# Platforms and Competition in the App Economy

The "tech industry" as it was commonly perceived when personal computers (PCs) first connected to the internet no longer exists. Ubiquitous connectivity and access to cloud computing superimposed a tech-driven element to virtually all industries across the economy from agriculture to venture capital. As a result, competition has new and dynamic characteristics not just in tech, but everywhere. App Association member companies are at the center of these market changes, and their continued ability to create jobs in your congressional district depends on robust enforcement of antitrust laws where appropriate and allowing competition to take place where intervention is inappropriate.

## 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. Developers can choose the best platform through which to reach these customers and clients, and platforms compete with each other for the ability to provide developer services to our member companies.

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

- **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:
  - Immediate availability through hundreds of millions of people's devices,
  - Payment processing,
  - Marketing through the app store,
  - Privacy and security features embedded in the platform,
  - Assistance with intellectual property protection, and
  - Access to developer tools, such as application programming interfaces (APIs).

- **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.

- **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!)

## To Support the Growth and Potential of the Dynamic American App Economy, We Urge Congress to:

- Carefully consider how any potential changes to federal antitrust law intended to address advertising, retail, or social media platform issues would affect industries across the economy, including sectors impacted by software platforms and 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 create an environment where only well-resourced companies can comply.