

Purpose

- Due to the worldwide spread of COVID-19, the digitalization of the economy has progressed further. **Smartphones are the main means by which people access various digital contents and services.**
 - **Smartphones have become a daily necessity for consumers**, and the usage rate (all ages) is **95.3%** (2021)
 - The usage time of mobile devices such as smartphones (all ages, weekdays) also increased from **37.6 minutes** (2012) to **110.0 minutes** (2021).
- In order to provide services through apps on smartphones or products used in conjunction with smartphones, **access to mobile OS and app distribution routes such as app stores is essential.**
- **It is very important to understand the actual state of competition in mobile OS and app distribution routes from the viewpoint of improving the competitive environment** of the market for apps provided on smartphones and the market for products used in conjunction with smartphones(*), as well as the mobile OS market and the app distribution service market.

(*) Together with the app market, the market for products used in conjunction with smartphones (smartwatches, smart speakers, etc.) is regarded as the "app market and other smartphone-related markets."

Scope of market study (evaluation of competitive environment)

Mobile OS market

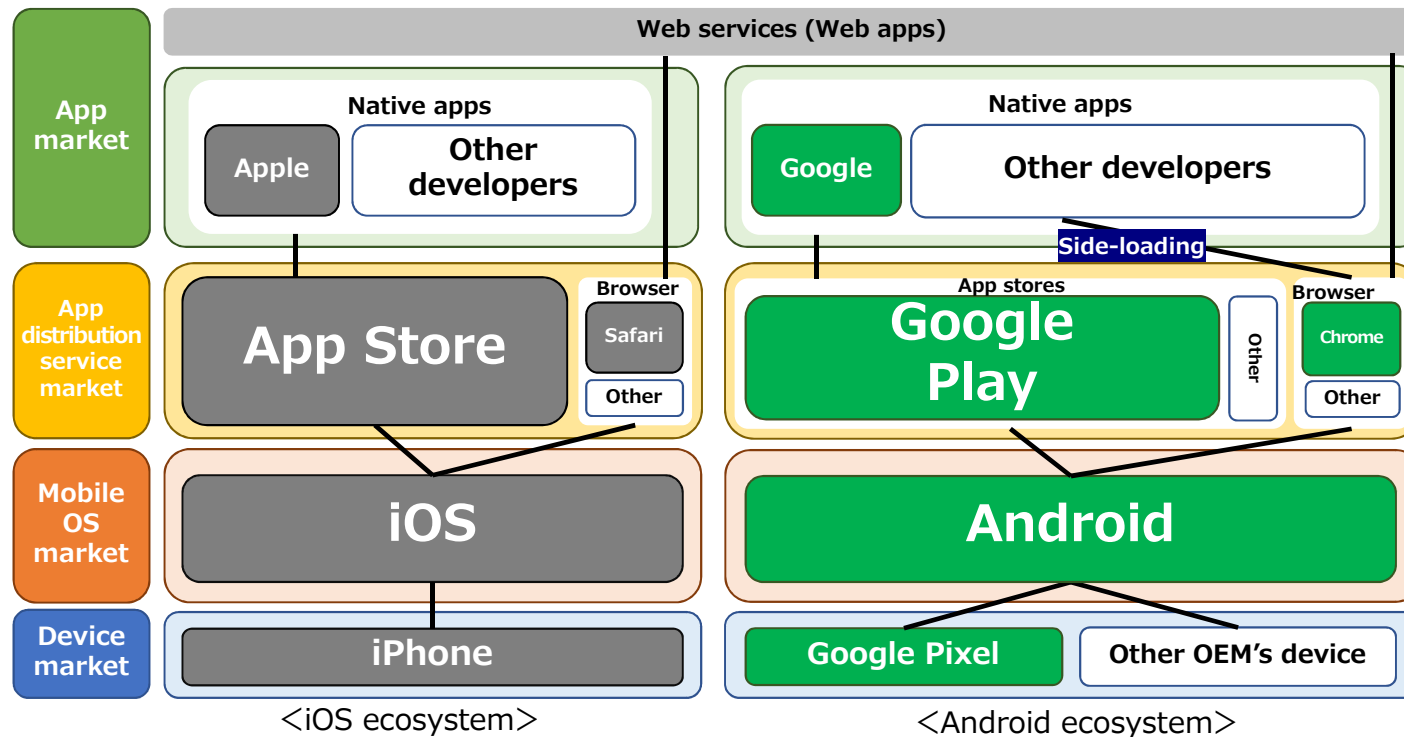
App distribution service market

* The JFTC focused on whether there is effective competition in the markets above, and how competition in the mobile OS market and the app distribution service market influences on competition in the app market and other smartphone-related markets.

Market Situation

Ecosystem centered on mobile OS (Mobile ecosystem)

- A layered structure formed to connect smartphone users with many product and service providers
- A business model that is multi-sided and generating revenue from the entire mobile ecosystem



Evaluation of Competitive Environment

- In the app market and other smartphone-related markets, new apps and products are emerging, and **a certain degree of competition is taking place.**

While providing mobile OS and operating app stores, Google and Apple compete with other developers in the app market and other smartphone-related markets (**dual role**).

- In the mobile OS market and the app distribution market, **there is not enough competitive pressure** on the mobile OS and the app stores provided by Google and Apple.

- **Market share of mobile OS (device based)**
Android: 53.4% iOS: 46.6%
- **Revenue and market share of app stores**
• Google Play: approx. JPY 1.4 trillion, App Store: approx. JPY 1.59 trillion (sales)
• App Store's market share on iOS is 100%
• Google Play's market share on Android is estimated to be in the high 90% range

Views from the AMA

Competitive concerns

Possibly problematic under the AMA

Recognition of issues

Proposals from the Competition Policy

Measures from the perspective of competition policy

App market and other smartphone-related markets

Exclusion of competitors through self-preferencing

Self-preferencing related to **mobile OS** :
Restricting access to smartphone functions/Unfavorable updates for competitors

Self-preferencing related to **app store management** :
Disadvantageous treatment in rankings /collecting commissions/app review

Self-preferencing related in **data use** :
Use of data generated from other developers' apps and data collected in app review

Self-preferencing by **influencing consumer's rational choice** :
Pre-installation/non-removable specifications of apps, Default settings

Private Monopolization, Interference with a competitor's transactions, etc.

Private Monopolization, Tie-in sales, Trading on exclusive terms, Trading on restrictive terms, Interference with a competitor's transactions, etc.

(Unilateral) Setting of high commission rates

Private Monopolization, Interference with a competitor's transactions, Abuse of a superior bargaining position, etc.

Abuse of a superior bargaining position :

Incurring significant costs due to the changes in mobile OS specifications, etc.

•The market definition and the proof of competitive harms may take time, and the verification of issues such as security may require highly specialized knowledge and a large amount of verification work.

⇒**It is effective to complement the enforcement of the AMA with the measures in terms of competition policy preventing the AMA violations and encouraging the improvement of potentially problematic behavior under the AMA.**

➤ The following three measures can be considered in terms of competition policy in order to create a healthy competitive environment in the mobile OS market and the app distribution service market and to complement the enforcement of the AMA with the measures in terms of competition policy preventing the AMA violations and encouraging the improvement of potentially problematic behavior under the AMA.

➤ While it is desirable for Google and Apple to take the following measures, it is effective to secure them by law to the extent necessary to ensure the effectiveness of measures.

<(1) Prevention of self-preferencing>

Ensuring equal footing from the following perspectives:

❑ Access to mobile OS functions and update information

- Permission to access similar functions and update information, etc.

❑ App store management

- Permission to use third party's in-app payment systems
- Clarification of app store's operation costs and income
- Actively responding to individual negotiations regarding commission rates, etc.

❑ Use of data collected from other developers' apps

- Not using non-public data generated by other developers' apps for the purpose of developing competing apps, etc.

❑ Consumer's choice of apps, etc.

- Respecting consumer's rational choice of apps by displaying choice screens, etc.



<(2) Ensuring fairness in rule-making for the mobile ecosystem>

- Notifying relevant developers in advance of any changes to rules within the mobile ecosystem. Also, after presenting the details of the change and the grounds for the change, providing a sufficient explanation, such as responding to inquiries appropriately, etc.



<(3) Ensuring a healthy competitive environment in both markets>

❑ Promoting consumer switching

- Improving interoperability through data portability, etc.

❑ Promoting the entry of new mobile OS and app store

- Not entering into agreements that do not allow the development of competing mobile OS
- Licensing app store and other apps separately
- If there is no problem in terms of security and privacy protection, enabling download of apps other than through their own app store, etc.

App distribution service market

Mobile OS market

•**Insufficient competition** in the mobile OS market and the app distribution service market

•On the other hand, in general, even in a monopoly or oligopoly market, if there is sufficient entry pressure or there is active competition among incumbent oligopoly operators, market functions are expected to reduce competitive concern.

⇒**It is effective to create a healthy competitive environment in both markets through the measures in terms of competition policy** such as increasing the scope for potential competitors to enter the market.

Future Commitment of the JFTC

- 1 The JFTC **continues to respond strictly and appropriately to concrete cases** involving a mobile OS provider or an app store operator **that become problematic under the Antimonopoly Act (AMA)**.
- 2 The JFTC will make public the contents of the report in order to realize the development of a competitive environment in the mobile ecosystem, and also continues to **proactively engage in collaboration and cooperation with the Headquarters for Digital Market Competition and other related ministries or agencies to develop the competitive environment**.
- 3 The JFTC also **pays close attention to trends related to new ecosystems** centered on products and services other than smartphones, and conducts market studies as necessary to clarify issues on the AMA and competition policies while taking consumer interests into consideration.
- 4 The JFTC **exchanges opinions with competition authorities in other countries and regions** and also makes use of opportunities offered by organizations such as the Organization for Economic Cooperation and Development (OECD) and the International Competition Network (ICN) to promote **continuous collaboration with relevant overseas authorities** and develop competitive environment.