

The voice of Dutch startups/scaleups: the impact of the DMA on scaling in the platform economy

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Executive Summary

Driven by rapid digitalisation in past few years, the modern economy is by and large shaped by the proliferation of platform companies. Online platforms can increase consumer choice, improve efficiency and competitiveness of industry and enhance civil participation in society. However, only a small number of large online platforms capture the biggest share of the overall value generated in Europe's digital economy, even though the majority of the over 10,000 online platforms in Europe are small and medium-sized enterprises (SMEs) (European Commission, 2020). The European Commission intends to correct the market power of large, systemic online platforms by introducing a set of rules in the Digital Markets Act (DMA) proposal that gatekeepers must comply with in their daily operations.

Due to the economic characteristics that large gatekeeper platforms can take advantage of, such as network effects, startups and scaleups face a myriad of difficulties when scaling in the platform economy. One of the intended benefits of the DMA is to create more opportunities for smaller players to compete in order to overcome these difficulties. At the same time, by constraining network effects, there could be unintended negative effects of the DMA on scaling in the platform economy. Through qualitative research methods (including 10 interview with startups/scaleups and 3 field experts), this study presents the voice of Dutch startups/scaleups in the platform economy regarding the potential implications of the DMA. The findings from the interviews (summarised in the table in **Section 4.2**) suggest that:

- There is a degree of (legal) uncertainty associated with the relevance of the DMA and there is a general lack of awareness from startups and scaleups concerning its implications. When gatekeeper thresholds are considered "high enough" and too far away, there seems to be no evidence of a negative effect of the DMA on the growth ambitions of startups and scaleups;
- More data sharing is generally positive for startups and scaleups in the platform economy. It also is clear that access to data is valuable for the growth of any player in the platform economy. However, sharing (proprietary) data can threaten the competitive advantage of platform companies;
- Tying, bundling and self-preferencing are not necessarily harmful for the platform economy. A prohibition could help competition, but can also have unintended negative consequences on scaling since it can also improve the quality of platform services;
- More transparency in the advertising industry is welcomed by startups and scaleups. At the startup phase, where advertising is important to target first customers, it is important to ensure that smaller players in the platform economy can leverage the benefits of well-targeted adverts;
- For the enforcement of the proposed DMA, there is concern around fragmentation across the European Union.

Overall, this research study demonstrates the importance of a more tailored (policy) approach when dealing with platform economy. This should be considerate of the voices of European entrepreneurs too, instead of policy-making based on generalisations drawn from a few extreme cases. By paying attention to the needs of and differences between the smaller players in the platform ecosystem, the DMA can have the potential to positively impact startups and scaleups and thereby contribute to a more competitive platform economy.

1. Introduction

1.1. Context

In recent years, favoured by the digitalisation of our economy, we have experienced a proliferation of new businesses in the platform economy (Smedlund, Faghankhani, Ikävalko & Turkama, 2018). These platforms serve the function of matching the needs and resources of two or more groups of customers, normally representing the supply and the demand for a given product or service (Evans and Schmalensee, 2016; Parker, Van Alstyne and Choudary, 2016). "The platform is not simply a new business model, a new social technology, or a new infrastructural formation (although it is also all of those things). Rather, it is the core organisational form of the emerging informational economy" (Cohen, 2017; p.133).

In many cases, platforms are disrupting the existing organisation of economic activity by resetting entry barriers, changing the logic of value creation and value capture, playing regulatory arbitrage, repackaging work, or repositioning power in the economic system (Kenney & Zysman, 2016). Platforms have therefore brought important benefits to economies and societies but also a new set of important policy questions and challenges (OECD, 2019a). One of these questions, raised by NLdigital and Dutch Startup Association, is whether the Digital Markets Act in its current formulation may lead to unwanted effects that could hinder the growth of startups and scaleups in the Netherlands.

The Digital Markets Act (DMA) is a proposed legislation by the European Commission that aims at regulating the internal digital markets of the European Union. Together with the Digital Services Act (DSA), the DMA is one of the pillars of the European Digital Strategy, a joint strategy that aims at making the EU economy more fit for the digital age. The DMA includes rules that govern gatekeeper online platforms and are primarily focused on protecting the interests of producers of value on the platform, while the rules specified in the DSA primarily concern the protection of the interests of consumers of value on online intermediaries and platforms (KPMG, 2021). This research study, initiated by NLdigital, considers the perspective of startups and scaleups and as such, focuses on the DMA, which establishes a set of narrowly defined objective criteria for qualifying a large online platform as a so-called "gatekeeper".¹

Gatekeeper platforms operate as intermediaries in the digital sector with a systemic role in the internal market, which function as a gateway between businesses and consumers for important digital services (KPMG, 2021). In particular, gatekeepers:

- i. Enjoy a strong economic position affecting the EU internal market as such;
- ii. Serve as an important gateway for companies to reach their customers; and
- iii. Have, or will foreseeably have, an entrenched and durable position in the market.¹

¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/europe-fit-digital-age/digital-markets-act-ensuring-fair-and-open-digital-markets_en

1.2. Aim and objectives

The objective of this research is to provide more insights into the perspective of Dutch startups/scaleups in the platform economy regarding the potential implications of the DMA. The aim of this study is therefore to answer the following main research question:

How do Dutch startups/scaleups in the platform economy perceive the potential implications of the Digital Markets Act (DMA)?

1.3. Structure and methodology

The research is carried out by means of qualitative research methods. A framework, including a set of hypothesis, to evaluate the potential impact of the DMA on startups/scaleups is developed based on relevant literature and desk research into the content of the DMA to investigate how it might affect the growth of startups/scaleups. To test the set of hypothesis, 13 interviews² are conducted (with 10 startups/scaleups and 3 field experts) to reveal the potential impact of the DMA on Dutch startups/scaleups in the digital platform economy. Based on the startup/scaleup interviews, we present the voice of 7 startups/scaleups to show how the DMA may represent a potential threat or opportunity for their growth.

The remainder of this report is structured as follows. Firstly, in **Section 2**, the main results from the literature and desk study are discussed and formulated into a framework to evaluate the potential impact of the DMA on startups and scaleups. The voice of Dutch startups/scaleups operating in the platform economy are presented in **Section 3**. Conclusions about the potential effects of the DMA on Dutch startups/scaleups are drawn in **Section 4**.

2. A framework to evaluate the potential impact of the DMA on startups and scaleups

2.1. The platform economy and its implications for startups and scaleups

Over the past few years, a growing number of digitally enabled activities in business, politics and social interaction have emerged within an economy experiencing an impressive reorganisation. If the industrial revolution was organised around the factory, today's changes are organised around the digital platform (Kenney & Zysman, 2016). Due to the rapid pace of developments in the platform economy, the literature has yet to reveal a universally accepted definition of a platform. As such, a broad range of different definitions are used by academics and policymakers to describe the platform phenomenon. Based on the definition used by the OECD in *An Introduction to Online Platforms and Their Role in the Digital Transformation*, this research paper defines a platform as follows:

² An overview of the interviewees can be found in the **Appendix**.

An online platform is a digital service that facilitates interactions between two or more distinct but interdependent sets of users (whether firms or individuals) who interact through the service via the Internet (OECD, 2019a).

Platforms are a core element of the digital economy and have become increasingly more powerful over the past few years. They lower the cost of interacting and transacting, and do not enter or expand markets in the traditional sense but instead replace and rematerialize them (Cohen, 2017; Williamson & Bunting, 2018). Although online platforms can increase consumer choice, improve efficiency and competitiveness of industry and enhance civil participation in society, only a small number of large online platforms capture the biggest share of the overall value generated in Europe's digital economy, even though majority of the over 10,000 online platforms in Europe are SMEs (European Commission, 2020). A lot of attention has been paid in the academic and policy realms to the economic power of very large online platforms that are gatekeepers for many businesses and consumers to access the digital economy. In an attempt to ensure that large, systemic platforms behave in a fair way online, the EU's DMA proposal establishes a set of new rules that gatekeepers are obliged to comply with (Cabral, Haucap, Parker, Petropoulos, Valletti, & Van Alstyne, 2021).

One of the intended benefits of the DMA is to create new opportunities for startups to compete and innovate in the online platform environment without having to comply with unfair terms and conditions limiting their development. However, **regulation may also raise entry barriers and the costs of scaling a new platform**. Additional regulation could therefore have the unintended consequence of entrenching the position of existing platforms and reducing competitive pressure (Williamson & Bunting, 2018).

An EU-wide study confirms that **entry barriers for digital platforms are rather low** and that the **main challenge is related to upscaling** (De Marco, Minin, Marullo & Nepelski, 2019). The technological infrastructures of digital platforms act as plug-and-play business models supporting the experimentation of multiple value propositions in the startup phase. The demonstration of these business models' logic can be simple and straightforward, but their testing implies difficulties related to the resources and time required by the scaling-up activities (De Marco et al., 2019). Given that these difficulties relating to upscaling already exist in the platform economy, the implementation of the DMA could potentially also lead to unintentional negative side effects specifically for the growth of startups and scaleups. The rest of the section elaborates on the potential impact of the DMA on scaling in the platform economy.

2.2. Potential impact of the DMA on scaling in the platform economy

One of the most distinctive features of platforms is the positive correlation between the number of participants and the value of their network (Hagiu and Wright, 2015). The core business of digital platform companies is to align the interests of different communities converging on the platform. While value creation and experimentation are supported by the development of

infrastructures based on digital technologies, value capture mechanisms require the trigger of direct and indirect network effects (De Marco et al., 2019).

The larger the network, the better the matches between supply and demand and the richer the data that can be used to find matches. Greater scale generates more value, which attracts more participants, which creates more value. Through leveraging network effects, large online platforms can therefore take on a gatekeeping role in the platform economy. The power of network effects can be seen as a virtuous feedback loop that can produce monopolies, which is evident in the success of digital platforms such as Alibaba, Google and Facebook dominating global market shares (Van Alstyne, Parker & Choudary, 2016a; OECD, 2019a). These winner-take-all dynamics supporting the development of monopolistic markets have become a source of concern for the European Commission, leading to the DMA proposal to control online gatekeepers by subjecting them to a wider range of upfront constraints. However, not all markets in which online platforms operate have winner-take-all or winner-take-most characteristics. The network effects need to be strong, switching costs must be high, and users must find it difficult or undesirable to multi-home (which means they tend not to use multiple, rival platforms simultaneously). As such, **dominance should not be confused with the abuse of a dominant position** since holding a dominant position in a market is not, by itself, a violation of competition laws (OECD, 2019a). This is especially important to keep in mind as **the concept of gatekeeping appears broader than the concept of dominance** (Petit, 2021).

In the platform economics literature, entrenched market power is often measured by the extent and cost of multi-homing (using multiple, rival platforms simultaneously), which varies across the diverse digital landscape. On the one hand, multi-homing on competing platforms that are substitutes for users can reduce the platform's market power. For instance, consumers can easily multi-home between competing e-commerce or ride-sharing platforms where switching costs for sellers on these platforms are also relatively low. In contrast, multi-homing between smartphone operating systems is costly for consumers and implies buying a new phone, while user benefits are low since the most popular apps are already available in leading app stores of the major operating systems. On top of this, app developers incur additional upload costs to be present in multiple app stores. Therefore multi-homing, on the other hand, can be a result of competitive bottlenecks and does not reduce (the app stores') market power (Cabral et al., 2021).

The European Commission intends to correct the market power of large, systemic online platforms by introducing a set of rules in the DMA proposal that gatekeepers must comply with in their daily operations. The potential implications, drawn from the literature, of the DMA on scaling in the platform economy are summarised below.

Gatekeeper notifications

The shift away from physical networks to digital networks has helped to reduce entry barriers for newer platforms and switching costs for users and complementors alike (McIntyre, Srinivasan

& Chintakananda, 2020). These “complementors” are powerful allies in building and maintaining a successful platform. Platforms open up many entrepreneurial opportunities. For example, platforms that make digital tools available online support the creation of other platforms and marketplaces. “If we want an entrepreneurial spirit to infuse the platform world, then we want risk-taking entrepreneurs, whether they are forming the platforms or seeking advantage as contractors or consigners within it” (Kenney & Zysman, 2016). However, there is a possibility that the ‘entrepreneurial spirit of the platform world’ might face some challenges given the designation of gatekeepers in the DMA, which is bound with several legal uncertainties (Cabral et al., 2021; DIGITALEUROPE, 2021; Petit, 2021).

The DMA proposes the obligation to notify the European Commission when a provider of a core platform service meets the gatekeeper thresholds (Article 3). In addition, there is also an obligation to inform about concentrations (Article 12). The DMA could therefore lower the incentive to grow via a merger or acquisition due to the administrative burdens (red tape) involved in these processes. This could hinder the positive effect of platform giants on innovation that results from inducing startups and scaleups to follow the business model of “innovation for buyout”, which is particularly important when their products are complementary and has greater value when combined (Cabral et al., 2021). Therefore, given the legal uncertainty and red tape of the gatekeeper notifications in the DMA, the growth ambitions of startups and scaleups to become successful could be hampered. This leads us to the first hypothesis:

*The **designation** of gatekeepers (Article 3) and the obligation to inform about concentrations (Article 12) may **negatively impact the growth ambitions** of platform startups and scaleups (due to the associated legal uncertainty and red tape)*

Since growth ambitions are an important factor that startup and scaleup investors consider, we also hypothesize that:

*The gatekeeper notifications (e.g. Articles 3 and 12) may, in turn, **negatively affect the attractiveness** of platform startups and scaleups to potential investors*

Data sharing

The rise of information and communications technologies (ICT) makes building and scaling up platforms vastly simpler and cheaper. It allows almost friction-less participation that strengthens network effects, and enhances the ability to capture, analyse, and exchange huge amounts of data that increase the platform’s value to all (Van Alstyne et al., 2016a). ICT acts as a multiplier of value in the platform ecosystems because it affects the possibilities of platform participants to co-create value within sides and between sides (Smedlund et al., 2018). Because platforms depend on the value created by participants, it is critical to carefully manage the platform’s “openness” – the degree of access that consumers, producers, and others have to a platform, and what they’re allowed to do there (Van Alstyne, Parker & Choudary, 2016b).

One challenge that calls for a dialogue among stakeholders, including enforcement officials with different areas of responsibility, is the interplay among privacy, digital security and competition concerns about data. For example, concern that the non-transferability of data from one platform to another harms competition in some instances by creating customer lock-in effects may lead to suggestions that customers should be allowed to transfer their data to other services. Alternatively, concerns that a platform may hold an insurmountable competitive advantage due to its stock of customer data could lead to calls for competition authorities to force the platform to share that data with competitors (OECD, 2019a). These concerns are reflected in the DMA's data sharing obligations.

The DMA imposes data sharing obligations in order to reduce gatekeepers' exclusive control over the data they collect. These obligations seek to eliminate market distortions inside the platform as well as between competing platforms (Cabral et al., 2021). Consider the DMA's prohibition on combining end-user data from different sources without consent (Article 5a). Combining data from multiple sources can give gatekeepers a significant advantage over smaller rivals. Indeed, data gleaned from one source, say online searches, can be used to predict users' preferences in other market, say music streaming. A gatekeeper that knows the web browsing history of a user is much better positioned to predict her musical tastes than a data-poor rival. Restricting the combination of data from multiple sources, therefore, restricts the ability of gatekeepers to leverage their market power from one market to another to the detriment of small players (Anderson & Mariniello, 2021).

All platforms create and rely on user data, but some make more use of it than others. A number of leading platforms built momentum by using other, more established platforms in one way or another when they first started out (OECD, 2019a). **Market level data can improve decisions of market participants**, which in turn **promotes competition and increases market efficiency** (Cabral et al., 2021). With data sharing obligations, the DMA could offer startups and scaleups in the platform economy more opportunities to compete with the larger players (e.g. gatekeepers). This leads us to Hypothesis 2a:

The data sharing obligations (e.g. Articles 5a; 6f; 6h; 6i; 6j; 6k) may positively impact the competitive landscape for platform startups and scaleups (by promoting platform openness)

It is, however, not as straightforward for startups and scaleups with revenue streams that depend on data collected. These companies could lose their competitive advantage if data is freely available. As such, we also hypothesise that:

The data sharing obligations (e.g. Articles 5a; 6f; 6h; 6i; 6j; 6k) may negatively impact the competitive advantage of startups and scaleups with data-dependent revenue models

The nature of online platforms is such that size does bring some clear benefits to users when there are substantial network effects and no interoperability between platforms or no wholesale market for anonymised collected data. For example, the quality of a search algorithm increases as more people use it (OECD, 2019a). With higher quality search algorithms, platforms can provide better user experience. However, this could also give rise to **digital security and privacy concerns** amongst platform users.

There is an awareness among consumers, not only that their personal data helps to drive the rich experiences that these companies provide, but also that sharing this data is the price you pay for these experiences, in whole or in part. Without a better understanding of the what, when, and why of data collection and use, the consumer is often left feeling vulnerable and conflicted (Dempster & Lee, 2015). But even if moving their data into a new party's hands is something that users want to do, it can still raise digital security and privacy concerns. If the data transfer or sharing is mandated by a government body that is focused on competition alone, then users' worries may be even greater (OECD, 2019a). This leads us to Hypothesis 2b:

*The **data sharing** obligations (e.g. Articles 5a; 6f; 6h; 6i; 6j; 6k) may **negatively impact the user experience** of platform startups and scaleups by raising **digital security and privacy concerns***

It is important to keep in mind that the risks of enhanced access and sharing go beyond digital security and privacy concerns. They include most notably risks of violating contractual and socially agreed terms of data re-use, and thus risks of acting against the reasonable expectations of users. These risks can negatively affect incentives to invest and innovate. For SMEs, identifying which data to share and defining the scope and conditions for access and re-use is perceived as a major challenge. Inappropriate sharing of data can lead to significant costs to the organisation, including fines due to privacy violations and opportunity costs due to a lower ability to innovate (OECD, 2019b).

Tying, bundling and self-preferencing

To attract and lock-in end users, the ability to renew the offering is essential in platform competition (Smedlund et al., 2018). Some platform companies benefit from economies of scope because of complementarities between two or more of the services they provide on a given platform, or across platforms. Offering more services may also keep users connected to a particular company's offerings. That, in turn, means the company can collect more user data, which may be used to further refine the platforms' services and make them even more valuable to users, or to enable the company to enter another market more easily and effectively (OECD, 2019a). Differentiation of services and prices in relation to consumers can be efficiency enhancing, growing the market overall and benefitting in particular those with lower willingness to pay. However, differentiation may also prove controversial. What is considered fair and unfair

is subtle and depends on how differentiation is framed (Williamson & Bunting, 2018). With the opportunity to offer differentiated services, anti-competitive behaviour such as tying, bundling and self-preferencing have emerged in the platform economy. The DMA therefore established several obligations prohibiting such practices.

Tying and bundling can occur when platforms absorb functions that were previously provided by ecosystem partners into the core system. One anticompetitive explanation is that a platform might fear that a complement provided by an external party could become indispensable. For example, Apple invested in its own mapping functionality for the iOS system after Google launched the Android operating system and became a more direct competitor. It dropped Google's mapping app and bundled its own app into the base system as shipped to consumers (Cabral et al., 2021). A more level playing field in the market for mapping providers, for example, would be the case if such bundling were to be prevented.

The prevention of tying and bundling services within a platform could therefore incentivise more competition in the platform ecosystem overall. Article 6c, for example, opens the possibility for price and quality competition between app stores (Cabral et al., 2021). Similarly, large platforms can distort competition by favouring its own affiliate (self-preferencing) and the prevention thereof could provide smaller players in the platform ecosystem the opportunity to compete in the market in a fairer manner. This leads us to Hypothesis 3a:

Tying & bundling and self-preferencing obligations (Articles 5b; 5c; 5f; 6a; 6c) may positively impact the competitive landscape for platform startups and scaleups

Although the DMA opens up the platform economy to more competition, the trade-off might be a lack of quality control, which can negatively impact user experience. Research in sequential innovation suggests that there can be benefits to having a platform coordinate the ecosystem. In some cases consumers benefit when firms bundle key services. For example, Google requires users of their location-based services to also use a Google approved version of Android. Hardware manufacturers who wish to use Google apps are required to join the Open Handset Alliance which obligates members to use only Google approved Android versions. In this way, even though Android is open source, Google's control prevents fragmentation of the code base. In this sense, one may argue that Google provides a benefit that stems from some level of standardisation, since app developers and hardware manufacturers have to contend with fewer variants of the Android operating system than they otherwise would and are thus able to ensure interoperability (Cabral et al., 2021).

Moreover, the DMA could potentially place customer relationships of platforms at risk by prohibiting and limiting activities relating to tying, bundling and self-preferencing. Article 5c, for example, will allow business users to lure consumers off platform to conduct business there. This will significantly increase the risk of rogue players providing malware outside of app stores and fraud exposure for shoppers outside marketplaces. Platforms will not be able to protect

consumers in these settings or provide recourse in case of problems. This also poses a risk of free-riding and makes the enforceability of commission-based business models impossible at scale. This would undermine investment incentives and interests of platform users if the prohibition includes restrictions on steering on the service itself (e.g. links in offers to complete the transaction off-platform). For instance, it would turn marketplaces or app stores into unpaid advertising platforms allowing sellers to capture users and direct them to fulfil the purchase on their own sites. This obligation, which would be unacceptable offline, would also send a signal to growth-oriented platform service providers that commission-based business models is not a legitimate business strategy (DIGITALEUROPE, 2021).

As such, a more seamless user experience with favourable customer relationships can be considered as a potential positive side effect of some of the tying, bundling and self-preferencing activities of platforms. By prohibiting these practices, the quality of platforms' offerings could be at risk as well as the relationships between different types platform users. This leads us to Hypothesis 3b:

Tying & bundling and self-preferencing obligations (Articles 5b; 5c; 5f; 6a; 6c) may negatively impact user experience and customer relationships of platform startups and scaleups

Advertising³

Online targeted advertising is a very concentrated market that is also very opaque (Cabral et al., 2021). The DMA therefore includes a set of obligations specifically promoting transparency in the advertising industry. Article 5g, for example, provides that gatekeepers that supply advertising services (for example, search engines and social networks) should inform advertisers and publishers concerning the price they pay for advertisement placement. Article 6g requires that gatekeepers that supply advertising services should provide free access to their own performance measuring tool, and information to allow them to independently verify the ad inventory (Petit, 2021). These obligations can foster cooperation in the wider platform ecosystem and bring more growth opportunities in the online advertising market. This leads us to Hypothesis 4a:

Obligations relating to advertising (Articles 5g; 6f; 6g) may positively impact transparency in the industry thereby bringing more growth opportunities in the online advertising market

³ It is important to connect these set of implications to the legal uncertainties that may arise (Hypothesis 1) with the definition of online advertising services in the DMA, since online advertising services are defined as being both a primary core platform service (Art. 2.2(h)) and an ancillary service. This creates legal uncertainty regarding the status and obligations related to these services (DIGITALEUROPE, 2021).

At the same time, without consent from end users to integrate data sources (e.g. Article 5a), gatekeepers may not be able to run as effective ads. This may affect online ad-dependent startups and scaleups, which leads us to Hypothesis 4b:

*Obligations restricting gatekeepers (e.g. Articles 5a) may **negatively impact** startups and scaleups that depend on online advertising to grow*

These hypothesis form the framework for evaluating the potential impact of the DMA on startups and scaleups and summarised in the table below.

2.3. Evaluation framework: potential impact of DMA on startups and scaleups

Hypothesis	DMA obligations relating to:	Relevant Articles	Positive impact	Negative impact
1	Gatekeeper notifications	3; 12		<ul style="list-style-type: none"> • Growth ambitions (legal uncertainty and red tape); • Attractiveness to potential investors
2	Data sharing	5a; 6f; 6h; 6i; 6j; 6k	<ul style="list-style-type: none"> • Increase market efficiency: market level data can improve decisions of market participants → promotes competition 	<ul style="list-style-type: none"> • Lose competitive advantage; • User experience (digital security & privacy concerns)
3	Tying, bundling and self-preferencing	5b; 5c; 5f; 6a; 6c	<ul style="list-style-type: none"> • More room for competition from smaller platforms 	<ul style="list-style-type: none"> • User experience (quality control); • Customer relationships
4	Advertising	5a; 5g; 6g	<ul style="list-style-type: none"> • Transparency in advertising industry → fosters cooperation in the platform ecosystem & more growth opportunities in online advertising market 	<ul style="list-style-type: none"> • When company growth is online ad-dependent

3. Voice of startups and scaleups

In order to test the hypotheses around the potential effects of the DMA on the growth of startups/scaleups in the digital platform economy, we asked 10 Dutch companies (founders and/or C-level management of startups and scaleups) to share their views and experience on the topic. We highlight 7 perspectives in this section. The insights from the other companies, together with the expert interviews, are presented in the Discussions and conclusions section.



Sendcloud is an all-in-one shipping platform that helps online retailers to save time on shipping and at the same time increase conversion by optimizing their checkout, offering branded tracking and a seamless return process for both businesses and consumers. We spoke to Rob van den Heuvel, co-founder and CEO of Sendcloud, to hear about this scaleup's perspective on the DMA.

Gatekeeper notifications

Since its founding in 2012, Sendcloud has grown at a rapid pace to 85+ shop systems and carriers, facilitating the daily delivery of 600+ parcels to around 20K online merchants in 8 markets throughout Europe today. As one of the Top 250 fast-growing companies in the Netherlands, this scaleup meets two of the DMA thresholds by providing its services in *more than 3 Member States* to *more than 10K yearly business users*.

Sendcloud is poised to become gatekeeper as they continue their rapid growth trajectory. Rob emphasised that: **"the thresholds should be high enough so that we are not be impeded to grow to a certain level."** It is crucial for the DMA to ensure that companies are actually large enough to be able to meet the demands of the proposed obligations. Nevertheless, the gatekeeper notifications will not slow down this scaleup's growth or investment prospects if all companies that fall within the thresholds uniformly adhere to the rules.

"We should look at this at a global scale", highlights Rob. If US players that don't have these rules in their home market are able to come to Europe and reap the benefits without the same repercussions, then it becomes an unlevel global

playing field. For example, it might be easier for US companies to pursue M&A strategies since the concentration would move to the US market, which has an entirely different set of rules for their platform companies.

Data sharing

The potential implications of the DMA on Sendcloud once they reach the gatekeeping status might become a bureaucratic burden. The data sharing obligation adds a layer of complexity to the scaleup because Sendcloud is a B2B platform that acts as a data processor, rather than the owners of personal data (which are the online stores).

This will have an impact on Sendcloud's investment profile as investors that are in it for the long game will see that companies obliged to share their data might lose their competitive advantage. **"It would be like sharing your crown jewels"**, explains Rob, since data is proprietary and often the biggest competitive advantage of many companies in the platform economy.

Tying, bundling and self-preferencing

Sendcloud is in favour of the prohibition of practices such as tying, bundling and self-preferencing. In theory, it could provide more

room for competition. However, in practice, special attention should be paid to defining what type of tying, bundling and self-preferencing is deemed anti-competitive in the end.

Since Sendcloud already allows users to easily leave their platform, this scaleup would be less impacted by the potential implications of the DMA permitting off-platform transactions. **"The added value for Sendcloud is in the platform itself and using it"**, explains Rob. On top of that, even though the lack of quality control could leave to unsatisfied merchants, quality reviews (such as Trust Pilot that Sendcloud is already

making use of) can overcome these shortcomings.

Advertising

There is space for more competition, facilitated by transparency, in the advertising industry that is dominated by Google and Facebook. Although they already share useful data, Rob mentions that: **"For Sendcloud, the more insights, the better"**. Overall, there is no strong opinion since only 10-15% of Sendcloud's users come through ads as the scaleup is content-focused, with a long term perspective that is not ad-dependent.

Conclusion

There are more sizeable players in the market now compared to when Sendcloud entered the market. "We're lucky that we started early because you need volumes to be taken seriously", Rob explains. By leveraging network effects across the European market, Sendcloud is well on its way to achieving its ambitions of becoming a European market leader (at least 10% of European online stores) with plans to expand to the US as well.

In general, European legislation has been favourable for Sendcloud's scaling journey – especially the investment funds that helped the scaleup gain access to capital. However, Rob notes that; "There's a reason why Americans are always winning the game. The US has a strong home market where they are unimpeded to grow". Overcomplicated rules and regulations could hamper the progress of European platform economy overall.

"With clear rules that apply fairly across players in the international market, there is potential for the DMA to improve the competitiveness of the platform economy."
- Rob van den Heuvel, co-founder and CEO of Sendcloud.



Origin

Origin is a travel service that designs premium experiences by providing the most personalised trips for the modern traveller. The startup was founded in 2019 by Eli Bressert (CEO) and Tamar van de Paal (COO) who worked at Apple, Google and Netflix, multi-billion dollar startups like Stitch Fix, Nextdoor and Convoy. Eli shared with us his view on the DMA as a startup founder and platform industry veteran.

Gatekeeper notifications

As a young startup navigating in the challenging travel industry (given the restrictions posed by the COVID-19 pandemic), Origin has experienced tremendous growth. Since their launch, they have managed to triple their quarterly results and currently aim to reach exponential growth. On top of that, Origin has future ambitions to roll out their services from the premium to the general market as well as to ensure eco-friendly travel.

Origin's successful growth trajectory has the potential to reach a €65B market capitalisation in the near future, qualifying the startup to meet one of the thresholds designating it as a gatekeeper. According to Eli, clarity is key in the DMA's gatekeeper definitions. However, the current thresholds may lead to unintended consequences for startups and scaleups. To ensure that the gatekeepers are truly 'large enough' in their industry, the DMA should consider relative (to the competitive landscape) rather than absolute values for the thresholds.

Since Origin's primary markets are currently located in the US and Europe, the startup's growth ambitions might shift entirely towards a US-focus once the company qualifies as a 'gatekeeper' in the European market. Otherwise, the company's growth strategy to target the general market within Europe would be restricted.

Besides clarity in the designation of the gatekeeper, the DMA should also be careful not to discourage too much M&A in the platform economy. Eli shares that: **"To build truly**

innovative products as an established and large company does require an acquisition". If these acquisitions are intentionally or unintentionally discouraged by the DMA, the results could be counter-innovative. Consumers would then potentially lose out on a better product experience.

Data sharing

Data gives Origin its competitive edge, which is really important for a startup that still needs to grow. The startup is currently building an extremely high signal-to-noise "data moat". Eli explains that: "Unlike any other travel service, we are providing a membership where we actually help with every stage of the trip. So we go from ideation all the way through to trip planning and booking, pre-trip to post-trip. We're there for the entire life cycle, so we're getting data that honestly I don't think any other company has ever had and so that becomes our data moat. **This data allows us to build the best personalisation algorithms for our consumers."**

If Origin were to meet the gatekeeper thresholds too early before they are 'big enough', they would lose their unfair advantage: the data moat that makes them innovative and helps them outcompete the bigger players in the field. To illustrate, Eli gave an example of Origin sharing depersonalised data with Airbnb versus having access to their data. In this case, Airbnb would be vastly larger (due to the size and network effect of their business model) while Airbnb's marketplace data would not be useful to Origin.

When it comes to sharing de-personalised data with their supply business users, though, Origin has a different view. The startup is already

planning to share such insights in order to empower their partners to become better at what they do. Working together and joining forces instead of competing with each other, will ensure the end-to-end experience Origin sets out to offer their users. However, this can only be done while being extremely mindful about the cybersecurity system of all their business partners.

Overall, Origin could be forced to reconsider its path forward to keep its competitive advantage. "I would have to fundamentally adapt my company's business model to stay healthy once classified as a gatekeeper. Hence, I may be optimising for business reasons that may not be aligned with the customer's interest or our business partners (due to digital privacy concerns, for example)", Eli explains.

Tying, bundling and self-preferencing

In general, Eli perceives some concerns from a competitive standpoint with the DMA's proposed prohibition of practices such as tying, bundling and self-preferencing without taking into consideration the relative definitions of a gatekeeper. For example, bundling with Comcast helped Netflix grow to where they are today. Without the freedom to engage in such practices at a critical stage of their growth,

companies such as Netflix may be outcompeted by larger companies such as Disney.

In addition to that, for Origin specifically, a degree of self-preferencing would actually be beneficial for the company's mission to create a positive impact in the travel industry. To provide their members with **more meaningful, sustainable ways to explore the world**, Origin plans to bias/preference their ecosystem towards more eco-friendly travel options. **"To treat the entire travel ecosystem fairly would actually kill our mission statement** in the sense that I now have to provide more preferences as a gatekeeper", expresses Eli.

Advertising

As for the regulations being introduced around advertising, Eli has no doubt that **transparency will definitely level the playing field**. He explains that: "Bigger companies have these extremely well optimised advertising mechanisms in place, whereas smaller firms such as startups don't. Even if we have someone who knows a lot about it, we still have to build the foundations about marketing optimisation algorithms from the ground up." With more transparent access to how effective different marketing channels are, ads would become less expensive and startups will certainly benefit by knowing how to target their audiences in a more effective way.

Conclusion

As a high potential startup in the digital platform economy, Origin has a clear view on the impact that the DMA will have on their growth and on the industry in general. While recognising the need for intervention, especially in the field of advertisement, they are also concerned that the DMA may negatively affect the growth of innovative companies. Thresholds should not be set on absolute but rather relative terms in order to allow for a more competitive landscape that is also considerate of companies' growth paths. More importantly, law-makers should consider not only the intended, but also the unintended consequences of new regulations. In Eli Bressert's (CEO and co-founder) words:

"Doing this is really understanding the law of unintended consequences. What kind of direct and indirect effects will they have on the startup community and the community of larger companies? It is pertinent for the DMA to make sure that the unintended consequences are well considered."



Since its founding in 2009, HousingAnywhere has been opening the doors to a home across Europe for students, expats and young professionals. On their platform, users can securely rent rooms or apartments directly from landlords and property managers. Based on a conversation with Djordy Seelmann, CEO at HousingAnywhere, the scaleup's take on the DMA is discussed below.

Gatekeeper notifications

As one of the Top 250 fast-growing companies in the Netherlands, HousingAnywhere's rapid growth has helped the platform reach around 10K active business users (landlords and property managers) across the EU, which means this scaleup meets at least two of the DMA thresholds designating it as a gatekeeper (since it operates in 10 European countries and counting).

According to Djordy, it is important that the DMA thresholds are high enough so that these companies can actually fulfil the gatekeeper obligations. However, there seems to be an imbalance between the different thresholds. For example, it is likely this 10K business user threshold applies to SMEs that are in a completely different playing field than larger players that meet the turnover (€6.5B over the last 3 years) or market cap (€65B) thresholds. It therefore becomes uncertain what type of companies will fall within the gatekeeper definition in the end.

Although HousingAnywhere perceives some legal uncertainties associated with the designation of gatekeepers in the DMA, this does not hinder their ambitions to grow further. On the contrary, Djordy believes that: **"We can strengthen our value proposition by being a gatekeeper"** since the gatekeeper functions have elements that HousingAnywhere plan to build on their platform anyway. Similarly, the M&A notifications are also not perceived as threats that will limit investment opportunities for the scaleup.

Data sharing

By limiting vendor lock-in with its data sharing obligations, the DMA is good for competition. Data should only be shared with legitimate users, however, which is subjective and open to interpretation. On the one hand, open access to data can be beneficial for improving a value proposition by providing the opportunity to improve a platform's offering. On the other hand, ensuring data interoperability is costly. Platform companies can spend decades and millions of euros building up a portfolio. Djordy highlighted that: "This is a networks business with network effects. The value sits in the network and it takes a lot of time to build that network. By its nature, it builds a competitive advantage and it becomes more valuable to the user because of it."

It would be therefore be valuable if gatekeepers are obliged to only share aggregated information and high-level data, rather than on a granular level. Like many other successful platforms, HousingAnywhere developed a search ranking algorithm. It took the scaleup a great deal of time and money in order to understand exactly how it works best for their users. Djordy believes that: "To be 100% transparent about how our search ranking algorithm works, would mean a piece of intellectual property is basically being expropriated on." As such, the DMA could facilitate legal expropriation when data is central intellectual property that contributes to a platform's competitiveness.

Djordy highlights that: **"You can try to anonymise data, but that does not always**

mean you remain anonymous. There are always other data sources that you can tap into to find out more information.” At the same time, concerns about digital security and privacy might lead to excluding key customer segments of a platform. Djordy explains that: “We can, of course, think of this data sharing as something that can help us in terms of better functioning markets, more transparency, more trust that we can create, etc., but there is a significant group of people that doesn't want to participate in platforms that are enforced to share this sort of data, which basically means we're shutting them out of the market entirely.”

Tying, bundling and self-preferencing

For those designated as gatekeepers, it is important to be able to account for the costs necessary to not only deliver the data requested, but also to cut through all the red tape in order to ensure that activities are not deemed anti-competitive by the DMA. The obligations relating to tying, bundling and self-preferencing is a complex part of the legislation that is difficult to monitor and enforce, which can lead to unlevel playing field if not properly enforced. Several platforms with high growth potential might try not to be gatekeeper, which is detrimental to the very ambitions of the DMA to provide opportunities for smaller players.

Conclusion

In general, HousingAnywhere is positive about the DMA and welcomes the European Commission's efforts to create a fairer landscape in the platform economy.

“I'm very much in favour of the spirit of the DMA. I think it is a proper display of how European values can contribute to a fairer digital world.” - Djordy Seelmann, HousingAnywhere CEO

However, the DMA should be more mindful of the gatekeeper thresholds and pay attention to minimizing the legal uncertainties to avoid affecting companies without the capacities to fulfil the gatekeeper obligations. Specific attention should be paid to the enforcement of the DMA too. Djordy highlights that: “It is very important that we uniformly apply this legislation across Europe. Otherwise, there could be unfair competition between member states.”

Djordy recognises that self-preferencing and algorithmic bias should be prohibited while practices such as tying and bundling can become anti-competitive and should be prevented. However, the DMA must be very careful when drawing the line as integrating complementary services can indeed improve a platform's value proposition. Alternatively, Djordy proposes **transparency instead of prohibition**, i.e. letting users know when products and services are tied/bundled together and giving users the **option to disable** these types of practices on the platform. In this way, platforms can stay pro-customer and still compete in a fair manner.

Advertising

Although transparency is beneficial for the advertising industry, with too much transparency, HousingAnywhere could lose some of its competitive advantage as public pricing knowledge would remove negotiation from their advertising process. Nevertheless, HousingAnywhere is not too dependent on advertising and has been working on making their sales less and less influenced by it. The DMA obligations relating to advertising are therefore not as relevant for this scaleup specifically.



Founded in 2020, Renoon is a digital window, destination and community already guiding thousands of members in their sustainability journey. This startup connects conscious consumers with multitude of brands and platforms to simplify and enrich the experience of combining style with sustainability values. Iris Skrami, co-founder and CEO, spoke with us about the potential implications of the DMA on her startup.

Gatekeeper notifications

As a young pre-seed stage startup (less than two years old), Iris does not see an immediate impact of the DMA on Renoon since the gatekeeper thresholds are not relevant for its current trajectory. Only once they start to scale up their seed, Renoon might encounter potential bottlenecks in its growth phase. However, given that the startup aims to grow to an IPO or follow a buyout in its later stages, there might be a potential impact of the DMA on Renoon's **exit strategy**. In the end, it will be dependent on the investment fund's agenda once the startup reaches that point. Yet, the option for buyout could become less attractive.

Data sharing

Renoon sees the benefits of data openness. In fact, the startup is already sharing the data they collect about their consumers to the brands and platforms that they work with. Iris believes also that these set of obligations in the DMA would be beneficial for Renoon, especially the possibility to combine data. As business users of gatekeepers, with access to relevant user data, newer platforms can benefit by offering a more seamless user experience since (after consent) their users will not have to re-enter their personal information and preferences. According to Iris: **"It would not only create a better, more competitive ecosystem, but it would also**

create a better experience for the end user. It means a platform like ours would thrive even more because we would be able to, for example, save some of the user preferences on Renoon. That would then automatically apply to other platforms that we work with, which is difficult to do at the moment."

Tying, bundling & self-preferencing

As a market player bringing sustainable companies together, Renoon facilitates a supportive business environment. Iris believes that anti-competitive practices such as tying, bundling and self-preferencing are unethical and the **prohibition of such practices**, as proposed in the DMA, **would benefit the business environment.**

Advertising

Renoon is currently targeting its early adopters. The DMA obligations that encourage more transparency in the advertising industry could help platform startups in a similar early stage to **more efficiently find the right target audience with access to relevant advertising data.** Iris explains: "It would actually be quite problematic if advertisers were to close off data from the platform economy, especially for startups as it's an easy way to acquire users when you don't have an extensive marketing team to actively promote the platform."

Conclusion

Overall, Renoon does not perceive any immediate threats to their growth trajectory as a result of the DMA. At the same time, there are no direct positive effects for the startup either. Iris suggests more incentives to facilitate relationships between smaller and larger companies: *"Instead of blocking where and how it can actually grow, a compulsory giveback scheme for large multi-brand gatekeepers to smaller players would be more impactful."*





Founded in 2011, Roamler provides businesses with B2B crowd-based solutions, answering the call of companies for efficiency with widespread, on-demand professionals and individuals. These "Roamlers" are recruited, trained, and organised according to their skills, experience, and location, and then matched to "tasks." We spoke to Wiggert de Haan, CIO and founder of Roamler, to hear about this scaleup's perspective on the DMA.

Gatekeeper notifications

The gatekeeper thresholds defined in the DMA matches the growth ambitions of Roamler in the future and M&As are an important part of their growth strategy since scale helps with moving forward in their markets. Nevertheless, Wiggert explains that: "With every part of growth, there will be a new challenge". As such, Roamler's plans would be to dedicate a professional in the organisation to manage compliance to the DMA obligations if and when they reach these thresholds. Although Wiggert acknowledges that it is important to prevent concentration, he also highlights that: **"it is crucial to consider the size of the market before breaking it up."**

Data sharing

Roamler believes in the value of data sharing (to improve healthcare administration systems, for example) and they are already supporting

initiatives in their ecosystem for this. However, opening up is only valuable to a certain extent as **data is a key asset** and also gives them their competitive edge.

Tying, bundling & self-preferencing

The set of obligations prohibiting practices such as tying, bundling and self-preferencing could jeopardise the frictionless experience of platform users. However, it is considered to be less of a threat to Roamler than the data sharing since these practices are not relevant for their current business activities.

Advertising

Although Roamler is not that dependent on online advertising, Wiggert recognises that it would be beneficial to have more transparency in the large industry dominated by a few large players.

Conclusion

In general, Roamler does not perceive any immediate impact of the DMA on their company. Nevertheless, Wiggert appreciates that the DMA does present clear opportunities for startups interested in innovating in the platform economy.

"We like to think in terms of opportunities, rather than problems that we may encounter in the future." - Wiggert de Haan, CIO and founder of Roamler

Flexible Resourcing for your business





magnet.me

Magnet.me is an innovative online careers network for students and young professionals with up to 7 years of work experience. The platform enables jobseekers to find the right internship, traineeship or job and directly connect with over 5,000 employers. Simultaneously, Magnet.me allows employers to easily discover and find qualified applicants for their internships and jobs. We spoke with co-founder and MD of Magnet.me, Laurens van Nues to hear this scaleup's perspective on the DMA.

Gatekeeper notifications

Laurens highlights that players in the platform economy are dependent on gatekeepers with a large reach: "It is a fact that you are constrained to a number of platforms with large reach and you have to make that work somehow or go around them, which is always difficult. Therefore, I do think regulation makes sense to some extent." However, Laurens explained that the DMA is not something that Magnet.me has been conscious of or focused on since it will take several years for them to grow to the gatekeeper thresholds. It is critical for these **thresholds to stay high enough** though. Otherwise, gatekeepers' monopoly positions might be strengthened if smaller companies also need to comply. Nevertheless, it raises some interesting philosophical and ethical considerations for the platform economy by only limiting the activities of larger players.

Data sharing

Access to data (market trends, for example) from gatekeepers could significantly **speed up Magnet.me's growth and benefit their product development**. With portability from larger platforms that allows job seeker profiles and job posts from employers to be easily transferable to Magnet.me, the **user experience can be improved** (by saving time creating profiles and job posts). According to Laurens, the data sharing obligations can stimulate more

competition in the platform economy and fits with the scaleup's core values: "Remember who it's all for (our users)" and "Be open".

Tying, bundling & self-preferencing

The nature of Magnet.me's offering does not require the implementation of such practices. Nevertheless, Laurens recognises that **practices such as tying and bundling can be beneficial** for the platform economy in general by creating synergies between different products on a platform (enhancing **user experience**) and **optimising revenue**. At the same time, it makes sense to prohibit such practices **in certain cases**, for example when self-preferencing clearly hurts competition. Although it is important to take a tailored approach and carefully consider each case, Laurens understands why the DMA would prohibit such practices for gatekeepers in the abovementioned thresholds in order to create space for smaller players to compete in the platform economy.

Advertising

More transparency in the advertising industry can contribute to **more effective marketing-related decisions**, according to Laurens. However, Magnet.me's advertising efforts are focused on SEO and referrals, which means the DMA implications relating to advertising are currently not relevant for the scaleup.

Conclusion

Overall, Magnet.me welcomes the European Commission's efforts to create a fairer landscape for startups and scaleups to compete in. As long as the thresholds stay high enough and if the legislators keep in mind a global perspective, then the DMA has the potential to contribute to a more competitive platform economy.

"In general, anything legislation-wise that makes it easier for European and Dutch startups and scaleups to compete is something that we applaud – especially internationally since we should not underestimate the global scale of competition."

- Laurens van Nues, co-founder & MD of Magnet.me.



DASHMOTE

Dashmote builds end-to-end AI solutions that allow innovators to fully understand data and unlock its power. Since 2014, this scaleup has been providing global brands with computer vision-based services and helping enterprises across a variety of industries to better connect with the market around them and, therefore, with their customers. Dennis Tan, CEO and co-founder of Dashmote, shared his perspective about the potential implications of the DMA for this fast-growing company.

Gatekeeper notifications

As a Top250 Scaleup operating in multiple international markets including China and the US, Dennis emphasised the advantages of the European market when there are clearly defined rules. Regulation can sometimes be empowering for market players in the platform economy. As such, it is important to know what is and what is not allowed. It is therefore understandable for Dennis why the DMA designates gatekeepers only based on 3 criteria – to keep things simple and easy to read. However, this leaves more room for interpretation and it can become easy for companies to play with the numbers to not qualify.

At the same time, without sufficient awareness of the implications of the DMA, companies can also unintentionally 'cross the line'. In Dennis' words: "Majority of entrepreneurs (in the Western world) are a fan of less rules rather than more rules. I'm on the other side: I think more rules are actually better and empower innovation. I hope other companies in this space, however, familiarise themselves with this regulation as it's easy to (unintentionally) cross the lines."

Data sharing

Dennis believes that the democratisation of data allows for more possibilities for companies to enter the market and does benefit competition overall. However, he also highlights the importance of the type of data that is shared in the end: "Data by itself is useless. It's not so

much about data accessibility, but more about whether the data is usable or cleanable." The DMA can therefore benefit Dashmote if it can help the scaleup access valuable data to enter new markets, for example. In addition, the DMA can save Dashmote some time when combining datasets from different platforms through standardisation protocols. Overall, in theory, there is potential for the DMA's data sharing obligations to shift the playing field and give an opportunity to smaller players in the platform economy.

Tying, bundling & self-preferencing

The prohibitions in the DMA regarding practices such as tying, bundling and self-preferencing are good for competition by lowering switching costs and lock-in effects, according to Dennis. However, in practice, it can only be impactful to the extent of its execution such that gatekeepers are unable to circumvent these obligations.

Advertising

The potential implications of the DMA relating to advertising are not directly relevant for Dashmote since their sales are not through online ads. Nevertheless, Dennis expresses that it could be problematic for "in-between parties" that help companies with their advertisements: "There are many agencies and services, which other companies are dependent on for their advertising, that sell these numbers." These advertising services will have to adapt their business models to survive the implications of the DMA.

Conclusion

In the end, the DMA mostly applies to American gatekeeper companies in order to give more space for European companies to grow. However, Dennis cautions the legislators to avoid preventing European companies to grow to the size of a gatekeeper since it is also important to keep in mind the value that European gatekeepers can bring to the platform economy.

"The EU has always been reactive rather than proactive when it comes to regulation. Before the digital age, there was more time to set up the regulations but the rapidly changing markets in today's world requires legislators to think ahead and the DMA is a good starting point for this."

- Dennis Tan, CEO and cofounder of Dashmote.



4. Discussion and Conclusions

Network effects are inextricably a part of, and can bring success to, the platform economy. However, due to the economic characteristics that larger companies can take advantage of (such as network effects), it is clear that startups and scaleups face a myriad of difficulties when scaling in the platform economy. One of the intended benefits of the DMA is to create more opportunities for smaller players to compete in order to overcome these difficulties. At the same time, by constraining network effects, there could be unintended negative effects of the DMA on scaling in the platform economy. The main findings that from this qualitative research study are summarised in this concluding section.⁴

4.1. Discussion

Gatekeeper notifications

The results of this study highlight that **clear definitions are critical** for the DMA to ensure a more competitive platform economy for startups and scaleups to grow. The DMA should only capture the handful of platforms that are really strong. There is a concern that many companies that are not necessarily in the position of a dominant gatekeeper may (unintentionally) fall within the DMA thresholds. This is because type of market and sector that platforms operate in matters. The thresholds indicated in the DMA may not reflect the same type of dominance of any given market. Eli (Origin) and Wiggert (Roamlr), for example, voiced their concerns about the importance of the DMA taking into consideration the size and age of the markets before designating the gatekeepers.

Market dynamics are therefore important to take into consideration. Some of the startups and scaleups interviewed in this study raised the concern that the DMA could mean that the market dynamics in Europe would become more difficult to navigate when compared to the US. Bram Kaashoek, Managing Director Market Intelligence & Performance Excellence at Main Capital Partners, highlights that the large enterprise software players in Europe are usually vertically dominant and thereby tailored to a specific niche market. This makes European players less visible than players originating from the US that have the advantage of a large domestic reach, which makes it easier to scale horizontally across multiple markets and take on a gatekeeping role. Dr. Inge Graef, Associate Professor of Competition Law at Tilburg University, suggests that the Commission considers an additional condition in the DMA thresholds designing a gatekeeper: whether the online platform is active in more than one market. In this way, competition within the value chain is also taken into consideration and business users (that are often dependent on gatekeepers) have more room to compete in the platform economy. With

⁴ These conclusions are drawn from 13 qualitative interviews: 10 startups/scaleups and 3 field experts. The insights therefore reflect a small sample of the Dutch population of startups and scaleups in the platform economy. Further research is necessary to draw more definitive conclusions.

a smaller scope that only covers the really large and dominant gatekeepers, it will also be more efficient for the European Commission to apply all of the DMA obligations in order to make an impact and shift the market power.

As with any new legislation, the results indicate that there are indeed legal uncertainties associated with the DMA proposal. The startups and scaleups interviewed recognise that if they were to reach the thresholds and become a gatekeeper, there will be bureaucratic red tape involved in the process. Some respondents claim that they will probably need to dedicate an expert or team to understand the legal implications of the DMA for their business as they did for the General Data Protection Regulation (GDPR). Despite this, there is no clear consensus on whether the growth ambitions of startups and scaleups in the platform economy will be affected by the DMA. Some startups and scaleups indicated that they might adjust their exit strategies accordingly once they are close to reaching the gatekeeper thresholds. In the case of HousingAnywhere, notwithstanding the initial difficulties and uncertainties, having to possibly comply with the DMA might even turn into a potential new value proposition towards their business users. In general, though, when thresholds are considered to be “high enough” and too far away from the growth path of the interviewed startups/scaleups, entrepreneurs do recognise a potential threat, but do not see it as directly affecting their growth ambitions. Accordingly, while all of them have heard of the DMA, more knowledge and information around this new legislation could help these companies better realise the potential implications the Act might have on their business.

Data sharing

Data is central to the platform economy. Although this study confirms that a more open and cooperative platform economy would improve the competitive landscape for smaller players, **the nature and level of openness** is indeed a sensitive topic, especially for companies that build and clean their dataset themselves.

“This is a networks business with network effects. The value sits in the network and it takes a lot of time to build that network. By its nature, it builds a competitive advantage and it becomes more valuable to the user because of it.”

- Djordy Seelmann, HousingAnywhere CEO

The success of startups and scaleups in the platform economy hinges on leveraging network effects, which is data-dependent. As such, some of the interviewed startups and scaleups would be hesitant to share their data once they reach the position of a gatekeeper, especially since ensuring the interoperability and portability of data would entail additional costs. Additional evidence from an earlier study⁵ indicates that if the regulatory burden is sufficiently large, some

⁵ A study by Oxera for Allied for Startups:

<https://alliedforstartups.org/wp-content/uploads/2020/10/Impact-of-DSA-on-EU-business-policy-paper-2020-10-23.pdf>

platforms may be forced to change their behaviour to reduce admin costs. At the same time, however, startups and scaleups are dependent on tech giants, which means guidelines relating to data sharing that gatekeepers set are therefore directly related to their development. For example, Notificare, a Customer Engagement Platform startup, was affected (along with other market players) by a large gatekeeper's decision to block all IP addresses on the platform. This directly impacted their email systems, app push notifications and location-based services, for instance.⁶

Although scaleups that are closer to the gatekeeper thresholds voiced concerns that they may lose their competitive edge by sharing their data, there is no clear evidence from the perspective of platform startups and scaleups that the DMA may impose privacy and digital security concerns. On the contrary, it is clear that privacy and data sharing can exist simultaneously – especially since digital security and privacy concerns relating to the DMA can be covered by the provisions of other European legislations, e.g. GDPR. According to Laurens van Nues, co-founder and Managing Director of Magnet.me: “The technology is already there to limit digital security and privacy concerns.” Furthermore, it is often in the commercial interest of large gatekeeping platforms to withhold data and with the DMA in place, they will no longer be able to use ‘the privacy excuse’ not to share their data. This gives an opportunity to promising scaleups like Ticketswap, that have encountered problems accessing valuable data from gatekeeper platforms, to grow further.⁷

Tying, bundling & self-preferencing

It is clear that practices such as tying, bundling and self-preferencing **cannot be deemed anti-competitive as such**. From the consumers perspective, such practices can even benefit the platform economy. In Origin's case, for example, the platform economy can offer more environmentally-friendly solutions with the opportunity to use self-preferencing algorithms. EU Policy Director at Allied for Startups, Benedikt Blomeyer, highlights that: “Startups and scaleups are more consumer-focused than ever”. If there is a consumer need or desire for products to be tied and bundled together, it would be beneficial for users of the platform economy if the spillover effects of such practices could be taken into account instead of a blanket prohibition. In addition, it is important take into consideration that a level of consistency would also benefit the platform economy. Robert Leefmans, founder and CEO of Notificare highlighted the example of every website publisher currently having the responsibility to set up a cookie tracker, while it would be more efficient if there was a way for the few active browsers to create a unified system. This type of alignment can improve the potential user experience side effects of the DMA obligations.

⁶ Based on an interview with Robert Leefmans, co-founder and CEO of Notificare.

⁷ Based on an interview with Mark Jager, CFO of Ticketswap, we found that a gatekeeper had the power to revoke the scaleup's access to valuable (events-related) data.

On the other hand, prohibiting practices such as tying, bundling and self-preferencing may also be beneficial for the platform economy. Several startups and scaleups (Clickdrive, Dashmote, HousingAnywhere, Magnet.me, Renoon and Sendcloud) recognise that such practices can indeed create an unlevel playing field. From the perspective of protecting the economic dependence of a business user, rather than a purely competition perspective, Dr. Inge Graef explains that the DMA also has other policy objectives (e.g. fairness) beyond purely economic effects in mind with these set of obligations. Overall, it is difficult to extrapolate the potential impact that the DMA may have on startups and scaleups in the platform economy regarding this topic due to the peculiarities involved with each of these practices for different types of companies.

Advertising

There is some consensus that more transparency in the online advertising industry would benefit the platform economy overall. At the startup phase, it is especially important to leverage the potential opportunities that the DMA may offer to smaller players. For example, the online advertising initiatives of Clickdrive (that helped the startup gain customers) was blocked on major gatekeeping platforms.⁸ This had a direct impact on the growth and progress of this startup since it cost the small team time and money to figure out how to get back on these platforms. However, at a later stage in the growth trajectory, companies do not want to rely on online advertising initiatives and as such, do not perceive an impact of these set of DMA obligations. Overall, the obligations relating to advertising seem to only impact ad-dependent startups and scaleups **without strong implications for improving advertising industry.**

Enforcement

A final critical element that emerged from this study concerns how the DMA will be enforced. Without careful enforcement, setting up a well-structured legislation is ineffective and can even be counter-productive. For example, Dennis (Dashmote) and Robert (Notificare) both revealed that there is space for improvement in the enforcement of the cookie regulation despite its good intentions. Moreover, the current way in which the DMA is drafted gives the European Commission exclusive control over enforcement. Many interviewed startups and scaleups were not aware of the DMA proposal. This implies that there is a distance between startups and scaleups and the Commission, which might mean that they can be wary to approach the Commission with a concern about gatekeepers. To address this, Dr. Inge Graef recommends a larger role for national authorities: "I think we need something at the national level in all Member States – for instance, a forum where SMEs can file a complaint or can just have an informal talk with officials at the national authority about a concern they have". In this way, it would be more effective for SMEs to reach the European Commission. This might also help identify and deal with the possible red tape effects of the DMA in a more efficient and effective way.

⁸ Based on an interview with Roel Bloys van Treslong, CFO of Clickdrive.

However, **fragmentation across the European Union** was also a common theme that emerged from the research. Benedikt Blomeyer (EU Policy Director at Allied for Startups) expresses that “There is a potential if we make common rules for our single market to get it right, but if start fragmenting then we are making it particularly hard for startups to challenge big players.” Several startup and scaleup interviewees indeed voiced their concern about an effective and homogenous enforcement of the DMA across all EU Member States. On top of that, it was highlighted by several (startup, scaleup and expert) interviewees that Member States can still take separate measures on top or alongside the DMA. Bram Kaashoek (Main Capital Partners) specifically questions how it will lead to local laws and regulations and how it will impact the markets in the end. In addition, Bram emphasises the importance of cultural factors at play. Most gatekeepers that the DMA will target originate from the US market. The entrepreneurial culture and spirit (mostly inspired by Silicon Valley) within the US greatly contrasts the more risk-averse European market and these cultural differences often influence the playing field in the platform economy.

4.2. Summary of findings: impact of DMA on startups and scaleups

Hypothesis	DMA obligations relating to:	Findings from interviews
1	Gatekeeper notifications	<ul style="list-style-type: none"> • A degree of (legal) uncertainty associated with the relevance of the DMA; • Lack of awareness from startups and scaleups concerning the DMA's implications; • No evident negative effect on growth ambitions perceived by startups/scaleups (yet) when thresholds are considered “high enough” and too far away.
2	Data sharing	<ul style="list-style-type: none"> • Access to data is valuable for the growth of any player in the platform economy; • More data sharing is therefore generally positive. However, sharing (proprietary) data can threaten the competitive advantage of platform companies.
3	Tying, bundling and self-preferencing	<ul style="list-style-type: none"> • Tying, bundling and self-preferencing are not necessarily harmful for the platform economy; • A prohibition could help competition, but can also have unintended negative consequences on scaling since it can improve the quality of platform services.
4	Advertising	<ul style="list-style-type: none"> • More transparency in the advertising industry is welcomed by startups and scaleups; • At the startup phase, where advertising is important to target first customers, it is important to ensure that smaller players in the platform economy can leverage the benefits of well-targeted adverts; • These set of implications seem to be the least impactful.

4.3. Conclusions

The DMA could potentially be a game-changer in the platform economy. However, not all startups and scaleups are aware of the potential implications of the proposed legislation, despite the considerable impact it can have on smaller market players. If startups and scaleups are not sufficiently informed about the potential implications of the DMA on their companies, there could be unintended negative consequences. Without an adequate understanding of the DMA, startups and scaleups are also unable to benefit from it. In order to minimise the potential negative consequences on smaller players and to ensure that the intentions of the DMA are met, it is crucial to account for the input of startups and scaleups. It would therefore be useful for legislators to involve the perspective of smaller players in policymaking and thereby improve the awareness and understanding about the legislation in the community of startups and scaleups.

"Majority of entrepreneurs (in the Western world) are a fan of less rules rather than more rules. I'm on the other side: I think more rules are actually better and empower innovation. I hope other companies in this space, however, familiarise themselves with this regulation as it's easy to (unintentionally) cross the lines." - Dennis Tan, CEO and co-founder of Dashmote.

It appears that some kind of regulation in the digital platform economy is needed in the European Single Market. However, the DMA is not the only piece of legislation that sets out to fulfil this need, and it is therefore important to keep in mind that there are other laws, rules and regulations that will run parallel to the DMA (e.g. GDPR and the proposed Data Governance Act). If they are able to complement each other and work to strengthen the values of the DMA and overcome its potential shortcomings, then the platform economy can be improved to foster the growth of startups and scaleups. Overall, the DMA's intentions to ensure fair and open digital markets in the European Union have tremendous potential to improve the competitiveness of the platform economy. However, there are diverse sets of actors operating in overlapping markets, which brings complex and interconnected ecosystems within the platform economy. This is a key consideration for policymakers. In the words of Benedikt Blomeyer, EU Policy Director at Allied for Startups: "In this process of having interconnected ecosystems, startups can become customers, complements or competitors of established players, including big tech. There is kind of this chasm in the DMA, that it's big tech versus the rest, and it probably doesn't do justice to the interconnectedness of the ecosystem."

In conclusion, the platform economy calls for a more tailored (policy) approach. This should be considerate of the voices of European entrepreneurs too, instead of policy-making based on generalisations drawn from a few extreme cases. By paying attention to the needs of and differences between the smaller players in the platform ecosystem, the DMA can have the potential to positively impact startups and scaleups and thereby contribute to a more competitive platform economy.

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Appendix

List of Interviewees

No.	Name	Position	Company/organisation	Type of company/interviewee
1	Dennis Tan	CEO / co-founder	Dashmote	Scaleup
2	Djordy Seelman	CEO	HousingAnywhere	Scaleup
3	Eli Bressert	CEO / co-founder	Origin	Startup
4	Iris Skrami	CEO / co-founder	Renoon	Startup
5	Laurens van Nues	CEO / co-founder	Magnet.me	Scaleup
6	Mark Jager	CFO	Ticketswap	Scaleup
7	Rob van den Heuvel	CEO / co-founder	Sendcloud	Scaleup
8	Robert Leefmans	CEO / co-founder	Notificare	Startup
9	Roel Bloys van Treslong	CFO	Clickdrive	Startup
10	Wiggert de Haan	CIO / founder	Roamlar	Scaleup
11	Benedikt Blomeyer	EU Policy Director	Allied for Startups	Field expert
12	Dr. Inge Graef	Associate Professor of Competition Law	Tilburg University	Field expert
13	Bram Kaashoek	Managing Director Market Intelligence & Performance Excellence	Main Capital Partners	Field expert

Interview template for startups and scaleups

Introduction:

- Please can you share a short introduction your about company. What type of online platform do you offer? Who are your business users and end users (customers)?
- Are you familiar with the DMA? [+ brief explanation of the research approach: 4 groups of obligations]

General questions:

- Was it easy to enter your market? Do you believe that there is a level playing field in your market? Did any existing or non-existing legislation help your company grow/hinder your growth?
- What are your growth ambitions as a founder of the company and for the company itself? What challenges do you face in scaling up your platform and bringing it to the next stage? Attracting investors to grow further? Do network effect and market reach play a large role in convincing investors?
- What type of support do you expect/wish to see from the local, regional, national and international (EU) government to help your startup/scaleup grow further?

Hypothesis-specific questions:

1. How clear are the rules introduced by the DMA for your company? How about their potential impact (including positive and negative effects) on your company and, more specifically, on your **growth ambitions**? Based on your impression of the DMA, do you believe that it poses some **legal uncertainties** and bureaucratic **red tape**?
 - If yes: would that hinder your **growth ambitions**? In what way?
If yes: how? Would it affect your **investment prospects**?
 - If no: why not? Do you think that it would affect your growth ambitions or investment prospects in any way?
 - Do you already have experience with merging with and/or acquiring other companies? How important is the possibility of being acquired? How would the new rules introduced by the DMA would affect that?
2. How would you feel if you had to open up your platform and **share your data** with various stakeholders?
 - a. Would it help **stimulate more competition** in your market? If you were to have more access to data from larger players, would that benefit your

- startup/scaleup in any way? Do you have experience with doing that already with current partners/competitors?
- b. Would your end users face **digital security & privacy concerns**? (since they will, for e.g., have to consent to having their personal data collected from other services as well)
3. What is your opinion about practices such as **tying, bundling and self-preferencing** in online platforms?
- If yes: how would the DMA's limits to these practices affect you?
 - a. Would it be beneficial for startups/scaleups if so-called gatekeepers were to be prohibited from such practices? E.g. provide **more room for competition**?
 - b. Do you think there is a benefit to such practices? E.g. does it help with **quality control**, providing a **more seamless UX** and **better customer relationships**?
4. What is your relationship with advertisers/publishers? Do you think that **more cooperation** is necessary in the **advertising industry**? Do you think you'll benefit if there was more **transparency** (as proposed in the DMA)?
- a. Bigger companies could not be able to run as effective ads (since the DMA subjects gatekeepers to lower service levels via data sharing obligations for e.g.), would that be an issue for you?
 - b. How dependent is your growth on online advertising? Would a possible limitation or ban of online advertisements be a barrier to growth or your business in general?

Wrap-up: Anything else you'd like to mention about scaling up in the platform economy (policy-wise)?