Platforms and Competition in the App Economy

From the early days of personal computers (PCs) to today’s $6.3 trillion global app economy, the app ecosystem has transformed the way consumers perceive and use technology, and throughout that time one thing has become clear: tech transcends industry. Universal connectivity and access to cloud computing superimposed a tech-driven element to virtually all industries from agriculture to venture capital. As a result, competition has new and dynamic characteristics not just in tech, but everywhere. ACT | The App Association’s member companies are at the center of these market changes, and their continued ability to create jobs in your state depends on allowing competition.

Policymakers Should Keep the Following Considerations in Mind on Competition in the App Economy:

• App developers have direct relationships with their customers and clients: They are not “suppliers or manufacturers” of apps on behalf of software platforms (the major mobile app stores and operating systems). Developers and their clients choose the best platform through which to reach their customers, and platforms compete with each other for the ability to provide developer services to our member companies.

• Software platforms provide significant value for developers: Before the current software platforms emerged, software developers had to cobble together a wide range of services to reach their intended markets. The lack of a trusted space for consumers to access and use software from independent developers was a formidable barrier to entry. Now, software developers pay significantly less for the overhead costs and services necessary to market, distribute, and maintain software offerings. Specifically, platforms bundle the following services for developers:
  o Access to a global market,
  o Immediate availability through hundreds of millions of devices,
  o Payment processing,
  o Marketing through the app store,
  o Privacy and security features embedded in the platform,
  o Assistance with intellectual property protection, and
  o Access to developer tools, such as application programming interfaces (APIs).
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• That said, developers want more transparency and continued improvements to security and safety. Our member companies pay a fee to platforms for developer services, and they expect those services to meet their needs. Just as online companies must clearly communicate their data practices to consumers, so must platforms clearly define the requirements and details of their terms of service to developers. For example, when platforms change their developer guidelines, they must communicate clearly and ensure developers understand what the changes mean for them and their customer relationships. Especially for enterprise app developers, a platform’s safety and security are important elements of developer services. For these reasons, small app makers generally oppose legislative measures to impose broad nondiscrimination regimes on platforms that would prohibit them from providing these important services.

• The developer-platform model is succeeding, and we can expect competition to continue to drive innovation: In just the first half of 2020, the two major app stores generated $50.1 billion in revenue—a robust 23.4 percent increase over the first half of 2019’s $40.6 billion. This growth suggests the developer-platform model is not only succeeding but outperforming the rest of the economy by orders of magnitude. Moreover, app economy growth is likely to endure because developers are continuing to create new products, services, and markets that did not exist prior to platforms. (Just think of all the innovation we’ve seen in the internet of things [IoT] in the last decade!)

• Software platforms also provide significant value for consumers: The entry of software platforms has increased choices, access to new markets, and reduced prices for software.

To Support the Growth and Potential of the Dynamic American Economy, We Urge States to:

• Carefully consider how any potential changes to antitrust law intended to address advertising, retail, or social media platform issues would affect industries across the economy, including software platforms and other means of software distribution.

• Examine how government intervention—whether it’s the restructuring of markets with digital platforms or the creation of detailed regulations, or both—could substantially increase what are currently low entry costs for app makers and small tech-driven companies and create an environment where only well-resourced companies can comply.