

Industry Survey on Hong Kong Mobile Apps Industry 2016

ASIA SMARTPHONE APPS CONTEST 2016



WTIA
香港無線科技商會



Survey Background

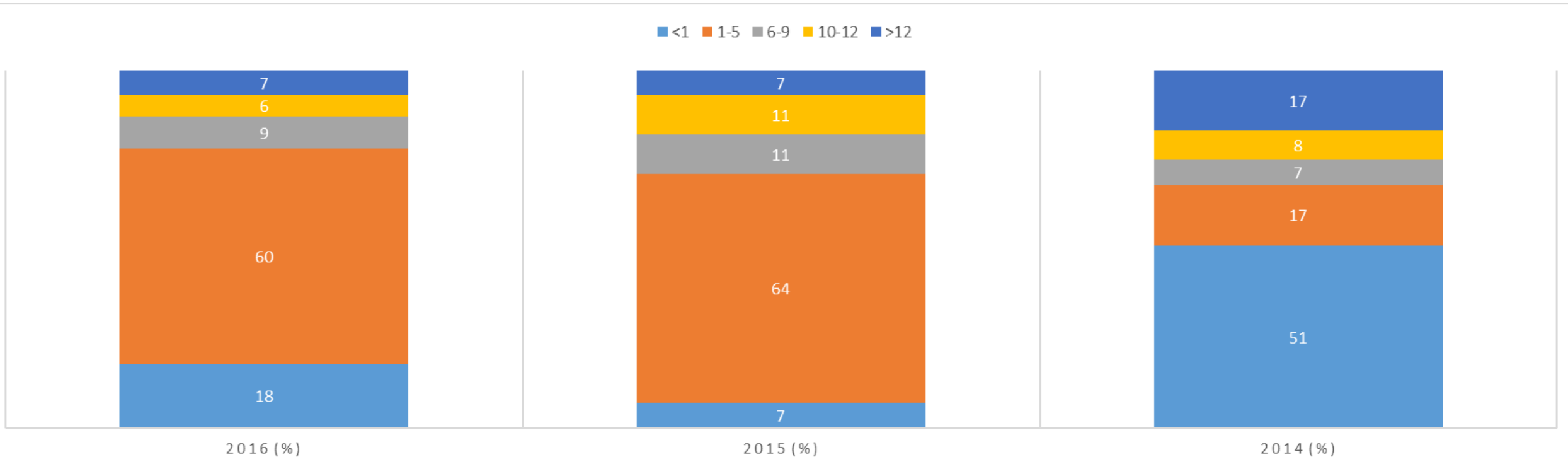
- A unique Mobile Apps Industry Survey conducted in Hong Kong for the 3rd time.
- Administered by The Academy of Hong Kong Studies, The Hong Kong Institute of Education.
- Provide up-to-date picture of the industry in 2015 and compare it with the results of previous surveys.
- Offer recommendations to the industry and policy makers.

Data

- The data was collected from 11 Apr to 13 May.
- 104 replies were received.
- Four replies were dropped as they were filled by two different respondents from the same companies.
- Replies from 100 companies are included in the following analysis.

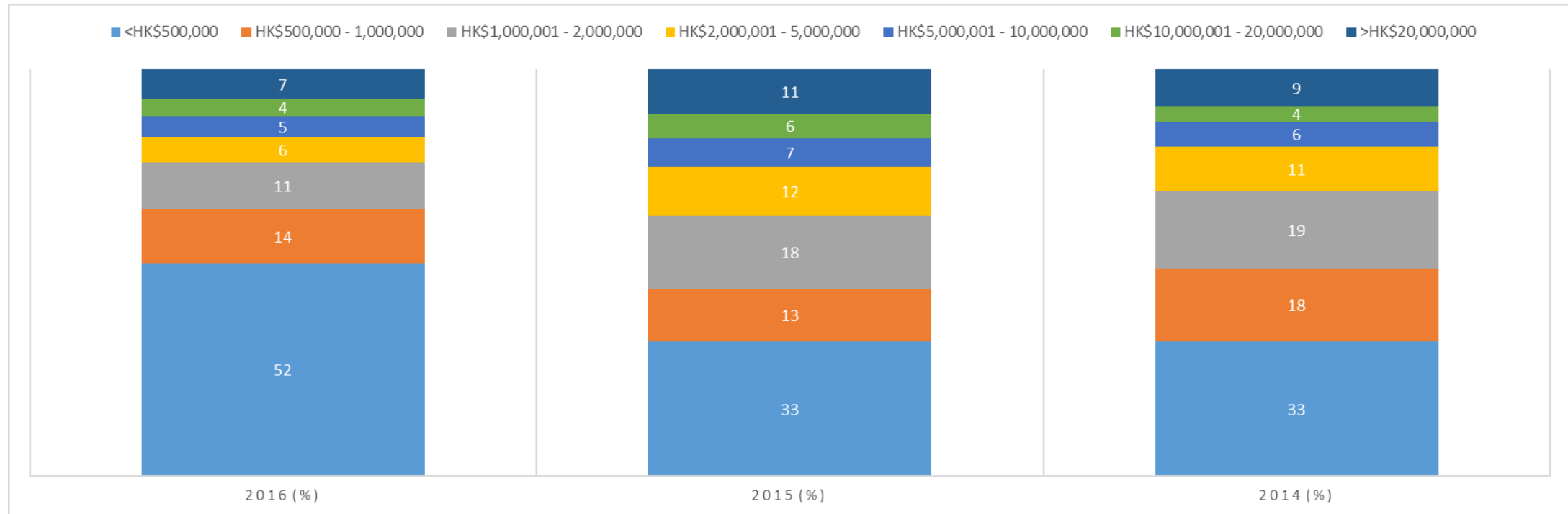
Company Overview

Years of business



Most companies are in their first to fifth years of business (60%). About 20% of the companies are in their first year of business and another 20% of them have six or more years of operation.

Yearly revenue of the companies

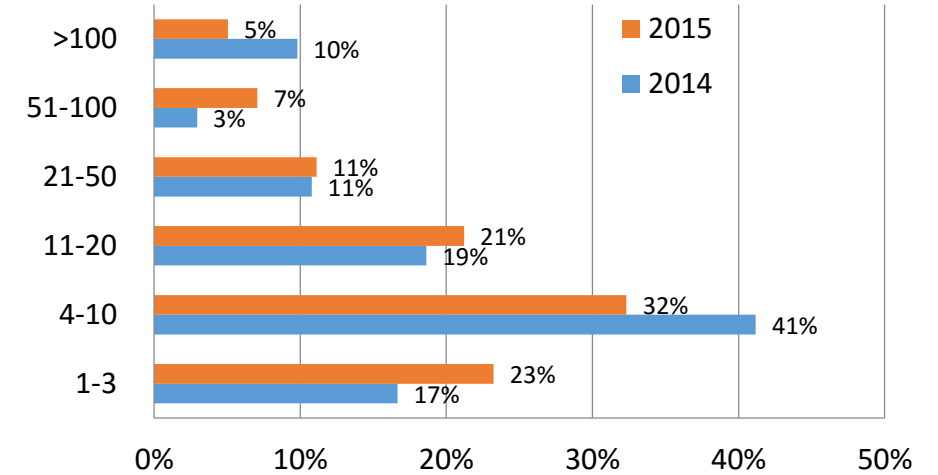
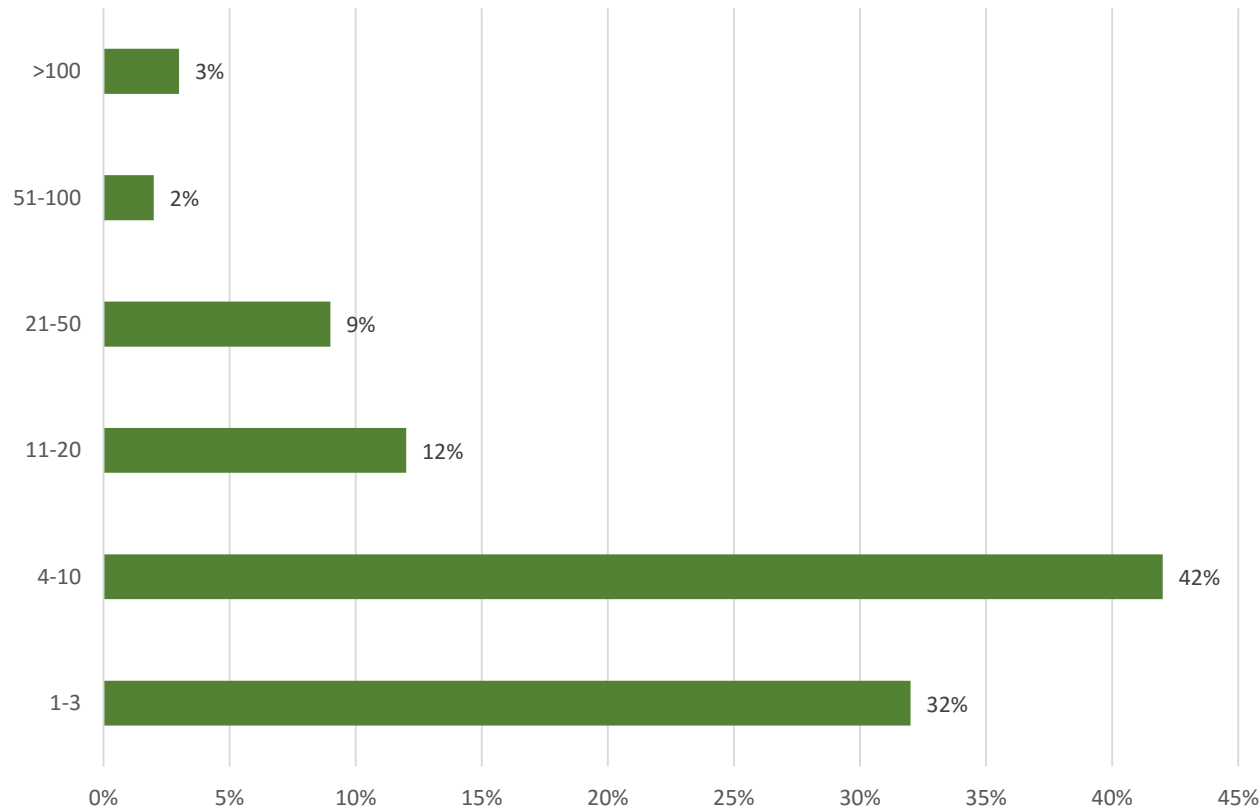


About half of the companies (52%) have an yearly revenue of less than HK\$500,000 in 2016. This proportion is the highest among the three surveys.

The yearly revenue in 2016 is in general decreasing.

Total number of staff

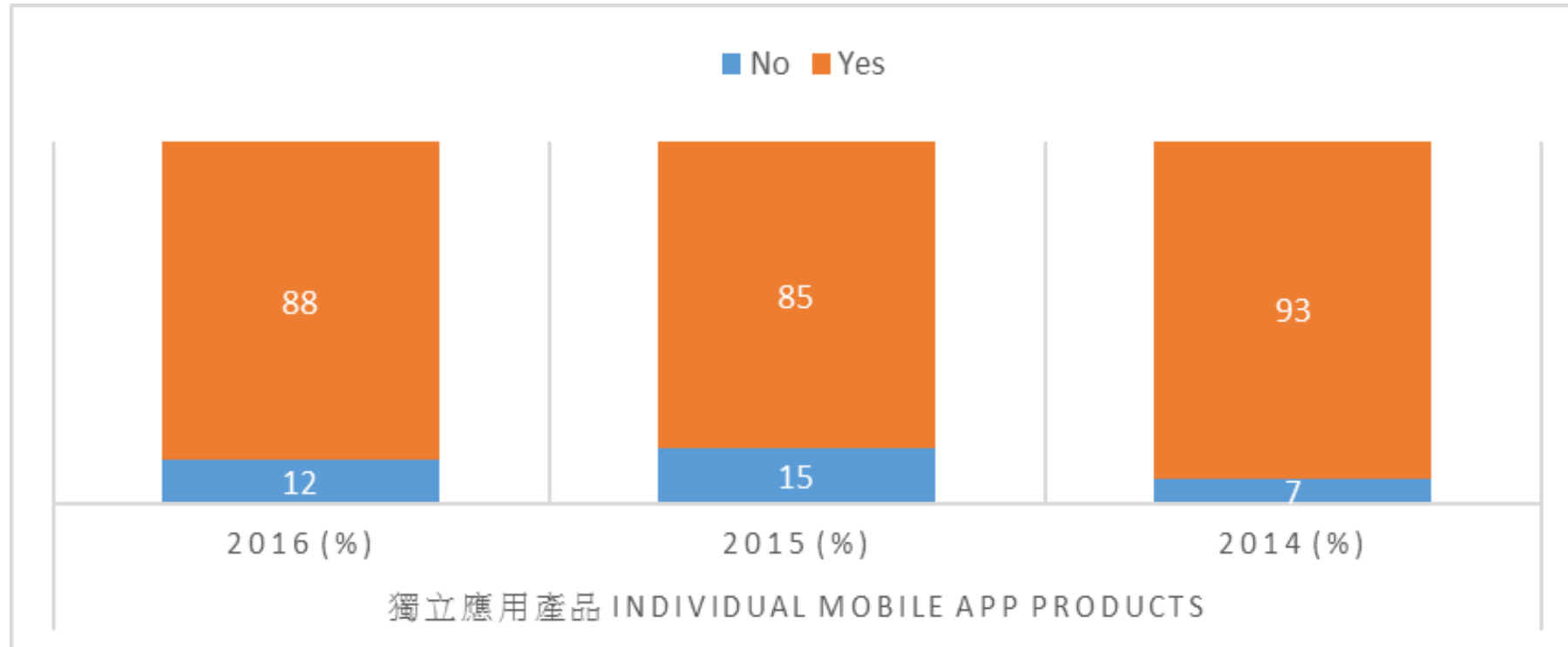
2016 (%)



More small-sized companies replied in 2016 (32% of total).

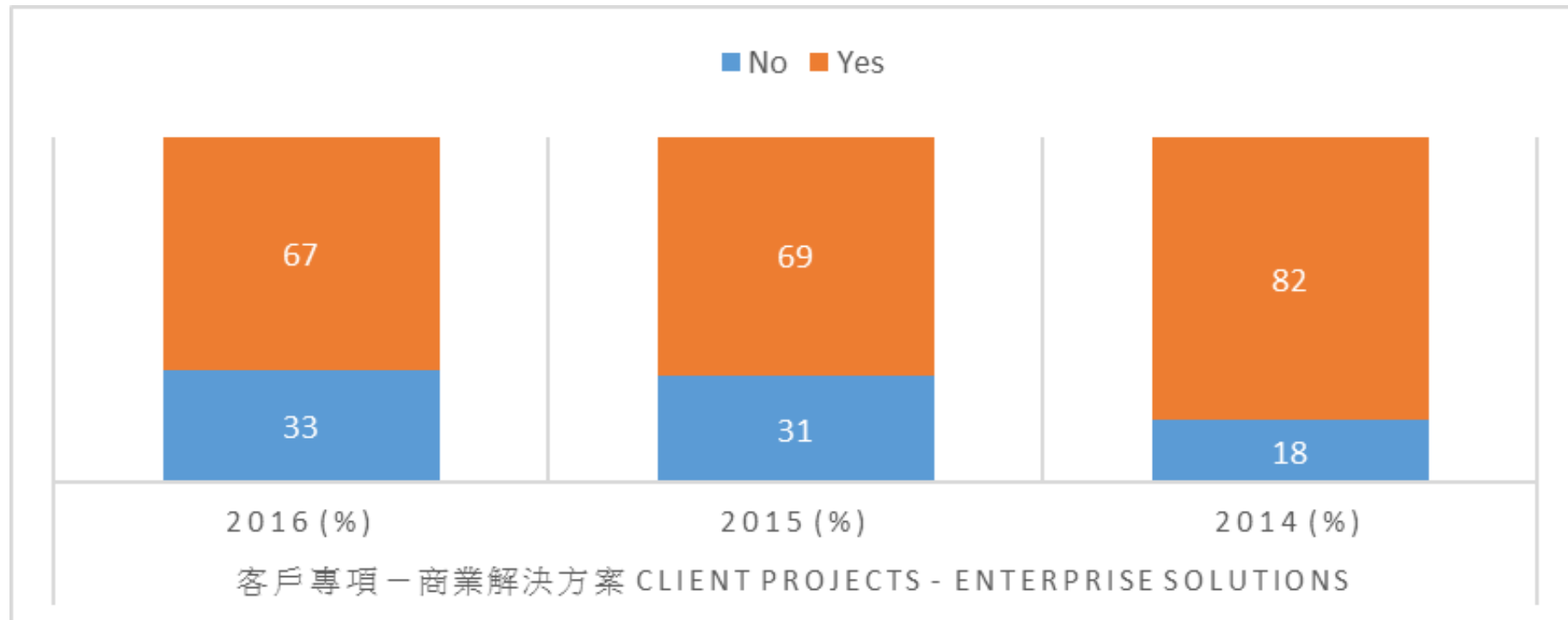
Fewer companies with staff over 50 replied in 2016 (5% of total).

Products & projects ratio: Individual mobile app products



In 2016, 88% companies engaged in individual mobile apps products. The figures vary slightly over the years but products' development have been remaining in high proportions.

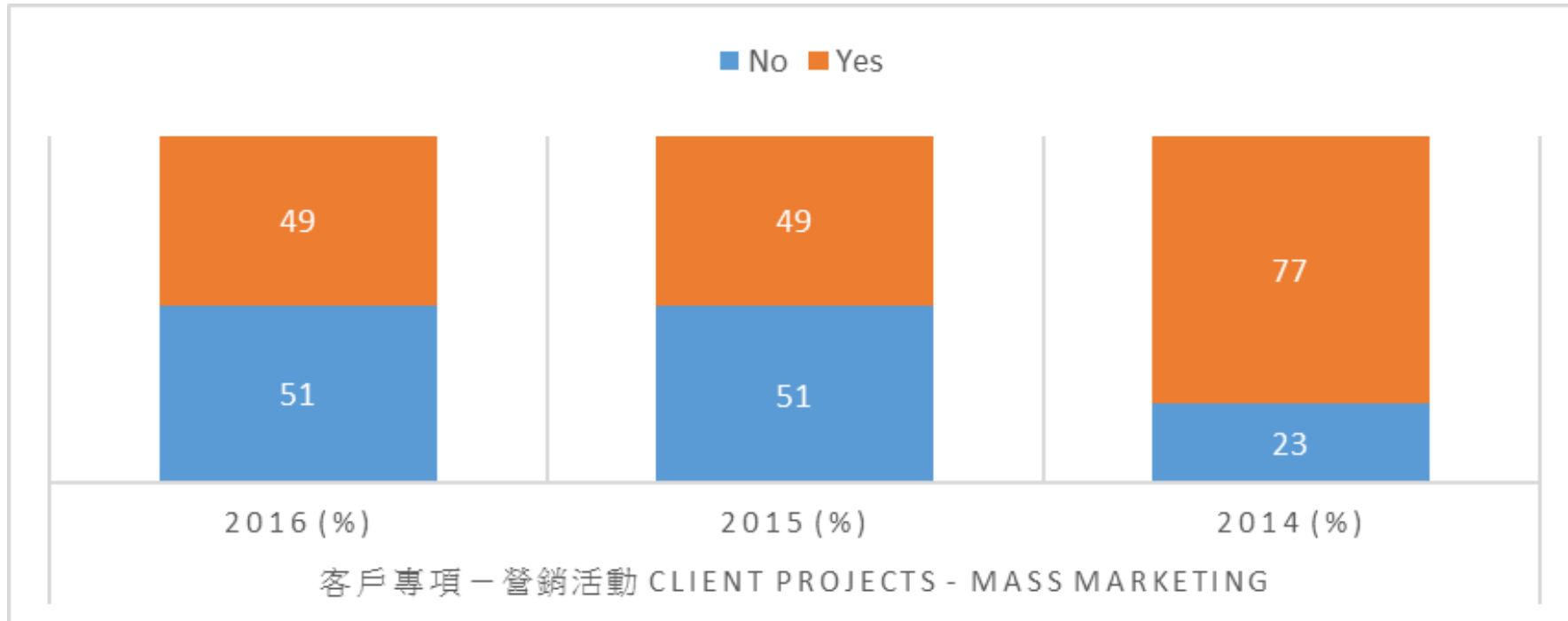
Products & projects ratio: Client projects - enterprise solutions



The proportions for companies to engage in client projects by providing “enterprise solutions” has been decreasing from 82% in 2014 to 67% in 2016. It may suggest a trend that HK Mobile app companies are involving more in product development.

Products & projects ratio:

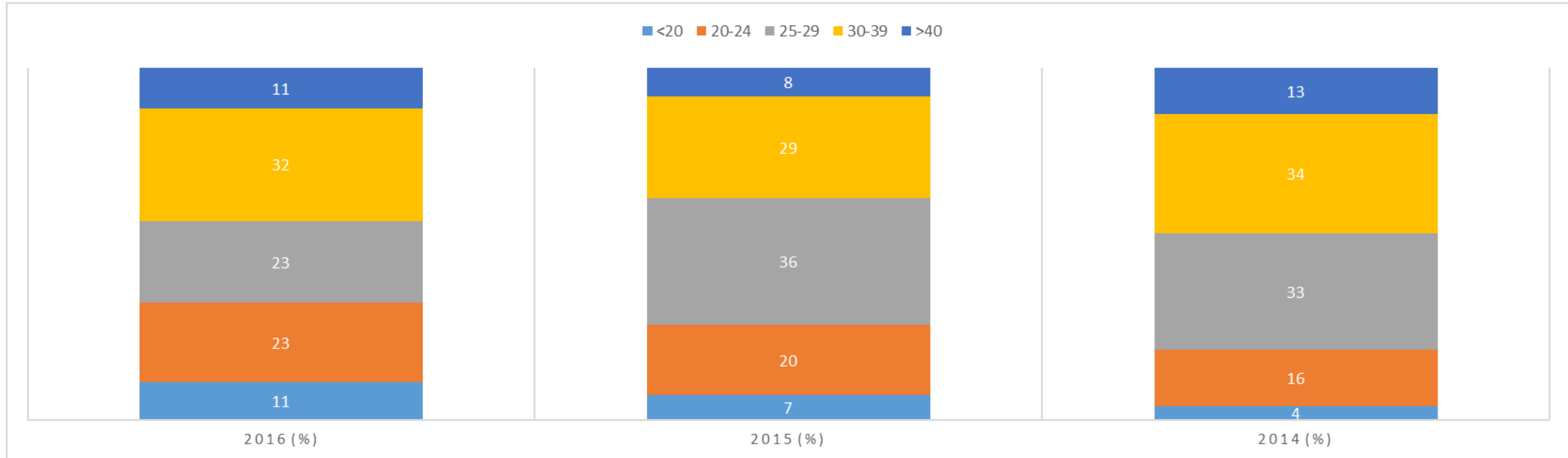
Client projects - mass marketing



Same as 2015, the proportion of companies engaging in client projects by providing “mass marketing” is 49% in 2016. The proportion was 77% in 2014 and it echoes the decrease in client projects.

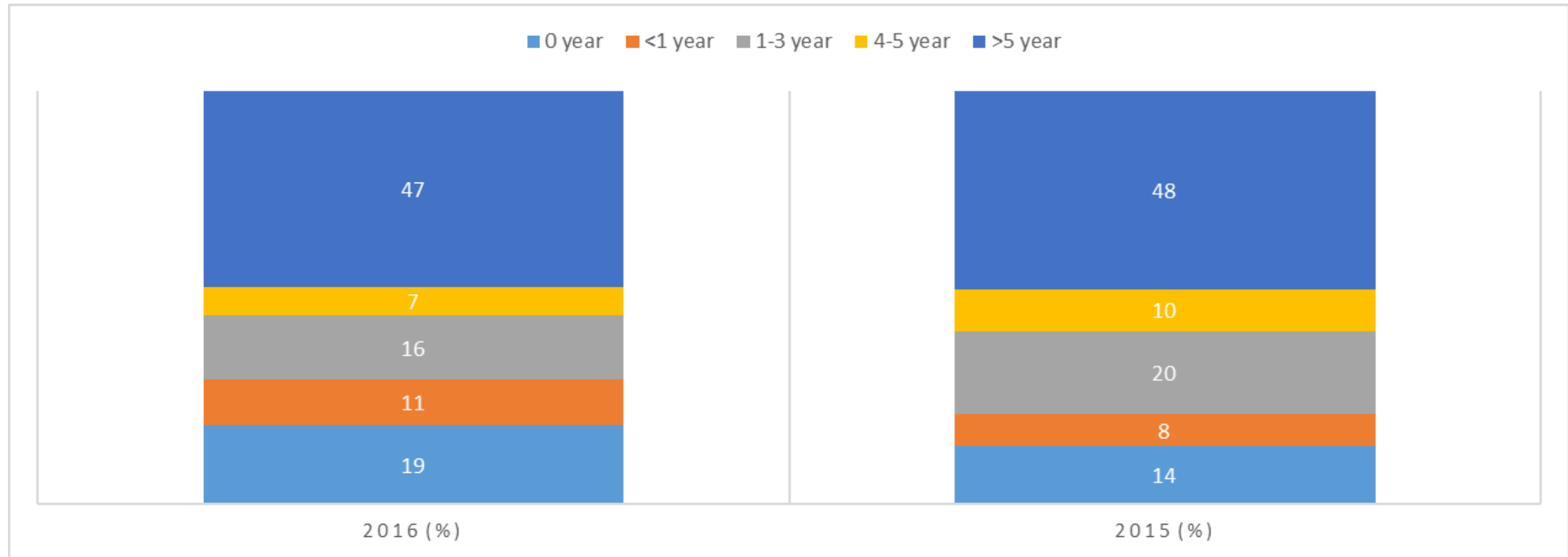
The Founders

Age of founder(s) when starting business



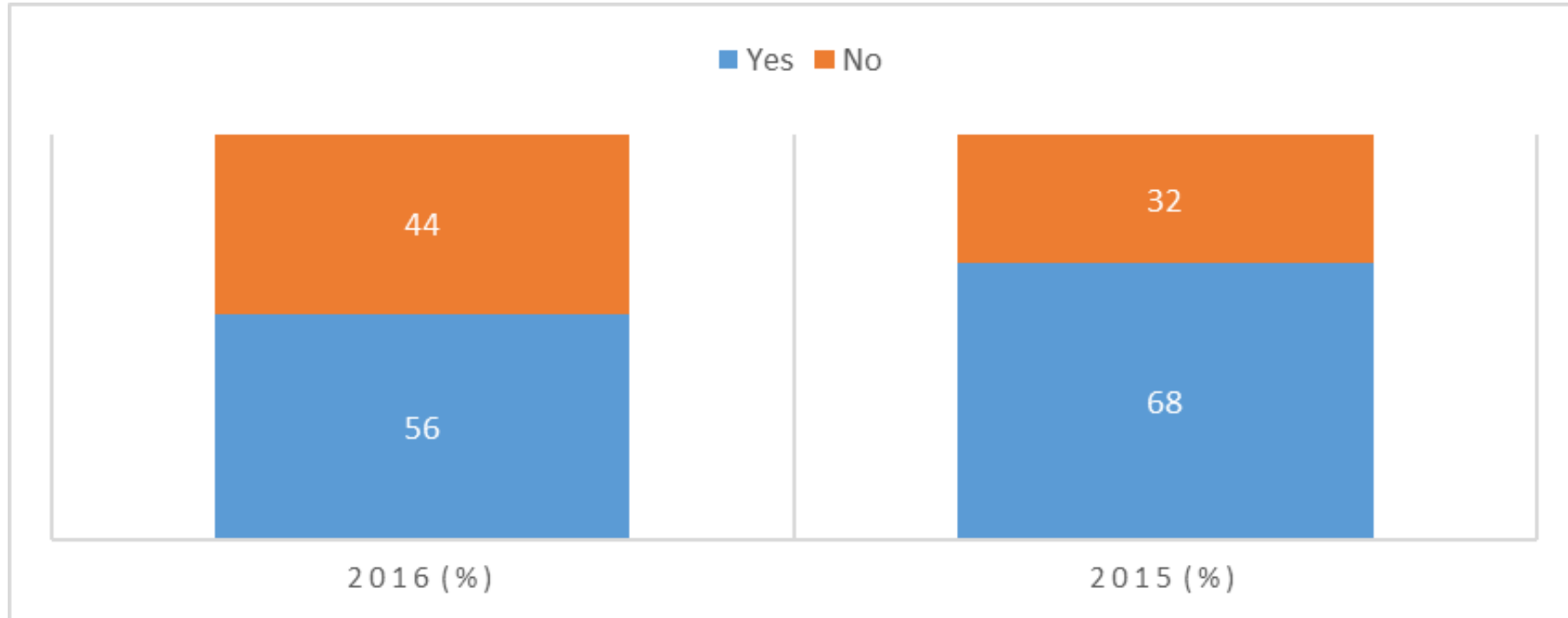
When we compare three years' figures, most founders established their business in the late twenties and thirties. In 2016, 32% of the founders report to establish their business in their thirties. Most founders established their businesses in their twenties (23% in their early twenties and 23% in their late twenties).

Previous working experience of founder(s)



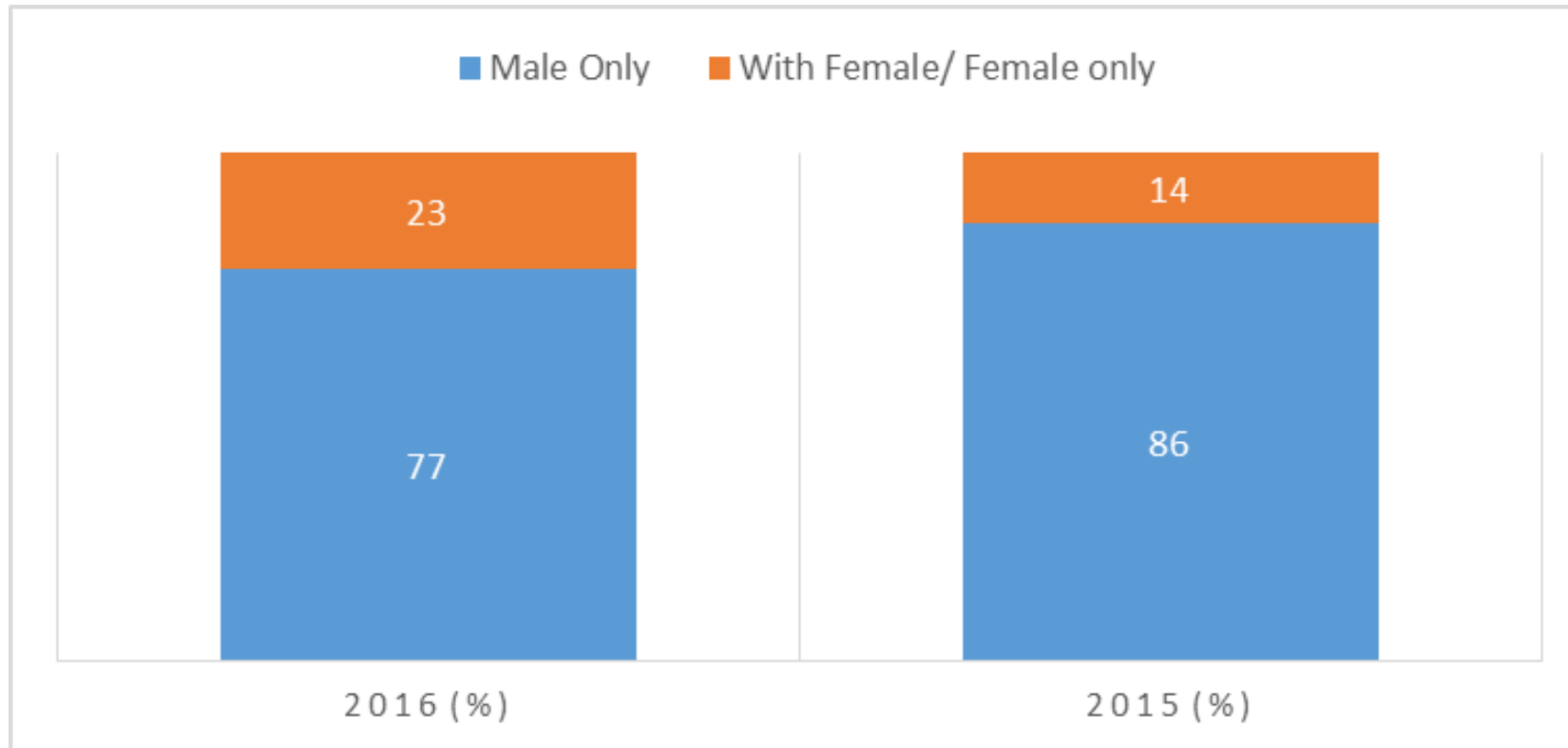
Similar to 2015, 47% of founder have more than five years' working experiences in 2016. More founders (19%) in 2016 has no working experiences than 2015 (14%).

Is it the first time to start a business?



Most founders (56%) started their businesses for the first time. More founders are reported to have experiences in starting a business in 2016 (44%) than in 2015 (32%).

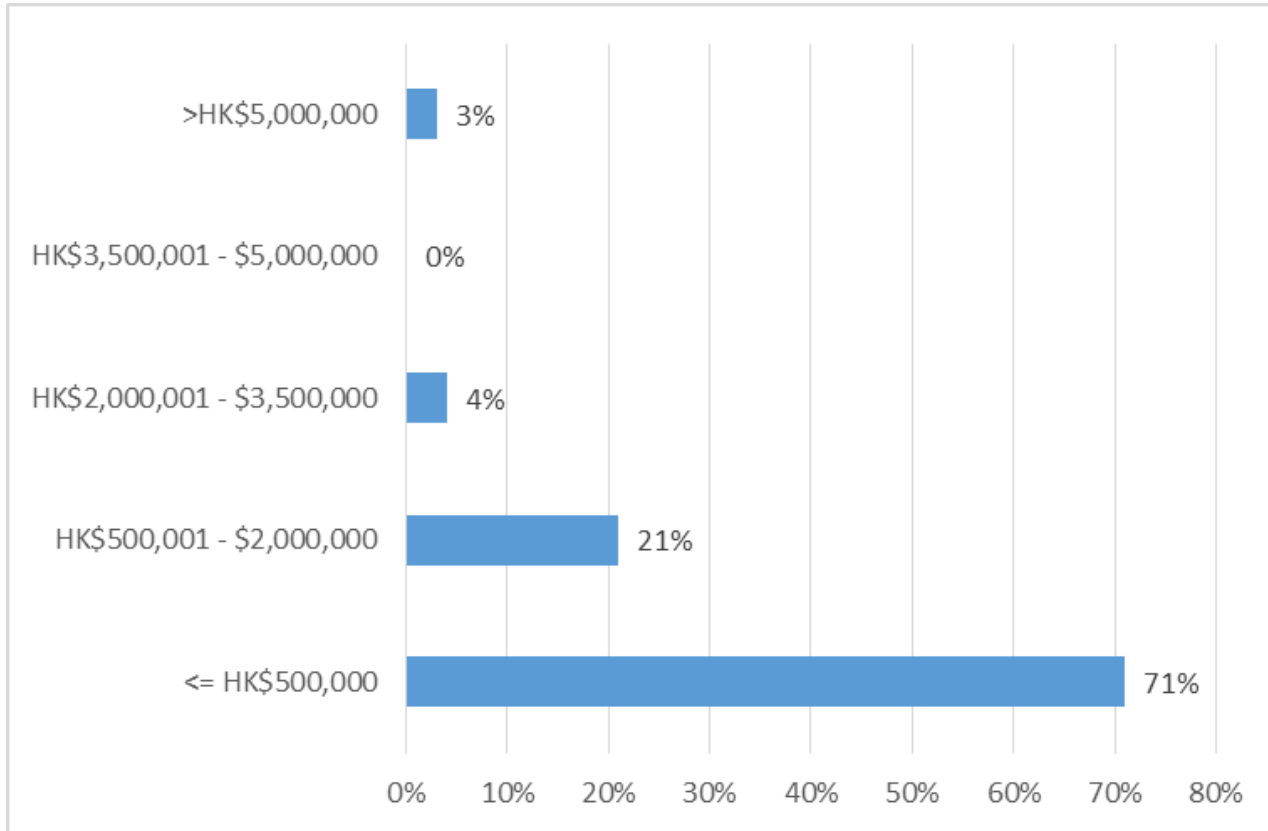
Gender of founders



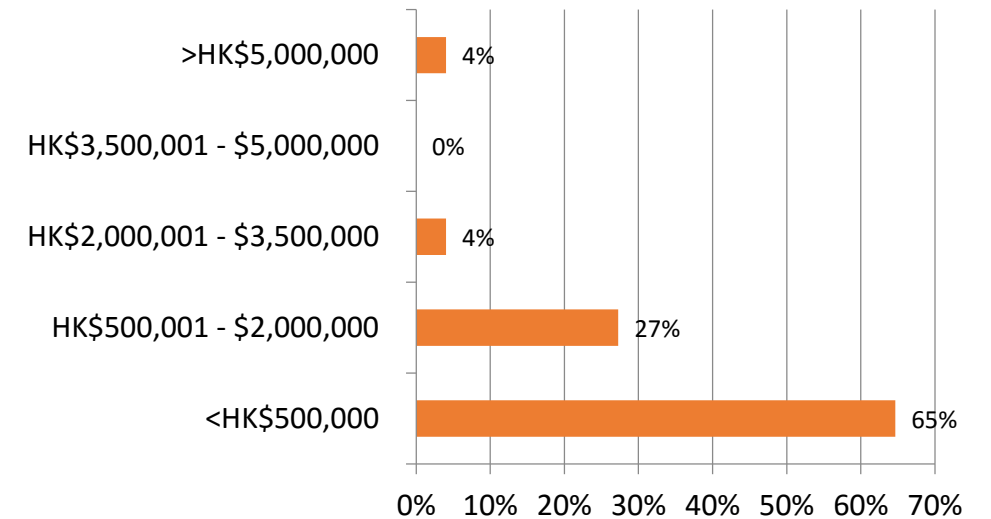
The industry is dominated by male founders. In 2016, there are more companies have female founders (14% in 2015 and increased to 23% in 2016).

Startup Stories

Amount of founding capital / seed money



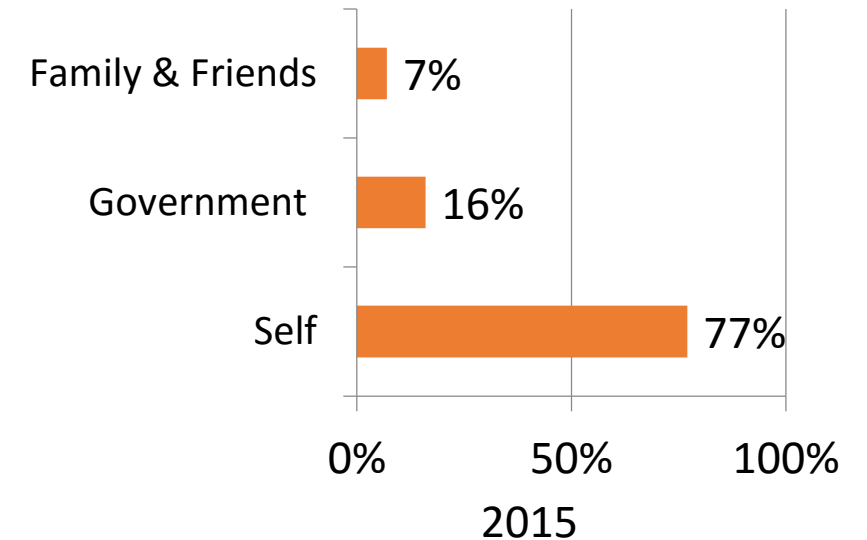
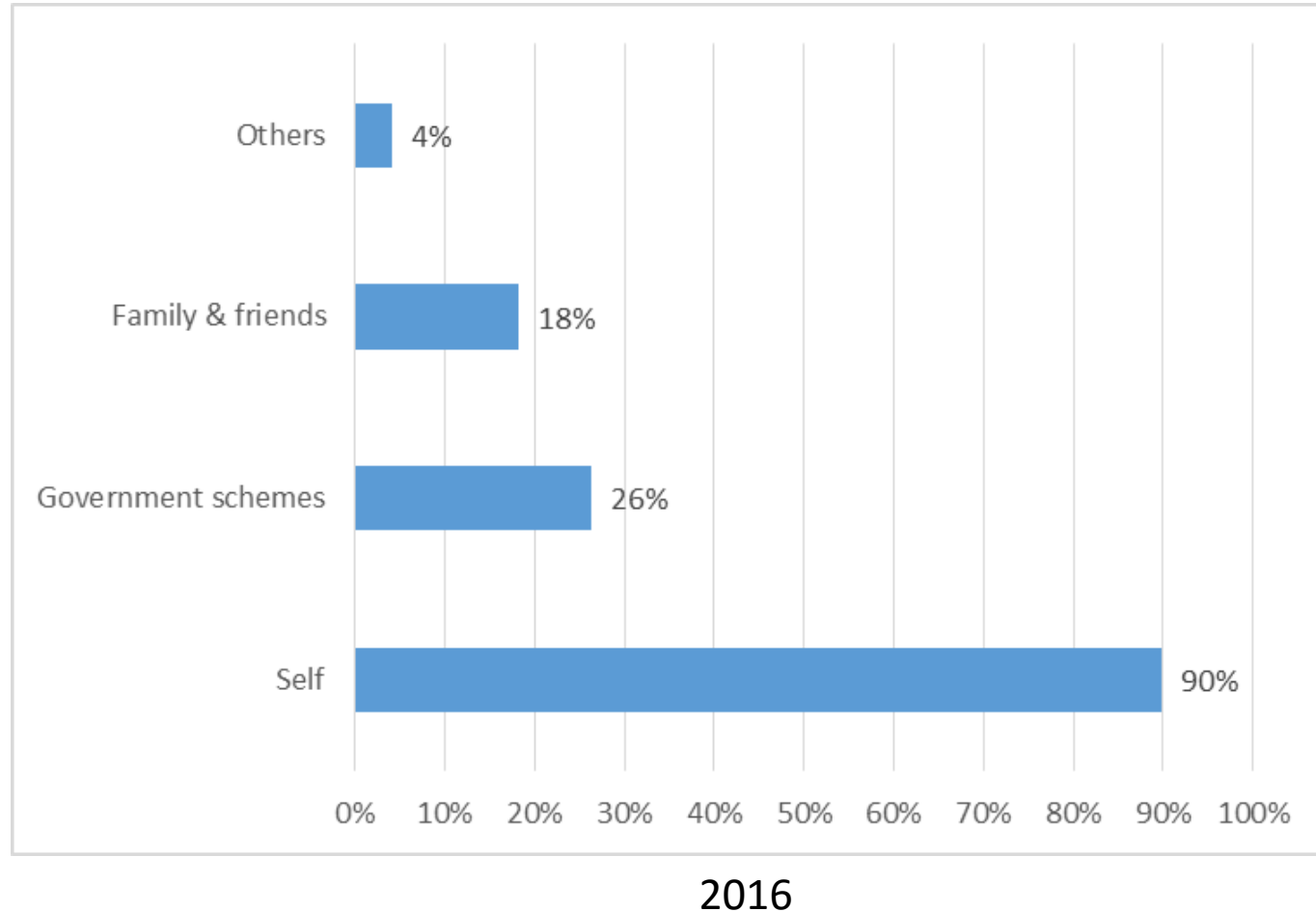
2016



2015

Similar to 2015, most companies have their founding capital less than HK\$500,000 (71% in 2016).

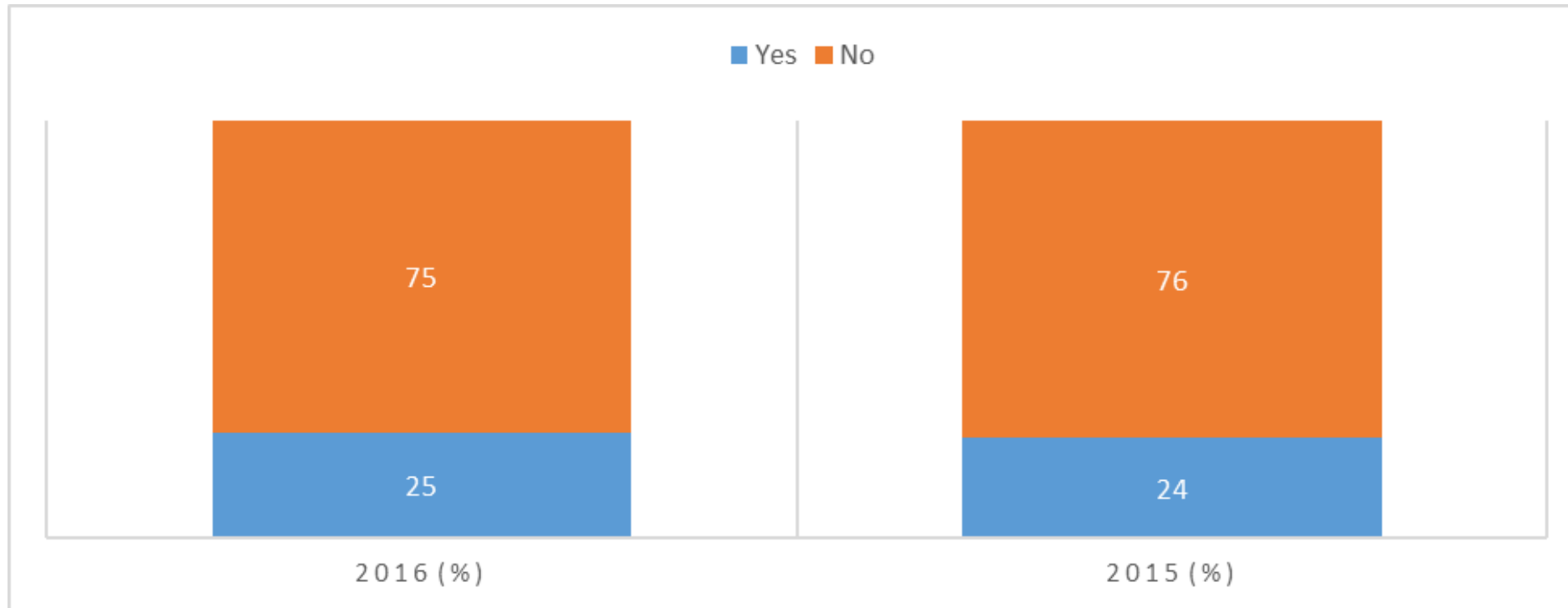
Sources of funding for starting the business



Most companies are self-funded, from nearly 80% in 2015 to 90% in 2016.

In 2016, 26% have funding supports from Government schemes and 18% have supports from family and family to start their business.

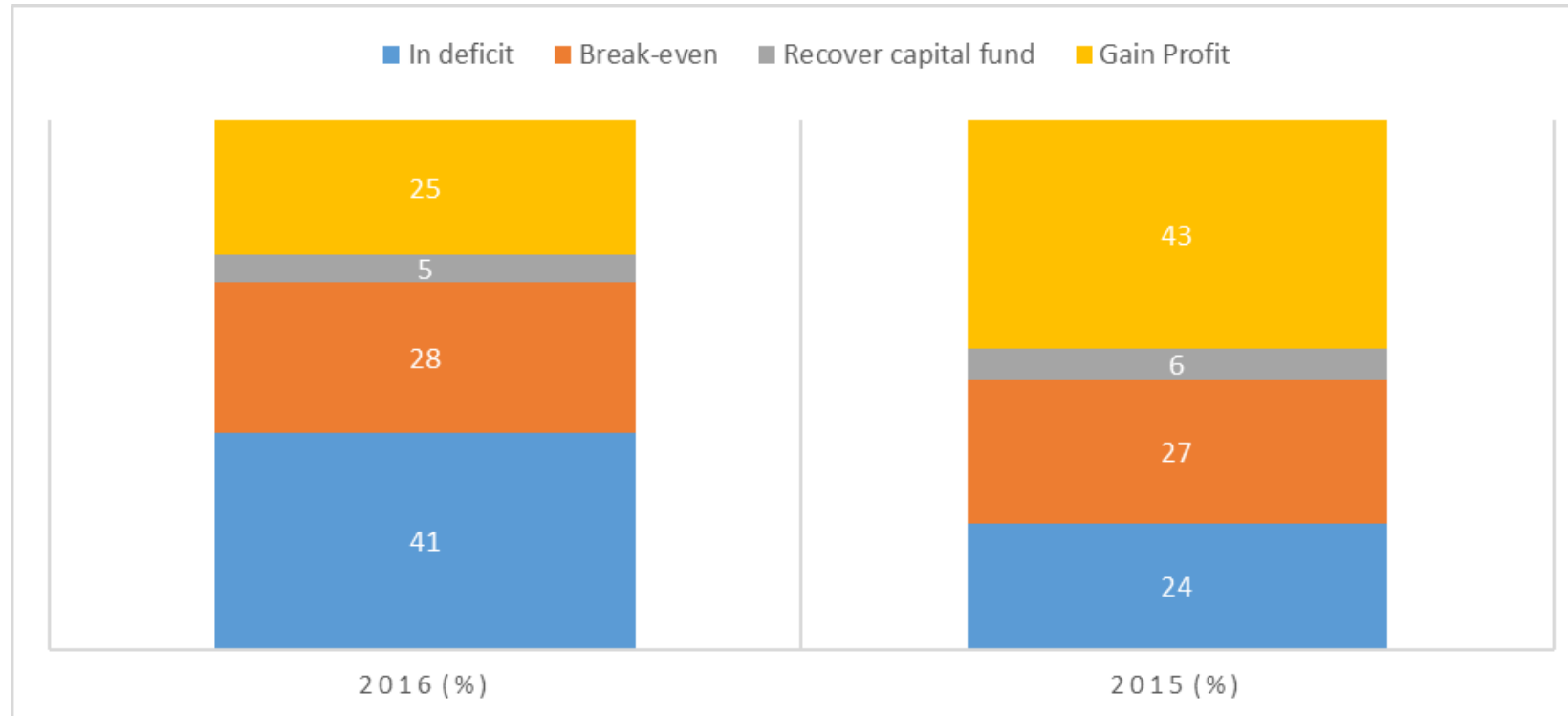
Sources of funding after starting the business



As in 2015, most companies (75%) reported in 2016 that they have no additional funding after their business had started.

Average amount of additional funding is HK\$2,500,000 (based on 13 companies with amount of additional funding provided).

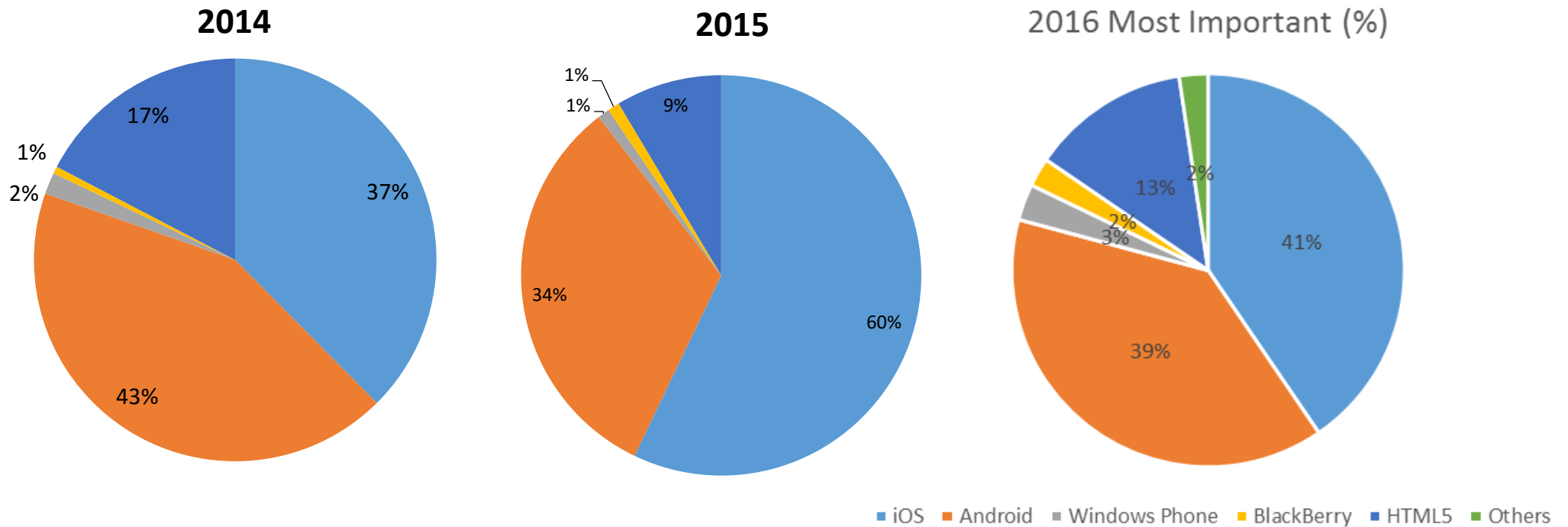
Current business operation status



The number of companies gaining profits have been decreasing from 43% in 2015 to 25% in 2016.

The number of companies which is break-even remains similarly at 28% in 2016.

Mobile platforms currently targeting at



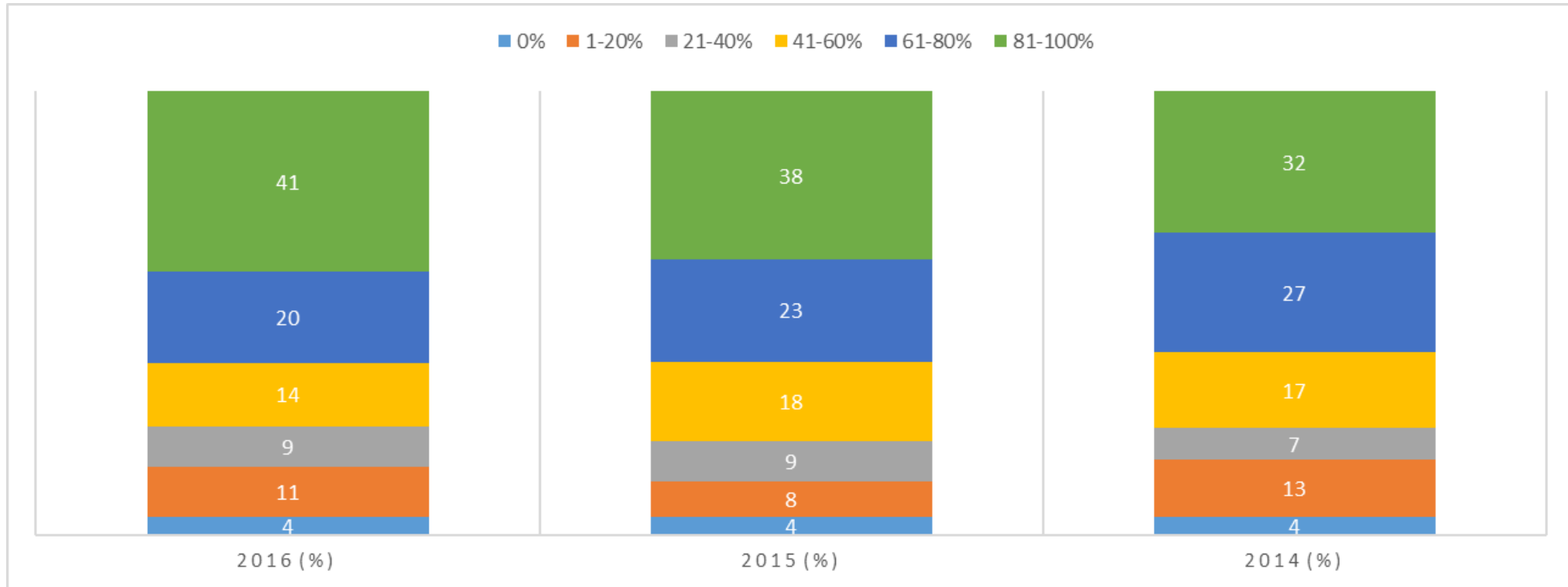
More companies focused on iOS. The figures increased from 46% in 2014 to 58% in 2015 while developing apps on Android platform has been the second largest.

In 2016, 41% of companies reported iOS as the most important and 39% of companies reported Android as the most important.

13% of companies reported HTML5 as the most important in 2016.

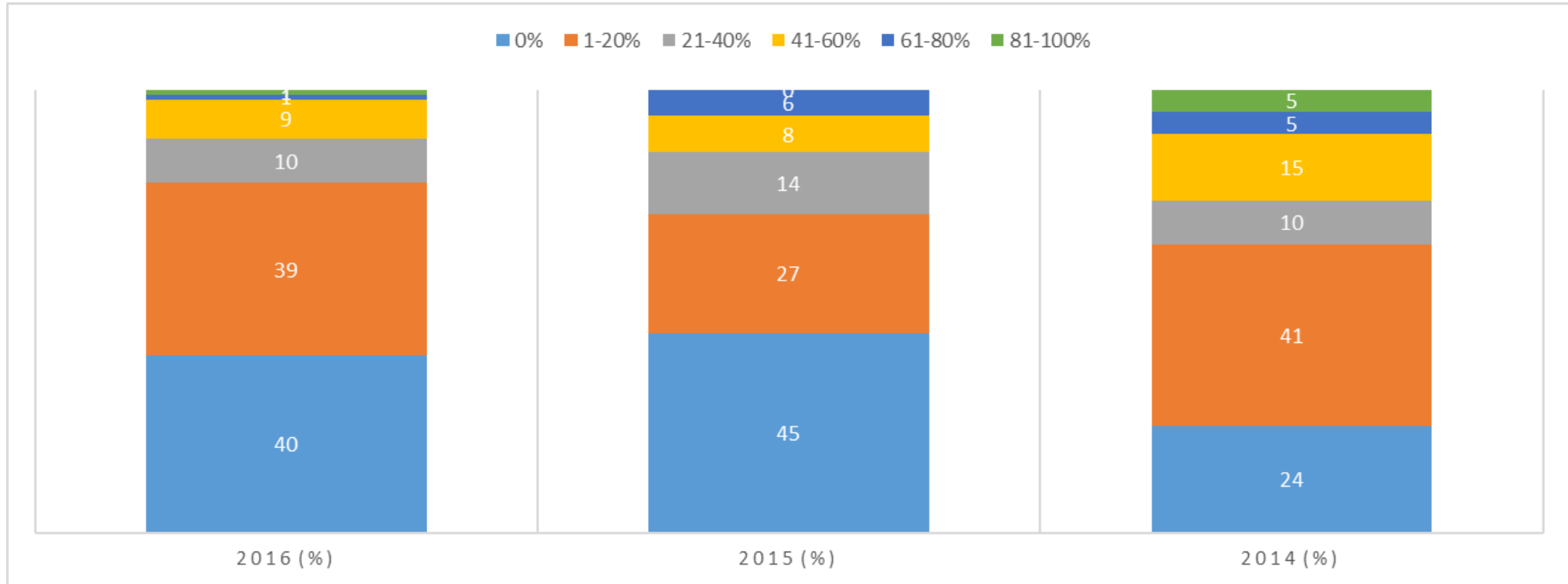
Market Analysis

Geographical focus in the Hong Kong market



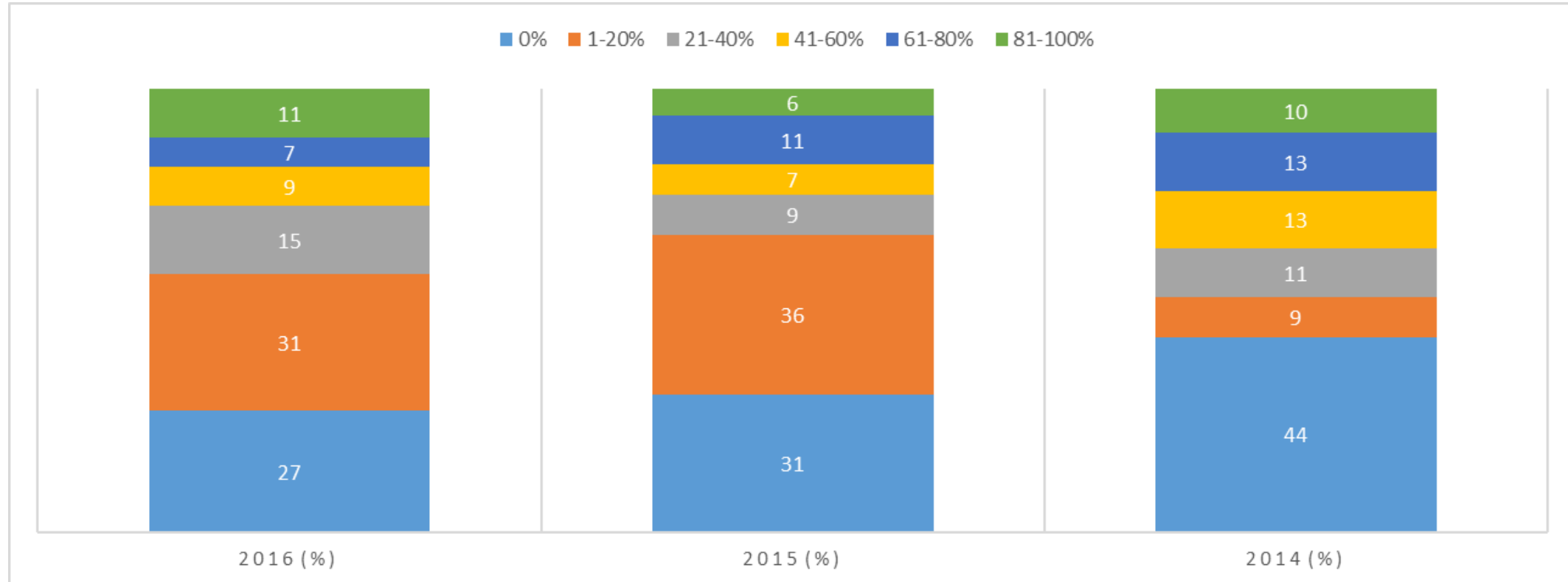
41% of companies focus their business in the HK market. It has a 9 percent-point's increase from 2014.

Geographical focus in the Mainland market



As in 2015, most companies had no business in the Mainland Market in 2016 (40%).
 A large proportion of companies (39%) have less than 20% of their business in the Mainland Market.

Geographical focus in the overseas market



In 2016, only 27% of companies have no business in the overseas market. This percentage is the lowest in these three years.

About one third of the companies (31%) have a small part, less than 20%, of their business in the overseas market.

Competitive advantages of HK companies over their counterparts in overseas

	2016 (%)	2015 (%)
Tax Benefits	27	20
Efficiency	22	21
Excellent Infrastructure	18	19
Know Chinese Culture	12	16
Cost effectiveness	10	14
Easy to recruit talent in different countries	10	9
Others	2	1
	100	100

Most respondents weights “tax benefits” (27%) as an advantage of HK companies than their overseas counterparts.

“Efficiency” (22%) and “excellent infrastructure” (18%) are the second and third advantages. The pattern is similar for 2015 and 2016.

Competitive advantages of HK companies over their counterparts in the Mainland China

	2016 (%)	2015 (%)
International outlook	24	21
Legal system	20	24
Innovation	16	18
User experience and Design	16	14
Hong Kong brand	13	13
Talents	11	10
	100	100

Most respondents regards having an “international outlook” (24%) is an advantage of HK companies over their Mainland China counterparts.

The second most noticeable advantage is its “legal system” (20%).

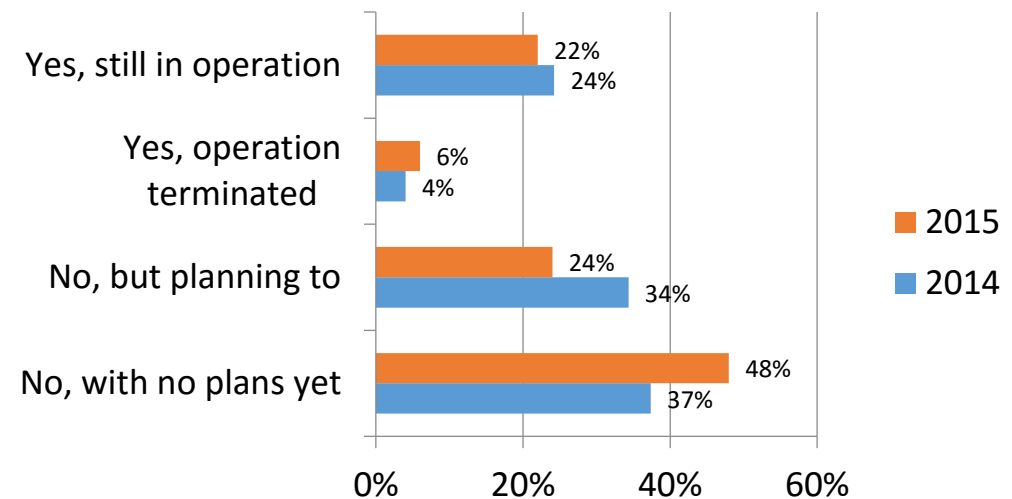
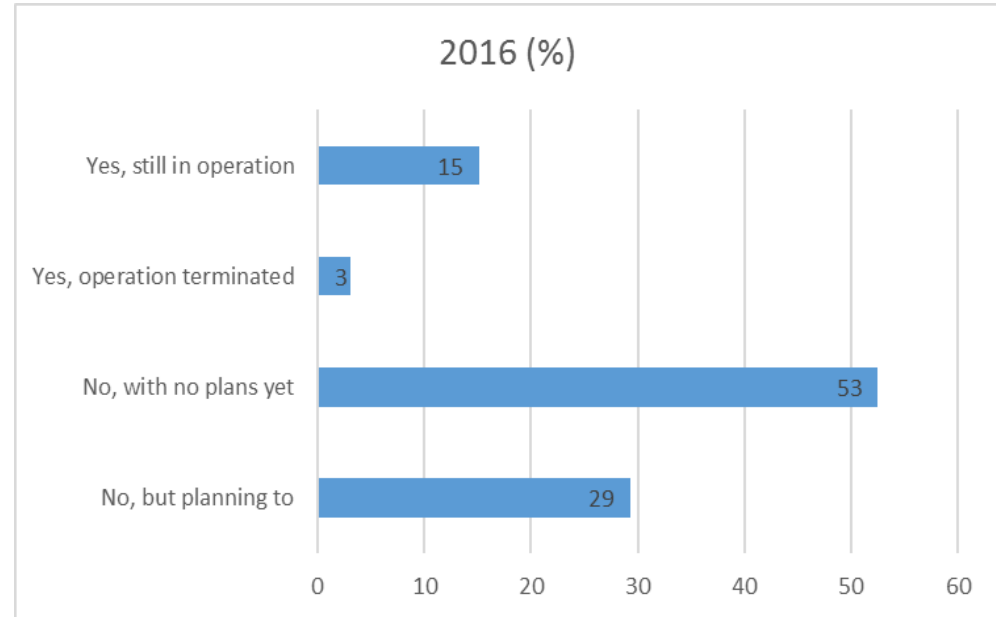
The pattern is similar for the two years.

Have made attempts to enter the domestic market of the Mainland China

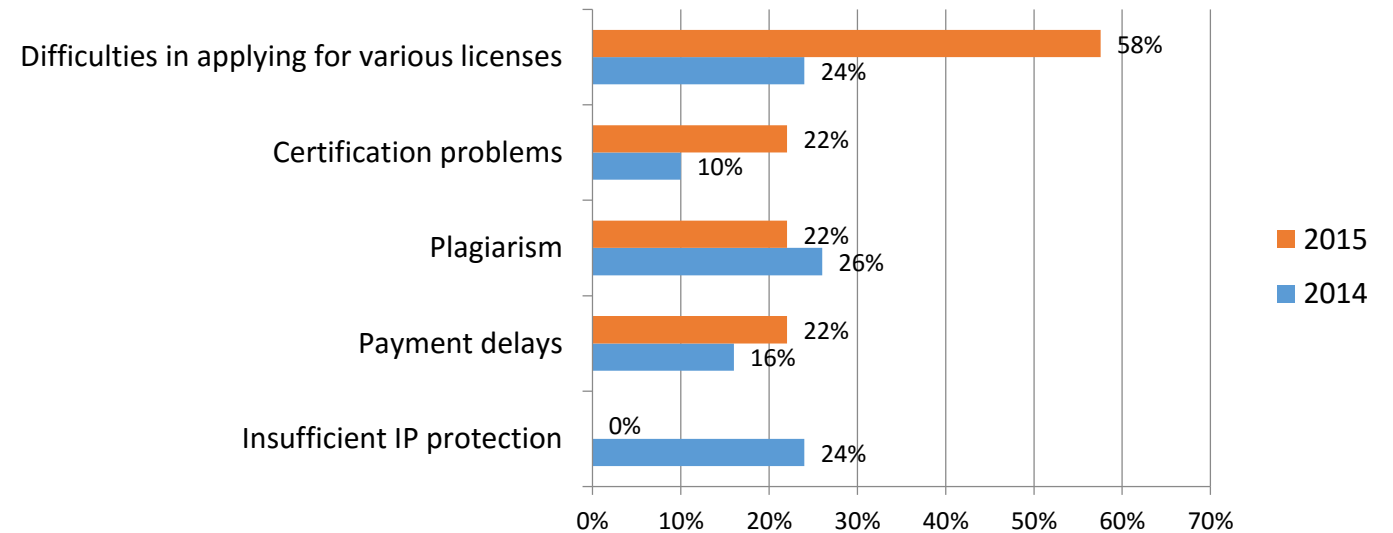
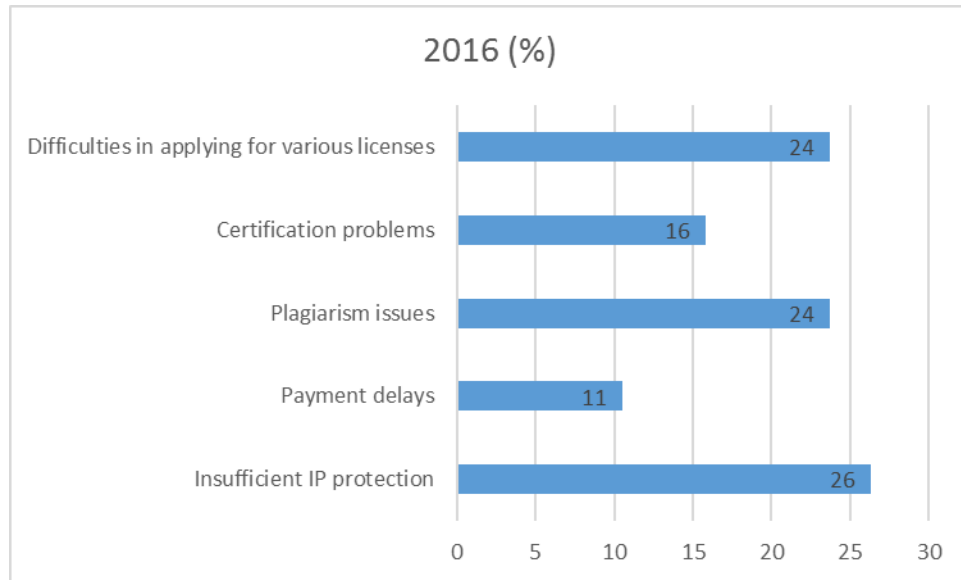
Most companies (53%) in 2016 reports that they have no plans to enter the domestic market of the Mainland China. This is the highest among the three years.

The smallest number of companies (15%) is having operation in the Mainland in 2016 than the other two years.

The Mainland China market still has attractions as 29% of companies have plans to enter the market in 2016.



Have encountered problems in the Mainland market in the previous year



These five aspects remain concerns for companies to deal with in the Mainland market. Issues on IP protection, licenses (particularly high in 2015: about 60%) and plagiarism in particular over the three years.

Recommendations

- Business environment is getting more competitive
 - Development in new products and new platform are necessary
- More companies are running with deficit
 - More supports to companies at early set-up stages

Acknowledgements

- All participants in the study
 - Cyberport
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 - Hong Kong Science and Technology Parks Corporation
 - WTIA
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