Updating competition policy - Startups are the best competitors!

Competition policy is a cornerstone of the policy making globally toolbox and plays a particular role the European Union where the European Commission has exclusive competence to implement WTO rules. Its purpose is to ensure that businesses can compete on equal terms in the Single Market and that consumers benefit from low prices and a great choice of qualitative, innovative products and services.

Startups are born out of the very essence of the competitive thought - they have the potential to challenge any established company, business-model or sector - and they do! They thrive in a vibrant platform economy that has enabled startups to focus on innovating for the user and to reach scale. Startups think global from day one and won't rest until the world is their market. Mergers and acquisitions are a natural part or goal of the startup lifecycle. Exits validate and reinforce the promise of startups and ecosystems. They unleash capital and mindset needed to grow the next generation of entrepreneurs and feed into a workforce that can't only start new businesses but scale them too! In a startup there are no excuses, no path dependency, nepotism or patronage at the cost of consumers.

The ability of this new breed of companies to radically rethink the relationship between companies and consumers. Passive buyers become actively involved users, early adopters, advocates, critiques or boycotters. The power of the user has never been greater and startups are in a unique spot to listen and respond to a new era of consumer benefit.

Allied for Startups' membership of startups associations span across the entire EU. Their respective memberships consist of thousands of startups that either use platforms and/or startups that are platforms themselves. Entrepreneurs and startup communities care deeply about public policies that shape markets in the EU and globally. In view of a potential revision of competition policy, an approach that takes into account startup ecosystems would include:

- **Strengthening a fast-growing diverse platform economy where startups can thrive.** Online platforms enable the democratisation of entrepreneurship - startups use the services or products of other platforms to advertise their products, work on their services and deliver qualitative user-centric solutions for their consumers. This permits startups to access more markets and be more competitive. Therefore, keeping a light regulatory regime on the platform economy will favour competition within the EU.

  “It's not the choice that matters for consumers but whether they get quality for the price” - AFS member
“Older tech companies and corporates are an important part of the ecosystem” - AFS members
“You can’t prevent that startups are disrupting the established business models - however it is up to the incumbent whether they take advantage of this or go bust.” - AFS member

- **Enable mergers and acquisitions to fuel competition in the startup ecosystem.** Founding a startup is not a binary choice between building a unicorn or failing. For many startups a successful exit is the target, and there are plenty of examples underlining that this is a normal part of the startup lifecycle, benefiting the community, supporting job creation and resulting in more investments. Any founder should be able to consider mergers and acquisitions, also where viable parts of a business can survive without failing completely. Exits, IPOs as well as the entire suite of M&A activity is an integral part of a competitive and thriving ecosystem. A forward looking competition framework should take into account that there are many shades between an exit and going public and not create inflexibilities or disadvantages.

“It’s important for competition that issues are tackled by more than one startup” - AFS member
“For some startups the goal is the exit” - AFS members

- **Startups need understandable and efficient (quick) competition policy.** Especially regarding the digital economy, current competition law does not stand out for either of these qualities. The EU has made progress in terms of ensuring that there is a competitive landscape by implementing free flow of data and net neutrality. The EU also intervened on some specific issues with the P2B regulation and antitrust cases. Yet, competition policy should not be convoluted with other industrial or digital policies. If the EU tries to prerule competition with legislation, it could create a hard-to-predict regulatory framework with less legal certainty for entrepreneurs and have a chilling effect on newcomers.

“Regulation should not become a barrier to competition in digital markets” - AFS member
“It’s critical that startups are taken into account in the competition discussion” - AFS member

Startups need giants to disrupt, competitors to outperform, users to love, who consume and co-create. The right frameworks will put them on an equal footing with legacy industries. No-one should succeed because they “have always succeeded” but only because they offer a superior product, better choice, price or consumer benefit. Allied for Startups encourages policymakers to focus on startups and their life-cycles when making competition policy fit for the digital age.