The Value of Technology Releases in the Mobile App Ecosystem

THE ECONOMIC IMPACT OF SOFTWARE DEVELOPER KITS

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January 2021

DATA Catalyst

1. EXECUTIVE SUMMARY

The smartphone digital ecosystem comprises many layers. Platforms release new hardware, operating systems, and functionalities, accompanied by Software Developer Kits (SDKs), which enable app developers to take advantage of the new hardware and software features. Developers, engineers and designers come up with innovative product ideas, and these ideas can result in new apps offered to consumers. Despite the theoretical understanding of some layers of platform markets in the academic literature, and the well-established practice of utilizing SDKs in the app ecosystem, how much economic value or consumer surplus is being generated by such technology releases has been elusive. Using an expansive dataset of iOS and Android app market activities from an app intelligence service provider, we derive results that identify robust effects of technology (SDK) releases on app development, which in turn affect smartphone sales. In addition, we link technology releases to new job creation, and provide a measure that estimates the consumer surplus associated with apps.

An implication of SDK adoption is that more apps leverage new platform technologies. Put simply, SDK adoption reduces the time it takes to develop apps and enables developers to introduce and take advantage of new hardware functionalities. To that effect, we present preliminary evidence that SDK releases may increase early-stage startup funding as well as the size of employment in a relevant high-tech sector (e.g., software developers). Our findings further indicate that billions of dollars in consumer surplus are generated annually from mobile app ecosystems – our calculation is in some sense a lower bound, taking into account only revenues generated directly within apps (e.g., the consumer surplus generated from playing a game on a smartphone), and not from potential sales taking place outside of the app ecosystem or advertising revenues.

Specifically, our analysis indicates that a positive shock to SDK releases (or a big push to mobile technology provision; e.g., major annual releases of hardware and software), as measured by a one standard deviation rise in quarterly SDKs released, appears to be associated with a rise in the number of new apps created of more than 38 percent for iOS apps, and over 100 percent for Android apps, over the next few years from the date of such platform technology shocks. In addition, a similar shock to SDK releases appears to be associated with increases in early-stage startup financing of almost 200 percent across platforms over the next four years, and in employment in a relevant industry sector (NAICS Code 518, "Data Processing, Hosting, and Related Services") of over 30 percent over the next six years.

Our analysis indicates that smartphone users benefit from the availability of mobile apps, to the tune of billions of dollars in consumer surplus per year: Our estimate of iOS users' consumer surplus is 1.33 billion dollars in the US, 2.85 billion dollars in the five largest Western European economies (France, Germany, Italy, Spain, and the United Kingdom; henceforth, 5EU), and 10.5 billion dollars worldwide, annually; and it is 1.41 billion dollars in the US, 1.14 billion dollars in the 5EU, and 12.2 billion dollars worldwide, annually, in the case of Android. Altogether, our results help illustrate just how dynamic the smartphone and app ecosystems have been, with signs of significant economic benefits to consumers and the broader markets.

Glossary

5EU	Refers to the five largest Western European economies (France, Germany, Italy, Spain, and the United Kingdom)
Android	An operating system used for mobile devices manufactured by Alphabet, Inc.
Apptopia, App Annie	Mobile App and SDK market intelligence services, tracking performance in the mobile app ecosystem
Average Revenue Per User (ARPU)	The average cost-to-download (i.e., the price of the app, which is zero for free-to-download apps) plus the average revenue per download from IAP
Consumer Surplus (CS)	An economic measure of the benefit that consumers receive because of paying less for something than what they were willing to pay
Crunchbase	A database comprising information about private and public companies, investments and funding information, founding members and individuals in leadership positions, mergers and acquisitions, news, and industry trends
In-App Purchases (IAP)	Purchases made within an app, with payments made through the app store from which the app was downloaded, for additional or premium features
iOS	An operating system used for mobile devices manufactured by Apple, Inc.
NAICS Code	The North American Industry Classification System (NAICS) was developed for use in the collection and analysis of statistical data related to the US economy; a NAICS code is a classification within this system
OS	Operating System, the software that supports the basic functions of a device, such as executing applications and controlling hardware and peripherals
Software Developer Kit (SDK)	A set of tools for third-party developers to use in producing applications using a particular framework or platform
StatCounter	Web traffic analysis service
Statista	A service offering statistics, consumer survey results, and industry studies on a variety of technology and web-related topics
Structural Vector Autoregression (SVAR)	A statistical model representing a stochastic process, used to capture the relationship between multiple quantities as they change over time
Technology Release "Shock"	Significant and newly available mobile technology provision; e.g., major annual releases of hardware and software features

2. INTRODUCTION

Since Microsoft's release of the Windows operating system in 1985, advancements in operating systems (OS: software that acts as an intermediary between applications and computing hardware) of various types have brought to life new kinds of devices in the last few decades that are connected to fixed as well as mobile communication networks.

While Windows is probably the most well-known "legacy" OS and maintains over 80% market share to date in the desktop/laptop OS market, it has a share of less than 1% in the mobile OS market. Instead, the mobile OS market has been largely divided between Android (developed by Google/Alphabet) and iOS (developed by Apple), with respective market shares of roughly 70% and 30% (NetMarketShare, 2020).

Android and iOS have pursued different strategies. For instance, while Apple introduced the iPhone in 2007 and kept its proprietary iOS under tight control across the globe, Google made its Android OS available to phone manufacturers as well as telecom companies, which has led to a proliferation and widespread adoption of 'smartphones' globally.

Both Android and iOS facilitate the offering of software applications (henceforth, apps) on mobile devices. This aspect of app markets has been extensively studied in the academic literature under the rubric of platform markets, where a platform brings together the supply side (app developers) and the demand side (phone users), as well as other potential sides (such as advertisers) to a joint marketplace.

However, the existing literature has paid relatively little attention to the underlying technological drivers or the developments of so-called technology platforms – developments that have facilitated the rapid growth of mobile apps. Third-party technology (tech) platforms, besides the mobile OS operators, provide building blocks and/or services that can be used in mobile apps through their release of SDKs, which facilitate the development of and enable numerous features in millions of apps.

There are numerous SDKs that support mobile apps and had been actively used over the history of the mobile app markets we study. In our sample, the vast majority of the SDKs – over 90% of the thousands in our dataset – appear to have been released by third-party tech platforms rather than by the developers of the operating systems, with millions of mobile apps in our data having collectively utilized those SDKs. Tech platforms are able to release such SDKs in large part due to the functionalities offered by the hardware and operating systems of mobile devices. In turn, by adopting SDKs, developers can leverage services, data, and functionalities from numerous providers, facilitating the development of new and potentially higher-quality apps. This is because typical app developers, such as an individual or a small startup, may not have the capacity or ability to develop the requisite infrastructure for an app that an SDK provides.

That is, tech platforms provide ready-to-use codes or tools that leverage hardware and operating system features on one side, to facilitate new and extended functionalities, potentially incorporating additional services, to app developers on the other side. App developers embed SDK functionalities into their offerings; creating these SDK tools on their own could entail considerable effort for developers or be practically impossible. The functionalities of SDKs range from app crash reporting to advertising and marketing, from reading inputs from hardware sensors to processing payments, to name a few. Although smartphone users may not directly interact with or be aware of SDKs, their availability has facilitated the development of apps.

The additional SDK layer in the broader app ecosystem raises the question of how much value technology platforms provide. An approach taken in this report is to assess the economic value (known as consumer surplus) of the apps to the end users. Given an aggregate measure of how much consumer surplus the mobile ecosystem generates, the effect of SDK releases on app development can be ultimately linked to the benefits to the end users.

To that end, we use three aggregate time-series variables over eleven years for each mobile platform—namely, the number of smartphone sales, SDK entries, and app entries, all measured at the quarterly level—to estimate a system of equations where these variables are interrelated contemporaneously as well as with lagged effects, given that it may take 4-6 months to build an app (Yarmosh, 2019).

For iOS, we find that if there is, say, a 10% positive shock to the number of new SDKs released in a quarter, then there is an additional 8.4% increase in the number of new iOS apps released over the next two years; and if there is a 10% positive shock to the number of new iOS apps in a quarter, then there is an additional 54% increase in the number of iPhones sold over the next seven years.

For Android, we find that if there is a 10% positive shock to the number of new SDKs released in a quarter, then there is an additional 20% increase in the number of new Android apps over the next three years; and if there is a 10% positive shock to the number of new Android apps in a quarter, then there is an additional 22% increase in the number of Android phones sold over the next two years.

Using 40 iOS app categories, we find that the aggregate daily consumer surplus based on our data varies substantially across categories, ranging from $20,000 to over $200,000 daily in the US. By aggregating the consumer surplus generated from all active apps on a day, we estimate that the iOS app market generates an aggregate daily consumer surplus of $3.65 million in the US, $7.82 million in the 5EU, and $28.7 million worldwide. These estimates do not reflect consumer surplus from apps that are installed by default.

Using 50 Android app categories, we find that the aggregate consumer surplus similarly varies across app categories. We estimate that the Android app market generates an aggregate daily consumer surplus of $3.85 million in the US, $3.12 million in the 5EU, and $33.4 million worldwide. Given that our data do not include the Android app market in China (e.g., Xiaomi, Tencent, etc.), this figure would be a conservative worldwide estimate.

We then assess the broader effects of SDK releases at the national level. While data availability is somewhat limited, we find that major technology releases can lead to a 200 percent increase in the amount of known early-stage startup financing over the next four years, and a 33 percent increase in the total employment in the Data Processing, Hosting, and Related Services (NAICS 518) sector over the next six years.

3. DATA DESCRIPTION

We use three datasets. The first is quarterly time-series data, 2009:Q1-2020:Q1, comprising the number of smartphone sales, SDK releases, and app releases in each quarter for each mobile OS (Android and iOS). To be precise, we construct the quarterly smartphone sales based on two public sources: StatCounter (2020) provides monthly 'mobile operating system market share worldwide' from 2009; and Statista (2020) provides yearly 'number of smartphones sold to end users worldwide' from 2007.

Given that the Apple App Store opened in July 2008 and the Google Play Store in October 2008, we begin our time series from the first quarter of 2009. Note that we do not have mobile OS market shares prior to 2009; however, we believe that omitting 2008:Q4 from our analysis would have been sensible even if data were available, because both mobile platforms encouraged third-party app development through challenges and awards prior to their respective app store launches.

To our knowledge, there are no readily available public data sources for SDK and app releases for either of the mobile platforms. For instance, it is possible to scrape data from what is available on the mobile app stores; however, app stores only provide limited information on each app, such as limited ranks and ranges of total downloads (10,000-50,000; 50,000-100,000, etc). Further, accurately collecting these data throughout a decade's time would be practically difficult for researchers.

Therefore, we rely on a proprietary data source which collects primitive data (such as SDKs) directly from the programming codes of apps, and also uses direct data feeds on app performance from a large number of app publishers. Our data source is Apptopia.com. Apptopia is one of the handful of firms providing app analytics and intelligence services for app developers, publishers, and others, as well as app SDK analysis. Apptopia documents that their data comprises real data feed from more than 125,000 apps (Kay, 2020).

Note that there are other app analytics firms. For instance, another well-known analytics provider in the mobile app market is App Annie. Apptopia and App Annie were founded around the same time (2011 and 2010, respectively) and our reading of various commentaries and reviews comparing the two firms suggests that the data quality is comparable between the two. However, App Annie focuses on enterprise clients, and, consequently, declined to provide us with data for academic research.

Accordingly, we have acquired access to Apptopia's database that covers millions of apps. To be precise, there are 4.9 million iOS app IDs and 7.6 million Android app IDs in the app-level (profile) database, which includes the initial release date of each app. These numbers far exceed the quantity of currently available apps on the Google Play and Apple App Stores (2.7 and 1.8 million, respectively). We thus believe that their app-level data closely resemble the entire history of the app markets, and we aggregate app releases by quarters.

Apptopia also provides unique SDK intelligence data based on an automated script analysis. For this, the firm pulls the programming codes for all free-to-download apps, whenever an app is newly released or a new version is made available. Apptopia cannot pull the codes for all pay-to-download apps, because of the financial implications of doing so. However, over 90% of all iOS apps and over 95% of all Android apps are or were free-to-download apps; hence, this is unlikely to cause a systemic bias in our analysis.

More specifically, Apptopia tracks the date on which each SDK was installed and uninstalled from each app in our sample. For our purposes, we need to identify the quarter in which each SDK was released (and thus first installed). Unless there is a nontrivial number of SDKs that were only installed in paid apps, but not in any of the free-to-download apps (which include 'freemium' apps, or apps that are free-to-download but require a purchase or purchases to fully operate), almost all SDKs ever installed on a mobile app are very likely to be identified by the SDK fingerprints for millions of free-to-download or freemium apps.

The second dataset we use is the cross-section of all currently active apps on a randomly chosen date, 6/1/2020, including the number of downloads, download prices, and in-app purchase revenues. Although Apptopia's app performance data are tallied and available for each day in the last few years, we chose to focus on a recent date so as to assess the consumer surplus of the "current" mobile app market, which is our focus here. We can readily apply our methodology to any other date, but we do not think that our results are too sensitive to a chosen date, and they do not appear to be sensitive to other nearby dates.

The sample universe of apps for which Apptopia tracks daily performance is more limited; however, it still includes a large number of apps both active currently and historically. To be more precise, Apptopia tracks all apps that were ever ranked on each mobile platform in any app store category in any country. These include the longer aggregate rankings (e.g., top paid, top free) as well as the shorter (sub)category rankings. Importantly, once an app is ever ranked (even on a single day), it is not readily dropped from the Apptopia sample although it may drop out of the chart rankings or even have zero downloads and no active users.

The performance data include other metrics. For instance, each active app has the number of daily active users as well as monthly active users. An important caveat is that, for any app analytics provider, the performance data include extrapolation based on actual data from the apps that are sharing their analytics with the service provider (more than 125,000 in Apptopia's case). Hence, the quality of performance data is a function of the scope of the real data feed and the proprietary prediction algorithms of Apptopia. We prefer to use downloads over active users because the latter involves another layer of prediction.

That is, daily or monthly active users represent the number of the total installed user base who logged into the app over the prior 24 hours or over the prior 30 days. On the other hand, how long a user sticks around after installing an app is a desirable piece of information in the app market. Therefore, to get at active user figures, Apptopia has to predict the retention rate for each install cohort, and then aggregate, which could sometimes lead to nontrivial prediction errors. Downloads, in contrast, are one-time predictions for each day; further, as we explain later, they fit our demand framework in a stationary environment better than active users.

In the data, Average Revenue Per User (ARPU) refers to the average cost-to-download (i.e., the price of the app, which is zero for free-to-download apps) plus the average revenue per download from In-App Purchases (IAP). IAP revenue is often associated with a business model where users pay nothing to download an app but are offered in-app purchases for additional, premium or sometimes necessary features. Here, revenue is defined as any spend within the app that 'flows through' the app store. Our understanding from Apptopia is that IAP typically includes purchases such as game tokens or removing ads from an app, as well as premium subscription fees and all other payments processed within the Android and iOS app stores on behalf of apps.

We note that some apps steer subscribers to their own websites or use their own payment systems, in which case any associated revenues would not be captured by Apptopia. Similarly, Apptopia does not have any visibility into e-commerce apps like Amazon and Walmart. However, it remains unclear how e-commerce revenues are linked to consumer surplus from apps (see Section 7). Since we estimate the consumer value from apps, rather than from, say, a broader standpoint, we think that our analysis is meaningful and sheds light on how smaller publishers and businesses may generate value through apps for consumers. Moreover, by utilizing ARPU (and thus IAP) as the effective price consumers pay, including for free-to-download apps, our estimation of app demand is improved relative to those that do not account for in-app purchases.

Finally, we construct another quarterly time-series data, for the same periods as above, of SDK releases aggregated across the mobile platforms. To this, we add the time series of early-stage venture financing as well as high-tech employment (NAICS 518). We note that venture investments are private-market transactions; hence, data on venture investments may only capture some of the investment universe. Researchers often use proprietary data sources (such as Capital IQ, PitchBook, or Refinitiv's VentureXpert) when researching venture-capital markets; however, these data sources tend to focus on major equity rounds (e.g., Series A, B, etc.), so investments in early-stage startups can be sparsely populated. We use the Crunchbase database, which focuses more on early-stage startups, and aggregate pre-Series A investments quarterly.

As for employment information, we use the employment statistics from the Bureau of Labor Statistics. We particularly focus on NAISC code 518: "Industries in the Data Processing, Hosting, and Related Services subsector group establishments that provide the infrastructure for hosting and/or data processing services" because the associated occupations include software developers, computer systems analysts, computer support specialists, and computer programmers. Both employment and venture financing represent some of the broader effects of SDK releases, going beyond the effects on the Android and iOS app stores. Our restrictions to early-stage funding and employment under NAICS code 518 are because they represent the areas where the effects of SDK releases would most plausibly show up.

4. SDKS AND THE APP ECOSYSTEM

To reiterate, a Software Development Kit (SDK) is a comprehensive package of app development tools released by OS providers as well as by third-party technology platforms. An SDK may include multiple Application Programming Interfaces (APIs), which allow apps to interact with certain functions of and data from the SDK providers. (Individual APIs, unlike SDKs, often have a more limited set of features, development environments, and flexibilities, and may be more task-specific or meant to be used for functionalities that are unrelated to app development.)

By releasing SDKs, tech platforms benefit from apps connecting to and utilizing their platforms, which could in turn result in a broadening of their user bases and/or direct monetary rewards from licensing fees. SDK licensing fees are mostly privately negotiated, though some SDKs are free and open sourced. Thus, SDK prices are generally unavailable to researchers. Some platforms post their licensing fees on their websites; however, most tech platforms do not advertise SDK pricing publicly.

We observe some 1,300 SDKs ever adopted by iOS apps and 1,600 SDKs by Android apps in our respective sample universe (see Figures A1 and A2 for the distribution of SDKs by function). While a large share of SDKs is dubbed development platforms, there are also a variety of isolated functions. By adopting SDKs, developers can thus leverage the platforms' services and data, which would lead to more (and perhaps better) apps that may otherwise not have existed or taken much longer to develop.

This is because a typical app developer, such as an individual or a small startup, can develop an app but may not be able to develop a competing platform to provide the same functionalities as the SDKs themselves. For instance, an app developer may not aim to build a social network, map service, or payment system in order to build an app that uses them. Therefore, many apps with such functionalities may be developed simply by adopting SDKs, though the extent of such effects remains to be quantitatively assessed.

In this section, we examine this effect using a platform-level time-series data from 2009:Q1 to 2020:Q1. A time series is a stochastic realization of a random variable indexed by time (in our case, for each quarter). We use the number of smartphone sales, SDK releases, and new app entries to describe the app ecosystem at the outset. Unlike cross-sectional analyses, time-series data are modelled based on the premise that these variables can be correlated with each other across time as well as potentially contemporaneously.

Figure A3 depicts the graphs of the three time-series data for iOS, and Figure A4 does so for Android. We use the following Structural Vector Autoregression (SVAR) model, where the three variables (smartphone sales, SDK releases, and new app entries), as well as their lagged counterparts, form a system of equations. SVAR is one of the most widely-used models in economics to make predictions at the aggregate level. In an SVAR model, the time-series variables are all endogenous; thus, some 'identifying restrictions' need to be imposed by researchers, often guided by theories and real-world observations. Our base model is as follows:

$$A_0 \begin{pmatrix} lnPhone_t \\ lnSDK_t \\ lnApp_t \end{pmatrix} = A_1 \begin{pmatrix} lnPhone_{t-1} \\ lnSDK_{t-1} \\ lnApp_{t-1} \end{pmatrix} + B_0 \begin{pmatrix} \varepsilon_{1,t} \\ \varepsilon_{2,t} \\ \varepsilon_{3,t} \end{pmatrix}$$

where A_0, A_1, and B_0 are 3 by 3 matrices of parameters and the ε_t's are so-called structural shocks. Those shocks are, by assumption, uncorrelated and orthogonal, and have unit variance; that is, $\varepsilon_t \sim N(0, I)$ and $E(\varepsilon_t \varepsilon_s) = 0$ for all $s \neq t$. The matrix A_0 determines the structure of the contemporaneous correlation among the three variables within a quarter, in the sense that they may respond differently to a given shock ε_t. The matrix B_0 is a diagonal matrix for scaling purposes.

Note that we do not take the first difference of these time-series variables because the data are already quarterly, not cumulative. Further, the series are expected to co-move (i.e., they are 'co-integrated') because they represent the rapid development of the app ecosystem from its inception. We thus include once-lagged dependent variables as regressors to prevent spurious regression problems. Following Sims (1980), we assume that A_0 is a lower triangular matrix with ones on the diagonal, which identifies the covariance matrix of the forecast errors based on Cholesky Decomposition.

The assumption that A is a lower triangular matrix translates to, and is based on, the following set of assumptions about the app ecosystem: First, a shock to smartphone sales may affect the number of SDK releases as well as app entries within the same quarter. Second, a shock to SDK releases may affect the number of app entries, but is unlikely to affect the number of smartphone sales within the same quarter. Third, a shock to new app entries is unlikely to affect either the number of smartphone sales or SDK releases within the same quarter. This structure is largely driven by the timing of plausible responses.

For instance, smartphone sales, often driven by newer designs, are a vital metric in the mobile ecosystem and may induce other tech platforms to devote resources towards leveraging the broadened user base and data by releasing SDKs, which may then induce further app development. Moreover, information about new smartphone sales is more readily available from market research firms. Hence, tech platforms and app developers may respond to a positive shock by releasing more SDKs and apps in the same quarter. Similarly, SDK releases are relatively quickly communicated to app developers via formal and informal channels, whereby new app entries may respond to a positive shock to SDK releases within the same quarter.

On the other hand, the model places no restrictions on how a shock to a variable would affect the SVAR model system in all subsequent periods; that is, a shock in a quarter can affect all three variables in the following period due to the lagged dependent variables on the right-hand side. For instance, if there is a shock to new app entries ($\varepsilon_{3,t} = 1$), then the estimated matrices above would predict the 'impulse response' of all three variables to the shock in all subsequent periods. In Figures 1 to 4, we present such 'impulse response function' graphs by mobile app store.
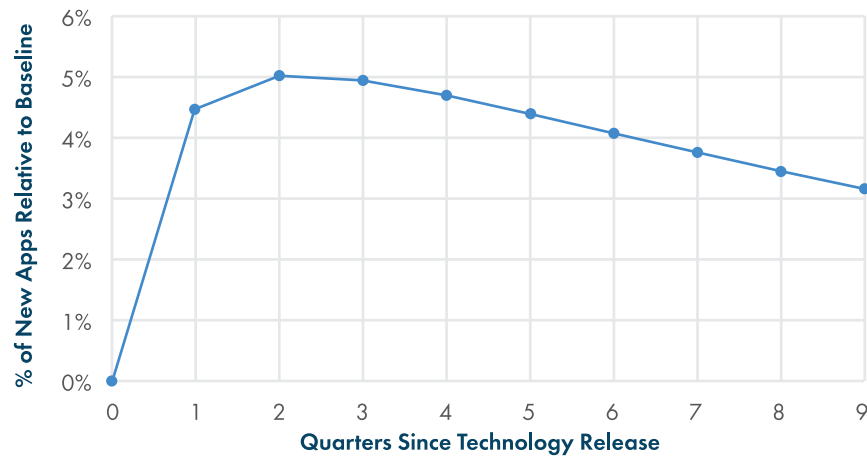

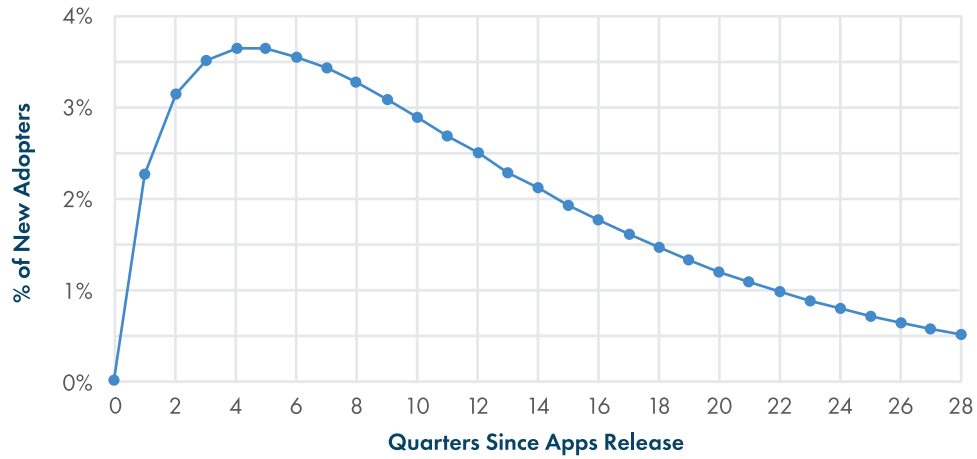**Fig 1.** Percentage of new iOS apps released due to a one standard deviation change in iOS SDKs

Fig 2. Percentage of new iPhone adoption due to a one standard deviation change in iPhone apps
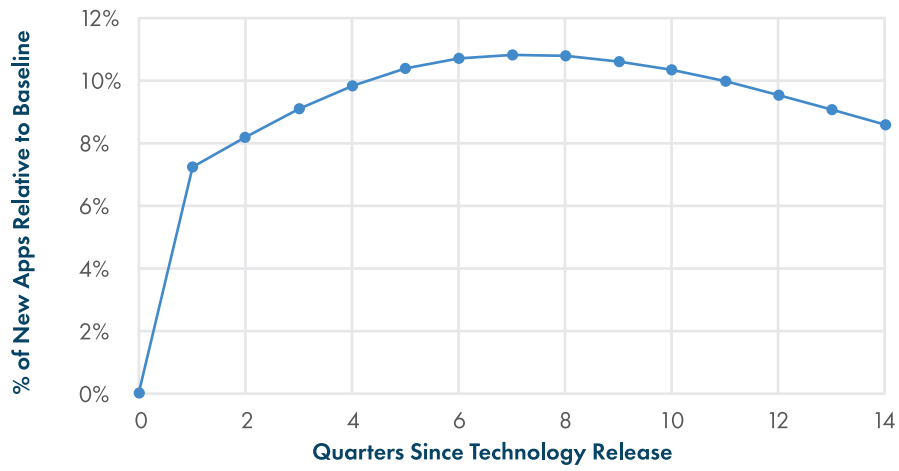

Fig 3. Percentage of new Android apps released due to a one standard deviation change in Android SDKs
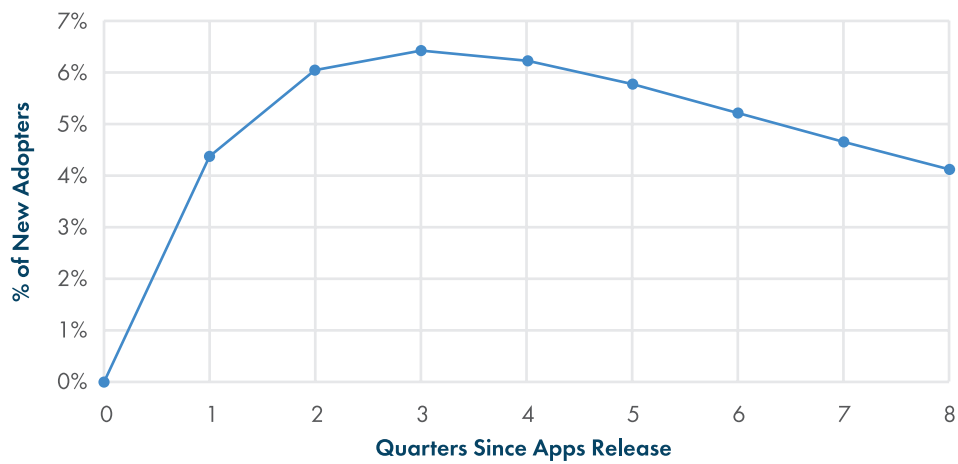

Fig 4. Percentage of new Android phone adoption due to a one standard deviation change in Android apps

Specifically, Figure 1 tells us that if there is a one-time shock of a 45% rise in the number of quarterly SDK releases, then there is a 38% increase in the number of apps available on iOS over the next two years. However, if we were to include the periods in which the impulse response is not statistically significant, the total response size becomes a 66% increase in the number of iOS apps over the next seven years. Here, the statistical insignificance is likely due to the short time series, but it may have some predictive value.

Next, Figure 2 indicates that a one-time shock of a 11% increase in the number of quarterly released iOS apps leads to a 58% increase in the number of iPhones sold over the next seven years, all of which are statistically significant.

One may wonder where the sizes of the initial shocks (45% and 11%) come from. The answer is that they are the standard deviations of the respective shocks measured by B_0. Because each variables would have different scale and variation, using a one standard deviation shock for impulse response normalizes the shock size to an equal amount of 'surprise' across variables. In practical terms, one can envision such a shock to SDKs as being driven by significant technology (SDK) releases – for instance, as part of major, coordinated platform- and ecosystem-wide releases of new hardware and software.

Analogously, for the Android platform, Figure 3 indicates that a one-time shock of a 61% increase in the number of quarterly SDK releases leads to a 128% increase in the number of Android apps over roughly the next four years. Including the periods in which impulse response is not statistically significant, this figure increases to 213% over the next seven years.

As to Android apps, Figure 4 indicates that a one-time shock of a 19% rise in the number of quarterly released Android apps leads to a 43% increase in the number of Android smartphone sales over the next two years. Including the periods in which impulse response is not statistically significant, this figure rises to 68%.

A surprising implication to the above is the asymmetric response (length as well as magnitude) between the two mobile ecosystems. (Readers are reminded that all three time-series variables have separately measured the respective parameters available for each mobile platform.) One potential explanation is that the iOS platform is more of a closed ecosystem, so the impact of third-party SDKs may be relatively lower. In contrast, Android has taken a more open approach to developer contributions, so there may be more incentives to leverage SDKs. On the other hand, iOS apps have a relatively larger impact on smartphone sales than Android apps, potentially due to the arguably stricter quality control for iOS apps.

5. CONSUMER SURPLUS FROM APPS

Evaluating the economic value to consumers ('consumer surplus') of mobile apps using observational (real-world) data is econometrically a challenging problem. To do so, we follow the classical approach for estimating a demand function for apps.

Specifically, we estimate a static app demand function and the associated consumer surplus on a single day, June 1st, 2020. This is because our primary aim is to assess the consumer surplus in the current app market, and also because app prices are slow to change over time, making the data essentially cross-sectional. Further, our time-series plots (Figures A3 and A4) indicate that, in recent years, smartphone markets have reached a phase in which numerous valuable smartphone features have been released, and technology providers need to work harder to research and develop new features in order to convince consumers, who are largely existing smartphone users, to upgrade to newer device models (though, notably, some providers may update their SDKs to include new improvements, rather than release them as new, separate SDKs). Hence, although our methodology can be re-applied to any other day, our calculations would not change drastically.

An app demand function is a decreasing function of the price associated with using the app. In general, app 'demand' and 'price' are not clearly defined concepts, especially in a dynamic setting. One advantage of using a static demand model is that, as long as the environment is stationary, the quantity demanded of an app can be measured by the number of downloads on that day. This is because in classical demand theory, what matters is a consumer's purchase taking place, rather than when the purchased goods and services are actually consumed or used. In our setting, consumers download apps on each day, to then use them over whichever timeframe. Hence, our quantity measure is the number of downloads.

In an app market, the price consumers pay is most plausibly defined as the sum of the price-to-download and the expected in-app purchase (IAP) dollars, which we refer to as the 'price' of an app. IAP data is hard to come by; fortunately, Apptopia estimates the IAP dollar per download and user for all active apps, based on daily real-time data feed from more than 125,000 apps. Here, IAP may include some e-commerce revenues that flow through the app stores, but mostly comprise in-app transactions to unlock additional features and premium services.

Figures A5 and A6 depict scatter plots of app downloads and the aforementioned prices for all active iOS and Android apps, respectively, that had non-zero downloads on June 1st, 2020, for the United State (US) as well as worldwide (WW, which includes the US). In order to give a closer look and a better sense of the nonlinear relationship between the two variables, the top 1% of downloads and prices are not shown in these graphs; however, we do not exclude any of the top app observations from our demand function estimation that follows. Our goal is to estimate the following form of demand functions for a representative app in the game and the non-game categories, separately:

$$ln\ Price = ln\ b - a\ ln\ Downloads + \varepsilon,$$

where *a* and *b* are the parameters to be estimated. The functional form is deliberately kept simple, in order to calculate consumer surplus (below the demand and above the price) in a clear manner. One concern in estimating the demand function is that the price and downloads may be both driven by some omitted variables (e.g., unobserved app quality). Specifically, a high-quality app might set a higher price and, at the same time, tend to have a higher number of daily downloads, making the price and the downloads positively, not negatively, correlated; however, the scatter plots suggest that, on average, there is a clear inverse relationship between price and downloads.

Our method for addressing this concern is to estimate an inverse demand function by using an Instrumental Variable (IV) approach, where the instrument for downloads is the number of app ratings. That is, our identification assumption is that the number of ratings (as opposed to the ratings themselves) is uncorrelated with the error term in the inverse demand function equation above. This is plausible because it is hard to imagine that apps will change their download price or in-app purchase prices based on a common factor that also influences the number of app ratings. For instance, users may want to post positive reviews about apps being of high quality, but may also be induced to post negative reviews about apps being of low quality, so the number of reviews (disregarding the content of the reviews and their star ratings) should not affect the prices that app publishers set.

On the other hand, the number of app downloads and the number of consumers who provided a rating for the app are naturally positively correlated. Therefore, if our instrument is valid, then the estimated demand parameters, $\hat{a}$ and $\hat{b}$, will not suffer a significant bias. This procedure is applied using the apps belonging to non-game categories, and game categories, separately. (There are, in total, 37 iOS app categories and 49 Android app categories, as designated by the iOS and Android platforms.) Hence, we estimate two different demand functions, one for non-game and one for game apps, with four in total across the two platforms.

Given the estimates of $\hat{a}$ and $\hat{b}$, the demand function can be rewritten as $Price = \hat{b}/Downloads^{\hat{a}}$, which is drawn as the downward-sloping curve in Figure A7. We then estimate the consumer surplus of each app given the demand curve. In economics, consumer surplus is calculated as the sum of the difference between each consumer's maximum willingness to pay and the consumer's actual payment for the goods and services. The standard interpretation is that the consumers can be sorted according to their willingness to pay in a descending order, until the marginal consumer whose willingness to pay is equal to the price he or she pays. The difference between a consumer's willingness to pay and the actual price they pay is their individual consumer surplus, representing funds the consumer can then go on to spend on other goods. Aggregating this individual consumer surplus across consumers for a particular demand function provides the total consumer surplus derived from a product over some period of time.

In the context of apps, some app developers and publishers choose to adopt advertising or other types of monetization methods, which may keep the app's download price as well as its in-app fees closer to zero. Others may entirely rely on upfront download costs and/or in-app purchases, while yet others use a combination of both. This creates variation in the level of price we use (i.e., Average Revenue Per User) for the same level of downloads. Here, our assumption is that the same shape of the estimated demand curve applies to all active apps. The only difference is that the demand curve shifts up or down depending on the level of ARPU.

The regression analysis already captures the distribution of ARPUs given different levels of downloads, and the central relationship between the two is summarized by the resultant parameter estimates. Hence, if an app has $\bar{q}$ downloads (as in Figure A7) on a day, then consumers' willingness to pay can be captured by the shaded area. We assume that this is independent of the producer surplus, which would vary with the actual price (ARPU) even with the same level of downloads. Our primary assumption here is that the estimated demand curve adequately represents the underlying distribution of consumers' net willingness to pay.

Hence, given $\bar{q}$ downloads for an arbitrary app on a day and a pair of $\hat{a}$ and $\hat{b}$ estimates (accounting for whether the app is a game app or not), the consumer surplus for that app can be approximated with the formula: $\hat{b} + \int_1^{\bar{q}} (\hat{b}/q^{\hat{a}})dq - \bar{q}(\hat{b}/\bar{q}^{\hat{a}})$. We then aggregate the consumer surplus by the category to which each app belongs and tabulate them in Tables 1 and 2.

Therefore, the variation in aggregate consumer surplus across categories is driven by (i) the number of downloads for each app in the sample, (ii) whether the app is a game or not, and (iii) the number of apps in each category across the two mobile platforms.

Table 1. Consumer Surplus on June 1st, 2020, by App Category (iOS apps)

Category	CS (US)	CS (5EU)	CS (WW)
Business	132,665	302,009	1,311,137
Weather	51,192	130,162	359,121
Utilities	172,069	430,234	1,860,833
Travel	135,321	369,973	1,535,318
Sports	93,347	293,977	1,164,949
Social Networking	182,417	291,457	1,231,365
Reference	43,170	165,807	672,597
Productivity	141,057	366,748	1,176,792
Photo & Video	220,396	490,492	1,466,747
News	50,308	96,182	647,012
Navigation	40,692	195,886	633,094
Music	147,579	387,306	1,076,303
Lifestyle	154,528	371,892	1,768,633
Health & Fitness	154,655	393,591	1,262,044
Finance	129,170	252,304	1,764,939
Entertainment	229,383	443,809	1,764,647
Education	123,456	334,262	1,557,637
Book	48,603	122,882	746,720
Medical	46,188	124,707	614,126
Food & Drink	107,553	177,212	1,041,721
Shopping	204,261	331,412	1,683,804
Action	116,403	182,855	347,103
Adventure	63,783	123,718	226,232
Casual	150,285	209,870	357,257
Board	43,851	79,567	142,102
Card	40,876	58,148	150,302
Casino	32,682	40,846	96,195
Family	55,802	118,599	203,869
Music	18,183	27,434	64,894
Puzzle	105,037	175,786	341,856
Racing	37,546	75,572	107,201

Category	CS (US)	CS (5EU)	CS (WW)
Role Playing	60,886	113,124	246,615
Simulation	127,505	212,032	329,800
Sports	50,374	96,349	138,678
Strategy	54,396	106,229	201,226
Trivia	31,098	55,266	262,247
Word	36,516	55,441	107,488
*Unmatched	17,590	16,516	74,772
SUM TOTAL	$3,650,822	$7,819,655	$28,737,376
No. of Apps	85,224	176,270	523,920

Note: All figures are in US dollars, except for the number of apps. 5EU means the sum of five European countries (France; Germany; Italy; Spain; United Kingdom). The upper panel is app categories, and the lower panel is game subcategories. *Unmatched means that an app id in the daily app performance data cannot be found in the app profile database.

Table 2. Consumer Surplus on June 1st, 2020, by App Category (Android apps)

Category	CS (US)	CS (5EU)	CS (WW)
Books & Reference	51,909	28,127	711,650
Business	57,541	43,654	787,484
Comics	14,230	29,206	191,948
Communication	122,226	87,242	826,367
Education	69,399	60,146	964,387
Entertainment	225,891	160,897	1,746,227
Finance	109,448	65,715	1,226,024
Health & Fitness	97,493	86,240	704,958
Libraries & Demo	195	21,594	161,766
Lifestyle	104,553	71,374	1,004,600
Medical	118,161	14,590	561,032
Music & Audio	143,188	92,992	1,175,690
News & Magazines	64,150	28,185	537,012
Personalization	78,003	43,320	655,925
Photography	122,163	89,951	868,467
Productivity	119,576	93,256	857,472
Shopping	119,570	85,947	1,260,998
Social	121,261	72,352	767,081
Tools	75,546	93,436	792,874
Travel & Local	71,067	70,464	651,094
Weather	32,711	33,941	165,887
Sports	56,268	75,986	536,539

Category	CS (US)	CS (5EU)	CS (WW)
Maps & Navigation	60,474	35,292	474,787
Food & Drink	54,240	33,037	706,637
House & Home	26,865	12,568	315,226
Video Players & Editors	53,541	59,186	495,870
Parenting	3,549	4,727	116,927
Dating	13,256	20,004	186,370
Auto & Vehicles	20,387	26,261	356,354
Art & Design	35,934	18,994	257,704
Beauty	13,477	13,107	172,884
Events	7,457	8,981	203,044
Casual	48,867	62,973	496,087
Racing	31,312	36,116	329,037
Sports	15,852	38,968	196,178
Card	14,901	13,165	119,481
Arcade	70,221	76,181	476,528
Puzzle	40,158	52,075	349,679
Casino	13,107	11,362	136,699
Word	17,425	19,092	124,124
Adventure	20,171	26,154	244,640
Action	49,583	56,237	497,765
Trivia	16,348	16,207	127,394
Board	10,663	15,584	146,187
Simulation	50,881	67,236	550,951
Music	9,865	11,946	100,455
Educational	18,898	29,058	218,337
Strategy	19,569	23,312	148,275
Role Playing	20,883	25,547	210,871
*Unmatched	1,121,550	856,203	8,496,754
SUM TOTAL	$3,853,982	$3,118,189	$33,410,727
No. of Apps	241,337	216,783	829,746

Note: All figures are in US dollars, except for the number of apps. 5EU refers to the sum of the five European countries (France, Germany, Italy, Spain, and the United Kingdom). The upper panel is app categories, and the lower panel is game subcategories. *Unmatched means that an app id in the daily performance data cannot be found in the app profile database.

Note that the last category in Tables 1 and 2 collects all apps that are not matched with the category (app profile) data; a sizable fraction of Android apps falls in this category. This is because in our sample Android app IDs are a string of words that look like file names (e.g., pokemon.pikachu.adventure.battle.royale), whereas iOS app IDs are simply numeric. Thus, the matching rate for Android apps with categories is not as high as for iOS apps due to typos and ID variations. Finally, the bottom line of the tables sums up aggregate consumer surplus across categories, followed by the number of all active apps in our sample (comprising primarily ranked apps) used for our calculation.

In the first column of each table, we find that the aggregate consumer surplus generated from all active apps in our sample in the iOS app categories on a given recent day (June 1ᵂ, 2020) amounts to 3.65 million dollars; and the aggregate consumer surplus from all active apps in our sample in the Android app categories on the same day is about 3.85 million dollars. These figures are all based on US users only. We then repeat our estimation procedure, as well as the consumer surplus calculations, for users located in France, Germany, Italy, Spain, and the United Kingdom – we focus on these five countries because our dataset comprises large enough samples for these European nations. We then aggregate the consumer surplus across those five countries, and present them in the middle columns of the respective tables.

All five European countries have individually smaller aggregate consumer surplus generated from either iOS or Android apps than the US, and the aggregate consumer surplus generated from Germany or the United Kingdom is larger than that from the other three European countries. When combined, the five European countries appear to generate an aggregate consumer surplus of 7.82 million dollars on June 1st, 2020, from all active iOS apps, and 3.12 million dollars on the same day from all active Android apps. Hence, the data imply that users in the five European countries either spend relatively more or have different demand curves for iOS apps.

In the last column, we repeat our procedure using the worldwide app statistics provided by Apptopia. It is perhaps unsurprising that worldwide consumer surplus is much larger than the previous two figures. Specifically, the aggregate consumer surplus worldwide from all active iOS apps in our sample is around 28.7 million dollars; and that from all active Android apps in our sample is about 33.4 million dollars. Although there are more apps available for Android than for iOS, their respective total consumer surplus is about the same because Android devices are generally more popular in lower-income demographics, and the apps consumers utilize on Android tend to be lower priced.

In fact, comparing the magnitude of the $\hat{b}$ estimates across the two mobile platforms, we find that $\hat{b}$ tends to be higher (implying a higher willingness to pay) for iOS apps than for Android apps, although their relative sizes vary by country and whether the apps are game or non-game apps. This is consistent with the well-known observation among developer communities that iOS users tend to be more affluent and spend more per app than Android users (BuildFire, 2020). In contrast, more users use the Android platform. As a result, at the worldwide level, the two mobile platforms yield a similar level of total consumer surplus.

Assuming a stationary app market over a period of 365 days, we can then extrapolate annual aggregate consumer surplus by multiplying the above figures by 365. Although this is a back-of-the-envelope calculation, it is appealing because while the identity of the apps comprising the data may change over time, the distribution of their downloads and prices may remain relatively stable. If so, then the annual consumer surplus from active iOS apps in our sample is estimated to be 1.33 billion dollars in the US, 2.85 billion dollars in the 5EU, and 10.5 billion dollars worldwide; and the corresponding figures for active Android apps in our sample is about 1.41 billion dollars in the US, 1.14 billion dollars in the 5EU, and 12.2 billion dollars worldwide.

Tables A1 and A2 list the top 30 apps by platform and by geography in terms of estimated consumer surplus (as of June 1st, 2020). Readers are reminded that consumer surplus at the app level is determined by the number of downloads and whether the app is a game app or not. One caveat is that Chinses apps are populated in Table A1 (iOS) for worldwide users, but they are missing in Table A2 (Android). As previously mentioned, in China, people use different (native) Android app stores rather than Google Play (which is what our Apptopia sample comprises). Hence, our calculations may underestimate the worldwide consumer surplus from Android apps.

6. SDK AND THE TECHNOLOGY SECTOR

The broader impact of technology (SDK) releases is that they could stimulate investment in new ideas and in new firms, and help grow employment in sectors of the economy that depend on the functionalities they help facilitate. While it is not tractable for us to match the apps in our sample to either specific venture funding or the number of jobs at specific ventures, the effects of technology releases may show up in aggregate national time-series data. Accordingly, our approach to assess the potential association between technology releases and their broader effects is to use the same sort of Structural Vector Autoregression (SVAR) model from Section 4 and incorporate additional variables.

More specifically, it is impractical to match specific ventures raising financing with the millions of apps that are released by different firms and developers. Many apps in our sample are mostly linked to the names of individuals (such as developers), rather than the names of specific firms or ventures. Hence, without being able to match individuals to their employers (domestic and foreign) for millions of apps, we cannot, with a reasonable matching rate, tell which startups released apps and which did not.

Similarly, it is also impractical to distinguish the share of venture capital invested and total workforce employed that are specifically associated with developing iOS or Android apps, even in the aggregate, since it would presume the knowledge of a large number of private firms' internal operations. Thus, what we have is the national aggregate statistics for each quarter that represent the total level of 'early-stage' venture financing, as well as the total employment size in a relevant high-tech sector (NAICS code 518: Data Processing, Hosting, and Related Services). While NAICS code 518 represents one technology sector, its relatively narrow focus enables us to illustrate the potential link between major technology releases and related employment

Specifically, we aim to aggregate the total amount of early-stage venture financing in our sample; however, this is nontrivial because a large share of apps is released by small, private startups (or by individuals). One database that perhaps most closely tracks such early-stage financing is Crunchbase, which in part crowdsources investment information, an aspect that can be particularly helpful with respect to startups in their earlier stages, when some funding may come from informal sources such as friends and family.

Using the data on funding rounds that Crunchbase offers, we tally up venture investments based on their investment stages. Below, we present the result involving investment rounds designated as 'pre-seed', 'seed', or 'angel' in the Crunchbase database. This is because major venture capital funding rounds (i.e., Series A and later rounds) are mostly raised after startups have released their products or prototypes and gained some traction. Thus, the financing rounds that are most likely to affect the mobile app ecosystem are the aforementioned early-stage rounds. Confirming this conjecture, our empirics do not yield a significant relationship with later financing rounds to the time series representing the app ecosystem.

We adjust the SVAR model specification as follows: The three variables that we use here are the log of SDK releases (same as before), the log of early-stage financing, and the log of employment in NAICS code 518, in that order. This implies that a shock to SDK releases may affect early-stage financing and employment within the same quarter, and a shock to venture funding may affect employment within the same quarter (the converse, however, is unlikely to hold, since SDK releases, within a quarter, are often tied to hardware and software innovations, rather than to funding events or an unexpected rise in employment in the same period).

Figure 5 depicts the impulse response of early-stage investments to a one-time 35% (a standard deviation) increase in the number of SDK releases (in the overall sample, combining iOS and Android SDKs) in a quarter. We find that early-stage investments increase by almost 200% over the next three years, and this figure climbs up to 268% over seven years if we count the periods in which the response is not statistically significant. These results suggest that technology (SDK) releases may play an important role in the aggregate funding of early-stage ventures.

In addition, Figure 6 depicts the impulse response of tech sector (NAICS code 518) employment to the same one-time shock to SDK releases. Here, we find that employment increases by 33% over the next six years. Although employment under NAICS code 518 spans a large range of workers, of which developers, and particularly app developers, may be a relatively small fraction, this finding nonetheless implies that technology (SDK) releases may have a nontrivial effect on creating jobs in the sector.
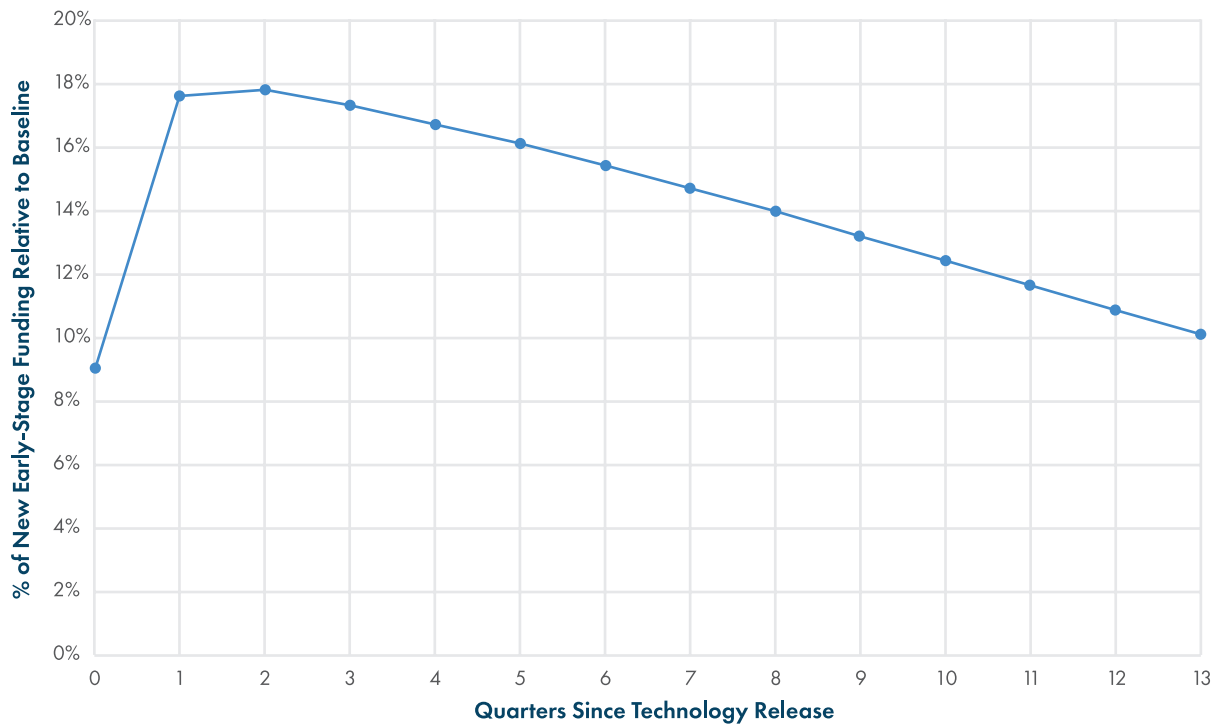

Fig 5. Percentage rise in early-stage funding due to a one standard deviation change in SDK releases
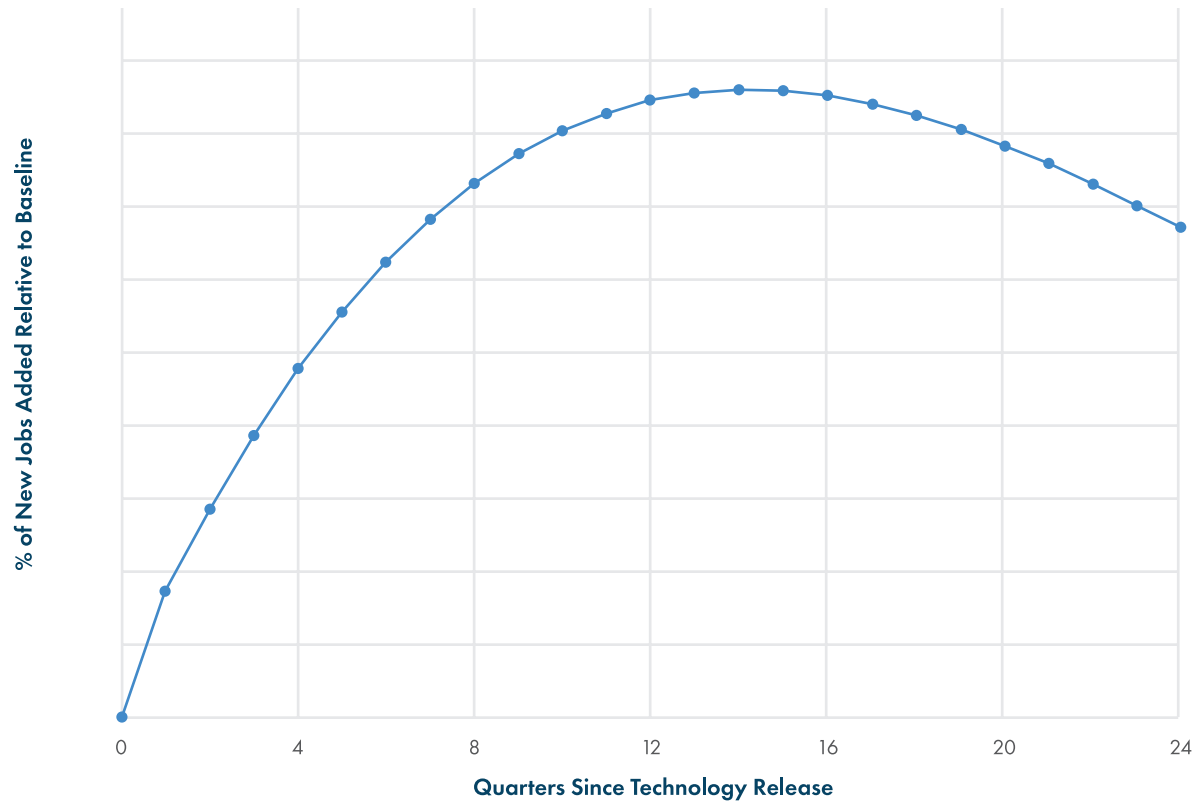
Fig 6. Percentage rise in tech-related employment (NAICS 518) due to a one standard deviation change in SDK releases

7. RELATED STUDIES

There has been a growing interest in mobile platform markets in the literature. Bresnahan et al. (2015) assert that while mobile platforms lowered the costs of developing and distributing apps, the search and matching processes between consumers and the wide variety of apps may result in some inefficiencies. In particular, they argue that app rankings may fail to fully reflect the value created by an app. Similar to their study, we focus on examining the supply side of the app market, with a primary difference being that our focus is on technology releases that may provide various utility components to app developers via SDKs. To our knowledge, this report is the first to investigate the time-series data of the number of smartphone sales, SDK releases, and new app entries simultaneously.

At the same time, our analysis of app demand and consumer surplus builds on their examination of the joint distribution of app prices and monthly active users. While Bresnahan et al. are concerned with app download statistics being potentially bought or manipulated, the number of downloads in a given period is a more conservative measure than the number of active users (which reflects cumulative downloads), as previously mentioned, because the latter may include the former. Hence, we choose to estimate app demand as well as consumer surplus based on the cross-section of app downloads.

Liu (2017) examines app developers' entry decisions, in particular, selecting the mobile platform for which to develop apps. Using the average utility that users experience as a proxy for app quality, Liu finds that in the Google Play store, the presence of lower-quality apps induces more lower-quality apps to enter, while Apple's App Store exhibits strong competitive effects among higher-quality apps. An increase in the smartphone user base could also encourage lower-quality apps to enter. Ershov (2018) examines the effect of superstar apps on app entry, from the standpoint of product market competition. Using the emergence of superstar apps as unexpected events, Ershov finds that the app categories where superstar apps appear experience more entry in subsequent periods by other apps. The new app entries tend to be of lower quality and have lower prices, but the superstar apps appear to increase the downloads of all apps in the same category.

Our approach, as well as the main question regarding new app entry, is different from Liu (2007) and Ershov (2018), who focus on product market competition. In contrast, we examine the effect of SDKs, which are made available to app developers by tech platforms, on app entry. From the standpoint of technology providers, app developers are not necessarily competitors but customers who build on their platforms by incorporating their offerings into new products. In addition, our approach takes a more macro standpoint by focusing on the relationship among aggregate smartphone sales, SDKs, and app entries over a longer period of time. While the product market effect is important at the micro level, taking a macro perspective is helpful for understanding the broader trends of the mobile ecosystem. Thus, our contribution is different in that we aim to identify the aggregate effect of technology releases.

The value of mobile apps has been explored in the literature. For instance, Brynjolfsson et al. (2019) take an experimental approach. Using consumer choice surveys, they elicit the survey respondent's willingness to pay to stop using platforms such as Facebook and YouTube. However, they focus on access to the technology platforms themselves rather than to the broader app market that the platforms may facilitate. Moreover, their approach is focused on business-to-consumer cases. Our approach, in contrast, is more indirect. There are over a thousand SDKs for each mobile market and many of them are not facing end users such as consumers. That is, consumers do not necessarily know that the apps that they are using embed tools released by certain technology platforms. This makes it difficult to directly assess how much value

consumers place on the services provided by those platforms. To that end, we first assess the effect of SDK releases on app entry, and then separately evaluate the consumer surplus generated by apps, and the broader market effects.

Recently, Borck et al. (2020) examine the total 'billings' and 'sales' generated in 2019 on the iOS platform, where the former includes potential revenues generated by paid downloads and in-app purchases or subscriptions (which we use in determining app prices in our analysis, provided the billings flow through the app stores), and the latter refers to funds spent by users "outside the app store" (e.g., in e-commerce, which our dataset largely omits). Borck et al. find that out of the total estimated 519 billion dollars of annual billing and sales that went through iOS apps, 80% was from e-commerce revenues and only 12% was due to download and in-app purchase revenues. (The remaining 8% was from in-app advertising revenues, which our dataset largely omits as well.) Although we do not have these internal figures for Android, if in fact the revenue from downloads and in-app purchases is around 12%, then it may appear to suggest that our consumer surplus is vastly underestimated viewed from this angle, due to the invisibility of e-commerce data. However, we note that in-app advertising and other forms of revenue generation may at least partially fall into what economists call "producer surplus," or surplus collected by sellers, and hence, it would not necessarily affect net consumer surplus calculations.

Moreover, Borck et al. do not claim to measure consumer surplus, but rather estimate dollar transactions by apportioning the volume of sales by device usage. For instance, they state that "For each app category, we estimate total sales by geography relying on inputs from third-party sources, typically market research firms. We then apportion those sales using the share of content consumed on apps on any platform by geography, based on information collected from marketing surveys or data on usage patterns. Finally, we apportion usage to Apple devices specifically using the Apple market share for each device category in each geography." The total e-commerce transactions that go through mobile apps is not, in our view, a 'clean' contributing factor to the mobile ecosystem's consumer surplus, because it represents the price consumers pay to obtain other goods and services, and not necessarily the app's utility per se. The underlying value of mobile apps in facilitating e-commerce has to come from the magnitude of potential decreases in e-commerce transactions in the absence of all mobile apps. We conjecture that such a counterfactual outcome (which is challenging to obtain) would lead to a different calculation, due to potential substitution effects (i.e., consumers may use other devices to place their orders, such as desktop and laptop computers, instead).

Finally, our study largely abstracts from potential consumer privacy concerns and costs. For instance, Kummer and Schulte (2019) find that less expensive apps tend to ask for more privacy-sensitive permissions, and the number of downloads may be lower, all other things held equal, for apps requesting sensitive permissions. This suggests that free-to-download apps may, in effect, not be free, independent of in-app purchases, due to the potential costs of sharing some information. This argument is well established in the privacy literature, as demonstrated in an experimental study by Savage and Waldman (2015). However, to the extent that competition among apps is also taking place on the privacy dimension, and consumers direct their demand to apps that, all things being equal, require fewer unnecessary permissions, such concerns may be to a certain degree reduced. Thus, while our estimates of consumer surplus from mobile apps may not account for potential privacy concerns, we do not believe that incorporating such concerns would substantially reduce our overall consumer surplus estimates. Hence, our preference is to focus on measuring the consumer surplus of apps by using a traditional economic framework and demand data, which can serve as a benchmark figure to pit against potential harms to consumer privacy that may be studied and evaluated independently.

8. CONCLUSION

We examined the role of SDK technology releases by technology platforms using aggregate time-series data, and found that a shock to quarterly SDK releases has an economically significant effect on the number of app entries, which collectively generate billions of dollars in consumer surplus annually, as well as on the number of smartphone sales. In addition, we identified an economically significant association between major SDK releases and the aggregate amounts of early-stage venture financing and a tech sector's (NAICS code 518) employment.

We did not explicitly take into account a user's privacy cost and/or data security issues. However, when millions of apps connect to thousands of technology providers, data must flow across network participants. Moreover, given the high number of apps competing within each category, developers and app publishers are also able to compete on the dimensions of privacy and data security.

To summarize, in this report we have:

- Highlighted the role of technology releases in mobile app ecosystems. Specifically, we examined the layer of Software Developer Kits or SDKs, a layer which mediates hardware and operating system features with the functionalities that app developers can offer to their users.

- Estimated and extrapolated the consumer surplus generated by average ranked apps on a single day in multiple countries as well as worldwide.

- Linked technology releases to new apps being offered to consumers.

- Demonstrated that technology releases appear to have been associated with aggregate increases in early-stage investments in new technology ventures.

- Demonstrated that technology releases appear to have been associated with new job creation (under NAICS Code 518).

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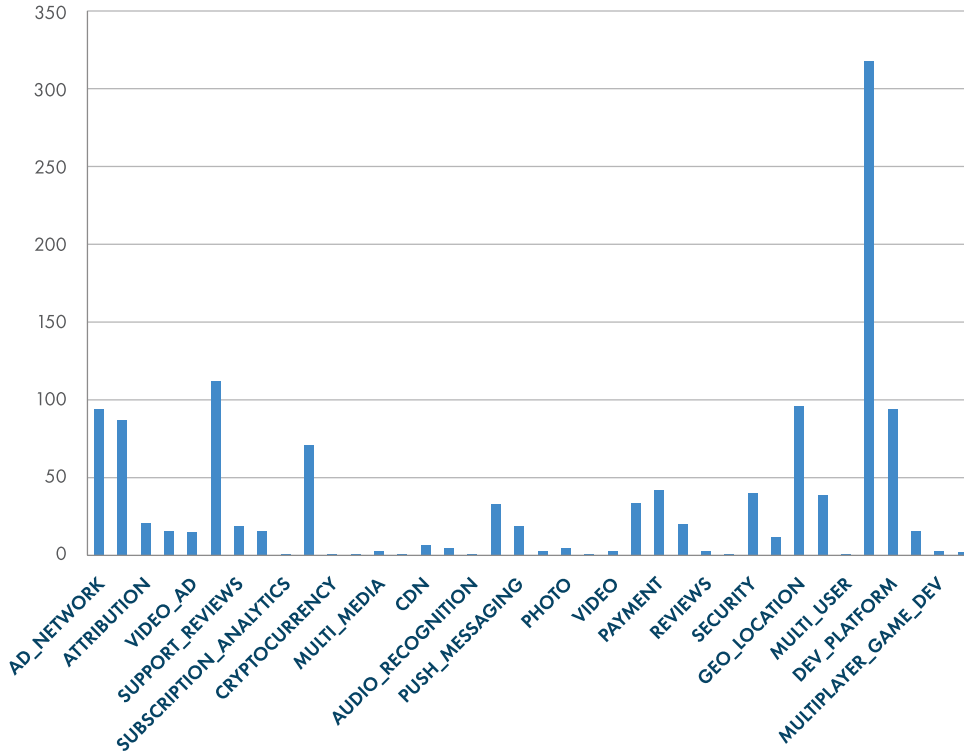
ACKNOWLEDGEMENTS

APPENDIX

Fig A1. iOS SDK Counts by Function
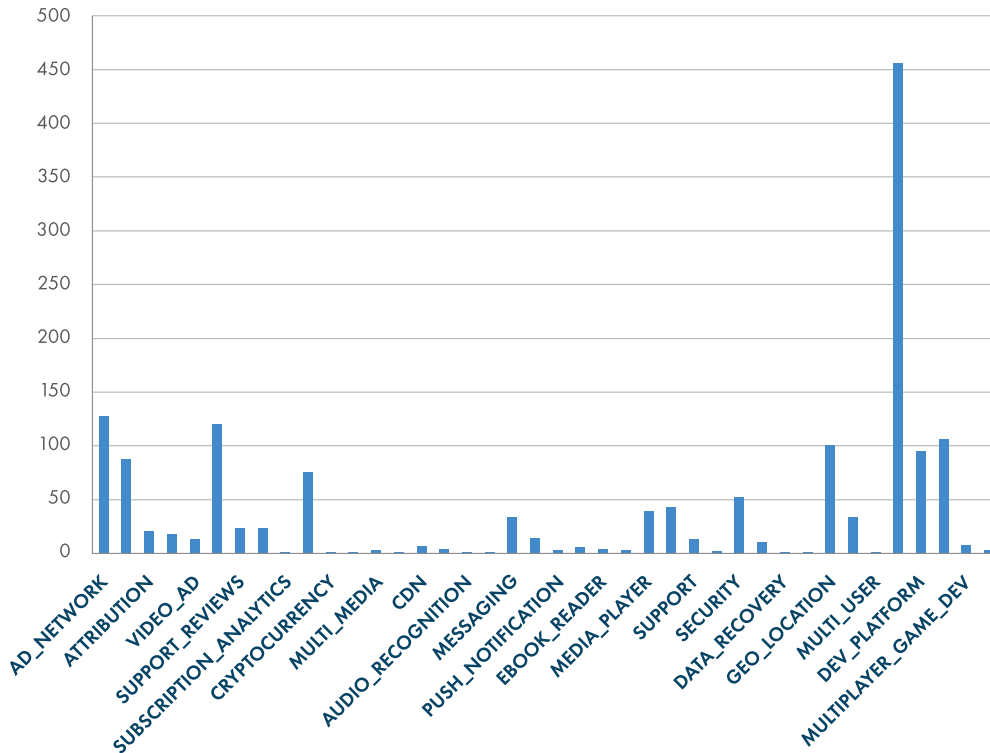

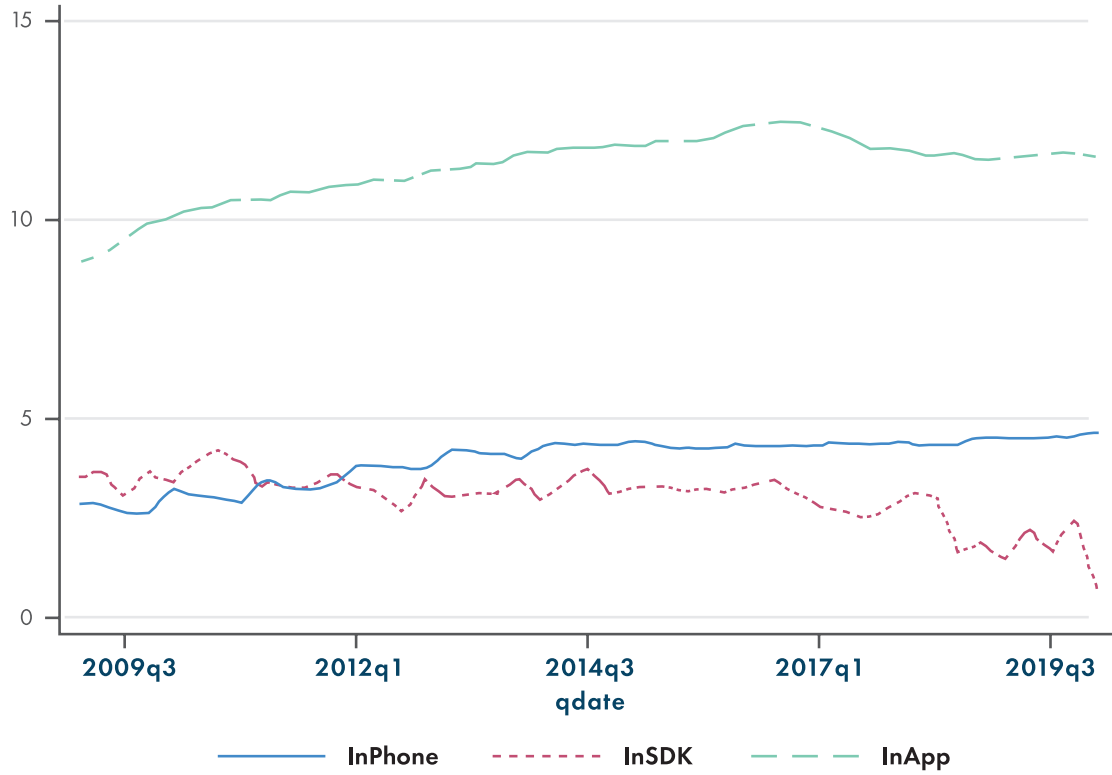**Fig A2.** Android SDK Counts by Function

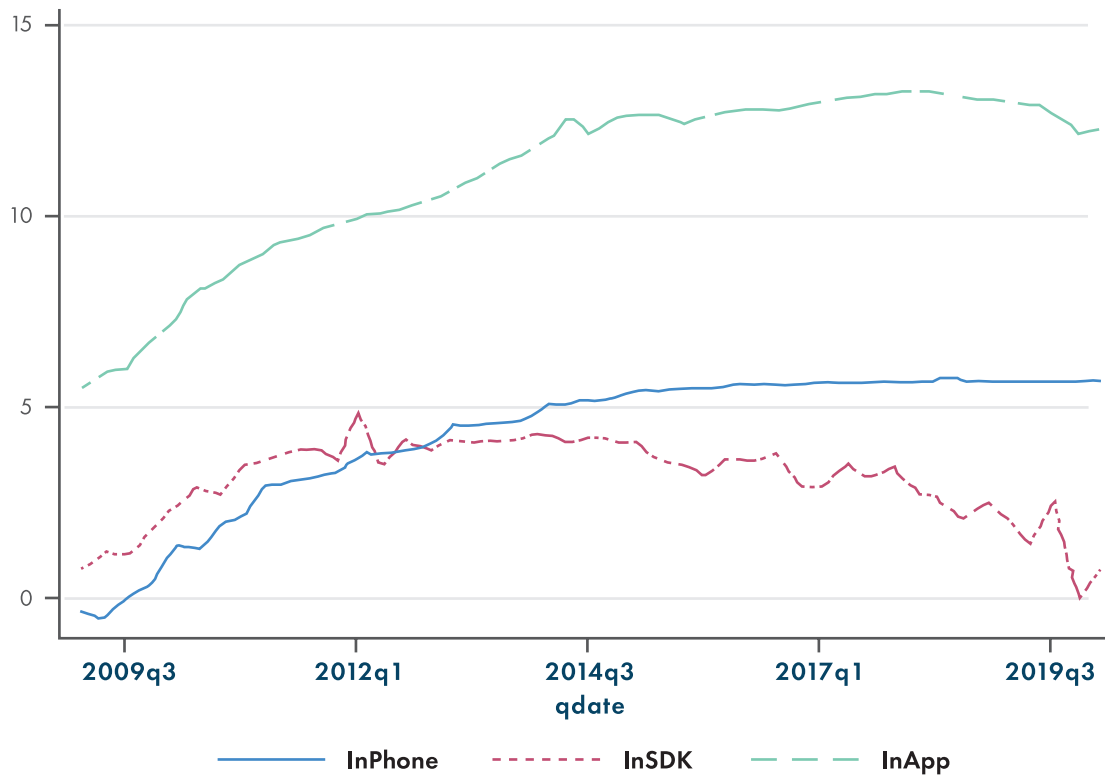**Fig A3.** Time series data for iOS (in log scale)

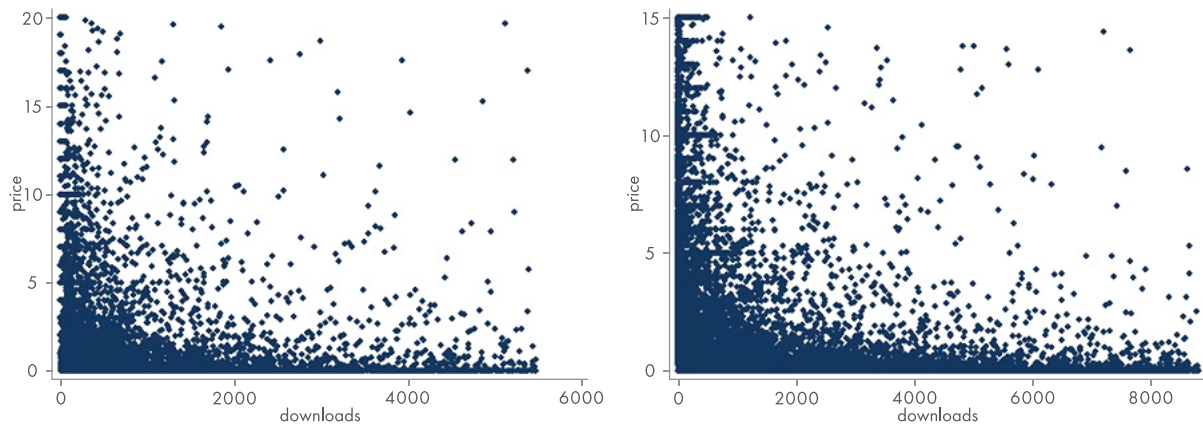**Fig A4.** Time series data for Android (in log scale)

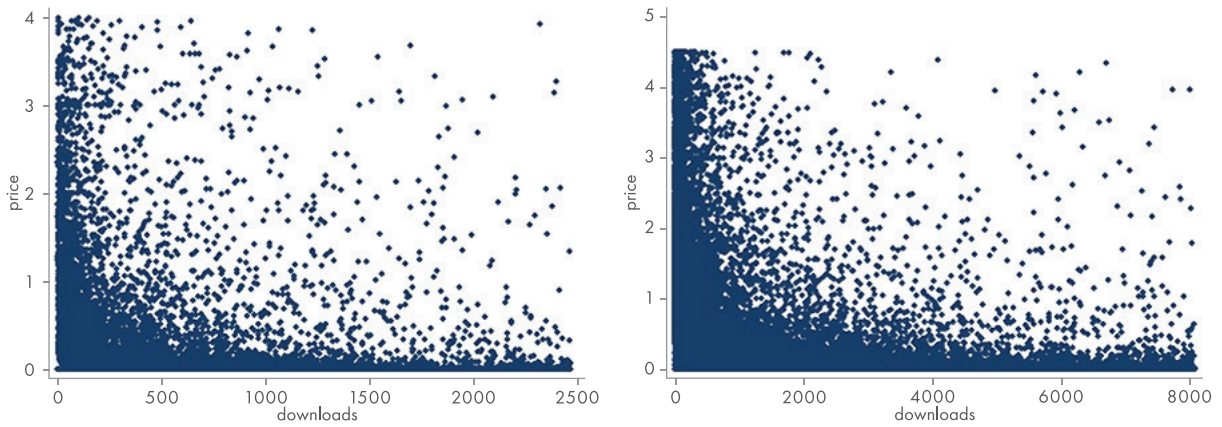**Fig A5.** Scatter plot for iOS apps (US on the left; WW on the right)

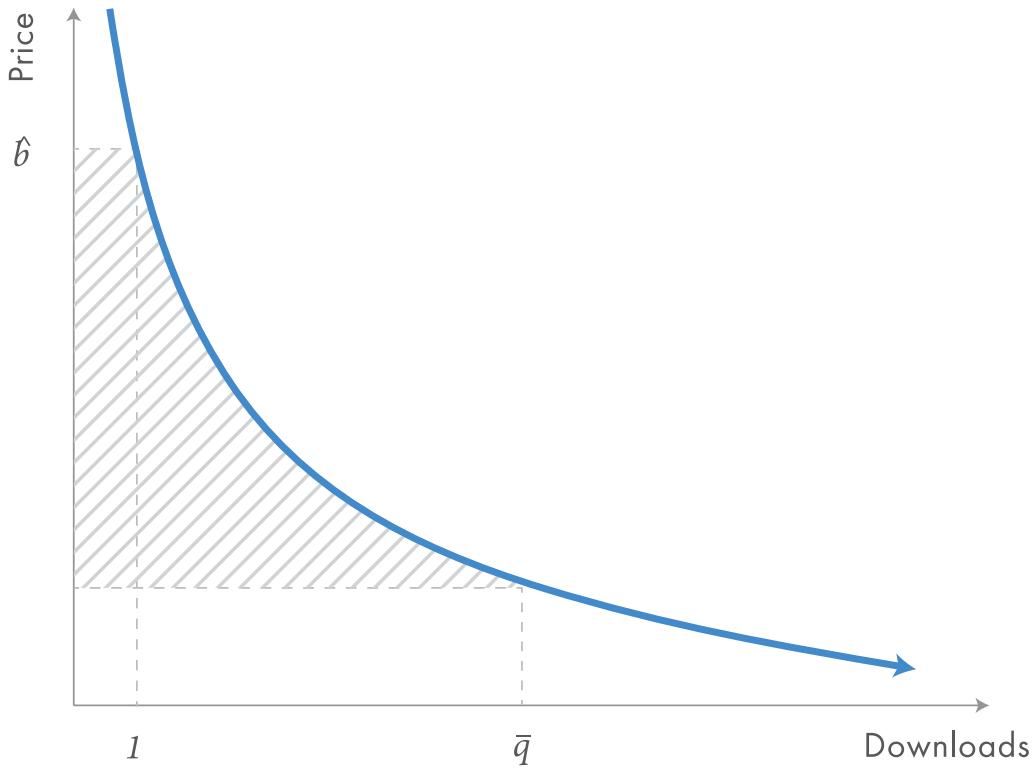**Fig A6.** Scatter plot for Android apps (US on the left; WW on the right)

Fig A7. Consumer Surplus Calculation (Shaded Area)

Rank	United States	5 European Countries	Worldwide
1	Zynn	TikTok - Make Your Day	ZOOM Cloud Meetings
2	ZOOM Cloud Meetings	ZOOM Cloud Meetings	TikTok - Make Your Day
3	Hyper School	WhatsApp Messenger	秘乐短视频
4	TikTok - Make Your Day	SHEIN-Fashion Shopping Online	YouTube: Watch, Listen, Stream
5	YouTube: Watch, Listen, Stream	YouTube: Watch, Listen, Stream	Instagram
6	Fit'em All	Instagram	Facebook
7	Facebook	Google Maps - Transit & Food	WhatsApp Messenger
8	Roblox	Facebook	一人之下
9	Recharge Please! - Puzzle Game	Messenger	Messenger
10	Instagram	Spotify: Music and Podcasts	剪映 - 轻而易剪
11	Messenger	Snapchat	拼多多-拼着买，才便宜
12	Snapchat	Twitter	Gmail - Email by Google
13	Twitter	Gmail - Email by Google	Google Maps - Transit & Food
14	Cash App	Netflix	Twitter
15	Coin Master	Wish - Shopping Made Fun	Snapchat
16	Gmail - Email by Google	Subway Surfers	Netflix
17	Amazon - Shopping made easy	Pinterest	云闪付-银行业统一移动支付App
18	Netflix	PayPal: Mobile Cash	Spotify: Music and Podcasts
19	HBO Max: Stream TV & Movies	Roblox	SHEIN-Fashion Shopping Online
20	Google Maps - Transit & Food	Disney+	苏城码
21	Call of Duty®: Mobile	Amazon Prime Video	Roblox
22	DoorDash - Food Delivery	Twitch: Live Game Streaming	Zynn
23	Cube Surfer!	eBay	微视-短视频创作与分享
24	PayPal: Mobile Cash	Discord	Coin Master
25	SHEIN-Fashion Shopping Online	Google	Pinterest
26	Spotify: Music and Podcasts	Strava: Run, Ride, Swim	腾讯会议-多人实时视频会议软件
27	5-0 Radio Police Scanner	Telegram Messenger	Google Chrome
28	WhatsApp Messenger	Shazam: Music Discovery	PicsArt Photo & Video Editor
29	Venmo	Color Flow 3D	WeChat
30	Uber - Request a ride	Google Chrome	抖音

Table A1. Top 30 Apps by Consumer Surplus on June 1st, 2020 (iOS apps)

Rank	United States	5 European Countries	Worldwide
1	ASMR Slicing	Repair Master 3D	ASMR Slicing
2	Dancing Road: Color Ball Run!	Rolly Legs	Ludo King™
3	Join Clash 3D	Save The Girl	Save The Girl
4	Coin Master	Dancing Road: Color Ball Run!	Gardenscapes
5	Save The Girl	Tower Run	Subway Surfers
6	Draw Joust!	Coin Master	Draw Joust!
7	TikTok - Make Your Day	ASMR Slicing	Dancing Road: Color Ball Run!
8	ZOOM Cloud Meetings	DOP: Draw One Part	Rolly Legs
9	Fishdom	TikTok - Make Your Day	Repair Master 3D
10	Agent Action	Bullet Bender	Fishdom
11	Recharge Please!	Fishdom	Coin Master
12	Gardenscapes	Gardenscapes	My Talking Tom 2
13	HBO Max: Stream HBO, TV, Movies & More	WhatsApp Messenger	Tiles Hop: EDM Rush!
14	Wobble Man	ZOOM Cloud Meetings	Brain Out - Can you pass it?
15	Repair Master 3D	Brain Test: Tricky Puzzles	Brain Test: Tricky Puzzles
16	Messenger - Text and Video Chat for Free	Instagram	Join Clash 3D
17	Tiles Hop: EDM Rush!	QR & Barcode Reader	DOP: Draw One Part
18	Strong Granny - Win Robux for Roblox platform	Fortnite	Township
19	Zynn	Brain Out - Can you pass it?	Hitmasters
20	Roblox	Hypermarket 3D	Tower Run
21	Instagram	Recharge Please!	Rescue Cut - Rope Puzzle
22	NERF Epic Pranks!	Wish - Shopping Made Fun	Kick the Buddy
23	Cash App	Amazon Shopping - Search, Find, Ship, and Save	Worms Zone .io - Voracious Snake
24	Scrabble® GO - New Word Game	Messenger - Text and Video Chat for Free	Carrom Pool
25	Wish - Shopping Made Fun	Hitmasters	slither.io
26	Snapchat	Bubble Tea!	Fun Race 3D
27	News Break: Local, Breaking, & Live	Join Clash 3D	Bake it
28	WhatsApp Messenger	Spotify: Listen to new music, podcasts, and songs	Agent Action
29	Bubble Tea!	Bake it	PUBG MOBILE LITE
30	Netflix	Agent Action	8 Ball Pool

Table A2. Top 30 Apps by Consumer Surplus on June 1st, 2020 (Android apps)