

2 October 2020

Digital Platform Services Inquiry
Australian Competition & Consumer Commission

Via email: digitalmonitoring@accc.gov.au

To whom it may concern,

Re: ABSIA's Response to Digital Platform Services Inquiry - March 2021 Report on App Marketplaces Issues Paper

The Australian Business Software Industry Association (ABSIA) welcomes the opportunity to make this submission on behalf of our members and the software industry. This submission has been prepared with input from ABSIA members.

ABSIA is uniquely positioned to respond to this issue paper with ABSIA members that operate their own marketplaces as well as members who are participants in those same marketplaces. Such members that operate add-on marketplaces include Intuit, Xero, MYOB and Sage. Other members also offer their products through the Apple App Store (App Store) and/or the Google Play Store (Play Store).

We also play a role in securing these add-on ecosystems through the Security Standard for Add-on Marketplaces (SSAM) which assists in improving the security and regulating these ecosystems.

In summary, our submission has made the following points:

- There are other significant suppliers of app marketplaces in Australia that we are familiar with and these already have security standards in place that follow the Security Standard for Add-on Marketplaces (SSAM);
- The largest barrier to entry for the App Store and Play Store is the 30% commission that Apple and Google take from in-app purchases;
- While Apple and Google do provide tools and support for developers, our understanding is that these are not used until required during the deployment process;
- Marketplaces create a "safe place" for consumers enabling them to trust that the apps they are downloading are safe and secure;
- We are aware of multiple software providers that have opted not to provide mobile versions of their apps because providing them through Apple and Google are not viable options for them; and

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- One of the major barriers to the supply of apps in Australia is that our internet technology cannot currently cope with the level of bandwidth that current and emerging technology requires.

ABSIA would appreciate the opportunity to engage further on these issues. For further information about this submission, please contact Maggie Leese, ABSIA Marketing & Membership, on [REDACTED]

Yours faithfully,

Chris Howard,
President & Director, ABSIA.

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1. Other than Google and Apple, are there other significant suppliers of app marketplaces in Australia?

From our perspective, other significant suppliers of app marketplaces include Intuit, MYOB, Sage and Xero who all host their own add-on marketplaces for software apps that integrate with their systems. These marketplaces are quite significant with hundreds to thousands of products listed in each provider's marketplace.

ABSIA is aware of other organisations who are investigating marketplaces or considering integrating into established marketplaces.

2. What are the barriers to entry and expansion in app marketplaces?

One of the biggest barriers to entry, among others addressed throughout this submission, is the 30% commission that Apple and Google require from certain in-app purchases. With the App Store and Play Store being the only ways to place apps on Apple and Android devices, this can be a large price to pay to simply make a mobile app available. This can be especially difficult considering that on these devices, payments are required to be made through either Apple or Google's payment systems. Apple and Google do not make any alternative options available for in-app purchases.

For some, especially B2B app developers, the 30% commission is a large price to pay considering that in return, many apps do not benefit from the resources provided by the App Store and Play Store as they use other resources to build their apps. This may also hold true for smaller organisations that wish to consume marketplace services.

Within the DSP ecosystem, meeting the Security Standard for Add-on Marketplaces (SSAM)¹ or a similar security standard as defined by the Digital Service Provider (DSP) in question, must be met to ensure a basic level of security has been achieved before entering the marketplace.

3. To what extent are app providers able to publish and distribute an app without using the Apple App Store and the Google Play Store? Explain any factors limiting or preventing app providers bypassing the major marketplaces.

Web-based or desktop based applications have much more choice when it comes to publishing and distributing their apps and can therefore bypass the App Store and Play Store. Such marketplaces include those of DSPs (mentioned above) and other app stores that can be accessed on Windows devices.

The major marketplaces provide a certain level of trust for consumers and consequently they will feel comfortable downloading apps from these marketplaces. One factor adding to this trust is that those that operate in Australia will often fall under the SSAM or a similar security guideline meaning these apps will meet a certain level of security. The environments that these

¹ <https://www.absia.asn.au/industry-standards/addon-security-standard/>

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marketplaces have created can make it difficult for consumers to trust apps that are provided outside of major marketplaces. Apps published outside of these marketplaces, while they may follow the same guidelines, will not benefit from this trust.

However, without consistent guidelines applied to the security of marketplaces, they could easily become places rife with malicious activity.

4. What development tools and support are offered to developers by app marketplaces and are these offered on equal terms to all developers?

Tools and support are offered at no cost to developers through both Apple and Google's developer sites. While these are being made available to all developers on seemingly equal terms, whether they are actually used by developers (outside of the final deployment of apps) is another question.

We have heard that many B2B apps are built without using the tools provided by Apple and Google until the final deployment, which requires the use of these proprietary tools. This can become an issue when you consider that one of the reasons Apple justifies their 30% commission on in-app purchases is that they provide these tools at no cost. If developers are not actually using these tools to develop their apps, the full 30% commission may not be as justified.

Similarly, for DSP add-on marketplaces, developers are able to access dedicated developer sites that offer tools, support and information to developers.

5. To what extent do app providers place an app on one of the major app marketplaces and not the other? What factors influence whether an app provider places their app on one, or multiple, app marketplaces?

For most providers, this decision will be influenced by either the software the app is designed to integrate with or whether it is a mobile or web/desktop app. Certain apps are only built to integrate with certain software, while other apps are more broad and are therefore made available on almost all marketplaces. Similarly, if the app is designed to be used via the cloud, desktop or mobile, this will affect which app marketplaces a provider decides to place their apps on. When it comes to mobile apps, there are only the two options.

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7. Are there ways for consumers to source apps without using the two major app marketplaces? To what extent can consumers successfully download apps outside of app marketplaces?

In our experience, apps can be accessed through DSP add-on marketplaces and other marketplaces available on Windows devices. However, downloading an app directly from an unknown supplier can come with great risks that not all consumers are willing to bear. The inherent trust that marketplaces provide suggests that apps are safer if they are obtained from these major marketplaces.

While this may be true of the marketplaces, it is not a guarantee that malicious activity will not exist within the apps themselves.

8. To what extent are web-versions of mobile apps substitutes to the mobile-version?

In the B2B software area, some providers offer both web and mobile versions of their software. However, one is not necessarily a substitute for the other and the functionality may differ between the two versions.

The delivery of apps on mobile devices offers a more seamless user experience. While the web version of an app may offer the same level of services on a mobile browser, it will require these browsers to have certain functionalities that are either not normally available or not available at all. Additionally, the more complex the functions, the less capable it is as a substitute to a mobile-version of the app.

One ABSIA member has recently made the decision to only provide a web-based version of their B2B app as providing a mobile app was no longer an option for them. They found that some of the guidelines around the App Store would make it harder and too risky for them, as a B2B developer, to sell on Apple's platform. Especially with the way Apple's review process works, it could be near impossible for them to push out important fixes and security updates to their clients. While moving to a browser-based service has come with its own challenges for this member, they found that creating a mobile friendly version of their app was not a realistic option for them at the moment with the rules that currently apply to the App Store.

The rules around the App Store and Play Store are making it particularly difficult for B2B developers to sell their apps as they are needing to follow guidelines that are not necessarily meant for them. In the case of the member above, many B2B developers are having to move to web-based apps as the 30% commission that Apple and Google take does not fit in with a viable business model for developers. This issue has the potential to grow as we move to using mobile-based apps more and more in everyday life and smaller developers especially are not able to provide true mobile versions.

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9. What goods and services do app developers use that are also offered by app marketplaces (e.g. AdMob)? What benefits and detriments are there from using the services as offered by app marketplaces compared to alternative services?

One of the main benefits for app developers when using an app marketplace, especially for smaller developers, is being provided with a "storefront" that handles the sale of their products. Other services may be worthwhile depending on a developer's needs.

However there is a downside. For mobile apps, developers are not given a choice to handle payments within the app themselves and they will be charged the 30% commission for these purchases.

10. Are app developers required to use related products and services of particular app marketplaces in order to operate effectively?

For mobile apps, developers must use the services offered by the platform. The most well known example is having to use either Apple or Google's in-app purchases. Developers are not allowed to use a competitor's service in their apps, nor are they able to use their own payment options.

14. For app providers: what has been your experience of competing with app marketplaces in their capacity as app providers?

While we are not aware of any ABSIA members that have been in direct competition with an app marketplace provider, we are aware of reports where both Apple and Google have denied providers access to their stores if they compete with them and their products.

16. What types of data are collected by app marketplaces on consumers' use of apps that are made available on their marketplace? Why is this data collected and what is it used for?

There is a variety of data that is collected by app marketplaces about the consumers of apps. Such information can include, but is not limited to:

- Purchase history
- Personally identifiable information (PII) including, but not limited to:
 - Name
 - Address
 - Contact email / phone number
 - Credit card details

For business or development clients, there are similar requirements albeit more focused on the nature of the business itself.

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20. What is the process for getting an app approved for distribution on the various app marketplaces? How has this process changed over time?

Over the years, these processes have matured to ensure the quality and security of apps in most circumstances.

In our industry, apps have to meet the SSAM or a DSP's own version of the SSAM in order to get approved. ABSIA is the caretaker of the SSAM and is committed to ensuring the framework evolves over time to protect these add-on ecosystems as any new or common vulnerabilities are identified.

22. To what extent do app developers/providers have concerns with app marketplace review processes? Please provide detail relating to each marketplace use.

There appears to be some limitations on what is "allowed" to be placed on app marketplaces. While not confirmed, we have heard reports of applications that have been rejected. If any developer wishes to challenge a marketplace provider, there is a complex process involved.

23. How important is ranking highly on app marketplaces' 'search' function to an app's discoverability?

For many apps, this can be a "live or die" situation as the App Store and Play Store are saturated.

24. How transparent is the operation of search ranking? What information are app providers/developers provided with on the operation of ranking systems?

We understand that the process of search ranking is completely opaque at the moment. If Apple and Google shared how their search engines worked, developers could possibly rig the system.

25. To what extent can app providers/developers increase the ranking of an app?

The information about an app can be manipulated as a number of actors can provide feedback on an app without this being verified. Depending on the size of the organisation, this could lead to an increase in the app's ranking or on the other hand, it could be detrimental to the app's success.

Providers can also assist in increasing their app's ranking by encouraging users to give their app good ratings and reviews.

26. How important is getting an app featured to the success of an app?

To an extent, this would aid in an app's success as it would be easily accessible to a much wider audience that they would normally have access to.

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27. How does an app become featured in an app marketplace? How transparent is this process?

While there is information provided on how to get an app featured on the App Store, there is the feature to contact Apple's editorial team and to provide a compelling story about new apps or significant updates so there is the opportunity for providers to have an impact on this process.

28. Are there processes in place to respond to user feedback, and for the removal of outdated or misleading reviews? If so, are these processes to be effective?

Apple and Google both offer the opportunity for providers to review feedback however, we are not aware of the controls and commitments in place from marketplace providers in terms of how long activities, such as removing feedback, can take. In a marketplace, lengthy delays would lead to more visibility of misleading or outdated information, which could result in negative outcomes for the app.

29. Are app providers or app marketplaces able to 'hide' or otherwise suppress negative review from display?

Yes. App providers and marketplaces themselves are able to carry this out.

32. To what extent are app developers able to limit the amount/type of consumer data that is shared back with the app marketplace?

From our understanding, the data gathered by app marketplaces solely rests with the marketplaces themselves and any additional data that developers collect through a user's interaction with an app would not be visible to the marketplace.

33. What terms in the Google Play Store and the Apple App Store, related to payments in the app, are app providers required to comply with?

As we have mentioned throughout the submission, both the App Store and Play Store require apps to support their payment systems for in-app-purchases.

34. Which types of apps are required to pay the service fee for in-app purchases? How transparent is the process for determining when this fee is required to be paid?

We understand that there are some exceptions where payments can be made outside certain apps and will be honoured within those apps. However for those apps that are required to use Apple or Google's payment systems, a 30% commission will be charged on those in-app purchases.

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39. To what extent are consumers able to limit the amount and/or types of consumer data that is shared with

- a. The app provider
- b. The app marketplace?

In many circumstances, consumers do not seem to have much choice. They will either have to accept that their data is being collected by an app or they have to opt out of using the app all together.

45. What risks are there to consumers when downloading apps *outside* of the Google Play Store and Apple App Store (including through other app marketplaces or via direct download online)? What is the likelihood of harm compared to downloading apps via the Google Play Store and the Apple App Store?

While we cannot speak to risks surrounding other app marketplaces, those provided by DSPs do have strong security requirements and onboarding processes in place to make sure that the apps placed on their marketplaces are safe and secure for consumers.

A number of the apps featured in DSP add-on marketplaces are also placed on either the App Store or Play Store. One would assume that these apps are just as safe as each other despite being listed on different marketplaces.

47. Are there technological changes that will affect the supply of apps in Australia? If so, describe what they are.

Perhaps the biggest limiting factor to the supply of apps is that the bandwidth required for some of the new technology now included in apps is at a scale not currently available in Australia. While the introduction of the NBN has opened doors previously closed to some Australian businesses, Australia is still behind in bandwidth capacity. We lack the available bandwidth to support potential mass consumption of large volume bandwidth apps. Additionally, in more remote areas, this may also introduce cost challenges. This limiting factor may mean that innovation in the app area is more likely to occur outside of Australia.

Further, these comments are mainly addressing the bandwidth that is available in metro areas. Reliable internet connectivity and access to adequate bandwidth is even more of an issue for regional and remote locations.

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- 49. Has competition, or potential competition, in the supply of apps been affected by:**
- a. Acquisitions of start-up companies**
 - b. Acquisitions of new technology**
 - c. Mergers or acquisitions between companies at different levels of the app ecosystem chain?**

If so, please describe how.

The supply of apps has been affected by acquisitions of start-up companies to some extent. Across the board, many large companies have been acquiring competing startups and subsequently closing off these ecosystems. Acquisitions of new technology has also affected the supply of apps in a similar manner.