

App Annie & MEF

Emerging Markets and Growth in
the Global App Economy

October 2014

App Annie

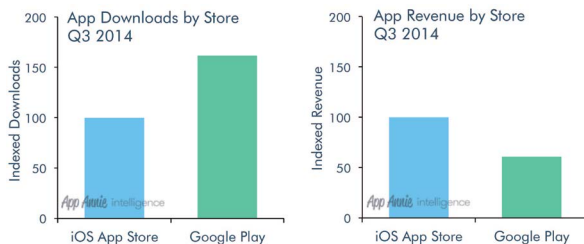


The app economy is truly global. Each store had its big spenders in 2014, with the United States, Japan, China and the United Kingdom taking the lead for iOS and Japan, the United States, South Korea and Germany at the top for Google Play. While these countries define the more established markets, they also remain relatively stable at top of the revenue rankings. However, a number of emerging markets are making interesting moves in the global app economy.

This report gives insight to the growth of different key markets in terms of mobile app revenue and downloads for the iOS App Store and Google Play.

[MEF](#) highlights a number of growth markets to watch where mobile infrastructure and development are creating significant new opportunities for app publishers. This includes established large markets China and Germany, as well as emerging markets spanning Latin America to Asia, namely Brazil, Mexico, Turkey, India and Indonesia. In addition, we report on key trends in September 2014 among top apps and games and analyze how the aforementioned emerging countries are influencing the worldwide charts.

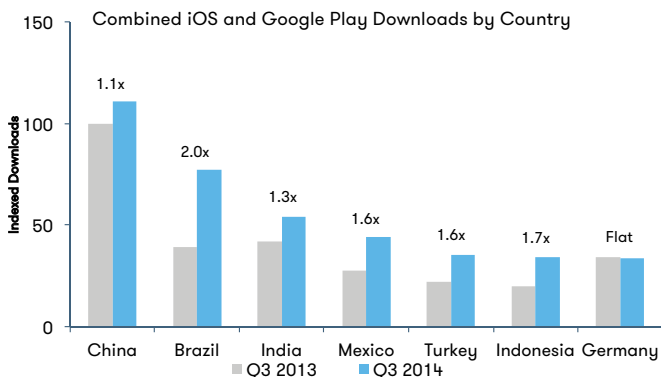
The Global App Economy



Google Play worldwide quarterly downloads were about 60% higher than iOS App Store downloads in Q3 2014, which was roughly the same lead as in Q2 2014. Emerging markets continued to show remarkable growth on Google Play and have helped drive the store's impressive download growth over the past year. In the [Q3 2013 Market Index](#), Google Play downloads were only 25% higher than the iOS App Store's.

iOS retained a strong lead in app store revenue over Google Play worldwide. In Q3 2014, iOS App Store's revenue was around 60% higher than Google Play's. Revenue growth from both stores was strong, with Japan leading for iOS in Q3 2014.

Emerging Markets Drive Download Growth



China was the largest of the growth markets to watch, and it sits behind only the United States as the largest market in the world. From Q3 2013 to Q3 2014, downloads in China grew by 10%. It should be noted that these downloads are primarily from the iOS App Store as although China has an [extensive Android presence](#), downloads for the platform primarily come from third-party app stores.

While growth in China has been impressive, a number of emerging markets have shown even greater acceleration over the past year. Downloads in Brazil doubled from Q3 2013 in Q3 2014 with Indonesia, Mexico and Turkey close behind. Indonesia grew by a factor of 1.7x while Mexico and Turkey increased downloads by 1.6x. As highlighted in App Annie's [Q3 2014 Market Index](#), the growing popularity of Google Play in these markets exerted a strong influence on these gains. Brazil and India trailed only the United States in Google Play downloads in Q3 2014. Mexico, Indonesia and Turkey ranked 6th, 7th and 8th, respectively.

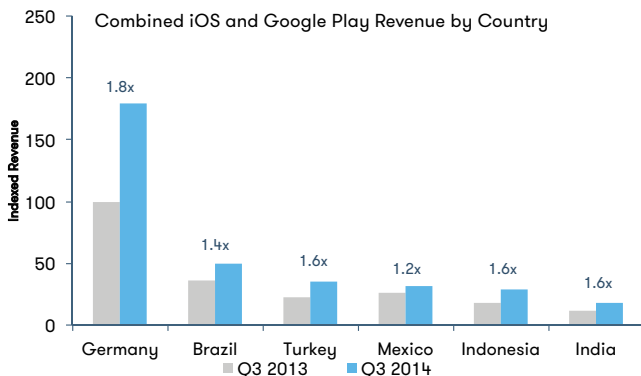
Brazil's gains were largely driven by Google Play downloads, but the market has now become a focus for Apple too. The company [opened its first retail store](#) in Brazil's Rio de Janeiro in Q1 2014 and has seen strong gains in iOS downloads in the latter half of 2014.

India was the [fastest-growing market](#) in Asia-Pacific smartphone shipments from Q1 2013 to Q1 2014, and it saw a corresponding rise in Google Play downloads. Even with recent growth, smartphone penetration in India is only around 10%. India's smartphone penetration is predicted to rise notably in the future as additional low-cost smartphone options hit the market and vendors increasingly target less populated regions.

As noted in App Annie's [Q1 2014 Market Index](#), Mexico and Turkey also made significant gains as smartphone device penetration rises rapidly. According to [IDC](#) smartphone adoption grew rapidly in Mexico, increasing around 75% in 2013 and is expected to grow by approximately 40% in 2014. Over 65% of these devices used Android OS. In Turkey, [significant investment](#) in IT and prominent technology projects as part of [Vision 2023](#) and the [FATİH](#) education project are contributing to rapid device growth. IT spending is [expected to increase around 9% in Turkey](#) in 2014, driven primarily by the adoption of smartphones and tablets.

In addition to impressive growth rates, the changes in relative size of these markets are altering the global app landscape. Downloads in Germany remained stable over the past year, and its combined iOS and Google Play download volume has now been surpassed by the rapidly growing Indonesian market. Indonesia's Google Play downloads experienced double-digit quarter-over-quarter growth for the last nine consecutive quarters, which is in line with its development as a [key smartphone market](#). Furthermore, its smartphone penetration is [forecasted to double](#) over the next four years to over 40%. On top of being the world's fourth most populous country, Indonesia has a [young population and a growing middle class](#). These factors, combined with the rollout of [4G networks](#) and [increased attention from handset manufacturers](#), make Indonesia a key market to watch in the app economy.

Established Markets Lead Soaring Revenue



In contrast to its download performance, Germany showed the largest gain in revenue from Q3 2013 to Q3 2014 among MEF's markets to watch. While the country's downloads remained stable, revenue grew by 1.8x, displaying a pattern representing the more established markets in the app economy.

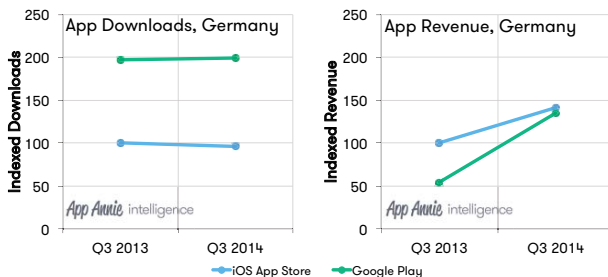
These emerging markets all experienced strong gains in revenue from Q3 2013 to Q3 2014. However, they remain small relative to more established markets and download growth continues to outpace revenue growth.

China has not been included in the revenue analysis above as Google Play does not offer any paid content in China. However, in the iOS App Store, China has seen significant growth in revenue as highlighted in App Annie's [Q1 2014](#) and [Q2 2014 Market Index](#) reports. China is proving to be pivotal to

Apple's international growth strategy. In Apple's Q2 2014 earnings call, it reported record high revenue in China of almost **\$10 billion**, inclusive of retail sales. Apple also **announced** the upcoming availability of the new iPhone 6 and iPhone 6 Plus in China. With support for TD-LTE and FDD-LTE, customers in China will have access to high-speed mobile networks from China Mobile, China Telecom and China Unicom. It will be interesting to see the impacts of the new iPhone models in the Chinese market.

Evolving Market Dynamics at the App Store Level

In emerging markets worldwide, Android tends to have a strong influence due to the prevalence of lower-priced handsets. However, looking at the store split in Germany provides interesting insight into a more mature market. In terms of downloads, Google Play leads the iOS App Store in Germany. During Q3 2014, the iOS App Store generated about half the downloads of Google Play, a trend that appears relatively stable over the past year.



The iOS App Store remains ahead in Germany by revenue, with both stores showing impressive gains. From Q3 2013 to Q3 2014, however, Google Play showed stronger revenue growth and was a key driver of overall revenue growth in Germany. As a result, Google Play revenue was almost on par with the iOS App Store's in Germany in Q3 2014. This marks a significant change from a year ago, when iOS App Store revenue was almost double that of Google Play in Germany.

Following this broad overview, we would like to take a look at the top apps and trends driving the app store economy in September 2014. App Annie's Worldwide Index for Games in September demonstrates the growing influence of emerging markets on the app stores.

In App Annie's latest [Worldwide App Annie Index for Games](#),

Gameloft once again found success

developing mobile games based on popular intellectual properties. [Spider-Man Unlimited](#), released in September, debuted at the top of the

#	By Downloads	Company
1	Candy Crush Saga =	King Tencent (腾讯)
2	Spider-Man Unlimited New Release	Gameloft
3	Subway Surfers ▼1	Kiloo
4	My Talking Tom ▼1	Outfit 7
5	Clash of Clans ▲1	Supercell
6	Angry Birds Stella New Release	Rovio
7	Diamond Digger Saga ▲	King
8	Despicable Me ▼4	Gameloft
9	Temple Run 2 ▲3	Imangi
10	Pou =	Zakeh

Gameloft's latest Spider-Man game slung its way to #2 by combined iOS and Google Play downloads.

iOS App Store's worldwide download charts. It also joined Gameloft's [Despicable Me](#), which was first released more than a year ago, in Google Play's top 10 rankings.

Spider-Man Unlimited leverages Spider-Man's unique superpowers to enhance endless runner gameplay with [web-slinging, wall-climbing and skydiving](#). The game features comic book aesthetics and plot arcs, incorporating over [50 years](#) of characters and villains from the Marvel Universe. Players can choose between three modes of play, including a full narrative story with multiple versions of Spider-Man. The title was a hit in the United States on both the iOS App Store and Google Play and also performed extremely well in [China](#) and [Brazil](#).

In early September, Rovio introduced [Angry Birds Stella](#), the latest addition to the popular franchise, including an iOS version [specifically localized for China](#). The title distinguishes itself from previous entries in the series by featuring a female lead character (Stella). There has been a lot of buzz regarding the game [targeting female players](#), which comprise almost half of the game-playing population in the United States according to [recent studies](#). However, as Rovio has [rightly noted](#), games with female lead characters are not only for female players, and the game seeks to appeal to a wide spectrum of gamers. It seems to have achieved that, entering the top 5 in [over 65 countries](#) on iOS in September, including growth markets like Brazil and Mexico and established markets like the United States and Germany.

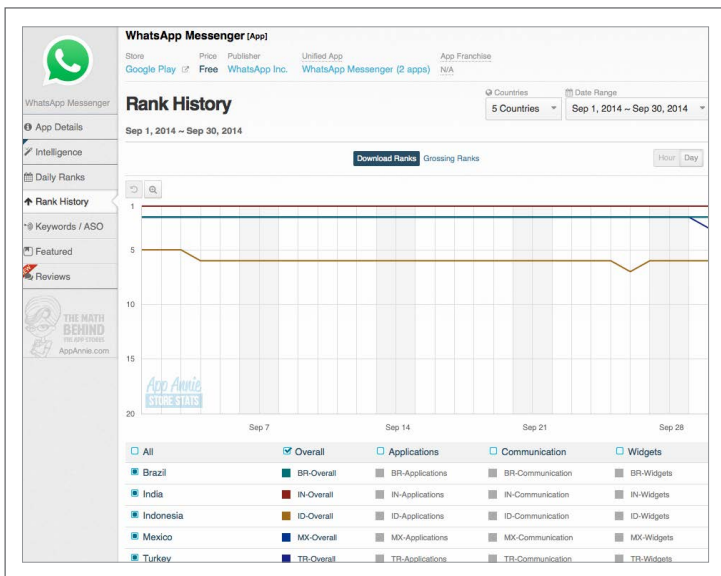
In App Annie's latest [Worldwide App Annie Index for Apps](#), WhatsApp Messenger was a notable example of a top messaging app, gaining the majority of its downloads from emerging markets.

Top Apps				
Google Play - Applications - Worldwide - Sep 2014				
By Downloads			Company	
#				
1	Facebook Messenger	=	Facebook	
2	WhatsApp Messenger	▲1	Facebook	
3	Facebook	▼1	Facebook	
4	Instagram	=	Facebook	
5	Skype	=	Microsoft	
6	Clean Master (金山清理大师)	=	Cheetah Mobile (猎豹移动)	
7	Viber	=	Rakuten (乐天株式会社)	
8	Flashlight by Surpax	▲1	Surpax	
9	Retrica	▼1	Venticake	
10	DU Battery Saver & Widgets	▲3	Baidu (百度)	

By Revenue				
#				
1	LINE (ライン)	=	LINE (ライン)	
2	LINE PLAY (ラインプレイ)	=	LINE (ライン)	
3	Pandora Radio	▲1	Pandora	
4	KakaoTalk (카카오톡)	▲1	Kakao (카카오)	
5	LINE Manga (LINEマンガ)	▼2	LINE (ライン)	
6	Dragon Quest X Adventurer's Convenient Cutting Tool (ドラゴンクエストX 冒険者のおてかけ便利ツール)	=	SQUARE ENIX (株式会社スクウェア・エニックス)	
7	PocketColony (ポケットコロニー)	=	Cocone (ココネ)	
8	WhatsApp Messenger	▲2	Facebook	
9	LOVOO	▼1	LOVOO	
10	OkCupid Dating	▲2	InterActiveCorp (IAC)	

Messaging apps placed in the top ranks by downloads and revenue on Google Play.

One of the [main trends](#) of Q3 2014 was the impressive gain in downloads for messaging apps on both iOS and Google Play. Google Play's September charts certainly support that trend, with [WhatsApp Messenger](#) leading gains for the period. In September, it offered an [extended update](#) to both the iOS and Android versions to introduce image and photo captioning. In the Google Play charts, this update coincided with an increase in rankings by both downloads and revenue. Most downloads were generated from emerging markets [India, Brazil and Mexico](#).



Emerging markets drive WhatsApp Messenger's continued growth on Google Play.

In early October, Facebook's acquisition of WhatsApp was [completed](#) after the [European Commission authorized](#) the acquisition. Facebook bolstered its global reach, already including [1.3 billion](#) monthly active users worldwide from its social networking platform alone, with an additional [600 million active](#) WhatsApp Messenger users.

Implications for App Publishers

Emerging markets offer a huge opportunity for app publishers. However, moving into new markets is not always as simple as translating an app. In order for an app to be successful, companies may need to localize and culturally adapt their app. Further, different cultures may respond differently to different monetization models or feature updates. It is critical to study which apps are already successful in a target market and learn as much as possible about what success looks like. A detailed knowledge of the local app market, local competitors and local expectations is key to making the most of these rapidly growing opportunities.

About App Annie

App Annie is the industry standard for analytics and market data in the app and digital content economy. The App Annie platform helps app business owners, marketers and investors understand both their own app business and app market trends so that they can make better product, internationalization, marketing and investment strategy decisions. App Annie is used by over 90% of the Top 100 publishers with nearly 600,000 apps relying on App Annie Analytics to track their downloads, revenues, rankings and reviews, making it the leading innovator in the app analytics and market data space. The company has tracked over 60 billion downloads and more than US \$17 billion in revenues to date. App Annie is a privately held global company of more than 260 employees headquartered in San Francisco with offices in Amsterdam, Beijing, Hong Kong, London, Moscow, New York, Seoul, Shanghai and Tokyo.

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About MEF

MEF is the global community for mobile content and commerce and the leading international trade association for companies wishing to monetize their products and services via mobile. Headquartered in London with operational chapters and offices in Asia, EMEA, Latin America, the Middle East, Africa and North America, MEF is a member network with international reach and strong local representation, ideally placed to drive market growth. Established in 2000, MEF represents the total mobile ecosystem, providing an impartial and powerful voice for pioneering companies from across the mobile content and commerce value chain.

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