



Selected Papers of #AoIR2018:  
The 19<sup>th</sup> Annual Conference of the  
Association of Internet Researchers  
Montréal, Canada / 10-13 October 2018

## APP IMPERIALISM: THE POLITICAL ECONOMY OF THE CANADIAN APP STORE

David B. Nieborg  
University of Toronto

Chris J. Young  
University of Toronto

Daniel Joseph  
University of Toronto

Every day, more than 300 new game applications are released through Apple's iOS App Store, which seems to signal a democratization of cultural production. However, research on app development points towards the many challenges faced by developers (Mosemghvdlishvili & Jansz, 2013). While billions of dollars are spent in app stores around the world, the distribution of app downloads, revenue, and profit is highly concentrated. On a platform level, there is a clear case to be made about "platform imperialism" (Jin, 2013), as two US companies own and operate the main app stores: Apple's iOS App Store and Google's Play Store. Can the same be said for app development? Are US developers also dominating national app stores, resulting in *app imperialism*?

As little is known about the location of successful app developers and their parent-companies, this paper offers an exploratory political economic analysis of Canada's iOS App Store. We focus on game apps because they are consistently the most downloaded and highest revenue-generating app category. Our aim is to determine if Canadian app developers are effective in creating economic value, which we measure as the ability to generate revenue, within their own national App Store. Or, do apps mimic platform level economics and is value predominantly captured by US companies? To explore these questions, we draw on a financial dataset that offers monthly title-level

Suggested Citation (APA): Nieborg, D. B., Young, C. J., Joseph, D. (2018, October 10-13). *App Imperialism: The Political Economy of the Canadian App Store*. Paper presented at AoIR 2018: The 19<sup>th</sup> Annual Conference of the Association of Internet Researchers. Montréal, Canada: AoIR. Retrieved from <http://spir.aoir.org>.

revenue data of apps sold in the Canadian App Store. Given the size of our dataset our initial analysis offers just a small, temporal and regional snapshot of the App Store's political economy. Our analysis, however, does gesture towards the broader critical material issues as it develops theoretical and empirical work related to platform capitalism and app diversity.

### **Platform power**

Our analysis is rooted in critical political economic thought and covers three areas of interest: commodification, structuration, and spatialization (Mosco, 2009). App stores are the starting point for a new cycle of production in the commodification of content through in-app-purchases and advertising. The process of structuration raises questions at the heart of democratic communications: diversity of sources, content, and ultimately, exposure (Napoli, 1999). Spatialization, then, questions the regional nature of cultural production and circulation by analyzing the geopolitical clustering of corporate ownership. Taken together, these processes point towards the unequal distribution of capital, power, and equity in the wider cultural industries. Recent work on "platform capitalism" reaffirms this accumulative logic by acknowledging the outsized position of power of a small group of US platform owners (Srnicek, 2016).

Despite the clear macro-economic picture painted by Srnicek and others, there is a paucity of empirical research into the political economy of national app stores. Therefore, we analyze the plight of Canadian app developers. While app stores exhibit a large degree of source diversity (i.e., a high number of active app developers), we expect that platform-driven winner-take-all effects result in a continuation, if not intensification of the processes outlined by Mosco (2009). That is, in the Canadian App Store we expect to see a large degree of corporate concentration and an outsized presence particularly of US companies.

### **App store economics**

One of the reasons to focus on the Canadian game industry is because it seems successful in creating economic value with almost 600 active studios in prolific communities in Toronto, Vancouver, and Montreal (Entertainment Software Association of Canada, 2017). Yet, historically, regions outside of the US, Western Europe, and Japan, have never been able to translate economic value creation into value capture. For decades profits have flown from local developers to global publishers in the US, the UK, France, and Japan (Johns, 2006). To gain insight into the ability of Canadian app developers to capture value, we used longitudinal financial data furnished by market research company SuperData Research. Given the exploratory nature of our work and the vastness of the full dataset, we culled a smaller snapshot offering monthly, title-level revenue that covers April 2015 and 2016, months we consider average.

We found that revenue distribution for game apps was highly disproportionate: the top-50 captured over 75% (\$10.2 million in April 2015) and 77% (\$11.3 in April 2016) of game app earnings. Note that our data only includes direct revenue, such as the sale of premium games and in-app-purchases. This purposely excludes advertising revenue, which is generated outside of the app stores through a vast and complex ecosystem of third parties. Using these two monthly rankings as a measure for value creation and capture, we then qualitatively coded and analyzed both lists for app-level geographical diversity based on: 1) the listed developer or publisher on the App Store and its country of origin, 2) the credited (i.e. actual) developer and country of origin, and 3) the parent-organization of the credited developer and their country of origin. To verify a listed developer or publisher, credited developer, and parent-organization, company information was gleaned from Canadian App Store pages, developer and publisher websites, news sources, government company registries and the apps themselves.

### **America first, Canada last**

Our initial results reveal that the Canadian App Store is overwhelmingly underrepresented by Canadian-made games and overrepresented by developers, publishers, parent-organizations, and intellectual properties (IP) from the US. In his work on platform imperialism, Jin (2013) points towards IP licensing by US companies as an example of platform power. Indeed, all the Canadian developers in our corpus produced games based on foreign-owned IP. For example, in April 2015 we located only two Canadian developers and no Canadian parent-organizations. Both developers, Bight Games and Blammo Games Inc., were owned by large US publishers. April 2016 painted a similar picture. All titles by Canadian developers worked with licensed IPs, such as *The Simpsons* and Kim Kardashian. Taken together, these findings suggest that while the App Store is an important area of economic growth for Canadian cultural production, any potential growth is predominantly captured by US-owned companies. Japanese, Chinese, and South Korean-owned holding companies trail far behind in terms of value capture.

More so than many other Western countries, Canadian policy makers have been proactive for decades in supporting Canadian-made cultural content, including games. Our exploratory findings challenge the impact of such policies in an ecosystem dominated by US conglomerates that have shown a consistent ability to leverage their high capital position to acquire local studios. While our corpus is limited, it does clearly confirm long-held views of the pervasiveness of US cultural content in Canada. Ultimately, our paper is meant as a first step towards a broader empirical enquiry into questions surrounding app diversity and the political economy of app stores. By doing so, we aim to contribute to research on the platformization of cultural production (Nieborg & Poell, 2018) as well as, by building on the shoulders of critical Canadian media scholars, to the 'material turn' within Internet research.

## References

Entertainment Software Association of Canada. (2017). *Essential facts about the Canadian Video Game Industry*. Retrieved from [http://theesa.ca/wp-content/uploads/2017/10/ESAC2017\\_Booklet\\_13\\_Digital.pdf](http://theesa.ca/wp-content/uploads/2017/10/ESAC2017_Booklet_13_Digital.pdf)

Jin, D. Y. (2013). The Construction of Platform Imperialism in the Globalization Era, *11*(1), 145–172.

Johns, J. (2006). Video games production networks: value capture, power relations and embeddedness. *Journal of Economic Geography*, *6*(2), 151–180.

Mosco, V. (2009). *The political economy of communication* (2nd ed.). Los Angeles: Sage.

Mosemghvdlishvili, L., & Jansz, J. (2013). Negotiability of technology and its limitations. The politics of App development. *Information, Communication & Society*, *16*(10), 1596–1618.

Napoli, P. M. (1999). Deconstructing the diversity principle. *Journal of Communication*, *49*(4), 7–34.

Nieborg, D. B., & Poell, T. (2018). The platformization of cultural production: Theorizing the contingent cultural commodity. *New Media & Society*, 146144481876969. <https://doi.org/10.1177/1461444818769694>

Srnicek, N. (2016). *Platform Capitalism*. Cambridge: Polity Press.