

Apple's biggest App Store critics are not impressed with its new fee cut for small developers

Epic Games and Spotify, united in their fight against Apple, each released statements on Wednesday slamming the iPhone maker following news of its new App Store fee reduction for developers making less than \$1 million per year.

The cut should apply to an estimated 98 percent of iOS app developers that generated just 5 percent of the App Store's revenue last year, according to analytics firm Sensor Tower. But those ineligible include Epic, Spotify, and scores of larger app makers that have, in recent months, voiced increasing concern over how Apple manages the App Store and the rules it imposes on developers.

Apple announced the cut earlier today as part of a new small business program launching on January 1st, casting the move as a way to ease the financial burden of being a small one-app developer or indie game maker and to further help out creators during the COVID-19 pandemic. But Epic and Spotify see the move as little more than grandstanding, a gesture to placate critics and regulators while doing little to address what the companies see as systemic issues with the App Store's structure and the iOS ecosystem.

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move by Apple to divide app creators and preserve their monopoly on stores and payments, again breaking the promise of treating all developers equally,” said Epic CEO Tim Sweeney in a statement. Sweeney was instrumental in Epic’s decision to include its own payment options in *Fortnite*, a move that pushed both Apple and Google to remove it from their respective stores. Epic then filed antitrust lawsuits against the companies. Both are ongoing.

“By giving special 15 percent terms to select robber barons like Amazon, and now also to small indies, Apple is hoping to remove enough critics that they can get away with their blockade on competition and 30 percent tax on most in-app purchases,” Sweeney continued. “But consumers will still pay inflated prices marked up by the Apple tax.”

Spotify released its own statement, calling the App Store rules “arbitrary and capricious,” regardless of this recent change and citing antitrust arguments against Apple’s long-standing policy of requiring developers use its own payment system instead of one of their own or a third party’s:

Apple’s anti-competitive behavior threatens all developers on iOS, and this latest move further demonstrates that their App Store policies are arbitrary and capricious. While we find their fees to be excessive and discriminatory, Apple’s tying of its own payment system to the App Store and the communications restrictions it uses to punish developers who choose not to use it, put apps like Spotify at a significant disadvantage to their own competing service. Ensuring that the market remains competitive is a critical task. We hope that regulators will ignore Apple’s ‘window dressing’ and act with urgency to protect consumer choice, ensure fair competition, and create a level playing field for all.

Sweeney further said that Android and iOS “need to be fully open to competition in stores and payments” and that Apple is

“gerrymandering the community with a patchwork of special deals.” Both Epic and Spotify take issue with Apple’s defense that its rules apply to all developers, one CEO Tim Cook used in testimony in front of the House antitrust subcommittee this past summer. With its new policy separating the app makers that make less than \$1 million from those that make more, Epic and Spotify see Apple further undermining its defense of the App Store as a fair and even playing field for everyone.

Joining the chorus of criticism this morning was well-known software developer and Basecamp co-founder David Heinemeier Hansson, an outspoken tech industry critic who publicly sparred with Apple this past summer over the mobile app design of his company’s email client, Hey.

Machiavelli would be so proud of Apple. Trying to split the App Store opposition with conditional charity concessions, they – a \$2T conglomerate – get to paint any developer making more than \$1m as greedy, always wanting more. As clever as its sick. <https://t.co/SLTh3qM0nP>

– DHH (@dhh) November 18, 2020

Hansson’s thread is lengthy and searing, but the central point he makes is that Apple is still charging a large sum of money for App Store services Hansson does not believe justify the cost. “If you’re a developer making \$1M, Apple is still asking to be paid \$150,000, just to process payments on the monopoly computing platform in the US. That’s obscene! You could hire two people at that take, still have money for CC processing,” he wrote. “And to frame that cut – \$150,000!!! – as some sort of noble charity is really beyond the pale. Yes, it’s better than the even more obscene \$300,000 it used to cost to process \$1M, but that’s like saying it’s better to have your arm cut off than your hand.”

Hansson also echoes Epic and Spotify in saying the issue isn’t just with the size of the cut but also the fact that Apple

dictates that you use its own payment method and forbids competing stores, thereby cementing its control over any and all transactions on the platform. “The root issue is the monopoly claim that Apple must process all payments, own all customer relationships,” Hansson added.

But even if Apple actually did move their rates down – not as conditional charity for smaller developers to beg for, but across the board – we still wouldn’t be done! The root of the issue is the monopoly claim that Apple must process all payments, own all customer relationships.

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<https://www.theverge.com/2020/11/18/21573109/epic-tim-sweeney-apple-app-store-fee-cut-reduction-criticize>