

# 2010 Mobile App Report

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## Summary

With the rise of the smartphone, notably since the launch of the iPhone in 2007, has come the emergence of the App Store. According to Gartner<sup>1</sup>, mobile application stores will exceed 4.5 billion downloads in 2010, and exceed 20 billion by 2013. Despite free apps accounting for an increasingly significant proportion of downloads (82 per cent in 2010), consumers are expected to spend \$6.2 billion in the course of 2010 on mobile apps, with a further \$0.6 billion generated in advertising revenue.

The 2010 OpenCloud Mobile App Report looks at how consumers are currently using their phones, with a particular focus on smartphone users, who now account for almost a third of the total mobile population, and their use of applications. The report is based on an online survey conducted by Loudhouse Research, in which over 1000 members of the public, including 308 smartphone users, were asked about their mobile habits and likely future behaviour.

The report finds that, despite the huge boom in the app market in the past few years, most consumers are still not regularly using a wide variety of apps, and a majority of apps are not paid for. There are strong indications of a 'honeymoon period', in which smartphone users will download a range of apps when they first acquire their handset, before tailing off both in terms of further downloads and regular use of existing apps. This would suggest that the revenue generated from apps is not the nirvana that operators first hoped for.

The concern over the longer term is that the app economy is not sustainable. Mobile operators have been pinning their hopes on a lucrative revenue stream from the apps market, however the research indicates that those who download apps, download free ones. Compounding this is the 'honeymoon period'.

If mobile operators are to create and sustain a meaningful revenue stream from apps, they need to re-think their app strategy.

## Key Stats

- Only **42%** of smartphone users regularly download apps
- **50%** of smartphone users downloaded no apps in the last month
- **50%** of smartphone app users **ONLY** download free apps
- The average smartphone users has downloaded **14** apps in total, and **5** in the past month
- The average iPhone user has downloaded **31** apps in total, and **10** in the past month

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<sup>1</sup> Gartner report, *Dataquest Insight: Application Stores; The Revenue Opportunity Beyond the Hype* (January 2010) <http://www.gartner.com/it/page.jsp?id=1282413>

## Mobiles core functions rule mobile use

In the general mobile population, in spite of years of proclamations that the mobile web is upon us, mobile phones are still used predominantly for making voice calls and text messaging. 83% of mobile users regularly text, however the mobile web is certainly gaining a stronger foothold as this research suggests, 29% regularly use internet access, and 22% email, however of those who claim to have the ability to use those functions on their device, under half (43%) regularly use internet and only 37% use email (fig. 1). 45% of all mobile users claim to have the ability to download apps, but only 39% of those (17% of all mobile users) use the function on a regular basis.

## Smartphone users showing signs of app-athy

While smartphone users have a much wider range of available functions, their usage patterns are fairly similar. 90% of smartphone users are aware that they can download apps, but still less than half (42%) are regularly taking advantage of this function. Apps are not necessarily as beloved of smartphone users as one might expect: Only 28% of smartphone users cite the ability to download apps as a driving factor in the purchase of their device. Interestingly, 'using internet on the go' is much more likely to be a driver: 42% cite this as a reason for getting a smartphone. The most popular reason, however, is simply status-focused: 46% bought a smartphone because they 'enjoy having the latest gadgets'.

On average, smartphone users have downloaded 14 apps overall, with more than a fifth (22%) never having downloaded a single app. More significantly, few go on to become regular downloaders: In the past month, half of smartphone users downloaded no apps at all, while the average user downloaded just five. 43% of users say they do not plan to download any type of app again in future, and likely future use of every type of every type of app is lower among those who haven't already downloaded in that category, suggesting a large segment of 'app refuseniks' who are either instinctively uninterested, or yet to be convinced of the value of apps.

76% of smartphone users have downloaded games, 60% Social Networking apps and 59% maps or travel apps, but levels of regular use of all app types are relatively low. Social Networking shows the best 'conversion rate', with 64% (fig. 2) of those who have downloaded apps of this type going on to regularly use them, whereas apps such as Books/iBooks (32%), Education (38%) and Health & Fitness (39%) are least likely to go on to be regularly used after downloading.

Even those who are downloading apps on a regular basis are not particularly likely to be spending money on them. 89% of smartphone users download 'more free than paid' or only free apps. Exactly half (50%) download *only* free apps, and only 6% download more paid than free apps.

Fig. 1 'Conversion rate' of mobile functions  
(Base: all mobile users with each function, min. 357)

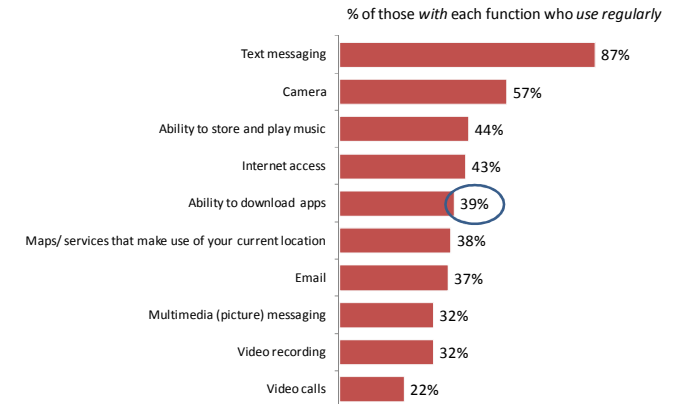
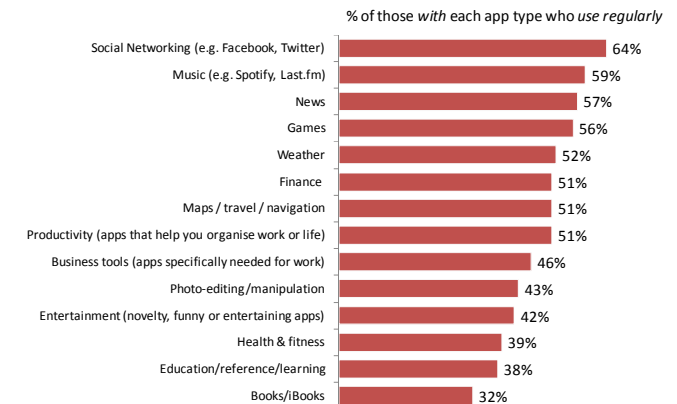


Fig. 2 'Conversion rate' of app categories  
(Base: Smartphone users with each function, min. 69)



## iPhone users: healthier app-etite

Although the average smartphone user is perhaps not as enthused about downloading apps as one might expect, the story for iPhone users is significantly different. 70% of iPhone users are 'regularly' downloading apps, against only 42% of smartphone users overall (fig. 3). iPhone users have downloaded 31 apps on average (vs. 14 for general smartphone users), and 10 in the last month (vs. 5).

The App Store is much more entrenched in iPhone culture, and much more likely to be a purchase driver. Almost half (49%) of iPhone users got a smartphone specifically in order to be able to download apps, against 28% of all smartphone users. They are much more likely to regularly use every type of app than the average smartphone user (for example, 62% regularly use social networking apps, vs. 39% average, fig. 4), and particularly in certain cases (iPhone users are more than twice as likely to use Books/iBooks – 22% v 8%). iPhone app users are also slightly more likely to lean towards paid applications, with 8% saying they download more paid apps than free (vs. 5%) and only 31% saying they download 'only free' apps (vs. 50%).

Fig. 3 'Regular user' of phone functions, iPhone vs. Average Smartphone

(Base: iPhone users – 63, Smartphone users – 308)

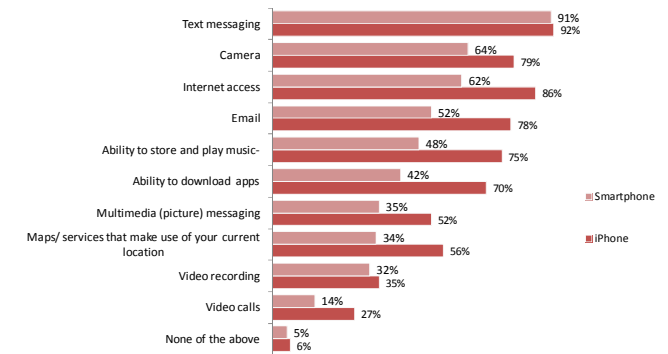
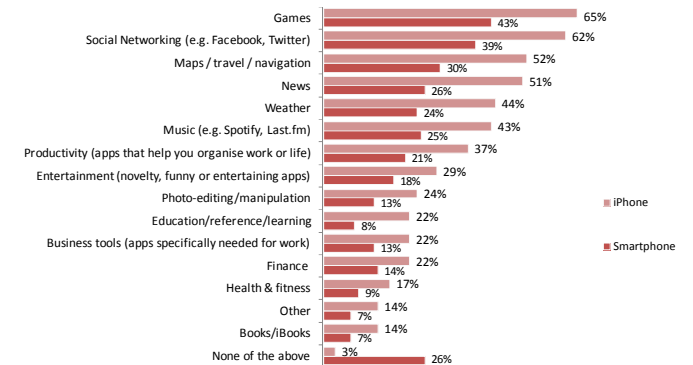


Fig. 4 Use of app categories, iPhone vs. Average Smartphone

(Base: iPhone users – 63, Smartphone users – 308)



## Conclusions

### Lost 'App-etite'

While the number of apps created and made available for download is growing exponentially as smartphones take over the mobile handset market, there is little sense that the average smartphone user is anything approaching an 'app-addict'. Most apps seem to be downloaded (usually for free) before being discarded or forgotten. A core number of apps, such as those related to social media, continue to be used regularly, but users of most smartphones use their phone primarily for its core functions: voice calls and text messaging. Indeed, social media has become an extension to traditional person-to-person communications services, and is fuelling a growing desire amongst consumers to communicate in more than a one-to-one capacity, but instead one-to-many.

### Social Basics

The phone is primarily a social tool, with apps and functions that enhance that role (such as email and social networking) performing relatively well. While some categories of apps buck this trend, such as games (for entertainment) and maps (for functional benefit), broadly speaking the social functions of a phone are those for which it tends to be most valued. But these hold little value for operators.

### Apps Payments Waves

This creates a conundrum for operators who are trying to gain additional revenue from their consumers through the delivery of smartphone applications. A majority of users tend towards an initial 'honeymoon period' with their handset, in which they download a range of apps, cement some as firm favourites, and establish which types of apps they won't be bothering with again. Thereafter the tendency is towards downloading free apps, if at all, and regularly using only a handful of favourite apps. As such, the challenge going forward is how to get more revenues from those apps that mobile users do download and do use, most notably with games, maps, music and, of course, social media.