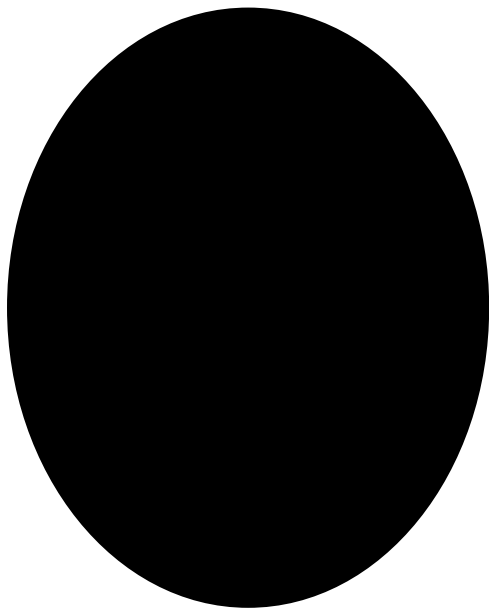


MOBILE ECOSYSTEMS: THE VALUE IS IN THE APPS, BUT WHAT ABOUT THE MONEY?

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The rise of smartphones and tablets together with the entry of application markets have managed to popularize the use of applications among users and companies. Apple's App Store claims to have exceeded 50,000 app downloads since its creation while Google Play, although slightly behind, follows closely. Both stores have over a million apps available. However, **according to [Vision Mobile](#) 67% of app developers are below the poverty line, that is, they make less than \$500 per application per month.**

The user app market is really a world of many losers and a few big winners. Most users use a few apps on a daily basis and are exclusively These are the ones that manage to obtain really attractive income models. (Of course, enterprise apps have different goals than reaching millions of users and are based on different business models.)

But while app developers compete fiercely to build profitable businesses, large hardware manufacturers fatten their accounts by selling "terminals." Much of the value that these terminals have comes from the apps, but very few apps can build interesting business models. There are hundreds of apps for everything and the competition is really monstrous. In a market in which you compete globally against thousands of adversaries, it is difficult to stand out or even reach the end user. As in many other scenarios, the marketplace -the platform- is really the one that earns the highest returns (Samsung, Apple, Google), enriches its ecosystem and builds higher entry barriers for new competitors. All in exchange for doing just the opposite for app developers. Without a doubt, **it is the low barriers to entry in app development that make this sector so competitive.**

Smart companies, and with sufficient resources, such as Apple, Nike, Google and many others are betting on a **hybrid hardware+software strategy**, in which they offer apps that complement with "gadgets" (hardware) and APIs for third parties. Developers with fewer resources must be content to develop apps on top of their APIs while hardware manufacturers grow their ecosystems and the value of their products. It's a magnificent play. Few people are capable of paying even a couple of euros for the new Nike app, but many pay more than forty for their new smart bracelet. Examples of this strategy are Google Glasses, smart sports bracelets, smartwatches, etc.

However, will this growing competition inhibit the growth of the app industry? In a world that moves so fast, will expensive app development processes still pay off for a long time?

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