

ACT | The App Association (App Association) respectfully submits its views to the Competition and Market Authority (CMA) [Microsoft / Inflection AI arrangements](#), [Amazon / Anthropic partnership](#) and [Microsoft / Mistral AI partnership](#) invitations to comment.

The App Association is a trade association representing small business technology companies from across the United Kingdom (UK), European Union (EU), and the United States (U.S.). Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. 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.

Success for a startup or small business can take a variety of forms and be accomplished through different means. These means include but are not limited to being acquired by a larger company with the resources and knowledge to improve the product and/or streamline market entry or an initial public offering (IPO). Acquisition is often the best of these options for both the business owner(s) and consumers, as IPOs are expensive and fraught with risk and thus reduce the likelihood of consumer benefit.¹ App Association members often start their businesses with the understanding that once their idea has been brought to fruition, their company may be acquired, allowing them to move on to develop new businesses. The UK economy and consumers have benefitted immensely from this freedom to combine the novel products created by small tech companies with the resources and technical and commercial knowledge of businesses that later acquire those innovations. A merger that helps deliver better products or services for consumers is often a new small business's desired outcome and is desirable from a competition policy standpoint. We encourage the CMA to recognise that mergers and acquisitions are a wanted outcome for many artificial intelligence (AI) startups as well.

The App Association encourages that any alteration to existing guidelines be made cautiously and with a narrow scope, rather than blanket rewrites that create significant uncertainty in the broader business ecosystem. Such uncertainty would reduce our members' ability to realise success and a reward for their innovation and entrepreneurial risk-taking through an acquisition. Any modifications should maintain deference to a thorough economic analysis as a foundation of any merger review or

¹ See Will Rinehart, "Welcome to the Kill Zone? A closer look at merger and start-up data suggests it's a cultivation zone," THE BENCHMARK (Feb. 27, 2020), *available at* <https://medium.com/cgobenchmark/welcome-to-the-kill-zone-852339601fbb> ("For startups, going public isn't a sure path to success. Companies typically sign away 4 to 7 percent of their gross proceeds to an investment bank to sell shares of the stock. They also tend to incur an additional \$4.2 million in costs to go through the process of getting listed. On top of this, a company will have to fork over another \$1 to \$2 million for federal compliance every year. Most IPOs perform worse than the overall market.").

enforcement and avoid making policy-level decisions based on edge cases or hypotheticals that do not reflect the reality of our business environment.

The App Association appreciates the opportunity to provide its views to the CMA and commits to collaborating in an effort to promote a competitive ecosystem.

Sincerely,



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