



ANALYSIS GROUP

# What Happens to App Prices when Developers Pay Lower Commission Fees?

**Evidence from the European Union**

Jane Choi, Ph.D.

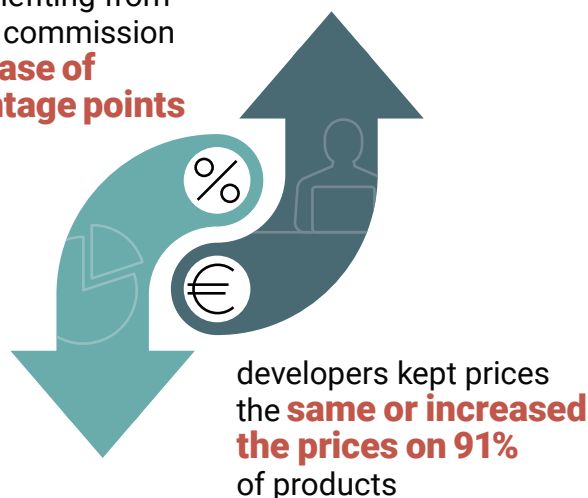
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## KEY TAKEAWAYS

- ▶ In March 2024, Apple introduced alternative business terms in the EU in response to the Digital Markets Act (DMA). Developers who enrolled in those terms pay lower fees on the sales of their apps, digital goods, services, and subscriptions through the App Store to EU users.
- ▶ Despite commission rates typically falling by about 10 percentage points, current evidence shows that developers kept the prices of what they sold through the App Store the same or increased them more than 90% of the time. This is true regardless of whether developers paid a Core Technology Fee to Apple.
- ▶ Even when developers decreased prices after enrollment—which only happened for approximately 9% of prices in EU storefronts—they did so in a way consistent with usual patterns in price changes. This suggests that the bulk of the observed price decreases are unrelated to the reduction in fees from the alternative business terms.
- ▶ Developers' decision not to pass on commission savings to EU users mirrors Apple's past experiences following the launch of multiple initiatives that reduced commission rates. For example, when Apple reduced commission rates for tens of thousands of small developers under the Small Business Program, developers decreased only a small minority of prices in the US storefront.
- ▶ In addition to developers keeping most of the commission savings for themselves, the overwhelming majority of those savings—more than 86%—went to developers outside the EU.
- ▶ **Conclusion: This study therefore demonstrates that commission savings as a result of the DMA have not led to price decreases for customers and overwhelmingly flowed to developers outside the EU.**

## Study by the Numbers

Despite benefiting from an average commission rate **decrease of 10 percentage points**



**~21,000**  
unique paid apps and in-app purchases

**41 million+**  
transactions

**€20.1 million**  
saved in commissions

**86%** of commission savings went to non-EU developers

## Do Developers Lower Their Prices When They Pay Less in Commission Fees?

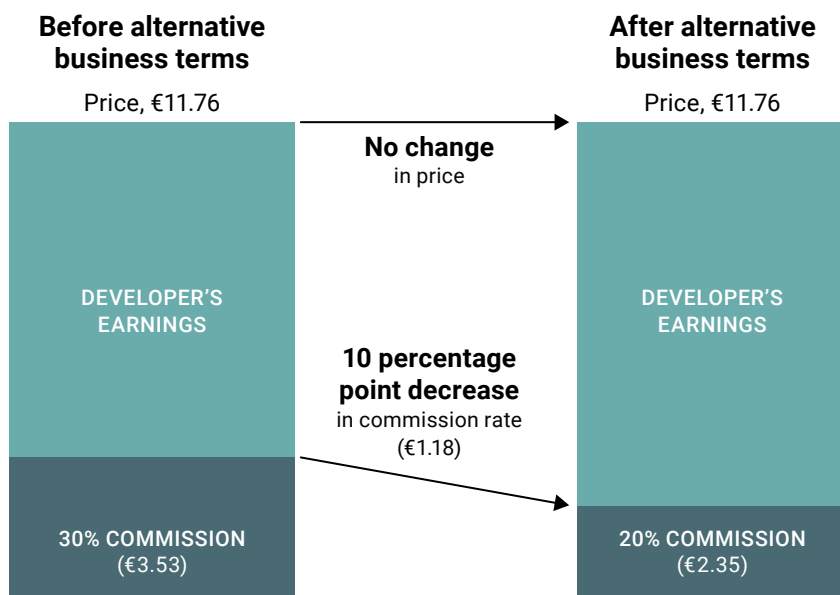
Many developers have argued that they are forced to incorporate App Store commission fees into the prices they charge to their users and that, if commission fees were reduced, the prices they charge to their users would fall.

A recent change in Apple's developer terms in the European Union (EU)—the alternative business terms in the EU—offers an opportunity to assess these claims. Prices observed after the change are inconsistent with these claims. Take, for example, a subscription to a popular dating app from December 2023 through February 2024. As shown in **Figure 1**, before adopting the alternative business terms, the app developer charged €11.76 for the subscription and paid a 30% commission, or €3.53, to Apple. After the developer adopted the alternative business terms in March 2024, the commission rate decreased to 20%, or €2.35. The developer did not pass on any of the decrease in commission to its consumers: despite such savings, the developer did not lower the price of the subscription.

This pattern is common among top developers who adopted the alternative business terms. The five top-selling developers in EU App Store storefronts in the three-month period prior to adopting the alternative business terms kept the price of their most popular product (defined as a paid app or a specific in-app purchase, such as a particular subscription or a given number of virtual coins) unchanged, even though they experienced a substantial reduction in the commission rate they paid. These developers were a dating app developer, a social networking app developer, and three game developers.

These examples are admittedly anecdotes. Do these patterns appear in a broader analysis of the data available to date? That is the key question for this study.

**Figure 1: Commission and Price after Commission Rate Decrease – Popular Dating App**



## A Study of the Impact of Reduced Commission Rates in Europe

The recent changes to Apple's developer terms under the alternative business terms are summarized in **Box 1**. The alternative business terms resulted in a lower commission rate on digital products sold on the App Store for the developers who adopted them.

The goal of this study is to investigate how developers adjusted—or did not adjust—their prices after adopting the alternative business terms and paying a lower commission. Did developers pass their savings to end users in the form of lower prices?

### Box 1. Developer fees under Apple's alternative business terms for developers using the App Store services

In March 2024, Apple introduced alternative business terms in the EU in response to the Digital Markets Act (DMA). These terms offer developers the option to choose whether to distribute their apps on the App Store or elsewhere, and whether to use Apple's in-app purchase system. Developers who enroll in the alternative business terms pay lower fees on sales of their apps, digital goods, services, and subscriptions through the App Store to EU users.

- ▶ Apple's **standard business terms** include a **commission rate of 30% (or a reduced rate of 15% for certain categories of developers or purchases)**. This covers all App Store and Apple services including the in-app purchase system.
- ▶ Apple's fees under the **alternative business terms** for developers who use the App Store services, including the in-app purchase system, contain three main elements:



**Core Technology Fee (CTF) of €0.50** for each first annual install per year over a one million threshold per app, regardless of distribution method.



**Commission rate of 17% (or a reduced rate of 10% for certain categories of developers or purchases)** for App Store services excluding Apple's in-app purchase system.



**Payment processing fee of 3%** for Apple's in-app purchase system.

Therefore, the commission rate under the alternative business terms for developers who use the App Store services, including the in-app purchase system, is 20% instead of 30% (or 13% instead of 15% for those eligible for a reduced rate).

## Study Design

To answer this question, this study compares the prices set by developers for digital products in EU App Store storefronts during the three months before they enrolled in the alternative business terms (the “before” period) with the prices they set during the three months after enrollment, when they benefited from decreased commission rates (the “after” period). This study focuses on the cohorts of developers who enrolled in the alternative business terms from March 2024 through September 2024.<sup>1</sup> Prices are calculated using iOS transaction data from the App Store on EU storefronts for these developers.<sup>2</sup>

The transaction data consists of over 41 million transactions for approximately 21,000 products on EU App Store storefronts, which generated €403 million in sales. The transactions were roughly split between the three months before and after enrolling in the alternative business terms.

## Study Findings

The key finding is that, despite paying significantly lower commission fees, developers who enrolled in Apple’s alternative business terms kept prices the same, or increased them, on 9 out of every 10 products. Furthermore, the overwhelming majority of commission savings flowed to developers outside the EU. Details are as follows.

First, looking at all digital products offered on each EU storefront, across all developers who enrolled in the alternative business terms from March 2024 through September 2024, the commission rate typically decreased by 10 percentage points after enrollment.<sup>3</sup> This decrease is expected given the structure of the alternative business terms (see **Box 1**). These developers paid an estimated €20.1 million less in commission fees in the three months following their adoption of the alternative business terms.

Second, despite this decrease in the commission rate, developers kept prices the same—or increased them—on 91% of their products.<sup>4</sup> For these products, the reduced commission did not benefit customers through lower prices.

1 The “before” period of analysis for each cohort of developers is three months prior to the month of enrollment, and the “after” period is three months after the month of enrollment. For example, for the cohort of developers who enrolled in March 2024, the before period is December 2023–February 2024, and the after period is April 2024–June 2024. For those who enrolled in April 2024, the before period is January 2024–March 2024, and the after period is May 2024–July 2024.

2 This study is limited to transactions on the App Store and does not analyze prices on the web or other potential alternative marketplaces.

3 *Percentage points* refer to the absolute difference between two percentages, rather than a relative change. For example, if a commission rate drops from 30% to 20%, it has decreased by 10 percentage points.

4 Developers decreased prices for 9% of products.

### Product and Storefront

A **product** is a paid app or in-app digital good, service, or subscription sold in a particular App Store storefront. An App Store **storefront** is generally associated with a specific country. For example, a product could be a monthly subscription for the premium version of a photo-editing app sold in the App Store in Germany.

### -10 percentage points

Average commission rate decrease after enrollment

## 91%

of products with no price change or a price increase

## €20.1 million

less in commission fees for developers on nearly 10,000 products in the three months following the commission rate decrease

## 86%

of commission savings went to non-EU developers

Third, of the 9% of products for which developers decreased prices after enrollment, the decrease was smaller than 5 cents for approximately 2 out of every 10 of those products. Furthermore, the median decrease was a modest 2.5%. This means that, even in the rare cases when prices fell, the benefits to consumers were limited and often much smaller than the corresponding benefits to developers.

Developers' decision not to pass on commission savings to EU users mirrors Apple's past experience following the launch of the Small Business Program, which reduced commission rates from 30% to 15% for tens of thousands of small developers beginning in 2021. Less than 5% of those developers' apps exhibited any price decreases whatsoever after their commission rates decreased. Similarly, when Apple reduced the commission rate from 30% to 15% for all auto-renewable subscriptions after one year, developers decreased prices for only a small minority of subscriptions.

Last, in addition to developers keeping most of the commission savings for themselves, the overwhelming majority of benefits to developers went to developers based outside of the EU. Of the €20.1 million reduction in commission fees, over 86% went to non-EU developers.

## Digging Deeper

### Do the limited number of price decreases observed after the switch to the alternative business terms appear to be related to the decrease in commission rates?

The answer appears to be largely no.

Prices set by developers sometimes change over time for reasons unrelated to Apple's commission rate. For example, between September 2023 and February 2024, before the alternative business terms were introduced, developers lowered the price of 4 to 8% of products in any given month relative to the previous month.

When normal fluctuations are expected, running a "placebo test" is useful to explore the extent to which changes that happen after a policy change, such as the introduction of the alternative business terms, are driven by the policy change itself or are "noise" unrelated to the policy change. In a typical application, the researcher designs a "placebo policy"—a policy that never actually existed—in a similar setting as the at-issue policy, and then measures its impact. A placebo policy should have no effect. That is, any observed changes around a placebo policy should reflect noise that would be expected even without any policy change and provide a potential benchmark against which to compare the changes measured after the policy change.

Here, a placebo test can be run by comparing prices for the September 2024 cohort around a "placebo" enrollment in September 2023—one year prior to the actual enrollment. Setting the placebo enrollment to occur in the same month of the year helps ensure that differences observed between the placebo and actual enrollment are not driven by seasonal factors. The placebo test compares prices in the three months before this placebo enrollment (June 2023–August 2023) to



### Placebo test

A **placebo test** is a way to check the validity of a study or experiment by running a "fake" (i.e., "placebo") test to see if you get a similar outcome. A similar outcome in a placebo test is evidence that the original results are what one would typically expect under random chance.

prices in the three months after (October 2023–December 2023) for this developer cohort.<sup>5</sup> The placebo test shows that the price of 4% of the products decreased following the placebo enrollment, compared to 7% following actual enrollment in September 2024. The small difference suggests the bulk of the observed price decreases after enrollment are unrelated to the reduction in commission rates.

Together, the magnitude of the monthly price fluctuations and of the placebo test suggest that the price decreases observed after developers enrolled in the alternative business terms—as uncommon as those price decreases were—are consistent with usual price changes and are driven mostly, if not entirely, by factors unrelated to the lower commission rates.

### **Are the results different when considering a longer period of time post-enrollment?**

No. Extending the window of observation after enrollment in the alternative business terms does not affect the results. For example, extending the post-enrollment window to eight months, which provides a much longer time period and also allows for multiple cohorts to be observed, does not change the study’s findings. Data is available to analyze eight-month periods post-enrollment for the March and April 2024 cohorts.<sup>6</sup> For these developers, the share of products for which prices did not decrease was 90% when looking at an eight-month period, compared to 92% when looking at a three-month period. The fact that the share of products with observed price decreases barely changed when looking at an extended after-period suggests that the small share of observed price decreases is not dependent on the length of the post-enrollment period observed.

### **Is the Core Technology Fee a factor in the results?**

Evidence suggests that it is not.

First, the Core Technology Fee only applies to larger apps with over one million first annual installs (see **Box 1**). It does not apply to most apps in the study, which account for more than 80% of the products studied. As a result, the results of this study are not driven by apps paying the Core Technology Fee and are the same when limiting to apps not expected to pay the Core Technology Fee.

Second, the small number of developers expected to pay the Core Technology Fee were not less likely to lower their prices, even though their commission rates decreased by 9 percentage points on average. Among this group, the prices of 91% of these products stayed the same, or even increased, while 9% decreased.

### **Are the results different for products with more transactions?**

No. The findings reported here do not change if more popular products are given more weight by considering each transaction individually. The findings are similar: the prices of 94% of transactions stayed the same or increased.

5 The available data did not extend back far enough to conduct a similar placebo test for earlier cohorts of developers.

6 The available data ended in December 2024, so eight months was the longest period that could be analyzed after enrollment in the alternative business terms for the developers who enrolled in March and April 2024.

## Concluding Thoughts

The findings of this study demonstrate that commission savings as a result of the DMA have not led to price decreases for customers and overwhelmingly flowed to developers outside the EU. Despite lower commission rates, developers maintained, or increased, the prices of 91% of products, accounting for 94% of transactions, and the small number of price decreases appear mostly, if not entirely, unrelated to the lower fees. In addition to developers keeping most of the commission savings for themselves, over 86% of the savings went to developers based outside of the EU.

## About the Author

**Jane Choi, Ph.D.**, is a vice president at Analysis Group. Dr. Choi specializes in the application of microeconomics, econometrics, and valuation methods in litigation and regulatory inquiries, with a focus on antitrust and finance. She has experience across a variety of industries and markets, including technology, cryptocurrency, agriculture, and retail. She previously worked in investment banking at Goldman Sachs.

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## Appendix

### Main Results

| Scenario              | Number of Product-Storefronts | OUTCOME POST-ALTERNATIVE BUSINESS TERMS |                     |                    |
|-----------------------|-------------------------------|-----------------------------------------|---------------------|--------------------|
|                       |                               | Decrease in prices                      | No change in prices | Increase in prices |
| <b>All Developers</b> | <b>127,800</b>                | <b>9%</b>                               | <b>86%</b>          | <b>5%</b>          |
| March Developers      | 32,145                        | 12%                                     | 83%                 | 6%                 |
| April Developers      | 23,297                        | 3%                                      | 94%                 | 3%                 |
| May Developers*       | 17,505                        | 20%                                     | 77%                 | 3%                 |
| June Developers       | 10,622                        | 7%                                      | 88%                 | 6%                 |
| July Developers       | 18,038                        | 7%                                      | 82%                 | 11%                |
| August Developers     | 14,049                        | 6%                                      | 91%                 | 3%                 |
| September Developers  | 12,144                        | 7%                                      | 90%                 | 4%                 |

### Robustness Checks

| Scenario                                   | Number of Product-Storefronts | OUTCOME POST-ALTERNATIVE BUSINESS TERMS |                     |                    |
|--------------------------------------------|-------------------------------|-----------------------------------------|---------------------|--------------------|
|                                            |                               | Decrease in prices                      | No change in prices | Increase in prices |
| Expected to Pay CTF                        | 32,594                        | 9%                                      | 82%                 | 9%                 |
| Not Expected to Pay CTF                    | 95,206                        | 9%                                      | 87%                 | 4%                 |
| March and April Developers, 3 Month Window | 55,442                        | 8%                                      | 87%                 | 5%                 |
| March and April Developers, 8 Month Window | 62,594                        | 10%                                     | 84%                 | 6%                 |
| Transaction-Weighted, All Developers       | 127,800                       | 6%                                      | 86%                 | 8%                 |

### Placebo Test Results

| Scenario       | Number of Product-Storefronts | OUTCOME POST-PLACEBO MONTH |                     |                    |
|----------------|-------------------------------|----------------------------|---------------------|--------------------|
|                |                               | Decrease in prices         | No change in prices | Increase in prices |
| September 2023 | 6,599                         | 4%                         | 92%                 | 4%                 |

\* The majority of the observed price decreases for May developers were associated with only three apps. Excluding these three apps, the percentage of product-storefronts with price decreases is only 8%.