Application Developers Alliance

Public Comments of the Application Developers Alliance on
Sharing Economy Workshop Project No. P15-1200
August 4, 2015

I. Introduction

The Application Developers Alliance (the "Alliance") writes to address the benefits of the sharing economy, including the vital role of app developers, the current state of competition, and to urge the FTC to encourage continued growth in the sharing space.

The Alliance is an industry association that supports software developers as creators, innovators, and entrepreneurs. Our membership includes nearly 200 corporate members and 38,000 individual members, many of whom create for and participate in the sharing economy.

II. The Sharing Economy is Good for the Economy, Consumers, and App Developers

There are few areas growing as quickly and creating as many opportunities as the sharing economy. The term appeared in our vocabulary just a decade ago, but has transformed the way we catch a ride, find a place to stay, borrow tools, and more. Consumers appreciate the convenience and choices new services, such as Lyft and Airbnb provide, and these peer-to-peer platforms have created new revenue streams for individuals seeking to provide their services through app platforms.

Like age-old markets and bazaars that connected providers with customers, the concept of sharing and using platforms to connect buyers and sellers is not new. It has however, been revolutionized by new technologies, such as apps.

Apps enable the exchange of goods and services at a scale never seen before. Apps are solving complex matching problems, and transforming a long-used and largely static business model. Unlike predecessors who used brick and mortar stores to facilitate exchange, apps exchange value produced by a broad and dispersed network of individuals.

The benefits of scalable peer-to-peer offerings extend to every party: consumers, individuals offering services, and importantly, app developers. Consumers can conduct inexpensive searches for specific products or services tailored to their needs. For example, consumers might search Etsy.com for customized clothing or crafts, and can bargain with multiple vendors. Similarly, providers are better able to find customers who need their services or products through easy to use apps. Lyft drivers, for example, turn on their Lyft app to find consumers in need of a ride.

Finally, none of this would be possible without the ingenuity of app developers who are not only carving out their own livelihoods, but also helping to lower costs and increase options for consumers. Developers build the platforms these successful sharing companies are built on. They are responsible for the easy-to-use interface that consumers and providers engage with. While using an app is meant to be simple, the algorithms and software behind the app are complex and driven by talented developers.

Notably, developers are also building critical updates that enhance user experiences. By analyzing user feedback, developers may modify their apps creating novel features consumers demand, or add features that may address user needs related to data usage for example. These clear benefits of the sharing economy demonstrate the importance of encouraging growth within this sector.

III. Consumer Trust is Critical to the Success of the Sharing Economy

Whether apps facilitate trust through feedback mechanisms or by building in security features, regulators should avoid prescriptive rules, and instead encourage companies and developers to continue to create innovative features that facilitate trust.

App developers play a critical role in building consumer trust by creating reputational mechanisms for buyers and sellers. As discussed at the workshop, consumers use these tools to report their experiences – good and bad – in real time through their apps. This allows consumers to evaluate their options and choose products and services based on the experiences of previous consumers. Feedback like this only increases consumers' chances of making informed decisions when purchasing products or services.

Other concerns about sharing companies that affect consumer trust, such as safety and scams, are often policed by the nature of the technology. Because ridesharing services, for example, identify passengers and drivers and no cash is ever exchanged, drivers and passengers are less likely to be the victims of violent crime.[1] Similarly, geolocation technologies enable consumers to identify the quickest route between pickup and drop-off points, allowing them to hold the driver accountable to the most efficient route. If problems still exist, users can report problems immediately to the sharing company, which can take appropriate action.

Paradoxically, many features in apps that result in greater consumer safety and trust in one way, may generate concerns about data collection in another. The FTC and State Attorneys General already monitor and bring enforcement actions for data practices that result in harm to consumers. What fails to make headlines though, is how businesses and app developers facilitate user trust by building privacy and data security into their products and service offerings.

Businesses know trust is fundamental to success. Lending Club Corporation for example, is a peer-to-peer lending company that uses personal and financial information to determine creditworthiness. The personal information of the borrower and lender is de-identified to protect both parties. Lending Club also secures this information by, among other measures, limiting

[1] Matthew Feeney, *Is Ridesharing Safe?,* Cato Inst. Policy Analysis no. 767, (January 27,

employee access to data and using encryption. Without these data protections, users will choose to opt out of such services. Regulators should encourage companies to create data options that provide meaningful choices and protections for consumers, and avoid burdensome and inflexible data regulations.

The Commission should also remember that market factors can change. Should a feature of the sharing economy disadvantage consumers in the future, companies are not stuck with a stagnant product. To the contrary, app developers and innovative businesses know as new trends unfold their business and technologies must evolve with them. Regulators should allow the market to correct itself and address any resulting consumer harm with narrowly tailored enforcement actions that address specific violations, without hindering other companies.

IV. The FTC Should Encourage the Thriving and Competitive App Marketplace

Unlike some incumbent industries that use regulatory policies to gain and maintain market dominance, competition in the app ecosystem is thriving. At the FTC's June workshop, some panelists expressed concern that the economy will move from one dominant market player to another. That narrative is incorrect because it fails to consider how apps and data collection facilitate increased competition and greater consumer choice.

Apps are fueling competition in the sharing economy and beyond. There are few barriers to entry to build an app. Creating an app is inexpensive, does not require customer data prior to its creation, and can be quickly accessed by millions of potential users. While data is easy to obtain, the freedom to use the data makes the difference between an app that becomes widely adopted and one that gets lost in the app store. Even a small amount of data can be very powerful, enabling startups to compete with large firms with vast amounts of data. Small businesses may not be able to compete with larger companies on traditional marketing, but they can compete by understanding their own data and making customer-centric improvements that drive growth.

Competition therefore, is built into the app ecosystem. Snapchat for example, was created without any users and faced competition from well-known competitors. By offering an innovative product and over time using consumer data to generate new offerings, such as filters and live streaming content, Snapchat was able to offer consumers a new choice for messaging. This demonstrates the importance of data innovation to small companies whose next generation of products and services are integral to competing with more established companies.

Additionally, new peer-to-peer businesses offer more choices for consumers without necessarily replacing incumbent companies. In the lending space, companies such as Funding Circle, TransferWise, LendingClub, and Prosper all connect lenders and borrowers who need funding for small businesses. Many borrowers may search for lenders from multiple sites to identify the most advantageous deal, and still consider a traditional bank loan. In other words, the success of lending companies is not at the expense of traditional banks. Borrowers can choose which service to use based on convenience, price, terms, and other factors.

With so many clear benefits to a broad constituency, incumbent industries should be prohibited from receiving preferential treatment that would limit needed competition. The FTC should continue to work with state and local policymakers to preserve competition and prohibit overly burdensome barriers to marketplace entry. A marketplace where traditional services compete with new market entrants means more choices for consumers, more job opportunities for providers and developers, and overall increased economic growth.

The FTC should remember that sharing companies also encourage innovations by existing industries, encouraging competition across sectors. The introduction of new ridesharing services is transforming the previously static taxi industry. For example, Lyft and Uber have created an environment where taxis are forced to provide more convenient service and improve driver and vehicle quality in order to compete. Because consumers have more choices for transportation services, many taxi companies are using apps to engage with customers and provide services competitive with ridesharing companies. This benefits all parties in the sharing ecosystem by offering more choices for consumers, more opportunities for developers, and increased economic growth.

Unfortunately, some policymakers are demonstrating their willingness to protect existing industries. In New York City for example, the New York Taxi and Limousine Commission (TLC) proposed rules that would require approval of all ridesharing app upgrades. The Alliance[2], ridesharing drivers, and other stakeholders expressed the problems with this proposal to the TLC, including the negative impact this would have on consumers. Fortunately, the TLC voted and approved revised rules without the upgrade provision. However, other measures meant to protect entrenched industry such as caps for the number of for-hire vehicle licenses, still persist.

These types of proposals are not uncommon, and the FTC should continue to work with state regulators and when necessary prevent protectionist local regulations that negatively impact competition.

V. Conclusion

The benefits of the sharing economy extend to all people and facets of the economy. While the FTC can play a valuable role in protecting consumers from those that would abuse the system, the Commission should also remember the role it can play in protecting competition from incumbent industries and protectionist policies.

/s/
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[2] Michelle Lease, *Is Catching a Ride Getting More Difficult?*, Application Developers Alliance Blog (June, 3 2015), http://www.appdevelopersalliance.org/news/2015/6/3/is-catching-a-ride-getting-more-difficult.