

# China Surges Ahead of the United States in iOS App Store Downloads

*App Annie*

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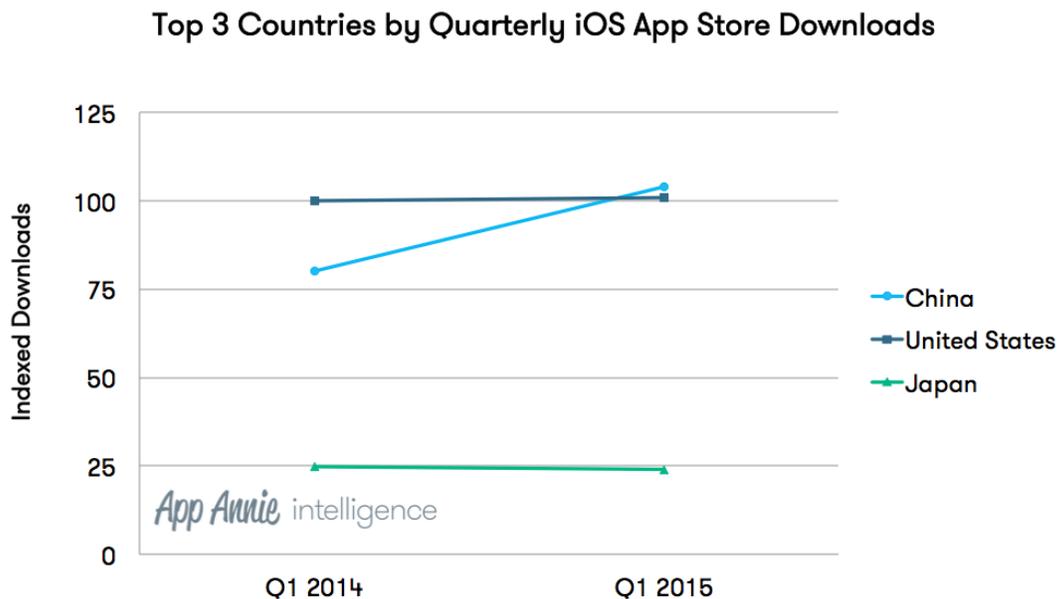
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# 1. China Snags the Top Spot

## China's iOS Quarterly Downloads Grew 30% Between Q1 2014 and Q1 2015

Apple has been clear about China's importance in its overall strategy. At various events, including its Q1 2015 [earnings call](#) and [March 2015 "Spring Forward" event](#), the company has specifically noted China's importance.

In terms of app downloads, China had been the iOS App Store's second largest market behind the United States since Q1 2011. Four years later, China's quarterly iOS downloads grew by approximately 30% year-over-year in Q1 2015, while remaining relatively flat in the United States. This allowed China to overtake the United States as the largest country in terms of quarterly iOS downloads.



## 2. China Overtakes the United States in Downloads With Faster Growth in iOS Installed Base

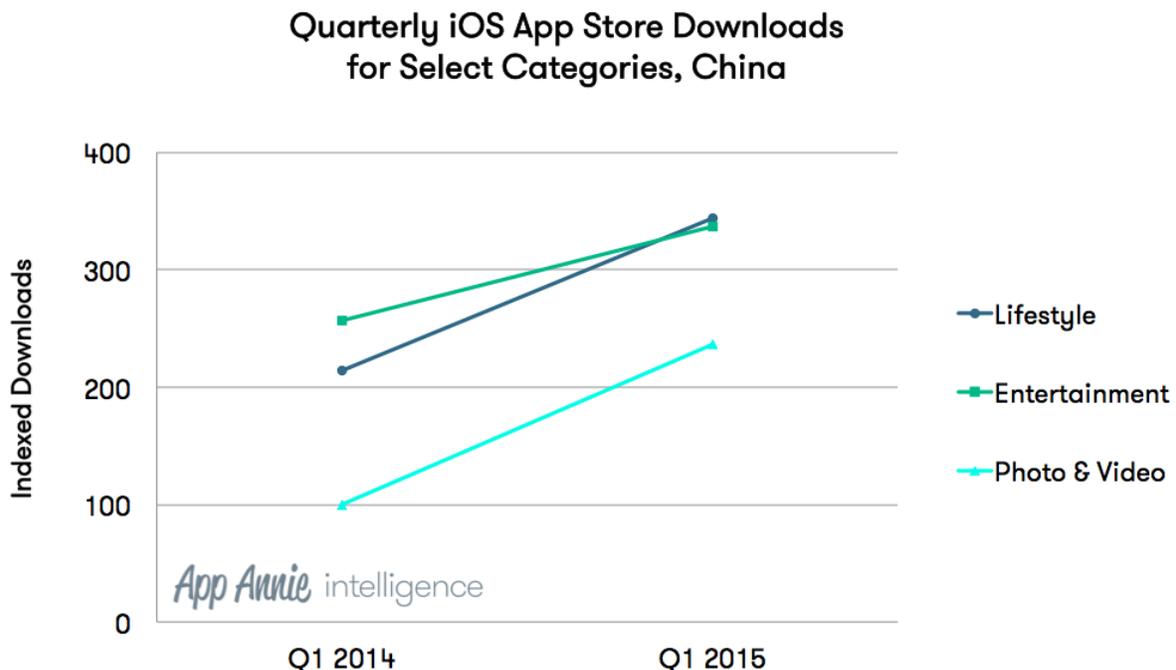
China's move past the United States for iOS downloads in Q1 2015 was possible thanks to large growth in the adoption of iOS devices, rather than an increase in downloads per device. According to IDC, the installed base for iPhone and iPad combined grew 40% in China during 2014, compared to 13% growth in the United States.

As we discussed in our [Q1 2015 Market Index](#), the launch of the iPhone 6 and iPhone 6 Plus may have played an important role in the rise of iOS App Store downloads in China. These devices are significantly larger than previous versions and deliver increased screen size and battery life. This is particularly important in China, a [mobile-first country](#) where smartphone adoption exceeds PC adoption and many consumers carry out more tasks on mobile devices rather than desktop devices. This leads to higher demand for large-screen smartphones with longer battery life, even if portability is sacrificed.

Expanded distribution also played a role in the success of the iPhone 6 and iPhone 6 Plus. Apple has invested heavily in growing its retail presence and, as of April 2015, mainland China has [19 Apple Stores](#) across 10 cities, up from [just 8](#) in only Beijing and Shanghai in October 2013. During its Q1 2015 earnings call, Apple said it is on track to reach 40 stores in Greater China by mid-2016. Moreover, the iPhone 6 launch was the [first time](#) that Apple released a new iPhone on all three of China's major mobile carriers at the same time, increasing its distribution network by thousands of stores.

### 3. Entertainment, Photo & Video and Lifestyle Apps Rode the Wave

In China, Games continues to be the largest category on the iOS App Store by both downloads and revenue by a large margin. However, three other categories experienced even higher year-over-year absolute download gains in Q1 2015: Entertainment, Photo & Video and Lifestyle. This aligns with three of the most popular activities for Chinese consumers on their smartphones: enjoying entertaining apps, capturing memorable life moments and shopping.



## Entertainment Apps Get a Boost From Increased Content

Some of the Entertainment category's impressive growth can be attributed to the proactive content strategies of China's key video streaming providers, including internet giants like Tencent ([Tencent Video](#)), Baidu ([iQIYI](#)) and Sohu ([Sohu TV](#)), as well as online video services like Youku Tudou ([Youku](#), [Tudou](#)) and LeTV ([LeTV](#)). Over the past few years, these services [evolved](#) from YouTube-like user-generated content video platforms to Netflix-like providers of professional shows. They have successfully attracted audiences from traditional broadcasting TVs by offering the content on omni-platforms including desktop, mobile, set-top boxes and digital TV. They have also enticed users to their platforms by securing rights to a broad range of foreign and domestic premium content including drama series like *House of Cards* and *The Wife's Lies*, hit TV shows like *Voice of China* and *Happy Camp*, recent movies like *Interstellar* and *Gone With the Bullets* and live broadcasting of premium sports like the English Premier League and the NBA, as well as making their own exclusive content. Mobile video streaming delivers significant value to consumers by enabling them to consume content anytime and anywhere on devices that are more affordable than TVs and PCs. Recognizing this huge opportunity, traditional TV networks in China like Hunan Broadcasting System have also joined the competition for mobile audiences by launching their own apps like [ImgoTV](#).

## iOS 8's 'App Extensions' Help Photo & Video Apps Go

### Viral

Photo & Video's explosive growth in Q1 2015 was helped by Apple's own [iMovie](#), which it has offered for free since September 2014. The category also received a boost from newly released camera and photo editing apps like [FotoPlace](#) and [Pitu](#). The upward trajectories of these new apps have outpaced previous leaders in this category. This is partially due to iOS 8's new [App Extensions](#) feature which allows one-tap photo and video sharing from camera and photo editing apps to any social platform. In previous iOS versions, consumers could only do one-click sharing with a few social networks selected by Apple. The launch of iOS 8 in September 2014 extended this functionality to [WeChat](#), China's largest social network, and the seamless sharing experience helped new camera and photo editing apps go viral.

## M-Commerce Hits New Heights

In the Lifestyle category, m-commerce apps — which include apps for online shopping, shopping guides, service ordering, daily deals, local business reviews and classifieds — experienced massive growth in 2014. Among the China iOS App Store's top 20 Lifestyle apps by downloads, 17 are m-commerce-related. From Q1 2014 to Q1 2015, total downloads of these 17 apps grew by 85%, showing that m-commerce is booming from an app perspective. According to Alipay, China's largest online payment platform and the backbone of e-commerce in China, [mobile payments accounted for 54%](#) of all of its transactions in the first 10 months of 2014, up from 22% for all of 2013. It will be interesting to see how m-commerce further develops as the potential of one billion customers is unleashed.

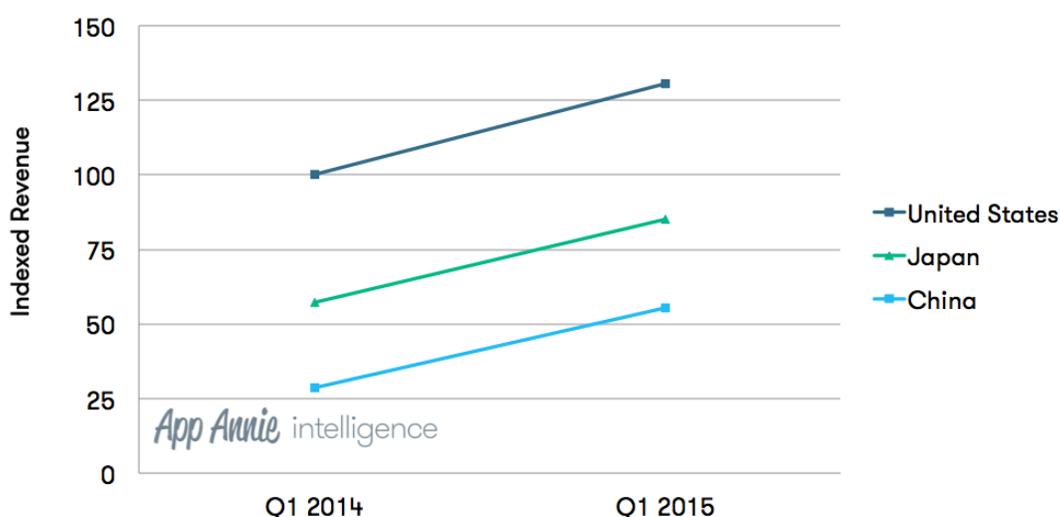
## 4. iOS' Bright Future in China

### Download Growth Paves the Way for Monetization

In mature markets, such as United States and Japan, we have seen explosive download growth lay the foundation for significant revenue growth that follows. We expect to see this repeated in China in the near future. Furthermore, the iOS App Store's potential size in China may be even higher than it initially appears since downloads per active iOS device is significantly higher in China than in the United States.

As we mentioned in our [2014 Retrospective](#), China is appealing for its monetization potential as well as its expansive smartphone user base. In Q1 2015, it was the #3 country (behind only the United States and Japan) by total quarterly revenue on the iOS App Store. From Q1 2014 to Q1 2015, revenue in China grew 90% compared to roughly 30% in the United States and approximately 50% in Japan. Although the United States leads China in terms of revenue per iOS device, China grew even more quickly to narrow that gap from Q1 2014 to Q1 2015.

Top 3 Countries by Quarterly iOS App Store Revenue



One category that demonstrates the future revenue potential for iOS in China is the Entertainment category. In Q1 2015, it experienced 385% year-over-year revenue growth. Video streaming apps aided this revenue leap to a major extent. All the video apps mentioned in the previous section were among the top 30 apps outside of games by revenue in the China iOS App Store, 3 of them among top 5. By steadily adding new premium content to their easy-to-access libraries, Chinese video streaming services have increased their perceived value and helped expand Chinese consumers' willingness to pay for content, even on a smaller screen. In addition to advertising, these services are gradually increasing their monetization via premium memberships, program subscriptions and pay-per-view models, which are partially collected through the app store channels.

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## 5. Recap

The iOS App Store has experienced phenomenal growth in China. In Q1 2015, quarterly iOS app downloads increased approximately 30% year-over-year resulting in China surpassing United States to become the largest market by iOS app downloads. Some key insights related to this impressive growth:

- IDC figures show that the installed base for iOS devices in China experienced higher growth than that in the United States over the span of 2014. This was the key driver that helped China surpass the United States by iOS App Store downloads.
- The launch of the iPhone 6 and iPhone 6 Plus may have played an important role as well. In addition to addressing China's particularly high demand for smartphones with larger screens, it also benefitted from Apple's expanded retail presence and broader carrier support.
- The Entertainment, Photo & Video and Lifestyle categories especially benefitted from the increase in iOS App Store downloads in China. Entertainment was helped by key video streaming providers' content strategies, Photo & Video was assisted by enhanced sharing capabilities from iOS 8's new App Extensions feature and Lifestyle was aided by m-commerce and related apps.

The continued growth of iOS device installed base and iOS App Store downloads in China may be laying the the foundation for significant revenue opportunities in the near future. We are excited to watch the mobile app market develop in this key market for Apple.



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