

[Link to Video Presentation](#)

Unbundling of Google Apps from the Android OS

Group 7

Akanksha, Bhavil, Sookthi

Context Setting

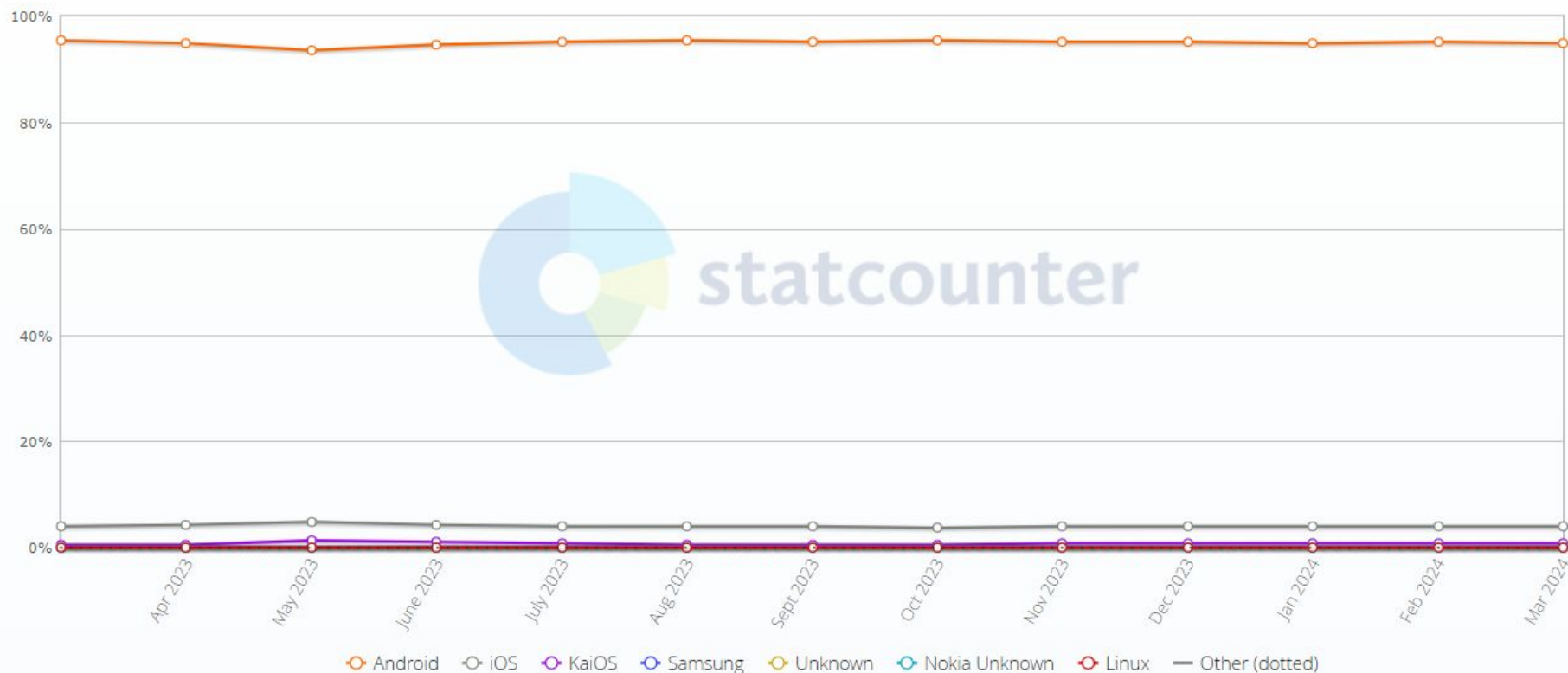
- Google owns Android OS, and phones with the Android OS have Google applications loaded by default.
- Considering Google's **dominant position** in the market and the **network effect** of having multiple applications in the same ecosystem, smaller companies find it hard to compete in the system.
- This has been considered **anti-competitive behaviour**.
- Many regulators worldwide have attempted a forced unbundling of the Android-Google Apps systems.

Indian Application Market

- Currently, Google clearly has a lead in the application market, 5 applications on the [top-10 list](#) by usage of apps on Google Play are from Google: YouTube (2nd), Phone by Google (4th), Google app (5th), Google Chrome (7th), and Google Messages (9th).
- The Indian mobile-phone owning population also tilts heavily towards Android OS systems ([similarweb.com](#)):
 - 95.03% - Android OS
 - 3.03% - iOS
 - 0.76% - KaiOS (Jio phones)
 - Rest - Samsung, Linux, and unknown
- Clearly, Android has an enormous market share, that has remained consistent through time.

Mobile Operating System Market Share India

Mar 2023 - Mar 2024

[Edit Chart Data](#)

Problem Statement

Should Google apps be unbundled from the
Android OS?

Methodology: Detailed Comparative Analysis

1. Studying the case in India

We examine the CCI regulation, understand its advantages and disadvantages, and understand the Indian application market.

2. Studying the case in other countries

Then, we analyze this case across geographies, looking at how the EU has responded to Google's anti competitive behaviors with the default installed application issue.

3. Studying cases worldwide

We have examined some other anti-competitive cases across the world, largely looking at EU regulations, and examining their relevance to the case in India. The cases we will look at are as follows:

- Apple App Store and Apple Pay, on unfair bundling (EU, India)
 - Microsoft Teams and Office, on unfair bundling (EU)
- Qualcomm and Apple, on chip manufacturing and inflated costs (USA)

. Recommendations for the Indian Market

Finally, looking again at the Indian case with the understanding of the global cases, to suggest recommendations and possible other interventions.

Problem Statement

Should Google apps be unbundled from the
Android OS?

Google's Perspective

- Google says that it faces competition from Apple, which has an OS system integrated with in-house apps, such as its own navigation system, web browsing application, application store, etc.
- Hence, Google feels that it needs to have the chance to bundle its apps, so that it can compete with Apple.
- Also, Google's applications are *working*. Why disturb a system that works?

However:

- The CCI has noted that Google and Apple have two entirely **different business models**.
- The only competition that exists is when devices are bought. In such cases, customers look at price and hardware, not apps.
- Hence, Google's claim of competition from Apple is **invalid**.

Regulator's Perspective

Google signs agreements with mobile manufacturers, such as:

- **Mobile Application Distribution Agreement (MADA):** The MADA ensures that the search app, search widget, and Chrome browser are pre-installed on Android devices. It also holds that YouTube should be pre-installed. The network effect and status-quo bias affecting these applications mean that it is very hard for new entrants to break into this market, considering the immense reach that Google has because of MADA.
- **Anti-Fragmentation Agreement (AFA) and Android Compatibility Commitment Agreement (ACC):** Original Equipment Manufacturers (OEMs) who want to use Android OS are not allowed to develop or sell devices based on Android forks. Due to this, competing services have a very limited market to sell to, and Android fork developers don't have devices they can distribute on since most OEMs are tied with Google.

Regulator's Perspective

(Continuation of Google's agreements)

- **Revenue Sharing Agreements (RSAs)**: These agreements help Google secure exclusivity in search services since they allow access to consumers' search queries, thus allowing improved advertisement revenues and product improvement. As a result, smaller players are completely unable to compete.
- Currently, only Android phones that **bundle Google applications** with their phones are given access to Google Play Store.
- Google's business methods are profit-oriented and justified. However, their agreements with companies are unfair trade practices, and don't allow for competition.

Unbundling of Google from Android - CCI Regulation in India (2022)

The CCI directed Google to make several changes to its practices:

- Allow smartphone makers to decide which Google apps to pre-install without bundling requirements.
- Decouple the licensing of the Play Store from the pre-installation of other Google apps.
- Enable users to select their default search engine during initial device setup.
- Provide unrestricted access to Play Services APIs to ensure interoperability and ease of app porting for developers.
- Refrain from offering monetary incentives to OEMs for search service exclusivity.
- Eliminate anti-fragmentation obligations and allow un-installation of pre-installed Google apps by users.
- Google shall not restrict uninstalling of its pre-installed apps by the users
- Pay a fine of **Rs 1,300 Cr.**

Explained | CCI's ₹1,300 crore fine on Google and how that will change Android smartphones

SIGN IN

IN

Google says will cooperate with CCI after Android decision

The Competition Commission of India (CCI) ruled in October that Google, owned by Alphabet, exploited its dominant position in Android and told it to remove restrictions on device makers

January 20, 2023 10:05 am | Updated 01:23 pm IST - NEW DELHI

REUTERS

Tuesday, April 30, 2024 | 09:32 PM IST | EN | HINDI

Home	Latest	E-Paper	Markets	Elections	Opinion	India News	Portfolio	IPL	More
Sensex ↓ (-0.25%) 74482.78	Nifty ↓ (-0.17%) 22604.85	Nifty Midcap ↑ (0.07%) 50868.20	Nifty Smallcap ↑ (0.22%) 7861.20	Nifty Bank ↓ (-0.06%) 49396.75					
-188.50	-38.55	+33.75	+17.45	-27.30					

Home / Companies / News / CCI order after-effect: Device makers may now pay Google for Android OS

CCI order after-effect: Device makers may now pay Google for Android OS

INDIA TODAY

News / Law / Supreme Court / No relief for Google as SC declines stay on CCI penalty, gives extension to pay fine

No relief for Google as SC declines stay on CCI penalty, gives extension to pay fine

The Competition Commission of India had imposed a penalty of Rs 1337.76 crore on Google for unfair business practices in the Android mobile device ecosystem.

Listen to Story

Share

News articles in 2022-24 about the CCI regulation and results

Business Standard
 Tuesday, April 30, 2024 | 09:30 PM IST | EN | Hindi

Home Latest E-Paper Markets Elections Opinion India News Portfolio IPL More

Sensex ↓ (-0.25%) 74482.78
 Nifty ↓ (-0.17%) 22604.85
 Nifty Midcap ↑ (0.07%) 50868.20
 Nifty Smallcap ↑ (0.22%) 7861.20
 Nifty Bank ↓ (-0.06%) 49396.75

Heatmap

Home / India News / Google mobile apps unbundling to start by Friday deadline, say OEMs

Google mobile apps unbundling to start by Friday deadline, say OEMs

In this section

The tech giant may discuss with the CCI its plan to comply with its order on Friday

Latest News
 Uttarakhand Licensing

Home / World / Unbundled: Google bows to India's monopoly law

Unbundled: Google bows to India's monopoly law

Mehul Reuben Das • January 26, 2023, 15:17:11 IST

Unbundling of Google from Android - Regulations Globally

1. **End of Pre-installation Requirements:** Google must stop mandating the pre-installation of its Chrome browser and Google Search app as a condition for licensing the Play Store on Android devices.
2. **Freedom for Forked Android Versions:** The regulation requires Google to cease preventing phone manufacturers from using forked versions of Android. The EU asserts that there is no credible evidence that these alternative Android versions would cause technical issues or be incompatible with apps, thus Google's restrictions were deemed anti-competitive.
3. **Cessation of Anti-Competitive Payments:** Google must not engage in any sort of payments or incentives to manufacturers or network operators for exclusively pre-installing Google apps.

Google's Response to Global Regulations

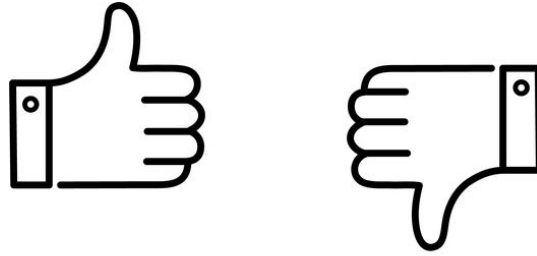
- Google is appealing the decision, but in the meantime, they are complying with EU directives.
- Some of the changes introduced as per EU directives:
 - Android OEMs can sell devices with **forked versions** of Android in the EU.
 - Google will offer commercial agreements to partners for the pre-installation of Google Search and Chrome, but these will be **non-exclusive**.
 - OEMs can license the Google mobile application suite separately from Google Search or Chrome, so devices can be shipped with alternative services, like Bing or Edge, while still **having access to the Google Play Store**.
 - However, since Google Search and Chrome help fund the development of Android, OEMs choosing to license Google's apps without these two should pay a **licensing fee**.
- This new licensing option is exclusively for handsets shipped within the European Economic Area and became available on **October 29, 2018**.

Unbundling of Google from Android - Regulations Globally

In the US, the Federal Trade Commission (FTC) has not taken any similar action against Google. This is because the US has a different regulatory landscape and different antitrust laws. The US has a more permissive approach to antitrust enforcement, and the FTC has historically been more focused on consumer protection and competition issues.

In the US, Google's bundling of Chrome and search apps with Android has not been deemed anticompetitive by the FTC. The agency has instead focused on other issues, such as Google's dominance in the search market and its potential impact on competition.

The US has a different approach to antitrust enforcement, with a focus on consumer welfare and competition. The EU, on the other hand, has a more strict approach, with a focus on preventing monopolies and promoting competition.



Advantages and Disadvantages of Unbundling

Advantages of Regulating and Unbundling Google

- 1) **Increased Competition:** Allowing OEMs to sell devices with forked versions of Android promotes competition by encouraging innovation and offering consumers more choices in operating systems.
- 2) **Promotion of Alternatives:** By enabling OEMs to pre-install alternative search and browser services, the regulation promotes competition and innovation in the search and browser market, potentially leading to better services for users.
- 3) **Consumer Choice:** Consumers have more control over the apps and services installed on their devices, enhancing user autonomy and customization options.



Disadvantages of Regulating and Unbundling Google

- 1) **Revenue Impact:** Google may experience a decline in revenue if OEMs opt for alternative search and browser services, affecting its business model and potentially reducing resources for Android development.
- 2) **Complexity for OEMs:** The requirement for separate licensing of Google apps may add complexity and administrative burden for OEMs, potentially increasing costs.
- 3) **Market Disruption:** The regulation could disrupt Google's established market practices, requiring adjustments that may have unintended consequences for both Google and the Android ecosystem.
- 4) **Security Concerns:** Unbundling apps from Android could enhance competition but pose short term security risks from rouge hackers.





Other Cases Worldwide

Apple App Store and Apple Pay (US-EU)

Situation

- The use of the Apple App Store is essential due to Apple's restrictions on rival app stores and its requirement for apps to utilize Apple Pay for transactions, coupled with commission fees of up to 30% on downloads.
- Apple enforces penalties on apps attempting to circumvent its payment system and prohibits redirection to web browsers, complicating bypass attempts. Notably, Apple Pay is unavailable in India



```
graph TD; A[ ] --> B[Result]; B --> C[Regulation]; C --> D[ ]
```

Result

- This situation limits choices for both customers and developers.
- Developers are compelled to conform to Apple's guidelines, obtain numerous permissions, and pay significant commission fees.
- Customers are restricted to downloading from the Apple App Store; if an app is unavailable on the store, they cannot access it.

Regulation

- Apple faced a \$2 billion fine over its App Store rules.
- In response to the EU's Digital Markets Act (DMA), Apple has announced plans to allow software developers to distribute their applications through alternative app stores on Apple devices.

Examples

- Fortnite, with over 100 million users, was banned by Apple for implementing an in-app payment gateway.
- Netflix and Spotify restrict sign-ups to their websites rather than through their apps.



Relevance to our case?

- In 2022, the Competition Commission of India said Google has been using its dominant position to the detriment of newer entrants. Google Play store is pre-installed to Android devices, just like Apple.
- It has denied competition in **the app store** market. Currently, only Android phones that bundle Google applications with their phones are given access to Google Play Store.
- The CCI also imposed a penalty of Rs. 1337.76 crore on Google for violating Section 4 of the Competition Act, 2002.

Microsoft Teams and Office (2023-24)

Situation

- Microsoft bundled Teams with its Office suite, giving it an integrated advantage over rivals like Slack.
- Slack lodged a complaint with the EU regarding this integration.
- Teams became part of Microsoft's Office 365 and Microsoft 365 suites, leading to concerns about potential market dominance abuse.
- The EU Commission suspected Microsoft of limiting competition in the EEA by not providing customers with the option to opt out of Teams and by restricting interoperability with competing products.




```
graph TD; A[ ] --> B[Result]; B --> C[Regulation]; C --> D[ ]
```

Result

- The bundling of Microsoft Teams with Office significantly impacted the market by expanding it, increasing Teams' adoption, enhancing customer convenience, and intensifying competition among software vendors.
- Bundling Teams with Office leveraged the popularity of Office to boost Teams' prominence, akin to the Adobe Reader example discussed in class.

Regulation

- In response to EU investigations, Microsoft globally unbundled Teams from Office to avoid fines.

Relevance to our case?

- Google also bundles its apps, including Google Meet, with Android. Europe's second-highest court recently upheld a ruling against Google, though the fine was reduced from €4.34bn to €4.125bn.
- This decision adds to the EU's history of imposing antitrust fines on Google, totaling €8.25bn across three investigations spanning over a decade.





Qualcomm and Apple Handset Manufacturing (EU, 2018)



Situation

- Qualcomm had an agreement with Apple: it would pay Apple significant sums if Apple exclusively used Qualcomm baseband chipsets.
- If Apple chose to go with a different chipset (Intel), it would have to return the money it had received in the past.



Result

- Qualcomm's rivals could not compete for Apple's business, at least between 2011 - 2016.
- Market had high barriers to entry already, and this made the market **more uncompetitive**.



Regulation

- The European Union concluded that Qualcomm 'excluded rivals from the market and deprived European consumers of genuine choice and innovation.'
- It fined Qualcomm € 997, 439, 000, amounting to **4.9% of its turnover** in 2017.

Relevance to our case?

- Google's AFA and ACC regulations work similarly, restricting OEMs from using Android Forks. Competing developers do not have devices to sell their services on, reducing competition in the market. This can also be said to 'deprive consumers of choice and innovation.'
- MADA requiring pre-installation of Google apps also makes it hard for new entrants to break into the market.

Conclusion

A Concluding Note

- **Regulation is necessary.** The dominance of Google may have killed hundreds of homegrown application ecosystems, whose loss is hard to recover.
- Introducing more competition to the OS/application markets will enable greater choice, options, fairer prices for consumers, more innovation and **better market outcomes overall.**
 - However, a note of caution: existing network effects, usage habits, etc. may prevent this
- However, concerns over security may continue to exist, especially in the case of forked Android OS. To mitigate this, it is important for governments to maintain **security guidelines and standards**, and stay vigilant against security threats.

App companies see China-like business models emerging after Google unbundling

What next?

By Dia Rekhi, ETtech • Last Updated: Jan 31, 2023, 06:11:00 AM IST

 FOLLOW US  SHARE  FONT SIZE  SAVE  PRINT  COMMENT

- Unbundling of Google's app ecosystem in India brings significant changes and opportunities.
- Indian developers and hardware manufacturers anticipate new business models through partnerships, akin to China's diverse app ecosystem.
- Emphasis on fragmentation benefits: more choices and challenges to Google's monopoly.
- Google's changes mandated by India's Competition Commission aim to foster competition and flexibility.
- Positive step towards enhancing user choice and innovation in the Indian app ecosystem.
- Increased localization of apps for better suitability and user experiences.
- MapmyIndia exemplifies localization benefits by focusing on India-specific needs like accurate mapping.

References

- Dan Milmo (2022). Google fails to overturn €4bn fine over Android bundling. The Guardian.
<https://www.theguardian.com/technology/2022/sep/14/google-fails-to-overturn-4bn-fine-over-android-bundling>
- Dia Rekhi (2023). App companies see China-like business models emerging after Google unbundling. The Economic Times.
<https://economictimes.indiatimes.com/tech/technology/app-companies-see-china-like-business-models-emerging-after-google-unbundling/articleshow/97457000.cms?from=mdr>
- European Union (2018). Antitrust: Commission fines Qualcomm €997 million for abuse of dominant market position.
- Pranav Dixit (2024). Apple fined \$2 billion over App Store rules; here's what Spotify, EU and Apple have to say. Business Today.
<https://www.businesstoday.in/technology/news/story/apple-fined-2-billion-over-app-store-rules-heres-what-spotify-eu-and-apple-have-to-say-420065-2024-03-05>

- Sophos News (2018). Is Google's Android app unbundling good for security?
<https://news.sophos.com/en-us/2018/10/18/is-googles-android-app-unbundling-good-for-security/>
- statcounter.com (2024). OS Market Share in India.
<https://gs.statcounter.com/os-market-share/mobile/india>
- Surajeet Das Gupta (2022). 87% app makers don't pay for Apple store, 97% for Google Play: Report. Business Standard.
https://www.business-standard.com/article/companies/only-17-out-of-21-000-app-developers-pay-apple-30-commission-report-122122900990_1.html
- Surur Davids (2018). EU force Google to unbundle, license Android application suite to competitors. MS Power User
<https://mspoweruser.com/eu-force-google-to-unbundle-license-android-application-suite-to-competitors/>
- Tom Warren (2018). Google fined a record \$5 billion by the EU for Android antitrust violations. The Verge.
<https://www.theverge.com/2018/7/18/17580694/google-android-eu-fine-antitrust>
- The Hindu (2022). Explained | CCI's ₹1,300 crore fine on Google and how that will change Android smartphones
<https://www.thehindu.com/sci-tech/technology/explained-ccis-1300-crore-fine-on-google-and-how-that-will-change-android-smartphones/article66048979.ece>

Thank you