

Comments on the KFTC's New Guideline

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Comments on Four Issues

- **Market Definition for Free-of-Charge Services**
- **Influence as a Gatekeeper**
- **MFN**
- **Self-Preferencing**

Market Definition for Free-of-Charge Services

- “When exchanges (transactions) of values occur between the online platform and the users, ...”

- ✓ Attention, Data → Advertising Revenue

- **Guideline suggests using SSNDQ or SSNIC.**

- ✓ Executable in practice??

- **I suggest using Diversion Ratio.**

- ✓ Conventional product → SSNIP and UPP

- ✓ Diversion ratio can be estimated without considering price!!!

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우리나라 플랫폼 경쟁 구조의 변화:
 정보탐색 서비스들 간의 대체성을 중심으로
 Changes in the Structure of Platform Competition in Korea:
 A Focus on the Substitutability among Information Search Services

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platforms is no longer clear. This suggests the need to consider a broader range of competitive structures than the conventional approach. To examine this more rigorously, we calculated and analyzed cross-platform diversion ratios based on user surveys. We found that the level of substitutability between Naver and YouTube in terms of information search service usage is not significantly different from the level of substitutability between Naver and Google. Additionally, the substitutability between Naver and Instagram is relatively high among younger users. This shows that the structure of the Korean platform market is undergoing significant changes, with platforms that were perceived as different types now competing with each other.

Keywords: Platform, Substitutability, Market Definition, Diversion Ratio, Information Search

Influence as a Gatekeeper

- **Competitive bottleneck (= singlehoming + multihoming)**

- ✓ Armstrong(2004, RAND J.E.), Kim(2011, 산업조직연구), Cho(2020, KDI)

- ✓ Guideline considers it for assessing the status of market dominance.

- **But, a fundamental question remains unresolved.**

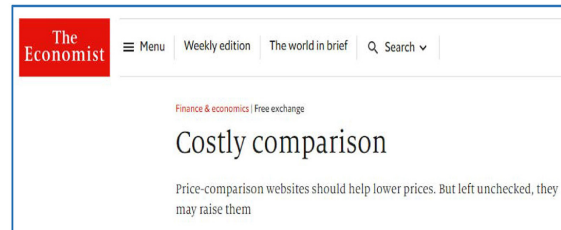
- ✓ Gatekeepers can be sustained while in very competitive markets.

- ✓ Then, is it indeed a competition policy to regulate them?

- ✓ Regulation of exploitative abuse?

MFN

- **Guideline mentions only the effect on (retail) price competition.**
 - ✓ The effect on retail price, in fact, is ambiguous.
- **But, the real issue is the effect on commissions (referral fees).**



These worries are not just theoretical. In 2014 Britain's competition regulator found that some comparison sites were using their contracts with retailers to ban them from offering cheaper prices elsewhere. That weakened rivals' incentive to cut fees, because prices on their site could not fall (which would help them gain market share). By keeping prices similar, the contracts also reduced the incentive for consumers to search on multiple sites, thus helping sites retain their users.

Self-Preferencing

- **Guideline suggests considering "The position of the firm and the competitiveness in the market where transfer of market power can occur"**
- **But, what happened to KFTC decision on Naver in 2020?**
 - ✓ Kim (2022, 산업조직연구)

Marketplace Transaction Shares in Korea

	Naver Smart Store	11 th street	Gmarket/Auction	Interpark	Coupon	HHI
2015	4.97%	27.03%	64.27%	3.15%	0.58%	4,896
2018*	21.08%	21.78%	46.83%	2.57%	7.74%	3,178
2018* (when excluding the Smart Store transactions that are not via Naver shopping)	12.61%	24.12%	51.86%	2.85%	8.57%	3,512

* Only including 2018.1~2018.6