

Platform neutrality: Cases and perspectives in S. Korea



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Platform neutrality

❖ Concept and background

- platform neutrality means the statement that all content are able to access to the platform without any selection pressure.
- companies that operate platforms on the smartphone, such as Apple, Google, Microsoft and Samsung Electronics, should not discriminate against hardware and contents companies.
- Platform neutrality(device/app neutrality, search neutrality)
- Network neutrality: the idea that all internet traffic should be treated equally.
- ✓ On February 26, 2015, the FCC ruled in favor of net neutrality by reclassifying broadband as a common carrier under Title II of the Communications Act 1934 and Section 706 of the Telecommunications act of 1996.
- Two characteristics of 'common carrier '
 - A specific position in the market of service provider
 - The public interest and the essential nature of the service provided => Focusing on quasi-public character of service
- consideration #1: does a platform function as a bottleneck?
- consideration #2: does a platform have any essential nature or quasi-public character?
- consideration #3: is market dominance a result of monopolistic market structure?



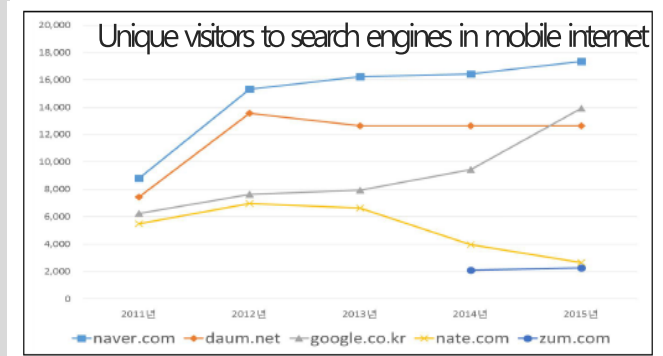
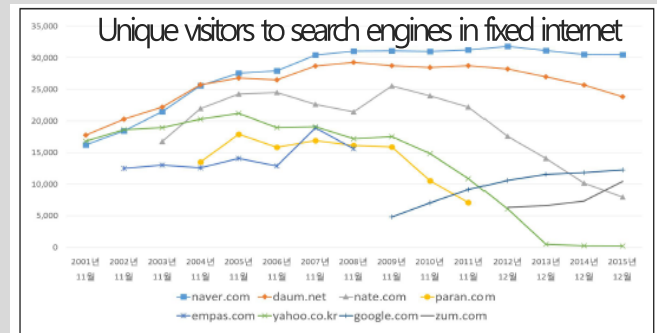
consideration #1: does a platform function as a bottleneck?

- App neutrality: Google Vs. Naver/Daum: KFTC
- Korean Government provided “Guidelines for manufacturers to make pre-loaded apps removable” in 2014.
- # of unremovable apps is 23 on galaxy note8 and is 38 on LG V30

Market shares of mobile OS systems

OS		Web browser	
Android	76.7%	Android	65.49%
		Chrome	6.28%
iOS	23.5%	Safari	21.26%

- Do pre-installed apps create entry barrier?
 - ✓ Not yet. But possible.
 - ✓ Pre-installation is effective and strong competition strategy.
 - ✓ Efficient competitors still exist in S. Korea.
- The excessive number of pre-installation certainly produces customer’s inconvenience.
- search neutrality





consideration #2: do platform have the essential nature or quasi-public character?

- Mobile OS platform
- Service platform(icl. Search engines, app stores, or webportals)
 - *Smartphone penetration rate is 91%, daily smartphone use time is 3hours, and more than 40% answered that smartphone is a daily necessity.
- Smartphone and search engines become an important gateway of communication, information, and transaction. However, high penetration or network size does not always mean essentiality.

Mobile OS	Apple IOS 23. 5%, Android76.7%(Samsung 69.6%, LG 19.5%,Others 2.5%)
App stores	Playstore, 51.4%, app store 33.4%, domestic marekt 12.8%, others 3.9%
Search engines	Naver 72.3%, daum 15%, google 12%

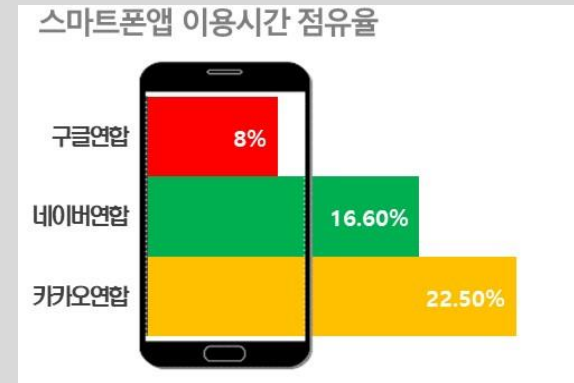
- The essential nature of OS platform?
- The essential nature of service platform (app market, search engine-news, shopping, information)?
- Customized service/search result



consideration #3: is market dominance a result of monopolistic market structure?

- Google on mobile OS platform market?
- Leveraging dominance?
 - ✓ Pre-installed apps: Google search engine is third player, but Naver is currently dominant player in search engine market as well as in online ads Market.
 - ✓ App markets: app store vs. others
 - ✓ Other service platform(web portals, news search, e-commerce etc.)

구분		네이버	다음	구글	네이트	줌(ZUM)	기타
유선 서비스	주사용 서비스	72.4%	15.8%	11.1%	0.7%	0.1%	0.0%
	1일 평균 이용량	53.8%	22.0%	19.0%	3.9%	0.9%	0.4%
무선 서비스	주사용 서비스	72.3%	15.0%	12.0%	0.7%	0.0%	0.0%
	1일 평균 이용량	56.1%	20.9%	18.7%	3.4%	0.7%	0.3%



- Device/app neutrality: OS platform - app market and web browser
- Search neutrality: Efficient and innovative competitors are emerging and users are multi-homing.



Concluding Observation

- Platforms should be sophisticatedly classified and the concept of platform neutrality needs to be more refined.
- Competition policies look for an optimal balance between fairness and innovation.
- ✓ Policies for platform neutrality should consider not only static indicators of market competition but also service nature of platform and practical business models.
- ✓ Static indicators (market share, dominance etc.) and conventional methods (SSNIP, HHI, etc.) in conventional industries should be carefully used.
- ✓ As various types of mobile apps(messengers, social networking sites, and web portals) are evolving into getting multifunctional service platforms for news, interpersonal communication, transaction, and information, it's getting harder to define relevant market.
- KFTC and Ministry of Science, ICT and Future planning are probably keeping pace with EU and other countries' policy developments.