

E.CA Competition Law and Economics Expert Forum 2017

Market Definition in the Digital Era

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The views expressed are those of the
presenter and do not necessarily reflect
those of the Bundeskartellamt

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One market or separate markets for different market sides ?

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Pro separate markets

capture competitive landscape on each market side

relevant substitutes / geographic scope (and thus market power) may differ on each market side

don't miss a competition issue that evolves (only) on one market side

Pro one market

customer groups may be inseparably linked by a platform interaction

competitive analysis may be the same for each market side

don't miss relevant indirect network effects

One market or separate markets for different market sides ?

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- in principle, both approaches are in line with the concept of demand-side substitutability
- both fine as long as the (later) analysis appropriately accounts for
 - interdependencies between market sides and for
 - all competitive forces on each market side
- rule of thumb: define separate markets for each side unless it is a transaction platform or a matching platform
 - transaction vs. non-transaction platforms
 - matching vs. audience providing/advertising platforms

Can antitrust markets 'exist', if service is offered free of charge ?

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- gratuitous service is a frequent phenomenon in multi-sided markets due to positive indirect network effects
- there is usually competition for customers no matter whether they are paying customers or not
- services offered free of charge should be considered as (part of) an antitrust market if there exist indirect network effects between the group that is served without being charged and another group that is charged
- no need to view "data as a currency": no requirement that free service is a bundle that comprises two goods with a positive and a negative value (e.g. service + ads or data)

Both multi-homing and single-homing may justify narrow market definition

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multi-homing

multi-homing may indicate product differentiation: different platform functionalities, different users

multi-homing reduces relevance of indirect network effects and may mitigate 'tipping' probability

single-homing

multi-homers may value „reach“ to single-homers – platform enjoys market power

e.g. wholesale call termination markets are defined separately for each terminating operator's network

→ try to investigate multi-/single-homing rationale

Challenges for SSNIP test and other quantitative methods

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SSNIP test

original SSNIP test does not account for interdependencies between distinct customer groups

also modification proposals difficult to apply in practice:

lack of proper data

free of charge services

non-price competition

quantitative methods

network effects should be accounted for when estimating demand functions, elasticities, diversion ratios, etc.

modelling and measuring network effects is a non-trivial task

disentangling these effects in a robust way is difficult in practice, if proper data are available at all

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Further reading

Wismer & Rasek (2017): Market Definition in Multi-Sided Markets, forthcoming in: OECD Hearing "Rethinking the use of traditional antitrust enforcement tools in multi-sided markets"

Bundeskartellamt (2016): Working Paper on Market Power of Platforms and Networks

Wismer, Bongard & Rasek (2016): Multi-Sided Market Economics in Competition Law Enforcement, in: JECLAP



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