



Connected Commerce
Council

CONNECTED COMMERCE COUNCIL'S COMMENTS ON COMPETITION AND CONSUMER PROTECTION IN THE 21ST CENTURY

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The Connected Commerce Council (3C) is a non-profit membership organization with a single goal: to promote small businesses' success through the adoption of essential digital technologies and tools. 3C provides small businesses with services to facilitate access to the market's most effective digital tools, delivers education and coaching to help small businesses optimize growth and efficiency, and works to cultivate a policy environment that considers and respects the interests of today's small businesses and that thereby promotes consumer welfare.

The digital economy has drastically changed how small businesses operate, and so 3C and its small business members have a strong interest in these hearings. Before, a small business might connect to consumers via the Yellow Pages and other print advertising, direct mail, billboards, brick-and-mortar stores, radio and television advertising, and trade shows. Small businesses would often need local lawyers, accounting firms, human resource managers, payroll providers and conference rooms for on-site meetings.

But now there are digital platforms, including Facebook, eBay, Google, Amazon, YouTube, Snap, Oath, Etsy, Expensify, Quickbooks, OpenTable, Slack, Square, Houzz, Pinterest and a host of others, that allow businesses to reach more potential customers, operate more efficiently and internationally, and offer better and innovative products at lower prices. For small businesses, especially startups with very small budgets, today's digital platforms and tools offer inexpensive ways to operate their business, reach prospective customers, learn which products and features customers value most, and then offer that value at competitive prices that drives sales and increases revenue.

Some 3C companies operate entirely digitally; some have physical product that they source, market and sell digitally; and many are traditional brick-and-mortar businesses that have adopted digital opportunities to increase revenue more quickly, operate more efficiently, and be more successful. One common thread is our member companies' delight upon discovering new digital tools.

"I had avoided hiring employees for so long because the paperwork involved with different states, tax systems and red tape seemed like a nightmare. Because Gusto made it easy I've been able to transform my team and create 5 new jobs in the last 18 months."

"I remember making my first website using Microsoft Front Page. Making that website launched my real estate career."



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“There are many firsts that I was excited about, but the first that comes to mind was being able to list my products for sale on Amazon. This now accounts for 15% of our revenue – a sizeable chunk that I would not be able to achieve through my wholesale customers.”

“Our a-ha moment was when we started playing around with Facebook. We joined because it was free and we had no marketing budget left. We had spent hundreds of thousands of dollars on print and television advertising and had seen no marked increase in sales volume. In contrast, Facebook delivered almost immediate growth in our day-to-day bookings.”

As the FTC turns its attention to digital tools, 3C urges the Commission to appreciate and accommodate the needs of small businesses that rely on these tools to compete (often against large industry incumbents), to gain digital economies of scale that small businesses simply cannot generate independently, and thereby to facilitate the supply of higher quality and lower-priced products to consumers from small businesses. Small businesses need “off the shelf” digital products that work quickly and seamlessly. Small businesses benefit tremendously by utilizing no-cost and low-cost services and tools offered by platforms, and as a result consumers benefit when small businesses can compete more aggressively and price more competitively.

Efforts to regulate digital networks, products and tools by “fixing” competition and data protection concerns may reduce those products’ capabilities – which will harm small businesses and cost consumers, who will face higher prices, reduced quality, and stunted innovation. It is critical that the FTC consider the cost and impact of potential regulation, investigation, and enforcement on the millions of small businesses that drive today’s economy—and on the consumers who benefit as a result.

(5) The Commission’s remedial authority to deter unfair and deceptive conduct in privacy and data security matters

All businesses, regardless of size, owe consumers fairness and honest disclosure of data collection practices and industry-standard data security protocols. Of course, the Commission is keenly aware that small companies generally rely on substantially larger platform partners or sophisticated specialist partners to write and comply with the security protocols, and small companies are not positioned to effectively audit their larger partners’ compliance.



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In these circumstances 3C encourages the Commission to focus its investigative and remedial authority on the sources of data practice misstatements and security breaches, and to consider that smaller companies are often the victims alongside the small companies' consumers. Moreover, small companies generally do not have the resources to comply with time- and resource-consuming FTC investigations or enforcement actions. Thus, the consequences of an FTC investigation or enforcement action – in terms of expense, burden, and reputational harm – can drive a small company out of business before it can take steps to remedy the targeted conduct, rendering the investigation moot and essentially valueless.

Privacy and data security enforcement against digital platforms is an important policy tool that can effectively result in important benefits to consumers and platforms' small business partners. But 3C urges the Commission to focus narrowly on actual harms to consumers and try to avoid remedies that destroy "out of the box" products and solutions on which small businesses and consumers rely. If platforms are burdened with over-enforcement then small businesses will suffer also, and the competition and consumer welfare generated by 3C members and other small businesses will diminish.