



Thoughts on Platform Competition and Antitrust

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Dilemmas of Platform Competition Policy

- ◆ Serious problems in **market definition**
- ◆ **Concentration** → less competition but more efficient?
- ◆ It is not clear whether **competition between platforms** actually increases **welfare** (Monopolkommission, 2015)
 - “The analysis of such distortions is highly complex, and competition policy has so far hardly addressed this type of market failure.”

Different Types of Platform Competition

◆ **Single-home and Single-home**

- e.g., matchmaking agency

◆ **Single-home and Multi-home** (competitive bottleneck)

- e.g., cable tv: subscribers and home shopping channels

◆ **Multi-home and Multi-home**

- e.g., online hotel booking

Single-home vs. Multi-home

◆ More multi-homing then more competitive?

➔ **NOT Clear!!**

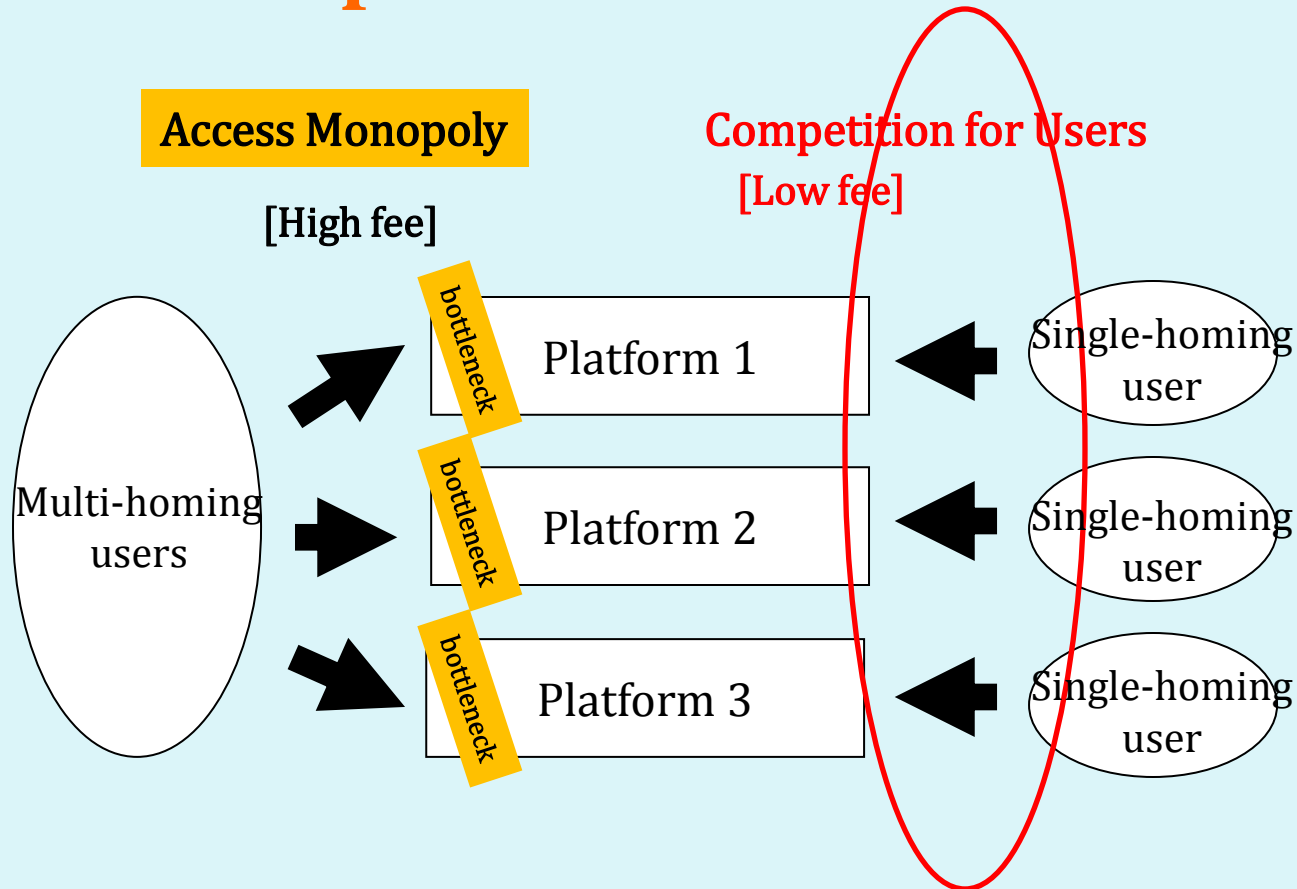
	Single-homing users	Multi-homing users
Platform Choice	Critical ➔ More competition	Less Critical ➔ Less Competition
Lock In	Possible ➔ Less Competition	NO ➔ More Competition

◆ Users multi-homing with some choices (selective multi-homing) might be best for platform competition

Type 1: Single-home and Single-home

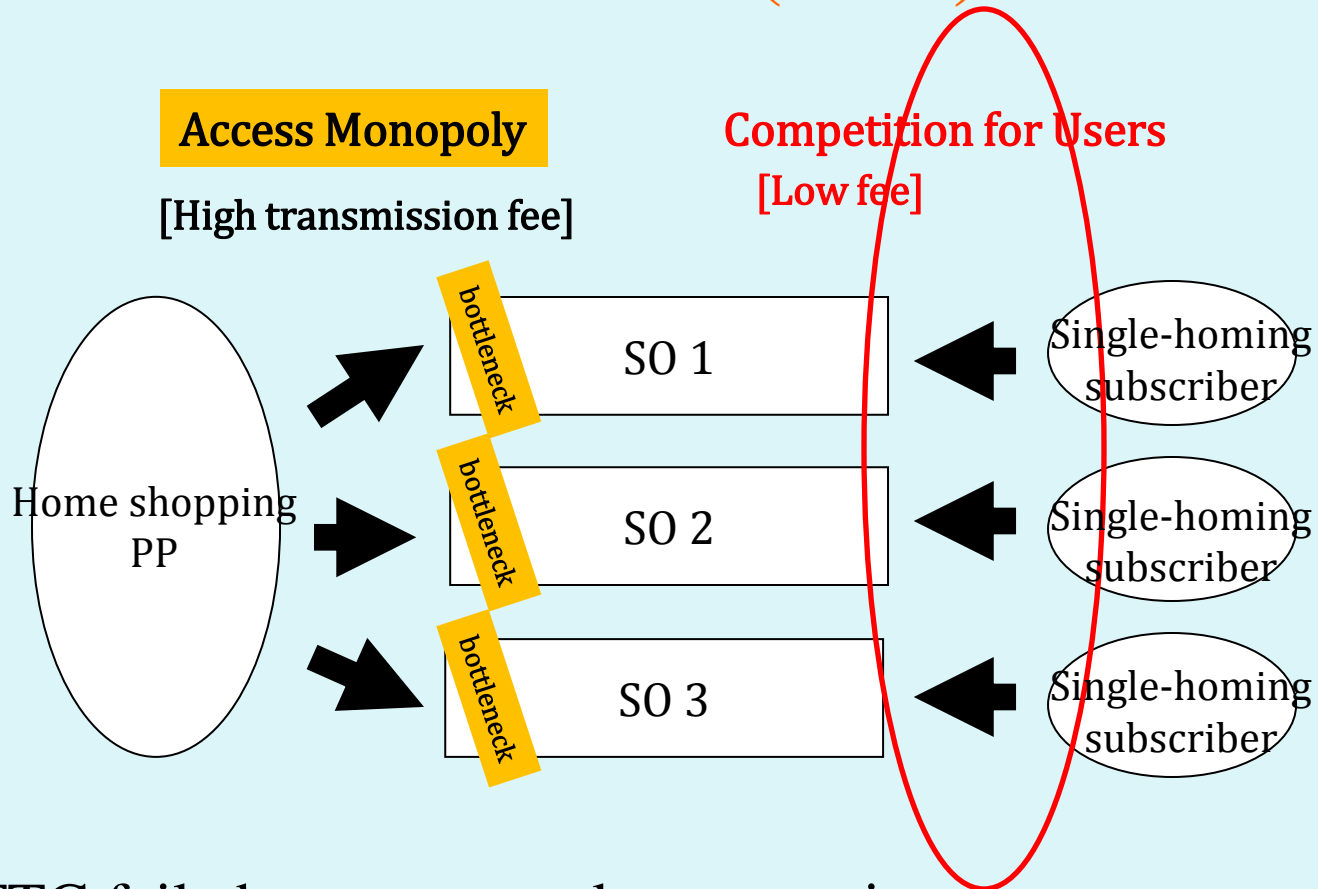
- ◆ **Platform competition** → Tipping → **Dominant platform**
 - Platform investment ends, and **harvest strategy begins**
 - Still, **network effects** keep increasing
- ◆ Traditional competition policy can work?
 - What about **incompatibility** (network effect)?
- ◆ **Alternative policy?**
 - Regulating dominant platform as a natural monopoly
 - Helping users to convert to multi-homing

Type 2: Competitive Bottleneck



- ◆ **Note:** “full” multi-homing is assumed for this structure
 - Termination access in telecommunications is a good example

T-Broad Case in Korea (2007)



- ◆ KFTC failed to prove market power in court
 - **Competitive bottleneck theory** could have helped

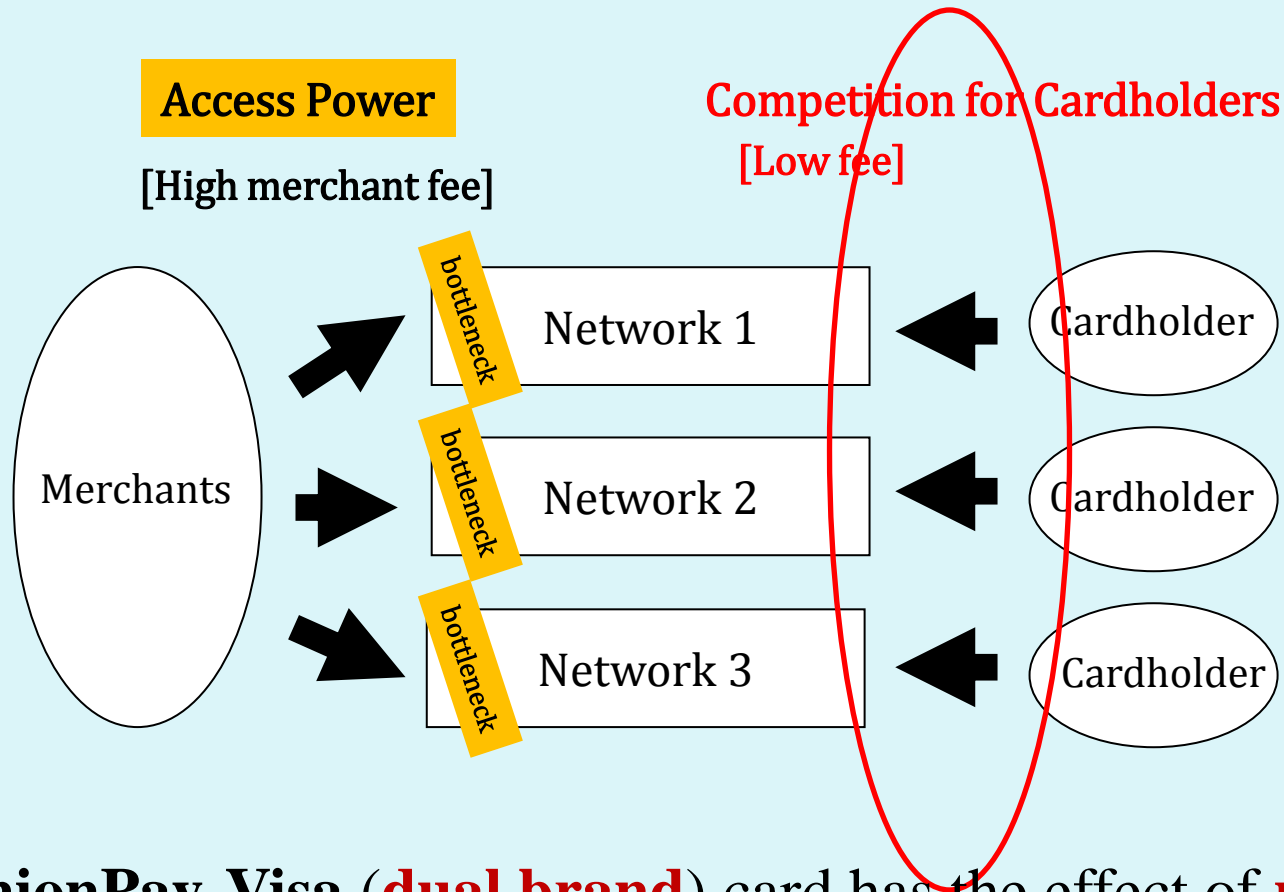
Type 2: Competitive Bottleneck

- ◆ Traditional competition policy may not work
- ◆ **Alternative policy?**
 - **Regulating bottleneck fee** as has been in telecommunications
 - Helping single-homing users to **convert to multi-homing**
 - Helping (full) multi-homing users to **convert to selective multi-homing**

Type 3: Multi-home and Multi-home

- ◆ “**fully M-H and fully M-H**” is not plausible
 - When the other side fully multi-home, you need not fully multi-home
- ◆ **selective M-H and selective M-H**
 - May be close to S-H and S-H
 - ➔ platform competition with tipping
- ◆ **selective M-H and full M-H**
 - May be close to competitive bottleneck
 - Payment card system is an example

Payment Card System



◆ **UnionPay-Visa (dual brand)** card has the effect of **promoting multi-homing** → Visa bans dual brand function

- KFTC investigated Visa (2011~2015) without reaching any decision