Gartner

Press Release

Gartner Says Consumers Will Spend $6.2 Billion in Mobile Application Stores in 2010
- *Application Stores Will Exceed 4.5 Billion Downloads in 2010*
- *In 2010, Eight out of Ten Downloads Will Be Free*

Egham, UK, 18 January, 2010 — Consumers will spend $6.2 billion in 2010 in mobile application stores while advertising revenue is expected to generate $0.6 billion worldwide, according to Gartner, Inc. Analysts said mobile application stores will exceed 4.5 billion downloads in 2010, eight out of ten of which will be free to end users.

Gartner forecasts worldwide downloads in mobile application stores to surpass 21.6 billion by 2013 (see Table 1). Free downloads will account for 82 per cent of all downloads in 2010, and will account for 87 per cent of downloads in 2013.

"As smartphones grow in popularity and application stores become the focus for several players in the value chain, more consumers will experiment with application downloads," said Stephanie Baghdassarian, research director at Gartner. "Games remain the No. 1 application, and mobile shopping, social networking, utilities and productivity tools continue to grow and attract increasing amounts of money."

Table 1
Mobile Application Stores' Number of Downloads and Revenue, Worldwide

	2009	2010	2013
Downloads (in M)	2,516	4,507	21,646
Total revenue (in $M)	4,237.80	6,770.40	29,479.30

Source: Gartner (December 2009)

An application can be free because the developer is offering it at no cost to the consumer while charging for other things within the application. There are also applications that are free to use but that charge for physical goods that you can have delivered through the application. There are many applications that are free to users and derive their revenue from advertising. This can be done with banners as well as full page advertising between game levels for instance.

Worldwide mobile application stores' download revenue exceeded $4.2 billion in 2009 and will grow to $29.5 billion by the end of 2013. This revenue forecast includes end-user spending on paid-for applications and advertising-sponsored free applications. Advertising-sponsored mobile applications will generate almost 25 per cent of mobile application stores revenue by 2013.

High-end smartphone users today tend to be early adopters of new mobile applications and more trustful of billing mechanisms, so they will pay for applications that can meet their needs. Average smartphone users will become less tech-savvy as smartphones come down in price to have a mass market appeal and these users will be more reluctant to pay for applications.

"Growth in smartphone sales will not necessarily mean that consumers will spend more money, but it will widen the addressable market for an offering that will be advertising-funded," Ms Baghdassarian added. "The value chain of the application stores will evolve as rules are set and broken in an attempt to find the most profitable business model for all parties involved."

"Application stores will be a core focus throughout 2010 for the mobile industry and applications themselves will help determine the winner among mobile devices platforms," said Carolina Milanesi,

research director at Gartner. "Consumers will have a wide choice of stores and will seek the ones that make it easy for them to discover applications they are interested in and make it easy to pay for them when they have to. Developers will have to consider carefully not only which platform to support but also which store to promote their applications in."

Additional information is available in the Gartner report "Dataquest Insight: Application Stores; The Revenue Opportunity Beyond the Hype". The report is available on Gartner's website at http://www.gartner.com/resId=1257213.

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