

Spotify plans to launch in-app purchases, if Apple gets out of the way

At first glance, the mockups Spotify has created of its dream app don't look like much of anything: a card that says how much a subscription costs, the list price of an audiobook, and a button that lets you enter your payment information. Isn't that how the app already works?

Much to Spotify's consternation, none of that is there today. Because Apple takes a 30 percent fee on in-app purchases for digital goods and services, companies like Spotify have decided it is simply not worth it to allow such transactions inside their apps. It's led to a bad experience for users – how do we even buy these things? – and fewer sales for Spotify, which has to hope its users are motivated enough to go somewhere else to sign up for a subscription or purchase an audiobook.

But that could all change soon, at least in Europe. In the next few months, we will start to see the effects of the Digital Markets Act, a 2022 EU law that clamps down on anticompetitive practices by tech giants it has deemed gatekeepers, Apple included. The law prohibits gatekeeper services like Apple's App Store from charging a fee for apps to promote their own products and subscriptions or requiring apps to use a specific payments processor, something that gets at the core of Spotify's fury with Apple and attacks the heart of Apple's app business.

With enforcement of the law coming up, Spotify is sharing how it hopes to revamp its app in response. But how exactly Apple

complies with the law could have major implications for both companies – including how much of these app mockups turn into reality.

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`a:hover]:text-black [a:hover]:shadow-underline-black dark:[a:hover]:text-gray-e9 dark:[a:hover]:shadow-underline-gray-63 [a]:shadow-underline-gray-13 dark:[a]:shadow-underline-gray-63">Under Apple's current rules, Spotify can not advertise the cost of audiobooks. With a DMA compliance deadline coming up in March, Spotify could soon list prices for titles available for purchase on the platform.`

`a:hover]:shadow-highlight-franklin dark:[a:hover]:shadow-highlight-franklin [a]:shadow-underline-black dark:[a]:shadow-underline-white">Global shift on Big Tech`

The fact that such regulation is happening in Europe first is no surprise – the EU has a much stronger regulatory tradition than in the US. But you are also seeing crackdowns in countries such as South Korea, Japan, and Australia. Even in the US, which is pretty weak on antitrust, the Justice Department is reported to be opening an investigation into Apple specifically. After decades of fruitless chatter about tech giants' unchecked power, governments all at once are finally doing something about it.

According to Anu Bradford, law professor at Columbia University and author of *Digital Empires: The Global Battle to Regulate Technology*, this global shift is due to an escalating loss of trust in Big Tech companies.

“There is this kind of a cumulative effect of resentment across a number of the leading companies across a number of grounds. There are privacy concerns, there are content moderation concerns, and there are market power concerns. Now there’s this momentum around AI, the idea that these shifts are really just tremendous, and it’s the same big players that are now going to control the AI future,” Bradford told *The Verge*. “Their dominance is palpable; you can’t anymore kind of close your eyes to it.”

Spotify has been among the most visible tech opponents to Apple’s dominance because it is in a unique position. It is a large tech company with a massively popular product, but it is substantially at the mercy of the platforms on which it operates.

Epic Games, which makes *Fortnite*, also fought against Apple by suing the company in US federal court over its App Store policies. It won a minor victory: The court ruled that Apple needed to make it easier for app developers to at least provide a pathway to off-app payments. Apple’s compliance with the ruling elicited even more rage from Epic, Spotify, and other developers. Instead of charging 30 percent for in-app purchases, the company said it would charge a mere 27 percent of revenue from digital products and services if an app so much as linked to an off-app payment portal. The move signaled to the tech industry that Apple would not comply easily or quietly with the Digital Markets Act.

The reason why Apple is being so fussy, even compared to its fellow tech giants, according to Bradford, is that this law takes aim at the core of their app business. And if compliance means that it cannot charge for in-app purchases, it stands to lose a lot of money.

“This is not a casual obligation for them. This is a really major issue and they’d be much more comfortable continuing to pay fines,” said Bradford. “But to me kind of the momentum is

pretty clear that regulators are not comfortable with this model. Apple has heard the message loud and clear, and the question becomes whether there will be a point at which they just decide that this is the reality and they need to deal with it.”

If this all plays out as the non-gatekeepers hope, it will make for a more competitive space. Spotify has a lot to benefit from that, but it could also gain new nemeses in the process.

“The idea is that if the regulation works, there will not be others that grow into being gatekeepers, because the market is contestable,” Bradford said. “The ideal is that Spotify would face competition from many other players that have been able to take advantage of the opening of the marketplace.”

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