



COALITION FOR DIGITAL ADS OF SMES



14 February 2022, Brussels

**RE: The Digital Services Act and its impact on European SMEs**

The Coalition for Digital Ads (CDA) was established by members of SME Connect and its partners in November 2021 to give a voice to the concerns SMEs have over EU proposals to restrict personalised digital advertising across the EU. We believe that European small and medium companies should be able to maximise their reach across the single market and connect with consumers across Europe. We are keen to find workable and balanced solutions for the challenges of today's increasingly digitised world.

As the EU Commission's own research shows, 17% of EU SMEs sell products online and 8% engage in cross-border sales. We therefore would like to encourage you to consider the following, to ensure that the position of SMEs in Europe are adequately represented during the current Trilogue negotiations on the Digital Services Act (DSA):

We welcome the progress made on the DSA so far, particularly on easing the burden for micro and small businesses. However, there are fundamental outstanding challenges, especially around the issue of communication with customers, that have not been adequately addressed:

- **The definition of behavioural advertising needs to be clarified.** Restrictions in this field must be mindful of the fact that many SMEs use targeted advertising to reach consumers across Europe. Many of these consumers would otherwise be unreachable due to resource constraints and the inefficiency of contextual advertising. What is meant by "targeted", "micro-targeted" and "behavioural" advertising must be clarified to prevent back door regulation. Similar ambiguity might arise around the age verification requirement, along with the ban of such advertising directed towards minors.
- **The definition of "dark patterns" needs to be tightened.** As it stands, the term could capture a wide range of processes which are beneficial to users and for the growth of SMEs. Should a ban on dark patterns make its way into the final text, there must be clarity on its scope, so as not to affect these practises. The definition should specify that the term only applies to manipulative design choices that significantly distort the behaviour of an average user.
- **Overburdening small online marketplaces with excessively complicated trader identification and KYBC requirements will put SMEs at a heavy disadvantage.**

SMEs may find themselves unable to comply and therefore will be unable to provide services online. This will only cement the position of big players.

We look forward to working with member state representatives and other stakeholders to ensure that the Digital Services Act is a balanced, horizontal and workable piece of legislation for both users and businesses in Europe.

Kind regards,

Developers Alliance, a partner of the Coalition for Digital Ads (CDA)