

Google rejected Play Store fee changes due to impact on revenue, Epic lawsuit shows

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Alphabet Inc.'s Google considered changing its app store pricing model to circumvent a regulatory crackdown, but abandoned a proposal to charge a set fee per app after it became clear that could cost the

company billions of dollars, according to documents released late Thursday.

Google created Project Everest in 2021 to reconsider the Play Store billing model, according to the documents, which were released as part of an antitrust suit by Epic Games Inc. Google last week lost the suit brought by the maker of Fortnite when a [federal jury](#) found the tech giant abused its monopoly power over the app [store](#).

Sparked by mounting pressure from regulators and developers over Google Play's hefty 30% commission, the presentation showed the search giant was concerned about staving off what it saw as potential regulatory overreach.

"We can defend the status quo for a few months," Google said in the presentation. "Making proposed changes sooner may help support reasonable legislation, position Google as a leader, and prevent more draconian legislation."

Project Everest explored charging developers piecemeal service fees for putting their apps or games in the Play Store, with additional fees for user downloads, updates and referrals. But the company estimated that model created "potential for significant loss" from \$1 billion to \$2 billion for apps and \$6 billion to \$9 billion for games.

Instead, employees recommended allowing app developers to process payments themselves in exchange for paying Google a lower fee. The company estimated the change would reduce the store's annual revenue between \$250 million and \$1.3 billion, depending on how many users opted for the other payment choice. That solution essentially mirrors the \$700 million settlement Google announced last week with a group of state attorneys general from about three dozen states and consumers.

Google's loss to Epic threatens to roil an app store duopoly with Apple Inc. that generates close to \$200 billion a year and dictates how billions of consumers use [mobile devices](#). Epic has spent years railing against the Apple and Google's practice of charging commissions of as much as 30% to [software developers](#) who typically have few other options. Google's loss is likely to accelerate the weakening of [app store](#) rules, which have already come under fire from regulators and lawmakers around the world.

Mobile app developers have long complained that Google's commissions are too high and require them to charge consumers more, a grievance that has led countries like Korea to require the company to open its app stores to other payment systems. New European Union rules set to come into effect in March will also require Google and Apple to open up their stores.

Dozens of state attorneys general also sued Google in 2021, alleging the company employed unlawful tactics to block competition and ensure that developers have no choice but to go through the Play Store. On Monday, the states announced that Google would pay \$700 million and allow developers to use their own payment systems to resolve the suit.

Google's internal documents, however, indicate the company was already moving that way.

Google spokesman Dan Jackson said the fees help the company maintain investment in Android and the Play Store. Google has also reduced fees on subscriptions and on the first \$1 million that developers make in the store.

Under the title "User Choice Billing," the [company](#) rolled out the program in 2022 the lets [app developers](#) process payments themselves and give Google a slightly lower fee of 26% or 11% on subscriptions.

"User Choice Billing is designed to address choice," Purnima Kochikar, one of the Google employees involved in designing it, testified as part of Epic's trial. About 80 developers have opted to move to User Choice Billing as of May 2023, she testified.

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