

MARKETPLACE COMPETITION POLICIES IMPACT SMALL BUSINESSES

THE ISSUE:

The last several years have seen a surge in competition policies targeting curated online marketplaces (COMs) like app stores, multi-seller online retail spaces, and digital auction tools. A handful of large companies seeking to use Congress for their own competitive advantage convinced lawmakers to introduce legislation, including the American Innovation and Choice Online Act (AICOA, S. 2033, 118th) and the Open App Markets Act (S. 2710, 117th), that would handcuff COMs from providing certain services and enforcing consumer protection benefits. These proposals trace their roots to Europe's Digital Markets Act (DMA), an even more extreme intervention that was put into place to artificially prop up European businesses that had to date failed to compete on the global stage. While ostensibly an attempt to "open up" COMs, these



policies would instead undermine the stability of marketplaces upon which small companies, the ACT | The App Association's members, build their businesses.

WHY IT MATTERS TO SMALL BUSINESSES:

Small businesses leverage the very tools provided by marketplaces currently threatened by aggressive antitrust proposals. Today, the app development community works with the largest consumer-facing app stores like Apple's App Store and the Google Play store as well as platforms such as the Amazon Marketplace, Nintendo (games), and Oracle (business). In general, small businesses in the app economy choose to distribute software and hardware through COMs to the extent they provide an advantage in three areas:

- 1 **Immediate access to global markets and consumers.**
- 2 **Built-in consumer trust in the COM and in the businesses distributing through it.**
- 3 **Offloading overhead costs to free up resources to focus on the core aspects of the business.**

These benefits are critical for small businesses in the app economy. They enable our members to compete with companies of all sizes and reach customers across the United States and around the world.

However, many of the competition policies under consideration would tear down the services and capabilities that small businesses need to compete.

Small businesses want COMs to continue to improve and expand these benefits, but unfortunately, much larger competitors are spamming policymaker inboxes with requests for them to undermine

or completely eliminate COMs' ability to offer these benefits. They want policies that would harm trustworthiness by mandating unfettered access to digital shelf space as well as mobile smart device functionalities such as access to camera and microphone, and even personal information like precise location. Unfortunately, this forced distribution and access regime would leave consumers to fend for themselves, resulting in consumers turning away from small business developers without a trusted, recognizable brand and removing platform-provided legal, tax, and trade support.

WHAT POLICYMAKERS CAN DO:

Reject proposals that would undermine the foundations of the online economy and use trade and other levers to stop the spread of DMA-style proposals around the world. App Association member interests do not align those of with some large companies on the app stores seeking to lower their own distribution costs. These competitors have pushed Congress to consider a variety of bills that would undermine small businesses' ability to leverage COMs, including the American Innovation and Choice Online Act (AICOA, S. 2033, 118th). Proposals like these would homogenize, disintegrate, and commoditize distribution options to fit the needs of the largest competitors, undermining the built-in services that benefit small businesses. We urge you to reject such proposals so that App Association members can continue to benefit from improving distribution options that put them on equal footing with much larger competitors.

