

**SOME THOUGHTS ON EX ANTE
REGULATION ON INTERNET PORTALS
AND MARKET DEFINITION**

2016. 6. 9

Introduction – Korean Case

2

○ Government's Perspective on Regulation

- In CPND ecosystem, influential power of internet portal as a platform has been bigger, so that regulation should be introduced for healthy CPND ecosystem
- Government has been evaluating the degree of competition of internet portal market over the years
- Considering making a special law
- Market definition
 - Defined the internet information search market as an independent market

Ex Ante Regulation?

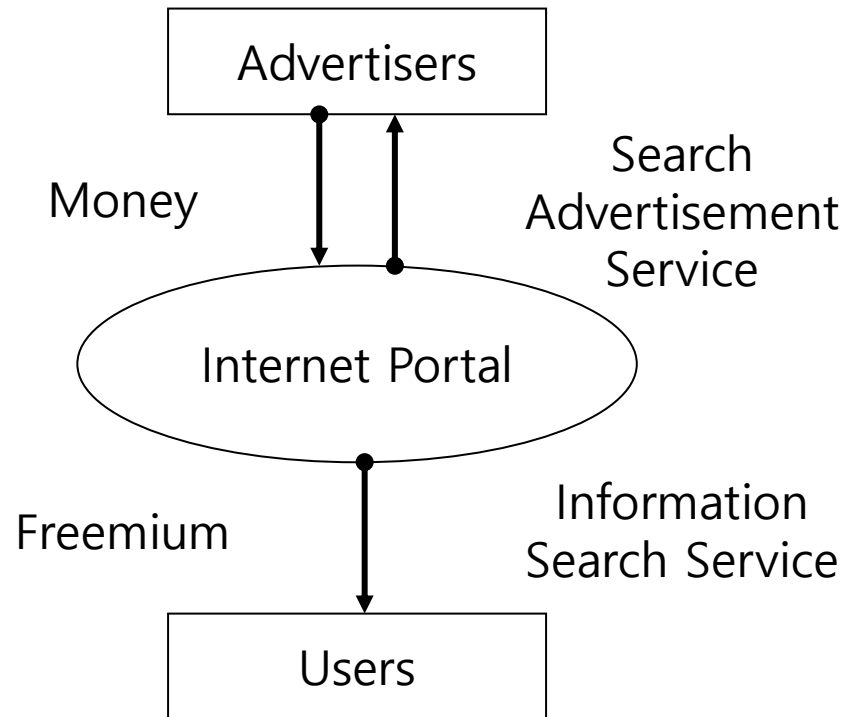
3

- 2 Reasons why ex ante regulation is not proper
 - Internet portal market is highly dynamic and competitive
 - Ex ante regulation has been implemented to the industries where the effective competition is hardly achieved such as telecommunication industry
 - Risk of Type I Error
 - According to error-cost framework, market intervention without theoretical and empirical research may adversely hurt degree of competition and incentives for innovation

Market Definition for Internet Search Business

4

2 Sided Business Model of Internet Search Business



Market Definition for Internet Search Business

5

○ Market Definition

- to identify all the places where competition effectively exists
- to consider the characteristics of 2-sided business model
 - checking who internet portal effectively competes with in each side

Market Definition for Internet Search Business

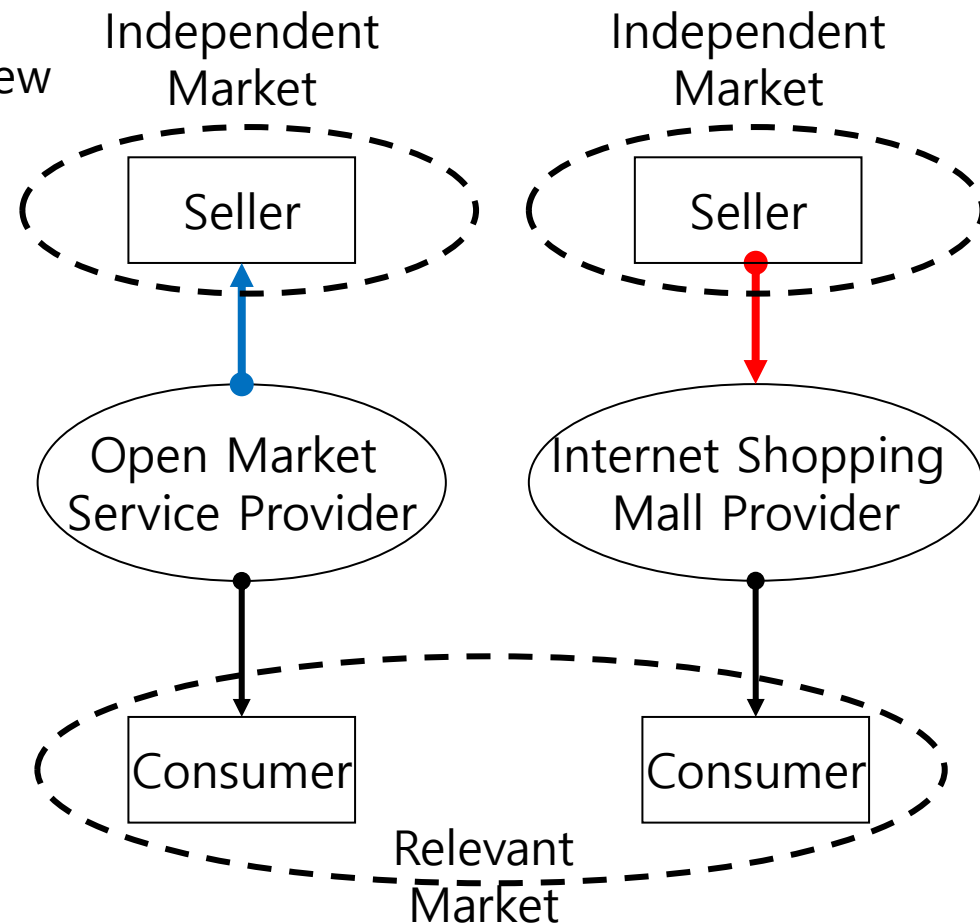
6

eBAY-Gmarket Acquisition (2009)

● Korea Fair Trade Commission's View

- In a consumer side, open market service providers compete with internet shopping mall providers

- In a seller side, open market service providers do **NOT** compete with internet shopping mall providers



Market Definition for Internet Search Business

7

Comparison between FTC or EC and Korean Case

	Google-Double Click		MS-Yahoo	Internet Portal
	FTC (2007)	EC (2008)	EC (2010)	KISDI (2013)
Information Search Service Side	Not define	Not define	Not define	Define
Search Advertisement Side	Online Ad independent of offline Ad	- Online Ad independent of offline Ad - Search Ad competes with Non-search Ad	- Online Ad independent of offline Ad - Search Ad competes with Non-search Ad	Not define

Market Definition for Internet Search Business

8

Market Definition for Internet Search Business

- identifying reasonable interchangeability in each side

