Apple’s Monopolistic Control Over the Tech Industry

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Abstract

This paper was originally written for Dr. Jacqueline Nelson’s CMPT 105W course *Social Issues and Communication Strategies in Computing Science*. The assignment asked students to write a persuasive essay addressing the social, and/or ethical issues associated with topics related to technology that is chosen by the students. The paper uses APA citation style.

Apple, a brand known worldwide for its electronic products, has become one of the biggest companies in tech. Its international dominance within the tech industry has led its business practices to be continually scrutinized. Many deem the company’s methods of maintaining its success as monopolistic because of the unfair control that it holds over its customers and certain areas of the industry. An opposing argument can also be made with the competition that Apple faces and how it prevents the company from exhibiting monopolistic control. However, this paper argues that Apple does exhibit monopolistic behaviour in the tech industry by examining Apple’s treatment of its customers and competing brands. The documented examples within news articles and journals of Apple demonstrating its control provide a new perspective of the company that many are unaware of.

Introduction

Apple, a brand recognized for its computer software and consumer electronics, is one of the most powerful tech companies worldwide. Established in 1976, its continued success has made it one of the Big Five American tech companies alongside Microsoft, Amazon, Facebook, and Google (Dow Jones & Company, 2021). Its control over the App Store as well as its loyal consumer base has enabled it to grow to its current size. Coupled with the constant acquisitions of other companies, Apple has come to dominate the tech industry and exhibit a monopolistic influence over it. These practices are defined as monopolistic because it "tries to control as much of an industry as it can and does not allow fair competition" (Monopolistic, n.d.). Alternatively, some argue that Apple does not exhibit monopolistic behaviours because of the competition that it faces. However, this becomes irrelevant when considering both the power and wealth that Apple has over these companies. Contrary to Apple's popularity, many of its customers are unaware of its influence within the industry. Therefore, consumers should understand that tech giants like Apple exhibit monopolistic behaviours through the App Store, controlling its consumer base, and eliminating competition.

The Monopolistic Behaviours of the App Store

As the sole provider of apps on iOS, Apple's App Store holds complete control over not only app developers who choose the platform but consumers and their access to apps as well. Developers on iOS are charged a percentage of their revenue from their apps to continue operating on the App Store. Upwards of 30% of profits made through in-app purchases must be given to Apple forcing developers into either driving up costs for consumers or decreasing funds invested in new innovations (Albergotti, 2021). This monopolistic control that Apple exerts on third-party apps extends to major companies on the App Store as well. Spotify, a music streaming competitor to Apple Music, has raised issues about the App Store. Due to Apple's mandatory in-app subscription charges, Spotify raised its costs eventually leading the EU to charge Apple with antitrust violations and anti-competitive behaviour (Wakefield, 2021). This controlling and suppressive behaviour exhibited by Apple through its percentage cut is problematic for not just developers, but also consumers on the platform.

Users of iOS are completely restricted to the App Store to access apps allowing Apple to freely manipulate charges. The 30% cut that it takes forces businesses to increase costs for the customer to sustain their profits. In 2014, Spotify's monthly subscription cost increased from $10 to $13 on iOS to account for the extra fee (Nicas, 2020). Additionally, Apple's regulations restrict information displayed within apps to control the consumer's purchases. Developers are forbidden from mentioning in their app any alternative non-Apple payment methods that are oftentimes cheaper (Manjoo, 2021). Using restrictions imposed on both developers and consumers, Apple demonstrates the control it has on its services. However, not all are convinced of the company's monopolistic behaviours in the tech industry.

Apple's constant competition with other companies like Samsung and Microsoft is one claim against Apple's monopolistic control. For example, within the smartphone industry, Samsung has a greater global influence than Apple. In the 2nd quarter of 2021, Samsung's global smartphone market share was 18.8% compared to Apple's 14.1% (O'Dea, 2021). Along with this, Microsoft's OS for desktop PCs also has a greater market than that of Apple. As of June 2021, Microsoft Windows OS had a global market share of 73% (Liu, 2021). These factors both contribute against Apple exhibiting monopolistic control but are irrelevant when considering the power that Apple holds. Although Samsung's global market share of smartphones is greater than Apple's, it is important to consider that Samsung has copied the innovations of Apple multiple times. In 2012, Samsung was forced to pay $1.05 billion for infringing design patents of Apple to which Samsung deemed a loss of choice and innovation for the smartphone industry (BBC, 2012). This was not the only occasion, however, as six years later Samsung was forced to pay $539 million for once again infringing Apple's design and software patents (BBC, 2018). Apple's controlling behaviour and power are not only shown in the market it occupies but also in its overall brand value. Both Microsoft and Samsung have much lower brand values which describes the wealth and "capabilities of a brand to conduct its business" (Gupta et al., 2020, para. 2). Currently, Apple stands as the most valued brand in the world at upwards of $263 billion compared to Microsoft at $140 billion and Samsung with even less (Statista Research Department, 2021). Plenty of competition exists within tech, but Apple still emerges as the most dominant force in the industry.

Apple's Control Over its Loyal Consumers

Apple's monopolistic control over the loyal consumer base it has accumulated has helped it to maintain its success and influence over the tech industry. Their loyalty to the brand and Apple's power over them has made it difficult for other competing companies to surpass Apple's success. A survey done on 169 college students reports that 46% of respondents would agree to continue purchasing Apple products despite competing deals and another 44% strongly agreed (Pinson & Brosdahl, 2014). A recent report done on iPhone users in Indonesia also helps to show the brand loyalty that iPhone has attained. Of the 155 participants questioned, 95.5% said that the benefits from an iPhone are worth the money spent and another 65.2% planned on purchasing a new iPhone within the next 3 years (Natalia et al., 2021). Furthermore, the research group CIRP, Consumer

Intelligence Research Partners, found that Apple maintained a loyalty rate of 90% over the past three years compared to Samsung's 70% (AppleInsider, 2021). These consumers who consistently purchase Apple's products have allowed it to stay relevant and influential within the industry.

As positive as Apple's brand loyalty may seem, much of it is due to the restrictive ecosystem that Apple has created around its products. The House Judiciary antitrust subcommittee stated that its brand loyalty and confining ecosystem make it unlikely for users to switch from iOS and for new companies to successfully contest iOS's dominance (Leswing, 2020). If consumers were to consider switching, the high costs accompanied by that decision prevent many people from doing so. Paid content like apps and music bought through Apple devices are exclusive. Access cannot be transferred to competing platforms such as Android. This allows Apple to control the user and the marketplace with its power over its supply of services and essentially "own the customer" (Montgomerie & Roscoe, 2013, para. 14). However, consumers are not the only ones subject to Apple's monopolistic behaviour, as other businesses within tech also feel the company's dominance.

Buying Out the Competition

Apple's continuous acquisitions of companies are great examples of the monopolistic control it exerts over tech. The company has made consistent purchases of other brands to control potential competition and innovations within the industry. According to Feiner (2019), Tim Cook, Apple's CEO, stated that Apple purchases a company every two to three weeks. Mobeewave, a company focused on near-field communication technology (NFC), was purchased by Apple for $100 million to progress its own developments (Gurman, 2020). Although this is a comparatively smaller purchase for the company, it used the new technology to launch its own credit card and insert itself into an entirely new field. Often, Apple is not interested in continuing the businesses of the acquired companies but instead focuses on the technical staff that is absorbed (Leswing, 2021). This becomes problematic since smaller companies involved in tech have difficulty developing into actual competitors and innovators within the industry. They are instead absorbed by Apple due to its wealth and power.

These acquisitions that Apple has made extend to larger companies as well. Big brands that pose a threat to Apple's influence in certain industries become at risk of being acquired. Apple Inc. closed a $3 billion deal for Beats Electronics LLC to eliminate competition to iTunes (Calia, 2014). This is its

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largest acquisition to date but not its only major one. Apple's voice recognition software SIRI originated as an independent company called Siri Inc. To further advance its speech technology, Apple purchased Siri at an estimated $200 million reflecting its strategy of preventing competition by absorbing the innovations of other companies (Reiff, 2021). Through the acquisitions of small and big companies, Apple once again demonstrates monopolistic behaviours by eliminating fair competition to control the industry.

Conclusion

Apple, one of the most well-known brands in the world, has grown from its establishment in 1976 and become an extremely powerful tech company. The monopolistic behaviours that it exhibits are made evident by the App Store, controlling its consumer base, and elimination of competition. For iOS, the App Store is the sole provider of applications giving Apple full control over both developers on the platform and users. With this power, Apple takes substantial cuts from developer profits and restricts information given to users on non-Apple payment methods. Some argue that Apple does not exhibit monopolistic behaviours because of the competition it faces. However, even with competition, Apple manages to demonstrate its power through successful lawsuits to suppress other companies and its overall brand value. Additionally, its consumer base stays very loyal to the brand making it difficult for other companies to surpass its success. Even when users consider switching, the restrictive ecosystem it has created bars people from doing so with high costs. Further monopolistic behaviours are exhibited through Apple's elimination of competition by making consistent purchases of small companies. These acquisitions extend to large companies as well, many of whom Apple deem as threats to the success of their brands. Apple's monopolistic behaviours have allowed it to dominate the tech industry and will continue to do so unless more regulations are set.

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