

US Consumer Benefits of Unlocking Competition in App Distribution on Smartphones



Advocacy + Policy + Economics

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Independent report based on publicly available information.

All views expressed are those of the author alone.

Prepared for the Coalition for App Fairness (CAF)

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Executive Summary

US Consumers could save on the order of \$8.9B every year from competition in app distribution on smartphones.

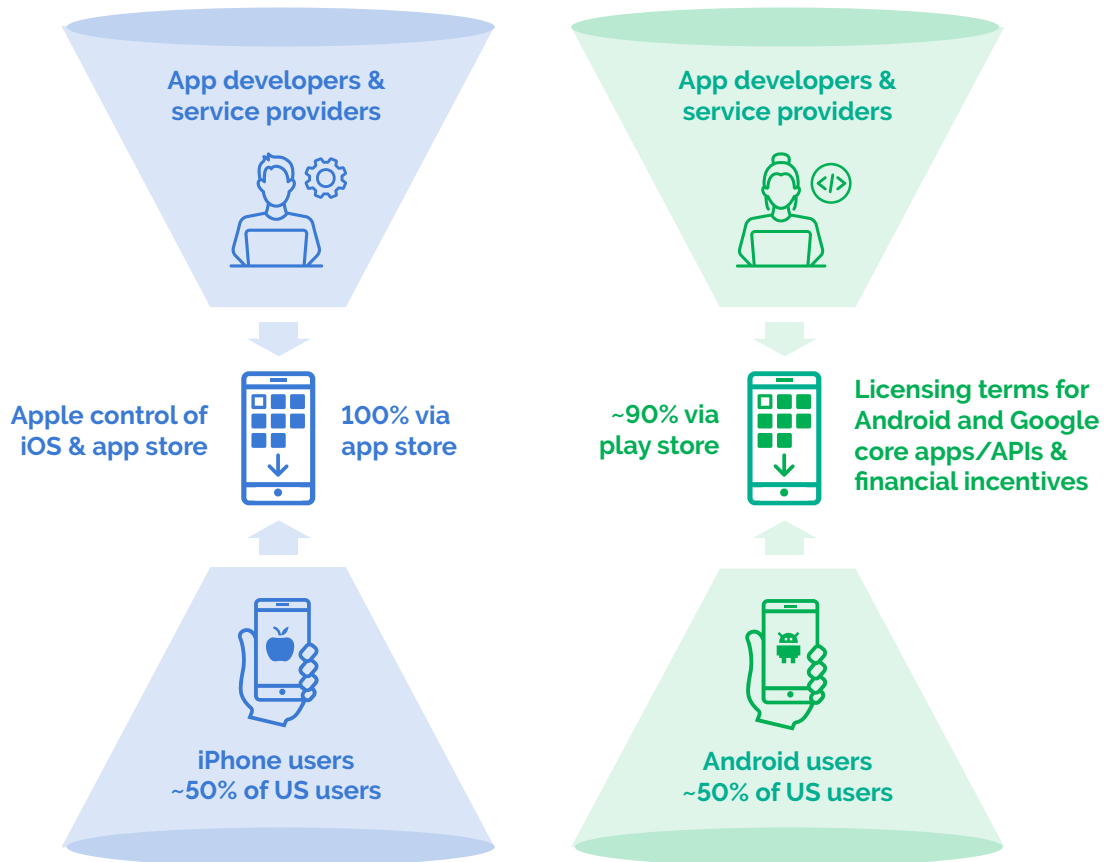
Smartphones are a lynchpin of modern life. Nine in ten American adults own a smartphone, and Apple (via iOS) and Google (via Android) account for over 99% of US smartphones. This means for most Americans, Apple and Google control the distribution of mobile apps and services, including AI agents, tools, and assistants. Apple distributes 100% of iOS apps through its App Store, and Google distributes roughly 90% of Android apps through the Play Store.

US consumers spend \$52.3B annually through these stores, and Apple and Google charge a headline commission of 30% on subscriptions and in-app purchases. Accounting for limited discounts, the effective average commission rate is approximately 26%.

In our analysis, we contrast the current market structure in which Apple and Google act as monopoly gatekeepers with a more competitive distribution market. In our view, a more competitive distribution market would include multiple distribution channels, including alternative app stores, direct web installation, and super apps.

This competition would push the 26% effective average commission to payment processing costs (~3%) that app developers would incur even if they bypassed app stores. If developers passed through 71% of the savings from more competitive app distribution as lower prices, US consumers would save approximately \$8.9B per year. Importantly, this estimate excludes other benefits of competitive distribution, including new and increased app development, greater consumer choice in privacy and parental controls, and the introduction of innovative features.

The App Store Monopolies



Apple controls 100% of iOS distribution; Google controls ~90% of Android distribution through the Google Play Store and licensing terms

\$52.3B

Annual US consumer app store spending

30%

Headline commission (since 2008)

~26%

Effective avg. rate – accounting for any reduced or discounted rates

Consumer Harms from App Store Monopolies

– Higher Prices and Fewer Choices

Hidden Commission Costs

The ~26% effective commission rate is embedded in app prices. As a result consumers pay more for every subscription, game, and digital purchase. Unlike physical retail (1–5 % margins), app store commissions are 5–10x higher with far lower marginal costs.

Blocked from Better Deals

Developers are prohibited from directing users to cheaper purchasing options outside Apple's and Google's app stores, eliminating price competition and keeping consumers locked into the gatekeepers' higher-priced services.

Fewer Choices

Self-preferencing and reduced interoperability for third-party apps stifle consumer choice. Apple and Google decide what features consumers can access and developers can distribute. For example, absent Apple's and Google's monopoly control over app distribution, app store entrants could compete on safety features, offering parents more robust tools to manage children's app access, screen time, and in-app purchases.

It does not need to be this way!

Consumer Harms from App Store Monopolies – Less Innovation, Control, and Privacy

Less Innovative App Entry

Higher commissions and gatekeeping discourage developers, especially smaller studios and startups, from entering the market. Apps that are currently uneconomic could become viable at more competitive rates, expanding consumer choice and driving innovation.

Consumers do not 'control' their own smartphones

Restrictions on downloading apps directly from developer websites (as with desktop software) means two corporate gatekeepers exercise unchecked power over consumers' access to essential digital services.

Reduced Privacy

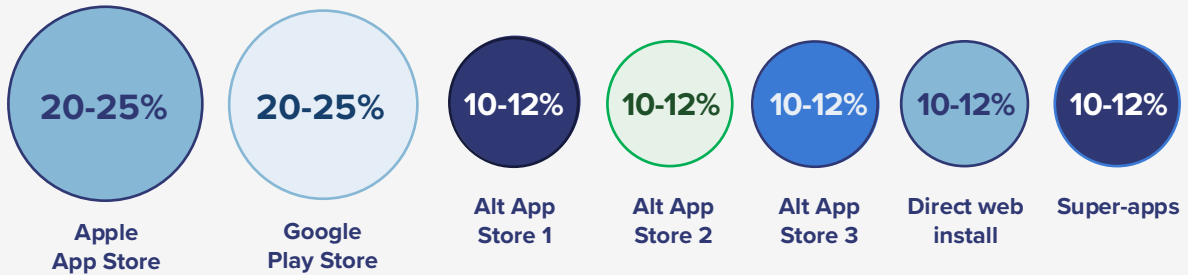
High in-app purchase commissions promote ad-funded business models, allow Apple and Google to collect personal data and give them an unfair advantage in serving ads on their platforms, while consumers lose control of their data.

It does not need to be this way!

A More Competitive App Distribution Market

From 100% via Apple App Store and 90% via Google Play Store to many alternative distribution channels with no single gatekeeper

Illustrative example of market share distribution



share spread across 7+ channels
bubble size = share across iOS + Android

Effective commission

~3%

Share-weighted market average falls to payment processing charge

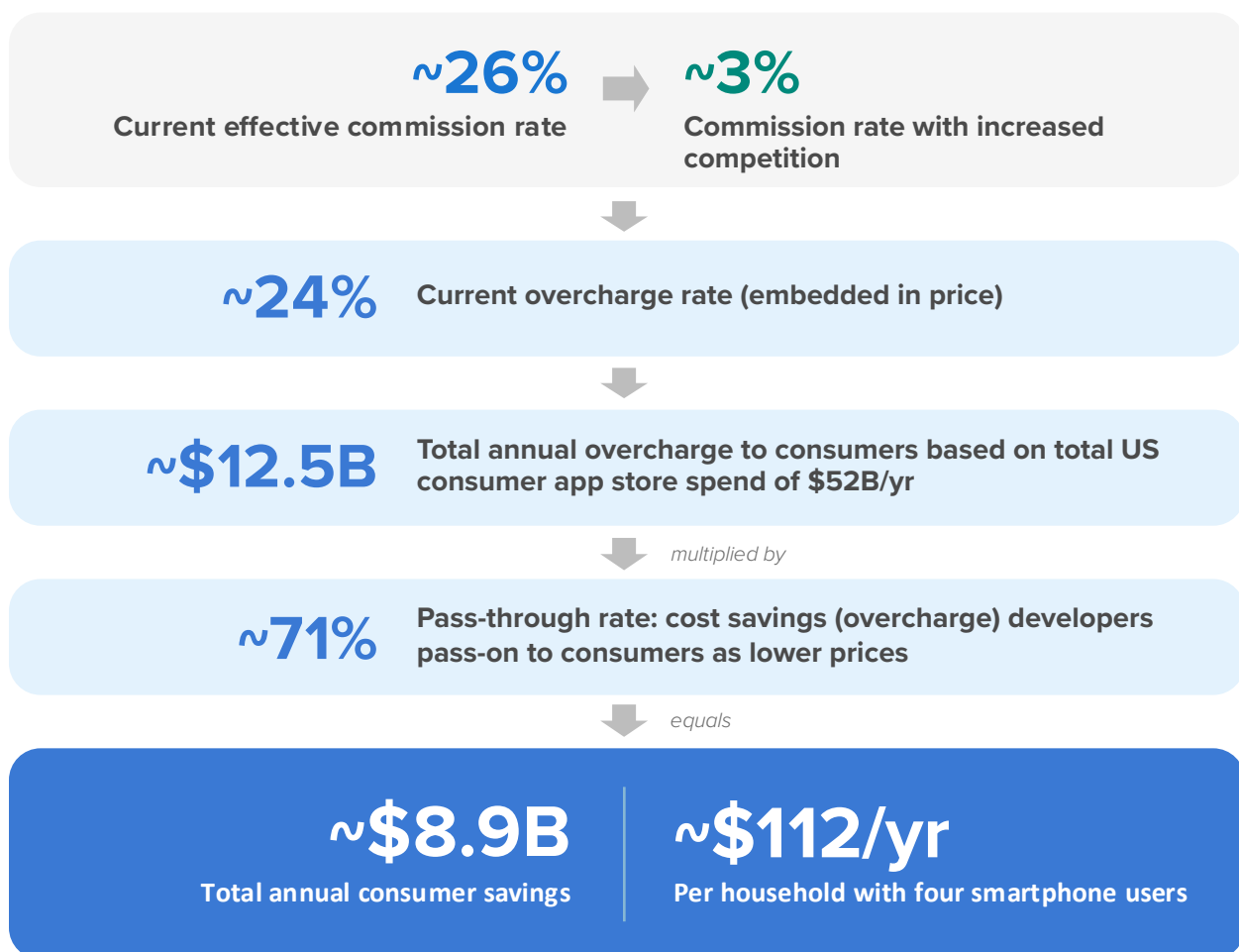
Depending on distribution channel, developers may pay more or less than 3%. For example, direct web install would mean zero commission and a developer would arrange its own payment processing

Market Mechanics

- Multiple alternative app stores enter
- Developers can steer users to off-app purchases or link outs
- Super-apps (middleware that can host apps, services and experiences) emerge working across Android and iOS
- Apps can be downloaded (or downloaded more easily) via the web (direct web install) bypassing app stores
- Alternative app stores, super-apps and direct web distribution result in increased competition on commission rates among app stores across iOS and Android
- This competition drives commissions down to payment processing costs (~3%) – the cost app developers would have to incur even if they bypassed app stores

US Annual Consumer Savings

Estimated annual US consumer savings from more app store competition leading to lower commissions



What's Not In The \$8.9B

Savings do not include volume effects and other benefits like more choice for consumers on privacy, specialist app stores (for example offering parents more robust tools to manage children's app access), more innovative entry, and more consumer control over how we use our smartphones

Methodology Note

71% pass-through reflects average of 50% (CAT UK) and over 90% for high-marginal-cost apps including a growing AI app category; and reflects increasing competition among app developers as a result of entry across differentiated distribution channels with lower commissions and the use of AI coding tools

What these Annual Savings Mean for Families

~\$112/year per household with 4 smartphone users.

Here's what that buys.



~10 weeks

of school lunch for
one child

\$46/month



~1.5 month

of basic internet service

\$75/month



~5 visits

primary care doctor
copays

\$24/visit

Note: The figures are based on average household spend. There will be variation among users and households – some users and households might spend a lot more and some a lot less.

The Bigger Picture - Apple and Google's \$8.9B overcharge could fund



Annual grocery bill for ~1.4m families

\$6224 annual spend on food at home



Annual gas for cars for ~3.7m families

\$2411 annual spend on gasoline

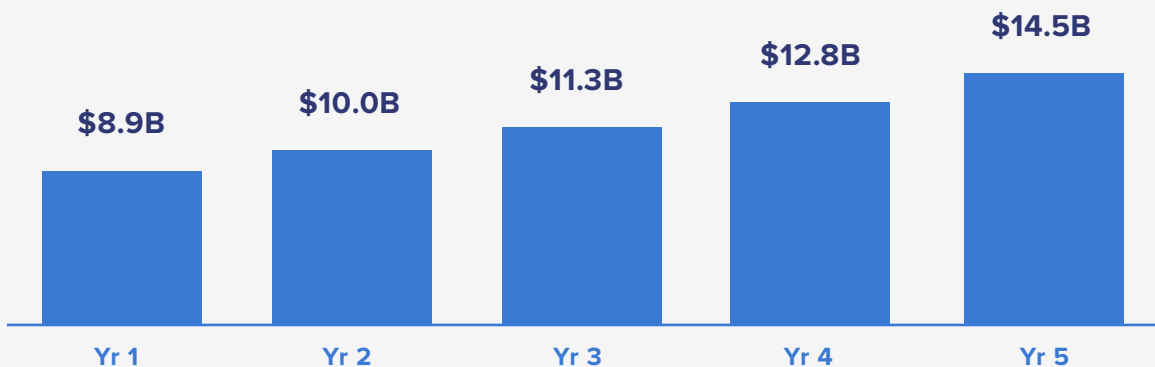


~25% of NASA's annual budget

\$35.6B NASA FY 2025 budget

Over 5 Years that is ~\$54.5B

Annual US Consumer Savings (\$B) - 13% YoY growth



\$54.5B NPV estimated assuming 13% YoY growth and 1.7% discount rate

Main Data Sources

Legal & Regulatory Decisions

- Dr Rachael Kent v Apple Inc. and Apple Distribution International Ltd, Judgment of the Competition Appeal Tribunal UK, October 23, 2025 (Case No. 1403/7/7/21)
- Strategic Market Status Investigations into Apple and Google Mobile Platforms, Competition and Markets Authority, October 22, 2025
- Epic Games, Inc. v. Google LLC, and Epic Games, Inc. v. Apple Inc., District Court, N.D. California
- United States of America v. Apple Inc., District Court, D. New Jersey
- Study on the Passing-On of Overcharges, European Commission (2016)

Market Data

- Business of Apps 2024 —US app store consumer spending (\$52.3B)
- SensorTower 2025 State of Mobile Report — Cross-reference for US spending (\$43-52B range)
- Statista 2024 — US smartphone installed base (317M devices)

Commission Benchmarks

- Epic Games Store: 12% and 0% if a developer uses their own payment processing
- Microsoft Store (games): 12% (reduced from 30% in August 2021)
- Steam: 20% for high-revenue developers (reduced in response to competitive entry)
- Payment processing (PayPal, Stripe, Square): average ~3%

Savings in Context

- School lunch costs from Education Data Initiative, ~\$556/yr = ~\$47/month
- Monthly internet bill from Nerd Wallet (2025), ~\$75/month
- KFF 2023 Employer Health Benefits Survey — Doctor visit copays
- 2024 Bureau of Labor Statistics Consumer Expenditure Survey (\$6,224 on food at home and \$2,411 on gasoline for transportation)
- NASA FY 2025 Budget (\$35.6B), FY 2025 Agency Financial Report

Contact

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