

Antitrust scrutiny forces Google to let apps offer alternative billing options

Article

The news: Google is piloting a program for alternative payment methods for apps like Spotify, [per](#) The New York Times.

How it works: Google will allow some apps to bypass its existing payment systems, which will undercut the commissions it demands from each sale.

- The test program comes just as Google and smartphone rival **Apple** face growing [complaints](#) from regulators on their monopolistic pricing and commission structures.
- In context, **South Korea** [passed a bill](#) in September stopping the smartphone duopoly from forcing the use of their respective payment systems.
- Google's pilot project allows apps like **Spotify** to present their own billing options alongside Google's payment facility, giving Android users a choice on how they'd like to pay.
- "This is a significant milestone and the first on any major app store," said **Sameer Samat**, a Google vice president who oversees the **Google Play** store, in a [blog post](#).
- Spotify noted that it had supported "platform fairness and expanded payment options," stating in a [blog post](#) that it expects billing choices to become available later this year.
- Consumers spent **\$72.3 billion** in the Apple **App Store** in 2020; rival app store Google Play brought in **\$38.8 billion** in gross revenues in 2020, per Sensor Tower.

Duopoly in danger: Spotify, considered to be the [leading](#) cross-platform music-streaming app, has been the most vocal critic of the duopoly's payment systems lock-ins and commissions.

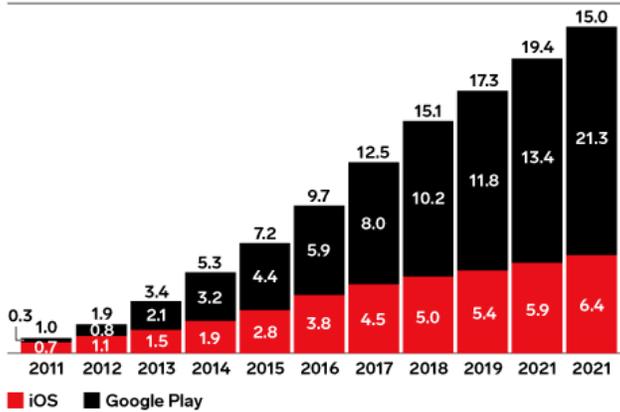
- Apple was initially looking to allow subscription-based apps like **Netflix** and Spotify to [point to external websites](#) for alternative, commission-free payment options.
- These plans were [quashed](#) in October when Apple submitted an appeal in the **Epic Games** case, preventing alternative payments until the case's resolution, which could last years.
- While Google no longer offers its own [music streaming](#) service, **Apple Music** competes directly with Spotify, which could further complicate any openness to alternative payment options.
- Google now has the advantage of being able to build on its experience of offering users choice in billing systems in South Korea.

What's the catch: Smaller developers who don't have Spotify's market share could be at a disadvantage in negotiating an exit from the duopoly's commission-based payment structure.

A pilot program under Google's control means the company could cancel alternative billing at any time or simply choose one-off arrangements with individual apps and services.

Number of Apps Available on the Apple App Store vs. Google Play Worldwide, 2011-2021

millions



Note: numbers may not add up to total due to rounding
Source: App Annie, "State of Mobile 2022," Jan 12, 2022

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