



Senate Standing Committees on Economics
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Via email: economics.sen@aph.gov.au

To whom it may concern

Thank you for the opportunity to provide feedback to the inquiry: *Influence of international digital platforms* (the Inquiry).

The NSW Small Business Commission (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy and affordable dispute resolution services across NSW.

The Commission's role includes:

- encouraging government agencies and larger businesses to enter productive working relationships with small businesses
- facilitating and encouraging the fair treatment of small businesses
- promoting a fair operating environment in which small businesses can flourish.

The Commission notes the Inquiry's Terms of Reference focuses on the effectiveness of regulatory approaches, the transparency and impact of algorithms, and broader impacts of concentration of market power on competition. The issues paper also considers impacts on small business.

While the emergence and prevalence of international digital platforms and marketplaces have provided opportunities for small businesses (especially during the height of COVID-19), many small businesses encounter difficulties leveraging benefits and accessing customer service and support. Small businesses also face challenges with fake reviews, scams and harmful apps.

In February 2023, the Commission recently provided a [submission](#) to a Commonwealth Treasury consultation relating to proposals contained in the Australian Competition and Consumer Commission (ACCC)'s Inquiry into Digital Platform Services. The Commission suggested there is a need to establish modern and updated regulatory frameworks to facilitate small businesses' access to digital platforms and online marketplaces. Small businesses also need better protection when using digital platforms to grow and enhance their businesses. These issues have been explored in more detail in other submissions prepared by the Commission:

- [Submission to Australian Competition and Consumer Commission \(ACCC\) – Digital platform services inquiry 2020-2025.](#)
- [Submission to SIRA about Food Delivery Rider Insurance, June 2021.](#)

The Commission has also prepared guidance to support small businesses that operate in the 'gig economy' and that may rely on digital platforms:

- [Doing business in the gig economy.](#)

Small businesses and digital platforms

Increasingly small businesses rely on digital platforms and online marketplaces to operate their businesses. Online marketplaces provide important sales and sourcing channels for small businesses. Digital platforms can also provide avenues for advertisement, brand engagement, and communicating directly with customers and clients. In this respect, some platforms hold significant power over small businesses that rely heavily and have built up a significant presence on a single digital platform.

The Commission's November 2022 Small Business Survey found that one in five respondents are currently conducting operations and/or selling products or services on a digital platform or an online marketplace. The Commission's July 2021 Small Business Survey found one in ten respondents are looking to establish or expand online business in the coming months. As the COVID-19 pandemic restricted traditional sales channels, many small businesses invested in and established new opportunities through digital platforms.

Engaging with digital platforms can present significant challenges for small businesses. Of the respondents engaged with digital platforms or online marketplaces in the November 2022 survey, one in four encountered difficulties with the digital platform or online marketplace. Qualitative survey responses suggest small businesses experience challenges leveraging the benefits of online marketplaces or digital platforms and accessing customer service and support.

Reported challenges includes pricing structures that do not align with small business profit margins, high service charges without performance accountability and payment delays which make it difficult for small businesses to manage their cashflow. Respondents also experienced challenges with changing policies, specialist online marketplaces becoming more mainstream, products being misrepresented, products being difficult to find due to algorithms or search functions, and scams and other sellers' online behaviours undermining the credibility of the platform.

Some respondents perceive that certain online marketplaces do not have the right balance between protecting consumer and seller rights with some customers fraudulently claiming refunds. Respondents also reported experiencing challenges accessing customer support, resolving disputes, and exiting from platforms.

A particular concern for many small businesses is where they have made significant investments to build up their online presence, including on digital platforms, yet they do not possess clear rights over their own brand or online storefront. Businesses have reported being excluded without clear avenues to restore their presence, including in circumstances where they have been excluded in error or due to an algorithm incorrectly perceiving conduct as a breach of a platform's terms of service.

Removing fake reviews, scams and harmful apps

The Commission has heard of cases where past employees or competitors have left fake reviews of a small business, which has significantly impacted the business' reputation and access to future customers. In these cases, small businesses have not been able to access a process to verify or remove the review.

In addition, scams and harmful apps also have the potential to undermine the credibility of legitimate small businesses that appear to offer a similar product or service.

Requiring digital platforms to prevent and remove fake reviews, scams and harmful apps in a timely fashion would be an important step in ensuring digital platforms provide a credible space for small businesses to sell goods and services. Stronger protections requiring platforms to do so is justified given

they hold a gatekeeper role and are the only party that is able remediate a fake, misleading or deceptive review. The Commission has heard from many small businesses who have faced long delays in their attempts to have fake removed and difficulty in locating who to speak to within a platform to make such requests.

Thank you for the opportunity to make a submission. If you require further information, please contact Megan Bennett at either megan.bennett@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Chris Lamont
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NSW Small Business Commission

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