

ACT | The App Association is a global policy trade association for small and medium-sized technology companies. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. Many of our members create internet of things (IoT) devices and the software that supports IoT innovations. The IoT ecosystem is expected to generate EUR 12.5 billion for the global economy by 2030, significantly contributing to economic growth and job creation within the European Union (EU).¹ We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. Today, the ecosystem the App Association represents, which we call the app economy, is valued at approximately €86 billion and is responsible for over 1.3 million jobs in the EU.²

We have historically advocated for clear and strong frameworks to support privacy, cybersecurity, improved data stewardship, and enhanced competition and consumer protection across markets. At the same time, regulatory burdens disproportionately affect small and medium-sized enterprises (SMEs) as compliance often requires significant resources that smaller businesses lack. One of our main overarching messages to policymakers is that any regulation must be targeted to address demonstrated systemic harms, as well as be flexible, technology-neutral, and outcome-based, especially in fast-moving digital markets. Such an approach will ensure that regulations are adaptable and able to withstand the test of time, rather than becoming rigid and outdated as markets evolve. Additionally, we consistently advocate for regulatory frameworks that consider the unique needs of SMEs (including passed-on obligations and costs), offering lessened burdens, exceptions, or additional support to help them navigate new regulatory environments, where appropriate.

Digital platforms have revolutionised market access for smaller companies in a way that has transformed how these businesses connect with consumers. While the advent of the internet itself was a significant leap forward in enabling global connections, platforms have streamlined this process even further, making it easier for businesses to enter markets and interact with consumers.

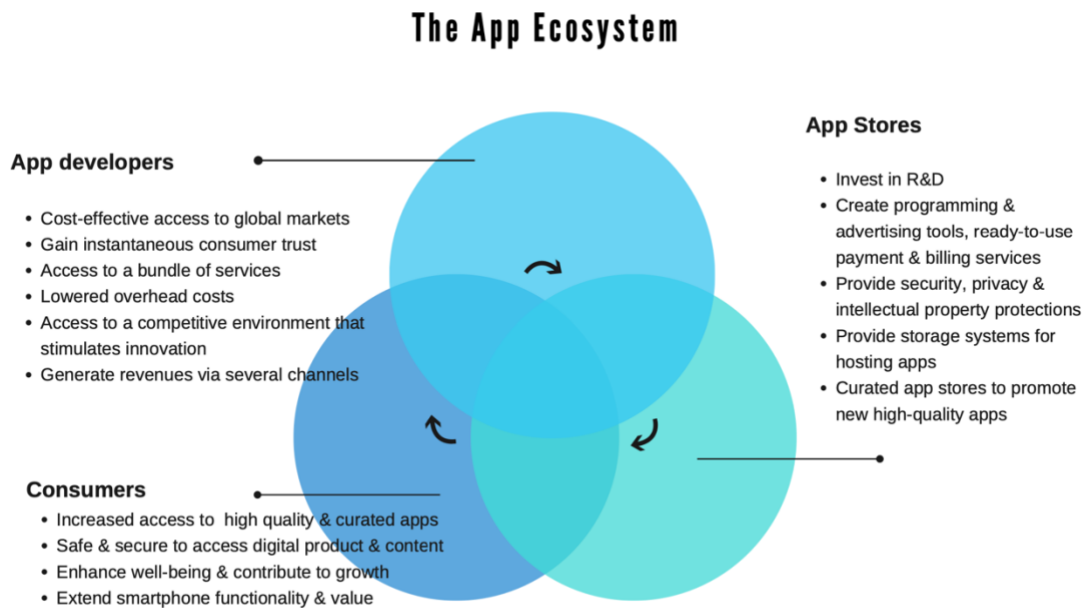
‘App stores facilitate developers’ – and especially small business developers’ – entrance into markets. The platforms effectively enable fast and inexpensive access to smartphone users around the world. Having low barriers to entry means that even the smallest businesses have access to 3.5 billion smartphone users globally. Facilitating market entrance of small innovative companies increases the sustainability of this dynamic ecosystem.’³

¹ See Impact assessment accompanying the proposal for a regulation of the European Parliament and of the Council on standard essential patents and amending Regulation (EU) 2017/1001, Page 10

² See <https://actonline.org/wp-content/uploads/Deloitte-The-App-Economy-in-the-EU-2020.pdf>

³ p.13. Deloitte Finance, The App Economy in the European Union: A Review of the Mobile App Market and Its Contribution to the European Economy, June 2020. <https://actonline.org/wp-content/uploads/Deloitte-The-App-Economy-in-the-EU-2020.pdf>

There is a **sybiotic relationship between app stores, developers, and users**. Increased platform traffic attracts more developers, which brings in more consumers who then benefit from a higher quantity of high-quality apps. For SMEs and startups, the network effects of this multi-sided market are particularly beneficial. They allow small developers to reach new consumers instantly across borders. This also makes it possible for app stores to invest substantial resources into research and development (R&D). Investment in R&D means app stores can offer a variety of high-quality services and other benefits to developers. Programming and advertising integration tools and ready-to-use payment and billing services are particularly advantageous for the smallest app developers who would not otherwise have the resources to develop such features. The more attractive these offerings are, the more app developers flock to the app stores. Today, the largest app stores compete amongst themselves for app developers' products. All developers pay the same low entry fee to make their products available online. No matter their size, they all have access to the same built-in benefits and compete under the same terms and conditions.



4

The app economy exemplifies the success of this model. The mobile app sector in the EU reached direct revenues of 86 billion euros in 2019, and the overall contribution of the app economy, factoring in both direct and indirect effects, amounted to 187 billion euros.⁵ This

⁴ <https://actonline.org/wp-content/uploads/ACT-The-App-Association-DMA-Position-Paper-March-.pdf>

⁵ p.32 Deloitte Finance, *The App Economy in the European Union: A Review of the Mobile App Market and Its Contribution to the European Economy*, June 2020. <https://actonline.org/wp-content/uploads/Deloitte-The-App-Economy-in-the-EU-2020.pdf>

staggering figure highlights how competition on digital platforms can drive significant economic growth.

Today, platforms such as app stores offer the easiest entry point for small businesses to reach consumers. The low barriers to entry mean that anyone—from startups to hobbyists—can become an app creator. This accessibility fosters competition and innovation, making app development one of the most dynamic and competitive markets.

Consumer trust in apps is essential for SMEs

One of the most important aspects of digital markets today is **consumer trust**. While online buying and selling have made transactions more accessible, they’ve also increased the threat of fraud, scams, and privacy risks. This has made consumers more cautious about protecting their personal data and privacy, driving a growing interest in cybersecurity. Platforms play a crucial role in fostering consumer trust. By offering consumer protections such as secure payment systems, data privacy guarantees, and vetting processes for products and services, platforms create an environment where users feel more comfortable exploring offerings. This built-in consumer trust benefits all providers on the platform, but it is especially valuable for small businesses, which often lack the brand recognition and established reputation that bigger competitors enjoy.

In digital markets like app marketplaces, one of the largest barriers to entry for small businesses is overcoming the **network effects** and brand loyalty enjoyed by more established players. In these highly competitive markets, platforms help smaller providers by giving them access to the trust and loyalty consumers have in the platform itself. This allows consumers to feel safer exploring products from less-established businesses, levelling the playing field and making it easier for small companies to thrive.

Because consumer trust is so vital to the **competitive capacity of smaller businesses in the app ecosystem**, we caution against regulatory interventions that could disrupt this delicate balance and erode consumer confidence.

Micro- and small-sized businesses and startups have different needs than larger ones

In the context of the Digital Markets Act (DMA), the most important point we continue to highlight is the varying developer needs at different levels of the market, in large part depending on the size of the business. While some companies, particularly larger ones, have been vocal in advocating for unbundling the services provided by app stores, it’s crucial to recognise that these larger companies stand to benefit the most from the unprecedented changes to the digital platform ecosystem the DMA represents. For example, changes introduced by the DMA, such as the requirements for side-loading and offering unlimited alternative app marketplaces, benefit larger companies with established network effects — such as strong brand recognition, user bases, and reviews. These options, however, offer little utility for micro-sized businesses and startups, which rely heavily on platforms for

seamless distribution, reach, and visibility; curation by platforms to support privacy, security, and intellectual property needs; and interoperability and accessibility features and tools.

For micro-sized businesses and startups with small teams and limited resources, platforms serve as crucial one-stop shops. It's important to recognise that for these businesses, exploring other app stores or marketplaces is not just a simple switch but a significant business decision. This involves dedicating additional resources to adapt their apps and codes to different platforms, manage updates, and monitor performance across multiple stores.

Moreover, the benefits of accessing alternative app stores are limited for smaller businesses, as their success depends largely on the consumer traction these new platforms can generate, and their ability to foster consumer trust. Without that embedded trust, smaller businesses are unlikely to see significant returns from expanding to less established platforms.

We continue to advocate for implementing the DMA in a way that maintains consumer trust in the app ecosystem, especially in promoting strong data and privacy protections and maintaining robust cybersecurity measures. Additionally, it's essential to promote strong intellectual property (IP) protections for app developers in the evolving digital markets landscape, as these protections not only support small app developers in safeguarding their innovations but also protect consumers from malicious copycat apps, which in turn helps to preserve the integrity and trust of the app ecosystem.

Interoperability should not come at the expense of privacy or security

We urge policymakers to ensure that the current measures for interoperability align with established best practices for security and privacy. It is vital that interoperability frameworks do not introduce vulnerabilities or weaken the integrity of operating systems and connected devices. The recent consultation by the European Commission on the proposed interoperability measures was very brief and conducted over the winter holidays. These proposed measures have significant safety and privacy implications and require a more thorough review and consultation. The approach put EU citizens at unnecessary risk. It also risks undermining trust in mobile apps, which SMEs depend on.

All in all, we believe that the implementation of the DMA is exceeding its intended scope, creating challenges that were not foreseen during its drafting.