

Apple's reduced App Store fees for small developers don't fix antitrust concerns, developers warn

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In Brief

Apple's announcement today that it will reduce its App Store commission fee from 30 to 15 percent for smaller developers does nothing to fix underlying antitrust issues, Spotify, Protonmail, the Coalition for App Fairness and others warned. While ACT | The App Association welcomed the move, saying it marks an important step in the evolution of the app economy, a number of businesses using the App Store spoke out, with some suggesting the company is playing divide and conquer by offering financial incentives to smaller players.

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Apple claims its new App Store Small Business Program will benefit the vast majority of developers who sell digital goods and services on the store. The usual 30 percent commission fee on digital transactions has been reduced to 15 percent for all developers who earned less than \$1 million in proceeds during the previous calendar year.

Chief Executive Officer Tim Cook said in a statement that the fee is being cut to help small business owners "write the next chapter of creativity and prosperity on the App Store, and to build the kind of quality apps our customers love."

Full details of the program will be announced in December, the company said.

While Apple made no mention of the political and regulatory heat it increasingly faces over its App Store policies, the notorious fee has drawn criticism from companies such as Epic Games and Spotify. When accused of monopolistic conduct, Apple has consistently pointed to the fact that it has never raised its commission fees since they were first introduced.

The critics claim the fee is excessive and derives from Apple's monopoly on app distribution for iOS devices. Apple requires developers to use its own In-App Purchase mechanism when selling digital goods through its App Store, and applies the 30 percent fee on transactions.

Earlier this year, Epic Games took Apple to a California federal court, accusing the company of abusing an app distribution monopoly to force its In-App Purchase service on developers. Allowing rival payment processing companies onto the store, they claim, would drive the fee down.

The European Commission is also investigating Apple's App Store policies following a high-profile complaint from Spotify last year.

— No quick fix —

ACT | The App Association, which represents more than 5,000 app makers and connected device members, welcomed Apple's decision today. ACT President Morgan Reed agreed that the reduced commission fee will allow smaller businesses to "put additional resources towards scaling up and innovating new products and services."

Other familiar Apple critics were less enthusiastic.

A Spotify spokesperson warned regulators that the reduced fee doesn't change the fundamental antitrust issue with the Apple App Store.

"Apple's anti-competitive behavior threatens all developers on iOS, and this latest move further demonstrates that their App Store policies are arbitrary and capricious," the spokesperson said, dismissing the announcement as "window dressing."

Spotify is part of a group — along with other appmakers Basecamp, Epic Games, Deezer, Blix, Protonmail, Snappymob and the European Publishers Council — called the Coalition for App Fairness. The critics of Apple and Google's role in the app-distribution ecosystem formed the trade body to push for regulatory and legislative change in both the EU and the US to promote competition (see [here](#)).

Sarah Maxwell, spokesperson for the Coalition for App Fairness, said the fee change is merely “symbolic.”

“Developers want a level playing field from Apple, not a symbolic gesture,” she said. “Today’s announcement ignores fundamental flaws with the App Store.” Apple, she said, “still owns the customer relationship” as the intermediary between the businesses on the App Store and their customers.

“You have to apply to the program, and the vast majority of developers who generate livable revenue through their apps won’t benefit from this change,” she added.

Erik H. Rind, CEO of ImagineBC, a coalition member, said today’s announcement shows Apple had been spooked by growing heat from enforcers and politicians. “The good news about this is that Apple is clearly concerned about the noise being generated around the 30 percent commission,” Rind told MLex.

Andy Yen, CEO of Protonmail, a private email company that provided substantial testimony quoted in the US House Judiciary Committee’s report on alleged digital “gatekeepers,” said Apple’s announcement is “a thinly disguised attempt to escape regulatory scrutiny.”

“It is ironic that Apple, a \$2 trillion company, considers that any company making more than \$1 million is making way too much money and needs to pay higher fees,” he told MLex. “Apple’s position is essentially the following: As long as you are not big enough to seriously compete with us, you’re eligible for lower fees, but once you start getting traction, we will immediately use anticompetitive pricing to reinforce our dominance.”

— Divide and conquer? —

Allen Ding, CEO of Malaysia-headquartered web and mobile app developer Snappymob, told MLex the halving of fees to 15 percent is almost certainly a drop in the bucket for Apple, as the vast majority of App Store revenue comes from the apps which make far more than \$1 million. “It is a fairly cost effective way to look really good,” he said.

“On our part, the irritance with the App Store wasn’t really just about the commission, but really more about the arbitrariness of the App Review process sometimes, the stifling of certain business models, and the inherent risk in always having rejection [by Apple’s reviewers] as a possibility when embarking on new work,” the Snappymob CEO said.

The fee reduction comes too late for app developers who have already left the store or folded, Ding said, adding that “this does have a slight hint of divide and conquer.”

But, Ding wondered, “will the smaller members of the [Coalition for App Fairness] or just indies in general stop airing grouses for what is a fairly good payoff?”

David Heinemeier Hansson, founder and chief technological officer at Basecamp and email app HEY, tweeted a similar thought about Apple’s tactics.

“The only good thing about this cynical, Machiavellian ploy by Apple to split developers with selective handouts, is that it shows they’re sweating. Even if just a little,” he wrote.

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