



## **Response to the CMA Mobile Ecosystems Market Study Interim Report 7 February 2022**

### **I. Introduction**

On 14 December 2021, the Competition and Markets Authority (CMA) published its Mobile Ecosystems Market Study Interim Report and invited comments from interested parties. Pinterest welcomes the opportunity to provide our response to the CMA's initial findings on the theme of competition between app developers (Chapter 6), as well as the potential interventions under consideration (Chapter 7).

Pinterest is a visual discovery engine where more than 400 million people around the world go to get inspiration for their lives. Browsing and saving visual ideas on Pinterest's service helps Pinners imagine what their future could look like, which helps them go from inspiration to reality.

On Pinterest, businesses of all sizes and from many industries can achieve a diverse set of goals, from building brand awareness, to increasing online traffic, to driving sales. Pinterest provides a suite of advertising products, including brand and performance-based advertising.

Pinterest competes with internet advertising companies which provide their users with a variety of online products, services, content and advertising offerings, including web search engines, social networks, and other means of discovering, using or acquiring goods and services.

Some of these competitors have significantly greater financial, technical, and operational resources, and larger user bases than we do. We rely on some of these competitors to operate our service and changes they make in the products or services offered, or the terms upon which they are offered, can have a significant impact on our business and on our ability to compete effectively.

Pinterest is a platform that delivers inspiration and utility. Our mission is to "bring everyone the inspiration to create a life they love." We want to inspire users to live a better life and provide the means for them to do more than just dream. We want to help all our users bring inspiration into their lives in a tangible way.

To fulfill our mission, we hope to have an equal opportunity to compete in our sector, together with other new entrants and companies of all sizes. Such an environment will empower us to continue to create innovative products, cultivate a strong user experience, and support our advertising partners.



Accordingly, we welcome the market study and appreciate the opportunity to contribute. This response is focused on the potential interventions proposed in response to the findings expressed in the Interim Report, particularly in those areas most relevant to Pinterest, including app store practices, Apple’s App Tracking Transparency framework (ATT), and in-app payment (IAP) requirements.

As the interventions identified in the Interim Report are stated as relatively broad principles, our comments to them are similarly high-level. Also, please note that questions such as whether and how to implement the interventions, whether they will be effective, or whether they may yield adverse effects, can be subjective. Accordingly, some opinions may differ within our company, or may evolve based on changes in market conditions or technological advancements.

## **II. App Stores**

### **A. Self-Preferencing**

Consistent with the statements made in the Interim Report, app stores should not be able to advantage their own apps through pre-installation and default settings. A complete ban on pre-installation, however, may have adverse effects on users and developers. While such an intervention may be simple to implement and create open competition among developers, requiring devices to be sold with little immediate functionality out of the box could be highly disruptive to the user experience of purchasing a new device.

Pre-installation agreements can be an effective marketing and growth strategy for developers as well, so any regulation in this area should be tailored to avoid any unintended adverse consequences such as cutting developers off from the users and revenue they need to effectively compete.

Implementation of neutral choice architecture between defaults would likely be the more appropriate approach in this area. In a version of this architecture, users would have the option of choosing their preferred app – from Apple, Google, or another developer – upon setting up the operating system. Furthermore, we support the Interim Report’s statement that app stores should not be permitted to use any part of their operating system or surfaces (e.g. text and voice search results, app suggestions, etc.) to favor their own apps. These actions would help create a level playing field for developers to market their apps to users within mobile ecosystems.



## **B. App Review**

Pinterest supports interventions requiring a fair app review process, including consistent application of guidelines and transparency over the reasons for rejection and necessary steps for approval. The app review process as currently practiced can result in capricious and unexpected rejections of apps and app updates, which has the effect of holding back innovative products from the market and disrupting developers' business plans.

Merely requiring consistent and transparent application of the guidelines as written, though, may not be adequate to effectively reform the app review process. Often the issue is that the app store guidelines themselves are written so broadly that they can accommodate arbitrary rejections. While some flexibility is necessary for app stores to deal with bad actors, the app store guidelines should state specific, discrete requirements so that developers know what parameters to meet, and are not surprised by rejections.

Even if the interventions identified in the Interim Report are made, the parties to an app review may still reach an impasse over whether the guidelines have been fairly applied, or whether the explanation for a rejection is clear. In these situations, it may be helpful to have a neutral body that can act as an arbiter, ideally within a standard timeline for resolution such that app approvals are not delayed. Such a body would help to confirm fair and consistent application of guidelines, and allow regulators to react appropriately to any negative trends.

## **C. App Rankings**

Pinterest supports requiring increased transparency about ranking algorithms or other factors that affect how apps are displayed in app stores. This could be implemented in a relatively straightforward manner by requiring both companies to post information about how their rankings are constructed. This transparency could benefit developers as they compete for improved placement in app store rankings.

### **III. Apple App Tracking Transparency**

#### **A. Prompt Language**

Pinterest supports efforts to redesign the ATT prompt. As discussed in the Interim Report, users may ascribe negative and inaccurate connotations to the word "track," and the current placement of the "Ask App Not to Track" option may nudge users to select it instead of the "Allow" option.



It would also be beneficial to provide developers with more space and more flexibility when it comes to the language they are allowed to include in the ATT prompt, as the current restrictions limit developers' ability to provide context.

## **B. Equal Treatment**

Regardless of which changes are made to the ATT prompt, Apple should be required to show the same prompt upon app start across all of its first-party apps and services, and abide by the user choice within its apps and across its OS.

## **IV. In-App Payments**

Consistent with the Interim Report, it is appropriate for developers and their strategic partners to be fairly compensated for the products they bring to market. Accordingly, developers should be permitted to choose their own payment service provider and promote any available off-app payment options.

If developers were to have access to a broader spectrum of monetization options, this would increase their ability to bring innovative and useful products to users. This would also have the beneficial effect of requiring products like Apple Pay and Google Wallet to compete on their merits and fee structures, rather than being imposed as defaults.

## **V. Conclusion**

As noted by the CMA, rather than a specific set of policy prescriptions, the Interim Report sets out principles to be analyzed further in the remainder of the market study and ultimately handed off to the Digital Markets Unit (DMU) for potential implementation.

Pinterest agrees with this approach, provided that it allows for sufficient flexibility and ongoing monitoring in light of the potential for rapid changes to technology and market conditions in this sector. As such, Pinterest welcomes further engagement as the CMA, and more specifically the DMU, considers implementation of market interventions, particularly where we can raise caution about unintended consequences for market participants.

Thank you again for the opportunity to contribute to the important work being done in this market study. If it would be of assistance, we would be happy to elaborate on or discuss any of the points we have raised in this response.

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