



# **ACT** | **The App Association**

## Testimony

*of*  
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Executive Director  
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*before the*  
Small Business Subcommittee on  
Health and Technology

*on*  
Modern Tools in a Modern  
World: How App Technology is  
Benefitting Small Businesses

July 23, 2015  
Room 2360 of Rayburn House  
Office Building







Chairwoman Radewagen, Ranking Member Moulton, and distinguished members of the Committee: My name is Morgan Reed and I am the executive director of ACT | The App Association. I thank you for holding this important hearing on the impact of the app industry and mobile innovation on small businesses. As a licensed iOS developer, it has been an honor to represent the interests of software companies over the past 11 years.

ACT | The App Association represents more than 5,000 app companies and technology firms that create the apps used on smartphones around the globe. As the world has quickly embraced mobile technology, our member companies have been creating innovative solutions to help improve workplace productivity, accelerate academic achievement, and live healthier lives.

My goal today is to explain the remarkable growth of the app industry and how its emergence has given small business owners new resources to help them succeed.

Specifically, the app industry has three key messages for the members of the Committee:

1. App companies are succeeding in every region of the country.
2. The growth of the app economy provides access to technology previously out-of-reach for many small business owners in rural and underserved communities.
3. Specialized apps provide new tools and resources to help small companies improve their efficiency and prospects for success.



# App Industry Emerges

Apps have revolutionized how we work, play, communicate, and manage our health.

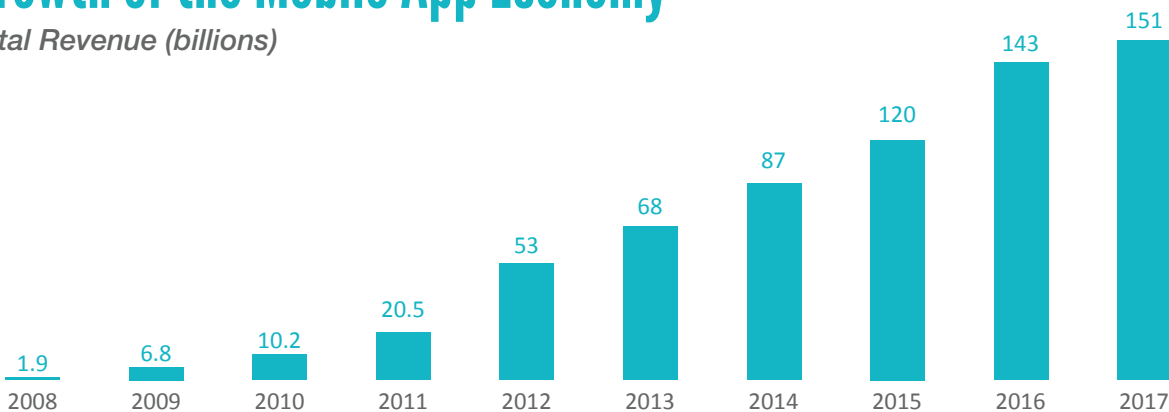
In 2008, the Apple App Store launched with only 500 apps. In just seven years, that number now exceeds 3 billion across several different platforms.<sup>1</sup> During that short period, the app economy has emerged as a \$120 billion marketplace.<sup>2</sup> This tremendous growth shows no signs of slowing.

From its beginning, startups and small companies have been the engine of innovation in the mobile marketplace. The memorable ad campaign for smartphones featured the refrain, “there’s an app for that.” The software companies that make apps are as much a reason for the success of those devices as the hardware manufacturers who make them.

Small businesses are providing most of this value. Our industry research<sup>3</sup> has consistently found that more than three-quarters of the top-grossing apps are made by small companies. Eighty percent of those companies call the U.S. home.<sup>4</sup>

## Growth of the Mobile App Economy

Total Revenue (billions)

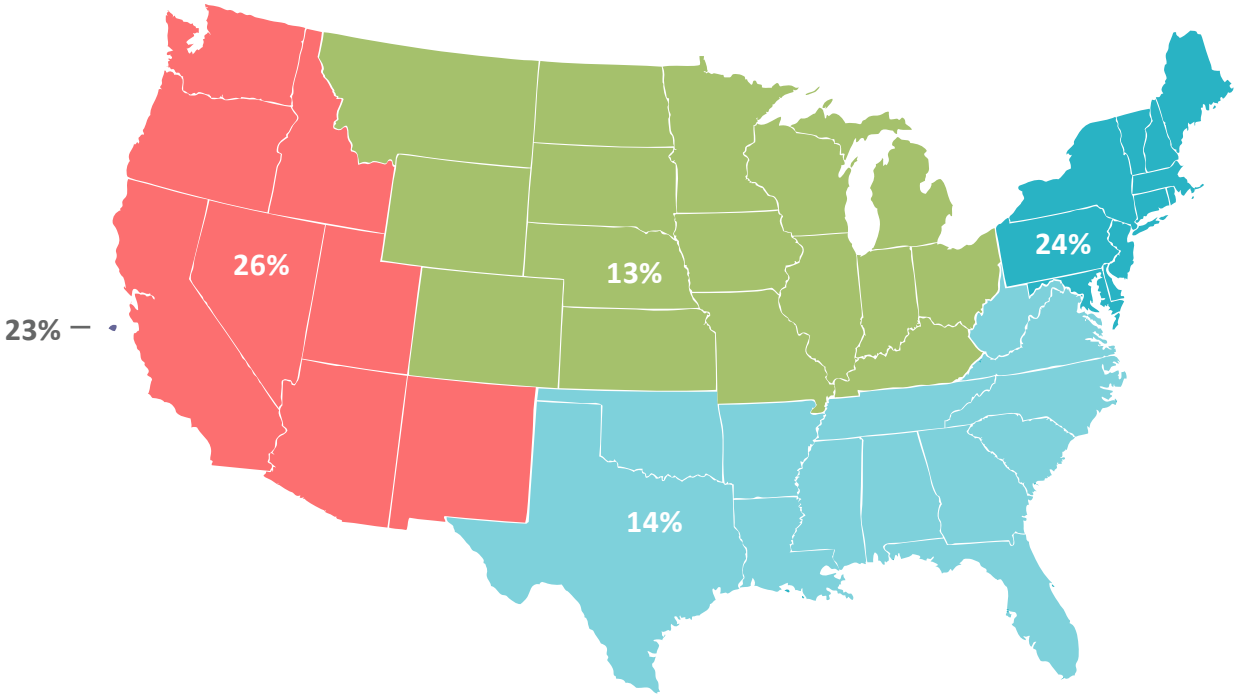


Source: research2guidance, APPNATION, VisionMobile<sup>5</sup>



The primary reason for small companies succeeding in the app marketplace is that there are few barriers to entry. The ability to write computer code is the key requirement. App platforms manage transactions, offer a storefront, and provide security.

That means app makers can succeed in any region of the country. Accordingly, needing just an internet connection, app companies can be found in every single congressional district. Moreover, 77 percent of the top-ranked apps are made outside Silicon Valley,<sup>6</sup> in places such as Kennebunkport, Maine, and Cincinnati, Ohio.





# Mobile Innovation Improves Small Business

Cloud technology that provides remote data storage is the lifeblood of the mobile economy. It allows users to access and share data from any location. It is also where apps are sold and downloaded.

The cloud also has had a dramatic impact on the workplace where it has replaced the office server. Most companies now store their data remotely in the cloud instead of maintaining an onsite server.

This allows company employees to access their work files from any location outside the office. It also provides considerable flexibility for growing companies that can scale their IT investment based on requirements that may fluctuate seasonally or periodically.

In remote areas where access to tech support and IT professionals can be spotty, having the storage provider assume maintenance responsibilities can reduce downtime and improve productivity.

This mobility is key to helping service personnel in the field. Apps give them the ability to check customer records, keep track of job progress, and make sure the right person is assigned to the next closest job, all without constantly calling back to home base.

Consumers have also embraced the cloud through smartphone and tablet apps. Market data reveals that consumers prefer making purchases through apps because of the convenience and accessibility they offer.



Over \$300 billion is spent through mobile commerce every year.<sup>7</sup> Local retailers can easily tap into this market using apps like Etsy and EBay that serve as their storefront. These can be particularly helpful to small businesses in remote areas looking to reach customers outside their region.

Apps also offer companies an alternative to existing enterprise products. Inventory management software is an expense that can be too steep for many small businesses and startups. A number of inventory apps offer a different solution for tracking merchandise with the added benefits of mobile access and a lower price point.<sup>8</sup>

For small companies looking to grow, customer relationship management (CRM) software is a critical tool for success. CRM is used by sales, marketing, and customer support teams to ensure continuity and quality of service. App versions of these tools help sales agents tailor their pitch and improve the likelihood of success.<sup>9</sup>

Small companies are also turning to apps to manage point of sale interactions. Vastly improving the ease and efficiency of transactions, mobile devices are replacing cash registers and companies are relying on apps to process payment, print or email receipts and connect to inventory management systems.

Small companies and startups are nimble enough to respond quickly to shifts in demand. The success of business app companies often results from identifying and responding first to market opportunities. Small business customers benefit greatly from this kind of innovation because an app is more likely to meet the unique requirements of niche or local marketplaces than general software targeting a broader demographic.



# Top App Resources for Small Business



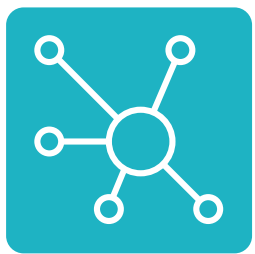
## Transactions

### Square Register

The app connects a smartphone to a card reader that can perform credit card transactions anywhere wifi or cellular service is available.

### PayPal

Provides a mobile platform for consumers and businesses to remotely conduct transactions without needing credit cards or currency.



## Productivity

### Paycor Employee Mobile

Allows employees to securely review their salary data and helps businesses comply with regulations and maintain tax records.

### OnSite Calendar Pro

Allows construction foremen to coordinate projects using multiple calendars to create events and assign tasks.

### Thumbtack

Consumers post their project needs on the app where businesses can submit bids for the contract.





## Travel

### **Tripit**

Uses travel confirmation emails to create a detailed trip itinerary helping business travelers keep organized and on time.

### **Kayak**

Users can find the best and cheapest options for booking flights, hotels, or car rentals.



## Niche

### **Woodcraft**

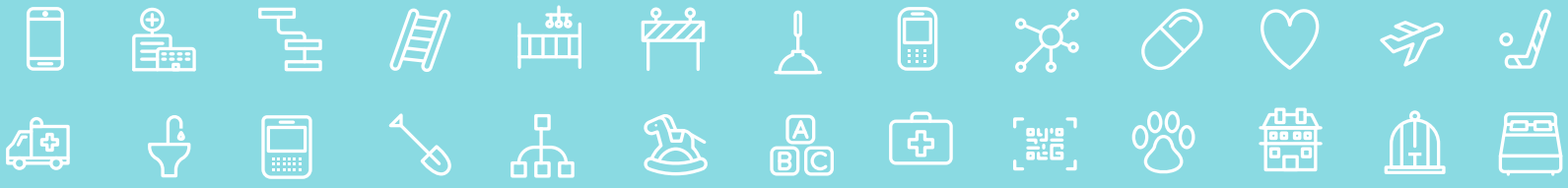
Gives carpenters Computer-Aided Design (CAD) and 3D modeling.

### **Houzz**

A visual tour of homes showcasing the work of interior decorators. Homeowners can find ideas and connect with local companies for project work.

### **iScrap App**

Provides location information of scrap yards with scrap metal visuals for part identification and pricing.



# Health

The mobile health industry has grown remarkably in recent years. Connected devices now outnumber people in the United States,<sup>10</sup> and consumers are becoming increasingly comfortable using smartphones and tablets to monitor their health.

Mobile health provides incredible opportunities to improve patient outcomes. A physical therapist can build an app to help a patient across the country rehabilitate from a specific injury. A doctor in a rural area can use mobile apps to keep in touch with patients scattered across a wide geographic region. Patients can use apps to take readings and share them electronically with their care provider.

These solutions are particularly important to small businesses. With fewer employees, small companies are more susceptible to productivity shortfalls from missed days due to illness. Studies have shown that workplace health programs can increase productivity, decrease the use of sick leave, and foster a better working environment.<sup>11</sup> Mobile health apps help facilitate that activity.

Nease is a small chemical manufacturing company with a diverse workforce based in Cincinnati, Ohio. Many of its employees live in remote areas outside the city. The company encourages its team to use apps to help manage their health and wellbeing.

Employees use an app that includes exercise tracking to promote better health and fitness. The app also helps users find care providers, work with their insurer to manage coverage, and refill prescriptions from almost any location.



For those living in underserved regions or with mobility issues, traveling to a doctor’s office can be especially difficult. This can often take several hours, or even the whole day. Using apps and wearables patients can help remedy that problem.

Harnessing the power of mobile health, patients and their care teams can monitor chronic conditions, and track symptoms and treatments in order to make better decisions about when an office visit is needed. Able to share daily readings from a glucometer or blood pressure cuff, patients can now provide a physician with far more information than a single appointment would reveal.

Apps and wearables promote employee engagement in their personal health and lead to more meaningful interaction with care providers. This helps improve the overall health of the workforce and helps those with chronic conditions better manage their care. With healthier employees, less time is lost to illness.

There’s also the medical practice itself. Many small and independent practices rely on mobile apps to improve productivity and efficiency, and access resources that may otherwise be cost prohibitive.<sup>12</sup> Medical practices use apps to manage workflow, perform complex medical calculations, and run point-of-sale services for patients. Apps also help them connect patients and manage their offices remotely.



# Conclusion

The meteoric rise of the app economy has created a new wave of entrepreneurship. Companies are being founded with new innovations at a breathtaking pace.

This is happening everywhere. Businesses producing mobile apps can succeed wherever software coders can be found. This has led to widespread geographic diversity in the app economy, generating revenues and creating jobs all across the country.

This unique diversity has resulted in a much broader range of software options for small businesses. Apps created by people in a particular region are more likely to reflect community interests and preferences.

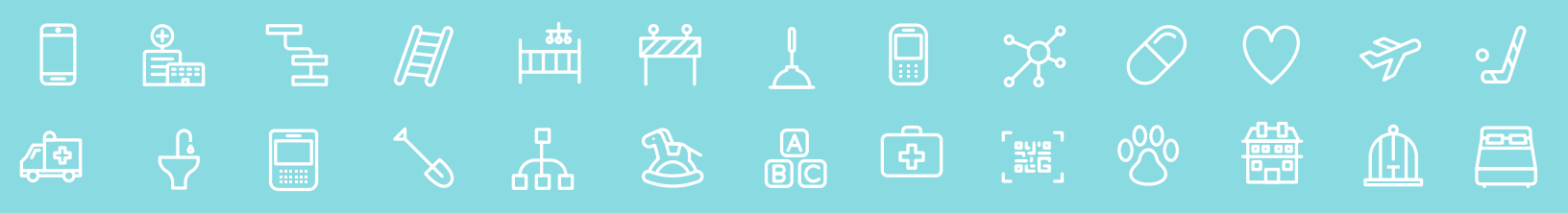
Workplace and enterprise apps are often tailored to specific industries and their unique requirements. This is especially beneficial to niche or local marketplaces that may not be served by software written for a broader demographic audience.

Significantly, the emergence of apps serving small businesses has been greatly beneficial in rural and underserved regions. Companies can install software instantaneously from a trusted App Store without worrying about travel, local store inventory, or availability of IT specialists.

The decentralized nature of the app economy makes it more responsive to consumers on a granular level. This accounts for its dramatic success to date and bodes well for the continued growth of companies that make apps and the small businesses that rely on them.



I thank you again for the opportunity to present testimony about our extraordinary marketplace and its impact helping small businesses prosper. I look forward to our continued work together and pledge our support to help advance measures that promote innovation and foster growth.



# End Notes

<sup>1</sup> “Global Mobile Application Market 2015-2019,” TechNavio Insights (March 2015). Available at: <http://www.reportlinker.com/p01816829-summary/Global-Mobile-Application-Market.html>.

<sup>2</sup> Wilcox, M. & Voksoglou, C., “Developer Economics Q1 2015: State of the Developer Nation,” VisionMobile (February 2015). Available at: <https://www.developereconomics.com/reports/developer-economics-q1-2015/#key-insights>.

<sup>3</sup> Godfrey, J. & Reed III, M., “WWDC Preview: The iOS App Economy,” ACT | The App Association (June 2015). Available at: <http://actonline.org/wp-content/uploads/WWDC-Preview-The-iOS-App-Economy.pdf>; Bernard, C. & Godfrey, J., “State of the App Economy 2014,” ACT | The App Association (October 2014). Available at: <http://actonline.org/wp-content/uploads/2014/10/State-of-App-Economy-web.pdf>; Godfrey, J. & Reed III, M., “App Store After Five Years,” ACT | The App Association (July 2013). Available at: <http://actonline.org/wp-content/uploads/2014/04/The-App-Store-After-Five-Years.pdf>; Godfrey, J., Reed III, M., & Herndon, E. W., “Apps Across America,” ACT | The App Association (July 2012). Available at: [http://actonline.org/wp-content/uploads/2014/07/Apps-Across-America\\_new.pdf](http://actonline.org/wp-content/uploads/2014/07/Apps-Across-America_new.pdf).

<sup>4</sup> Bernard, C. & Godfrey, J., “State of the App Economy 2014,” ACT | The App Association (October 2014). Available at: <http://actonline.org/wp-content/uploads/2014/10/State-of-App-Economy-web.pdf>.

<sup>5</sup> Mikalajunaite, E., “The Application Development Market Will Grow to \$US100bn in 2015,” research2guidance (July 6, 2011). Available at: <http://www.research2guidance.com/the-application-development-market-will-grow-to-us100bn-in-2015/>; “APPNATION State of the App Economy Report Forecasts App Economy to Reach \$151B by 2017,” APPNATION (July 2013) available at: <http://appnationconference.com/main/research/>; “App Economy Forecasts 2014-2017,” Vision Mobile (December 2014), available at: <http://www.visionmobile.com/product/app-economy-forecasts-2014-2017/>.



<sup>6</sup> Godfrey, J. & Reed III, M., “WWDC Preciew: The iOS App Economy,” ACT | The App Association (June 2015). Available at: <http://actonline.org/wp-content/uploads/WWDC-Preview-The-iOS-App-Economy.pdf>.

<sup>7</sup> Wilcox, M. & Voksoglou, C., “Developer Economics Q1 2015: State of the Developer Nation,” VisionMobile (February 2015). Available at: <https://www.developereconomics.com/reports/developer-economics-q1-2015/#key-insights>.

<sup>8</sup> Inventory apps include: On Shelf, Stock Control

<sup>9</sup> CRM apps include: Base CRM and Sales Tracking, Sellf, Microsoft Dynamics

<sup>10</sup> “Definitive data and analysis for the mobile industry,” GSMA Intelligence (accessed July 2015). Available at: <https://gsmaintelligence.com>.

<sup>11</sup> “Workplace Health Promotion,” Centers for Disease Control and Prevention (October 2013). Available at: <http://www.cdc.gov/workplacehealthpromotion/businesscase/benefits/productivity.html>.

<sup>12</sup> “Medical Practice Efficiencies & Cost Savings,” Office of the National Coordinator for Health Information Technology (March 2014). Available at: <http://www.healthit.gov/providers-professionals/medical-practice-efficiencies-cost-savings>.



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