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MOBILITY

What's In Store

More companies are copying Apple, offering software programs that you can download directly to your cellphone

By [SARA SILVER](#)

The success of [Apple](#) Inc.'s App Store is prompting a host of wireless companies, including BlackBerry maker [Research In Motion](#) Ltd., [Microsoft](#) Corp. and [Palm](#) Inc., to open online stores of their own that offer new software for consumers to download directly to Web-enabled cellphones.

There's so much interest in this field, it's also attracting some less obvious players, including retailer [Best Buy](#) Co., which wants to develop a niche guiding novices through the sometimes intimidating process of buying and loading mobile software.

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Right now, most consumers who want to run software applications on their smart phones first need to download the programs to their computer, then connect their phones to the computer with a cable in order to sync the devices. But new application stores cut out the middle step -- the computer. Customers can click on an icon on their cellphone that takes them directly to the application store, or they can use their phone's browser to access a store. They can then wirelessly download the programs they want directly to their devices.

The process is easier, faster, and plays on consumers' impulsive natures.

"Smart phones are about getting things done in two-minute increments," says Jeff McDowell, vice president for strategic alliances at RIM. "Consumers want a new game for the device and want to be able to get it in 30 seconds."

Bobbing for Apps

Apple started the applications-store trend in July when it opened its App Store for iPhone customers. The site, which iPhone users can access either through [Apple.com](#) or by clicking on an icon on their phone, features more than 15,000 mobile-software programs and has reported more than 500 million downloads.

Rivals, meanwhile, will find it hard to overcome Apple's edge in this market, given its six years of experience with iTunes, which has a large base of customers used to buying music online for their iPods.

But they're doing everything they can to break Apple's grip. Palm in December launched its store. The site offers some 5,000 mobile software programs, including Facebook and the game Tetris, for a dozen of Palm's hand-held devices, such as the Treo. The store is powered by PocketGear Inc. of Durham, N.C. [Google](#) Inc. expects to begin selling within weeks applications for its Android cellphone operating system, found in T-Mobile's G1 phone. Next month, RIM plans to roll out its store with a BlackBerry StoreFront icon.

Microsoft, meanwhile, recently announced that it, too, will open an online store, to showcase its existing 20,000 business-oriented applications for the Windows Mobile operating system and introduce new consumer-oriented applications as well.

'Turning Point'

Last year was "a strategic turning point" for mobile applications, says Paul Moreton, vice president of product management at Quickoffice Inc., a Plano, Texas, provider of smart-phone applications, including programs for viewing and editing Microsoft Word, Excel and PowerPoint documents. Companies are no longer treating mobile applications as an afterthought or an add-on, says Mr. Moreton. Instead, he says, companies are competing based on "how you can customize your phone to do what you need it to do."

Apple, for its part, is focusing recent television ads for iPhones more on the applications than on the devices themselves. In one ad, consumers use the apps to read restaurant reviews, books and even MRIs.

The rise of application stores is drawing traffic away from the so-called "walled gardens" of wireless carriers -- a strategy the companies use in which they offer approved applications, such as ringtones and wallpaper, and try to control how customers use their phones. Most carriers are still working on strategies for their own applications stores, according to Gil Rosen, director of development at [Amdocs](#) Ltd., a Chesterfield, Mo., provider of billing and other back-end software to carriers.

The pressure is on, as customers have started choosing carriers based on whether they offer phones that can run certain applications. "What carriers do have, which has retained value, is the trusted billing relationship," said Paul Reddick, chief executive of Handmark Inc., which runs applications stores for carriers including Sprint-Nextel Corp. in the U.S. and [Telus](#) in Canada. "Without it, you need to ask strangers to enter their credit card information into a small device, and you lose more than 50% of potential buyers," says Mr. Reddick.

More mobile applications are being written as smart phones spread to the mass market. And as cost-conscious consumers keep their cellphones longer and spend less on the devices they do buy, companies are trying to sell more mobile applications to make up the difference in revenue.

A winnowing of the software platforms on which manufacturers build cellphones is also fueling the increase in applications. For example, last year [Motorola](#) Inc. abandoned half a dozen platforms to focus its designs on Google's Android platform and on Windows Mobile from Microsoft. Fewer platforms means bigger potential audiences, making it easier for developers to build a business around writing mobile software.

Roughly 1,200 developers have submitted potential programs for RIM's BlackBerry StoreFront. RIM, based in Waterloo, Ontario, says its store will be accessible through an on-screen icon or by typing [BlackBerryMobile.com](#) into the phone's browser. Users who prefer to download via computer can still use [BlackBerry.com](#).

Best Buy, meanwhile, is aiming for a piece of this market by offering to download and install applications for customers who come into its stores. In a pilot program being tested in three U.S. stores, Best Buy offers its customers mobile-software products from Handango Inc., based in Irving, Texas. Customers can use the free service to add personal software to work phones without billing the company for it, or to their own phones, or just to sample applications.

"Across all retail, people like to try and test things, and a little helpful hand-holding aids in the process of discovery," says Scott Moore, vice president of marketing for Best Buy Mobile.

Best Buy also puts an icon on each device that uses the service, giving customers the option of downloading applications directly in the future.

Fewer Profits

One big issue for the future of consumer-based mobile applications: While the market is growing, it's not clear how lucrative it will be for the software developers themselves. The popularity of free applications on Apple's App Store has driven down the average cost of all smart-phone programs to \$3 from \$6, says Jeff Orr, mobile-content analyst at the technology research firm ABI Research, based in Oyster Bay, N.Y.

Apple declined to comment on ABI's findings.

Some applications currently given free to iPhone users, like Shazam -- a program that identifies song titles and artists in music played within range of the device -- have turned to advertising to support themselves. Shazam will also be available through the BlackBerry StoreFront, but terms haven't been announced.

Andrew Fisher, chief executive of London-based Shazam Entertainment Ltd., says it's too soon to know whether the company can make money from ads accompanying the free service on iPhones, or whether Shazam will have to charge iPhone users for its service, as it does users of other phones.

Says Mr. Fisher: "Check a few months down the line to see if we are going to go back to charging a premium."

RIM argues that developers are more likely to make money creating programs for its 21 million BlackBerry subscribers than they are for users of Apple's iPhone.

Mr. McDowell, the RIM executive, says his company lets developers keep 80% of revenue from their products' sales. Apple's standard contract with developers, by comparison, lets them keep 70% of revenue, an Apple spokesperson confirms.

Some analysts believe that applications stores are just one more fad with a shaky business model.

"People think that Apple's Apps Store is wildly successful, but little money is being spent, and even less money is being collected [by software developers]," says Ed Snyder, telecom analyst at San Francisco-based Charter Equity Research.

Apple declined to comment.

—*Ms. Silver is a staff reporter in The Wall Street Journal's New York bureau.*