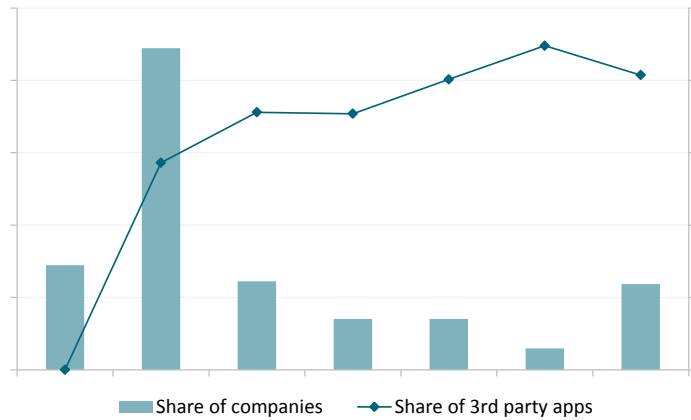
⁷ Offshore and near-shore developer is a company which makes 50% or more of their app development business outside their home business.

FIGURE 20: SHARE OF THIRD PARTY APPLICATION DEVELOPMENT PROJECTS IN 2010

Share of 3rd party projects and own apps in total app development in 2010



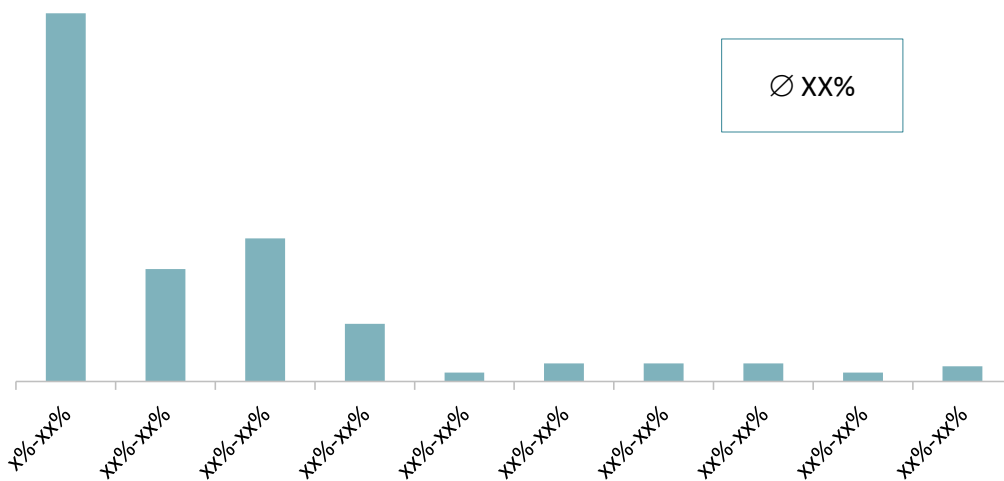
Number of projects delivered to external clients in 2010



Source: research2guidance Global Mobile App Developer Survey 2011 (n=393)

Extensions account for XX% of total application development business in 2010. This is very much in line with other IT service areas. Extension projects are updates to an existing mobile application, mainly for bug fixes or the addition of new functionality.

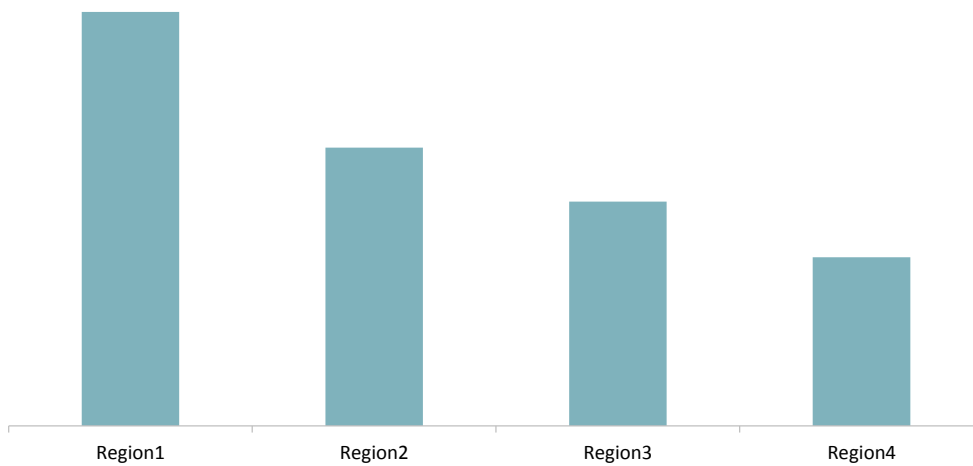
FIGURE 21: EXTENSION SERVICES SHARE OF BUSINESS REVENUE IN 2010



Source: research2guidance Global Mobile App Developer Survey 2011 (n=393)

Offshore developers, those that sell more than 50% of their services to foreign customers, naturally concentrate more on third party projects. The share of third party application development projects in Asia and Eastern Europe, the classical offshore regions, is above the XX% mark, whereas developers from North American and Western Europe are in the range between XX% and XX%.

FIGURE 26: AVERAGE PROJECT SIZE OF AN APPLICATION DEVELOPER PER REGION IN 2010

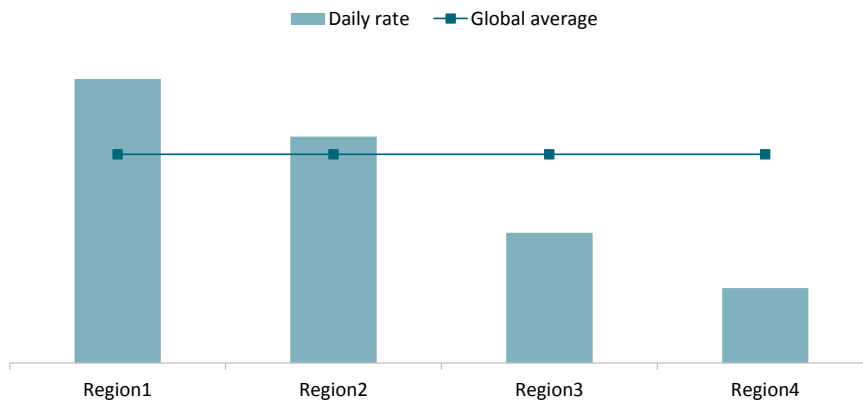


Source: research2guidance Global Mobile App Developer Survey 2011 (n=393)

5.5.2 DAILY RATES FOR APPLICATION DEVELOPMENT PROJECTS

In 2010 the average daily rate of an application development service has been US\$XX per day or around US\$XX per hour. There are significant differences in daily rates within different regions. *Region1* developers charge the highest prices with US\$XX per day, followed by *Region2* companies that work for US\$XX per day. On the other side companies from *Region3* (mainly from *Country1* and *Country2*) charge US\$XX per day.

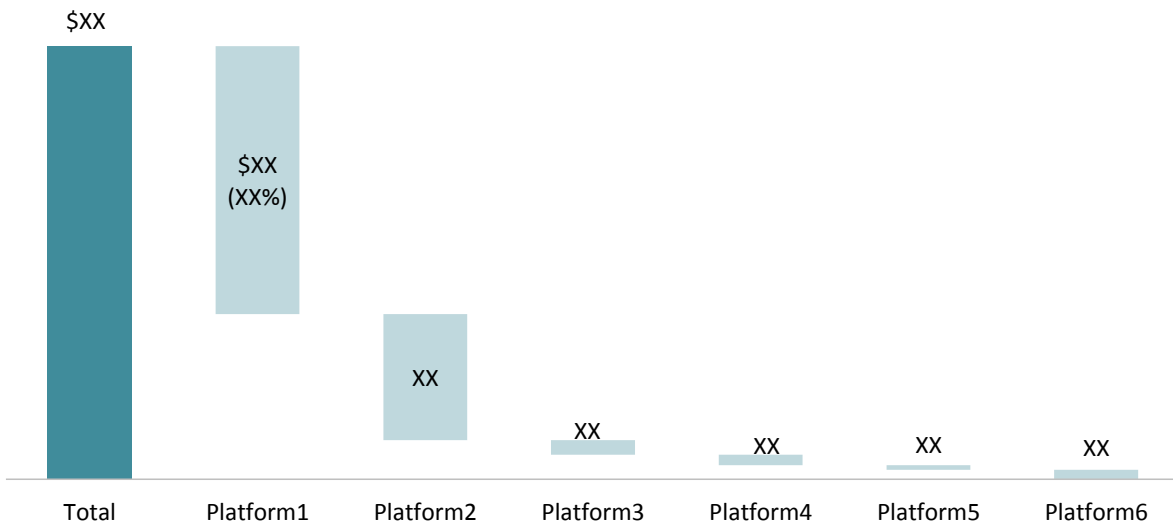
FIGURE 27: DAILY RATE CHARGED FOR APPLICATION DEVELOPMENT PER REGION IN 2010



Source: research2guidance Global Mobile App Developer Survey 2011 (n=393)

The daily rates in the *Country1* are the highest amongst the main application development countries. A client would have to accept XX times higher rates compared to a *Country2* developer.

FIGURE 43: APPLICATION DEVELOPMENT PROJECT REVENUE PER PLATFORM 2010 (IN MILLION USD)

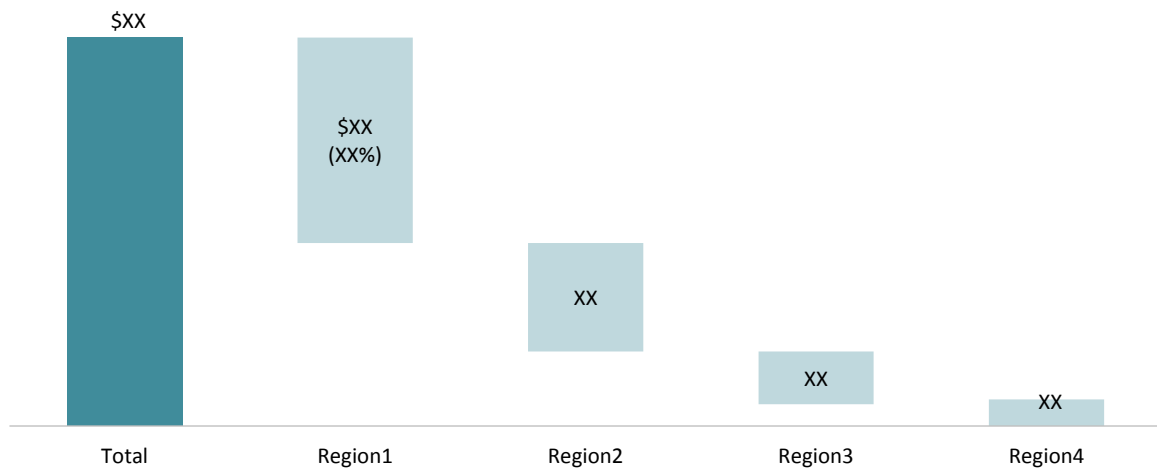


Source: research2guidance

7.1.2 APPLICATION DEVELOPMENT MARKET BY REGION (2008-2010)

Region1 is the biggest market for application development services accounting for XX% (US\$XX billion) of total revenue in 2010. Companies from *Region2* countries have spent US\$XX billion (XX%) for mobile application development in 2010. Both regions together represent XX% of the global market. There is also a local market for application development in *Region3* reaching US\$XX billion (XX%). All the other regions are still niche markets for application development services.

FIGURE 44: THIRD PARTY APPLICATION DEVELOPMENT PROJECT REVENUE PER REGION (2010) (IN MILLION USD)

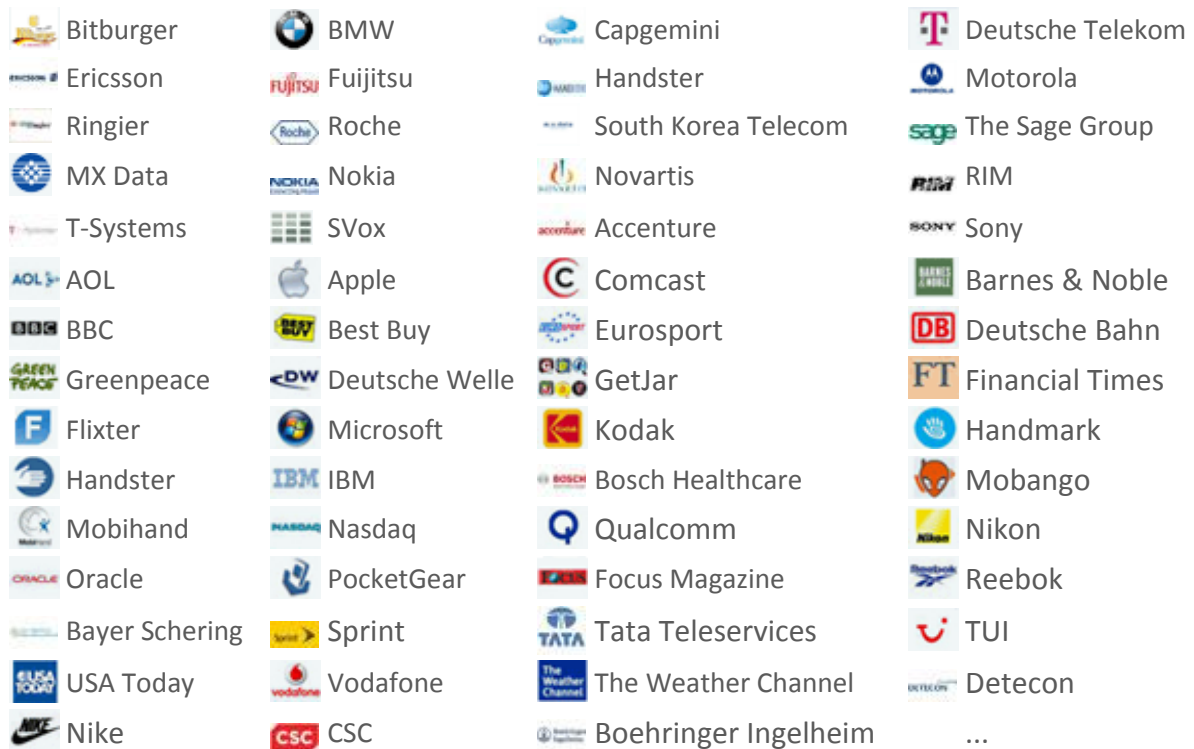


Source: research2guidance

10.2 ABOUT RESEARCH2GUIDANCE

Research2guidance is a specialized research and consultancy company concentrating on the mobile applications market. We provide empirical research, expert knowledge and strategic consultancy, helping companies and organizations who want to deepen their engagement in the mobile market.

SOME OF OUR CUSTOMERS AND PARTNERS



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