

Platform Competition

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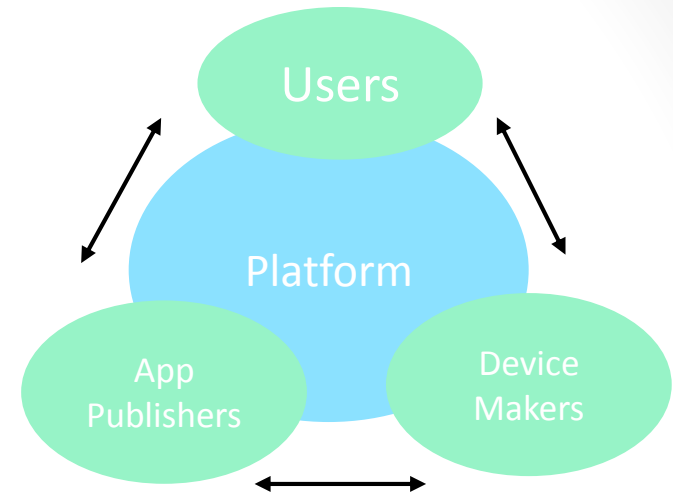
31 August 2017

Topics

- How platforms compete
- Threats to the “health” of platforms
- Common errors by competition authorities

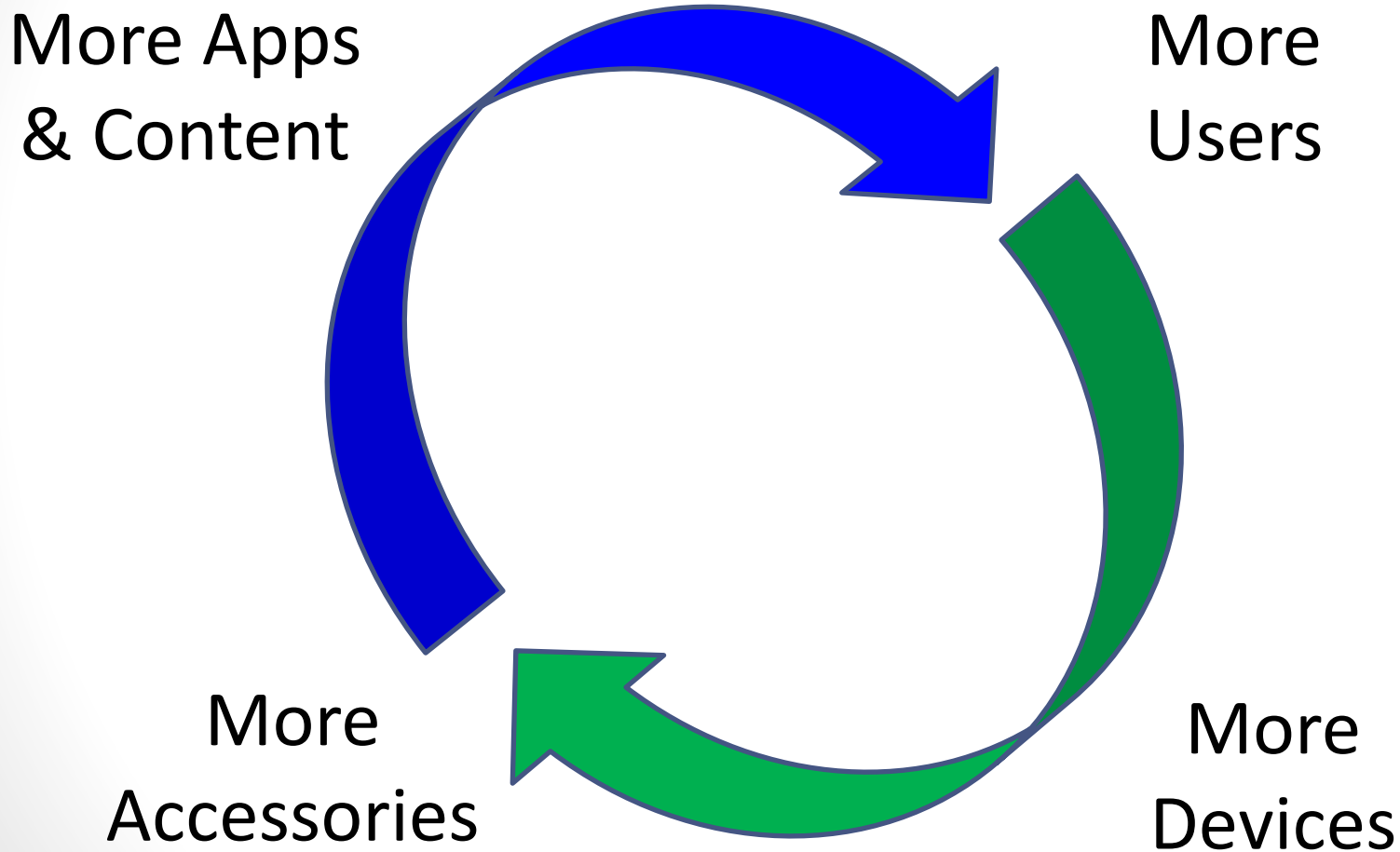
What is a “platform?”

An underlying technology base upon which other technologies – typically applications, other software, or processes – are developed and used.



- **Key feature: two-sided or multi-sided**
 - Each side finds or interacts with others via the platform
 - One side may receive free or discounted access, attracting more customers for the sides that pay more
- **Role of a “sponsor”**
 - Establishes rules to define and maintain the platform

The platform “virtuous cycle”



What is “platform competition?”

- **Competition between platforms**
 - Microsoft NT vs. Unix, for server OS
 - Microsoft vs. Apple, for desktop and laptop computer OS
 - Apple iOS vs. Android OS, for mobile devices
- **Competition within platforms**
 - Two platform participants, in the same “side” of the platform compete against each other
 - Examples:
 - Retailers bid against each other to buy Facebook ads
 - Device manufacturers compete to sell Android phones

Key threats to “health” of platforms

- **Fraud and safety concerns**
 - Participants will depart if they aren't safe
- **Fragmentation**
 - Consumers like consistent “out of the box” function
 - Software developers need technical compatibility
- **Interference with “sponsorship”**
 - If sponsor cannot maintain compatibility and safety, costs rise, and participants may leave the platform

Potential for fragmentation is real



Source: Open Signal, Android Fragmentation Report (August 2015)

Common errors by authorities

- **Objecting to pricing differently to each side**
 - Different pricing to different sides is normal and necessary
 - Below-cost or “freemium” pricing to one side is common, and not typically predatory or anticompetitive
- **Interfering with antifrAGMENTATION & safety efforts**
 - Business participants have the incentive to push boundaries, because they receive 100% of the gain but the reputational risk is shared by the entire platform
 - Platform sponsor must be able to enforce rules; only the sponsor represents the platform as a whole
 - Fragmentation is cited as the reason Unix servers declined