

March 14 2022

**Minnesota State Legislature
House of Representatives**

Rev. Dr. Martin Luther King Jr. Blvd.
St Paul, MN 55155



Founded in January 2012, the Developers Alliance is a global industry association that supports software developers as entrepreneurs, innovators, and creators.

DevelopersAlliance.org

policy@developersalliance.org

Dear Chair Stephenson and Members of the Minnesota House of Representatives Commerce Committee,

On behalf of the Developers Alliance, I write to offer our views on the “App stores prohibited from requiring developers to use specific app store or in-app payment system, and penalties provided” bill (HF 1184) and the negative impact it would have on the developer community. If passed into law, HF 1184 would drive developer jobs away from Minnesota and likely block Minnesota consumers from accessing apps that users in other states are free to enjoy.

The Developers Alliance is a nonpartisan association representing over 70,000 developers from 50 states, including many in Minnesota, and many countries including the EU, UK, Canada, and Australia. Our developers represent companies of all sizes, many of which are small developer-owned businesses that operate a variety of platforms and services throughout the tech economy. On behalf of the developer community, we ask that you reconsider this bill as we find it will have detrimental impacts on small and medium-sized developers. Our members believe that the current ecosystem is generally working well, allowing them to profitably reach consumers around the world.

Developers in Minnesota and elsewhere support measures that promote transparency and encourage greater access to OS innovations, however mandating a common business model reduces competition and harms developers’ and consumers’ interests alike. Establishing blanket mandates around app stores degrades the trust, security, privacy, and convenience that consumers benefit from and developers rely on. Non-discrimination mandates, while well-intentioned, inadvertently discriminate against small developers as the de-facto policies they leave work to benefit larger platforms.

Developers and consumers alike benefit from app stores setting and maintaining standards for the apps that they host. These standards ensure products purchased by consumers are thoroughly vetted and do not contain malicious content. The trust that app stores provide consumers benefits developers, as consumers are likely to purchase more apps and make more in-app purchases knowing the app itself has met (and will continue to meet) certain security and privacy standards. Further, a harmonized global app marketplace allows applications developed anywhere in the world to reach consumers in Minnesota. Creating barriers to digital imports will rob consumers in Minnesota of the choice they enjoy today, and entrench a handful of dominant applications as the only options.

Additionally, this bill fails to reflect the scope of the business relationship between app stores and small third-party developers. Developers benefit from and rely on the tools and services provided by large platforms. Without them, many small developer-led companies in Minnesota and elsewhere would not be able to operate. Many voices in the tech community claiming to speak on behalf of the “developer community” in support of this bill are large, extremely successful app companies in their own right, and seek to advance their interests rather than that of the developer community at large. These large companies — that have already benefited from the app store services they now choose not to pay for — have the capacity to provide their own tools and services, thus having motivation for the current model to change to their benefit. Small developers however do not have this convenience. A change in the current app store model will lead to a rise in fees for developers. This creates a higher barrier to entry for small developer-led companies. This barrier ultimately means less

competition in tech when legislatures are looking to promote more through the passage of this bill.

Software development provides Americans with well-paid jobs to support a growing 21st-century economy, and their businesses are doing exceptionally well even given the ongoing COVID pandemic. Developers already are being shut out of Europe by an increase in European Union regulations. Further harmful regulatory burdens to their profession in the United States will negatively impact the developer community as well as economic growth long term for Minnesota and the rest of our country. We believe lawmakers should be creating an environment to encourage tech innovation and investment in our country, not to repress its growth. Creating a system where developers are discouraged from creating and consumers do not have the trust of the app stores bodes poorly for investment in the American tech industry at a time when it should be thriving.

There is always room for regulatory improvements that benefit developers and their businesses given the increased prominence of tech, however, this bill is not a step in that direction. In a recent developer survey, only 8% of developers believed that government intervention was the preferred method of resolving industry disputes. Developers are not asking for this legislation, yet are being touted as the primary beneficiaries of these bills.

We appreciate your consideration of our perspective and hope that you thoughtfully consider the views of our membership as they are the parties most impacted by this legislation. Please do not hesitate to reach out if our organization can be a resource on this issue.

Sincerely,

Bruce Gustafson
President & CEO,
Developers Alliance

Sarah Richard
Policy Counsel & Head of US Policy,
Developers Alliance



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Developers Alliance March 2021 Developer App Store Relations Survey Report



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Key Takeaways

- **Developers are largely optimistic, a reflection of their entrepreneurial spirit, with largely steady or increasing prospects.**
- **Developers feel that “big tech” companies are at best inconsistent partners. At worst, some feel taken advantage of. Due to this, many are unsure whether the many costs of partnering with large platforms and corporations are justified. They do agree, however, that the services platforms provide should cost something.**
- **While they have serious grievances, most developers don’t believe “big tech” is the primary problem, or that government regulation or litigation of the industry’s challenges would be the best means to resolve those situations.**

About The Developers Alliance

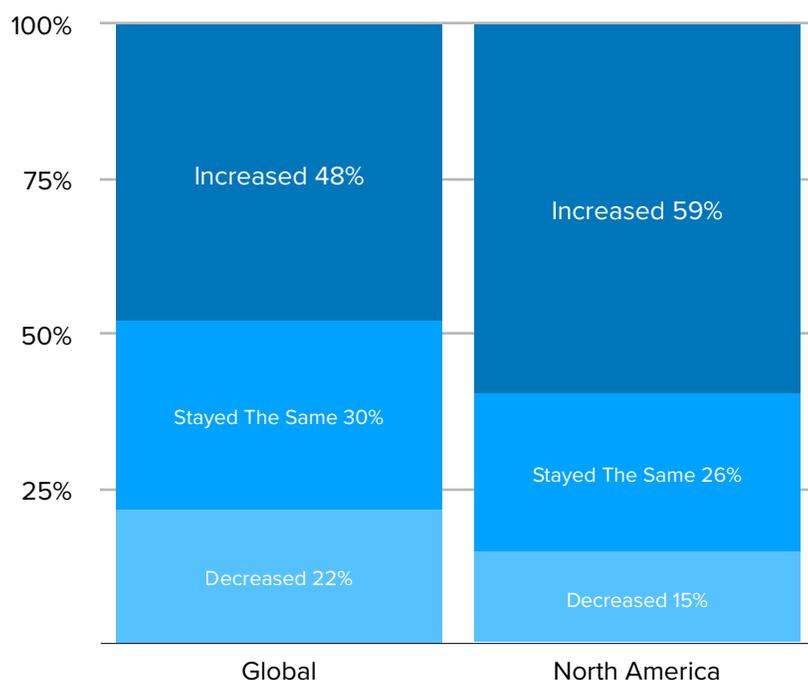
Founded in January 2012, the Developers Alliance is a global industry association and the world’s leading advocate for software developers and the companies invested in their success. Alliance members include industry leaders in consumer, enterprise, industrial, and emerging software development, and a global network of more than 70,000 developers.

Developer Optimism: Addressing Myths About The Community

Much has been reported concerning developer-led, small-to-medium businesses struggling to survive or get started under the terms of doing business with platform partners. Our responses, however, don’t line up with these assessments. 78% of developers say that their revenue has increased or stayed the same in the last two years. In North America, this number rises to 86%. Additionally, over 50% of developers, across all regions, believe that it is getting easier or about the same difficulty to become financially successful.

Regarding the community’s relationship with their platform partners, the reported disenchantment with “big tech” by developers has been greatly exaggerated. 57% of developers believe that Apple, Google, Amazon, and Facebook are beneficial to society. Microsoft holds an elevated 66% of respondents in this area. In addition, 74% of developers believe that platforms share data appropriately with them.

How Has Developer Income Changed In The Last Two Years?



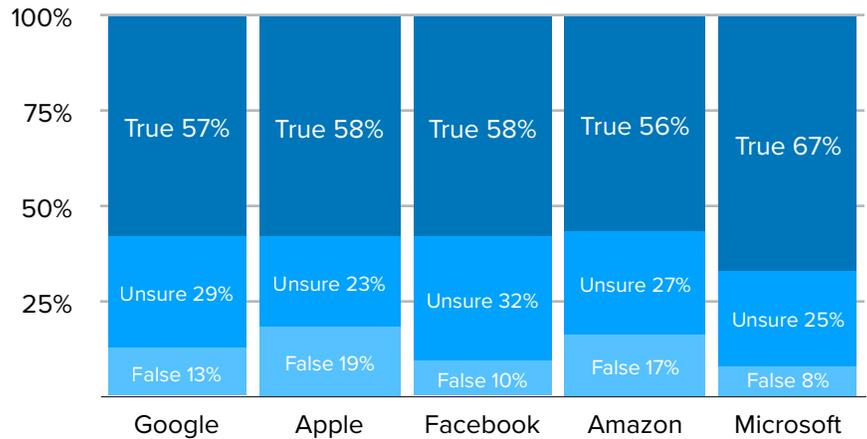
These relationships are not without difficulties, however.

Developers On Monopolies, Competition, & Harm

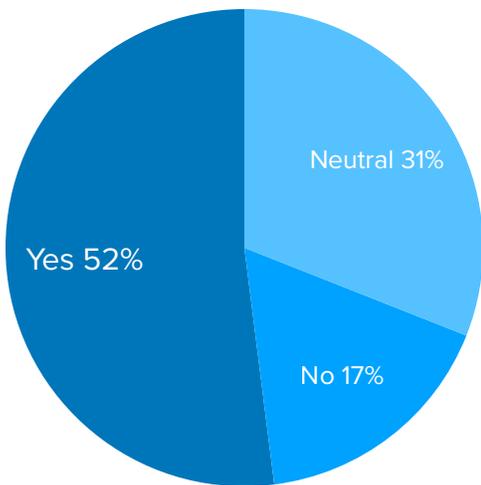
Competition Concerns

The most common media and government complaint against the platform providers is that they are monopolies, requiring developers to use their stores to gain access to their products. Developers, however, are divided 50/50 on whether “big tech” companies are monopolies.

Do Platform Providers Benefit Society?



Is Being Acquired Good?



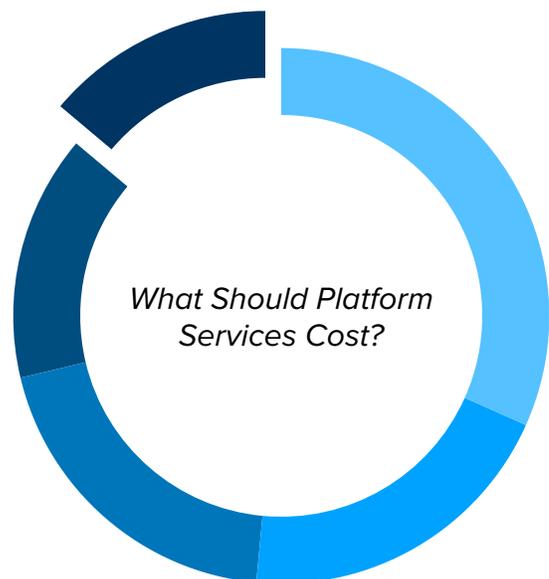
On Acquisition

Another complaint lodged at the technology industry is its handling of acquisitions; specifically, that large companies force their up-and-coming competitors into being acquired. This concern ignores the long-held industry practice of intentional acquisition as a startup business strategy. Many software companies are started with the intention to develop a new technology or a minimum viable product in order to be acquired. Developers start or join projects that allow them to work in their interest, then sell to those who see the value in their pioneering work. Due to this, across all regions, more developers believe that large platform companies help startups, rather than hurt them, 40% preferred, 41% found them neutral, and only 19% were against. In fact, 52% of developers believe that it would be beneficial to them and their company to be acquired. An additional 31% believe that it would at worst have a neutral effect.

Costs & Terms

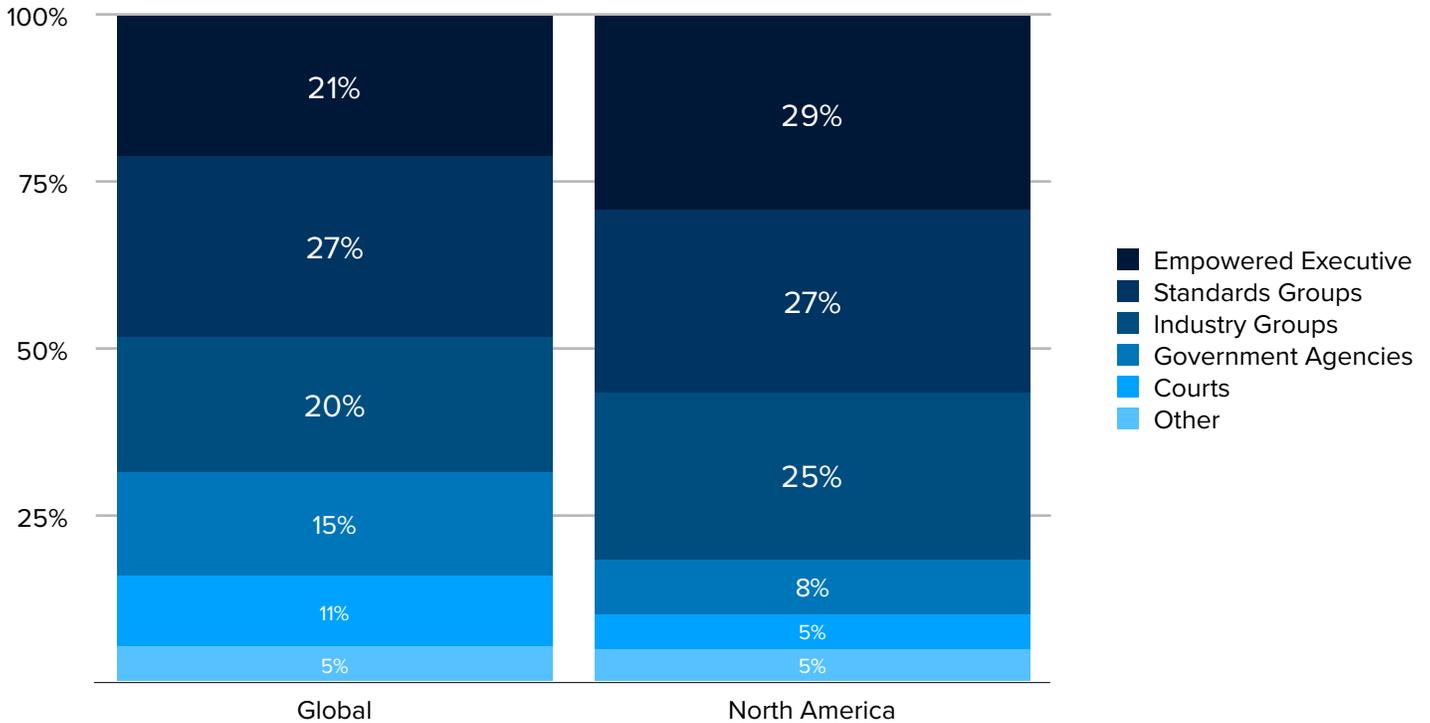
Criticism has also been lobbied at platform provider’s fees for use of their platforms, which typically include registration fees and 30% of platform sales beyond a set limit. Critics have labeled this as exorbitant. When offered 6 options for what platform services should cost, however, only 14% globally chose “free.” The remaining 85% firmly believed they should pay something for these services to reflect the value gained.

The remaining major point of contention being cited for regulatory intervention is the “censorship” by these platforms. In North America, a significant majority of developers believe that large companies should be able to enforce their terms of service by blocking violators. North Americans also believe, however, that large companies abuse their power when enforcing their TOS.



- Cost Should Be Based On Cost To Platform - 14%
- Cost Should Be Based On What I Can Afford - 20%
- Cost Should Be Based On Competitive Market Price - 20%
- Cost Should Be Based On Value To Me - 15%
- Service Should Be Free - 14%

Who Should Resolve Industry Disputes?



The Preferred Alternative: Industry Guidance

Developers believe that their platform partners are sufficiently regulated, but we see areas where developers are looking for improvement. The answer they prefer: industry stakeholder resolutions. 64% of developers believe that industry or standards groups, as well as the executives at “gatekeeper” organizations, would be the preferred avenue for resolving disputes, vs only 35% who believe it should be handled by some form of government. In North America, these numbers shift to 83% vs 13%. Fully, 49%, the largest share, believe that technology industries should be regulated by industry groups, experts, and academics, not courts, politicians, or lawyers. **In North America specifically, that number rises to 57%, while only 30% believe that the government should be responsible for regulation.**

Conclusion

Developers are broadly optimistic about their opportunities and those of the industry and aren't asking for any big changes. While developers do believe that their relationships with their platform partners need to evolve, they largely see it as an internal issue not requiring the government. Developers have repeatedly indicated that they believe that Industry innovations such as privacy “nutrition” labels, market forces, and other forms of self-regulation are the preferred and the most effective means for improving the situation.

This survey was held online and conducted by Evans Data, an independent third party researcher focused on the global software developer community. It consisted of 450 developers. Of these, 200 were from North America, 50 were from Australia, 200 were from Europe, with 59 respondents from Germany, 58 from France, 68 from UK, and the rest representing other EU countries. The survey was conducted in English, German, and French. It was fielded in March 2021.