App Store Chief Says Apple is Aiming to Level the Playing the Field for Developers

By Stephen Nellis

July 28 (Reuters) on Wednesday, Apple Inc Chief Executive Tim Cook will face questions from U.S. lawmakers about whether the iPhone maker's App Store practices are unfairly granting it power over independent software developers.

Apple has a tight grip on the App Store, which forms the foundation of its $46.3 billion annual services business. Developers have voiced their displeasure over Apple's commissions ranging from 15% and 30 percent on a variety of App Store purchases, its prohibitions on contacting customers to solicit sign-ups, and the developers perceive as an opaque and unpredictable App-vetting process.

In an interview with Reuters, Philip W. Schiller Apple's senior Vice President of Worldwide Marketing and the chief executive of the App store, said that when the App Store first launched in 2008, there were 500 apps included. However, Apple executives viewed it as a test, offering a low commission to attract developers.

"One of our concepts was to treat all apps in App Store in the same way. One set of rules applies to everyone, no special conditions or deals and all code is applicable to all developers. That was not the case for PC software. It was impossible to imagine that. It was a complete flip around of how the whole system was going to work," Schiller said.

In the mid-2000s, software sold through physical stores required paying for shelf space and prominence, costs that could consume 50% of the retail price, according to Ben Bajarin, head of consumer technology at Creative Strategies. Small-scale developers could not get in.

Bajarin said that the App Store's predecessor was Handango, an application that, around 2005, allowed developers to deliver apps via mobile connections to users' Palm and other devices for 40% commission.

With the App Store, "Apple took that to an entirely new level. Bajarin said that they were an excellent value at 30% lower than the normal price.

But the App Store had rules: Apple reviewed each app and required the use of its own billing system. minecraftservers.monster Schiller stated that Apple executives believed that customers would be more comfortable buying apps if they knew that their personal information regarding payment was in trusted hands.

"We believe that our customers privacy should be secured in this manner. Imagine if you had to enter credit cards and payment details to every app you've ever used," he said.

Apple's rules started out as an internal list, however they were officially released in 2010.

Developers have complained to Apple regarding commissions throughout the years. Apple has since narrowed the areas in which developers are able to apply. In 2018, it permitted gaming companies, such as Microsoft Corp , maker of Minecraft and Minecraft, to let players log into their accounts as long as the games also offered Apple's in-app payments as an alternative.

"As we were talking to some of the biggest game developers, such as, Minecraft, they said"I totally understand the reason why you want your user to be able to pay for it through their device. But we've got many users who bought their subscription or account elsewhere like an Xbox, on the PC or on the internet. This is a huge obstacle to getting into your store,'" Schiller said. "So we came up with this exception to our own rules."

Schiller said Apple's cut helps to fund a vast system for developers thousands of Apple engineers maintain secure servers to host apps and create the tools to create and test the apps.

Marc Fischer, chief executive of Dogtown Studios mobile technology firm, stated that Apple's 30 percent commission was justified in the beginning. It was the cost of global distribution to an unassuming company like his. Fischer said that the fees should be less now because Apple and Alphabet Inc have an "duopoly" that means that they both have the ability to provide mobile app stores.

"As an individual developer, you have no choice but to accept that cost," Fischer said.
(Reporting by Stephen Nellis, San Francisco; Editing done by Greg Mithcell & Steve Orlofsky