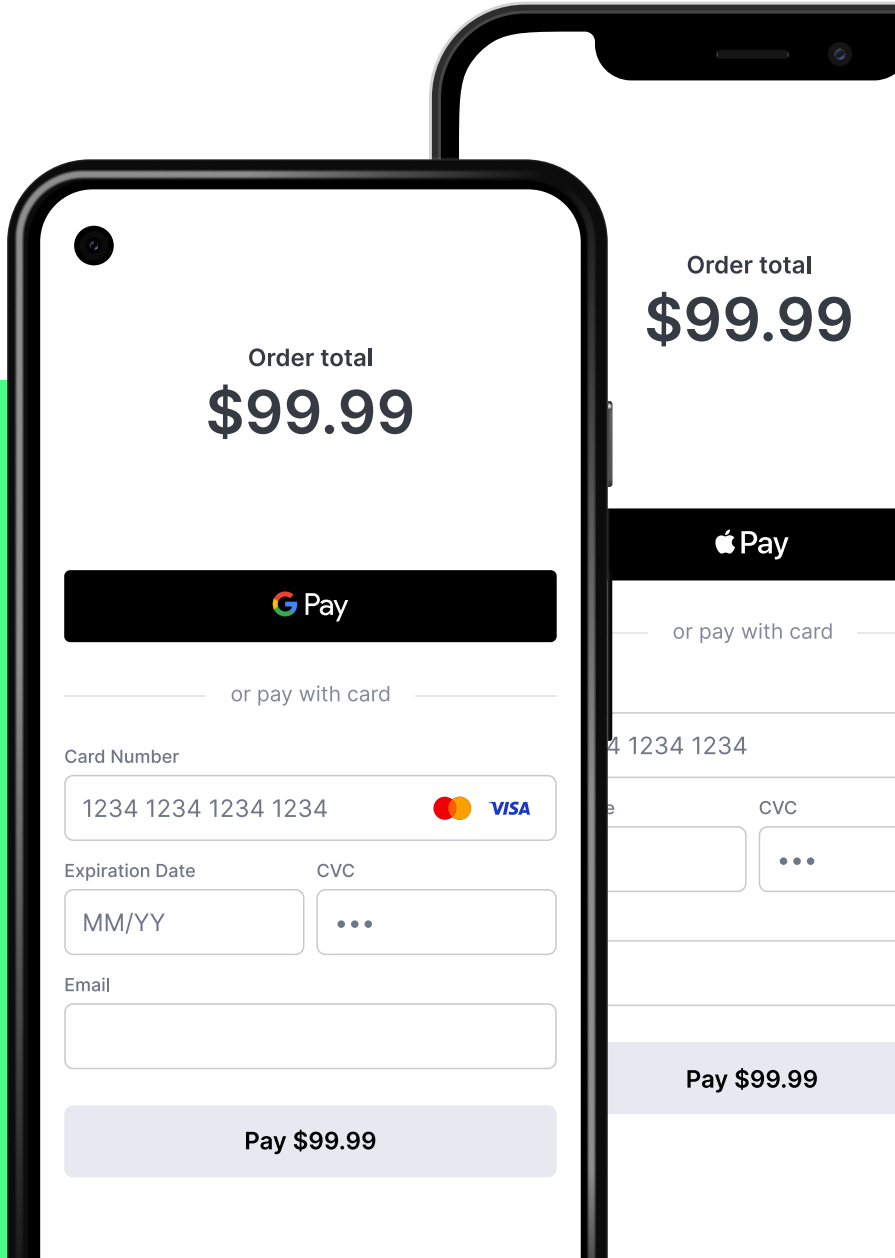
External payment options for app developers

Current rules, coming changes, and how to navigate them



solidgate

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Overview

Legal and regulatory developments worldwide seem to break the monopolies of technology giants such as Google, Amazon, Apple, Facebook, and Microsoft. Recent changes to Apple and Google's app store rules primarily affected in-app purchases and the use of third-party payments as we know them.

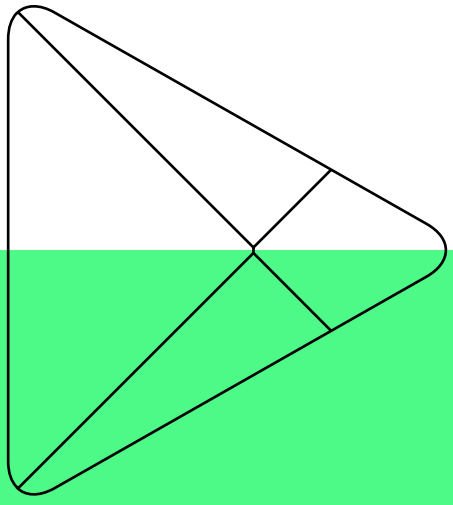
This report aims to keep you informed of the updated mobile app monetization guidelines and help you make well-informed decisions regarding your mobile app strategy. Note that there are plenty of ongoing app store changes. That's why we recommend holding off on any significant steps until the rules are officially confirme

The research provides a snapshot of:

- **Current App Store guidelines and Google Play billing policy**
- **The latest online platform regulation developments and reasons behind them**
- **Changes to mobile app store rules in different countries**
- **Pros & cons of in-app and external payment options**
- **Solidgate's payment processing solution for apps + Case study**

Billing guidelines at App Store and Google Play





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Apple

According to the “traditional” Apple guidelines, developers must use in-app purchases in the App Store if they would like to unlock any additional functionality within their app, e.g.,

- Access to premium content
- Unlocking a full version
- In-game currencies
- Subscriptions
- Game levels
- Digital gifts
- Lootboxes

The same goes for digital gift cards, certificates, vouchers, and coupons. Alternative mechanisms of unlocking the in-app content like QR codes, AR markers, or license keys are not allowed, as well as buttons, links, and other CTAs leading customers to external payment options.

The exceptions comprise app and service categories listed below. They may use purchase methods other than in-app purchases but can’t encourage the user to pay via those within the app. The developers can refer their user base to external payment methods exclusively through communications outside the app.

Apple

“Reader” Apps

Users may access previously purchased content or content subscriptions. The developer can also provide an in-app link to their website for customers to create or manage their accounts.

Multiplatform Services

As long as items are available as in-app purchases, they can also be sold across other platforms. In this case, users can also access purchases like content, subscriptions, or features from multiple sources.

Enterprise Services

Developers may allow enterprise users to access previously-purchased content or subscriptions if the app is sold directly to organizations or groups for their employees or students.

Person-to-Person Services

The developer may use external payment options to collect payments for real-time one-to-one services enabled by the app. This goes for medical consulting, tutoring, fitness training, etc., between two people only.

Goods and Services Outside of the App

If the goods you offer in the app are physical and will be consumed outside of the app, you should use Apple Pay or credit card entry to collect payments for such goods or services.

Apple

Free Stand-Alone Apps

Provided there's no purchasing inside the app or CTAs for purchasing outside of the app, free apps serving as an addition to a paid web-based tool like web hosting, cloud storage, or email services don't have to use in-app purchases.

Approved Nonprofits

If fundraising campaigns adhere to all App Review Guidelines and offer Apple Pay support, the nonprofits may fundraise directly within the developer's apps or third-party apps.

Hardware-Specific Content

If an app's functioning depends on specific hardware or works in combination with an approved physical object (like a toy), certain features can be unlocked without using an in-app purchase.

Mac App Store Apps

Apps distributed via the Mac App Store may feature plug-ins or extensions that are enabled with mechanisms other than the App Store.

Insurance Apps

Such applications must be free, fully compliant with the regions distributed, and cannot use in-app purchases.

Google

Google Play's billing system is a service that enables you to sell digital products and content in your Android app. Developers are required to offer in-app purchases of digital goods and services distributed on Google Play. You can use Google Play's billing system to sell a one-time product or subscriptions on a recurring basis.

In 2020, Google clarified the language in their Payments policy to be more explicit: all developers selling digital goods and services in their apps must use Google Play’s billing system. Apps using an alternative in-app billing system will need to remove it to comply with the Payments policy.

Unless otherwise permitted by the Payments policy, purchases that require the use of Google Play's billing system include:

- Digital items (such as virtual currencies, extra lives, additional playtime, add-on items, characters, or avatars);
- Subscription services (such as fitness, game, dating, education, music, video, or other content subscription services);
- App functionality or content (such as an ad-free version of an app or new features not available in the free version); and
- Cloud software and services (such as data storage services, business productivity software, or financial management software).

Purchases that are not supported by Google Play's billing system include:

- Purchases or rentals of physical goods (such as groceries, clothing, housewares, or electronics);
- Purchases of physical services (such as transportation services, airfare, gym memberships, or food delivery);
- Payment of a credit card or utility bill.

Google

Google Play's billing system must not be used for peer-to-peer payments, content that facilitates online gambling, or any product category deemed unacceptable under Google's Payments Center Content Policies.

Apps may not lead users to a payment method other than Google Play's billing system. This prohibition includes but is not limited to leading users to other payment methods via:

- An app listing in Google Play;
- In-app promotions related to purchasable content;
- In-app web views, buttons, links, messaging, advertisements, or other calls to action;
- In-app user interface flows, including account creation or sign-up flows, that lead users from an app to a payment method other than Google Play's billing system as part of those flows;
- In-app virtual currencies must only be used within the app or game title for which they were purchased.

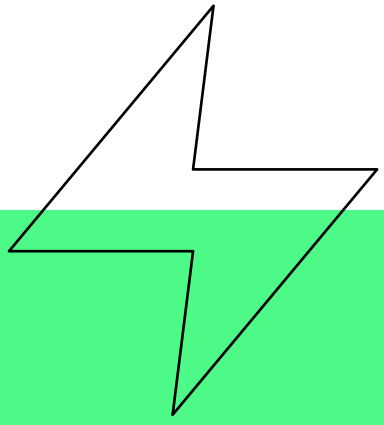
Google

Developers must clearly and accurately inform users about the terms and pricing of their app or any in-app features or subscriptions offered for purchase. In-app pricing must match the pricing displayed in the user-facing Play billing interface. If your product description on Google Play refers to in-app features that may require a specific or additional charge, your app listing must notify users that payment is required to access those features.

Apps and games offering mechanisms to receive randomized virtual items from a purchase must clearly disclose the odds of receiving those items in advance of and in close and timely proximity to that purchase.

Developers of Play-distributed apps on mobile phones and tablets requiring or accepting payment from users in South Korea for access to in-app purchases may offer users an in-app billing system in addition to Google Play's billing system for those transactions if they successfully complete the additional in-app billing system declaration form and agree to the additional terms and program requirements included therein.

Trigger events and agents of change in the IAP



Epic Games trial

We're now moving on to the events and developments that became the agents of change. Developers have long criticized the 30% cut demanded by Google and Apple. For months, economists and lawyers at the Justice Department have held meetings with companies and app developers to prompt the investigation of the issue. As the two companies control almost all smartphones worldwide, many developers have no choice but to adhere to their policies and pay the commissions.

The situation escalated when Epic Games, the creator of the Fortnite app, violated Apple's and Google's policies in August 2020 and then launched a social media campaign as well as lawsuits to oppose them after the app was removed from Play Market and App Store. Epic wanted to force Apple to allow app developers avoiding App Store commissions completely, which would be a major financial hit to Apple.

The Epic vs. Apple's yearlong legal fight was a court case over Fortnite's iOS app. Epic claimed that Apple's digital app transactions monopoly was unlawful. To bypass a 30% cut of all Fortnite transactions through the iOS store, Epic breached the agreement by offering in-game currency with a 20% discount, steering the users away from the iOS store and asking for direct payment.

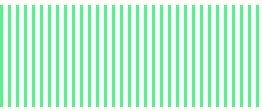
As a result, both sides lost billions. The Fortnite app wasn't returned to the stores. However, in the wake of this case, Apple and Google have reduced their app fees from 30% to 15%, the 15% fee applying only to the first $1 million made every year, meaning that many mobile game publishers still pay a 30% fee on the majority of game transactions.

In September 2021, a group of app developers formed the nonprofit Coalition for App Fairness to facilitate changes in the app stores and, in their own words, "protect the app economy." The 13 initial members include Spotify, Basecamp, Epic, and Match Group, representing apps like Tinder and Hinge. A number of other lawsuits followed, triggering app store rules changes in Europe, South Korea, and the Netherlands.

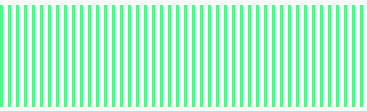
Epic Games trial

If the US court order in the Apple v. Epic case stands, then Apple would have to allow developers to:

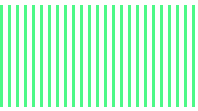
- Include in their apps (and metadata): buttons, external links, or other CTAs that direct customers to purchasing mechanisms other than in-app purchase. (On Dec 8, 2021, an appeals court has paused this part of the order while the appeal in the case is ongoing.)
- Communicate with customers through points of contact obtained voluntarily from customers through account registration within an app. (Apple has since made this change separately, effective as of Oct 22, 2021.)



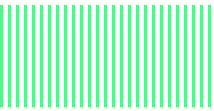
10.2% Share of Fortnite players on iOS
March 2018 – July 2020



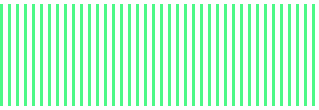
7% Share of total Fortnite revenue generated by iOS players
March 2018 – July 2020



$700M Estimated total revenue generated by Fortnite players on iOS before the game was removed from the App Store



$237M Total Fortnite commissions Epic paid to Apple
January 2017 – October 2020



$1M Apple spent assisting Epic with Fortnite for iOS

EU’s digital services package

The EU is breaking the monopoly of Apple and Google as well. According to the updated legislation, platform holders must allow third-party apps and payment systems.

The European Commission has approved two bills aimed at combating the monopolies of technology giants According to Reuters, the Digital Markets Act (DMA) and the Digital Services Act (DSA), which require platform holders to provide access to third-party payment systems and allow the installation of third-party applications.

Companies face fines of up to 10% of annual worldwide turnover for violating the DMA and 6% for violating the DSA. The laws passed by the European Commission still need to be ratified in July and September. They will take effect 20 days after ratification. After that, corporations will have another six months to modify the system to meet the requirements of the law. Violations can result in fines of 10% or 6% of annual worldwide turnover. For repeated violations, the penalty will increase to 20% and 18%.

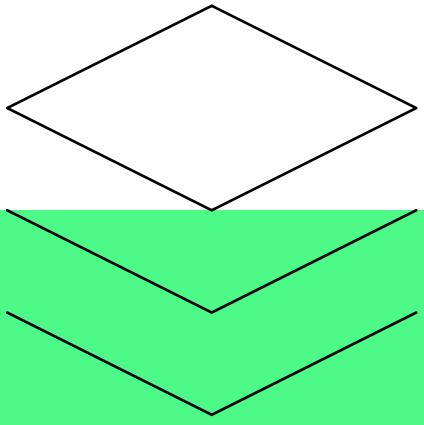
EU’s digital services package

In general, the rules adopted by the European Commission require large platform owners to stop using their monopolistic position and to monitor advertising more carefully:

- Companies must allow programs to be downloaded from third-party app stores or installed directly online;
- Allow users and developers to use third-party payment systems;
- Allow users to uninstall any apps and opt out of basic services provided by platform holders "out-of-the-box" with the devices;
- Platform holders should not promote their own products and services to the detriment of other developers' apps;
- Business users should be allowed to advertise competing products and services on the platform and transact with customers outside the platforms;
- Companies must report all of their merger and acquisition agreements to the EU;
- The DSA also prohibits targeted advertising aimed at children or based on sensitive information such as religion, gender, race and political views. Non-obvious advertising templates that mislead people by forcing them to provide personal information to the company will also be banned.

Both Google and Apple have adjusted their practices in recent months to address some of the concerns, including lower commissions on in-app purchases. But developers have said those changes are not yet enough.

Changes to mobile app store rules



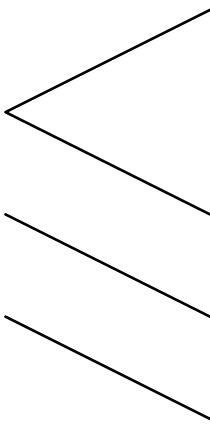
External payment options
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Changes to mobile app store rules

Now, let's take a look at some specific changes in more detail. Following are confirmed changes that are coming to app stores. Starting on the effective date, you can modify your business strategy and approach based on these new guidelines.

On December 8, 2021, the Ninth Circuit granted Apple's request to pause the first part of the district court's order while the appeal is ongoing. This means that developers still cannot link to an alternative payment option from buttons, links, or other calls to action from inside the app. However, developers may continue to use contact information obtained through the app to advertise alternative payment options outside of the app.



Apple's App Store

Applicable globally

Effective October 22, 2021

Developers can use contact information obtained through the app to advertise alternative payment options outside of the app. However, the collection of contact info in the app must be optional.

- Developers can use information obtained within the app to contact users about purchase options outside of the app. For example, sending an email or text message that links out to a web-based checkout flow.
- Apps can no longer require contact information for use of features. Basic contact information collection must be optional. For example, apps can't gate features on the condition that a user provides their contact information.
- Apps in the Google Play Store are also able to communicate with their users about alternative payment options so long as it is done outside of the app.

Effective March 30, 2022

“Reader” apps can now link to a website that is owned or maintained by the developer so that users can create or manage their account outside of the app. “Reader” apps can also include a single link to alternative payment options outside of the app.

- To be able to include this type of link, developers must apply for an “External Link Account Entitlement”.
- "Reader” apps are defined as apps that allow a user to access previously purchased content or content subscriptions (specifically: magazines, newspapers, books, audio, music, and video).

Apple's App Store

Applicable in the Netherlands

Effective March 30, 2022

Dating apps in the Netherlands may use a third-party payment system within their app, or include an in-app link directing users to the developer's website to complete a purchase.

- These two new options are only available for dating apps in the Netherlands, and apps that choose to use these options can only be used in an iOS and/or iPadOS app on the Netherlands storefront.
- To use a third-party payment system, a developer will need to submit a request for a "StoreKit External Purchase Entitlement"; to include an in-app link, a developer will need to submit a request for a "StoreKit External Purchase Link Entitlement".
- Apple has removed the Separate Binary Requirement, which means that developers may include either entitlement in their existing dating app but still must limit its use to the app in the Netherlands storefront and on devices running iOS or iPadOS.

Effective June 10, 2022

Developers of dating apps in the Netherlands can use the StoreKit External Purchase Entitlement, the StoreKit External Purchase Link Entitlement, or both entitlements.

- Apple adjusted the payment processing provider criteria for developers who wish to use either of the entitlements.
- The 3 percent commission discount applies to in-app purchases that qualify for a lower commission rate (for example, App Store Small Business Program enrollees or subscription services after one year of paid service — both of which already qualify for a 15% commission).

Google Play Store

Applicable globally

Effective January 1, 2022

Service fees for all subscriptions on Google Play will decrease to 15%, starting on day one.

- Service fees for all subscriptions on Google Play will decrease from 30% to 15%. Previously, the fee decreased from 30% to 15% only after 12 months of a recurring subscription.
- Apps that offer e-books and on-demand music streaming services, where content costs account for the majority of sales, will now be eligible for a service fee as low as 10%.

Google Play Store

Applicable in European Economic Area countries

Effective July 19, 2022

Developers of non-gaming apps can offer their users in the EEA an alternative to Google Play's billing system when they are paying for digital content and services.

- Developers who choose to use an alternative billing system will need to meet appropriate user protection requirements, and service fees and conditions will continue to apply in order to support our investments in Android and Play.
- When a consumer uses an alternative billing system, the service fee the developer pays will be reduced by 3%. Since 99% of developers currently qualify for a service fee of 15% or less, those developers would pay a service fee of 12% or lower based on transactions through alternative billing for EEA users acquired through the Play platform.
- Google will not remove, or reject updates of, non-gaming apps from participating developers for offering alternative billing systems for EEA users.
- Google Play’s billing system will continue to be required for apps and games distributed via Play to users outside the EEA, and for games distributed to users within the EEA.
- The Google team expects to expand billing alternatives to developers of gaming apps for their users in the EEA.

Google Play Store

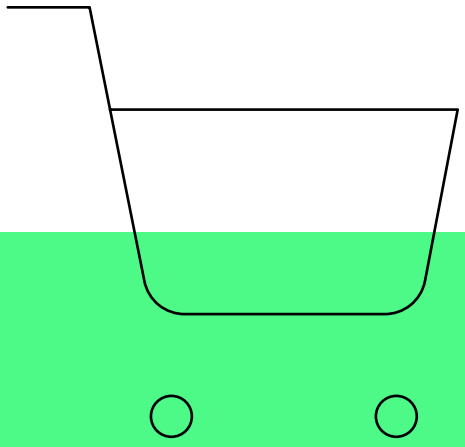
🇰🇷 *Applicable only for users based in South Korea*

Effective December 18, 2021

Apps can surface an alternative payment option alongside Google Play's billing system within the app for users based in South Korea.

- Developers can offer users in South Korea an alternative payment option alongside the Google Play system within the app. (This change is applicable for developers and apps based in any country. However, alternative payment options can only be surfaced to users located in South Korea.)
- Developers are required to complete a declaration form and agree to additional terms before making this update. You can find more information in Google's Payments Policy, Section 8.
- If a user in South Korea chooses to use an alternative in-app billing system, Google will reduce its service fees by 4%. For example, developers who pay 15% for transactions through Google Play's billing system will now pay 11% to Google for transactions through the alternative system. This 11% is in addition to amounts payable to the alternate processor Though, this change is also being explored in other countries.

In-app purchases vs. external payment options



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In-app purchases vs. external payment options

In-app purchase payment module is a built-in function that is fairly easy to implement and serves as a seamless payment method for users, safely connecting to their accounts. On the other hand, the hefty fees will cut your profits significantly, especially if you're a small business. In addition, developing an app with an in-app purchase model compliant with all the app store rules poses a challenge.

As for the external payment options, those are mostly enabled through payment gateways. This means lower fees, more payment methods, better authorization rates for cross-border transactions, easier implementation, and customer service of higher quality.

Features	In-App Purchasing	External Payment Options
Fees	**15-30%** *per sale*	**~1.5-3%** *per transaction*
High authorization rates	**Mostly in USA**	**Worldwide**
Average payment conversion rate*	**~3%**	**>6%**
Easy implementation	✓	✓
Multiple payment methods	✗	✓
Challenging compliance regulations	✓	✓
Customizable settings	✗	✓
Tax coverage	✓	✗
Comprehensive analytics	✗	✓

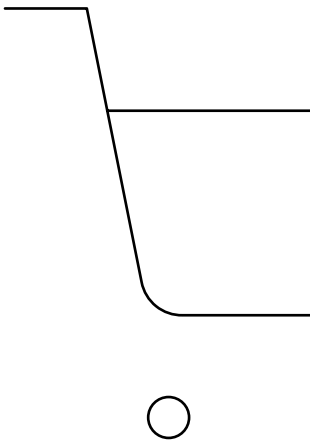
*Solidgate's internal data from our clients' experience

In-app purchases vs. external payment options

When it comes to the recent app store changes and worldwide trends concerning application billing, taking an alternative approach to selling your product like utilizing the web instead of or along with app stores may be extremely beneficial. The research on how web and mobile apps perform on the market and how consumers use them has shown that these two options reach slightly different audiences and help to achieve different business goals.

The benefits we mentioned aside, also consider adding the web app to your arsenal if:

- You'd like to extend your reach to more platforms, devices, and system versions. Web apps work with them all and are quick and easy to build too.
- Your audience is more active on desktops and tends to use the app online;
- You plan on updating your app often.



In-app purchases vs. external payment options

Now let’s take a look at app-to-app and web-to-app monetization models in comparison.

Marketing Funnel & Conversion. When developers are limited to in-app purchases, they are usually forced to attain new customers through the app-to-app funnel. For example, according to guidelines, you can advertise your product through Facebook ads. The user clicks on the banner, gets attributed through a martech solution, lands in the store, and downloads the app, following its funnel from there.

Matching such a user from ads to store and checking whether they downloaded the app and logged into the account is a burden. Lots of users get lost in such a funnel. It takes numerous intermediaries and tools to nurture a lead and track them to purchase. According to app-to-app statistics, about **15%** get to the payment page, often face payment issues, and only about **3%** become paying customers.*

However, with external links and payment methods unlocked, the funnel is organic and intuitive. Taking the previous example, the user lands from Facebook ads to the website, where they log into the product and transparently move through its internal funnel, paying for the services there. The web app distribution is optimized, and the conversion from ads to payments is seamless and easy to track, returning at least **2x** better ROI.

Risks & Taxes. Switching to the web-to-app model gives you access to more traffic sources, more leads, and more target locations. It is also a way to ensure the risk of your app being deleted from the app store is not only lower but also less critical, as you have a web backup. The main downside of the web-to-app approach is that the payment processor doesn’t usually cover your taxes, while Apple and Google do.

*Solidgate's internal data from our clients' experience

In-app purchases vs. external payment options

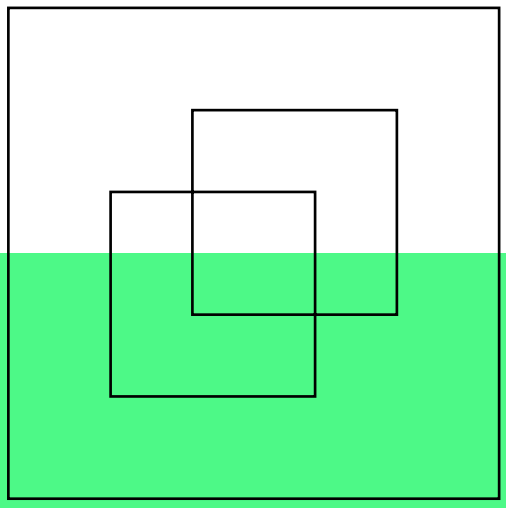
Commission. When it comes to web-to-app payment processing, even the world's most complicated and expensive providers (e.g., those from Brazil) rarely charge developers more than 14% of the sale, hidden fees included. Compared to Apple's and Google's 15 to 30% fees, the web-to-app model is an ultimate money-saving move for your business.

Transparency & Support. What is more, Apple's and Google's functionality mostly hides under the hood and doesn't provide efficient customer support apart from endless manuals unless you're a huge corporation. Web-to-app model allows full processing control, out-of-the-box payment infrastructure, and VIP support.

Analytics. Apple and Google don't provide visualized reporting for you to measure results, track progress, or make well-informed strategic decisions around your app. You'll only have access to enormous amounts of raw hard-to-process data. While some third-party payment processing solutions like Solidgate assign dedicated Account Managers focused on your operations. For exemplar, our team can provide you with detailed reports on just about any data points and match the numbers for you.

All the benefits described above will allow for more aggressive scaling. For small businesses, it's an opportunity to reach a positive unit economy, even at a small scale. For larger companies, it is an opportunity to grow faster and develop new products.

How does it work with Solidgate?



How does it work with Solidgate?

We at Solidgate enable businesses to accept payments online all over the world. We process payments from both cards and alternative payment methods, including PayPal, Google Pay, Apple Pay, Klarna, and various e-wallets.

We help app publishers and other merchants adjust all the components of their products – from the recurring payment logic to antifraud rules – and increase payment authorization rates. We already feature all the payment infrastructure components in the United States, Europe, and Asia, which will enable application developers to switch to their own processing and maintain a great user experience. The Solidgate payment processing solution can be used on all platforms with one simple integration: both in apps and on the web.

solidgate

WellTech Case Study

From our clients' experience, the optimal approach is to combine your efforts and provide both the Apple or a Google app, as well as develop the web-to-app model. Most of our customers who tried out the web-to-app model opened a brand-new source of revenue that either matched the in-app results or exceeded them.

Now let’s review the aforementioned approach using a specific case as an example.



About WellTech

WellTech is a Mobile and Web applications company that focuses on improving the health of users worldwide. It provides the best-customized plans for workouts, yoga, and running, as well as a personal menu for each user.

welltech

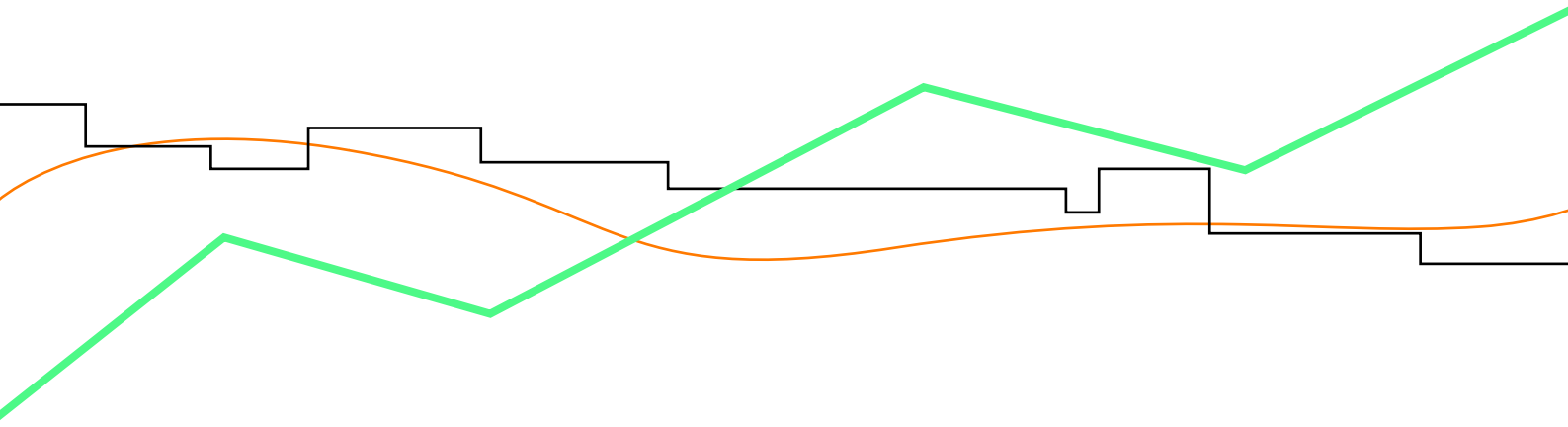
200M+
installs

5+
mobile apps

4+
years on market

400+
people in team

Challenges & Goals



WellTech used to process all the payments directly in AppStore and Google Play, which entitled high user-acquisition costs. Hence, the need to transit billing from AppStore to the Web model arose.

1. Designing a new independent payment infrastructure with subscription management tools

2. Setting up efficient processing for all target markets, the US being the largest one

3. Building dispute management system to handle them promptly and efficiently to stay compliant with Visa/MasterCard regulations

Our Solutions

Apart from the aforementioned lower commissions, actionable data powered by our Account Management team, and other benefits of external acquiring, here are the main features that allow us to reach better results than the in-app purchasing model.

Reliable Payment Infrastructure:

- Acquiring a wide portfolio of banks to optimize acceptance rate.
- Obtaining a PayPal account that expands user coverage and increases checkout page conversion in the USA.

Subscription Management:

- Implementing a smart subscription management system with customized retry strategies and redemption period that allows increasing users' LTV and decreasing churn rate.

Dispute Management:

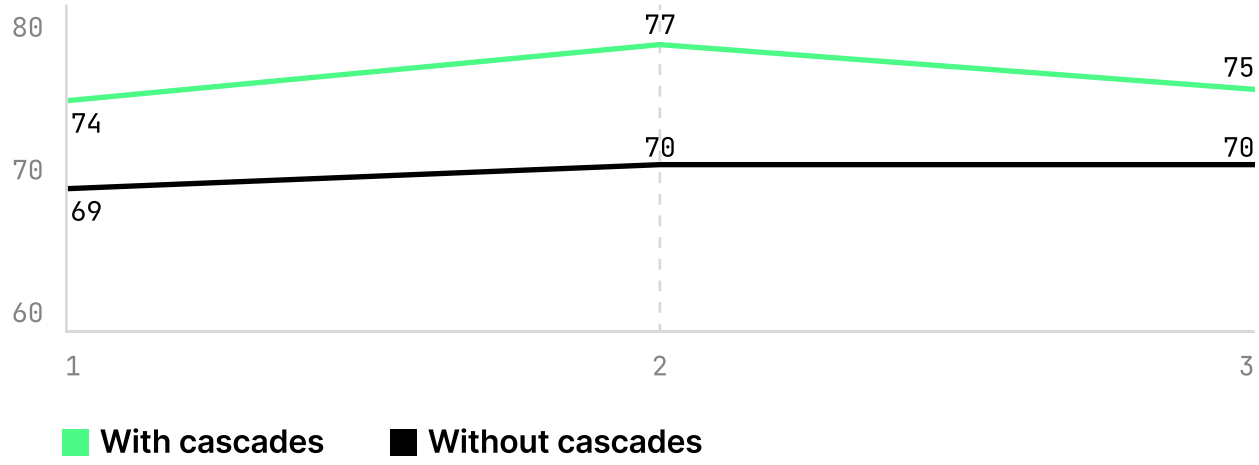
- Automating dispute management using Solidgate's natively integrated chargeback prevention system.

Our Solutions

Cascading Payments:

- Beating technical declines. Technical problems and bank downtimes can be fixed by cascading the payment to an alternative acquiring channel.
- Bypassing velocity on the issuer side. A new attempt, even at the same bank, has a higher chance of success.

Acceptance rate boost in the USA due to the specifically tailored routing logic.



Tokenization (VTS/MDES solution):

- Recurrences or single clicks are 10% higher than classic bank tokens (COF).
- Ability to renew expired cards, which allows for renewed a subscription on an expired card and, as a consequence, reduced the churn rate (on average, a decrease of 4%). This, in turn, increases the user LTV.
- It’s possible to show the design of a user's card on the payment page, which increases user loyalty as a result.

Results

5%

conversion boost in the USA due to the specifically tailored routing logic

6x

GMV growth in the last half a year

60%

lower chargeback ratio

How can app developers start adapting to the change?

The winners will be those companies that adapt to the changes faster than others and start using external payment providers first. Right now, you can do the following:

- **Prepare your documentation and websites/applications for the KYC procedure**
- **Get MIDs (Merchant IDs) in the regions you target and accounts for the alternative payment methods you require (such as PayPal)**
- **Create and test technical integrations**
- **Set up operational processes to work with external payment providers (e.g., customer support, taxes, analytics)**
- **Start negotiating with payment providers and banks**

Feel free to drop an email to the Solidgate team at sales@solidgate.com if you need some assistance with the steps listed above.

Depending on the nature of your business, these steps can take anywhere from a few days to a few months. Considering recent developments, it's a must for publishers to start the process soon to avoid being way behind the market. Just imagine generating a quarter more revenue for the same amount of money you spend on marketing – how would that affect your unit economics, ROI, and scalability?

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