

Economic Impact of the DMA

Impact of DMA provisions on EU Businesses

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**Impact on EU
businesses of DMA
provisions affecting**

- Online Search
- Online Advertising
- Social Networking
- Marketplaces

EU businesses revenue loss: € 8.4 – 114 billion / year
0.05– 0.64% of total turnover across the EU

Loss of revenue per employee: up to € 1 122/ year

All firms impacted but smaller firms and intensive users are impacted the most

Strong impact on Accommodation and Retail

Channels of Impact on EU Businesses and the Economy



Reduced Reach

36% drop in direct bookings
for hotels



Decreased Relevance and Personalization

2% drop in website revenue



Erosion of Trust and Quality

Less centralized ratings



Loss of Coordination Efficiency

Lower conversion rates

Quantification of the impact of DMA provisions on EU businesses (Revenues)

Minimum = usage of personalized ads only.

Potential = Higher platform service usage intensity: dedicated service for higher visibility, free listing, integrations.

| | Total Net Turnover (Million EUR) | Platform Services Adoption Rate | Lost Revenue (Million EUR) | | Lost Revenue (Share of Sector Net Turnover) | |
|---|-------------------------------------|---------------------------------|----------------------------|----------------|---|--------------|
| | | | Minimum | Potential | Minimum | Potential |
| Accommodation and food service activities | 991,493 | 36.0% | 1,036 | 13,902 | 0.10% | 1.40% |
| Accommodation | 391,466 | 46.2% | 1,031 | 14,041 | 0.26% | 3.59% |
| Administrative and support service activities | 1,917,404 | 30.4% | 642 | 8,756 | 0.03% | 0.46% |
| Information and communication | 3,225,901 | 43.3% | 1,535 | 20,792 | 0.05% | 0.64% |
| Professional, scientific and technical activities | 2,202,491 | 27.0% | 178 | 2,020 | 0.01% | 0.09% |
| Real estate activities | 1,010,616 | 32.2% | 228 | 3,226 | 0.02% | 0.32% |
| Retail trade | 5,284,007 | 36.3% | 4,408 | 59,023 | 0.08% | 1.12% |
| Transportation and storage | 3,161,770 | 15.4% | 438 | 5,943 | 0.01% | 0.19% |
| Total | 17,793,680 | 31.8% | 8,466 | 113,662 | 0.05% | 0.64% |

Quantification of the impact of DMA provisions on EU businesses (Revenues per worker)

Minimum = usage of personalized ads only.

Potential = Higher platform service usage intensity: dedicated service for higher visibility, free listing, integrations.

| | Total Net Turnover (Million EUR) | Number of Enterprises | Number of Employees | Revenue Loss per Employee (EUR per worker per year) | |
|---|-------------------------------------|--------------------------|------------------------|---|--------------|
| | | | | Minimum | Maximum |
| Accommodation and food service activities | 991,493 | 429,998 | 13,399,304 | 77 | 1,038 |
| Accommodation | 391,466 | 90,930 | 3,922,791 | 263 | 3,579 |
| Administrative and support service activities | 1,917,404 | 239,084 | 22,732,496 | 28 | 385 |
| Information and communication | 3,225,901 | 146,034 | 11,342,034 | 135 | 1,833 |
| Professional, scientific and technical activities | 2,202,491 | 275,384 | 11,804,559 | 15 | 171 |
| Real estate activities | 1,010,616 | 103,920 | 3,927,214 | 58 | 821 |
| Retail trade | 5,284,007 | 334,454 | 21,290,710 | 207 | 2,772 |
| Transportation and storage | 3,161,770 | 228,554 | 16,776,958 | 26 | 354 |
| Total | 17,793,680 | 1,757,428 | 101,273,275 | 84 | 1,122 |

Sector Impact - Accommodation

Estimated Lost Revenue: € 1.03 – 14 billion or 0.26 – 3.6%

Revenue loss per worker: up to € 3 579 per year



Loss of Reach

Less space for direct sales on Google Online Search:

- CTR of Google Hotel Ads down by 30% in DMA-affected regions [1]
- Direct bookings via Google Hotel Ads down by 36% [1]

Rise in Intermediation Costs

Reduction of organic web traffic of 20% [2]

Greater reliance on costly paid listings and intermediaries [1,2]

Increased burden from managing presence across platforms

Higher Search and Transaction Costs

Less access to integrated features such as Maps and booking tools [3]

Lower efficiency in search and booking [4]

Less Trust

Review fragmentation weakens reputation management [5]

Illustrative Example: Reach in Online Search pre-DMA

Ads

The screenshot shows a Google search for "30 bencoolen". The search results page on the left includes an advertisement for the 30 Bencoolen Hotel, Singapore, with details about special offers, member deals, location, and meetings & events. Below the ad is a snippet from the hotel's official website. The right side of the image shows a detailed view of the 30 Bencoolen hotel listing, including a map, address, phone number, and a list of booking options from various travel agencies like Booking.com, Hotels.com, and Trip.com. A red box highlights the "All options" section, which lists the hotel's price as \$165 and includes a "CHECK AVAILABILITY" button.

Paid Google
Hotel Ads with
integrations

Free Business
Listings in
Google Hotel Ads

Online Search Service is providing:

- **Free direct sales listings**, which led to 12% increase in independent hotel reservations. [6]
- **Effective targeting**, e.g. Google Free Business Listings (FBL) in Google Hotel Ads matched small hotels with travelers booking on the go. [7]
- **Integrated features** that facilitate transactions such as real time information and booking tools.

The DMA provisions require listing third parties' intermediation services reducing the visibility of direct sales listings and reducing incentives for platform investment in valuable integrations.

Sector Impact - Retail

Estimated Loss of Revenue: €4.4 – 59 billion or 0.08 – 1.12%

Revenue loss per worker: up to €2,772 per year



Reduced Ad Targeting Efficiency

41% of EU retailers use targeted marketing campaigns [8]

Personalization can reduce customer acquisition cost by 50% [10,11]

Less Organic Traffic

Increased presence of intermediaries in online search results decrease direct traffic

Greater reliance on intermediaries increase cost [12]

Less Efficient Recommender Systems

Less efficient recommender systems decrease overall sales

Recommender systems without personalization drastically decrease purchases of recommended products by 81% [13]

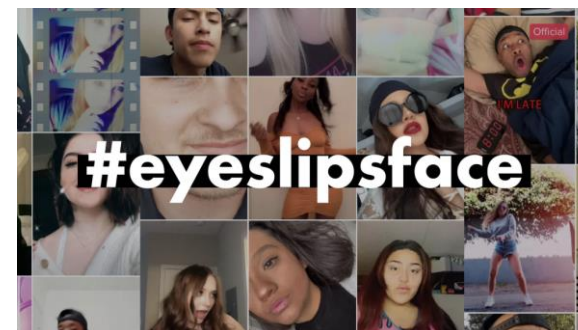
Loss of Efficient Integrations

Less efficient access to valuable integrated features such as:

- Maps
- Logistics
- Social Graph

Illustrative Example: Reduced Ad Targeting Efficiency

- Due to GDPR, LinkedIn eliminated the ability to target marketing campaigns using signals of group membership.
- The **click-through-rate (CTR)** of campaigns that were not targeting with LinkedIn group memberships was **0.36% compared to 0.72%** for those targeting with this information. [14]



- The DMA makes the use of personal data conditional on obtaining explicit consent from users.
- **Less than 5% of users provide explicit consent** for the use of their data by third parties. [15]
- Consent requirements **decreased website online sales by approximately 2%**. [19]
- Consent requirements may **decrease the returns of social media marketing**, which lift revenues by 28%. [16]

Understanding How Digital Services Platforms Create Value



- Digital Services Platforms are organisations for **joint value creation** by both the platform owner and participating businesses. **All invest in the platforms' value.**
- Platform owners build platforms that **solve problems** pervasive in the offline world:

Matching: Platforms optimize matching sides of an exchange

Coordination: Platforms align participants' effort and resources around a shared value proposition

Innovation: Platforms drive investments by removing obstacles and offering incentives

- Free riding, misaligned behaviour, harmful conduct, can destroy a digital platform service.
- Platform owners **protect platform trust and integrity** and **incentivize investments** with the following:

Governance rules and control mechanisms
Shared data insights
Integrations and shared technology

The Benefits of Digital Platforms Services to Businesses

| Increasing Efficiency and Quality | |
|---|--|
| Greater Market Reach | Access to a large user base Promotion and visibility |
| Personalization and Relevance | Market and customer Insights |
| Process Optimization | Clear rules and standardized engagement Facilitated transactions |
| Trustworthy and High-Quality Ecosystem | Access control Consumer trust mechanisms Rewards for quality investments Detection of malicious activities Ongoing quality control |
| Enabling innovation and Generating New Services | |
| Expansion of Markets | Facilitation of new markets |
| Effective Innovation Processes | Shared technology infrastructure Platform tools Incentive mechanisms |
| Long Term Support for High-Quality Ecosystem | Sustainability |

The DMA provisions break digital platform services efficiency gains

| Digital Platform Service | Efficiency Losses | Empirical Evidence |
|--------------------------------|---|---|
| Online Advertising | <ul style="list-style-type: none">• Loss of reach from users opting out of data usage for advertising• Less relevant ads | Cost of customer acquisition up by 50% [10] Click-through rate from 25% to 12%. [17] 5.7% loss of revenue per click [18] 2% less sales for websites [19] |
| Online Search | <ul style="list-style-type: none">• Less direct discovery• Less relevant results• Higher search costs• Fewer valuable Integrations | 30% drop in traffic to direct links. [1] 36% drop in direct bookings from Google Hotel Ads [1] Drop in 12% in reservations [1] |
| Social Networking Services | Less efficient targeting of content Fewer features & social graph integrations | Click Through Rate falls from 0.72% to 0.36% due to loss of affinity signal [14] |
| Online Intermediation Services | <ul style="list-style-type: none">• Less relevant ranking and recommendations• Lower incentives for investing in quality service• Fewer valuable integrations• Risk of misalignment and threats to integrity | Without personalized recommendations: 75% drop in the click-through-rate of recommended products [13] 33% drop in product views [13] 81% drop in the purchases of home page recommendations [13] |

Quantification of the impact of DMA provisions on EU businesses

Methodology

Calculation performed by sector and country for service sectors, excluding utilities, finance, health due to lack of data.

1. Build estimate of the % loss of revenue from empirical evidence:

- **Minimum: 2 %** loss of website sales revenue from impact of consent requirement for the use of data [19]
- **Potential:** add **25%** loss of revenue from direct sales due to lower availability to direct sales tools on search (36% loss of sales from Google Hotel Ads x share of Google Hotel Ads in total hotel sales) [1]

Estimated revenue loss is meant to capture more broadly the impact of lower personalization, lower reach, fewer integrations across digital platform services. Presented range expresses different usage intensity.

2. Apply the estimated loss of revenue to the value of sales impacted by online platform services:

Total loss of revenue for the sector = % loss of revenue x % of business adopters of platform services x % B2C web sales of sector x 2023 turnover of businesses of 10 employees or more

Assumptions: digital platform adopters have the same turnover as non-adopters; only web sales are impacted.

Considerations for DMA Implementation



Recognize trade-offs
between DMA goals and
the efficiency of the
most popular digital
platform services



**Preserve value-creating
mechanisms** of
platform ecosystems



**Consider inter-platform
competition** rather than
focus exclusively on
digital platform services
redesign

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