



The Committee on Energy and Commerce

Memorandum

September 10, 2012

To: Members of the Subcommittee on Commerce, Manufacturing, and Trade

From: Majority Committee Staff

Re: Hearing on “Where the Jobs Are: There’s An App for That”

The Subcommittee on Commerce, Manufacturing, and Trade will hold a hearing on Wednesday, September 12, 2012, at 9:45 a.m. in room 2322 of the Rayburn House Office Building entitled “Where the Jobs Are: There’s An App for That.” The fourth hearing in the Subcommittee’s jobs series, the purpose of the hearing is to understand the role of mobile and online applications, or “apps”, in creating job opportunities. Witnesses are by invitation only.

I. WITNESSES

One panel of witnesses will testify before the Subcommittee.

Peter Farago
Vice President, Marketing
Flurry, Inc.

Stephanie Hay
Co-Founder, FastCustomer
Resident Mentor, 500 Startups

Rey Ramsey
President & Chief Executive Officer
TechNet

Morgan Reed
Executive Director
Association for Competitive Technology

II. BACKGROUND

What are “Apps” and the “Apps Economy”?

Apps are software programs, small in size, that users load onto their mobile devices or use layered on top of a platform such as Facebook. Apps are purchased typically through an app

store associated with a particular platform. The main platforms in today's app economy are Apple iOS, Google Android, RIM Blackberry, Microsoft Windows, Amazon Kindle, and Facebook.

Approximately one-third of all apps are created by individuals or businesses with fewer than five employees,¹ but both blue chip companies and traditional bricks-and-mortars stores now have an app presence as well, developed either in house or outsourced to a contractor. App developers range in size from one-person shops to large developers such as Zynga, with nearly 3,000 employees.²

The revenues generated by apps include the purchase of the app, in-app purchases (such as game credits), in-app advertising, and app-enabled commerce (i.e., the purchase of goods and services through an app). The term "apps economy" encompasses all such commercial activity.

The Growth of Mobile Apps

Apple first launched the iPhone in 2007 and followed with the launch of its App Store in 2008, which opened with 500 available apps.³ In April 2012, Apple confirmed that its store offered over 600,000 apps.⁴ According to its website, Google's Play store offers a similar number of apps.⁵ Across the six major platforms, the total number of apps offered is 1.3 million.⁶ Approximately 90 million U.S. consumers spend approximately 60 minutes per day accessing the Internet on their smartphones while another 24 million U.S. consumers spend 75 minutes a day accessing the Internet on their tablets,⁷ much of this access gained through the use of mobile apps.

From the middle of 2008 to 2010, mobile app growth exploded with 8.2 billion downloads and \$5.2 billion in revenue in 2010.⁸ U.S. consumers downloaded 25 billion apps creating \$20 billion in revenue in 2011.⁹ On December 24 and December 25, 2011, consumers downloaded a staggering 392 million apps overall.¹⁰ As smartphone and tablet ownership continue to rapidly expand, current projections indicate the app economy will grow to between

¹ Kathleen Chaykowski, *College Kids Aim to Make 52 Apps a Year in South Carolina*, BLOOMBERG (July 9, 2012), <http://www.bloomberg.com/news/2012-07-09/college-kids-aim-to-make-52-apps-a-year-in-south-carolina.html> (last visited on July 17, 2012).

² *Investor FAQs*, ZYNGA, <http://investor.zynga.com/faq.cfm> (last visited on July 17, 2012).

³ GERT JAN SPRIENSMA, *DISTIMO, THE NEED FOR CROSS APP STORE PUBLISHING AND THE BEST STRATEGIES TO PURSUE* (2012).

⁴ Kim-Mai Cutler, *Apple's iTunes Stores Generates \$1.9B in Revenue in Q2, Has 600,000 Apps*, TechCrunch (Apr. 24, 2012), <http://techcrunch.com/2012/04/24/apples-itunes-stores-generates-1-9b-in-revenue-in-q2-has-600000-apps/> (last visited on July 17, 2012).

⁵ GOOGLE PLAY, <https://play.google.com/about/apps/> (last visited on July 17, 2012).

⁶ DISTIMO, *supra* note 3.

⁷ APPNATION & RUBINSON PARTNERS, *HOW BIG IS THE US APP-ECONOMY?-ESTIMATES AND FORECASTS 2011-2015* 4 (2011) available at http://www.appnationconference.com/appnation3/AN3_USAppEconomy_2011-2015.pdf.

⁸ *Gartner Says Worldwide Mobile Application Store Forecast to Surpass \$15 Billion in 2011*, GARTNER (Jan. 26, 2011), <http://www.gartner.com/it/page.jsp?id=1529214> (last visited on July 17, 2012).

⁹ APPNATION, *supra* note 7. The Apple App Store alone surpassed that same number in worldwide downloads in March 2012. *Apple's App Store Downloads Top 25 Billion*, Apple (March 5, 2012), <http://www.apple.com/pr/library/2012/03/05Apples-App-Store-Downloads-Top-25-Billion.html> (last visited on July 17, 2012).

¹⁰ Brian X. Chen, *Mobile Apps Downloads Set Records on Christmas*, NEW YORK TIMES BITS (Dec. 27, 2011, 4:04 pm), <http://bits.blogs.nytimes.com/2011/12/27/app-stores-christmas/> (last visited on July 17, 2012).

\$76 billion¹¹ and \$100 billion¹² in the next three years with app downloads growing to between 180 billion and 200 billion globally.¹³

In addition to the growth of the apps economy in the U.S., the outlook for apps as an export looks bright. Over a fifth of all apps downloaded in China were created by U.S. app developers.¹⁴

Where the Jobs Are

Innovation means job creation and with this explosive sector growth has come explosive job growth. According to a study commissioned by TechNet, there were over 44,000 app-related positions open in the U.S. in the last quarter of 2011, and overall, there were 45 percent more open app positions than in the previous year. Based on this number, the study found the app economy firms represented 311,000 jobs. Using a standard multiplier, this number grew to nearly a half a million jobs created by the app economy in both direct and indirect jobs since 2007.¹⁵ Significantly, the researchers found that app jobs, while most heavily concentrated in New York and Silicon Valley, are dispersed throughout the country with an estimated two thirds of app-related employment falling outside of New York and California.

III. ISSUES

- What have been the keys to the explosive growth and job creation in the mobile app economy?
- Are there Federal policies that present a roadblock to sector growth and job creation?
- Are there policies the Federal government should consider to foster further sector growth and job creation?

Please contact Brian McCullough, Gib Mullan, or Shannon (Weinberg) Taylor of the Committee staff at (202) 225-2927 with questions.

¹¹ APPNATION, *supra* note 7.

¹² Egle Mikalajunaite, *The Application Development Market Will Grow to \$US100bn in 2015*, RESEARCH2GUIDANCE (July 6, 2011) available at <http://www.research2guidance.com/the-application-development-market-wil-grow-to-us100bn-in-2015/>.

¹³ AppNation, *supra* note 7.

¹⁴ Mikalajunaite, *supra* note 12.

¹⁵ MICHAEL MANDEL, TECHNET, WHERE THE JOBS ARE: THE APP ECONOMY 6-7 (Feb. 7, 2012) available at <http://technet.org/wp-content/uploads/2012/02/TechNet-App-Economy-Jobs-Study.pdf>.