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INTRODUCTION

THEY ARE THE *Appillionaires:* Smart, ambitious dreamers in bedrooms and garages across the world, plotting the future of mobile apps. Their tools are inexpensive — a MacBook Pro and an iPhone — but overnight the Appillionaires can amass a fortune from selling software on the iTunes App Store. They lead a revival of the hobbyist programmer. Not since the days of the Commodore 64 and Atari 2600 has indie software been sold by such tiny teams of programmers to such massive numbers of consumers.

The money flows to the Appillionaires even as they sleep. While they dream their *Angry Bird*-dreams, invisible electronic transfers push money into the Appillionaires' bank accounts from App Stores in over 80 different countries. As much as $250 million gets spent at the App Store in a single month. Over 10 billion apps have been sold on the store to date and it's estimated that Apple has signed up at least 79,000 software publishers to the iOS (iPhone and iPad operating system) club.

What's remarkable is that Apple's credibility was bolstered so much by the success of the iPod and iPhone that the rise of the iPhone app was widely predicted. Even before the launch of the App Store back in 2008, *Wired* magazine speculated, "iPhone software development may spark a software gold rush not seen since the heyday of PC-platform development in the 1990s."

THERE'S GOLD IN THEM HILLS

It's this label "gold rush" that has been most often applied to the App Store. The potential for success, and risk of failure, is so great that in many ways the App Store has provoked a gold rush among developers. Although the successes are spectacular, the failures are apocalyptic. The mainstream press focuses on the glorious few and gives very little attention to the money being lost on the App Store — a problem compounded by the embarrassed silence of those struggling to turn a profit on their work. In a climate where approximately 540 apps are submitted for review every day, it's easy to see why the Appillionaires are an exclusive and rare breed.

Back in the 80s a catastrophic failure to sell software was a more obvious and public humiliation. Take Atari's *E.T. the Extra-Terrestrial (1982),* a failed videogame which left the company with losses of over $100 million and the embarrassing problem of what to do with 3.5 million unsold *E.T.* cartridges (the answer, apparently, was to bury them in a New Mexico landfill). But today such failures are even harder to see with the naked eye. For every Appillionaire, there are several thousand invisible, failed app developers. These developers have had their dreams of app superstardom cruelly smashed into a million little pixels. More humbling still is the realization that, despite everything the App Store has done to democratize software development, ultimately success may come from more unpredictable forces than basic hard work. Most indie developers struggle to get any attention for their apps — they simply don't have the marketing clout of giant corporations and must rely entirely on their placement in the App Store. For many, the only real chance of success is to be featured by Apple in one of the highly desirable iTunes banner adverts.

> *As iPhone developer Sean Maher points out, "you can't put 'get featured by Apple' in your business plan any more than you can put 'win the lottery' in your personal budget."*

The Appillionaires are engaged in trench warfare against each other, and against the traditional publishers of corporate America's vanguard. App development has become a cut-throat industry where an increasing small number of independent players battle it out for the attention of over 180 million iPhone and iPad owners, each of these owners downloading around five apps per month. The competition is so intense that the App Store is scarred by the Appillionaire's rivalry. Shills have been known to clog up their rival's apps with bad reviews on iTunes, while writing positive reviews for their own apps. Apple's Phil Schiller has gone as far as to remove a developer

called Molinker from the App Store for cheating the reviews system by positively rating its own apps. The end result was that Molinker had all of its 1,100 apps pulled from the store and was shamed globally by thousands of blogs. Some developers have discovered shill reviews on their apps, traced these back to rival companies, and phoned the CEO to ask why his head of mobile marketing was writing reviews of competing apps.

Tensions between competitors are inevitable because the Appillionaires fight it out in a crowded landscape of over 160,000 apps. It's a place where millions of dollars can be made or lost in an instant; where dropping off the top-ten in the App Store means an exponential decline in sales, obscurity, and even ruin. It's a bizarre, upside-down chaos where venture capitalists might spend millions on an app, only to discover themselves beaten to the top spot in the App Store by a 15 year old armed with nothing more than a Mac and a dog-eared copy of *Objective-C For Dummies.* The size of your corporation and the scale of your investment can be outmatched simply by the intellectual prowess of your competitor working out of his or her bedroom.

APP STORE ROULETTE

Given its unpredictability, what makes the App Store so popular? One theory is that we enjoy the strange psychological lure of uncertainty. Researchers have discovered that we often find relationships more compelling if the object of our affection is mysterious and non-committal. The image of a girl sat on a lawn picking petals from a flower and musing, "He loves me, he loves me not" is a fairly accurate depiction of a developer's relationship with Apple. On one hand the girl with the flower hopes that "he" loves her, but on the other hand a lot of the fun is down to not knowing. It's human nature that we are attracted to the thrill of never being quite sure where fortune will smile, and there are few businesses where that feeling is more acute than iOS development. Everything about the process is uncertain.

Developer Daniel Markham calls iPhone development "App Store Roulette," and Andy Finnell of the software studio Fortunate Bear cautions against hoping for App Store success, "you're betting a lot of this on luck, and the odds are stacked against you. You'd have better odds playing slots at a casino."

Indeed, as much as app development has been called a gold rush, there is an equally loud theory that it operates more like a casino.

> *"The closest thing I've seen to a 'business model' for marketing iPhone apps is to advertise like crazy until you get into the top 50," says David Barnard of AppCubby, "once you're there, the top 50 list will start generating its own buzz… But that's not a business model, that's like rolling the dice at a casino."*

The counter-argument is that life itself is hard, very much like rolling a dice at times. It might be that the App Store simply gives developers the illusion of an ordered system, with top-ten lists and sales tracking, but ultimately it is human nature and the unpredictable whim of the masses that determine the success of an app. The App Store might look like an ordered system, but really it's just a layer over the messy reality of selling anything.

CHALLENGES WITH THE APP STORE

The App Store does present some unusual problems though. For one: the sheer number of apps available. Craig Hockenberry, who made the popular iPhone app *Twitterific,* complained as early as 2008 that a race to the bottom on prices meant his team could not invest time and money in great apps. "We have a lot of great ideas for iPhone applications," said Hockenberry, "Unfortunately, we're not working on the cooler (and more complex) ideas. Instead, we're working on 99¢ titles that have a limited lifespan and broad appeal. Market conditions make ringtone apps most appealing."

But in the intervening years, the 99¢ price has not won out completely. App developers 2D Boy sold more than 125,000 copies of *World of Goo* for the iPad priced at $4.99 in just two months and several best-selling iPad book apps have also skirted $9 or more. Developers sometimes attempt to make money simply by selling enough apps at the cheapest possible price, but this isn't always the best plan. Often a lower price just invites a torrent of abusive reviews from younger, more flippant users who take a chance on an app they don't really want. Still, deciding what to charge for an app remains a strange art, and only adds to the curious reverence many of us feel towards the Appillionaires.

The App Store is also unusual and unpredictable because it's a hugely significant distribution method for the creative arts, but it's controlled by a single all-powerful god: Apple Inc. The company decides what is and isn't allowed to be sold in the App Store. Although critics like those who work for *The New York Times* initially warned that Apple's censorship of apps would "discourage [developers] from spending nights and weekends working on new and useful applications," in the end it seems to have had little effect other than to reassure consumers and generate even more publicity for the iPhone and iPad.

*World of Goo* in action. This deliciously addictive physics puzzler has sold millions of copies.

SOURCE: Copyright 2D Boy Ltd.

Since the opening of the App Store there have been a litany of complaints and high-profile criticism of Apple's policies. These reached a crescendo when Trent Reznor of the band Nine Inch Nails reacted to a rejection notice from Apple on the grounds that his app "contains objectionable content." In reply Reznor wrote, "Thanks Apple for the clear description of the problem - as in, what do you want us to change to get past your stupid standards?"

Apple accepted the app a few days later, refusing to comment on what had changed its mind.

THE APP COMMUNITY

In the midst of all this confusion and competition, there are also stories of great friendship and, often, a wonderful sense of camaraderie among the Appillionaires. The community of people behind the apps you use on your iPhone and iPad are uniquely creative and communicative, often building extremely close friendships with other app makers. Take characters like Mills from ustwo, the self-styled "King of Failure," and a Twitter superstar who takes as much pride in his app disasters as his successes. Mills is the closest thing the industry has to a cultural barometer, providing a constant stream of consciousness direct from the mind of a leading app developer. To read his Twitter feed is to witness first-hand the turmoil in the soul of an Appillionaire. As his company's apps drift wildly in and out of the top ten, his tweets tread a spectrum of emotion, from the heartwarming advice, "make love… not code," to, later in the day, simply, "I give up."
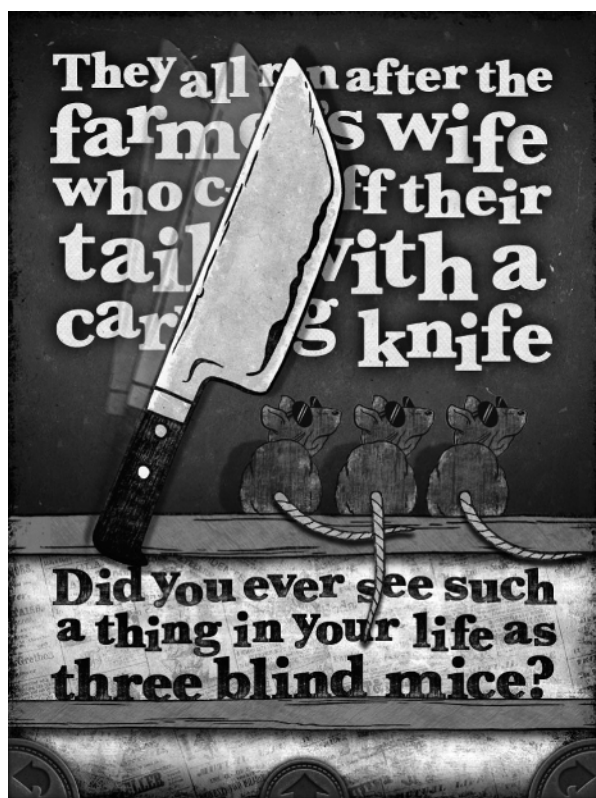
Nursery Rhymes with Storytime is Mill's most successful indie app to date.
SOURCE: Copyright ustwo Ltd and Atomic Antelope Ltd.

This book is also going to introduce you to the smaller teams, like Johnny Two Shoes: Two brothers, Max and Scott Slade, who created the indie pirate romp, *Plunderland,* an app that allowed them to drop out of the nine-to-five slog and embark on a philosophical adventure, punctuated by late-night coding binges. "I just get to do what I want to do now," says Max, who made over $16,000 a day at the height of *Plunderland's* success.
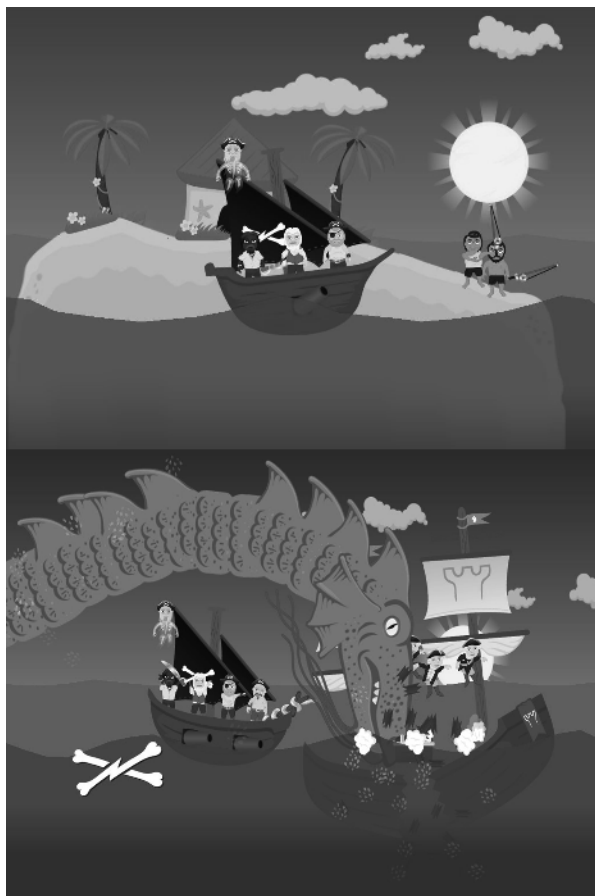
The smash hit pirate-themed caper, *Plunderland,* created by Max and Scott Slade.
SOURCE: Copyright Johnny Two Shoes Ltd.

With an appetite for glory coupled with 24-hour access to the Internet, relationships are strong in this industry. The Appillionaires are sometimes friends and often relatives. They may even be husband and wife, like the

team behind *Harbor Master,* who you'll revisit later in this book. They eschew all traditional visions of the storefront; Appillionaires work from garages, bedrooms, and cafés, and then distribute their creations electronically.

THE SIREN CALL

Perhaps more fascinating than the Appillionaires themselves is the mystery and allure surrounding the app business. It's become a siren call for thousands and thousands of amateur programmers and designers intent on living the App Store dream and becoming an overnight millionaire. One thing that stood out as I interviewed the app makers in this book: Often they discovered that complete strangers would stop and pitch them app ideas. Just as doctors find people asking them for medical diagnosis at a party, the app makers often find themselves in the middle of impromptu pitching sessions.

"I get pitched app ideas all the time. I got a phone call from a friend yesterday," explains Mills. "He said to me: 'You're an app man, I've got an idea for an app. I just don't know what to do. Should I patent it?'," Mills sighs. "I said, 'What idea have you got?' Then he told me he wanted to go half-and-half. So, I would make the app based on his idea and he'd make half the money." Mills slams the table with his fist in anger. "I couldn't even answer him. What's the point?" Mills is clearly a man who has been pitched apps way beyond his tolerance point.

It seems that no sooner does a developer mention that he or she is in the app business than a crowd gathers and starts pitching app ideas, or asking how much he or she has made on the store. In this sense, the App Store increasingly does resemble a gold rush. It might be this overwhelming popular ambition to create apps that has caused a cynicism to take root. Tristan Celder, whose company, Zolmo, created the phenomenally successful *Jamie Oliver 20 Minute Meals* app, represents a growing number of developers who think that the gold rush is now largely a myth — perpetuated by the very developers who appear to be the richest.

"There's a lot of hype surrounding apps that Google and Apple are very good at manufacturing," explains Celder. "To be Apple's App of the Week looks like a stream of gold, but doesn't always come to fruition. There's a lot of young companies — start-ups — that are trying to inflate their own value to get investors, so they're happy for that hype to be there. But whenever someone isn't releasing download numbers, you have to wonder what's really going on."

WHY I WROTE *APPILLIONAIRES*

As you prod deeper into the world of the Appillionaires, the water gets increasingly murky, and that's precisely the reason I set out to write this book. Many of the people I've interviewed for Appillionaires have expressed confusion about the reality of the App Store, despite their massive successes. First, this book sets out to answer the biggest question on the technology scene today — What does it take to make a million dollars on the App Store? However, I also wanted to discover more about the other side of the App Store: Those who have struggled to find success.

It's this other side to the Appillionaire story that is almost more intriguing: The strange disparity between the amount of money actually made on the App Store and the public perception of the App Store as a goldmine. I wanted to discover, first-hand, if the Appillionaire dream was as widely realized as it appears to be. And, if it is indeed a rarity, how has the illusion of probable success been so widely and effectively spread by the mainstream media?

This impression of easy riches has been bolstered by newspapers and magazines, which seem to lap up every minor App Store success story with a mesmerizing eagerness. Apps have gone mainstream, pop-culture even: The masses have heard the apocryphal tales, the rags-to-riches stories, and they want to live the dream too. They wear *Angry Bird* T-shirts, and they tell each other increasingly ridiculous stories about the lavish houses of the programmer who built the wildly successful iShoot app. They draw game plans for world domination using *Sketchbook* on their iPads. But what is often forgotten, in the telling of these capitalist parables, is that few Appillionaires were true overnight successes.

> As Mills tells me of Angry Birds, "People say it was an overnight success. Well, yes, it was an overnight success after 52 other failed attempts."

WHERE WILL THE MARKET TAKE US?

Then there is the new wave of app makers. They're thinking bigger and they're better financed — some might say ridiculously financed. Apps like *Color,* which cost $41 million to launch, shocked the industry by demonstrating just how much raw cash investors were willing to throw at the mirage, but it was just the beginning. By April, the creators of an iPad app

called *Flipboard,* a "social magazine," had managed to raise an investment of $50 million — valuing the company at $200 million. It's a staggering amount. *Flipboard* is a free app and though it dances around the very top of the iPad chart, at the time of writing it provides no tangible income for the company that built it. More worriesome still (for those that fear an app bubble is growing) is the justification for this enormous sum. *Flipboard's* CEO, Mike McCue, appeared to be channeling the venture capitalists who backed him when a journalist asked how the company could possibly need or want that much money.
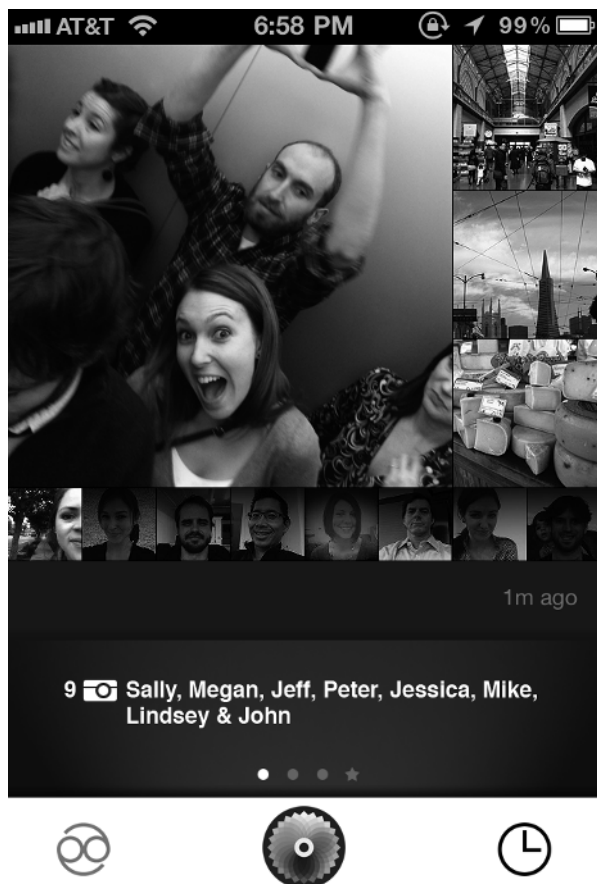
Color, the most costly iPhone app built so far. It took a $41 million investment to launch the software. At the time of writing it has sunk down though the charts and user reviews of the app average two stars out of a possible five.

SOURCE: Copyright Color Inc.

"We decided the only way you could get to a multi-billion dollar business is through advertising. So given that, to build an advertising business, you've got to have a lot of scale. You've got to build a consumer brand, acquire tens of millions of users," McCue told TechCrunch in spring 2011.

This is the kind of language the app industry is beginning to use more and more often. The CEOs themselves have begun to echo the standard VC (venture capitalist) mantra to build it bigger and bigger, faster and faster. The VCs favorite word is scale, and although the tech industry has always attracted a legion of the wealthy and bewildered, the App Store has drummed up a mass of investment unseen since the dotcom boom. The Appillionaires have, through their success, spawned a climate where VCs circle greedily. In meetings with them, you can almost see the dollar signs spinning in their eyes. Armed with hedge-fund capital, and fresh from their MBA, they are the pinstriped wildebeest hunting for The Next Big Thing.

Max Slade from Johnny Two Shoes remembers the initial attack from VCs well. After the success of *Plunderland,* he had to take urgent action to fend them off.

"We actually unplugged our phone because we were getting so many calls from VCs saying, "We want to give you some money; let's give you some money. Here, have some money. Money. Money!" Slade tells me. He then mimes a grinning lunatic throwing out bundles of cash. Oddly, this is possibly the most accurate depiction I've witnessed of how investors react to an App Store success story. In the end, Slade declined to accept any VC cash.

This book also serves as an exposé of the app VCs and the people they hunt, desperate to invest their cash in the early stages of a your dream. They're eager to talk to young hopefuls like Andrew Lim who is, like me, a former journalist turned app developer.

Lim is trying to get venture capitalists interested in his new app idea. When I first asked him what his idea was he told me, "I'm making the next Facebook. Facebook Two, basically." He then burst into laughter. I told Lim it was possibly the least-convincing pitch I've ever heard.

"I've been talking to investors and I haven't been to a single pitch where I haven't burst out laughing or they haven't burst out laughing," Lim explained. "It is madness, but there's a small window of opportunity to make an impact. You've got crazy people coming into the app scene, there's ridiculous money out there and there'll be a crash. But there will also be a second spike, where it's all more refined."

THE BAND OF DREAMERS

In this book, you'll going to meet the rich, famous, and eccentric of the app development world. This unlikely band of dreamers includes the two brothers from Croatia who have sold over 10 million copies of *Doodle Jump*. The husband and wife team from Washington DC who made a fortune with their $1.99 app, *Harbor Master.* The studio behind *Angry Birds,* whose blockbuster app now looks likely to become a Hollywood feature film. And the makers of *Pocket God* and other smash-hit apps. You'll hear directly from these visionaries and learn their secrets first-hand. It's a weird and wonderful land where bedroom coders turn into millionaires overnight. Where teenaged code-monkeys flirt with venture capital and the good die young, iPhones in hand.
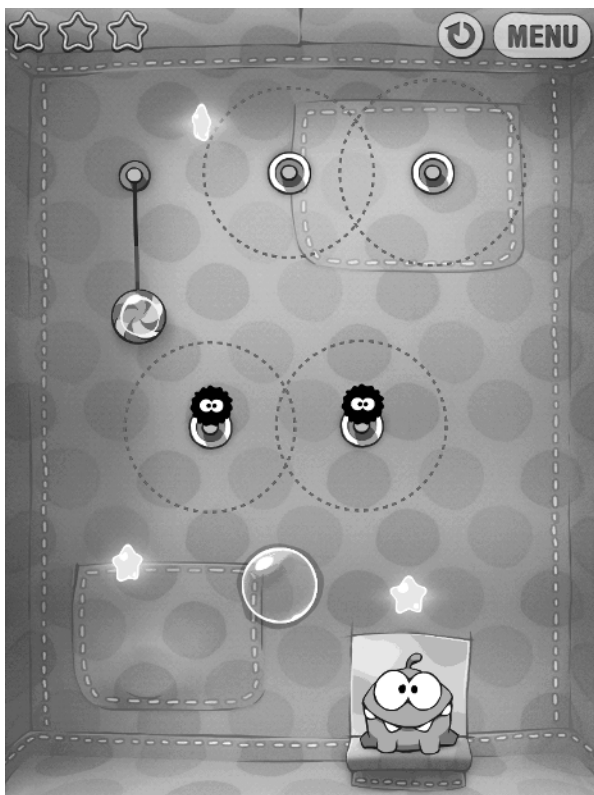
Cut the Rope is just one of many iOS success stories. It sold over one million copies just nine days into its release.

SOURCE: Copyright Chillingo Ltd.

In this book you're also going to meet the underdogs. The broken-hearted, the failures, and the disasters.

The rise of the app has massively altered the public perception of what a software programmer is. It's turned a generation of geeks from social misfits into superheroes. Mention to someone that you make iPhone apps and their interest will pick up instantly. They may even ask if you're a millionaire. This is an astonishing change from what a programmer in the 80s could have expected in reaction to their job description. We now live in an age where companies like Tapulous can, apparently without irony, run a job ad that reads, "We are hiring rock-star developers." Amazingly, if you visit a modern development studio, you may find that the workers are treated a bit like rock stars. The demand for good programmers has never been greater and this is reflected in the perks being offered to entice them to new start-ups.

SUMMARY

A good iPhone programmer is rare and much in demand. The geek-kings you'll learn about in this book have become increasingly aware of their value. The Appillionaires have encouraged a new breed of programmers, born in their image, who are edging toward the golden days of the dotcom bubble — a time when technology geniuses could entrance docile investors with promises of glory. Riding around your Soho loft on a kid's plastic tricycle while the head of marketing squirts you with a water pistol has become socially acceptable again. We live in crazy times.

Here's a roundup of the important points covered in this chapter:

- The cost of playing the Appillionaire game is theoretically low. It's just $99 to join up as an Apple developer. The real expense is the investment of your time, or paying people's salaries.
- Over $250 million is spent at the Apple App Store every month. And it's just the start. The mobile software industry is witnessing explosive growth.
- Even successful developers recognize an element of luck is involved in building a hit app. There are few guarantees.
- Apple has complete editorial control over what goes on the App Store. The Appillionaires have to work within the bounds of what Apple considers acceptable material for sale, both technically and morally.

- Hysterical venture capitalists are investing huge amounts of money into the app scene right now. There couldn't be a better time to seek investment for your grand scheme. Just make sure you have a back-up plan in case things turn apocalyptic — they probably will.

Now you know the basic geography of the Appillionaire's universe, let's take a trip through the door of the world's most mysterious, alluring, and nonsensical shop: The Apple App Store.