

# “Competitive Assessment of Digital Markets”

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# Introduction

- Digitalisation is a cross-sector phenomenon that can help to spur economic growth after years of moderation.
- While new business models can spur growth, direct and indirect network effects may also facilitate a quick accumulation of market power.
- Relations between companies and customers are often complicated, giving rise to new substantial and procedural questions in the assessment of anti-competitive conduct in digital markets.
- Digital businesses often operate globally, so there is a need for close cooperation between National Competition Authorities (“NCAs”) to ensure consistency.

# Selected competition issues in digital markets (1)

- **Bundling and Tying**

- Bundling and tying may be beneficial to consumers, if goods are complements or if there are cost savings from joint production.
- Bundling and tying may be harmful to consumers if it leads to foreclosure and/or price discrimination, eg COMP/AT.39530 *Microsoft - Tying*.

- **Algorithmic collusion**

- Price disparities are seen as market inefficiencies and pricing algorithms may help to overcome these inefficiencies.
- Pricing algorithms may also facilitate explicit or tacit collusion because they allow instantaneous detection and punishment of deviations.
- NCAs are only beginning to gain case experience (eg *David Topkins* and *Trod*, US DoJ)

# Selected competition issues in digital markets (2)

- **Two-sided platforms**

- Market intermediaries are two-sided platforms if they connect different end-user groups who benefit from transacting with each other (indirect network externalities). Formally, platforms are two-sided if the price structure (which user group pays what?) matters for user's participation decision (Rochet/Tirole, 2006).
- Examples (user groups in parentheses)
  - card payment networks (card users, retailers),
  - Ebay, Amazon marketplace (buyers and sellers),
  - booking platforms (guests and hotels),
  - news media (readers and advertisers),
  - dating platforms (men and women),
  - operating systems (users and software/app developers),
- Platforms may find it optimal to cross-subsidize user groups to maximize participation. This might be optimal from a social welfare perspective, but cross-subsidization might also be excessive (eg. *Mastercard*, *Visa MIF* etc.).

# Market definition in digital markets

- **Two-sided markets**

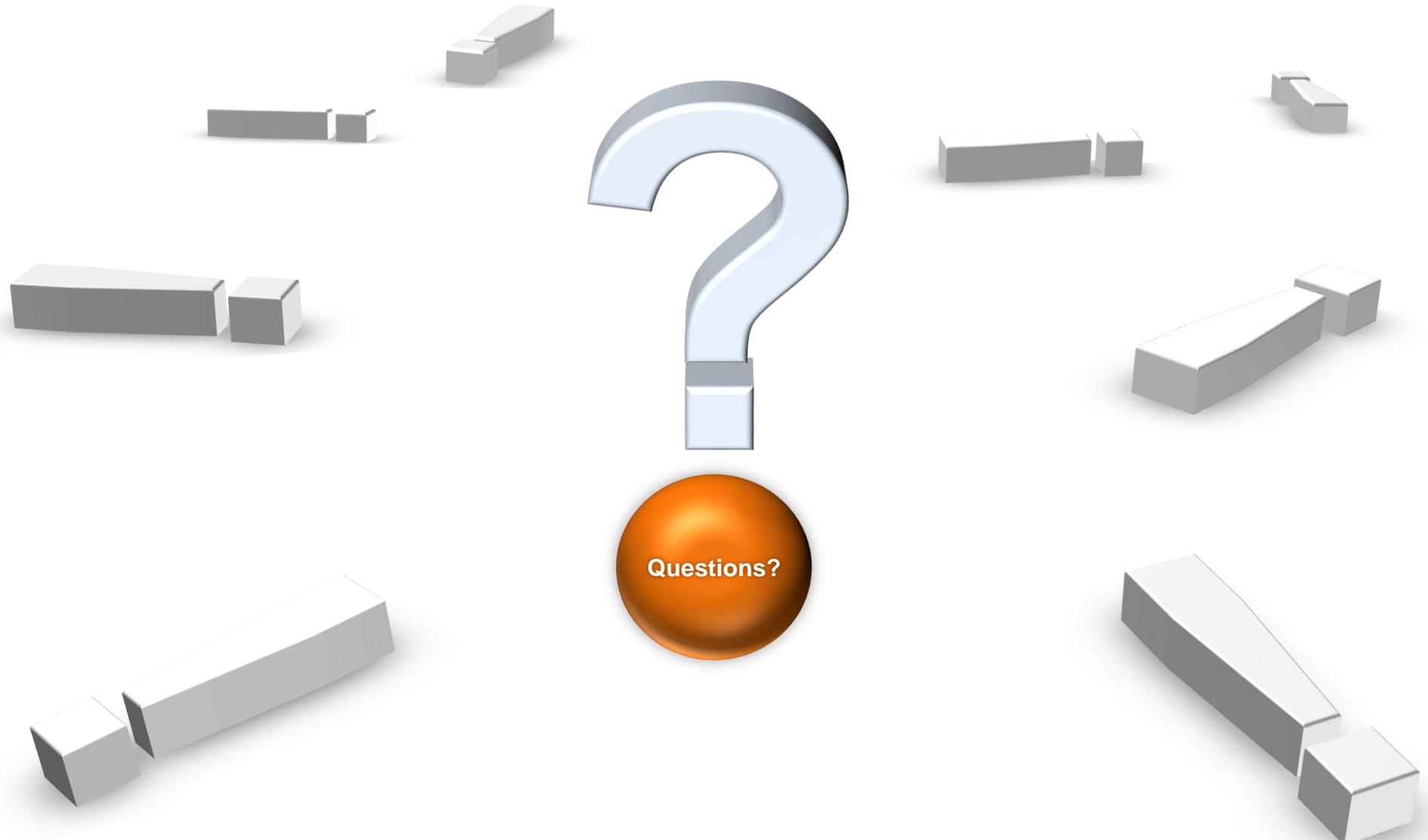
- Modified versions of the hypothetical monopolist test might be needed, where a symmetric 5-10% price increase is applied to all user groups (Emch/Thompson 2006).
- Different user groups might be seen as part of the same market (Filistrucci et al 2014).
- Market definition was an issue in the Commissions card network cases (Mastercard, Visa MIF, Visa Europe, Mastercard II).

- **Bundle products**

- Bundles might constitute a distinct product market.
- Consideration of markets for triple play and quadruple play offers (eg COMP/M.7000 *Liberty Global/Ziggo*, COMP/M.7421 *Orange/Jazztel*);

# Conclusion

- New regulation may overly restrict competition in digital markets. To unlock economic growth, NCAs should rely on a flexible, case-by-case approach.
- There are many existing economic tools that can be used by NCAs to delineate digital markets and to assess the effectiveness of competition in this markets.
- As NCAs gain more case experience, it will become easier to apply these economic tools and to assess cases in a consistent way.



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**Many thanks for  
your attention!**