

More Effort Needed to Develop Application Stores in China

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Report Summary

This report provides an overview of the application store market, its value chain, business models, and key drivers and barriers. Through analysis of the value chain, it also describes the principal types of application store and discusses important market issues.

The App Store model has generated a new industry and created a new business model that allows third-party developers to share revenue with platform providers. The success of an application store depends on many factors, including platform development and management capability, payment system and payment method, licensing, and application localization. For non-local providers operating in China, such as Apple, Nokia, and Google, licensing and application localization are the most crucial issues. As both a local provider and a mobile carrier, China Mobile has formidable competitive advantages over other providers.

Overall, the application store market is in a state of rapid development and faces many challenges, especially in China. The booming smartphone market and huge promotional efforts by mobile carriers are driving the market, but licensing, application localization, and smartphone and application fees remain barriers to be overcome.

HIGHLIGHTS

- Most smartphone and OS vendors are becoming involved in the application store market because of the huge success of the App Store.
- Most platform providers use the 30/70 revenue share model, under which the platform provider takes 30% and the developer 70%.
- Licensing, application localization, and payment systems will be the most crucial factors for platform providers in China.
- China Mobile's Mobile Market will be one of the winners in China's application store market because of its competitive payment system and strong developer ecosystem.
- The amount of subscribers and the revenue of this market is estimated at 309 million and RMB 35.67billion (US\$ 5.10 billion) respectively in 2013.

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