Connected Commerce Council

U.S. House of Representatives Committee on Small Business

A Fair Playing Field? Investigating Big Tech's Impact on Small Business

Testimony of Jake Ward
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Chairwoman Velasquez, Ranking Member Chabot and Members of the Committee:

I am Jake Ward, president of the Connected Commerce Council (3C), a small business membership organization that promotes small businesses' access to essential digital technologies and tools.

On behalf of digitally-empowered small businesses nationwide, thank you for holding this important hearing, and thank you for inviting 3C to participate. Your exploration of Big Tech's impact on small business is extraordinarily valuable because you understand small business; you are the champions of small business. I encourage you to consider these issues carefully and to voice your opinions loudly.

Today I will use our time together to share what I have learned from thousands of 3C small businesspeople.

3C supports small businesses as a resource and an advocate. We promote access to and adoption of digital technologies and tools; provide resources and education to help optimize small businesses' digital opportunity; and cultivate a policy environment that considers and respects small businesses. 3C wants small businesses to succeed and we believe that digital technologies and tools give small businesses the best opportunity to succeed. A recent Deloitte study found that effective use of digital technology by small businesses resulted in markedly higher revenue, substantially greater profitability, and many more jobs created.

At 3C, we spend most of our time talking to and supporting small businesses. We have hosted SkillsConnect workshops nationwide, including in New York, Cincinnati, Boulder, Brooklyn, Sacramento, and Austin. We have been pleased to welcome Chairwoman Velasquez and Representative Chabot to our events so you can meet our members and hear their stories.

In many ways, 3C member businesses differ from one another. They include restaurants, authors and publishers, executive coaches, plumbing companies, inventors, hand-made leather goods producers, owners of small inns, wineries, print shops, and manufacturers. Yet in some important ways, their stories sound the same. If our member companies were here today, they would tell you that data-intensive digital platforms and marketplaces – including Google, Facebook, and

Amazon as well as Etsy, eBay, Yelp, Pinterest, TripAdvisor, Walmart.com, Houzz, QuickBooks and many more – benefit their businesses, help them compete, and accelerate their success.

Digital technology, digital platforms, and digital tools help small businesses start, grow and succeed in previously unimaginable ways – not only locally but way beyond traditional geographic limitations. Digital advertising and online marketing help small companies find new customers – globally and cost-efficiently. Data helps small businesses serve more customers at a lower cost. The digital cloud helps small businesses reduce paperwork, reduce their environmental footprint, and go on vacation while remaining available to colleagues and customers. Digital marketplaces help small businesses sell more products locally and globally.

- A 3C member in Iowa invented a retractable fabric gate to keep toddlers safe, and another member in Utah invented an all-in-one bedding set that makes it easy for kids (and adults) to make their bed every morning. As a startup, breaking into traditional retail and competing against global giants is almost impossible, so these entrepreneurs built simple websites and used Facebook posts and Google advertisements to find their first customers. Years later, digital marketing and data science still drive their growth and success. These companies employ dozens of people and has customers worldwide.

- A Columbus, Ohio print shop and an Arizona sports accessories retailer offer thousands of products in their online stores and compete against industry giants. Two decades ago, they would have been local shops with local customers; today they are small and global simultaneously.

- Several 3C members manage family-owned restaurants. They work with Yelp, Google, TripAdvisor, and Facebook to attract customers, manage their reputations and share specials and coupons, and they receive almost immediate feedback on whether their efforts are effective. Without digital platforms and tools, these restaurants would struggle to compete against big chain restaurants.

These are not simply feel-good stories or digital innovation stories. They relate directly to this hearing and the policy issues this Committee and others are considering because, in so many respects, the digital platforms and tools powering small businesses are provided by some of the world's largest companies, and several of those companies are being criticized and investigated.

Through the course of history, disruptive innovation has challenged incumbent industries. The combustion engine challenged horse-drawn carriages, the airplane challenged passenger and freight trains, and digital music challenged traditional record companies. Fortunately, policymakers in those times carefully scrutinized the complaints of then-powerful economic incumbents, and the inventions that once caused angst and turbulence were not over-regulated out of existence, and are now accepted as status quo.

With respect to this hearing and many of the digital economy investigations, 3C's concern is that policymakers, competition regulators, thought leaders and headline writers are focusing only on the largest companies, the loudest voices, and assertions of negative impacts or challenges when considering how to regulate the digital economy. It is so easy to say "big is bad," to hear the wailing laments of incumbent businesses and industries, and to take for granted the opportunity and access to opportunity that deserves celebration and protection.

3C is also concerned that policymakers too often talk about small businesses rather than listen to them. For example, the U.S. Federal Trade Commission held several hearings about the digital economy and whether antitrust law should be reconsidered, and not a single small business or small business organization was invited to testify. 3C and our members thank Chairwoman Velasquez and Representative Chabot for sending a letter to the FTC calling attention to that glaring oversight.

The challenge of every small business is unique but their stories are universal. Unleashing the potential of American small business now requires access to affordable, secure, and scalable broadband and digital tools. It also requires policymakers to understand that the digital economy is a different type of interconnected and interdependent economy where the investment of global platforms have direct, tangible local benefits, and the value of access to digital tools is measured in new employees and increased financial security.

As I noted earlier, there are many more digital platforms than the Big Three or Big Four that so many people think about – Google, Facebook, Amazon, and Apple. QuickBooks supports home-based entrepreneurs and small businesses. John Deere's Precision Agriculture solutions work wonders for small farmers. Pinterest and Houzz support and promote home decoration and renovation products, designers and contractors. These companies collect, aggregate and analyze vast quantities of data - safely, securely and affordably - and deliver the power of data science to small businesses that could not do this or afford this in virtually any other way.

The idea that regulators and policymakers are gleefully investigating free and low-cost services that power small business success mystifies 3C members. Just last week a longtime Google critic pointed out that the government investigation targets are not "Big Tech," but rather are those companies whose business model is to provide "purportedly free services in exchange for massive and unconstrained collection of consumer data untethered to the underlying service." Perhaps this critic does not recall the days of "free" broadcast television and broadcast radio, when large companies paid writers, directors, news reporters and actors billions of dollars to create "free programming" that was really just an advertising platform in disguise. Or free and low-cost newspapers that gave away information about City Hall and town meetings as subterfuge to sell advertisements. And should we investigate grocery stores? Are they massive corporate conglomerates providing us with discount fruits and vegetables as a ruse to sell shelf space and endcaps? Are they offering loyalty cards and gasoline discounts as a scheme to collect our data to sell coupons and in-store advertising?

For decades inventors and entrepreneurs have struggled to get new products into traditional retail stores. Sophisticated corporate buyers now demand up-front payments for in-store sampling stations and upend the traditional wholesale model by refusing to pay for products until they are purchased by consumers. These "free experiences" that are offered to consumers – like malls and department stores – have become data-driven multi-sided markets that mercilessly exploit retail tenants, food and health care companies and especially the entrepreneurs who rent kiosks to launch a new business.

Let's take a moment to dig more into the retail industry. It was only a few years ago when Federated was buying Marshall Field, Macy's, Hecht and many more local anchor retail chains, and then squeezing more discounts and imposing more burdens on local manufacturers – if they were even allowed to sell product in those stores. Amazon did not invent or even perfect private label products that compete against their suppliers. Private label products were invented in the 19th century by merchants who recognized that customers would welcome lower-cost high-quality alternatives. The Wishbone brand that we know for salad dressing started as a private label brand in a Springfield, IL grocery store owned by Jacob Bunn – the same Jacob Bunn who sold the Mary Todd brand of coffee and went on to manage the political campaign of his good friend, Abraham Lincoln.

Retail brands that we all know (though some have disappeared) started as private label sellers. In 1858 R.H. Macy opened its first department store, and in its first century it produced and sold more than 4000 private-label branded products – hoop skirts, wrapping paper, sewing machines – the list is endless. Today Macy's still sells hundreds of high-quality competitively-priced private label products.

Other stores took a different route. A&P established a retail presence and then created "Eight O'Clock Breakfast Coffee." Sears built a retail presence and then, in 1927, created Craftsman tools. I am sure that independent tool manufacturers were unhappy that a large customer was now competing with them, but did they run to Congress and Attorneys General for relief, or did they instead build their brands and adjust their pricing strategies?

Certainly, Amazon is not the first retailer, or even the first large retailer, to build a private label business on the foundation of in-store data. CVS, Walgreen's and every grocery chain in America got there first.

Fortunately for inventors and small manufacturers, Amazon has unlimited shelf space and small companies can advertise and market independently to drive customers to their Amazon product page, or to their product page on Etsy, eBay, Walmart.com, or their own website. With Amazon and other e-commerce partners, entrepreneurs can test market new products, prices, colors, and features without ever building or shipping a product and without begging or paying off a corporate retail buyer for shelf space.

It is indisputable that large digital platforms, services, and marketplaces provide small businesses with affordable, scalable and secure business solutions. What is not equally understood is that these solutions are affordable, scalable, and secure because of the platforms' relative size. It is because of their size and scale that platforms have the capital to invest and the flexibility to price so that small businesses have a pathway to viability, growth, and success. Without the large platforms, these services would not exist or would not be affordable to 3C member small businesses.

We are living in an extraordinary era for entrepreneurs and small businesses. When new products, marketing campaigns, and advertising creative can be tested online for less than $100, there is virtually no barrier to starting a business or introducing a new product. But if the large digital platforms are broken up and each business unit would need to be individually profitable or pay the other business units for data or data solutions, there would be significantly fewer free or low-cost tools and services available to small businesses, prices would increase and effectiveness would diminish. That would reduce small business formation; undermine small business innovation; and hurt families in nationwide.

It is also notable that large digital companies compete aggressively against each other. Some 3C members spend more money on Facebook and Instagram; others think Google is a better partner; and still, others focus on Amazon and Pinterest. Moreover, new competitors are entering the market every day and driving innovation. Each of the platforms is investing in new and better small business offerings, and small businesses and their hometowns benefit.

A common theme of 3C companies - the power of technology and data - connects directly to today's hearing. Unleashing the potential of rural America requires unleashing the potential of digital tools, access to data, and the power of data science for rural America. For many years, policymakers and thought leaders have discussed the digital divide as a broadband access issue and focused attention on how underserved communities would benefit from inexpensive access to broadband. These are legitimate concerns, but 3C's focus is the next question: once broadband and digital tools are available, how can small businesses maximize the opportunity?

The reality of the digital economy is that our members – and nearly 30 million small businesses like them - stand on the shoulders of large companies to reach otherwise unattainable heights. Platforms invest in scalable, secure, and affordable tools. Marketplaces connect buyers with sellers. Small businesses leverage these tools and marketplaces to start, build, and grow. The guiding principles of the digital economy – speed and scale – consistently drive shared value and mutual benefit for small businesses. Innovative technologies and approaches are widely available, easily adopted, and improved quickly. Our public officials must take great care to ensure that policies focused on the largest digital companies do not inadvertently undermine small business opportunity.

It is impossible to overstate the billions of dollars in small business value and the millions of small business jobs supported by some of America's largest digital companies, including eBay, Etsy, Amazon, Square, Intuit, FreshBooks, Google, Constant Contact and Facebook. Some of these companies are much larger than others, but all provide extraordinary and low-cost platforms and tools to small businesses. This committee, other federal policymakers, and competition regulators must not overlook this.

We cannot afford to lose the forest through the trees, focusing our attention on only the largest and more prominent companies and issues. Rather, we should try to take the perspective of a small business, seeing the full landscape as we consider who will ultimately pay the price if business models are dramatically changed, costly regulations are enacted, or access to essential tools is limited.

On behalf of the tens of millions of digitally-empowered American small businesses, thank you for welcoming 3C today. We look forward to working with you and your colleagues to lower technological barriers to small business success, to strengthen competition and to continue promoting small business opportunity.