



NEWS RELEASE

News media development on mobile stifled by anti-competitive app-stores: European Publishers Council supports Spotify's EU competition case

In the week that Spotify has launched an EU competition case against Apple for imposing unfair and discriminatory conditions on competing services in its app-store, European Publishers Council Chairman and CEO of de Persgroep, Christian Van Thillo, highlights that this same challenge is also faced by news publishers offering apps for media consumers.

Christian Van Thillo, said: "The dominance of the two main App-stores of Apple and Google is also harming news media providers. We share Spotify's concerns as Apple dictates all terms and conditions for each app that passes via their store, they take ownership of the customer relationship, keep the valuable data, insist on using their own payment system and impose a levy of 30% of the fees paid by the consumers. Furthermore, the Apple App Store prohibits news media companies from offering apps to their readers directly from their own websites - which is not only indefensible but further entrenches their abusive behaviour. This enforced shopping via the App-stores, under the unilateral conditions of Apple and Google, deeply affects how we want to offer our news to our subscribers via apps.

Van Thillo continued: "Mobile news apps are crucial for news brands to be able to provide a digital news experience to consumers, and fair competition is essential. The European Publishers Council thus fully supports Spotify's EU competition case which seems set to become a landmark-case in an issue that affects all European media players and consumers."

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Background:

Most people now own a smartphone and, according to research (e.g, Digital News Report from the Reuters Institute), many users get their news using phones and tablets.

Consumers using their smartphones and tablets use mainly apps, and only 10% of the time use browsers to search the internet so a mobile news app is crucial for news media brands to take a position in the digital news experience of the consumer.

A telephone, like a computer, needs an operating system. This system determines the ease of use, the possibilities of the device and which apps are available. **Two operating systems are dominant: iOS and Android.** For the iOS operating system, it is only possible for consumers to obtain apps via the Apple Store. Consumers with an Android phone download their apps via the Google Play Store. Alternative Android app stores exist but are only used sparingly by consumers meaning that for the distribution of apps, news media companies are still highly dependent on the two major app stores of Google and Apple.

Both Apple and Google unilaterally set strict requirements for apps before they allow access to their stores. One of the imposed requirements by Apple is that the payment processing of in-app closed subscriptions and other in-app purchases is done via the payment systems of Apple.

The consumer therefore buys a digital subscription in the app of the news media company, but the entire transaction takes place via the app stores. Apple and Google transfer the subscription revenue to the app provider, but not without deducting a non-negotiable tariff for the use of their payment system leading to an additional levy of 30% of the subscription revenue in the first year. After the first year, this percentage drops to 15%, but if the customer interrupts the subscription for more than 60 days, the 30% rate will run for another year. **These rates cannot be negotiated with Apple or Google.**

This enforced shopping via the Apple store, on the conditions unilaterally determined by the owners of the platform, coupled with an imposed use of their payment system and thus a 30% percentage levy to the Apple App store, deeply affects the revenue model of local publishers of news media and thus the development of news apps for the media consumer.

The second problem is that the app stores take over the entire customer relationship from the app supplier, in this case from the news media brands. Of the consumers which take out an in-app subscription, much less data is available for the app supplier than if they were dealing with the consumers directly. Worse, if the consumer does not bother to create a login account, notably – again – on the unilateral conditions of Google and Apple, news media brands only know that a subscription has been signed, but not by whom. As a result, the data of these customers cannot be combined with behavioural data (eg reading preferences). This means the publisher cannot build meaningful engagement with the readers to keep them or to win them back. Because of the two-way business model, customer profiles for news media, just like for Apple and Google, are of great importance.

Due to the current mandatory handling and layout of the in-app subscriptions, news media are therefore being limited in their development because the relevant customer data cannot be linked to existing customer profiles that represent additional value for advertisers.

Internationally there is growing resistance to the restrictive rules of the app stores.