



From: Mark Bozon [REDACTED]
To: Matt Fischer [REDACTED]
CC:
BCC:
Subject: Re: The Information: Hear Steve Jobs, at the Dawn of App Store, Predict the Future of Mobile
Attachments:
Sent: 07/27/2018 06:44:51 AM 0000 (GMT)

Amazing read! Thanks boss!

I've said it to friends, but I will continue to defend this point:

As far as major inventions (especially around information and communication), it goes Printing Press -> Internet -> iPhone. That's our evolutionary track.

-Boz

Sent from my iPhone

On Jul 26, 2018, at 2:02 PM, Matt Fischer [REDACTED] wrote:

Team,

This is super cool and yet another example of how visionary Steve was.

Best,
Matt

Begin forwarded message:

From: Tom Neumayr [REDACTED]
Subject: The Information: Hear Steve Jobs, at the Dawn of App Store, Predict the Future of Mobile
Date: July 25, 2018 at 8:11:46 AM PDT

The Information and The Wall Street Journal have jointly published an audio recording of a August 2008 interview with Steve, discussing the success of the App Store one month after launching. Reporter Nick Wingfield says the recording illustrates "how ahead-of-the-times Mr. Jobs really was," as he viewed the opportunities around mobile software "years before its success became conventional wisdom."

Some key quotes include:

- "We didn't expect it to be this big. The mobile industry's never seen anything like this. To be honest, neither has the computer industry."
- "I actually think the iPhone and the iPod touch may emerge as really viable devices in this mobile gaming market this holiday season."
- "I would not trust any of our predictions because reality has so far exceeded them by such a great degree that we've been reduced to spectators just like you."
- On the potential of the App Store: "We'll be dancing on the ceiling if we cross a half a billion [dollars]. Maybe someday we'll get to a billion."
- "We thought that the input would start to slow down from developers, but it's accelerating."

The Information
Hear Steve Jobs, at the Dawn of App Store, Predict the Future of Mobile

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<https://www.theinformation.com/articles/hear-steve-jobs-at-the-dawn-of-app-store-predict-the-future-of-mobile>

The Information

My 2008 Steve Jobs Interview: Top Quotes

<https://www.theinformation.com/articles/my-2008-steve-jobs-interview-top-quotes>

The Wall Street Journal

'The Mobile Industry's Never Seen Anything Like This': An Interview With Steve Jobs at the App Store's Launch

<https://www.wsj.com/articles/the-mobile-industrys-never-seen-anything-like-this-an-interview-with-steve-jobs-at-the-app-stores-launch-1532527201>

The Information

My 2008 Steve Jobs Interview: Top Quotes

Today, The Information and the Wall Street Journal published a never-before-released audio transcript of an interview I conducted with Steve Jobs in 2008, a month after Apple opened the mobile floodgates by launching the App Store.

And here are some of my favorite quotes from the interview, illustrating how ahead-of-the-times Mr. Jobs really was.

- "Mobile's going to get quite serious."
 - "We didn't expect it to be this big. The mobile industry's never seen anything like this. To be honest, neither has the computer industry."
 - "I've got a great Sudoku game, which I'm actually getting pretty good at. I've got Bloomberg. The Facebook app's pretty cool. A lot of people are using it."
 - "I actually think the iPhone and the iPod touch may emerge as really viable devices in this mobile gaming market this holiday season."
 - "I would not trust any of our predictions because reality has so far exceeded them by such a great degree that we've been reduced to spectators just like you."
 - On the App store's potential: "We'll be dancing on the ceiling if we cross a half a billion [dollars]. Maybe someday we'll get to a billion."
 - "There's never been a mobile platform that's been this powerful before."
 - "We expect it to add value to the iPhone. We'll sell more iPhones because of it."
 - "It's not that certain apps drain the battery life. It's that if you sit around playing apps all day, you will use up the battery."
 - "Our theory on iPhone is that phone differentiation used to be about radios and antennas and things like that. We think, going forward, the phone of the future will be differentiated by software."
 - "We thought that the input would start to slow down from developers, but it's accelerating."
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The Information

Hear Steve Jobs, at the Dawn of App Store, Predict the Future of Mobile

In the summer of 2008, I got an unusual invitation: Steve Jobs, then Apple's chief executive officer, wanted me, then a Wall Street Journal reporter, to come to Apple headquarters to hear how well a fledgling online service for the iPhone—the App Store—did in its first month in business. Even more unusual, he allowed me to record our meeting.

The recording of that interview, which The Information and Wall Street Journal are jointly publishing for the first time, is an opportunity to hear, in vivid form, how Mr. Jobs viewed the opportunity presented by mobile software years before its success became conventional wisdom. Apple celebrated the tenth anniversary of the App Store on July 10, noting that developers have earned more than \$100 billion through the store over that decade—which surely qualifies it as one

of the biggest channels for distributing software, if not the biggest, in history. The App Store went on to play a pivotal role in the success of the iPhone, which in turn transformed Apple into the most valuable company on the planet. A few companies that owe a lot of their success to mobile apps—Uber, Facebook, Spotify—have come along for the ride.

Big things have small beginnings though, as the character Mr. Dryden says in “Lawrence of Arabia.” In August 2008, Mr. Jobs was excited to tell the world how the App Store paid out \$21 million to developers in its first 30 days, a number that seems almost comically small in retrospect. In contrast, for the 12 months that ended on June 30 of this year, developers earned roughly \$30 billion through the App Store.

“Who knows?” Mr. Jobs asked rhetorically in the 2008 interview. “Maybe it’ll be a billion-dollar marketplace at some point in time.”

Mr. Jobs, who died three years later, could be a prickly interview for reporters. August 8, 2008, was not one of those times. He was in an expansive mood for our meeting that day, as he sat in the Apple boardroom for a nearly hour-long interview. He consented to my request to record the conversation so I could ensure I didn’t miss any details, something he rarely agreed to allow. His communications chief at the time, Katie Cotton, was also present and is heard in a couple spots in the interview.

Mr. Jobs’s confidence about the mobile business holds up remarkably well. At one point, I asked him skeptically how much of the audience of Facebook—then just three years old—could one day come from mobile. Mr. Jobs believed it was going to be big. More than 90% of Facebook’s ad revenue now comes from mobile.

“I think there are a lot of people, and I’m one of them, who believe that mobile’s going to get quite serious,” Mr. Jobs said.

Here is a link to the Wall Street Journal article being published simultaneously. And here is a full transcript of the interview, with very minor edits.

NICK WINGFIELD: Monday is the one month anniversary, right?

STEVE JOBS: Yes, 30 days.

Thirty days. How's it doing?

It's doing great. Could I start off by giving you a little bit of a conceptual framework?

The way we think about this is that the App Store is to iPhone like iTunes is to iPod. Just like with the iPod, where we enhanced it with an internet service to bring content to it, we're doing the same thing with the iPhone.

We're enhancing it with an internet service to deliver content right to the phone. In this case, since we already bring the iTunes music content to the phone, we're bringing applications.

We think that the result...It's the same exact strategy as the iPod. Enhance the device with internet-delivered content. Beyond iTunes, we can wirelessly deliver the content right on the device, without a PC. We can automatically update the apps. It's standing on the shoulders of iTunes.

It's built on the same iTunes infrastructure, including all the storage and all the billing and getting email receipts and all of that kind of stuff.

The downloads are fast and reliable because it's the same system as iTunes. Customer reviews, buying with one tap, just like one click on music and stuff. No one's ever duplicated iTunes in over five years. This'll be even harder because it's built on top of it.

We think strategically it's a pretty big deal. How's it done? We have over 1,500 applications on the App Store today. We thought that the input would start to slow down from developers, but it's accelerating.

How many new ones a day? Do you know?

I could find out for you. My gut is that we're seeing around 50 new apps a day coming in.

Those are all through some sort of vetting process, right?

They're submitted electronically. We set up this whole electronic submission process for music and TV shows and other things. We're just using it with the developers to submit their apps.

We do look at them. We're in the early stages of that. We have put up some apps that we've pulled down.

There's taste issues.

There's a few taste issues. We don't put up porn, obviously, but there's also copyright issues. There was one nice movie app that put up Rotten Tomatoes scores. Fox, who owns Rotten Tomatoes, called us up and said, "They don't have the rights to do that."

We have to go back to them and say, "Hey, we've got to take your app down." Copyright owners have given some inputs here. We have to take the apps down until they work it out with the copyright owner.

Have you had any malware issues at all?

None.

No?

No. But you know...

It could happen.

[Mr. Jobs knocks on the table]

There was this other separate issue that came up this week about the iPhone "calling home" to some URL that might contain a blacklist. Is that just for deactivating something that's been installed on iPhones out there?

We've taken a multilayered approach to try to keep the iPhone reliable and secure for our customers.

If an app was ever to get out there that we didn't catch on the App Store, that did something malicious with your private data, as an example, we could stop selling it. But we'd also like a way to have it stop working on the current phones. Hopefully, we never have to pull that lever.

It hasn't happened yet.

No. Hopefully, it never will, but we would be irresponsible not to have a lever like that to pull.

As I mentioned, over 1,500 apps, 27% of them are free, leaving 73% paid. Of the paid apps, over 90% are under \$10.

APPLE COMMUNICATIONS CHIEF KATIE COTTON: Nick asked me earlier if that was tracking to what we saw early on.

MR. JOBS: Yes. 27 free, 73 paid, and of the paid, over 90% under \$10. What you really want to know is how many apps have been downloaded. I'm going to put everything in terms of next Monday because we can project very accurately, over 60 million apps.

Users have downloaded over 60 million apps from the App Store in the first 30 days.

What's the installed base of iPhones?

We can't tell you that.

The last publicly released figure was six [million].

This is iPod touches, but not necessarily all of those six have upgraded to iPhone 2.0 software, which lets you get the App Store. I can't give you a number because we're in the middle of the quarter.

You couldn't tell me how many apps per iPhone.

I can't do that either, but I can tell you an interesting fact in just a second. Users have downloaded over 60 million apps from the App Store in the first 30 days. Let's say we're talking on Monday. That is 30% as big as iTunes for music downloads.

In terms of on a unit basis.

Yeah. Let me say that again. App downloads equal 30% of all iTunes song downloads during the last 30 days.

On a unit basis, so 30%.

Unit basis, yes.

There were 180-plus million.

No, 200 million.

200 million for the last 30 days.

Roughly.

What does that number say to you?

It says the App Store is much larger than we ever imagined, iTunes has been out for over five years. In 30 days, users downloaded 30% as many apps as everybody in the world downloaded songs from iTunes.

What did you expect? What was your internal...

We didn't expect it to be this big. The mobile industry's never seen anything like this. To be honest, neither has the computer industry. [laughs] Sixty million downloaded applications in the first 30 days. Thirty percent as big as iTunes song downloads during the last 30 days—this is off the charts.

The 60 million downloaded is the percentage of those...I'm sure the percentage of free apps downloaded is quite high. Is that a safe assumption to make?

Yes.

Can you tell me what percentage of them were free versus paid?

I don't know off the top of my head, but the majority, clearly, which is great. Our purpose in the App Store is to add value to the iPhone. Free apps do that just as well as paid apps sometimes. We love free apps.

You, as you said the last time we talked, don't expect to make...

By the way, some free apps have back-end service components that they charge for. A perfect example is like Epocrates. The Epocrates app is a free app. They'll give you a free database when you go to their website and register, but then they have all of these other products that they will sell you the services for.

Upsell.

On Epocrates, you should go visit them.

You should talk to Kurt. They exceeded their whole year forecast for iPhone downloads in the first two weeks. He could probably give you some pretty interesting...

Do you know how it compares to their other platforms that they're on? They're a pretty mature product.

You should ask Kurt. He's told me some things. I don't know how much I'm free to say. They're very happy.

The service fees, the advertising that appears, you guys don't participate in that.

No, we don't.

OK. The 70-30 split, are the economics of this working out the way that you had said when we last spoke, which is that you might make some money, but you don't expect it to be a big source of profits?

Yeah. It's just like iTunes.

Even with the huge popularity of this, you don't...

No. It costs money to run it. Those free apps cost money to store and to deliver wirelessly. The paid apps cost money, too. They have to pay for some of the free apps. We don't expect this to be a big profit generator. We expect it to add value to the iPhone. We'll sell more iPhones because of it.

Do you think that's started to happen?

I think the App Store has gotten a lot of attention. It takes it into a whole new category that no mobile device has ever been in before.

Every time I write about the amount of developer support that you have on iPhone, I hear from a bunch of other people who have been doing BREW applications for years. People say, "No, this is nothing new. There is a whole ecosystem around Windows Mobile, around Java, BREW, for other types of phones." How do you think these apps compare to those?

Two or three things. No. 1, if you talk to developers that are developing for the iPhone, what you'll hear from them unanimously is two things. There's never been a mobile platform that's been this powerful before.

As an example, when we were working with some of the first developers under the radar before we launched, they first sent their mobile teams here. When they realized how powerful the platform was, they sent their desktop teams here or their console teams here.

They realized that the quality of the graphics, the animation, the processing and the memory really made this much more capable as a platform than any other mobile platforms. We're hearing that from every developer.

The second thing we're hearing is that the development environment is far more advanced than they had ever seen on a mobile platform before. The APIs are in another league, the whole development cycle, the debug tools, etc. That's just to develop the app.

Once your app is developed, to be able to submit it to Apple and have us take care of all of the marketing, wireless distribution, billing and all the transactional stuff for you, and deliver it right on the handset, that doesn't exist today. There are some websites that will do some of that for you. They don't deliver it to the phone.

They go and...

Yeah, they'll deliver it to your PC. You can sideload it, this and that. They charge a lot more than we do for doing a fraction of what we do.

Do you know what the revenue split is on these other sites?

The minimum is 50-50. Generally, it can go into the 70% or more.

On the other side of the equation, 70 to the distributor and 30 to the developer?

Yes. It's at least 50. We've heard it goes up to 70. They do a lot less than we do. They don't get it in front of every user. You have to go to a website. You have to buy it on your PC, blah blah blah.

How does this feel in comparison with the early days of the Macintosh? Do you think the third-party apps for iPhone will be as important driving the appeal of the platform as third-party apps were for Mac?

Take Epocrates. I mean, if you go talk to those guys, Epocrates has been huge. That allows medical professionals to use the iPhone for something that has nothing to do with making phone calls, nothing to do with browsing the web, and nothing to do with an iPod, the core things that we've put in there.

It's taking the iPhone into a territory that most mobile devices have never gone into before. I think that the developers are sensing something really different here than has ever existed.

How much money has been made?

I'll tell you. The total revenue has been \$30 million in the first 30 days. Developers get 70% of that. Developers get \$21 million. Nine of that \$21 million is going to the top 10 developers. A lot of small developers are making a lot of money. This is just in the first month.

That has exceeded your forecast?

Yeah. Look, just take 30...Remember, we're on a ramp. There's going to be even a lot more iPhones out there in the future and a lot more iPod touches. We're already at a \$360 million a year run rate. This thing is going to crest to half a billion soon.

Who knows? Maybe it'll be a billion-dollar marketplace at some point in time. This doesn't happen very often. A whole new billion-dollar market opens up: 360 million in the first 30 days, I've never seen anything like this in my career for software.

You can't tell me how many iPhones you have out there buying these, but...

I wish I could, but I can't.

Is it concentrated to a percentage of your user base, would you say, or...

It appears to be very wide.

I have met a few people who had bought 30 apps. Everybody I know that has an iPhone has bought a handful and enjoys it.

Looking at iTunes, if you sold 200 million in the past 30 days, that's \$200 million or so. Will you exceed the revenue for iTunes pretty soon on the music and movie side?

If one is 30 million and the other is 200 million in music, that's a ways to go.

I don't know what the correct trajectory is for music. I'm assuming this is growing more quickly.

It is off a smaller base. It started from zero, obviously. Music is a two and a half billion-dollar business a year for us. I'm thrilled at \$360 million a year run rate. We'll be dancing on the ceiling if we cross a half a billion. Maybe someday we'll get to a billion.

I think we're not quite in the same league as music, but I think this is really significant. Who knows, in the fullness of time? I don't know.

What are the top three...I can see the bestseller list. What are the top three paid apps or top...

You can see right on your iPhone. Look right now, [inaudible 18:42]. We're very open.

It fluctuates, I'm sure some, right?

Yeah. You mean like who got the money?

Yeah. For the first 30 days.

I can't say because they don't actually...some of them don't want people to know. We actually were putting the number of downloads on every app initially, if you went and looked...

So you could find them.

...but we were asked to take that down.

By the developers?

Yeah. OK. Let's see.

I'm sure SEGA is one of the happy bunch, right?

I would say SEGA is very happy, yes. Here's the top 25. You got paid, free. We separate it out because free would always be if there was this one list that would always be free.

Mostly games.

I don't know what Ambiance does. Recorder is not a game. It's something you might find useful, [inaudible 19:40] that someday.

IBeer.

IBeer yeah. [laughs] Units is not a game. Units is actually useful, a converter, but yes, a lot of games.

I think there was a story I read a couple days ago about some developers bringing the price down on the apps. Have you noticed that?

Yes. There was an article written in CNET. I believe it was CNET. No. It was on MacDailyNews, where somebody was saying this was a terrible thing for developers. They cited this one company, Jirbo. I just copied down. Did you see Jirbo's reply?

No. No, I didn't.

I copied it down. I thought you might want to take a look at this. I found this really fun. You'll see what I meant. The founder replied and said, "We couldn't agree more with your take. Jirbo sees the App Store..." because the magazine said this is ridiculous, or the website, "...App Store is the biggest boon in mobile history and we love Apple for it. Our experience is actually the exact opposite. That is, the iPhone halo effect actually has reached us and in fact exceeded any of our wildest expectations. Our highest grossing app is actually our most expensive, Paper Football, at \$4.99."

"The app store has revolutionized mobile. We have close to two million downloads in about three weeks. About 60,000 of them are paid. I'm hoping you can set the record straight that the App Store is providing companies with never before imagined distribution and revenue." That'd be one to call up.

The prices that have come down, what do you make of that? Is it people just testing the waters initially, with prices that were...?

It's competition. Who knew what to price things at? I think some of the folks have come down from \$10 to \$5, and see their sales go up more than 2X. I think these guys are trying to maximize revenue and they're experimenting.

They could ask us, "What should we do?" and we're going to say, "We don't know." Our opinions are no better than yours because this is so new.

If this isn't a direct source of profits, are you counting on people getting to the point where the apps in some way are selling the device?

We'd love that idea. Music sells the iPod.

Music is a little bit different, in that there are lots of different sources of music. iTunes is just one of them. There is piracy, there is...

iTunes is now the largest legal one.

How does it compare to the music? You yourself have said, in comparison with the...if you were to look at the average iPod, there's probably a lot more pirated and stuff ripped from personal collections. In this case, you are the sole distributor of the apps. I'm wondering if there is that...

The question is?

The question is, you got multiple channels, multiple places to go to get music. The music really is selling the devices. Can it ever reach to that level, when you're trying to do it all yourself on the apps?

Remember, most mobile devices don't have apps. Of the ones that do, the apps are typically really...what's the right word? [laughs] Lame. It's not very easy to find them or buy them. The iPhone experience is quite unique, both for users and for developers.

I don't know that the user requires 23 distribution channels. I think what they would like is as many great apps as they can get. What we've tried to do is to construct...a frictionless marketing, distribution and transaction system for both the developer and the user so that the user can get what they want.

It's a lot of work. I don't know if other people will try to do it. I don't think it's about how many of the distribution systems you have. I think it's about how many great apps you have. We think we'll attract great developers to write great apps because our platform is so advanced, they can write way better apps on an iPhone than any other mobile device.

When they get done, we have this frictionless marketing distribution transaction engine where they can get them right in front of the customer's eyes.

How important is exclusivity when it comes to these apps?

We don't have exclusivity with any developer.

But the...

We have an app. We haven't asked for exclusivity.

No, I realize that, but do you think at any point the appeal of iPhone will be you can get apps that you can't get anywhere else?

I think that's true right now.

Because the platform's more powerful?

Yeah, I think that's true today. That's what's attracting all the developers. They can develop apps for iPhone that they could never develop on another platform. Developers are saying this, you've heard this. Our job is to stay ahead.

What do you think this is going to mean for developers if you're out there building software today, not necessarily mobile software, but can you look at this as a pure market for the PC and Mac market in terms of the revenue opportunity? Is it bigger?

Let me characterize what I've seen with my own eyes that's happened in the last 90 days. I've seen one- or two-person teams develop amazing applications, and they're ready to go in less than 90 days, and that are up on the App Store—we're running an average of 48 hours after submission and they're up in the store. Forty-eight hours after they submit, they are in front of millions and millions of customers.

How automated is that process?

It's reasonably automated. We do look at the apps, though. There are humans involved.

There are humans that can tell if there's something funky code-wise, if it's going to do a bad thing?

We run tools on them, and we also look at them. I think we'll be getting better at that over time.

Are there people who can't get their apps up and are frustrated by that, do you think?

We've had a few apps submitted that I don't think will ever be on the store anymore.

Why?

We're not putting porn up. We have some editorial limits. We think we're really reasonable, but there are certain places we don't want to go.

You're saying that you're describing what you're seeing with your own eyes?

Yeah. We've seen teams of one, two people in 90 days make a great app, that you could never make on a mobile device before, submit it in 48 hours. It's up in front of millions and millions of customers with a full, robust, digital, wireless delivery system and transaction system and everything all done for them.

They're collecting checks 30 days later. By the way, we give them really good reporting too, unlike anything they've gotten before, because we develop extremely good reporting for the music industry in Hollywood and things like that.

How quickly do they get reports? Is it a weekly occurrence?

They get reports, I believe weekly, yeah. Actually no, it's a website that they can log into. They might be able to log into it daily. I don't know. Hold on. I'll find out real quick.

[Mr. Jobs calls Apple executive Eddy Cue] Hi, Eddy. How often can developers check in to get their reports? Daily? Got it, thanks, all right. Bye-bye. They can check into it whenever they want. It updates once a day. It's every developer, not just the big ones.

Can you tell me a little bit about how you've had—since this has blown away your expectations—off-the-charts success, have you had to do things differently internally to keep up with this demand?

Sure.

Like what, for instance?

As an example, Apple's worked with developers for over 30 years. We think we understand some of the things that we can do to help. We've got a developer relations group that's been working with developers on Mac OS X for many years that's hundreds of people. We created a special group to work with developers on these new iPhone apps.

We created a special team also to vet the apps once they're submitted. We've been able to staff up those teams to greater levels than we originally anticipated like that, just by moving people over here.

Moving them from Mac?

Yeah, as an example.

Are those permanent moves?

We'll backfill. We'll obviously hire. For the time being, we can just move lots of people over.

Can you say what percentage of the staffing you're at in the iPhone group compared to Mac?

I don't know.

Ballpark. Are we talking hundreds of people also for iPhone, or is it dozens?

No, I think you're talking probably on the order of...well, to do which job?

You said there's the vetting and then there's the potential helping and...

Yeah, developer relations. Developer relations is, for iPhone, we've been building that for a while. That's somewhere between one and two hundred people. The vetting process is dozens. I don't know how many exactly, but it's dozens.

It's not an insignificant number of people compared to Mac, in other words...

Correct. This is a really big deal. This is a really big deal.

MS. COTTON: They're helping the developers.

Yeah, of course.

MS. COTTON: A lot of times, the developer will submit. They'll have a problem. They'll help them through it.

We help put processes together for them, that are developer friendly and stuff. We understand developers pretty well and want to help them be successful.

Do you know roughly what the number of Mac applications sold or downloaded is compared to...I'm just wondering if there is some comparison.

There's no central place, so I don't know. I know compared to the mobile industry, we're probably, of the apps downloaded in the last 30 days, I would imagine we're 95% of them.

You're a relatively small installed base compared to some of these other platforms.

Most of these other platforms, you can't really run apps on.

Windows Mobile, you can. There's a lot of Windows Mobile phones, right?

Yeah.

Nokia phones, aren't they...

Not most of them, no. You could run these little Java games, but they're so bad that nobody really does.

Do you think that the competition is responding to your success on the app side in some visible way?

Well, our theory on iPhone is that phone differentiation used to be about radios and antennas and things like that. We think, going forward, the phone of the future will be differentiated by software.

That was our theory going into this market, that we were reasonably good at creating innovative software and that we could leverage a tremendous amount of software that we've been working on for the last decade and actually put it in a mobile device.

The core OS X, a UNIX operating system, all the graphics know-how, all the communications know-how, all the email know-how, and just all that, all the user interface know-how, we could bring that to bear on a phone.

The App Store is just one more example of software. It's just like the iPod. It's software on the device. It's software in the cloud, in the backend service. So to compete with it, one needs a platform that's capable of writing really good software on.

Then one needs to be able to put together a whole system with a backend cloud, App Store and the client, but then also sell developers that the phone itself has good enough software that's worth writing apps on.

Isn't that the vision Google has as well, though, with Android?

We'll see. We'll see what kind of apps they get.

Symbian? Nokia has now made some moves with respect to Symbian. Do you think that people are recognizing the increased importance of software as it could promote mobile devices?

Clearly, but recognizing it and delivering it are two different things.

Are there any other statistics that you think I should ask you about right now, that I haven't asked you?

There's only one other thing that's interesting to me, which is that as you mentioned, the largest category of apps, by no means the majority, but the largest category of apps is games.

You've got everything from games to medical software to business analytics software to all sorts of stuff on it, but games is the single biggest category. I did dig up some information on the mobile gaming market for myself.

Also, I'll share it with you: 20 million handheld gaming players are expected to be sold this holiday season, for about \$3 billion in revenues.

Twenty million handheld gaming devices.

Players.

Players, mobile phones?

No. This is the No. 1 and 2 are the Nintendo DS and the Sony PSP. We've got two contenders for that. We've got the iPhone, which costs zero if you have it as a phone, zero incremental to have it as a game player. Then we've got the iPod touch, which currently sells for \$299, but who knows what could happen over time there.

On the Nintendo and Sony, the average game title, at the street level, costs \$30. Our average game title's less than 10, some are free. It's delivered instantly right on your device, which of course is not the case with these other guys.

I actually think the iPhone and the iPod touch may emerge as really viable devices in this mobile gaming market this holiday season.

Is there anything that you're doing to market those capabilities for the...?

Not yet.

I'm not going to start seeing you at E3?

No.

Do you think we should look for advertising that stresses this message?

I don't know. I just find it very interesting.

Is gaming something that Apple has a lot of experience with, do you think?

No, I don't, except that we sure delivered a lot of games in the last 30 days.

Nintendo's a company that's firing on all cylinders.

Yeah, they're doing great.

You guys are the upstarts in the games market here.

We're not even in the game, I'm just noting this as an interesting thing.

Was this thing even something that you thought when you were building this iPhone app business, the infrastructure for it, that, shoot, games is going to be the killer third-party app?

No, we thought games would be a part of it, but I've always been excited about Epocrates and some of the medical apps. There's people that are excited about this category, that category.

I think you guys have said that you see the iPod that's sort of a stand-alone MP3 player evolving into a wireless-enabled device.

I think there's going to be two kinds of devices in the music space. One is going to be just the pure evolved music device. People want it for music, maybe music videos, maybe occasional movie, but they really want it for music.

That would be a device that just keeps evolving, getting better.

Certain apps drain the battery life quickly. Have you give any reaction to that?

It's not that certain apps drain the battery life. It's that if you sit around playing apps all day, you will use up the battery. [laughs] If you want to use apps all day, the battery life on here is over five hours of talk time and browse time and everything else.

If you want to use it for 10 hours a day, then you're going to burn through that battery after about five. You'll have to recharge it during the day or use it...

There's been some discussion with the iPod, the fact that you invest all this money in music from iTunes. The only mobile device it works on is your iPod or your iPhone and that that somehow might keep people locked in to your platform.

I'm sure you would dispute that that's part of Apple's goal, but would you agree that when you invest in these apps as a consumer for iPhone that the switching cost will increase, that you retain people?

It's just like if you buy a Windows computer and you buy a suite of apps for Windows. It's harder for us to switch it to a Mac because you have to change your software. We run across that all the time as a switching...

Can you talk at all about what you see for the coming year in terms of new apps? Do you have a number of apps that you expect to be up on the App Store by a particular date?

I would not trust any of our predictions because reality has so far exceeded them by such a great degree that we've been reduced to spectators just like you, watching this amazing phenomenon and just doing our best to try to help everybody get their apps done and get them on the store.

What third-party apps are you using on your iPhone?

I bought some games. Yelp. I like Yelp. I bought Mandarin. You know Mandarin Phrase? Have you seen that?

No.

This one's cool. It's a Mandarin audio phrasebook. This would be great if you were at the Olympics today. I've got the New York Times app. The Wall Street Journal doesn't have an app. [laughter] I've got Epocrates, I've got Anatomy. You've seen the Netter's Anatomy, right?

Yeah, that's the one with all the colorful illustrations.

Yeah, I've had their book forever, and I love anatomical drawings. I've got Facebook, I've got Units, I've Sudoku. I've got a great Sudoku game, which I'm actually getting pretty good at. I've got Bloomberg. The Facebook app's pretty cool. A lot of people are using it.

Facebook is doing an app for BlackBerry.

Yeah, but if you go talk to them, the best one by far is on the iPhone, so I'll take that.

How much of the traffic to a site like Facebook might come from iPhone? How any of these guys...because I know Google I think has talked about iPhone being the No. 1, by far, mobile search product.

By far. And bought mobile maps and everything, Facebook would tell you. I believe if you talked to Facebook they would also tell you some statistics that are similar to that on the iPhone Facebook app.

If you looked at overall traffic...

How serious will mobile be relative to desktop is your question.

Yeah.

I think there are a lot of people, and I'm one of them, who believe that mobile's going to get quite serious because there are things you can do...Obviously, mobile's with you all the time, but there's services you can provide with mobile that obviously are not relevant on a desktop, such as location-based services integrated into your application.

They can be mighty useful and we're just at the tip of that. That's going to be huge, I think.

The Wall Street Journal

'The Mobile Industry's Never Seen Anything Like This': An Interview With Steve Jobs at the App Store's Launch
Hear reporter Nick Wingfield's 2008 conversation with the tech pioneer as the App Store turns 10

July 25, 2018 10:00 a.m. ET - Apple recently marked the 10th anniversary of the App Store—its online vehicle for distributing iPhone and iPad applications—with a retrospective on its website, noting that developers have earned more than \$100 billion through the store over its life span.

Shortly after the App Store opened for business a decade ago, Apple CEO Steven P. Jobs was thrilled to have paid just \$21 million to developers in the first 30 days after its launch. In early August 2008, he invited Nick Wingfield, then a reporter for The Wall Street Journal, to the company's headquarters in Cupertino, Calif., for an on-the-record interview.

In the interview, which Mr. Jobs allowed to be recorded, the Apple chief predicted that the mobile business could one day become far larger—forecasts that, in hindsight, were not bold enough.

Below is the lightly edited audio recording and transcript of that interview from Aug. 7, 2008, which the Journal is jointly publishing for the first time with The Information, a technology news site where Mr. Wingfield is now a senior editor.

[AUDIO RECORDING EMBEDDED IN WSJ]

NICK WINGFIELD: Monday is the one month anniversary, right?

STEVE JOBS: Yes, 30 days.

MR. WINGFIELD: 30 days. How's it doing?

MR. JOBS: It's doing great. Could I start off by giving you a little bit of a conceptual framework?

MR. WINGFIELD: Yeah.

MR. JOBS: The way we think about this is that the App Store is to iPhone like iTunes is to iPod. Just like with the iPod, where we enhanced it with an internet service to bring content to it, we're doing the same thing with the iPhone.

We're enhancing it with an internet service to deliver content right to the phone. In this case, since we already bring the iTunes music content to the phone, we're bringing applications.

We think that the result...It's the same exact strategy as the iPod. Enhance the device with internet-delivered content. Beyond iTunes, we can wirelessly deliver the content right on the device, without a PC. We can automatically update the apps. It's standing on the shoulders of iTunes.

It's built on the same iTunes infrastructure, including all the storage and all the billing and getting email receipts and all of that kind of stuff.

The downloads are fast and reliable because it's the same system as iTunes. Customer reviews, buying with one tap, just like one click on music and stuff. No one's ever duplicated iTunes in over five years. This'll be even harder because it's built on top of it.

We think strategically it's a pretty big deal. How's it done? We have over 1,500 applications on the App Store today. We thought that the input would start to slow down from developers, but it's accelerating.

MR. WINGFIELD: How many new ones a day? Do you know?

MR. JOBS: I could find out for you. My gut is that we're seeing around 50 new apps a day coming in.

MR. WINGFIELD: Those are all through some sort of vetting process, right?

MR. JOBS: They're submitted electronically. We set up this whole electronic submission process for music and TV shows and other things. We're just using it with the developers to submit their apps.

We do look at them. We're in the early stages of that. We have put up some apps that we've pulled down.

MR. WINGFIELD: The I Am Rich app?

MR. JOBS: The I Am Rich app. We pulled one down today, which was the...

[APPLE COMMUNICATIONS CHIEF] KATIE COTTON: [inaudible 3:05]

MR. JOBS: No, the knife app. What was that called? There was one that put up...Anyway.

MR. WINGFIELD: There's taste issues.

MR. JOBS: There's a few taste issues. We don't put up porn, obviously, but there's also copyright issues. There was one nice movie app that put up Rotten Tomatoes scores. Fox, who owns Rotten Tomatoes, called us up and said, "They don't have the rights to do that."

We have to go back to them and say, "Hey, we've got to take your app down." Copyright owners have given some inputs here. We have to take the apps down until they work it out with the copyright owner.

MR. WINGFIELD: Have you had any malware issues at all?

MR. JOBS: None.

MR. WINGFIELD: No?

MR. JOBS: No. But you know...

MR. WINGFIELD: It could happen.

MR. JOBS: [knocks on the table]

MR. WINGFIELD: There was this other separate issue that came up this week about the iPhone "calling home" to some URL that might contain a blacklist. Is that just for deactivating something that's been installed on iPhones out there?

MR. JOBS: We've taken a multilayered approach to try to keep the iPhone reliable and secure for our customers.

If an app was ever to get out there that we didn't catch on the App Store, that did something malicious with your private data, as an example, we could stop selling it. But we'd also like a way to have it stop working on the current phones. Hopefully, we never have to pull that lever.

MR. WINGFIELD: It hasn't happened yet.

MR. JOBS: No. Hopefully, it never will, but we would be irresponsible not to have a lever like that to pull.

As I mentioned, over 1,500 apps, 27% of them are free, leaving 73% paid. Of the paid apps, over 90% are under \$10.

MS. COTTON: Nick asked me earlier if that was tracking to what we saw early on.

MR. JOBS: Yes. 27 free, 73 paid, and of the paid, over 90% under \$10. What you really want to know is how many apps have been downloaded. I'm going to put everything in terms of next Monday because we can project very accurately, over 60 million apps.

MR. WINGFIELD: [laughs]

MR. JOBS: Users have downloaded over 60 million apps from the App Store in the first 30 days.

MR. WINGFIELD: What's the installed base of iPhones?

MR. JOBS: We can't tell you that.

MR. WINGFIELD: The last publicly released figure was six [million].

MR. JOBS: Yeah, that's...

[crosstalk]

MR. WINGFIELD: This is iPod touches, as well, right?

[crosstalk]

MR. JOBS: This is iPod touches, but not necessarily all of those six have upgraded to iPhone 2.0 software which lets you get the App Store, I can't give you a number because we're in the middle of the quarter.

MR. WINGFIELD: You couldn't tell me how many apps per iPhone.

MR. JOBS: I can't do that either, but I can tell you an interesting fact in just a second. Users have downloaded over 60 million apps from the App Store in the first 30 days. Let's say we're talking on Monday. That is 30% as big as iTunes for music downloads.

MR. WINGFIELD: In terms of on a unit basis.

MR. JOBS: Yeah. Let me say that again. App downloads equal 30% of all iTunes song downloads during the last 30 days.

MR. WINGFIELD: On a unit basis, so 30%.

MR. JOBS: Unit basis, yes.

MR. WINGFIELD: There were 180 plus million.

MR. JOBS: No, 200 million.

MR. WINGFIELD: 200 million for the last 30 days.

MR. JOBS: Roughly.

MR. WINGFIELD: What does that number say to you?

MR. JOBS: It says the App Store is much larger than we ever imagined, iTunes has been out for over five years. In 30 days, users downloaded 30% as many apps as everybody in the world downloaded songs from iTunes.

MR. WINGFIELD: What did you expect? What was your internal...

[crosstalk]

MR. JOBS: We didn't expect it to be this big. The mobile industry's never seen anything like this. To be honest, neither has the computer industry. [laughs] 60 million downloaded applications in the first 30 days. 30% as big as iTunes song downloads during the last 30 days, this is off the charts.

MR. WINGFIELD: The 60 million downloaded is the percentage of those...I'm sure the percentage of free apps downloaded is quite high. Is that a safe assumption to make?

MR. JOBS: Yes.

MR. WINGFIELD: Can you tell me what percentage of them were free versus paid?

MR. JOBS: I don't know off the top of my head, but the majority, clearly, which is great. Our purpose in the App Store is to add value to the iPhone. Free apps do that just as well as paid apps sometimes. We love free apps.

MR. WINGFIELD: You, as you said the last time we talked, don't expect to make...

MR. JOBS: By the way, some free apps have back-end service components that they charge for. A perfect example is like Epocrates. The Epocrates app is a free app. They'll give you a free database when you go to their website and register, but then they have all of these other products that they will sell you the services for.

MR. WINGFIELD: Upsell.

MS. COTTON: [inaudible 9:25] talking about it, because his wife's a doctor.

MR. JOBS: On Epocrates, you should go visit them.

MR. WINGFIELD: Yeah, I've talked to the...

MR. JOBS: You should talk to Kurt. They exceeded their whole year forecast for iPhone downloads in the first two weeks. He could probably give you some pretty interesting...

[crosstalk]

MR. WINGFIELD: Do you know how it compares to their other platforms that they're on? They're a pretty mature product.

MR. JOBS: You should ask Kurt. He's told me some things. I don't know how much I'm free to say. They're very happy.

MR. WINGFIELD: The service fees, the advertising that appears, you guy don't participate in that.

MR. JOBS: No, we don't.

MR. WINGFIELD: OK. The 70-30 split, are the economics of this working out the way that you had said when we last spoke, which is that you might make some money, but you don't expect it to be a big source of profits?

MR. JOBS: Yeah. It's just like iTunes.

MR. WINGFIELD: Even with the huge popularity of this, you don't...

MR. JOBS: No. It costs money to run it. Those free apps cost money to store and to deliver wirelessly. The paid apps cost money, too. They have to pay for some of the free apps. We don't expect this to be a big profit generator. We expect it to add value to the iPhone. We'll sell more iPhones because of it.

MR. WINGFIELD: Do you think that's started to happen?

MR. JOBS: I think the App Store has gotten a lot of attention. It takes it into a whole new category that no mobile device has ever been in before.

MR. WINGFIELD: Every time I write about the amount of developer support that you have on iPhone, I hear from a bunch of other people who have been doing BREW applications for years. People say, "No, this is nothing new. There is a whole ecosystem around Windows Mobile, around Java, BREW, for other types of phones." How do you think these apps compare to those?

MR. JOBS: Two or three things. No. 1, if you talk to developers that are developing for the iPhone, what you'll hear from them unanimously is two things. There's never been a mobile platform that's been this powerful before.

As an example, when we were working with some of the first developers under the radar before we launched, they first sent their mobile teams here. When they realized how powerful the platform was, they sent their desktop teams here or their console teams here.

They realized that the quality of the graphics, the animation, the processing and the memory really made this much more capable as a platform than any other mobile platforms. We're hearing that from every developer. You heard [videogame designer John] Carmack's comments, right?

MR. WINGFIELD: Mm hmm.

MR. JOBS: The second thing we're hearing is that the development environment is far more advanced than they had ever seen on a mobile platform before. The APIs are in another league, the whole development cycle, the debug tools, etc. That's just to develop the app.

Once your app is developed, to be able to submit it to Apple and have us take care of all of the marketing, wireless distribution, billing and all the transactional stuff for you, and deliver it right on the handset, that doesn't exist today. There are some websites that will do some of that for you. They don't deliver it to the phone.

MR. WINGFIELD: They go and...

[crosstalk]

MR. JOBS: Yeah, they'll deliver it to your PC. You can sideload it, this and that. They charge a lot more than we do for doing a fraction of what we do.

MR. WINGFIELD: Do you know what the revenue split is on these other sites?

MR. JOBS: The minimum is 50-50. Generally, it can go into the 70% or more.

MR. WINGFIELD: On the other side of the equation, 70 to the distributor and 30 to the developer?

MR. JOBS: Yes. It's at least 50. We've heard it goes up to 70. They do a lot less than we do. They don't get it in front of every user. You have to go to a website. You have to buy it on your PC, blah blah blah.

MR. WINGFIELD: How does this feel in comparison with the early days of the Macintosh? Do you think the third-party apps for iPhone will be as important driving the appeal of the platform as third-party apps were for Mac?

MR. JOBS: Take Epocrates. I mean, if you go talk to those guys, Epocrates has been huge. That allows medical professionals to use the iPhone for something that has nothing to do with making phone calls, nothing to do with browsing the web, and nothing to do with an iPod, the core things that we've put in there.

It's taking the iPhone into a territory that most mobile devices have never gone into before. I think that the developers are sensing something really different here than has ever existed.

MR. WINGFIELD: How much money has been made?

[laughter]

MR. WINGFIELD: How much money for whom, for Apple or for developers?

MR. JOBS: I'll tell you. The total revenue has been \$30 million in the first 30 days. Developers get 70% of that. Developers get \$21 million. Nine of that \$21 million is going to the top 10 developers. A lot of small developers are making a lot of money. This is just in the first month.

MR. WINGFIELD: That has exceeded your forecast?

MR. JOBS: Yeah. Look, just take 30...Remember, we're on a ramp. There's going to be even a lot more iPhones out there in the future and a lot more iPod touches. We're already at a \$360 million a year run rate. This thing is going to crest to half a billion soon.

Who knows? Maybe it'll be a billion dollar marketplace at some point in time. This doesn't happen very often. A whole new billion dollar market opens up. 360 million in the first 30 days, I've never seen anything like this in my career for software.

MR. WINGFIELD: You can't tell me how many iPhones you have out there buying these, but...

MR. JOBS: I wish I could, but I can't.

MR. WINGFIELD: Is it concentrated to a percentage of your user base, would you say, or...

[crosstalk]

MR. JOBS: It appears to be very wide.

MR. WINGFIELD: It's across...

[crosstalk]

MR. JOBS: It appears to be very wide, yeah. I have met a few people who had bought 30 apps. Everybody I know that has an iPhone has bought a handful and enjoys it.

MR. WINGFIELD: Looking at iTunes, if you sold 200 million in the past 30 days, that's \$200 million or so. Will you exceed the revenue for iTunes pretty soon on the music and movie side?

MR. JOBS: If one is 30 million and the other is 200 million in music, that's a ways to go.

MR. WINGFIELD: I don't know what the correct trajectory is for music. I'm assuming this is growing more quickly.

MR. JOBS: It is off a smaller base. It started from zero, obviously. Music is a two and a half billion dollar business a year for us. I'm thrilled at \$360 million a year run rate. We'll be dancing on the ceiling if we cross a half a billion. Maybe someday we'll get to a billion.

I think we're not quite in the same league as music, but I think this is really significant. Who knows, in the fullness of time? I don't know.

MR. WINGFIELD: What are the top three...I can see the bestseller list. What are the top three paid apps or top...

[crosstalk]

MR. JOBS: You can see right on your iPhone. Look right now, [inaudible 18:42] . We're very open.

MR. WINGFIELD: It fluctuates. I'm sure some, right?

MR. JOBS: Yeah. You mean like who got the money?

MR. WINGFIELD: Yeah. For the first 30 days.

MR. JOBS: I can't say because they don't actually...some of them don't want people to know. We actually were putting the number of downloads on every app initially, if you went and looked...

MR. WINGFIELD: So you could find them.

MR. JOBS: ...but we were asked to take that down.

MR. WINGFIELD: By the developers?

MR. JOBS: Yeah. OK. Let's see.

MR. WINGFIELD: I'm sure SEGA is one of the happy bunch, right?

MR. JOBS: I would say SEGA is very happy, yes. Here's the top 25. You got paid, free. We separate it out because free would always be if there was this one list that would always be free.

MR. WINGFIELD: Mostly games.

MR. JOBS: I don't know what Ambiance does. Recorder is not a game. It's something you might find useful, [inaudible 19:40] that someday.

MR. WINGFIELD: IBeer.

MR. JOBS: IBeer yeah. [laughs] Units is not a game. Units is actually useful, a converter, but yes, a lot of games.

MR. WINGFIELD: I think there was a story I read a couple days ago about some developers bringing the price down on the apps. Have you noticed that?

MR. JOBS: Yes. There was an article written in CNET. I believe it was CNET. No. It was on MacDailyNews, where somebody was saying this was a terrible thing for developers. They cited this one company, Jirbo. I just copied down. Did you see Jirbo's reply?

MR. WINGFIELD: No. No, I didn't.

MR. JOBS: I copied it down. I thought you might want to take a look at this. I found this really fun. You'll see what I meant. The founder replied and said, "We couldn't agree more with your take. Jirbo sees the App Store..." because the magazine said this is ridiculous, or the website, "...App Store is the biggest boon in mobile history and we love Apple for it. Our experience is actually the exact opposite. That is, the iPhone halo effect actually has reached us and in fact exceeded any of our wildest expectations. Our highest grossing app is actually our most expensive, Paper Football, at \$4.99."

"The app store has revolutionized mobile. We have close to two million downloads in about three weeks. About 60,000 of them are paid. I'm hoping you can set the record straight that the App Store is providing companies with never before imagined distribution and revenue." That'd be one to call up.

MR. WINGFIELD: The prices that have come down, what do you make of that? Is it people just testing the waters initially, with prices that were...?

[crosstalk]

MR. JOBS: It's competition. Who knew what to price things at? I think some of the folks have come down from \$10 to \$5, and see their sales go up more than 2X. I think these guys are trying to maximize revenue and they're experimenting.

They could ask us, "What should we do?" and we're going to say, "We don't know." Our opinions are no better than yours because this is so new.

MR. WINGFIELD: If this isn't a direct source of profits, are you counting on people getting to the point where the apps in some way are selling the device?

MR. JOBS: We'd love that idea. Music sells the iPod.

MR. WINGFIELD: Music is a little bit different, in that there are lots of different sources of music. iTunes is just one of them. There is piracy, there is...

MR. JOBS: iTunes is now the largest legal one.

MR. WINGFIELD: How does it compare to the music? You yourself have said, in comparison with the...if you were to look at the average iPod, there's probably a lot more pirated and stuff ripped from personal collections. In this case, you are the sole distributor of the apps. I'm wondering if there is that...

MR. JOBS: The question is?

MR. WINGFIELD: The question is, you got multiple channels, multiple places to go to get music. The music really is selling the devices. Can it ever reach to that level, when you're trying to do it all yourself on the apps?

MR. JOBS: Remember, most mobile devices don't have apps. Of the ones that do, the apps are typically really...what's the right word? [laughs] Lame. It's not very easy to find them or buy them. The iPhone experience is quite unique, both for users and for developers.

I don't know that the user requires 23 distribution channels. I think what they would like is as many great apps as they can get. What we've tried to do is to construct...a frictionless marketing, distribution and transaction system for both the developer and the user so that the user can get what they want.

It's a lot of work. I don't know if other people will try to do it. I don't think it's about how many of the distribution systems you have. I think it's about how many great apps you have. We think we'll attract great developers to write great apps because our platform is so advanced, they can write way better apps on an iPhone than any other mobile device.

When they get done, we have this frictionless marketing distribution transaction engine where they can get them right in front of the customer's eyes.

MR. WINGFIELD: How important is exclusivity when it comes to these apps?

MR. JOBS: We don't have exclusivity with any developer.

MR. WINGFIELD: But the...

MR. JOBS: We have an app. We haven't asked for exclusivity.

MR. WINGFIELD: No, I realize that, but do you think at any point the appeal of iPhone will be you can get apps that you can't get anywhere else?

MR. JOBS: I think that's true right now.

MR. WINGFIELD: Because the platform's more powerful?

MR. JOBS: Yeah, I think that's true today. That's what's attracting all the developers. They can develop apps for iPhone that they could never develop on another platform. Developers are saying this, you've heard this. Our job is to stay ahead.

MR. WINGFIELD: What do you think this is going to mean for developers if you're out there building software today, not necessarily mobile software, but can you look at this as a pure market for the PC and Mac market in terms of the revenue opportunity? Is it bigger?

MR. JOBS: Let me characterize what I've seen with my own eyes that's happened in the last 90 days. I've seen one- or two-person teams develop amazing applications and they're ready to go in less than 90 days, and that are up on the App Store—we're running an average of 48 hours after submission and they're up in the store. 48 hours after they submit, they are in front of millions and millions of customers.

MR. WINGFIELD: How automated is that process?

MR. JOBS: It's reasonably automated. We do look at the apps, though. There are humans involved.

MR. WINGFIELD: There are humans that can tell if there's something funky code-wise, if it's going to do a bad thing?

MR. JOBS: We run tools on them, and we also look at them. I think we'll be getting better at that over time.

MR. WINGFIELD: Are there people who can't get their apps up and are frustrated by that, do you think?

MR. JOBS: We've had a few apps submitted that I don't think will ever be on the store anymore.

MR. WINGFIELD: [laughs] Why?

MR. JOBS: We're not putting porn up. We have some editorial limits. We think we're really reasonable, but there are certain places we don't want to go.

MR. WINGFIELD: You're saying that you're describing what you're seeing with your own eyes?

MR. JOBS: Yeah. We've seen teams of one, two people in 90 days make a great app, that you could never make on a mobile device before, submit it in 48 hours. It's up in front of millions and millions of customers with a full, robust, digital, wireless delivery system and transaction system and everything all done for them.

They're collecting checks 30 days later. By the way, we give them really good reporting too, unlike anything they've

gotten before, because we develop extremely good reporting for the music industry in Hollywood and things like that.

MR. WINGFIELD: How quickly do they get reports? Is it a weekly occurrence?

MR. JOBS: They get reports, I believe weekly, yeah. Actually no, it's a website that they can log into. They might be able to log into it daily. I don't know. Hold on. I'll find out real quick.

[Mr. Jobs calls Apple executive Eddy Cue] Hi, Eddy. How often can developers check in to get their reports? Daily? Got it, thanks, all right. Bye, bye. They can check into it whenever they want. It updates once a day. It's every developer, not just the big ones.

MR. WINGFIELD: Can you tell me a little bit about how you've had, since this has blown away your expectations, off the charts success, have you had to do things differently internally to keep up with this demand?

MR. JOBS: Sure.

MR. WINGFIELD: Like what for instance?

MR. JOBS: As an example, Apple's worked with developers for over 30 years. We think we understand some of the things that we can do to help. We've got a developer relations group that's been working with developers on Mac OS X for many years that's hundreds of people. We created a special group to work with developers on these new iPhone apps.

We created a special team also to vet the apps once they're submitted. We've been able to staff up those teams to greater levels than we originally anticipated like that, just by moving people over here.

MR. WINGFIELD: Moving them from Mac?

MR. JOBS: Yeah, as an example.

MR. WINGFIELD: Are those permanent moves?

MR. JOBS: We'll backfill. We'll obviously hire. For the time being, we can just move lots of people over.

MR. WINGFIELD: Can you say what percentage of the staffing you're at in the iPhone group compared to Mac?

MR. JOBS: I don't know.

MR. WINGFIELD: Ballpark. Are we talking hundreds of people also for iPhone, or is it dozens?

MR. JOBS: No, I think you're talking probably on the order of...well, to do which job?

MR. WINGFIELD: You said there's the vetting and then there's the potential helping and...

MR. JOBS: Yeah, developer relations. Developer relations is, for iPhone, we've been building that for a while. That's somewhere between one and two hundred people. The vetting process is dozens. I don't know how many exactly, but it's dozens.

MR. WINGFIELD: It's not an insignificant number of people compared to Mac. In other words...

MR. JOBS: Correct. This is a really big deal. This is a really big deal.

MS. COTTON: They're helping the developers.

MR. JOBS: Yeah, of course.

MS. COTTON: A lot of times, the developer will submit. They'll have a problem. They'll help them through it. They give [inaudible 31:44].

MR. JOBS: We help put processes together for them, that are developer friendly and stuff. We understand developers pretty well and want to help them be successful.

MR. WINGFIELD: Do you know roughly what the number of Mac applications sold or downloaded is compared to...I'm just wondering if there is some comparison.

MR. JOBS: There's no central place, so I don't know. I know compared to the mobile industry, we're probably, of the apps downloaded in the last 30 days, I would imagine we're 95% of them.

MR. WINGFIELD: You're a relatively small installed base compared to some of these other platforms.

MR. JOBS: Most of these other platforms, you can't really run apps on.

MR. WINGFIELD: Windows Mobile, you can. There's a lot of Windows Mobile phones, right?

MR. JOBS: Yeah.

MR. WINGFIELD: Nokia phones, aren't they...

MR. JOBS: Not most of them, no. You could run these little Java games, but they're so bad that nobody really does.

MR. WINGFIELD: Do you think that the competition is responding to your success on the app side in some visible way?

MR. JOBS: Well, our theory on iPhone is that phone differentiation used to be about radios and antennas and things like that. We think going forward, the phone of the future will be differentiated by software.

That was our theory going into this market, that we were reasonably good at creating innovative software and that we could leverage a tremendous amount of software that we've been working on for the last decade and actually put it in a mobile device.

The core OS X, a UNIX operating system, all the graphics know-how, all the communications know-how, all the email know-how, and just all that, all the user interface know-how, we could bring that to bear on a phone.

The App Store is just one more example of software. It's just like the iPod. It's software on the device. It's software in the cloud, in the backend service. So to compete with it, one needs a platform that's capable of writing really good software on.

Then one needs to be able to put together a whole system with a backend cloud, App Store, and the client, but then also sell developers that the phone itself has good enough software that's worth writing apps on.

MR. WINGFIELD: Isn't that the vision Google has as well though, with Android?

MR. JOBS: We'll see. We'll see what kind of apps they get.

MR. WINGFIELD: Symbian? Nokia has now made some moves with respect to Symbian. Do you think that people are recognizing the increased importance of software as it could promote mobile devices?

MR. JOBS: Clearly, but recognizing it and delivering it are two different things.

MR. WINGFIELD: Are there any other statistics that you think I should ask you about right now, that I haven't asked you?

MR. JOBS: There's only one other thing that's interesting to me, which is that as you mentioned, the largest category of apps, by no means the majority, but the largest category of apps is games.

You've got everything from games to medical software to business analytics software to all sorts of stuff on it, but games is the single biggest category. I did dig up some information on the mobile gaming market for myself.

Also, I'll share it with you. 20 million handheld gaming players are expected to be sold this holiday season, for about \$3 billion in revenues.

MR. WINGFIELD: 20 million handheld gaming devices.

MR. JOBS: Players.

MR. WINGFIELD: Players, mobile phones?

MR. JOBS: No. This is the No. 1 and 2 are the Nintendo DS and the Sony PSP. We've got two contenders for that. We've got the iPhone, which costs zero if you have it as a phone, zero incremental to have it as a game player. Then we've got the iPod touch, which currently sells for \$299, but who knows what could happen over time there.

On the Nintendo and Sony, the average game title, at the street level, costs \$30. Our average game title's less than 10, some are free. It's delivered instantly right on your device, which of course is not the case with these other guys.

I actually think the iPhone and the iPod touch may emerge as really viable devices in this mobile gaming market this holiday season.

MR. WINGFIELD: Is there anything that you're doing to market those capabilities for the...?

MR. JOBS: Not yet.

MR. WINGFIELD: I'm not going to start seeing you at E3?

MR. JOBS: No.

MR. WINGFIELD: Do you think we should look for advertising that stresses this message?

MR. JOBS: I don't know. I just find it very interesting.

MR. WINGFIELD: Is gaming something that Apple has a lot of experience with, do you think?

MR. JOBS: No, I don't, except that we sure delivered a lot of games in the last 30 days.

MR. WINGFIELD: Nintendo's a company that's firing on all cylinders.

MR. JOBS: Yeah, they're doing great.

MR. WINGFIELD: You guys are the upstarts in the games market here.

MR. JOBS: We're not even in the game, I'm just noting this as an interesting thing.

MR. WINGFIELD: Was this thing even something that you thought when you were building this iPhone app business, the infrastructure for it, that, shoot, games is going to be the killer third-party app?

MR. JOBS: No, we thought games would be a part of it, but I've always been excited about Epocrates and some of the medical apps. There's people that are excited about this category, that category.

MR. WINGFIELD: I think you guys have said that you see the iPod that's sort of stand-alone MP3 player evolving into a wireless-enabled device.

MR. JOBS: I think there's going to be two kinds of devices in the music space. One is going to be just the pure evolved music device. People want it for music, maybe music videos, maybe occasional movie, but they really want it for music.

That would be a device that just keeps evolving, getting better.

MR. WINGFIELD: Certain apps drain the battery life quickly. Have you give any reaction to that?

MR. JOBS: It's not that certain apps drain the battery life. It's that if you sit around playing apps all day, you will use up the battery. [laughs] If you want to use apps all day, the battery life on here is over five hours of talk time and browse time and everything else.

If you want to use it for 10 hours a day, then you're going to burn through that battery after about five. You'll have to recharge it during the day or use it...

MR. WINGFIELD: There's been some discussion with the iPod, the fact that you invest all this money in music from iTunes. The only mobile device it works on is your iPod or your iPhone and that somehow might keep people locked in to your platform.

I'm sure you would dispute that that's part of Apple's goal, but would you agree that when you invest in these apps as a consumer for iPhone that the switching cost will increase, that you retain people?

MR. JOBS: It's just like if you buy a Windows computer and you buy a suite of apps for Windows. It's harder for us to switch it to a Mac because you have to change your software. We run across that all the time as a switching...

MR. WINGFIELD: Can you talk at all about what you see for the coming year in terms of new apps? Do you have a number of apps that you expect to be up on the App Store by a particular date?

MR. JOBS: I would not trust any of our predictions because reality has so far exceeded them by such a great degree that we've been reduced to spectators just like you, watching this amazing phenomenon and just doing our best to try to help everybody get their apps done and get them on the store.

MR. WINGFIELD: What third-party apps are you using on your iPhone?

MR. JOBS: I bought some games. Yelp . I like Yelp. I bought Mandarin. You know Mandarin Phrase? Have you seen that?

MR. WINGFIELD: No.

MR. JOBS: This one's cool. It's a Mandarin audio phrasebook. This would be great if you were at the Olympics today. I've got the New York Times app. The Wall Street Journal doesn't have an app. [laughter] I've got Epocrates, I've got Anatomy. You've seen the Netter's Anatomy, right?

MR. WINGFIELD: Yeah, that's the one with all the colorful illustrations.

MR. JOBS: Yeah, I've had their book forever, and I love anatomical drawings. I've got Facebook , I've got Units, I've got Sudoku. I've got a great Sudoku game, which I'm actually getting pretty good at. I've got Bloomberg. The Facebook app's pretty cool. A lot of people are using it.

MR. WINGFIELD: Facebook is doing an app for BlackBerry .

MR. JOBS: Yeah, but if you go talk to them, the best one by far is on the iPhone, so I'll take that.

MR. WINGFIELD: How much of the traffic to a site like Facebook might come from iPhone? How any of these guys...because I know Google I think has talked about iPhone being the No. 1, by far, mobile search product.

MR. JOBS: By far. And bought mobile maps and everything, Facebook would tell you. I believe if you talked to Facebook they would also tell you some statistics that are similar to that on the iPhone Facebook app.

MR. WINGFIELD: If you looked at overall traffic...

MR. JOBS: How serious will mobile be relative to desktop is your question.

MR. WINGFIELD: Yeah.

MR. JOBS: I think there are a lot of people and I'm one of them who believe that mobile's going to get quite serious because there are things you can do...Obviously, mobile's with you all the time, but there's services you can provide with mobile that obviously are not relevant on a desktop, such as location-based services integrated into your application.

They can be mighty useful and we're just at the tip of that. That's going to be huge, I think.