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The Economics of App Review

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ABSTRACT

A platform for apps, such as Apple App Store, facilitates the interaction between app users and app developers. For political, moral, and various other reasons, some apps may cause more trouble to the platform than others even if the users may not value them differently. due to a preference for variety. In a two-sided market model with both "well-behaved" and "trouble-making" developers, we show that, whereas an app review is useful for screening trouble makers, the platform faces a trade-off between cost saving (from less trouble) and a loss of the attractiveness to the users (from reduced app variety). The platform's incentive to use app review depends on the additional cost it incurs from each "trouble maker", and on their proportion among all developers. Given the additional cost incurred, app review benefits the platform if and only if the proportion of trouble makers is sufficiently small, such that after screening them the platform remains fairly attractive to users. Given their proportion, however, app review helps if and only if the "trouble makers" create enough "trouble", such that the total cost saved from app review is not negligible. Our welfare analysis through simulations cautions regulators that the platform's incentive to use app review may be aligned or misaligned with the interest of social welfare, depending on the distributions of app users and developers, the strength of network effects and other parameters.

KEYWORDS app review; two-sided market; non-price discrimination

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