



## **COMPETITION COMMISSION OF SOUTH AFRICA**

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In the matter of

### **ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)**

held at

**DTI Building  
Sunnyside and virtually via MS TEAMS**

on

**2 November 2021**

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**PANEL:** *James Hodge – Chairperson  
And Doris Tshepe*

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#### **COMPANY: APP DEVELOPER STUDIO**



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MS TSHEPE: Good afternoon, Mr Maclean.. Welcome and thank you for coming through and joining us on the virtual room.

MR MACLEAN: Good afternoon, thank you very much for inviting me.

MS TSHEPE: Yes and thank you pushing up time to accommodate us. We appreciate that. I think as I understand you are not making a presentation and so we will start with just some questions regarding background and clarity and for that I will ask Mr Govinda to lead you with some questions and then as the panel members, we will ask you some further questions. Thank you so much.

10 MR MACLEAN: Pleasure.

MS TSHEPE: And welcome.

MR GOVINDA: Thank you, Chair. Welcome, Rob thanks for making the time for participating in the inquiry. Let us just start with explain your business briefly including the apps that you develop.

MR MACLEAN: Thank you. So, we are App Developer Studios. We build apps for clients and we have launched our own apps as well. We have been building apps for ages and have built over a hundred apps for Google and Appel and Huawei. The examples of apps that we have, a lot of wildlife reference educational apps so, birding guides, wildlife  
20 guides and reference apps.

We have done money transfer like Fintech apps we would call them, the ability for people to pay other people within South Africa and overseas. I have got a range of security apps so, pressing a panic button and it tells other people that you need help or alert local security companies that you need help. A lot of data collection apps for NGO's

or Government – we did an app for the Government of Ghana and a long time ago for the Department of Home Affairs in South Africa.

So, communication, data collection, turning paper based processes into digital processes – so ja. We currently have about 50 apps on the app stores.

MR GOVINDA: Thank you. We understand that you typically distribute apps on Play store and abyss app store. Explain the dependency of app developers on these two platforms and what benefits do these app stores provide that may not be available on the other stores, or even on  
10 your own website?

MR MACLEAN: Okay so, we do have a high dependency on Apple app store, which I will just call the App store and Google Play because and this is changing right now, the technology is changing, but traditionally the only way to have features of an app, things like push notification and news GPS, they could only be added to proper apps or native apps which could only be distributed through those stores.

So, the only way for us or our clients who we are building apps for to get their apps onto customer phones, is by publishing on those stores and then the users downloading it. So, we have a high  
20 dependency and on those two more than others because a lot more people have smart phones with Android or AOS – Apple Operating System, than any other type of operating system.

So, they are kind of significantly the vast majority of end users download apps from those sources. I mentioned things are changing a little bit and I think it is worth describing a little bit more. So,

increasingly the technology of apps and websites, is kind of merging. You have what we call a web app or a progressive web app which allows for some app features to be added to web apps.

They can be downloaded outside of the stores, but they have things like push notifications and geo location and similar features that were only available through the app stores previously. So, there is a trend I would say to be able to launch apps outside of the app store and so we are probably becoming less dependent than we were.

MR GOVINDA: And how about EURON website – distributing through  
10 EURON website?

MR MACLEAN: So we could put web apps on our website or on our client's websites and the user would be able to download from there to their phone. So it is possible with some disadvantages. There is a credibility of having an app on app stores, it means it has been checked. It has gone through security checks, it has gone through privacy checks, it has gone through especially with Apple's and quality installed checks to make sure it is of a certain quality

So, there is a credibility and a trust of downloading through an app store versus from a third party website. And there are some  
20 features that web apps cannot have that proper apps still can. And it is a bit complicated depending on Apple versus Android, Safari browser versus non-Safari browser. But for example we cannot really use Bluetooth when we are – with a web app, but we can with a native app we cannot use NSC, we can.

So, there are some things that we cannot do through apps that

are not fully distributed through the app store but that list of things is becoming less and less, ja.

MR GOVINDA: Yes ...[intervenes]

MS TSHEPE: Sorry, Hari if you would just allow me just on the question of dependency, Mr Maclean. Apple will say that they are a small part of the smart phone market in South Africa. What is your view of iPhone users in South Africa and how important are they for app developers like yourself from a dependency point of view?

MR MACLEAN: It very much, it does depend on the target market. You  
10 know, App iPhone is more expensive typically, higher LSM's will own them so, they may have a low percentage penetration of the market. But in terms of the value rather than volume of the market, it is relatively high. And our clients you know, I have got two hats on.

I have me as an app developer but my clients never – very seldom do they come to me as I only want Google Play and Android app. They typically want both. Sometimes they start with Google Play and Android because of the higher volumes, it can be looked at that way, but it is pretty much always a plan to lend launch on Apple.

And what is quite interesting is we have apps that are – we have  
20 in-app purchases in and although we may have for example five times more users on Android than Apple, the value of the purchases on Apple, is an about parity with the Android. So, the value is very different to the volume argument.

CHAIRPERSON: Sorry, Mr Maclean can I just follow up with that? So, you are saying on par in terms of value and just a portion of downloads

from your apps and those of your clients, what sort of percentage maybe Android, what percentage, AOS and at the moment Huawei's app gallery?

MR MACLEAN: I will be happy to come back with a kind of definitive number, but kind of my impression would be at the moment it would be something like of a 100 percent, 70 percent Android, 28 percent Apple and 2 percent Huawei. Something like that. But it – the Huawei now may be a bit unfair if you want to call it that for Huawei.

Because we do not have that many apps on those stores, and  
10 the ones that we do have only been there for a short period of time. So, it is really not meant to be a fair representation of the national market, it is just our experience.

CHAIRPERSON: No, thank you.

MR GOVINDA: Thank you, Rob. I mean recently if you must have – you must be knowing by now that Huawei and Samsung also have their own app stores, Galaxy store and app Gallery. Have you considered distributing your apps on their platforms?

MR MACLEAN: We have considered and actually launched apps on Huawei app gallery, two apps there now. As I just mentioned, only  
20 recently so we have not kind of put much effort into promotional marketing of them. So and those apps are in a stage where they have only just launched themselves so, we do not have hard data on those volumes but the Huawei app gallery is part of our kind of future plan.

We consider it to be three app stores basically, but Huawei is definitely significantly smaller than the other two at the moment.

Samsung, I know there is a gallery app store but I have never been aware I think and I could be wrong here, but my understanding is an Android app will always work on a Samsung device. So, a Samsung user can always go to Google Play and download an app from there.

So, the Samsung app store is just kind of a version – another version of the same thing whereas Huawei app gallery is a bit different because there are Android apps that will not work on modern versions of the Huawei operating system because of issues with Google services. So, they have to Huawei device owners have to download some apps  
10 from the app gallery because their Google Play version of those apps will not work on their phones.

CHAIRPERSON: And – sorry, Hari can I follow up on that? So, Rob I mean the point you just made about Samsung Galaxy does strike me too. It seems you have always got Google play and the question is why do you need a distributor through Samsung and as I understand, you know most of the users would be using Google Play anyway.

I mean, have you ever engaged the Galaxy store around what sort of incentive there is to list on their store? I mean, it is Android as you know as you indicated, so no adjustments would be needed. But  
20 yet, you still see no benefit almost of listing there.

MR MACLEAN: So we have not - kind of for that reason, we have not really seen the value. I mean, there is a lot of Samsung Galaxy users and that store app could be built in closed devices so you would get some additional publicity, but no one has asked us to look at it and in the past we have. You know, there has been several app stores that

have come and gone.

And it is quite a lot of effort to kind of get listed on their app stores with screen shots and signing, certifying, listing and agreeing to terms and conditions. So, we have had Blackberry back in the day, Windows Mobile, Amazon which is still there but not big in South Africa. So there is a history of app stores coming and going and so, we kind of want to wait and see until there is demand for us with our app somewhere before we invest too much effort.

CHAIRPERSON: And maybe just a related question outside of  
10 South Africa on the continent, you mentioned I think in Ghana you said. I mean, what tends to be the mix outside of South Africa on the continent in terms of operating systems and volumes, and value because as you indicated, Apple has a lot more value.

MR MACLEAN: So in terms of inter-Africa, Android percentage is higher than Apple, in South Africa. So if you look at East- and West-Africa, I think it would be up in a 90 percent on Android probably rather than Apple, I believe and that may be just a reflection of disposable income in those countries and the cost of an iPhone.

The apps that we have launched in the rest of Africa do not have  
20 an in-app purchase or they are not paid apps so, I cannot see the value side of those. We have launched apps in Europe and the US as well to clients, and certainly in the US the Apple portion - the Apple market share is a lot higher than here and I would say in Europe as well.

MR MOKATLE: Thanks, Rob. Next question, what has then been the backdrop the commission fees of 30 percent for the in-app purchases on



app developers? And recently, both Apple and Google have reduced the fee for 15 percent but for \$1 million – under \$1 million annually.

And if the value of purchase goes beyond \$1 million, it would go back to 30 percent again. So it looks like developers would not have an incentive to expand and go beyond \$1 million and pay the double of what they are paying now, 15 to 30. Would you comment on that?

MR MACLEAN: Yes so, I would say - so there is quite a lot on my line now. Okay – okay. The I think the first kind is the vast majority of apps are free. And so it doe snort matter if it is 15 / 30 or a 100 percent, you  
10 know that has got to be off a number. So, most of our apps are free and even if there is payments happening within the app, a lot of them are not paying through in-app purchases.

You do not have to buy stuff on the app store's payment mechanism if it is for example a real world service. So, we often use Uber as an example where because you are buying a ride that is a real-world things and so you are loading a credit card in Uber and that money is coming off your credit card so, Apple and Google are getting nothing of that.

And that is kind of applicable to most apps is, you are buying  
20 stuff outside the app – a real world thing and therefore the percentage is irrelevant. But where there is a an in-app purchase or we have quite a lot of app that are paid apps so, our Wildlife reference apps you know, there may be a R100 here. Until recently we would lose R30 of that to Apple and Google and that is a very large amount to lose but you know, there was no alternative.

It is almost the cost of doing business if you want to distribute a paid app, there is no alternative. Obviously now, yes for under \$1 million turnover per year, it is reduced and that is good. It is quite a big difference in our world. It is to a pure margin or you know, it is half of the cost is removed so that is a step in the right direction.

I understand the argument you are saying whether it is now an incentive not to go become too big, because you are going to get double the rate of commission. I understand that but that is kind of how Tax works you know, that the more you earn the higher rate you pay. If one  
10 would have an incentive to try and stay below that line, I think the terms and conditions of the agreement that you kind of go into the app stores, you kind of apply to have that lower 15 percent from the 30.

And I believe that within those agreements it says you cannot kind of manipulate things, you cannot kind of do something to get under that, to officially stay under that \$1 million threshold. So yes you are right, it does create a kind of perverse incentive not to become too big, but a \$1 million per annum revenue for in-app purchases means it is a very big app.

You know, this is not applicable to most apps that you know sort  
20 of R15 million revenue from Apple or Google a year, is a significant amount. There is very few apps in the country that will be above 30.

MR GOVINDA: Do you consider the 30 percent or even 15 percent commission that developers pay, as fair?

MR MACLEAN: I previously felt the 30 percent was too high in my opinion – I do not consider it fair. I do believe 15 percent can be

justified because they are processing the payment. So, any card transaction digital joint transaction that you want to do has a percentage fee is still covering that.

They are providing the marketing and distribution, that platform for people to discover apps and there is also a like I said, there is probably 95 percent of the apps out there they make no commission on because they are free apps or the purchases within it, are done outside of their payment gateway. So, I do not believe that 30 percent was fair, I believe that 15 percent could be justified but it is maybe on the high side  
10 of what is fair.

MR GOVINJDA: If as developers were given a choice of making payment like a payment options – it is not Google pay but if you had an option to either pay through credit card or any other payment gate, would you expect the, still would you expect the 15 percent to be you know reasonably fair?

But you said it is on a really bit of a high side, but of you had an option to pay through other gateways, would you think that the cost would come down much lower than 15 percent?

MR MACLEAN: Yes so, often we do implement payment gateways  
20 outside of the app store so, you know for example we have a security app where there is a paid subscription to have armed response on demand. Now that is a real world thing so, we are allowed by the app stores to charge through an external third party payment gateway and a typical cost of those, it is coming down slowly but it is – it is just under 3 percent.

So, that is kind of a normal cost of a card payment gateway and where it is possible and where we are not – where we are allowed to is a real world thing, we implement external payment gateways and we advise clients to you know, to go down that route where it is within the rules of the app stores but the rules on the app stores say if it is a digital product you know, it is an electronic thing it is a digital thing, you are not allowed to go outside.

You can also have an external payment gateway, but in terms of within the app that purchase within the app needs to happen through in-  
10 app purchases. So, I do not know if I have answered your question fully.

MR GOVINDA: Ja, thank you. Just on the commission reduction from 30 percent to 15 now, has this commission reduction resulted in more funds available for developers like you to spend on marketing, even to discover your apps or maybe on advertising on the response of ranking and even to acquire new customers?

MR MACLEAN: Yes, it has. Yes, the reductions has made more money available for marketing, for product development, for distribution. We do not use, we have not recently used paid app store campaigns  
20 with Apple, we occasionally do with Google. But certainly ja, there is more money available for marketing promotion, but almost product development more importantly you know, enhancing the product rather than necessarily increasing the marketing.

CHAIRPERSON: Rob, can I just follow up with that? I mean, do you think in future it may start to effect the pricing of your apps?

MR MACLEAN: Ja, definitely. I think you know, and again I am often stopping me making these pricing decisions, for us it is our time.

CHAIRPERSON: Mhm.

MR MACLEAN: But ja, you need to make a certain margin to run the business or to cover your cost and have money left to invest in it. So, if you are paying 15 percent less over, you can.

You do make the same amount of money at a lower price point to customers so, it is not like when the reduction came in we suddenly reduced the cost of our apps by 15 percent, we did not. But the new  
10 business and new apps starting out I think would factor in that reduction into the kind of launch pricing.

CHAIRPERSON: And maybe, Rob if you can just help us on this. I mean, taking say your Wildlife reference apps which are paid, and it may be your own or it maybe your client's, but I mean can you just talk us through this sort of let us say the investment decision, the pricing decision?

So I mean do you sit there and say look, this is my target market, I reckon I can get 5 percent of this if I put it at "X" price. Can you just talk us through what sort of discussions you have around the  
20 investment in an app and also to a point the product developments. So how much more do you put into the development as well?

I do not know if that question is clear, but it is sort of the economics of it, when you are making an investment decision.

MR MACLEAN: Ja, it is. The Wildlife reference apps which is our biggest range of paid apps, is kind of interesting because it is basically a

digital version of a book almost so, that already has a price point you know. So, we built the Newman's Birding Guide, I do not know if you know birding but it is one of the big three birding guides.

So, you know what the price of the book is so you go well, can I charge more or less for the app? The app has more in it than the book has got. It has got the calls and it can use location to kind of help you with searching there so, it is a bit better than the book but people are reluctant to pay for stuff digitally.

10 So that is almost the pricing decision that is not driven by the economics of the – you know, of the commission and the development cost. It is almost a demand led price point based on it is an existing real world product. However, probably a better example is where we have these security apps, on demand apps where you are charging a subscription for armed response now.

20 If we had to use the app stores to take that subscription, then instead of the 3 percent that the payment gateway charges and we are now paying 15 or 30, we would directly pass that probably onto the customer because it is a very competitive space and price is very important so, there is not a lot of margin to play with. So, all the extra cost would need to go onto the price to the customer.

And ultimately if any is being squeezed or if the client is being squeezed, the commission has gone up but the price point cannot go up by as much to be competitive then there is less margin, and then that means the product development is going to slow down. So ja, it is quite a complicated answer but I hope it does slightly answer what you asked.

CHAIRPERSON: Ja, maybe in your first example at the reference app, maybe your price is relative to the book price as you put it. But on the development side, or just the – let us say the ability to even make it economic. So given how many people may download it, how many birders there are, maybe international visitors.

Could it be that suddenly an app is not economic because of the price point and it might apply to a security app too, or you do not put as much features in because you need to contain your cost if it is going to be economic.

10 MR MACLEAN: Ja, and ultimately it is part of the business case and you know, the less nett revenue you are receiving per download, then at some point it becomes uneconomic or you have to launch a simplified as it were, worse version of the product to the market. Ja, so it is part of that business decision to cover the to kind of the kapex cost of building it and then you have got this kind of opex cost of the commission that you are losing to these stores.

MR GOVINDA: Thanks. Thanks, Rob. The next question is around the pricing of your apps and how, what factors do you consider when you price your apps? And are there any restrictions from app stores on  
20 how you price on other platforms for instance or even on your website?

MR MACLEAN: So our, the vast majority of our apps are free. So maybe just turn your mic off, I think there is a bit of echoing.

MR GOVINDA: Can I repeat?

MR MACLEAN: The vast majority of our apps are free.

MR GOVINDA: Ja, okay.

MR MACLEAN: So, there is no pricing decisions. Within the apps you may be purchasing something and then so, the app is free but the product that is being sold, there is a pricing decision there. Considerations are yes, the target market, the competition, the kind of cost price you need to cover to make any profit on it.

So kind of a normal product decision, product pricing decisioning factors come into place when you are doing tele-products through the app but not through the app stores so, the app is not being paid for. Yes, and then there are restriction if you are selling - and this is  
10 complicated so, I will try and give a simplified version of it but there are nuances.

If you are selling a digital product through an app, you have to use the app store's in-app purchases. You can sell that product now and that was changed recently I believe by Apple. You can sell that product outside of the app so, for example on a website, having a payment gateway where you can buy that product and then maybe getting a coupon or a voucher that could be redeemed in the app to access that same thing.

So you can now as of recently and we have never done this but I  
20 understand it is possible, you can now bypass the rules making you use in-app purchases, but you cannot promote that alternative route from within the app. So, within the app you cannot have a link to say go to a website, pay, get a voucher, come back into voucher and proceed. So, there is now an alternative route but you are not allowed to promote that route.



It is my understanding of the current guidelines, there used to be a restriction that you could not sell it for less, so that alternative route could not be priced differently to the price offered when in-app purchases were happening. I believe that rule has now fallen away from Apple so that you can actually have differential pricing, so you can discount outside of the app because you are not paying over the commission that comes with the in-app purchases.

As I said, this is my understanding of the guidelines but we have not implemented such a route. Where we have had digital products, we  
10 have gone with in-app purchases through the app store, through the apps and using in-app purchases.

MR GOVINDA: Okay ...[intervenes]

CHAIRPERSON: And sorry, Rob can I just ask? You mention that it is Apple and the rule on pricing at the same level. Was that recently abandoned or much longer ago?

MR MACLEAN: Ja, I believe that was maybe August this year that Apple changed those rules so you can have differential pricing. It was within the last three or four months, I am pretty confident.

CHAIRPERSON: Alright, and Google Play do they have similar rules?

20 MR MACLEAN: I cannot answer with confidence unfortunately. I know this was, I believe it was covered in relation to the dispute between Apple and Apex Games and so I think that is why it got coverage that Apple had done this. I do not know if Google did the same but they do quite often tend to follow each other in this space in terms of these rules and percentages on commission.

CHAIRPERSON: Okay and then maybe on your last comment there, I mean that is also an observation we seem to have is, is the industry standard which everyone seems to follow. So, if someone came up with a business model and no one wants to deviate and they compete almost on a device basis rather than on a price basis. Is that a fair comment from your side?

MR MACLEAN: Not being an economist, you know but it does to me as someone with a slight background and knows a bit, it does strike me quite like duopolistic pricing in that they kind of price the same and  
10 when one changes, the other follows. It looks like that as an outsider to me, but ja it cannot be coincidence that they were both 30 and then they both moved to 15 on a \$1 million turnover, I mean it looks to me as if people follow each other, but that is just my private opinion.

CHAIRPERSON: Alright, we will certainly ask them that.

MR GOVINDA: Thanks, Rob. For my last question, could you please confirm. You say that the differential pricing on different platforms is now possible but it is just that within the app, developers are prevented from communicating to the users that there is a cheaper option available.

20 MR MACLEAN: Ja.

MR GOVINDA: Is that a ...[intervenes]

MR MACLEAN: I believe that is a rule, ja.

MR GOVINDA: Alright, thanks for that. In other jurisdictions such as South Korea and US there is a move towards mandating the likes of Google and Apple to allow for alternative payment mechanisms for in-

app purchases. What are your views on this, I mean what do you see if that happens in South Africa?

MR MACLEAN: I believe it would be a good move. It would allow for more competition in the payment space, and there is – ja I believe that effectively, less 15 percent would significantly come down. But I do not quite understand how it can be implemented because ja, I think technically it is quite difficult to get that to work. And I think they would face a lot of resistance from the app stores, you know with digital products.

10           When digital things are being purchased which are only living in an app on a phone, that you know they kind of have a lot of control over how those things would get approved, and what does not. And so, I am not quite sure how that is going to work like from a technical perspective and you know from a legal perspective, how that transaction gets processed.

MR GOVINDA: No, thanks for that and we will also check with the players such as Google and Apple and other app store service providers. Could you please comment on the ranking, rating and reviewing process by app stores, on the apps that are listed?

20   MR MACLEAN: Ja, so your apps can be – so let us just break it into three. There is rating an app so typically out of five starts and writing your reviews. Anyone, I think anyone who has downloaded an app can do that. It is possible to encourage people to do it so, have a pop-up in the app to say you know, would you like to write a review.

I think there is quite a lot of gaming happening by developers

and clients to encourage positive reviews so, you can have something that says are you happy with this app, yes or no. If the answer is no, then you just kind of say sorry and carry on to using the app. But if the person says yes, then you ask them if they would like to leave a rating and a review. So it is kind of only asking the opinion of people who are going to say nice things.

There are services I believe and I believe a lot of people are using them where you can basically pay to get positive reviews - rating and reviews, mass downloads, mass positive reviews. I think the app  
10 stores have gone a lot stricter and try and clamp down on those things, it is in breach of the rules of publishing through them, but it has happened and people do, do it.

And those elements, the ratings and reviews, they do drive the ranking of your app on the app stores, but they are not the only thing. It is the number of downloads, it is and the – I think you would have found that the app stores do not publish the algorithms to drive that ranking decision but I am confident that the number of download, number of amount of engagements and not just download and deletes but download and keep and do not uninstall.

20 So kind of the engagement of users would be a factor, but there are other things as well. There is key words you use when you post an app on the app stores, you write a title and a description but you can also write key words that kind of say this app is about birding, or this app is about security or money transfer. So, how well your key words match up to the search that the person typed in when looking for an app

is a factor in that ranking.

But also, you can upload screenshots and video's and demos of how the app works and that also drives people to go from seeing the app to downloading it. So, there is quite a lot involved in how your app ranks on the stores but also how many then convert from viewing that to actually downloading the app.

MS TSHEPE: Mr Maclean you just said now that the algorithm or the component at least of the algorithm, is not necessarily always published. Do you think the process of ranking is transparent and fair in the app stores?  
10

MR MACLEAN: I do not think it is transparent. I think a lot of people kind of know the drivers of it, you know from having developed apps and as a whole almost science call it, ASO app store optimisation how you, you know tips and tricks on how to get your app to be ranked highly. It is not a secretive thing, it is you know, is the description good? Is the – are the key words correct?

Do the screen shots show what the app needs to actually does? So, I think it is a bit secretive and I suspect it is also changing constantly, that they you know they look at how people are engaging with the apps and then they improve those algorithms over time. I do not think it is actually necessarily a problem. You said secretive and something else and I cannot remember the other expression you used.  
20

MS TSHEPE: I think it was fair.

MR MACLEAN: Fair.

MS TSHEPE: I was asking if you think the process is fair.

MR MACLEAN: I do not think the - I think it is not particularly fair because it does punish new apps sometimes. Ja, if it is based on total downloads and total reviews and total ratings, it makes it quite difficult for a new entrant to come in. Just by definition they do not have those things, but also it may be that those algorithms do recognise what we would call velocity of downloads.

So, the how many apps are being downloaded, how quickly apps are being downloaded and so if something starts trending and people like it and share it, then it could be possible for apps to climb quite quickly through the ranking. We have seen that where a marketing campaign driving downloads lead directly to a climb in the app's rank based on search times within the app store.

So, it is not something that is totally stuck and static, full of kind of old historic information but I think it is the way towards apps that have a history of download volumes.

MS TSHEPE: Would you – have you thought about other ways of improving ranking of new apps in a way that does not sort of penalise them?

MR MACLEAN: I mean you can run advertising campaigns to increase awareness and publicity, a kind of conventional advertising campaigns outside the real world or on Google but outside of Google Play, but you can also run campaigns within the app stores themselves. So within Google Play paid advertising to gain prominence there and the same with Apple search ads, so they are options that you could have.

It is not improving your ranking like your organic ranking, your

free ranking – it is paying top have prominence, so you are appearing over and above the organic free search results. So there are alternatives as I said, there are services to pay people to download and give your app free positive reviews, but we have never done that and I think it is – and it is not only unethical, but it is in breach of the terms and conditions.

MR GOVINDA: Thanks, Rob.

CHAIRPERSON: And I think, Rob – ja, one gets the sense that as you say, one needs to almost market to overcome the ranking system but on  
10 the ranking itself I mean your understanding as an app developer of consumer behaviour on ranking, I mean this is mobile it is a scroll screen, that where you lie on that ranking I am sure matters, but any sense of almost the extent to which consumers do move down that scroll considerably or not.

MR MACLEAN: No, they do not really in my opinion. So I think if you have to scroll more than once you probably lost 80% of your traffic. You know, if you are not in the top kind of four and five which is probably above what we would call the scroll line, then very few people will find you. But you  
20 know, people use different search terms for an app, so that's – you know, if you type in banking app ABSA bank might be below the scroll line, but if I am typing in ABSA I am going to be above. So it is not like an app is always below the scroll line always under there. There is an element of the match to the search term.

But the general comment on your question is if you are not in the top few people do not scroll. People just do not. It is not – especially in today's – you know, people just very short attention span. They put a lot of weight on ranking and ratings and reviews and so if something comes up top it probably means it is good, it probably means it is the best, so I'll just install it without asking questions.

MS TSHEPE: Thank you, Mr Maclean. Just to go back, I mean I think it is a bit linked to the question James just  
10 asked just on better ways of improving ranking and consumer behaviour. For smaller developers in South Africa that may be an expensive process advertising. I mean, is that your experience for smaller developers and that that may drive cost in fact of product development or marketing in order to be discoverable to the consumer?

MR MACLEAN: Yes, it is but it is not unusual in my opinion, you know. If you have got a new product and a new brand you have got to invest some money or trust word of mouth and free things are available to people to educate people  
20 about your product.

So yes, it costs money to run a marketing campaign, but I do not think that is unique to the app stores. You know, just thinking of Google, nothing to do with Google Play, but search on Google it is similar. It takes time to climb up the organic search rankings, not just time but, you know, a lot of



effort onto your website and keywords or you have to pay to be a paid advert.

So yes, it costs money. It discourages – it makes it more expensive for new brands and because it costs money I guess that discourages people, but it is the nature of businesses. Because it is something new you need to pay to promote it.

MR GOVINDA: Rob, thank you. One last question from me just on your submission you are talking about. If app stores  
10 were to offer curation of local apps under the various categories of apps in the app store, would this assist developers in South Africa just in terms of discoverability?

MR MACLEAN: Can you clarify what you mean by [indistinct 00:48:44].

MR GOVINDA: Sorry, I lost you in the thing.

MR MACLEAN: Could you just clarify what you mean by curation?

MR GOVINDA: It is almost like supporting the local apps. You have a team of local publishers identifying for a search  
20 keyword, the local apps putting on top or the first ranking for the South African consumers rather than, you know, just giving a list of global apps which may not be, you know, useful for the local nature of the demand that we have in South Africa.

CHAIRPERSON: Sorry, if I can jump in there, Rob. I mean

another way it may be easier to think about it is you have often got top picks or best in this category or, you know, top in productivity, so you could have a curation which sits within categories. So it is not necessarily a search thing, but it could be best local apps.

MR MACLEAN: Ja, I think that could work and that is – customers will be interested in that as well. So I think it is a good idea. It always comes down to who is curating. Is it I can Google curating but with a view to promoting of apps  
10 because they've been asked to do so or is it literally someone outside of that who is doing this process on recommending local apps? And so how that curation is done I think will be key to that.

To some extent there is matching that happens. So if a customer on the South African app store is searching for an app and there is a local version of that app, you know, obviously when it comes to TikTok, Instagram and Facebook, the big global apps there is no alternative equivalent, but if I am looking for a – for example a payment app on the South  
20 African app store and so I type in payment app, the local payment apps in South Africa are the ones that are going to appear top to me.

So there is some kind of localisation of the results at the moment, but I think not to the level you are talking about and I think that would be a powerful feature to

promote locally developed new apps.

CHAIRPERSON: Very well. We have run out of time. Just one last quick question and then we are going to have to go to our next participant. But you mentioned the progressive web apps, the website apps, just a question about how discoverable are they. So they may start to get some of the features of apps and maybe that is one element, but I suppose, you know, are they going to be easily discoverable? We have been talking about discoverability  
10 even just on the app store, but discoverable to consumers.

MR MACLEAN: So in one sense they are more discoverable because all you need is a link and that could be shared on WhatsApp, it could be on social media, it could be a text message. It is just a link to basically a website that then the app is installed from. So it is not really discoverability, but shareability is higher. But ultimately still people think I am looking for an app, I am going to go to an app store, so it does not have that this is where I go to to find web apps. It is a very decentralised thing. It could be found through  
20 Google and websites and social media and kind of despite and outside of and independently of the app stores, ja.

MS TSHEPE: I think thank you so much for your time, Mr Maclean. We really appreciate your participation in this process. Ja, thank you.

MR MACLEAN: My pleasure. Thank you very much.

INQUIRY ADJOURNS

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