



J'son & Partners Consulting presents a summary of the research of the market of mobile apps development.

Mobile apps markets shows one of highest growth rates of among all the intellectual products markets.

An overview of the market and its structure

The market is very attractive for investors. In the face of global mobilization and active growth of the mobile apps market the issue of their development becomes even more important. This direction is potentially productive on both global and Russian markets.

J'son & Partners Consulting experts conducted detailed analysis of the mobile apps development market infrastructure, which includes in addition to key market players, such as mobile apps publishers, various specialized services and tools for mobile apps developers.

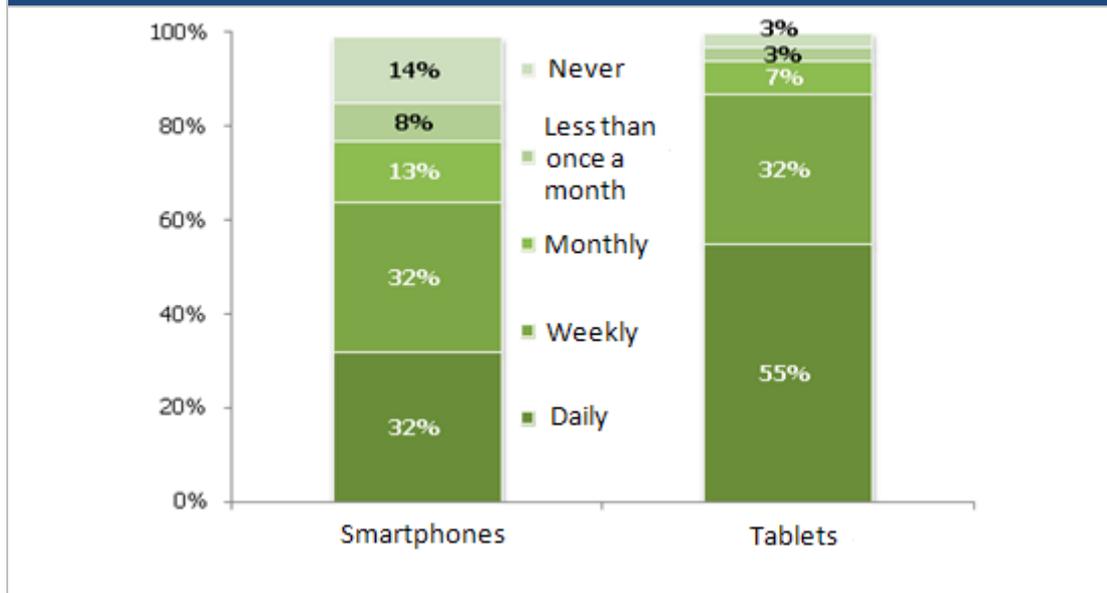
In-depth analysis of market structure and all its participants, conducted by J'son & Partners Consulting experts, allows not only to determine boundaries of mobile apps market but also its in-depth analysis of the market structure and all of its members to determine not only the boundaries of the market of mobile application development, but also its conjuncture as a whole.

The results of the survey of users of mobile devices

J'son & Partners Consulting conducted a survey of users of mobile devices, including users of tablets, which allows to determine consumption model of apps for smartphones and tablets.

In the illustration below experts showed how often users of table utilize video apps compared to smarthone users.

Fig 1. Frequency of utilization of video apps using smartphone and tablet in Russia



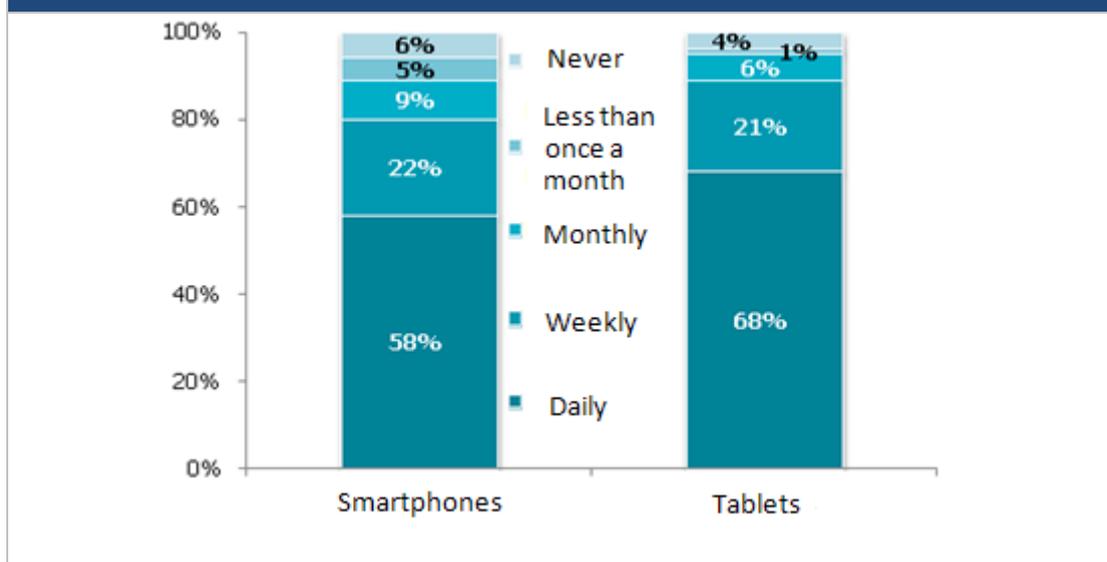
Source: J'son & Partners Consulting

55% of tablets users watch video using their devices on daily basis. It allows talking about competition not only between a tablet and a smartphone, but also with a TV.

Tablets are used more frequently for video due to the screen size which is much more comfortable for that.

According to the survey conducted by J'son & Partners Consulting it was also revealed that device users prefer to use social networks through tablets.

Fig 2. Frequency of use of social networks through smartphones and tablets in Russia



Source: J'son & Partners Consulting

According to the results of the study, share of users utilizing tablets for social networks on a daily basis, among all the mobile internet users from tablets, is 10 percentage points higher compared to the share of smartphone users.

World market. Drivers and constraints

According to J'son & Partners Consulting, the world's major trends of the mobile apps development market are the following:

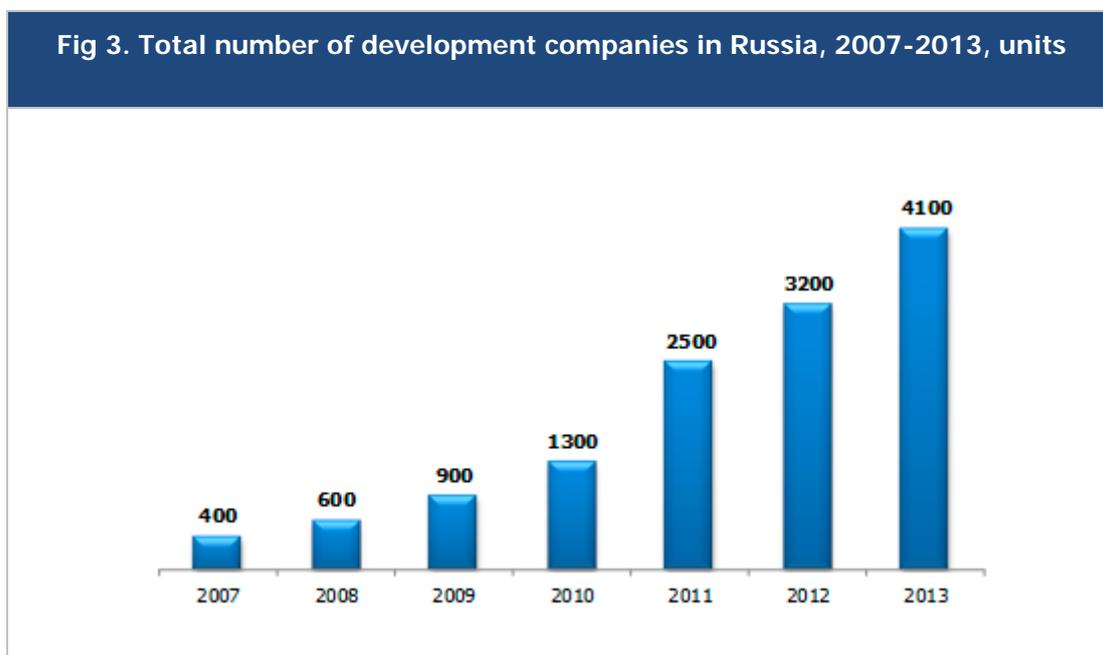
- emergence of service market for developers;
- development of business applications;
- extensive use of HTML 5.

Among main constraints of market growth experts underline the following:

- poor understanding of consumers by developers;
- increased competition in the mobile development market.

Russian market

Russian mobile development market experiences rapid growth. The most positive feature of 2013 however is rapid increase in the number of customers among domestic companies, which undoubtedly adds a positive trend to the market.



Source: J'son & Partners Consulting

According to J'son & Partners Consulting estimates, the number of development companies acting in the market actively increases starting from 2009. The number of development companies increased from 2010 to 2012 by 2.5 times.

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According to J'son & Partners Consulting, the main **drivers** of the Russian market of mobile apps development are the following:

Increase in the number of customers. Transition from **seller's** to buyer's market occurred on the mobile development market in 2013. Many customers started to pay attention to the mobile segment, as the segment of mass communication. As a consequence, the number of customers reached the level of developers' capabilities.

Growth of mobile consumption. In general there is an increase in consumption of mobile services by Russian population, increase in sale of smartphones, growing consumption of mobile data traffic, growing sales of tablets. This increase is fundamental to the growth of the mobile development market.

Growth of mobile advertisement. Mobile advertisement market is associated with mobile development market; these markets being allied are growing equally one to another. Growth in mobile advertisement budgets is consistent and determined by increase in the number of mobile apps and its competition for the user.

Fueling the market by platform owners. Google, Apple, Microsoft inspire developers working in the local markets by tenders, by creating more favorable conditions for cooperation. The purpose of the platform owners is to maximize number of apps for their platforms and to obtain more viable service for the user. Large budgets are spent on it but it will bring the results in the long-term. According to J'son & Partners Consulting experts, a new operating system launched by Samsung will aggressively attract developers.

Relatively high development budgets. Mobile development market is trend one among other development markets as budgets for the development of mobile apps remain relatively high apart from budgets for site development. Although, according to many experts, prices for apps development will fall significantly during next two years.

Among main **constraints** for the growth of the market experts identify the following:

Insufficient number of experienced specialists. As with any new development market, the company directly involved in the development of mobile apps suffer from 'lack of personnel'. There is relatively small number of specialists focused on mobile development in the labor market. But the situation will start to change in 2013: many developers are switching to mobile development from related industries – Web design, development of business systems.

High prices for application development. This point can be treated both as drivers and as a constraint to the market at the same time. Due to high budgets many customers delay development of mobile apps till price reduction, which is watertight. It shows deferred demand for mobile apps which will assist on market growth within two, three years.

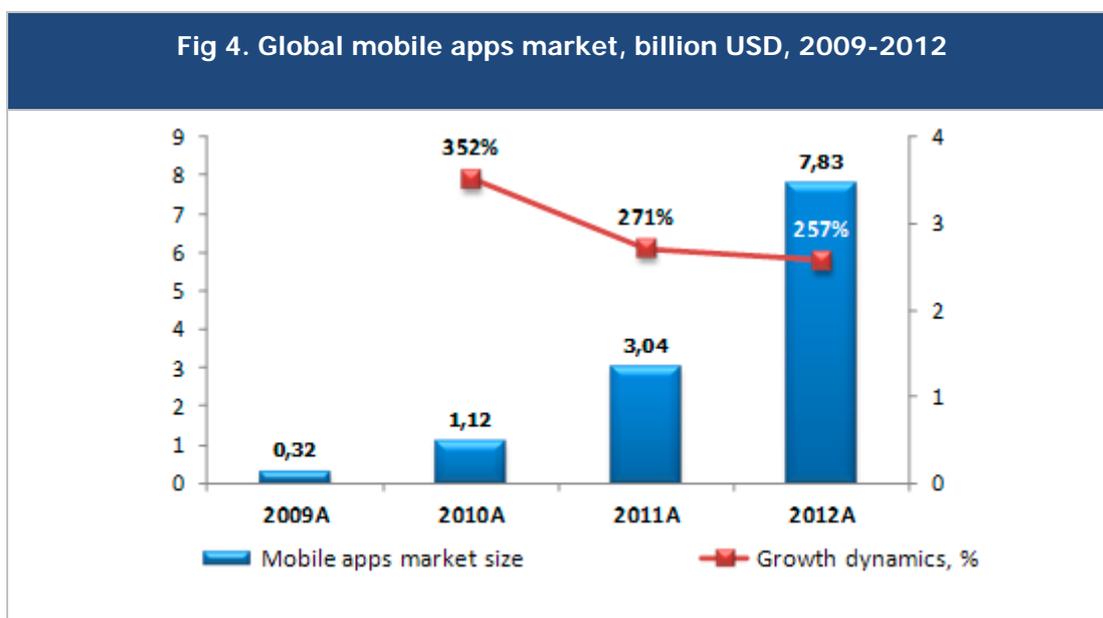
A combination of leading companies has already been formed in the mobile developers market; these companies have already accumulated necessary experience and expertise. Domestic projects aimed specifically at mobile developers are emerging. Various designers are also appearing in the market that allows creating mobile apps without having necessary programming skills. It indicates transition of mobile development market to mass segment.

J'son & Partners Consulting experts made a list of the top 20 leading companies in the field of mobile apps development in Russia. Among the top 5 are the following:

1. Unreal Mojo
2. e-Legion
3. iD EAST
4. REDMADROBOT
5. Articul Media LLC

Overview of mobile apps market

According to a retrospective analysis of the global market of mobile apps, the average annual market growth equaled 293%. In 2009 market size amounted to \$ 0.32 billion, growth rate for the subsequent year equaled 352%.



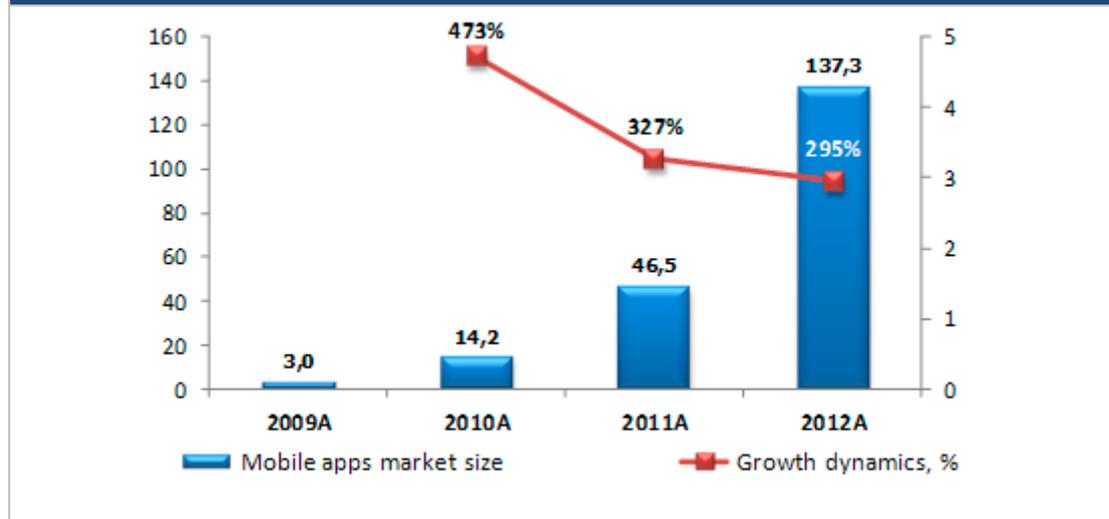
Source: J'son & Partners Consulting

In the face of slowdown of growth rates of the market, an increase in 2011 equaled to 271%.

According to the results of 2012, global mobile apps market amounted to \$ 7.83 billion. J'son & Partners Consulting experts forecast that even though there will be a slowdown in the growth rate the market will still grow rapidly. There may be possible minor changes in the structure of the market as well as redistribution of profit shares. For example, increase in the share of advertisement should be noted.

Experts consider 2009 to be the birth year of mobile apps market in Russia. It is one year later compared to other developed countries. In 2009, the market was estimated to be \$ 3 million. However in 2010 market grew by 473% compared to the previous year and was estimated to be \$ 14.2 million.

Fig 5. Russian mobile apps market, million USD, 2009-2012



Source: J'son & Partners Consulting

According to J'son & Partners Consulting experts by the end of 2012 mobile apps market amounted to \$ 137.3 million. Growth rate equaled to 295% compared to the previous period.

J'son & Partners Consulting experts forecast that Russian mobile apps market will grow slower compared to the global market. It should be noted that average growth rate of the Russian market will amount to 186% in the next two years.

As of 2013 there are certain factors that affect mobile apps market. J'son & Partners Consulting define among other global trends of mobile apps market the following:

Growing number of mobile devices. The number of smartphones and tablets continues to grow, their share in the total number of mobile devices increases. This trend indicates changing structure of mobile media consumption and, as a consequence, an increasing interest to the mobile market from the part of many companies.

Increasing influence of mobile social network. The wide spread of modern mobile devices changes communication models between people, communication via mobile devices becomes easier and cheaper.

Operating systems Android, iOS, Windows 8. Android and iOS are two operating systems that act as main platforms for modern mobile devices. According to J'son & Partners Consulting experts the emergence of a new and rather strong player in the face of Microsoft in the market of operating systems for mobile devices will change the structure of the mobile marketing market.

Increasing number of tablets. Tablets are rapidly driving out netbooks from the market, replacing them as the main functionality is of tablets is almost the same as the functionality of netbooks.

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Development of mobile payments and mobile banking. Payments through a mobile device simplifies the purchasing process, enhances security and gives a user control over the bank accounts. In general, it changes significantly payment model, and as a result, consumption of goods and services.

Changing consumption patterns. Global mobilization. Mobile devices become more convenient for everyday tasks compared to computers.

Geolocation. Due to the increasing number of smartphone users, popularity of GPS navigation linked to such mobile applications as Foursquare, Facebook Places, Twitter also increases.

Penetration of LTE and its impact on mobile marketing. Due to development of LTE networks, mobile users are able to access the Internet at higher speed compared to 3G networks. It provides additional possibilities for the use of various Internet services that were not available in 3G networks.

Among few **constraints** of the mobile apps market growth J'son & Partners Consulting experts name only two:

Lack of user awareness. Smartphone users, especially their elderly audience, do not use the majority of phone functions. It is mainly used as a regular cell phone to make calls and send SMS.

Payment complexity. Payment complexity for many users of emerging markets remains the main constraint for market growth, people still do not fully trust mobile systems and do not want to leave details of their payment instruments in the system.

According to J'son & Partners Consulting, the world's major mobile apps market trends are growing number of mobile devices, emergence of new operating systems (Android, iOS, Windows8), growing number of tablets, development of mobile payment systems and mobile banking.

J'son & Partners Consulting experts note that similar barriers existing currently in the mobile apps market, were also present in the Internet market at the dawn of its development, but after a relatively short period of time, their influence decreased. In the face of that and considering payment practice through Internet, mobile phone users will be able to overcome the above mentioned limitations faster and within 2 – 3 years they will no longer influence the market.

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List of companies, mentioned in the report:

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- Flurry
- Little Beetle
- Sony Corporation
- Any Void
- Google, Inc.
- Marmalade
- Stanfy
- Apple, Inc.
- Grapple Mobile
- Megafon
- Tiny Mobile
- AppsFlyer Ltd.
- G&G Dynamics
- Microsoft Corporation
- Touch Instinkt
- Appcelerator Titanium, Inc.
- HeroCraft
- Mobisoft
- Unity3d
- AppTeka
- Hint Solutions
- Mobile-info
- Unreal Mojo
- Articul Media LLC
- HTC Corporation
- MTS (Mobile TeleSystems)
- VimpelCom Ltd.
- BlackBerry
- iD EAST
- Novilab Mobile
- WillowTree
- Bnet, Inc.
- InMobi
- PhoneGap
- XCube Labs
- Corona Labs
- InfoShell
- Prospekt Publishing House
- Y Media Labse
- DevPocket
- ID COMPANY
- REDMADROBOT
- Yota
- Dropbox, Inc.
- IPS Pirates
- Robosoft
- Business Mobile Media
- e-Legion
- Iron Water Studio
- Samsung Group
- VKontakte
- Facebook, Inc.
- LG Group
- Smaato
- Enterra

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