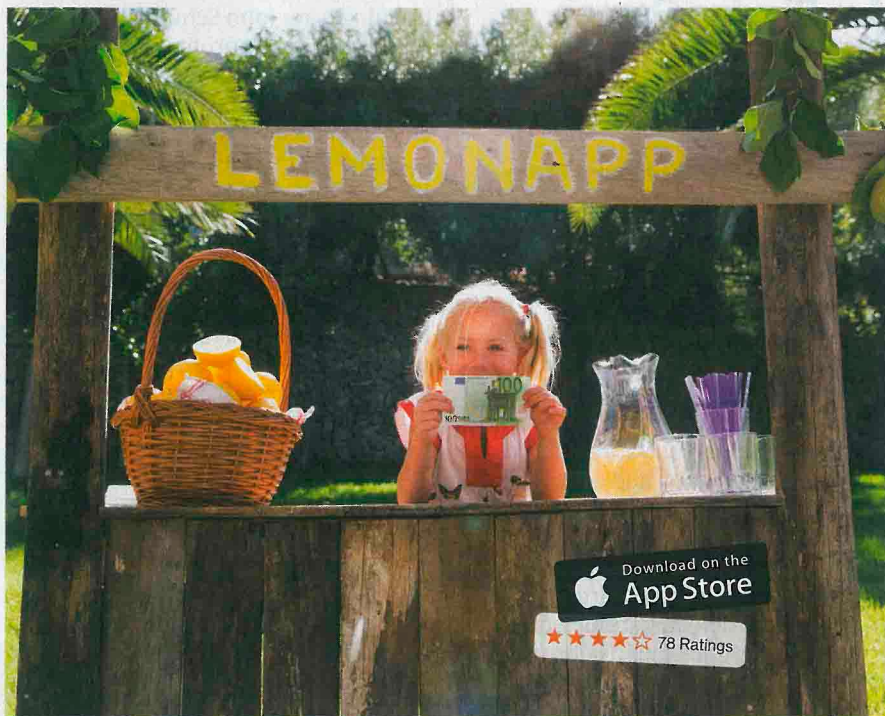


April 3 — April 9, 2017

Sweetening The Deal

▶ Apple is giving app developers faster approvals and more data

▶ “We don’t have to worry about waiting a week or two weeks”



Apple Inc.'s App Store has made a great many software developers into millionaires since its launch almost a decade ago. But working with the famously controlling company can be pretty frustrating, especially for the app makers who don't get rich. Apple has typically rejected apps with little explanation or chance for appeal. It's also been reluctant to give developers any data on how, or how often, iPhone customers are using their apps.

These days, Apple can't afford to brush off the developer community. Sales of iPhones, iPads, and Macs are

slowing, and the company is under pressure to extract more revenue from its services business, which grew 22 percent last year, to \$24 billion. “We expect the revenues to be the size of a Fortune 100 company this year,” Chief Executive Officer Tim Cook said during Apple's latest investor call, in January.

Cook also predicted that the services arm, which includes iTunes and the service warranty program AppleCare, will double in size by 2021. The business's standout performers are the App Store (yearly revenue up 40 percent, to \$8.6 billion, in 2016)

and subscription service Apple Music (\$1.6 billion in its first full year), according to estimates by Gene Munster, who runs Loup Ventures and covered Apple as an analyst for years.

So Apple is starting to make concessions to app makers, cutting them more favorable revenue-sharing deals and doling out more user data. Over the past year the company has introduced software to help analyze app use and revenue generation, sped up the approval process for new apps, halved its take from many App Store transactions, and made it easier for developers to sell subscriptions.

For years, app developers have complained that Apple's guidelines on content and design basics—whether an app contained overly sexual material or was too similar to another, for example—were discretionary enough that it could be tough to tell when you'd get rejected and why. Kushal Dave, a former senior engineer at Foursquare Labs Inc. who's working on a new startup, says unknown developers could get “totally stuck at any given time,” because so much was up to “Apple's whim.”

Decisions weren't made quickly, either. It was common for developers to have to wait a week or more for approval or rejection with the App Store, vs. a couple of days or even hours when dealing with Play, Google Inc.'s Android app store. Even approvals on app updates often took as long as a week. And Google Play was a lot more generous with its data, showing app makers detailed stats on customer subscription and cancellation behavior.

Apple engineers recognized that this setup was hurting iOS development, and in 2013 they began pushing their bosses in earnest to speed things up and turn over more usage data, says a person familiar with the company's deliberations. At the end of 2015, Cook took away control of the App Store from Eddy Cue, the senior vice president for internet software and services, and handed it to marketing chief Phil Schiller, who'd been running developer relations for years.

By May, developers had noticed Apple was approving or rejecting

◀ their apps in less than two days. “If there’s something we need to fix or we want to get out an additional update, we don’t have to worry about waiting a week or two weeks anymore,” says James Vaughan, whose **Ndemic Creations** sells a mobile game called *Plague Inc.*, in which players aim to wipe out the world’s population. “That’s been hugely positive for us.”

Since the summer, Apple has become more willing to share usage data. It now shows developers detailed time stamps and other data they can use to figure out, for example, how many paying users cancel subscriptions on their first day (meaning they likely had no intention of subscribing for the long term), as opposed to their last day (meaning the service might have done more to keep them). **JoyTunes** co-founder Yuval Kaminka, who makes piano instruction apps for kids, says Apple’s new developer analytics tools have helped his business increase sevenfold in the past year, because it’s a lot easier for him to figure out what turns free-trial users into paid subscribers. “We know what’s working much sooner,” he says. Within weeks, when the latest version of iOS comes out, developers will also finally be able to respond to customer reviews on the App Store, Apple announced in January.

The most important change may be Apple’s approach to app revenue. The company used to take 30 percent of the fees paid by any customer; in September it began halving that cut for customers who’d completed a year’s subscription. Apple also now allows developers to charge different prices in different regions and gives all apps the ability to charge subscription fees, a privilege previously reserved mostly for streaming entertainment such as Netflix or management apps like Dropbox. Itai Tsiddon, whose startup **Lightricks Ltd.** sold about 10 million copies of photo-editing apps *Facetune* and *Enlight* last year, says subscriptions could boost his \$10 million in sales 10-fold. “For us, that’s what’s exciting about this new model,” he says.

Making developers happier may not be enough to keep iPhone sales up. Global smartphone sales grew at the slowest pace on record last year, so Apple is battling harder to keep customers away from phones made

by **Samsung Electronics Co.** and **Huawei Technologies Co.** “They are doing a lot more,” says Nuno Gonçalves Pedro, partner at Delta Partners Group and Strive Capital Inc. “But Google has upped its game as well,” adding layers of more specific usage data. And Google, as Gonçalves Pedro says, has spent a lot more time figuring out what developers need, as well as what they want. —*Alex Webb*

The bottom line Apple’s strategy of doubling its take from the App Store and other services by 2021 has led it to give developers markedly better deals.