European Commission

Sizing the EU App Economy

Eurapp

EXECUTIVE SUMMARY

A study prepared for the European Commission
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by:

Insight

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Digital Agenda for Europe

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Executive summary

Apps running on mobile and social platforms have transformed the global gaming market and disrupted the order of the technology industry. The emerging platforms and business models like app stores and freemium pricing are rippling through — if not ripping apart — enterprise tech sectors. A few Nordic companies — including Rovio, King.com, and Supercell — are showing tremendous success from beyond Silicon Valley. But will the emerging app economy reboot a struggling Europe, jump-starting job growth and infusing European Union countries with startup energy? Signs are promising.

This report focuses on sizing and qualifying the EU app ecosystem, with an eye toward revenue generation, jobs supported, and the bottlenecks still facing EU app developers. Key findings from our analysis, which is based in part on two surveys of developers targeting EU markets, include the following:

- EU developers took in €17.5 billion ($23.7 billion) in revenue in 2013, and we forecast that figure will increase to €63 billion ($85.3 billion) in five years. But you might be surprised where a lot of that revenue comes from. In addition to €6.0 billion ($8.1 billion) in app sales, in-app spending for virtual goods, and advertising, EU developers recognised €11.5 billion ($15.6 billion) in 2013 from contract labour. And much of the developer-for-hire business is for companies that aren’t really in the app business per se but use apps to support and market their mainstream offerings like financial services, retailing, and packaged goods.

- Fewer than half of the independent developers we surveyed said they were offering services for hire, so that’s a potentially untapped market for startups. Similarly, half of the enterprises that did their own in-house development also used third-party developers. And in-house developers are by and large more satisfied in achieving their commercial objectives than independents, many of whom are frustrated by low prices, free products, or barely emerging ad revenues.

- The EU app-developer workforce will grow from 1 million in 2013 to 2.8 million in 2018. Additional support and marketing staff result in total app economy jobs of 1.8 million in 2013, growing to 4.8 million in 2018.

    - For the purpose of this analysis, we define developer workforce as including the developers at independent software companies as well as the in-house developers at other organisations who work full- or part-time on apps. This includes hobbyists and others who may not make a living exclusively from app development.

- EU developers face more business than technical bottlenecks. Increasing users’ willingness to pay for apps is problematic, but better discovery vehicles could help relieve high customer-acquisition costs. Similarly we see an opportunity for an EU marketplace where companies needing app development could identify, negotiate with, and hire contract developers.

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EU app economy workforce

2013
1.8M
developers 1M
support staff 800k

2018
4.8M
developers 2.7M
support staff 2.1M

one out of 10 are female

42% of EU app developers do contract work, rising to 65% in 2018

Over 30% of EU app coders and 20% of scripters make €50,000 or more

EU app economy revenues

2013
17.5bn
€ € € € € €
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app sales, in-app spending and advertising €6bn
contract dev work €11.5bn

2018
63bn
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app sales, in-app spending and advertising €17bn
contract dev work €46bn

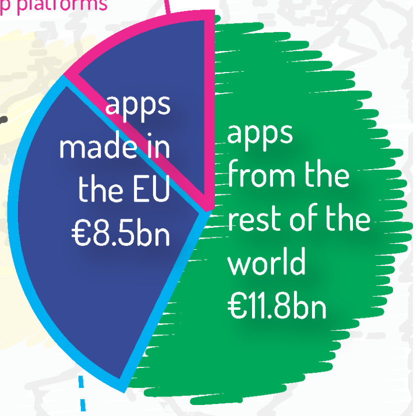
Of the top 50 grossing apps, half of the European-made ones are from just five games companies

Paid app spending represented 52% of total revenues in 2013 but will drop to 36% in 2018 as in-app purchasing increases

EU app company bottlenecks

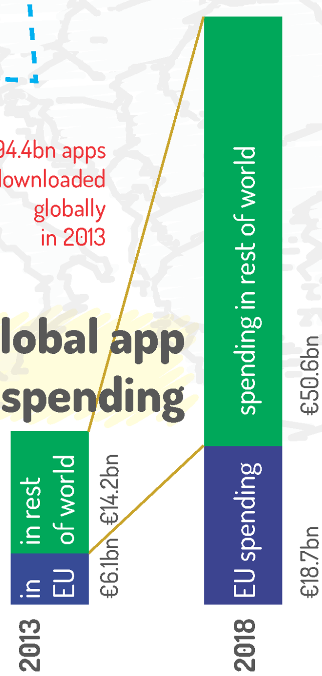
low prices or free apps
customer acquisition costs
access to capital or financing
platform incompatability
slow 4G adoption
not enough APIs from major platforms
inconsistent regulatory policies
multiple languages
large revenue share to US platforms
hard to compete with US salaries
lack of app dev education

global consumer app store revenues



94.4bn apps downloaded globally in 2013

global app spending



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