

## **Submission of Schibsted**

Schibsted welcomes the opportunity to provide its observations on the interim report of the UK Competition and Markets Authority (CMA) on its ongoing mobile ecosystems market study (the Interim Report).

Schibsted is a Nordic family of digital brands empowering people in their daily lives. Schibsted owns the leading newspapers Aftenposten and VG in Norway and Aftonbladet and Svenska Dagbladet in Sweden. Our publications are renowned for their exceptional journalism, high editorial independence, and strong digital development.

At Schibsted we invest in great digital services and champion a responsible and competitive internet. We therefore fully support the CMA's pioneering work in digital markets, including its ongoing market study into mobile ecosystems, a crucial sector in the digital economy affecting millions of consumers across the world. Our overall impression of the Interim Report is extremely positive, as we agree with the CMA's key findings and proposed interventions. We encourage the CMA to continue its work during the second half of the market study and take meaningful action against Apple and Google to unlock competition within and between mobile ecosystems. We now proceed to provide our comments on each of the key themes of the market study, before turning our attention to the proposed interventions.

### **Theme 1: Competition in the supply of mobile devices and operating systems**

We agree with the CMA's classification of Apple and Google as a duopoly in mobile operating systems (in the case of Apple, the CMA also considers its position in mobile devices). Apple and Google face extremely limited user-driven competition, as users generally do not switch between mobile ecosystems (in part because of the material barriers to switching) and tend to single home. Apple and Google are also shielded from future entry because of substantial barriers to entry, including significant indirect network effects, economies of scale and material switching costs.

Apple and Google have substantial and entrenched market power in the provision of operating systems running on mobile devices. Their dominance leaves developers such as Schibsted with little choice in designing their apps. It is imperative for developers to be present on both operating systems, and thus, Apple and Google have an inordinate amount of power in dictating terms for developers.

### **Theme 2: Competition in the distribution of native apps**

Again, we agree with the CMA's assessment: Apple and Google hold substantial and entrenched market power in the distribution of native apps. Contrary to what they often claim, Apple and Google do not constrain each other in the distribution of native apps, for the simple reason that users do not switch between Apple and Google's app stores (doing this would require switching to a different mobile ecosystem, but users rarely do so). In turn this means developers have no choice but to be present on both app stores, as otherwise they would lose access to a substantial portion of their customers. As for alternative channels such as sideloading or third-party app stores, we agree with the CMA that these are not available (iOS) or they are not used (Android) – eg because of Google's security warning discouraging users from using them.

This effective duopoly of Apple and Google has considerable negative effects on app developers and consumers. Because developers are dependent on Apple's and Google's app stores to reach their users, they are forced to accept whatever terms Apple and Google may require, such as a hefty 30% commission on sales of digital content. This grants Apple and Google unique power over developers – including developers which at the same time often compete with the app store operator.

### **Theme 3: Competition in the supply of mobile browsers**

We once more agree with the assessment of the CMA. We find it particularly troubling that there are instances where user choice is actively overridden by Apple, and that Google introduces unnecessary friction to prevent users from changing browsers.

Also concerning is the fact that Apple's privacy standards are not aligned with the standards laid out by the General Data Protection Regulation (which is retained EU law post-Brexit). As the CMA notes, developers already faced consent requirements under the Privacy and Electronic Communications Regulations and the General Data Protection Regulation prior to Apple's introduction of the App Tracking Transparency (ATT) framework. The introduction of additional burdens and requirements above and beyond those required by law exemplifies the way in which Apple acts as a de facto regulator for the developers on its platform.

### **Theme 4: The role of Apple and Google in competition between app developers**

We agree with the CMA that the unique power of Apple and Google over their mobile ecosystems allows them to 'set the rules of the game' and greatly influence competition between app developers.

The opacity and capricious nature of the Apple app review process is a major sticking point for Schibsted. It often boils down to a guessing game as to what a developer must do to obtain Apple's approval for its app. In some cases, similar apps will be submitted to the review process only for one to get approved and one to get rejected. Since this is a process all apps have to go through each time Apple updates certain policies or requirements, it needs to be as transparent as possible. This is not the case today, so it is important that the CMA follow through on this point.

The requirement to make use of Apple's in-app payment solution for some apps but not others is especially harmful to both developers and users. We agree with the CMA that the obligation to use the app store's payment solution harms users, as it reduces pricing flexibility, and limits developers' ability to provide customer service to their users. For example, when a user subscribes to a Schibsted-owned newspaper via the iOS app, they are not technically a Schibsted customer. While they see themselves as Schibsted customers and often reach out to us for support, they are technically Apple customers, and – unless they take extra steps to link their Apple account with their Schibsted account – we are limited in helping them with their subscription. It should be noted that Apple prohibits us from requiring iOS readers to link their Apple account with their Schibsted account.

## **Interventions**

The duopoly of Apple and Google causes millions of consumers to miss out on lower prices, greater quality, greater choice, and higher innovation. We therefore encourage the CMA to move forward and implement remedies that will unlock competition between and within the mobile ecosystems of Apple and Google.

### Remedy area 1: interventions relating to competition in the supply of mobile devices and operating systems

We support the CMA's proposed interventions to increase competition in the supply of mobile devices and operating systems, including lowering the material barriers to switching. For Schibsted, the most important measure would be to allow greater choice of third-party payment providers. The CMA is examining this measure in the context of facilitating users in handling subscriptions across devices with different operating systems. We agree, and consider this is something that would definitely make it easier for our iOS users to access and manage their subscriptions on Android devices without needing to take extra steps that introduce unnecessary friction into the process.

### Remedy Area 2: interventions relating to competition in the distribution of native apps

We similarly support the CMA's proposed interventions to unlock competition in the distribution of native apps. In our view, the most promising measures would be to allow alternative app stores on iOS and remove restrictions on accessing alternative app stores on Android. However, Apple opposes the CMA's proposed remedies, invoking privacy and security considerations, and claiming that developers would freeride on its significant investments:

- Apple should not be allowed to use privacy and security considerations as a shield to deny user's the right to choose for themselves. In any event, there is no basis for claiming that the only way to ensure privacy and security is by prohibiting alternative distribution channels.
- As for Apple's argument regarding freeriding, it appears that Apple frames this issue as Apple allowing developers access to its successful app store. In reality, it is in large part because of the many developers on the App Store that the iPhone was a success in the first place, allowing Apple to charge consumers very high prices.

### Remedy Area 3: interventions relating to competition in the supply of mobile browsers and browser engines

We agree with the CMA's proposed remedies. It should go without saying that user choice should always be respected, and we see it as somewhat hypocritical of Apple to obscure the process of, for example, changing browsers, while at the same time invoking user choice to introduce features impacting rivals (such as the ATT prompt).

### Remedy Area 4: interventions relating to the role of Apple and Google in competition between app developers

We agree with the CMA's proposed interventions. We are particularly interested in measures to ensure a fair and transparent app review process, prevent Apple and Google from self-preferencing their own activities (including for privacy purposes, as Apple is currently doing with ATT), as well as enable developers to utilize alternative payment

methods and promote off-app payment methods. It is important that these measures are seen as complementary and not alternatives.

### **Conclusions - the DMU regime and next steps**

We agree with the CMA that both Apple and Google should be designated as firms with Strategic Market Status, as they hold substantial and entrenched market power in their digital activities (provision of mobile operating systems; app stores; and mobile browsers), which in turn provides them with a strategic position.

We agree with the CMA's proposed next steps and emphasize the need to intervene and allow developers to offer users the option to choose alternative payment solutions. Other governments (South Korea, US) are already moving in this area, and we do not believe it would be in the best interest of developers or users if certain apps in certain countries play by one set of rules while other (or even the same) apps in other countries play by different sets.