



**Coalition for App Fairness Response to:  
Invest 2035: the UK Government's Draft Industrial Strategy**

25th November 2024

**Introduction and Executive Summary**

The Coalition for App Fairness represents over 70 SMEs, entrepreneurs, and app developers who are dependent on access to large mobile online platforms to distribute their innovative products and services to the benefit of smartphone users. CAF was originally formed by Basecamp, Blix, Blockchain.com, Deezer, Epic Games, the European Publishers Council, Match Group, News Media Europe, Prepear, Proton, Spotify, and Tile, and today includes a number of UK based companies such as xigxag, Checktrade, Olio, Approov and Paddle<sup>1</sup>.

The UK's mobile app ecosystem is a critical growth engine for the UK economy, generating at least £74 billion in GVA in 2021 (1.5% of UK GDP) and supporting over 400,000 jobs<sup>2</sup>.

However, this vibrant ecosystem is being held back by significant market failures. The Competition and Market Authority (CMA's) robust, evidence-based approach - including detailed market studies into mobile ecosystems, Google's Privacy Sandbox, and Apple's App Store - have uncovered significant market failures tied to Apple and Google's "substantial and entrenched market power"<sup>3</sup> in mobile app distribution, which allows them to set the "rules of the game" for app developers with little scope for negotiation. This duopoly control manifests in several harmful practices including:

- Excessive commission rates of up to 30% on in-app purchases, without the ability to use alternative app stores or payment methods, which are effectively banned
- Self-preferencing practices that unfairly advantage the gatekeepers' own services
- Opaque and inconsistent app review processes that create uncertainty and waste development resources
- Technical restrictions that limit innovation, limiting interoperability and alternative app distribution channels, web apps, cloud gaming and payments

The draft Industrial Strategy's commitment to implement the Digital Markets, Competition and Consumers (DMCC) Act by January 2025 is therefore warmly welcome, as this will enable the CMA to implement targeted, company-specific Conduct Requirements that address these harmful practices while being flexible enough to respond rapidly to any market developments.

The Digital Markets Unit within the CMA is well positioned to enforce the DMCC Act through its innovative regulatory approach. With targeted powers at its disposal, the unit is uniquely positioned to stimulate UK economic growth while ensuring fair competition for startups and

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<sup>1</sup> Current list of members are [here](#)

<sup>2</sup> Deloitte – the App Economy in Europe; August 2022, [Link](#); cited by DCMS December 2022, [Link](#)

<sup>3</sup> Mobile ecosystems Market study final report, CMA, June 2022, p28, [Link](#)



scale-up companies. In time, we believe the Digital Markets Unit will act as a model for other regulators to put growth at the heart of their activities.

We therefore urge the Government and CMA to:

- **Designate mobile app ecosystems as a specific subsector in the final Industrial Strategy**, and collect appropriate data to monitor its health and growth.
- **Act swiftly to implement the DMCC regime**: the CMA should prioritise designation for Apple and Google’s mobile app ecosystems, in parallel consulting on Conduct Requirements focusing on the most harmful practices identified in the CMA’s robust and numerous studies.
- **Ensure “Strategic Market Status” designations and accompanying Conduct Requirements are comprehensive enough to prevent circumvention by Apple and Google**, learning from their ‘malicious compliance’ strategy around the world in the US, EU and South Korea.
- **Monitor compliance closely** through regular data collection and maintain capability to rapidly amend requirements if evasion is detected, or desired outcomes for competition are not achieved.
- **Coordinate internationally with other regulators, especially in the EU**, to maximise effectiveness.

With appropriate intervention, CAF is confident that the UK can cement its position as a global leader in fair and competitive digital markets, driving investment and innovation across the country. The alternative is to see continued entrenchment of gatekeeper power at the expense of UK entrepreneurs, consumers and economic growth.

## Questions

### Sector Methodology

1. **How should the UK government identify the most important subsectors for delivering our objectives?**

The UK government could identify key sub-sectors by analysing:

- **Economic Impact**: Focus on sub-sectors with high GVA contribution, job creation potential, and growth trajectory, considering both direct and indirect economic benefits, including contributions to other sectors. Special attention should be paid to sectors with strong export potential - the mobile app ecosystem exemplifies this, as digital products can be readily exported with minimal barriers, enabling even small UK developers to generate significant export revenue through global distribution while maintaining their local presence and employment. Beyond



gatekeeper-imposed restrictions, both investment and technical barriers to entry are also lower than in capital-intensive sectors requiring physical infrastructure, making mobile app development an accessible path for entrepreneurship and innovation.

- **SME Presence:** Prioritise sub-sectors with significant SME presence and potential, given SMEs so often drive innovation and job growth. The mobile app ecosystem exemplifies this, with a large proportion of SMEs (91% according to Deloitte analysis for Europe as a whole) involved in development.
- **Regional Impact:** The Strategy should consider the geographical distribution of sub-sectors and their potential to contribute to growth outside major metropolitan areas. App developers can operate their businesses and hire talent from any part of the U.K.
- **Wider economic integration and amplification,** i.e. how sub-sectors interact with other parts of the economy. The increasing integration of the app economy with other sectors, like m-commerce and FinTech, should make it a crucial area for focus.
- **Existing Government and regulatory evidence base and expertise:** Focus on sub-sectors where the UK has developed deep market understanding and regulatory expertise. The mobile app ecosystem demonstrates this advantage - the CMA's extensive studies into mobile ecosystems, Google's Privacy Sandbox, and Apple's App Store have created a robust evidence base and detailed understanding of market dynamics, competitive constraints, and effective intervention points.

~~2.— How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?~~

~~3.— How should the UK government incorporate foundational sectors and value chains into this analysis?~~

## Sectors

### 4. What are the most important subsectors and technologies that the UK government should focus on and why?

The UK's mobile app ecosystem should be supported as a specific sub-sector within the Industrial Strategy.

First, this sub-sector is of high value: The UK mobile app ecosystem generated £74 billion GVA in 2021, added 1.5% to the UK's GDP in 2021, and supported over 400,000 jobs (the highest in Europe). It is also growing, with real consumer spending increasing 30% in 2020/1<sup>4</sup>

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<sup>4</sup> Deloitte – the App Economy in Europe; August 2022, [Link](#); cited by DCMS December 2022, [Link](#)

Second, many app development jobs are delivered by SMEs – Deloitte analysis in 2021/2<sup>5</sup> suggested that, across Europe, 34% of mobile app development firms are micro-sized with under 10 employees, 46% are small firms with 10 to 49 employees, 15% are medium-sized firms, and just 9% are large firms of more than 250 employees. In addition, these firms are exporting: an analysis of a sample of the top-13 medium-sized (50-249 employees) by the same report suggests firms of all sizes export their services.

Third, it is likely that many of these jobs are located outside of London, contributing to growth across the country. 2023 analysis from BDO<sup>6</sup> highlighted the following tech clusters, covering both website but also increasingly mobile software development:

- Guildford has a reputation as "The Hollywood of Games" with major studios like EA, Epic Games, Supermassive Games, Hello Games, nDreams and Activision Blizzard all choosing to base themselves there. The UK mobile games industry is now worth £1.52 billion a year and growing 5% a year.<sup>7</sup>
- In wider Surrey, MedTech has established a strong presence with over 90 firms and 30 Therapeutics Discovery and Development businesses concentrated around Surrey Research Park, many of which have or are developing mobile applications.
- Manchester has become a powerhouse for tech unicorns including The Hut Group, BooHoo, Autotrader, On the Beach, Booking.com and AO.com, while also developing significant expertise in visual effects and VR-AR through agencies such as Flipbook Studio, Realtime UK, Studio Liddell and Carbon Digital which are likely to feed into app development.
- Bristol's tech ecosystem has also attracted major investment, e.g. developer marketplace Deazy.
- Scotland has over 9,400 digital technology companies engaged in a variety of activities from software development and IT services to digital agencies, games development and telecommunications. The Scottish software and digital technology cluster includes large multinationals such as Amazon, HP, Cisco, Dell, Capgemini, JP Morgan, Atos, Oracle and IBM, as well as innovative home-grown companies like Skyscanner, Rockstar North, FanDuel, Axios Systems, and Idox Group.<sup>8</sup>
- London itself hosts the largest proportion of developer jobs in the UK, with notable strength in FinTech in particular - The latest data from Innovate Finance reveals the

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<sup>5</sup> Ibid

<sup>6</sup> Pludgin: 7 regional hotspots for fast-growth tech in the UK, BDO, July 2023, [Link](#)

<sup>7</sup> Video Game Industry Valuation, UKIE, April 2024, [Link](#)

<sup>8</sup> Invest Glasgow, [Link](#)



UK remains second globally in FinTech investment, behind only the US. The UK is still the top destination in Europe, securing 65% of Europe's overall capital.<sup>9</sup>

Fourth, and perhaps most importantly, the app economy and the wider economy are becoming increasingly entwined. 9 out of 10 UK adults now have smartphones and use these to shop, game and bank - m-commerce was worth £179 billion in 2021<sup>10</sup> - and make contactless payments - almost 4 out of 10 (38 per cent) of all UK payments made 2023 were contactless<sup>11</sup>. The UK's economy is becoming increasingly funnelled through the mobile device in your pocket, and those devices are controlled by just two gatekeepers: Apple and Google.

#### **5. What are the UK's strengths and capabilities in these sub sectors?**

The UK is strong across the mobile app ecosystem, hosting more app developer jobs than anywhere in Europe<sup>12</sup>. Specific strengths are likely to be in Fintech and Gaming but, as stated above, the "real" economy and the "app" economy are becoming increasingly entwined. The mobile app ecosystem should be considered in that light.

#### **6. What are the key enablers and barriers to growth in these sub sectors and how could the UK government address them?**

In its Mobile Ecosystems Final Report in June 2022, the CMA found that "Apple and Google have substantial and entrenched market power" in both "mobile operating systems"<sup>13</sup> and "the distribution of native apps"<sup>14</sup>, with "limited constraints on either the App Store or the Play Store"<sup>15</sup>. This allows both gatekeepers to set the "rules of the game" for app developers, who rely on their app stores to reach customers and have little or no ability to negotiate over terms<sup>16</sup>.

This lack of proper competition in the mobile app economy is contributing to several issues including:

- **Artificially raising prices for consumers.** In 2022, the CMA found that Apple and Google were able to earn more than £4 billion of profits from their mobile businesses in the UK over and above what was required to sufficiently reward investors with a fair return<sup>17</sup>.
- **Stifling UK start-ups' ability to scale and innovate by taxing 30% of most app purchases restricts developers of much-needed capital to invest in and grow their**

<sup>9</sup> State of European FinTech 2024, Finch Capital, October 2024, [Link](#)

<sup>10</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p10 [Link](#)

<sup>11</sup> 2024 Payments Markets Report, UK Finance, [Link](#)

<sup>12</sup> Deloitte – the App Economy in Europe; August 2022, Link; cited by DCMS December 2022, [Link](#)

<sup>13</sup> Mobile ecosystems Market study final report, CMA, June 2022, p28, [Link](#)

<sup>14</sup> ibid p82, [Link](#)

<sup>15</sup> ibid p133, [Link](#)

<sup>16</sup> p181

<sup>17</sup> Appendix C: financial analysis of Apple's and Google's mobile ecosystems, Mobile ecosystems Market study final report, CMA, June 2022, pC25 and C33, [Link](#)



# Coalition for APP FAIRNESS

**business.** For most<sup>18</sup> of the digital services purchases made through an app, gatekeepers take a 30% fee from the purchase price for using its in-app payment system, which it requires as a condition to access their respective app stores. This “app tax” cuts deeply into consumer purchasing power and developer revenue and creates a steep barrier to entry for new developers, hurting their ability to innovate.

- **Effective bans on downloads outside of Apple and Google’s own app stores**, meaning there is no market discipline on what they can charge and on what terms.
- **Restricting competition and freedoms through self-preferencing.** This anti-competitive and anti-consumer practice unfairly promotes gatekeepers’ own apps at the expense of third parties and the benefit of consumers.
- **Anti-steering provisions** prevent developers from informing users about alternative purchasing options (e.g., subscribing directly through the developer’s website at a lower price). This restricts competition, keeps prices artificially high, and limits consumer choice.
- **“Capricious” and “Kafkaesque” review processes**<sup>19</sup>. In 2022, Apple’s App Store rejected 1.7 million apps (27% of the 6.1 million apps reviewed)<sup>20</sup>. Google similarly disallowed 1.43 million apps in 2022<sup>21</sup>, with no independent arbitration or appeals process. The CMA found that “The majority of developers that we requested information from had negative experiences with Apple’s app review process”. Developers described it as “obscure”, “arbitrary”, “capricious” and “Kafkaesque”, creating “uncertainty, costs and delays for app developers”<sup>22</sup>.
- **Stifling innovation through both software and hardware control:** The CMA identified two major ways Apple in particular restricts innovation through technical control:
  - **WebKit Browser Restrictions.** While Chrome, Firefox and other browsers appear different on iPhones, they must all use Apple’s WebKit engine underneath instead of their own technology. This “severely limits the potential for rival browsers to differentiate themselves from Safari on factors such as speed and functionality.”<sup>23</sup>
  - **Cloud Gaming Restrictions:** Cloud gaming services let users stream high-quality games without needing powerful device hardware - similar to how Netflix streams videos. Until recently, “Apple did not allow cloud gaming apps

<sup>18</sup> Mobile ecosystems Market study final report, CMA, June 2022, p217, [Link](#)

<sup>19</sup> Ibid p194

<sup>20</sup> See Apple Update of 16 May 2023, ‘App Store stopped more than \$2 billion in fraudulent transactions in 2022’, [Link](#)

<sup>21</sup> Google Security Blog, ‘How we fought bad apps and bad actors in 2022’, 27 April 2023, [Link](#)

<sup>22</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p194 and 197 [Link](#)

<sup>23</sup> Ibid. p141

to be available on the App Store at all” but “During the course” of a CMA investigation into cloud gaming “Apple has made changes which allow cloud gaming apps to be sold via the App Store and we have seen some evidence of such apps emerging.<sup>24</sup>” This demonstrates the value and importance of pro-competition digital market regulation. Indeed, in the same investigation, the CMA’s expert inquiry group noted that “Apple’s policies are holding back innovation in the browsers we use to access the web on mobile phones” and recommended the CMA Board “consider the case for designating firms with strategic market status, taking account of the interplay between the specific markets that are the subject of this market investigation and Apple’s and Google’s wider mobile ecosystems.”

- **Hardware control:** both Apple and Google reserve control of core hardware on iPhone and Android devices for their own apps and services, while denying others. The CMA found a systematic pattern of restricting access to key device technologies. Most notably with NFC (Near-Field Communication) – the technology enabling contactless payments – which Apple until August 2024 banned developers from using, forcing all payment providers to “accept Apple’s terms”<sup>25</sup>. For UWB (Ultra-Wideband) - the precise location-tracking technology used in devices like AirTags - Tile had made “repeated requests to Apple to make use of the UWB chip” but “Apple repeatedly denied these requests until September 2021,” only granting access after Apple released its own product.<sup>26</sup> The pattern continues across other technologies - with camera APIs “Zoom was given access to this functionality and appeared to be the only meeting app that was,<sup>27</sup>” while for voice control, “neither Apple nor Google allow access to functionality that would allow third-party voice assistants to be activated through the use of a ‘wake word’, as is possible with their own voice assistants.<sup>28</sup>” While claiming these restrictions protect “user experience and security,”<sup>29</sup> the CMA concluded “the evidence we have seen does not suggest that security concerns are likely to justify a blanket ban on third-party use<sup>30</sup>.” Instead, these restrictions systematically advantage the gatekeepers’ own services while limiting competition.

The CMA concluded the above restrictions “materially inhibits the functionality” available to users, and “raise developers’ costs, depriving consumers of innovative apps and limiting the competitive constraint” that could exist in the market<sup>31</sup>.

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<sup>24</sup> CMA publishes provisional findings in Mobile Browsers and Cloud Gaming market investigation, 22 November 2024, [Link](#)

<sup>25</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p188

<sup>26</sup> Ibid p192

<sup>27</sup> Ibid p192

<sup>28</sup> Ibid p192/3

<sup>29</sup> Ibid p190

<sup>30</sup> Ibid p193

<sup>31</sup> Ibid p141



Below we showcase some examples to bring these challenges to life:

**Checkatrade (CAF Member) - submitted as part of this CAF response**

Checkatrade is the UK's leading platform for home improvements and repairs, facilitating over £7bn of work for British SMEs per year. As a homegrown innovator representing over 100,000 quality tradespeople across Britain and connecting them with millions of consumers, we're urging the Government to enable a strong CMA and ensure the digital gatekeepers play fairly.

Apple and Google do not just participate in the digital marketplace - they control access to it. Through app stores, for example, they act as gatekeepers to the internet, dictating terms to businesses like ours. They can demand up to 30% of every transaction made through our app, ultimately forcing us to pass costs onto hard-working trades and/or limiting our ability to operate and grow.

Nearly all consumers start their internet searches on Google's search engine, but Google preferences its own products over those of its competitors. This can harm competition and limit our ability to innovate and grow even if we have a superior product. For example, Google's Local Service Ads product benefits from the prime location in the search results page even when a user specifically searches for Checkatrade, and when other results would have been more relevant to the user's search.

**xigxag (CAF Member) - submitted as part of this CAF response**

xigxag is a micro business based in Cornwall, and a leading innovator in the UK's audiobook ecosystem. We've built one of the top-rated audiobook apps on both app stores, offering reasonably priced audiobooks without a subscription and more distinctive features than all competitors combined.

xigxag launched the app before our website, so in-app purchase was the only option available to us. We were forced to implement Apple and Google payment systems, neither of which are fit for purpose for an e-commerce a-la-carte retailer with a catalogue approaching 100k titles.

Now with a website powered by a best-in-class payment solution, xigxag can demonstrate the real harm caused by Apple and Google's control over the mobile ecosystem:

- Apple and Google in-app payments solutions have a failure rate up to 6x higher than Stripe online payments, with zero visibility into the root cause
- Apple and Google charge 15x what xigxag currently pay for transaction fees to Stripe
- Apple and Google withhold xigxag's own earned revenue for, on average, 30 - 50 days (and as much as 68 days in some cases) - 10x longer than Stripe, which pays all revenue within 7 days





- Apple and Google's in-app payment solutions lack standard retail payments functionality, e.g., dynamic pricing, multiple simultaneous purchases, and 'shopping carts' of items.
- Customers are unable to receive detailed receipts from Apple and Google in-app purchases without xigxag being forced to dynamically maintain more than 350k different purchasable items across both stores - impossibly complex and impractical.
- Apple do not allow visibility of individual transactions, inhibiting transaction-level reconciliation and hindering any audit trail.

UK customers don't understand why they are handed off to big tech companies when they want to transact with local businesses like xigxag. And, when payment failures happen, customers expect xigxag to be able to resolve issues by engaging with a real person, rather than being handed over to Apple and Google automated support.

xigxag have been refused investment based on the financial impact of app store fees on contribution margins. Once the business is big enough, we will face a doubling of transaction fees to 30%. When this occurs, the business becomes unviable without forcing customers to the web to make their purchases. This shift is made more difficult as Apple and Google prohibit xigxag from directing users to pay via more cost effective channels.

As a leading innovator in the strategic creative industries, with a mission to get everyone to enjoy more books, we urge Government and regulators to empower the CMA, to reestablish fair competition in the mobile ecosystem and foster innovation for the benefit of UK consumers and businesses alike.

**Tile (CAF member), cited in CMA Mobile ecosystem market study (2022)<sup>32</sup>**

Tile makes trackers that allow users to find lost items with the Tile app. It also developed a 'finding network' so that anyone with the Tile app installed and the required permissions given can help other users find lost Tile trackers even when these are outside of Bluetooth range of the owner's device. Apple developed its own finding network in 2019 (initially only for finding Apple devices) and started selling trackers in 2021. Tile told the CMA that "Apple had access to a wide range of sensitive information on Tile's products, through the App Store but also from previous partnerships between Apple and Tile, such as a collaboration on a Siri voice assistant integration for Tile.

"Since launching its competing products Apple had, in Tile's view, engaged in self-preferencing, including enforcing a complex and confusing process for users to grant Tile the necessary permissions, as well as the hardware restrictions.

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<sup>32</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p263



“Apple offers access to its Find My network to third parties, but only through the MFi agreement which contains restrictive terms which would prevent Tile from competing effectively with Apple.”

**Wordle - cited in CMA Mobile ecosystem market study (2022)**<sup>33</sup>

“Wordle is a popular word game that was developed by British software engineer Josh Wardle. The game was built as a free-to-play web app that could be accessed through a browser. After rapidly growing in popularity, the game was purchased by the New York Times in January 2022 and is now hosted on the company’s website. Josh Wardle highlighted to the CMA “two challenges that can be directly attributed to restrictions imposed by Apple:

- “Pinning a web app to the home screen is not as well-supported on WebKit as on Google’s Blink or Mozilla’s Gecko browser engines. The limitations of Apple’s support for this feature meant that Josh chose not to develop it for any browser.
- Adding push notifications to the game would have enabled users to get a daily reminder on their phones (if they wanted it) to play the new game made available each day. This would have aided discovery and usage of the game, as well as enhancing user experience. As Apple does not support push notifications for browsers on its devices, this was not possible.

The CMA concluded that “Wordle is just one example of the potential for creative and popular apps such as games to be developed for the web, demonstrating the potential for web apps to offer an alternative distribution channel to native apps. However, it also serves to highlight the impact of Apple’s unnecessary restrictions – while Wordle has been highly successful, we cannot know how many others have failed for this reason.”

**Meta, Microsoft, Match Group, and X (Amicus Brief March 2024, Epic Inc vs Apple Inc)**<sup>34</sup>

“In September 2021, a US District Court found that “certain anti-steering provisions in Apple’s Guidelines had “numerous anticompetitive effects” and caused “considerable” harm to users of Apple’s iOS mobile devices and to developers of apps designed to run on those devices”. To remedy this “the Court entered a permanent injunction expressly prohibiting Apple from restricting developers’ freedom to inform customers about, and direct customers to, alternatives to Apple’s IAP.”

In March 2024, Meta, Microsoft, Match Group and X filed an Amicus Brief suggesting that “Apple’s response to the injunction clearly violates the Court’s orders”.

X (formerly Twitter) highlighted that “Apple’s anti-steering restrictions and commissions harm not only X itself but its users directly....X does not currently take a cut of Creator Subscription revenues, and instead passes 100% of Creator Subscription revenues, net of

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<sup>33</sup> ibid p261

<sup>34</sup> Meta, Microsoft, Match Group, and X Amicus Brief, Epic Inc vs Apple Inc, [Link](#)



fees, along to the creators themselves. Creators on the X platform are thus particularly harmed by Apple's 27% commission, since the commission means that creators will receive at most 73 cents on every dollar of subscription revenue they generate through users seeking to subscribe through the Apple ecosystem"

Match Group (a CAF member) offers users "the ability to purchase services such as subscriptions and á la carte features," but "the Apple Plan forces these developers into placing a single external link on a static app page within tightly circumscribed template language, and not in places users are already presented with purchase options using Apple's IAP. Thus, under the Apple Plan "developers cannot communicate lower prices on other platforms" in the many instances where consumers would make a purchase, and "Apple's [new] policy also prevents developers from informing users of its [27]% commission" anywhere within their apps. These restrictions on Match Group and other developers prevent full and fair cross-platform price competition"

**Spotify (CAF member; March 2024, Response to European Commission fining Apple for abusive App Store rules for music streaming providers)<sup>35</sup>**

"Apple's rules muzzled Spotify and other music streaming services from sharing with our users directly in our app about various benefits—denying us the ability to communicate with them about how to upgrade and the price of subscriptions, promotions, discounts, or numerous other perks. Of course, Apple Music, a competitor to these apps, is not barred from the same behaviour. By requiring Apple to stop its illegal conduct in the EU, the EC is putting consumers first. It is a basic concept of free markets—customers should know what options they have, and customers, not Apple, should decide what to buy, and where, when and how.

"From the beginning, the foundational belief of the internet is that it should be a fair and open ecosystem. That belief has fueled growth, innovation and discovery around the world. Today the leading way people access the internet is via their mobile phones. So why should the same principles not apply?"

**Microsoft (November 2024 Amicus Brief, Epic Inc vs Google)<sup>36</sup>**

Microsoft aims to lead "the fastest growing segment of the massive gaming industry" by offering "console-quality gaming experiences on mobile devices" through "cross-play," allowing customers to "play the games they buy on any device that plays games." However, "Google's conduct impedes that aim."

"Google generally extracts 30 percent of all transactions that take place using Google Play Billing. Microsoft already has a billing relationship with Xbox customers, using trusted and secure Microsoft sign-in accounts and Microsoft's own commerce system for in-app

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<sup>35</sup> Spotify, March 2024, [Link](#)

<sup>36</sup> Microsoft Amicus Brief, Epic Inc vs Google November 2024, [Link](#)



purchases. Microsoft does not need or want to use Google Play Billing; requiring use of that unwanted and exorbitantly expensive service makes it uneconomic to offer many products and services to users.

“What may be less obvious is that Microsoft cannot use Google Play Billing for many gaming transactions, in particular those that involve in-game purchases in Xbox console games during gameplay. The games that Microsoft’s Xbox and Game Pass apps enable consumers to play are engineered – at the code level – for non-Google in-game payment mechanisms. It would be highly impractical, and take years, for Microsoft to rewrite the code for the first-party titles available on Xbox to embed Google Play Billing for in-game purchases. And many of the most popular Xbox games are third-party titles that Microsoft cannot rewrite because it does not develop those games. Further, because Microsoft streams these Xbox games to the user’s mobile device – using hardware and software for which Google does not offer software support – there is no Google software that Microsoft could use to integrate Google Play Billing into Xbox console games. As a result of Google’s in-app payment restrictions that the jury found unlawful – and that the district court enjoined pending the administrative stay– Android mobile gaming experiences are significantly limited today:

- Consumers cannot use a Microsoft sign-in account or Xbox account to purchase and play games within these Android apps.
- Microsoft must disable in-game purchases for both remote and cloudstreaming gameplay – on the Android Xbox app and Android Game Pass app, respectively – preventing consumers from paying to unlock new levels or avatar outfits (sometimes called “skins”) or upgraded features and more.
- Microsoft cannot include in its Android apps links that direct consumers to Microsoft’s websites where they can play games (via streaming) and make game-based purchases using their Microsoft account.

“Google has used its policies to force Microsoft to degrade the mobile gaming experience it provides to customers through the Play Store. As long as these crucial provisions remain stayed, Google will continue to block Microsoft from offering consumers the products and features they want.”

### **The DMCC Act as an Opportunity for Growth - Launch of the Epic Games Store**

On 16 August 2024, Epic (a CAF Member) launched the Epic Games Store on Android devices worldwide and iOS in the EU thanks to the Digital Markets Act. The Epic Game Store offers great terms to developers including a store fee of 12 percent for payments Epic processes and zero on purchases made using third party payment systems. Epic also announced that the Epic Games Store and Fortnite would come to iOS in the UK in the second half of 2025.

## Business Environment

### 7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

The CMA Mobile ecosystem market study detailed the barriers to investment caused by the Apple and Google duopoly including:

- **High commissions reduce developer returns and therefore lead to lower investment and innovation** – the CMA noted that Apple and Google charge high commissions (up to 30%) which reduces returns for developers. Couple with opaque rules of the game and self-preferencing, the CMA said this caused even successful companies to give up on app development, quoting one developer who said that “in the case of one quarter billion dollar revenue product the native app was eventually abandoned because of the restrictions that both Apple and Google place on monetization within the app and their prohibitively high share of that income.”<sup>37</sup>
- **Self-preferencing creates investment risk.** The CMA noted that if developers believe Apple/Google will use their confidential information to compete against them, “this could undermine their incentives to invest in developing new services or trial new pricing or marketing strategies and could have a general chilling effect on innovation.”<sup>38</sup>
- **Wasted development investment due to opaque rules** – The CMA noted that “ambiguity in the guidelines, inconsistent enforcement, and the delays created by the review process, create the risk that development work on new features for apps could be wasted. This has the direct effect of preventing consumers access to potentially valuable features that are discarded in order to pass the app review process, as well as the indirect effect of deterring development of these features in the first place.”<sup>39</sup>
- **Technical restrictions limit innovations**, e.g. web apps have been fundamentally undermined.

## Business Environment — People and Skills

- ~~8.—Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?~~
- ~~9.—What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?~~

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<sup>37</sup>CMA Mobile ecosystems market study final report, CMA, July 2022, p269, [Link](#)

<sup>38</sup>Ibid p211, [Link](#)

<sup>39</sup>Ibid, p197, [Link](#)



### Business Environment - Innovation

~~10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what policy solutions could best address these?~~

~~11. What are the barriers to R&D commercialisation that the UK government should be considering?~~

### Business Environment - Data

#### **12. How can the UK government best use data to support the delivery of the Industrial Strategy?**

The CMA / government should request quarterly data from Apple and Google to enable it to track the health of competition in digital markets, particularly around user numbers to measure market concentration, app store commission rates and revenues; and developer success rates and rejections in app review processes. A key sign of healthy competition would be if competing app stores and payment providers are growing their revenues and market shares on iOS and Android devices, and UK consumers are switching regularly.

We also recommend the government tracks the measurement of home-grown app developers and the overall geographic distribution of these and other digital market economy jobs and investment: it is critical that the Industrial Strategy tracks not only the quantity but also the quality of digital investment, with a focus on geographical spread and Start Up and Scale Up investment.

Additionally, the government should require detailed country-specific reporting on major technology companies' actual investment in the UK economy, for example specific local R&D spend and jobs attached. Currently, these companies often cite regional or global figures when discussing their economic contributions, making it difficult to assess their true local impact.

#### **13. What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?**

The CMA Mobile ecosystems market study highlighted significant data barriers faced by app developers that harm competition and innovation:

- **Asymmetric Data Access** - Apple and Google have "access to a variety of non-public sources of potentially commercially sensitive information on third-party app developers"<sup>40</sup>, indeed "Apple's Developer Licence Agreement even explicitly disclaims any confidentiality obligations over information that Apple collects from developers"<sup>41</sup>. This allows gatekeepers to potentially "use rivals' data to optimise their own pricing and marketing strategies."<sup>42</sup>

<sup>40</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p210, [Link](#)

<sup>41</sup> p211

<sup>42</sup> MA Mobile ecosystems market study final report, CMA, July 2022, p211, [Link](#)



- **Developers lack access to their own user data when using gatekeepers' payment systems.** This means they cannot access user-level transaction data needed to tailor prices or promotions; carry out fraud checks; manage customer relationships directly or indirectly optimise services based on usage patterns
- **Limited Transparency-** Developers are "not provided with sufficient and clear information about how an app's ranking is determined<sup>43</sup>", there is no advance notice of algorithm changes affecting discoverability; limited visibility into app review decisions and rationale and no access to comparative performance data to benchmark against competitors

To address these barriers, CAF advocates that

1. All mobile app developers should have timely access to the same interoperability interfaces and technical information that the app store owner makes available to its own developers.
2. A developer's data and other non-public business information or intellectual property should not be used by the mobile ecosystem gatekeeper to compete with the developer – a practice known as sherlocking.
3. Gatekeepers should provide app developers with timely access to data generated by end-users in the developers' app.
4. Apple and Google should provide access to their app stores at transparent, fair and non-discriminatory conditions.

#### Business Environment – Infrastructure

~~14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?~~

~~15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?~~

#### Business Environment – Energy

~~16. What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?~~

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<sup>43</sup> CMA Mobile ecosystems market study final report, CMA, July 2022, p207, [Link](#)



~~17. What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?~~

### **Business Environment - Competition**

**18. Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?**

The Coalition for App Fairness applauds the draft Industrial Strategy's restatement that appropriate regulation is required to drive growth in digital markets as part of its Industrial Strategy document. Competition regulation plays a fundamentally different role from other types of regulation - rather than imposing new restrictions, it removes artificial barriers created by powerful incumbents that are actively blocking innovation and growth. We especially welcome the Strategy's commitment to implement the Digital Markets, Competition and Consumers Act (DMCC) by January 2025. This will be transformative for the UK's digital economy, creating a level playing field that encourages innovation, attracts investment, and generates new jobs across the UK by addressing anti-competitive practices that currently prevent entrepreneurs and innovative businesses from reaching their full potential.

Globally, jurisdictions including the EU, United States, Japan, Germany, Italy, France, Australia, Brazil and Canada are considering how best to enact pro-competition digital regulation. These examples are illustrative of potential pitfalls, and solutions for unlocking growth via enforcement of the DMCC regime.

The precise approaches vary; in the US, ex-post antitrust legal challenges remain the main enforcement function; the EU's Digital Markets Act ("DMA") imposes a standardised set of "dos and don'ts" across designated services, whereas the recently passed UK Digital Market Competition and Consumers Act ("DMCC) allows for tailored, company-specific Conduct Requirements (CRs).

However, whilst the precise approach varies, the behaviours targeted remain consistent, as a recent OECD Paper prepared for the G7 sets out.<sup>44</sup>

A benefit of the DMCC is that it allows for tailored, company-specific Conduct Requirements (CRs). If properly implemented, CAF's belief is therefore that the UK DMCC regime will allow regulators to tailor interventions through targeted Conduct Requirements that consider the unique characteristics of each designated platform's business model or are more amenable to rapid amendment if confronted with evasive and uncooperative gatekeepers.

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<sup>44</sup> Competition Policy in Digital Markets: The Combined Effect of Ex Ante and Ex Post Instruments in G7 Jurisdictions. OECD, October 2024, [Link](#)





Whilst the precise DMCC Conduct Requirements will be bespoke to each company, general principles CAF supports are that:

1. Consumers must have a free choice in where they download apps – through the gatekeeper’s app store, a third-party app store or on a website.  
Gatekeepers must be barred from banning or otherwise impeding the use of third-party app stores and direct downloads, including through punishing fee structures.
2. Mobile app developers must be able to communicate directly with consumers about offers, discounts, and other features both within an app or through any other channel without any restrictions, including fees, by the gatekeeper.
3. Mobile app developers must be able to offer the payment options of their choice for in-app purchases, whether it’s Apple or Google’s payment options or a third-party payment solution. And when a third-party payment solution is used, the gatekeepers must be barred from imposing an excessive or unwarranted fee.
4. Developers shouldn’t be blocked from the platform or discriminated against based on a developer’s business model, how it delivers content and services, whether it competes in any way with the app store owner or as retribution.
5. All mobile app developers should have timely access to the same interoperability interfaces and technical information that the app store owner makes available to its own developers. Gatekeepers cannot reserve special privileges for their own internal teams and cannot make gratuitous changes to interfaces and raise rivals’ costs.
6. Gatekeepers must end arbitrary and unexplained exclusions or failures to approve app store content and app updates.
7. Mobile ecosystem gatekeepers should be barred from self-preferencing their own apps or services or interfering with users’ choice of preferences or defaults.
8. A developer’s data and other non-public business information or intellectual property should not be used by the mobile ecosystem gatekeeper to compete with the developer – a practice known as sherlocking.
9. Gatekeepers should provide app developers with timely access to data generated by end-users in the developers’ app.

10. Apple and Google should provide access to their app stores at transparent, fair and non-discriminatory conditions.

Removing Apple's and Google's ability to distort competition in these ways would help innovative firms to thrive, to the benefit of UK entrepreneurs, consumers and the growth of the economy.

### **19. How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?**

The 1998 US Microsoft antitrust case demonstrates how effective competition enforcement can unlock innovation and economic growth. Microsoft was required to open up its operating system to rival browsers, enabling the growth of companies like Google and Apple in the browser market and driving innovation that benefited consumers through better products and lower prices.

Just as breaking Microsoft's monopoly on browsers enabled new innovators to emerge, addressing Apple and Google's duopoly control could unlock significant innovation in the UK's app economy, given the CMA's Mobile Ecosystems study found clear evidence that their control is limiting innovation, particularly in areas like web apps, cloud gaming and payment services.

We therefore urge the government and CMA to

- **Designate mobile app ecosystems as a specific subsector in the final Industrial Strategy**, and collect appropriate data to monitor its health and growth.
- **Act swiftly to implement the DMCC regime**, the CMA should prioritise designation for Apple and Google's mobile app ecosystems, and draft Conduct Requirements, focusing on the most harmful practices identified in the CMA's robust and numerous studies.
- **Ensure "Strategic Market Status" designations and accompanying Conduct Requirements are comprehensive enough to prevent circumvention by Apple and Google**, learning from their 'malicious compliance' strategy around the world in the US, EU and South Korea.
- **Monitor compliance closely** through regular data collection and maintain capability to rapidly amend requirements if evasion is detected, or desired outcomes for competition are not achieved.



- **Coordinate internationally with other regulators, especially in the EU**, to maximise effectiveness.

### **Business Environment - Regulation**

#### **20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?**

As stated above, CAF applauds the government's recent restatement that appropriate regulation is required to drive growth in digital markets as part of its Industrial Strategy document, especially the Strategy's commitment to implement the Digital Markets, Competition and Consumers Act (DMCC) by January 2025. Competition regulation plays a fundamentally different role from other types of regulation - rather than imposing new restrictions, it removes artificial barriers created by powerful incumbents that are actively blocking innovation and growth.

However, any proposals to amend the CMA's strategic functions should be considered with care. The CMA is a respected, world-class regulator, generating £26 in consumer benefits for every £1 spent<sup>45</sup>. The CMA's robust, evidence-based approach has included detailed market studies into mobile ecosystems, Google's Privacy Sandbox, and Apple's App Store which, together have uncovered significant market failures, including £4 billion per year in consumer detriment. Moreover, the CMA is not alone in its approach to regulating digital markets. Similar initiatives in the EU, United States, Japan, Germany, Italy, France, Australia, Brazil and Canada underscore the urgency of implementing pro-competition digital regulation.

It is therefore crucial that any review of the CMA builds upon these achievements rather than allowing dominant players to undermine them. SMEs in particular are the drivers of the UK's tech sector, contributing £101.7 billion last year to the UK tech ecosystem<sup>46</sup>. Any focus on growth must prioritise opening markets for these innovative players, as opposed to entrenching the position of the players dominant today.

### **Business Environment – Crowding in Investment**

#### **21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?**

In the mobile app ecosystem, factors influencing business investment decisions include:

- **The ability to effectively monetise and generate returns, which is constrained by the high commission rates** of up to 30% charged by Apple and Google; restrictions on

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<sup>45</sup> CMA Annual Report 2023, [Link](#)

<sup>46</sup> TechUK, July 2024, [Link](#)



alternative payment methods and distribution channels and the limited ability to directly manage customer relationships and access user data

- **Market access and discoverability**, which is impacted by the need to develop for both iOS and Android to reach all users, increasing development costs; reliance on app store search rankings and featuring decisions controlled by Apple and Google and Apple and Google's ability to self-preference their own apps through (i) Pre-installation and default settings of their own apps (ii) Privileged access to APIs and device functionality (iii) Control over app store search algorithms and featuring decisions (iv) Access to commercially sensitive information about competing apps (v) Ability to restrict competing services (e.g. Apple's restrictions on cloud gaming)
- **Regulatory certainty and stability around app store rules and review processes**, which can be opaque and inconsistently applied; access to device functionality and APIs can also be restricted or removed

#### **Business Environment – Mobilising Capital**

~~22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?~~

~~23. The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?~~

#### **Business Environment – Trade and International Partnerships**

**24. How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?**

CAF welcomes the recently concluded UK-EU Competition Cooperation Agreement as a critical enabler for effective digital market regulation. This agreement will allow the CMA to work more closely with EU competition authorities on shared cases and common competition issues without unnecessary barriers.

Given the major digital gatekeepers operate globally, international coordination helps ensure consistent approaches and prevents regulatory arbitrage.

In addition, sharing best practices helps regulators respond more effectively to evasive behaviour by gatekeepers. Early experiences implementing new digital regulation in South Korea and the EU demonstrate how gatekeepers attempt to circumvent rules by exploiting gaps - international dialogue helps identify and close these gaps more quickly.



We also believe that aligned approaches will help reduce complexity for businesses operating across borders.

We therefore encourage the UK government to fully implement the UK-EU cooperation framework, participate actively in multilateral forums like the G7 Digital Competition Enforcers Summit and share learnings from DMCC implementation with international partners such as Australia, Brazil, Canada, the EU and associated member states notably Germany, France and the Netherlands; India, Japan, South Korea and the United States, all of which are taking an active interest in digital market competition.

**25. Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?**

The UK is already a major exporter of digital services. With strong implementation of the DMCC and continued support for the CMA's vital work, we believe the UK can cement its position as a global leader in fair and competitive digital markets, driving investment and innovation as a result.

**Place**

- ~~26. Do you agree with this characterisation of clusters? Are there any additional characteristics or dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?~~
- ~~27. What public and private sector interventions are needed to make strategic industrial sites 'investment ready'? How should we determine which sites across the UK are most critical for unlocking this investment?~~
- ~~28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?~~
- ~~29. How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?~~

**Partnerships and Institutions**

**30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?**

Please see the response to Question 12

- ~~31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?~~

**32. How can we improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?**



The Council should establish formal consultation mechanisms with

- Industry bodies representing both large and small technology companies
- Developer associations and coalitions
- Consumer advocacy groups
- Academic experts in competition policy and digital markets
- International counterparts

This will help ensure policy recommendations are evidence-based and reflect diverse stakeholder perspectives; it is critical the Industrial Strategy Council represents all business, not simply big business.

### **Theory of Change**

~~33. How could the analytical framework (e.g. identifying intermediate outcomes) for the Industrial Strategy be strengthened?~~

~~34. What are the key risks and assumptions we should embed in the logical model underpinning the Theory of Change?~~

**35. How would you monitor and evaluate the Industrial Strategy, including metrics?**

Please see the response to Question 12

### **Additional Information**

~~36. Is there any additional information you would like to provide?~~