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Digital Services Act: European low risk business models widely used by SMEs need lighter requirements

In light of the widespread presence of illegal content hosted on third-party marketplaces, new rules are needed to adequately protect consumers, and curb unfair competition suffered by legitimate EU traders and service providers, and in particular SMEs. We therefore welcome the ambition of the Digital Services Act (DSA).

However, the signatories to this statement are concerned that discussions in the European Parliament on the DSA overlook the existence of the low risk online business models widely used by the European SMEs, such as the internal/closed service platforms operated by (cooperative) groups of SMEs operating under one brand, set up exclusively for the benefit of their SME members/shareholders.

The draft IMCO report as well as many of the amendments tabled in the IMCO Committee unfortunately support this impression. **The signatories fear that this will result in a legislation that will be essentially designed for large open/third-party online platforms and marketplaces, therewith distorting the market in their favour** as it will be easier for these large operators to adapt to and apply the rules than for their smaller competitors. It seems ironic that this is happening precisely at the moment where the EU envisages to curb their excessive market power and to help European SMEs thrive online!

Retailer cooperatives, such as groups of independent retailers operating under one brand, give independent European SMEs the possibility to successfully compete online by means of closed service platforms reserved to their members (all established in the EU with brick & mortar shops or establishments). Alternatively, many EU-based SMEs not willing to depend on large third-party marketplace operators also develop their own small sectoral or local platforms. Such internal/closed models inherently present a much lower risk of illegal content than third-party marketplaces.

To support the EU's objective of helping European SMEs to thrive online, these models need a differentiated and lighter treatment by the DSA, proportionate to their low risk profile and their competitive constraints.

To this end, the signatories call on the European Parliament to adopt the following approach:

1. For closed/internal service platforms operated by groups of independent retailers and cooperative structures operating under one brand for their SME members:

- Recognise the specific closed/internal nature of these service platforms: they should not be treated as third-party platforms/marketplaces
- Lighten their regulatory burden proportionately to the inherently low risk of presence of illegal content they raise
- Exempt them from the provisions which interfere with their existing internal governance/relations with their members and from administrative reporting obligations.

We therefore ask MEPs to support the approach promoted by amendments 1009, 1089, 1124 and 1137 tabled in the IMCO Committee. These amendments exclusively cover closed groups of independent retailers and cooperative structures **operating publicly under a common brand**¹.

2. Internal/closed platforms for SMEs or platforms operated by SMEs:

- Keep the exemptions foreseen by the Commission proposal and extend them to cover all SME platforms that are not third-party platforms
- Do not add other obligations for SME platforms

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About Independent Retail Europe:

Independent Retail Europe is the European association that acts as an umbrella organisation for groups of independent retailers in the food and non-food sectors. Our members are groups of independent retailers, associations representing them as well as wider service organizations built to support independent retailers. Independent Retail Europe represents 24 groups and their 386.602 independent retailers, who manage more than 753.000 sales outlets, with a combined retail turnover of more than 944 billion euros and generating a combined wholesale turnover of 297 billion euros. This represents a total employment of more than 6.603.270 persons.

About SMEunited:

SMEunited, formerly known as UEAPME, is the association of crafts and SMEs in Europe with around 70 member organisations from over 30 European countries. SMEunited is a recognised employers' organisation and European Social Partner and acts on behalf of crafts and SMEs in the European Social Dialogue and in discussions with the EU institutions. We represent national cross-sectoral Craft and SME federations, European SME branch organisations and associate members. We speak on behalf of the 22,5 million SMEs in Europe which employ almost 82,4 million people.

About HOTREC

HOTREC represents the hotel, restaurant and café industry at European level. The sector counts in total around 2 million businesses, being 99,5% small and medium sized enterprises (90% are micro enterprises, i.e. employing less than 10 people). These businesses make up some 60% of value added. The industry provides almost 12,5 million jobs in the EU alone (2017). Together with the other tourism industries, the sector is the 3rd largest industry in Europe. HOTREC brings together 45 national associations representing the interest of this industry in 33 different European countries.

¹ Groups of independent retailers operating under a common brand are built under a cooperative or associative model, whereby the independent retailers members of the group (established in the EU with brick & mortar shops) usually become shareholders of the group (or of the association controlling it). They control collectively the central organisation of the group operating the closed service platform, while both the closed platform service and the brick & mortar shops of the member retailers operate publicly under the brand name of the group.