



24 December 2020

Secretariat
Payments System Review
The Treasury
Langton Crescent
PARKES ACT 2600

By Email : PaymentsReview@treasury.gov.au

Dear Mr. Scott Farrell:

Payments System Review – Issues Paper

1. Match Group, Inc (**Match**) welcomes the opportunity to respond to the Payment System Review Issues paper (**Payment Systems Issues Paper**). The Payments System Review is an important step towards ensuring greater choice for consumers and businesses in Australia and ensuring that Australia's regulatory architecture is responsive to advances in payments technology and consumer needs.
2. This letter draws the attention of the Secretariat of the Payments System Review to the way in which *choice* of payment solutions for payments made within mobile apps is currently restricted, despite this being a significant and growing area of economic activity both in Australia and globally. Specifically, the current practices of app store/marketplace operators, namely Apple on iOS devices and Google on Android devices (which account for nearly all of the mobile devices used in Australia), are severely and unreasonably restricting this choice. These practices have the consequence of stifling competition and innovation in relation to payment options for 'in-app' payments. They also restrict delivery of better consumer experiences. These app stores serve generally as the only 'gateway' for app developers to interact with consumers via apps, and account for the vast majority of apps accessed by Australian consumers.
3. In this submission, we outline Match's business, the role of payment processing in mobile apps and the issues faced by app developers and consumers in relation to in-app payments.
4. In Match's experience, there is a gap in the regulation of payment options on apps made available on most mobile devices sold in Australia (ie, iOS and Android mobile devices). This gap fails to address the prohibition imposed by Apple and Google on app developers from offering payment solutions other than Apple's and Google's own proprietary payment solutions on iOS and Android devices, respectively.
5. Match encourages the Treasury to consider how the payment system regulatory framework in Australia could address these in-app payment issues in order to:
 - maximise choice for businesses and consumers;
 - promote competition between in-app payment systems;



- enable fintech and other digital providers (including app developers) to innovate without unnecessary restrictions; and
- maximise efficiency and reduce costs for consumers and businesses.

Match's business

6. Match is a publicly traded corporation with headquarters in Dallas, Texas, USA. Match provides dating products available in over 40 languages to customers in more than 190 countries through apps and websites. Match's brands in Australia include MATCH™ [MATCH.COM®], TINDER®, OKCUPID™, HINGE™, PLENTYOFFISH®, TWOO™, AND ABLO®.

Apps and monetisation models

7. Mobile applications (**apps**) are software programs designed to run on smartphones and tablet computers. Apps are typically written for a specific mobile operating system (eg, Apple's iOS and Google's Android operating systems). In Australia, the vast majority of apps are accessed by consumers through either Apple's 'App Store' or Google's 'Play Store'.
8. There are at least 890,000 app developers globally and approximately 9,000 app developers in Australia. There are numerous different types of apps, including lifestyle apps (fitness, food and travel), dating / matching apps (eg, Tinder, Facebook Dating), social media apps (eg, Twitter and LinkedIn), utility apps (eg, calculator, weather, flashlight), games/entertainment apps (eg, Angry Birds, Clash of Clans), productivity mobile apps (eg, docs, sheets etc) and news apps (eg, The Australian and Foxtel Go) and more. As Apple previously touted in its commercials of yester-year, if you have a need, "there's an app for that".
9. The mobile app market is experiencing significant growth. In Australia alone, the mobile app market had total revenues of \$8.1 billion in 2018, representing a compound annual growth rate of 5.2% between 2014 and 2018.¹
10. There are several ways in which app developers monetise their apps, including:
 - (a) **In-app advertising:** Some apps are free to download and use, however the app developer monetises through advertising displayed to the user while in the app;
 - (b) **Paid apps:** Some apps cost money to download and use;
 - (c) **Freemium model:** Some apps enable users to download and enjoy certain core features for free but users must pay in order to unlock additional 'premium' features. Variations include paying to remove ads;
 - (d) **Purchases:** Some apps enable consumers to pay for different types of goods and services (eg, food delivery or virtual currency to be used in a game).
 - (e) **Combination of different methods:** Some apps use a combination of monetisation methods (eg, advertising and purchases).
11. In theory, app developers could offer a number of different payment methods and options to consumers when making in-app payments (eg, such as those explored in the Issues Paper

¹ See Marketline 'Mobile Apps in Australia' (December 2019) available at: <https://store.marketline.com/report/ohmf8229--mobile-apps-in-australia-3/>.



including BNPL or cryptocurrencies). In a generally free marketplace, developers would determine the means of in app payment based on business and consumer needs. However, as discussed below, certain restrictions determined solely by Google and Apple, not by developers or government regulators, prevent this.

In-app payment options and developer concerns

12. As part of its Digital Platform Services Inquiry, the ACCC is currently examining potential competition and consumer issues in relation to apps (**ACCC App Marketplace Inquiry**). Match's submission in response to the ACCC App Market Place Inquiry Issues Paper² (**Match's ACCC Submission**) sets out in detail Match's concerns regarding competition in the app stores operated by Apple and Google and the restrictions imposed on app developers regarding the payment systems they use and associated conditions. A brief explanation of Match's concerns is summarised below.
13. Where payment is required to access an app or in-app feature, users can generally pay from inside the app. The options available to consumers for making a payment within an app depends on whether Apple and Google consider the payment to be for a 'digital good or service' or not.
14. If the payment is for a good or service that Apple considers 'digital', Apple imposes a restriction on app developers whereby they must collect payment from consumers solely through Apple's proprietary in-app payment (**IAP**) platform. Apple charges app developers a 30% commission on the value of all transactions made through its IAP platform (or 15% for any renewals that occur after the first twelve months of continuous subscription).
15. Google recently announced that it will soon begin enforcing similar terms to Apple's (in January 2021 for new apps and September 2021 for existing apps). Google expects that payments for all 'digital products and services' will be made solely through Google's in-app payment system, Google Play Billing (**GPB**) (and Google will collect a 30% commission).³
16. In the past, these terms have not generally been enforced by Google. For example, in March 2019 Match launched an in-house payment system on the Android version of its popular online dating service, Tinder. In the following months, Google not only permitted Tinder to use its in-house system but approved numerous versions and updates to the Tinder app that offer users a choice between Tinder's payment system and GPB. Other apps that have offered alternative in-app payment solutions to GPB include Netflix, Spotify and Amazon; these apps will no longer be able to offer their in-app payment alternatives.⁴

² Issues Paper available at 'Digital platform services inquiry 2020-2025: March 2021 interim report' <https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platform-services-inquiry-2020-2025/march-2021-interim-report>.

³ Sameer Samat, VP product management, Google, 'Listening to Developer Feedback to Improve Google Play' (28 September 2020) available at <https://android-developers.googleblog.com/2020/09/listening-to-developer-feedback-to.html> (accessed 29 September 2020). (**Attachment 1**).

⁴ See, Digital Information World, 'Google seems to eliminate major developers who are dodging Play Store from in-App purchase rule / Digital Information World' (27 September 2020) available at <https://www.digitalinformationworld.com/2020/09/google-seems-to-eliminate-major-developers-who-are-dodging-play-store-from-in-app-purchase-rule.html>.



17. The effect is that, although app developers could technically offer alternative (better and less expensive) payment systems to their customers,⁵ Apple's and Google's requirement to solely use their proprietary payment systems (and other associated restrictions⁶):
 - (a) hinders competition from and innovation by potential payment system providers (including fintechs and app developers);
 - (b) prevents certain app developers from offering their customers payment choices; and
 - (c) increases costs for businesses, which are inevitably passed on to consumers.
18. Further, by mandating the use of IAP and GPB, Apple and Google collect valuable data about consumers and their payments, to which app developers do not have access. In this way, Apple and Google disintermediate the relationship between app developer and customer, which causes considerable customer confusion and frustration, as well leading to significant inefficiencies since it is difficult for app developers like Match's companies to then manage customer relationships.
19. As noted in the **Payment Systems Issues Paper**, there has been increased consumer appetite for using different payment platforms. This has also been Match's experience. In most countries, Match estimates that between 60-80% of Tinder users choose to use Match's own payment option when making a payment through the Tinder Android app, which will no longer be possible after September 2021 due to Google's change in policy. Match believes that consumers turn to Match's payment solution for a number of reasons, including that they would like to ensure their activity and related data on Match's platforms is not shared more broadly or combined with their other personal information by Google (eg, Google search data). For some individuals, particularly in certain cultures, the mere use of a dating app can be sensitive information which consumers wish to keep guarded from potential exploitation.

Conclusion

20. Australia's Payment System laws and regulations should promote innovation for in-app payment systems and enable all app developers (including those offering 'digital goods or services') the freedom to source the payment system of their choosing and offer consumers choice in payment options on all apps, including and especially for those apps made available through Apple's and Google's respective app stores (which comprise nearly all apps available in Australia). At the moment, such choice is only available for certain apps (ie, those deemed by Apple and Google to be for physical goods) or where payment to an app developer can be made from a webpage or web app, which is not a viable option for a range of app developers for reasons described in Match's ACCC Submission.
21. Importantly, Match considers that app developers should themselves have the choice of payment solutions and be able to offer choice to consumers, similar to brick and mortar merchants and retail websites, which are free to decide whether to accept different types of bank cards and/or cash payments, and in turn, provide choice to their own customers.
22. Removal of the restrictions placed by the app marketplaces (ie, Apple and Google) would enable app developers to offer alternative payment options such as existing third-party payment options

⁵ This is the case for those apps considered by Apple and Google to be for 'physical goods and services' including Deliveroo and Uber.

⁶ For example, both Apple and Google impose anti-steering restrictions which prevent app developers from directing consumers away from making an in-app payment including to an app developer's website.



(eg, PayPal), develop their own payment solutions (as Match has done for its Android/Google app) or offer innovative alternative payment options (eg, using frequent flyer points, BPNL services or other loyalty schemes). However, Apple and Google refuse to offer app developers, and hence customers, these options.

23. We encourage the Treasury to consider the issues outlined in this letter, and Match's ACCC Submission, and if necessary, work with the ACCC to consider how payment systems for in-app purchases in Australia could be reformed to provide choice, innovation and competition for the benefit of businesses and consumers in Australia.
24. We thank the Treasury for its consideration of this material and would welcome the opportunity to engage further in relation to these matters.

Yours sincerely,

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Attachment: Match's ACCC Submission dated 16 October 2020