Getting the Download:
The Economics of Small App Publishers

Business and Economics Analysis

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Executive Summary

We surveyed senior leaders of small and medium-sized businesses that publish at least one app ("small app publishers" or SAPs) to quantify the value that apps and app stores provide them. Virtually all (96%) of SAPs earn revenue directly via apps in the form of selling access to the apps ("paid apps"), in-app purchases, and selling advertisements within their apps. Based on this direct revenue, 92% of SAPs pay fees to app stores.

93% of SAPs with apps on both Google and Apple stores - the two most popular - say that the stores provide value equal to or greater than the investment their business makes in it. Beyond driving revenue, this value comes in the form of users' data being safe and protected because of the features and tools of app stores (94% of SAPs agree), proactive removal of abusive or malicious content (93%), and protection of business' intellectual property rights (91%).

Lastly, SAP leaders estimate that apps and app stores are responsible for an average of 47% of their total business growth over the last two years, and 86% of SAP leaders report they plan to invest even more in their apps next year.

Overview

On July 10, 2008, Apple started a software revolution when it opened the first mobile app store linked to the iPhone. Mobile apps became an industry in the ensuing 15 years, and software development by entrepreneurs and small businesses exploded. Millions of apps, including many developed by small businesses, are now available in app stores hosted by Apple, Google, Samsung, Microsoft, and others.

This research sought to better understand one critical dynamic that has promoted and supported the democratization of software development - the value of app store platforms to small and medium-sized businesses that publish apps - what we call small app publishers (SAPs). The expectation was that app store platforms deliver value in many ways, including market opportunities, customer acquisition, and engagement.

Our survey of 1,000 SAP leaders enabled us to quantify how they value apps and app stores. We also quantified SAP leader sentiment about the most popular app stores run by Google, Apple, Samsung, and Microsoft. Major findings include:

- **SAPs earn revenue through the apps they publish.** More than three-fourths of this revenue comes from paid apps, in-app purchases, and advertising ("direct revenue"), with the rest as "indirect" revenue, wherein apps drive customers elsewhere to buy goods or services.

- **App stores support SAPs as they evolve and grow.** SAPs report that apps and app stores are critical to their growth and success; they are responsible for an average of 47% of SAP business growth over the last two years. Importantly, 93% of SAP leaders say that apps and app stores help them compete with larger businesses.

- **App stores help SAPs succeed and contribute to the economy.** 94% of SAPs report innovating, building, and achieving new things because of apps and app stores. Nearly all SAP leaders believe that apps and stores help their businesses contribute to the economy.

- **App stores provide a safe and secure way for SAPs to interact with their users and customers.** Most SAPs report that app stores scale their connections with users, protect their users' data, and proactively remove abusive or malicious content.

- **App stores return more value than SAPs invest in them.** Most also report that the app stores they use are integral to their business, help them reach users in new markets faster than expected, and make money.

Major Findings

SAPs earn revenue through the apps they publish

Virtually all (99%) SAP leaders report that their apps are valuable to their business. 96% earn revenue directly from apps ("direct revenue") in the form of selling access to the apps ("paid apps"), in-app purchases, and selling advertisements within their apps. Based on this direct revenue, 92% of SAPs pay fees to app stores. Additionally, apps drive "indirect revenue" to SAPs by directing customers elsewhere to purchase (e.g., an online store).

### Figure 1. Different Kinds of SAP Revenue Driven by Apps
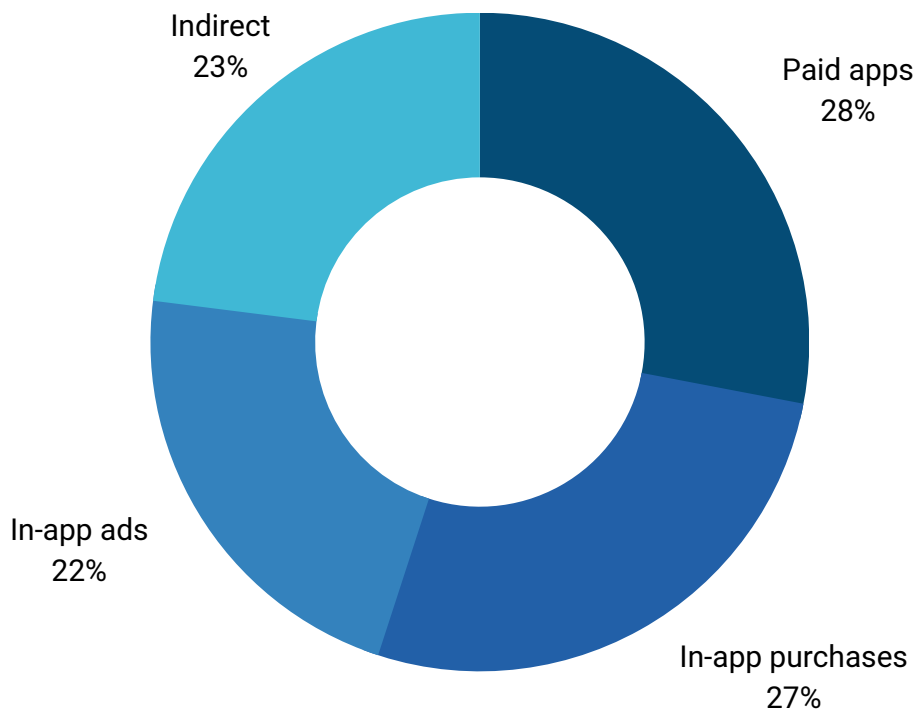
Paid app purchases generate 28% of SAP app-driven revenue; in-app purchases generate 27%, and ads generate 22%. The remaining 23% of SAP's app-driven revenue is indirect (Table 1). Virtually all SAPs (95%) also derive revenue from other sources besides apps, which may include, for example, selling physical goods or online consulting services. Finally, 90% of SAP leaders report that their apps provide non-revenue value through operational cost savings, simplified and less expensive low-touch customer support, etc.

App stores support SAPs as they evolve and grow

While revenue is certainly important for SAPs, the value of apps goes beyond that. In a broader sense, 99% of SAP leaders say apps and app stores have helped their businesses grow over the last two years, and 99% say that they will continue to be important for their business success in the next year. SAP leaders estimate that, on average, apps and app stores are responsible for 47% of total business growth over the last two years.

95% of SAP leaders say apps and app stores efficiently scale relevance and connections to users and customers, and 82% say that apps and stores drive their 2023 revenue even higher than in 2022. As they scale their businesses, 96% know they can publish their apps in multiple app stores if they choose to (and 89% already publish in two or more stores).

Figure 2. Planned SAP Investment in Their Apps (Next 12 Months)
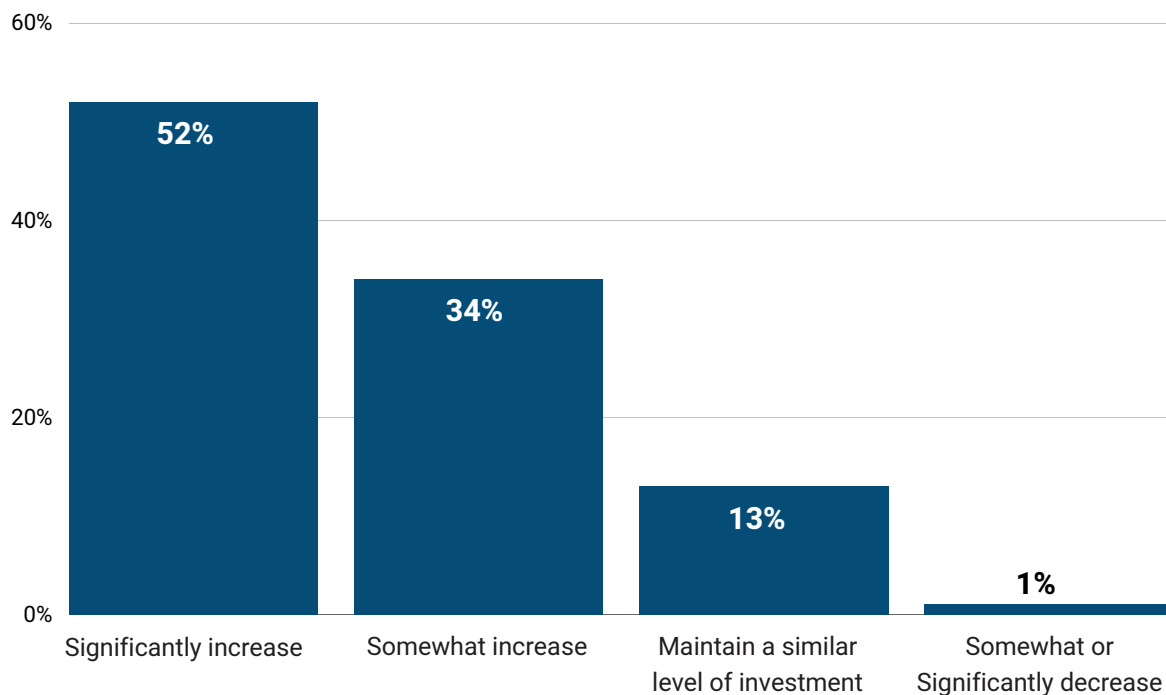
Importantly, 93% of SAP leaders report that their smaller businesses can compete better with larger ones because of apps and app stores, ultimately creating more consumer choices. Because of this, 86% of SAP leaders plan to increase their investment in business apps in the next year, which includes new apps, new feature launches, development, maintenance, etc., with a majority reporting they plan to increase that investment significantly (Table 2).

App stores help SAPs succeed and contribute to the economy

94% of SAPs report that they can build, innovate, and achieve new things because of apps and app stores. And virtually all SAP leaders believe that apps and stores help their businesses contribute to the economy: 96% of SAP leaders think apps and app stores help businesses like theirs contribute to their local economies, and 98% to the overall U.S. economy. Meanwhile, almost all SAP leaders - 93% - say apps and app stores are a net positive for the U.S. economy.

App stores provide a safe and secure way for SAPs to interact with their users and customers

SAP leaders give the underlying features of app stores high marks. Generally, 94% say app stores support the needs of software developers and other professionals that utilize apps. On specific features, 94% of SAP leaders say their users' data is safe and protected because of the features and tools of app stores, 93% believe app stores proactively remove abusive or malicious content, and 91% trust app stores to protect their intellectual property rights.

App stores return more value than SAPs invest in them

We asked SAP leaders if they agreed or disagreed with statements about specific app stores where their businesses publish apps. The two most popular app stores for SAPs are Google (73% of SAPs publish at least one app there) and Apple (65%) (Table 1). We also asked about Microsoft's (41%) and Samsung's (40%) app stores (Table 2).

For both the Google and Apple stores, virtually all SAPs agree that the app stores help expand their reach to new customers and markets and drive revenue. Importantly, they also agree that app stores are integral to their business, provide business value beyond their investment, and recommend these app stores to fellow business leaders like themselves.

Table 1. SAP Leader Agreement With Statements About Google's and Apple's App Stores

	Google Play Store	Apple App Store
Helps to grow my business by reaching customers/users/players in new markets faster than my business originally thought possible	97%	95%
Helps my business' ideal potential customers/users/players discover my app and/or my business for the first time	95%	93%
Helps my business make money, whether directly and/or indirectly	94%	95%
Provides value equal to or greater than the investment my business makes in it	93%	93%
Is an integral part of my overall business	93%	94%
Is a digital platform I would recommend to a fellow business leader	94%	94%

Table 2. SAP Leader Agreement With Statements About Samsung's and Microsoft's App Stores

	Samsung Galaxy Store	Microsoft App Store
Helps to grow my business by reaching customers/users/players in new markets faster than my business originally thought possible	92%	97%
Helps my business' ideal potential customers/users/players discover my app and/or my business for the first time	93%	96%
Helps my business make money, whether directly and/or indirectly	93%	96%
Provides value equal to or greater than the investment my business makes in it	90%	96%
Is an integral part of my overall business	91%	91%
Is a digital platform I would recommend to a fellow business leader	90%	94%

Conclusions

Apps mean revenue, scale, and success for small publishers

SAP leaders reported apps and app stores deliver many different kinds of value. While they are typically not the only revenue driver, apps and app stores are integral to SAP business models, helping them earn money directly through apps and grow their overall businesses. Most SAPs publish apps in more than one app store to reach different users or customers across different devices. Most SAP leaders say that apps allow their businesses to build and achieve new things and help level the playing field as they compete with larger businesses. They also believe apps and app stores help SAPs contribute to their local and national economies.

The digital economy is full of opportunities to connect with customers in diverse markets and sell online and offline products and services. Millions of apps, plus app stores that host them in consumer marketplaces, are an important contribution to a contemporary economy that includes digital advertising, online stores and marketplaces, and other platforms where commerce is conducted. In sum, apps and app stores play a major role in helping small businesses do more and succeed in challenging and ever-evolving markets close to home and even reach those far away from them.

Survey Details and Methods

We conducted a nationwide online survey of senior leaders of 1,000 small- and medium-sized businesses (SMBs) (0-500 FTEs) that, at a minimum, published at least one app. We term these "Small App Publishers" (SAPs). The survey took place from May 22 to June 4, 2023. Topline results can be found here.

The sample contained diversity with regard to SAP leader gender, age, race, industry, and SAP size (number of employees and gross revenue) and age (years in business). We note that some SAPs consider apps their entire business, while others are more "traditional" SMBs that utilize apps for some aspect(s) of their overall business.

Nearly all SAPs develop apps for mobile devices: 51% for mobile devices only and 44% for mobile and other devices (e.g., TVs). Only 5% exclusively develop apps for non-mobile devices.

Key Datapoints

- 99% of SAP leaders report apps are valuable to the overall business

- 96% of SAPs earn revenue directly from apps by selling access to the apps themselves ("paid apps"), in-app purchases, and running ads within their apps.

- 99% of SAP leaders say apps and app stores have helped their businesses grow over the last two years

- SAP leaders estimate that apps and app stores are responsible for an average of 47% of their total business growth over the last two years.

- 82% of SAP leaders say that apps and app stores are driving their 2023 revenue higher than in 2022.

- 95% of SAP leaders say apps and app stores efficiently scale relevance and connections to users and customers.

- 93% of SAP leaders report that their businesses can compete better with larger ones because of apps and app stores.

- 86% of SAP leaders plan to increase their investment in their business apps in the next 12 months.

- 94% of SAPs report that they can build, innovate, and achieve new things because of apps and app stores.

- 96% of SAP leaders think apps and app stores help businesses like theirs contribute to their local economies.

- 93% of SAP leaders believe apps and app stores are a net positive for the U.S. economy.

- 93% of SAP leaders whose businesses publish on both the Google Play and Apple App Store say that they provide value equal to or greater than the investment their business makes in it.

- 93% of SAP leaders whose businesses publish on both the Google Play and Apple App Store say they are digital platforms they would recommend to a fellow business leader.

Terminology

App: A computer program or software application designed to run on a device such as a phone, tablet, smart TV, or watch.

App store or "store": A mobile or mobile device platform or marketplace where users can discover and download apps. Google, Apple, Samsung, Microsoft, and other major tech companies operate prominent app stores.

SMB or "small business": A small or medium-sized business (SMB) has 0-500 FTE, as the U.S. government defines. In other parts of the world, it can vary.

Small App Publisher or SAP: An SMB that publishes and/or owns one or more apps available in commercial app stores.

Gross revenue: The total revenue a SAP generates, typically in a year, before taxes, payroll, and other costs.

Direct revenue: Revenue derived directly from an app: paid apps, in-app purchases, and in-app advertising.

Indirect revenue: Revenue generated from apps, but indirectly by pointing customers to another platform, such as an online store or third-party marketplace.

Business size: SAP/SMB size is typically expressed as the number of FTEs or gross revenue.

Business age: The number of years since a SAP/SMB was started.