

Competition Law

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SOUTH AFRICA

Is Apple's ecosystem innovative or anti-competitive?



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**COMPETITION LAW
ALERT**

Is Apple's ecosystem innovative or anti-competitive?

On 23 January 2025, the UK's Competition and Markets Authority (CMA) launched a Significant Market Status (SMS) investigation into Apple's mobile ecosystem. This move marks a critical moment in the broader debate about whether Apple's tightly integrated suite of products and services, spanning iOS, iPadOS, the App Store and Safari, represents a triumph of innovation or a form of anti-competitive behaviour.

The investigation is enabled by the Digital Markets Competition and Consumers Act (DMCCA). The CMA aims to determine whether Apple's dominance gives it a strategic market position that harms competition and limits consumer choice. Should the CMA find against Apple, it could impose wide-ranging remedies, from behavioural requirements to potential structural changes.

What is under the microscope?

The CMA's inquiry focuses on four primary concerns:

1. App Store terms: Whether Apple imposes unfair terms and conditions on developers distributing apps through its App Store.
2. Barriers to competition: The extent to which Apple's control over its ecosystem creates barriers for competitors offering alternative products or services.
3. Self-preferencing: Whether Apple leverages its dominance in operating systems, app distribution, and browsers to favour its own apps and services, especially those that come pre-installed.
4. Choice architecture: Whether users are presented with interface designs that make it harder to choose non-Apple apps or services.

These issues are not new. The CMA has been probing Apple's practices since 2021, with recent provisional findings in related markets suggesting a broader pattern of restricted competition.



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The case for and against Apple

Supporters argue that Apple's ecosystem offers a seamless, secure and high-quality experience. By controlling both hardware and software, Apple can ensure better optimisation, tighter security and stronger privacy protections than more fragmented platforms.

Critics, however, claim that this control comes at a cost. Developers face rigid rules and steep fees, while consumers may find themselves locked into Apple's ecosystem, with limited ability to switch. The CMA's investigation suggests that Apple's entrenched market power could be stifling innovation and preventing healthy competition.

A South African parallel

In the South African context, the Competition Commission (Commission) could launch a market inquiry or initiate proceedings for abuse of dominance. The Commission would assess whether Apple's conduct substantially prevents or lessens competition, particularly through reduced innovation, higher barriers to entry or exploitative pricing factors recognised under South African competition law.

Ecosystems as an anti-trust dilemma

Apple's situation poses a key question for companies worldwide: does building a closed ecosystem give you a competitive advantage or create a regulatory liability?

On the one hand, ecosystems foster brand loyalty, streamline user experiences and drive profitability. On the other, they may invite regulatory scrutiny if the firms concerned become dominant, especially when they restrict competition or consumer choice.

Being dominant in a particular market (usually with market share exceeding 30%) alone does not result in a contravention of the relevant legislation. The real concern arises where dominance is abused. If it results in exclusionary conduct or stifles innovation, it may amount to anti-competitive behaviour.

Closed ecosystems can be a double-edged sword. While they offer strategic benefits, companies must strike a balance between controlling their ecosystems to the exclusion of competitors and open platforms, or risk regulatory interventions that could dismantle the very structures they have built.

Andries le Grange and Leah Williams



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Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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