



RETOS de la
COMPETENCIA
en el ENTORNO DIGITAL
2020



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INSTITUTO FEDERAL DE
TELECOMUNICACIONES



CHALLENGES on
COMPETITION in the
DIGITAL ENVIRONMENT
2020

Market definition and digital platforms in a digital environment

CDMX

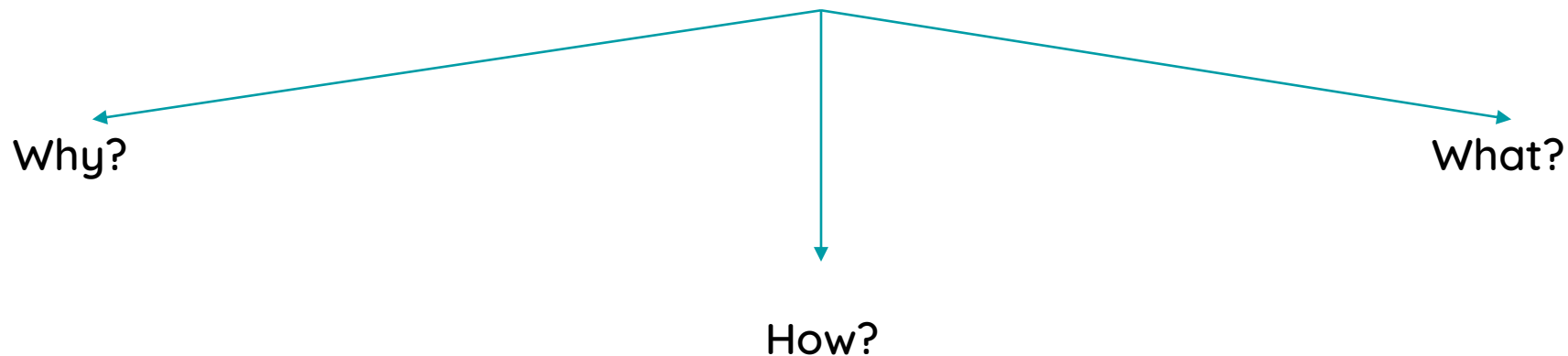
11 November 2020

Carlos Castellanos Rubio



One question raised by NCA around the world

How should relevant markets be defined when online platforms participate in them?



Background



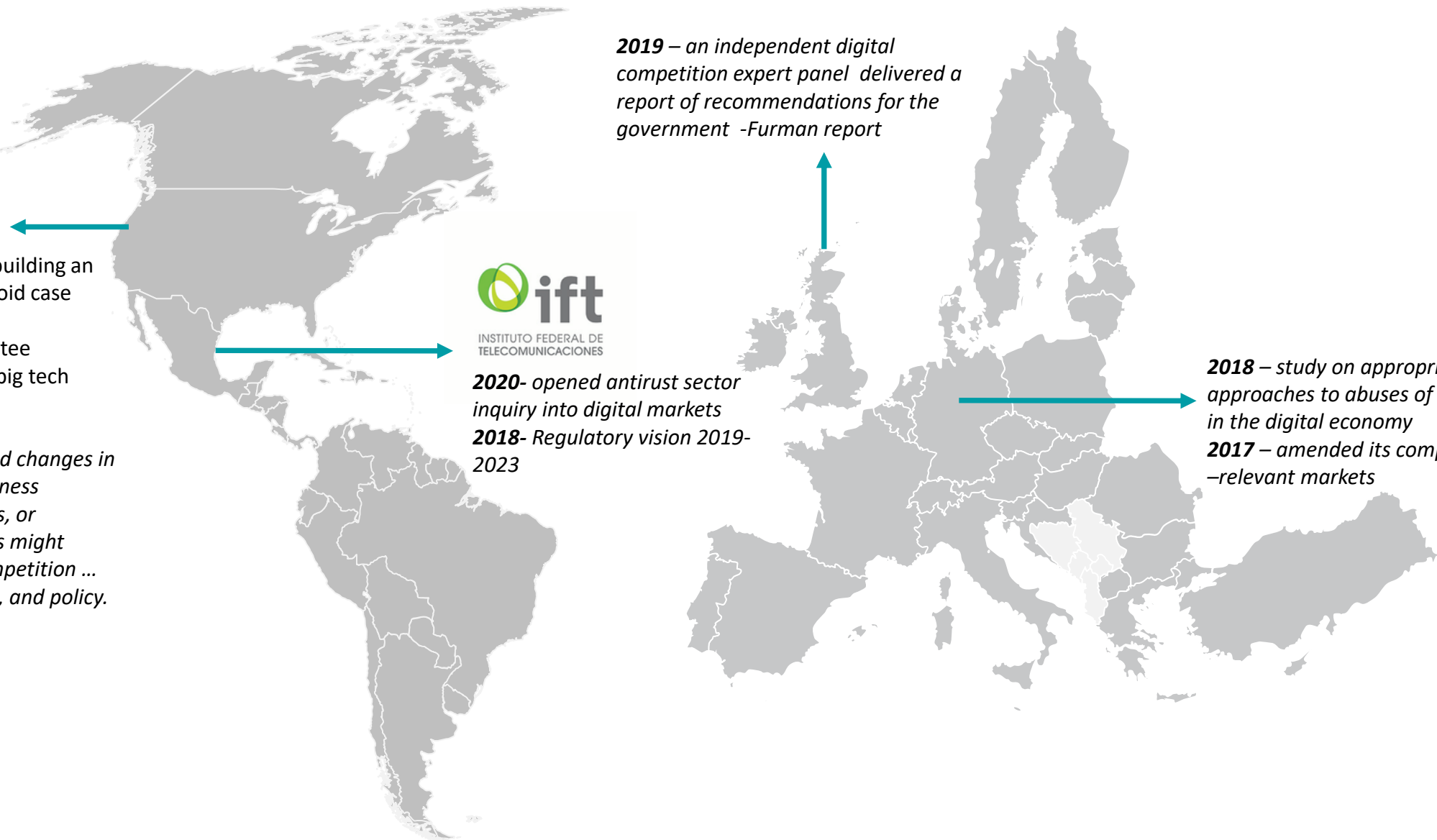
2020- Digital service Act – ex ante regulation for gatekeepers + NCT
2018 – The experts suggested methodological improvements for a stricter application of competition rules .



2020:

- DOJ accuses Google of building an illegal monopoly = Android case 2018 EU.
- US Congress subcommittee recommends reining in big tech companies

2018: *Whether broad-based changes in the economy, evolving business practices, new technologies, or international developments might require adjustments to competition ... law, enforcement priorities, and policy.*



2019 – an independent digital competition expert panel delivered a report of recommendations for the government -Furman report

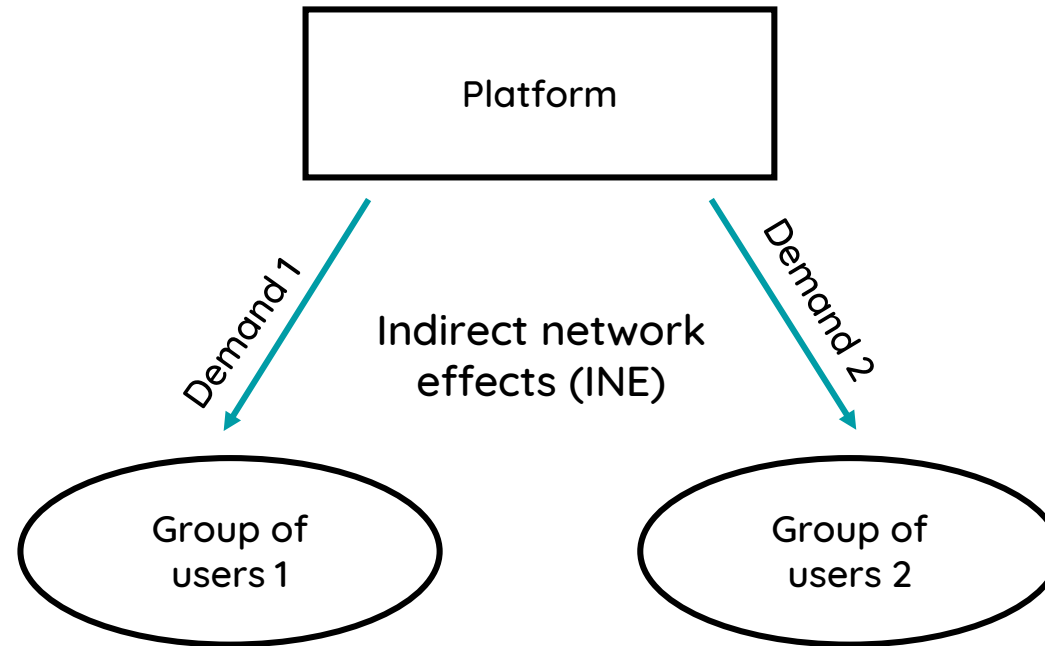


2020- opened antitrust sector inquiry into digital markets
2018- Regulatory vision 2019-2023

2018 – study on appropriate future approaches to abuses of dominance in the digital economy
2017 – amended its competition act –relevant markets



What are we talking about?



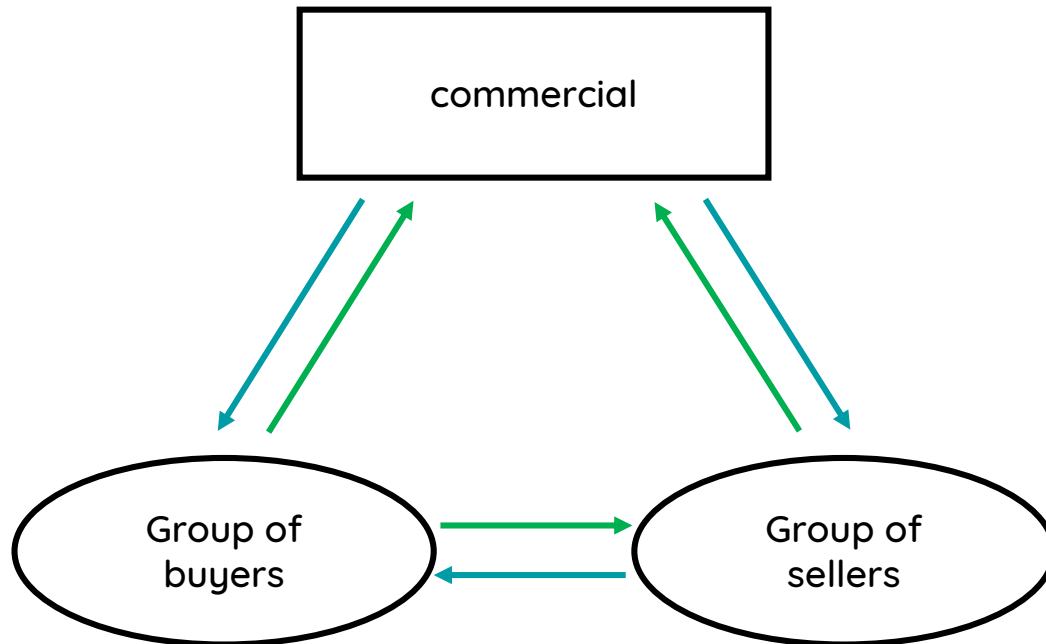
1. Two or more group of users

3. An intermediary that internalises the INE.

2. Indirect network effects

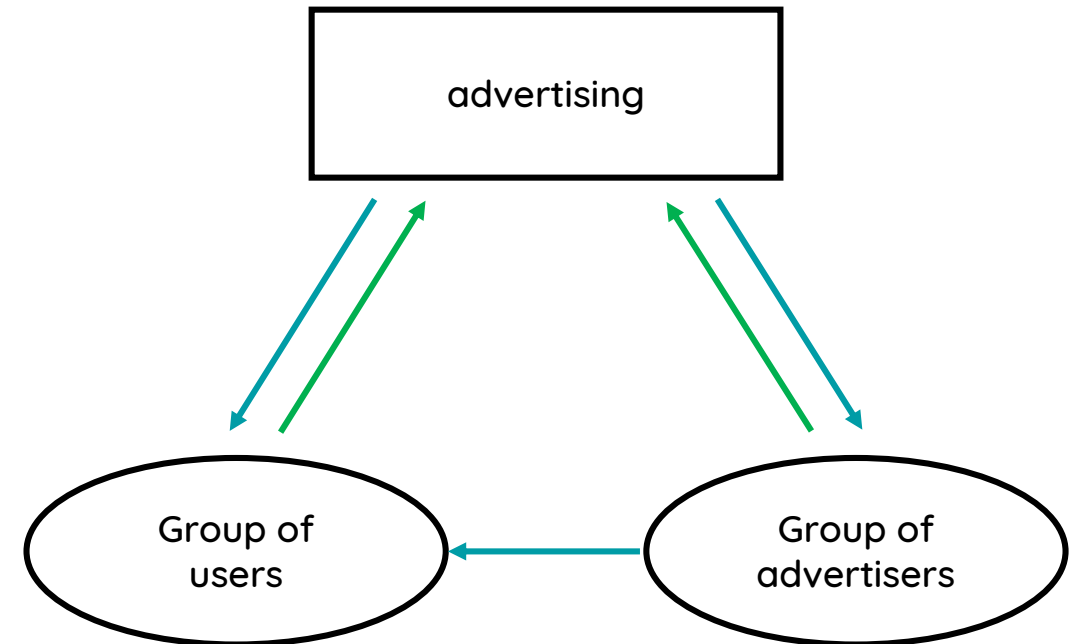
Transaction and non-transaction platforms

Transaction platforms



Direct transactions
(Observability of a transaction)
Usage externalities

Non-transaction platforms

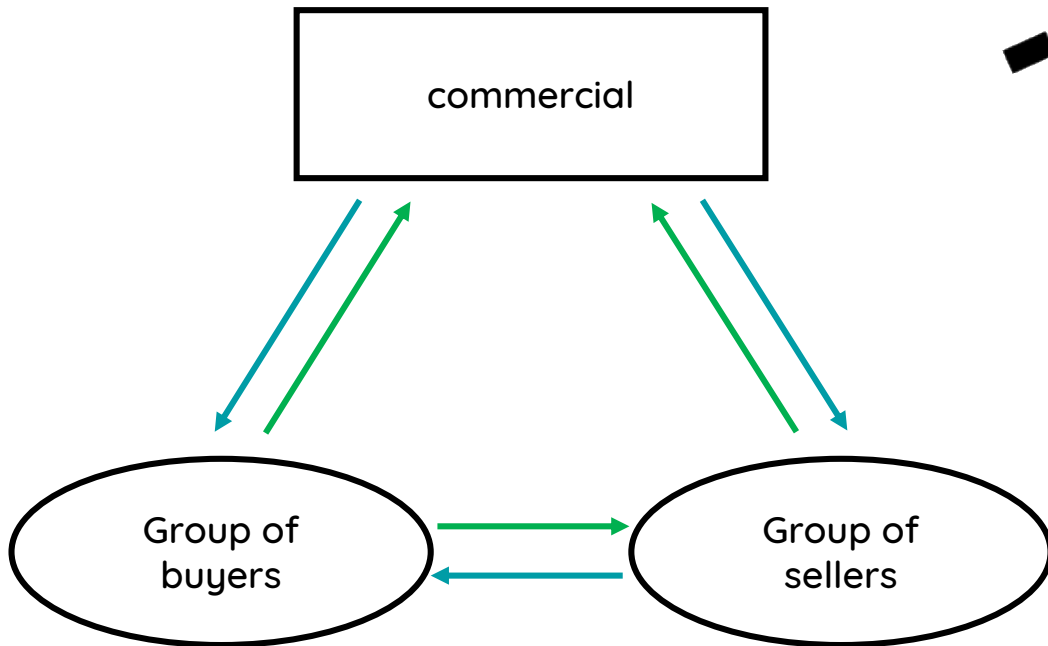


No direct transactions
Membership externalities

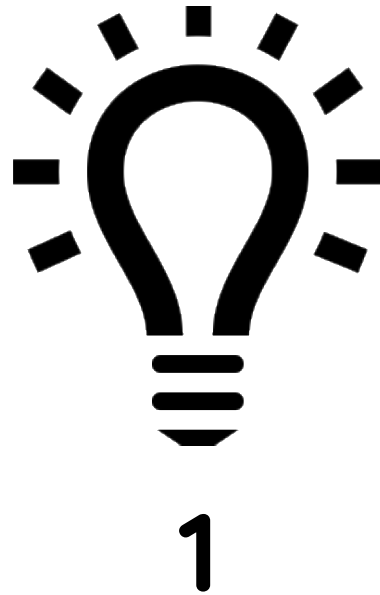


Suggestions to define relevant markets in multi-sided markets

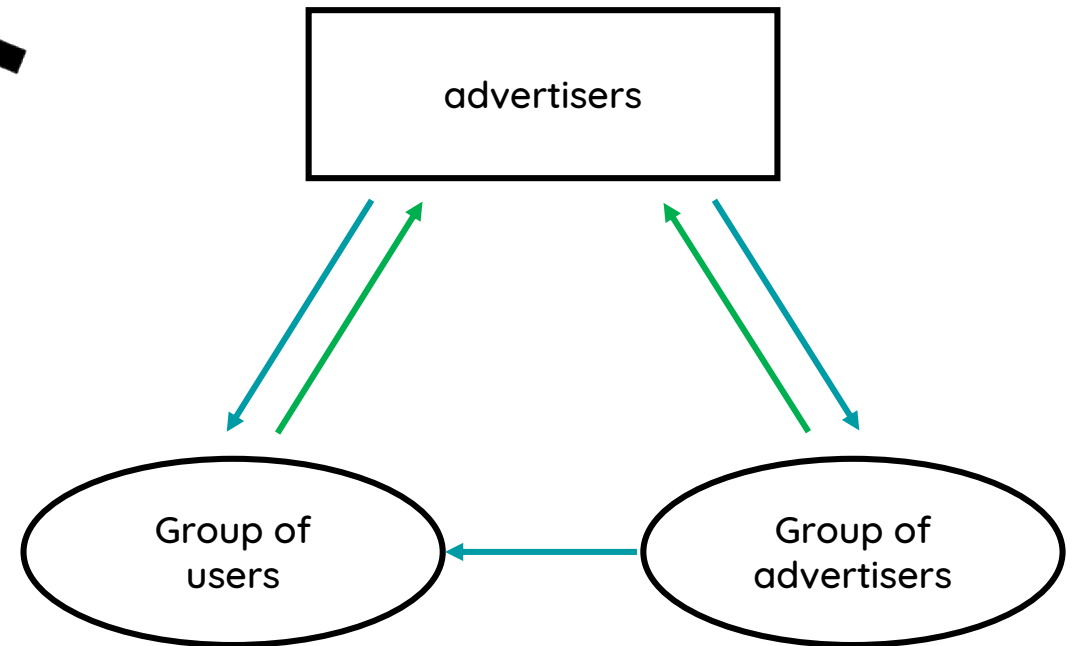
Transaction platform



One single market

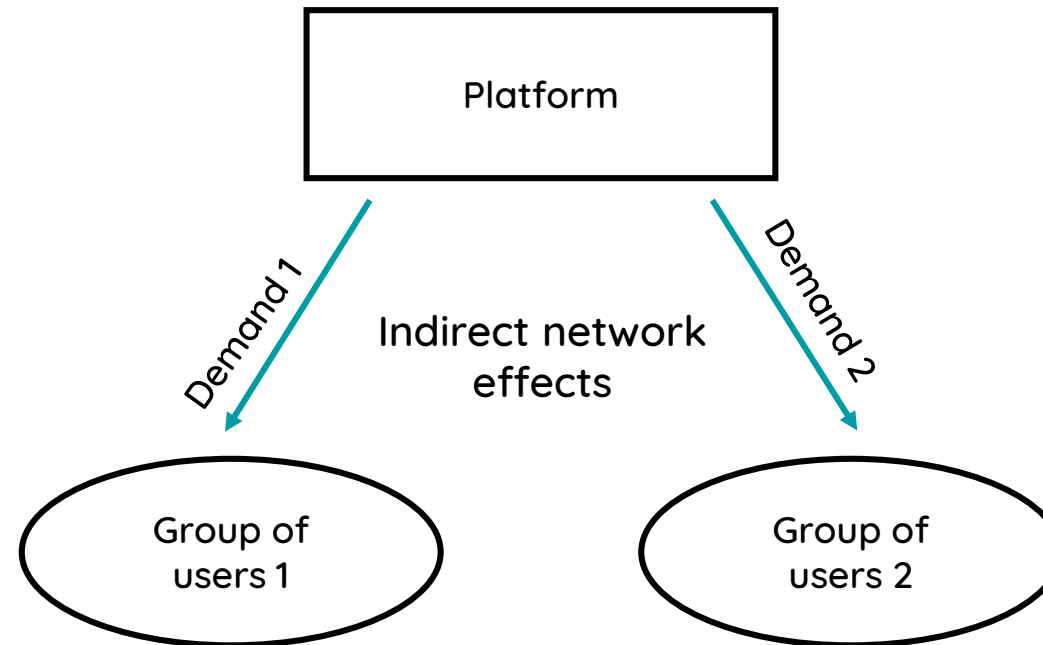
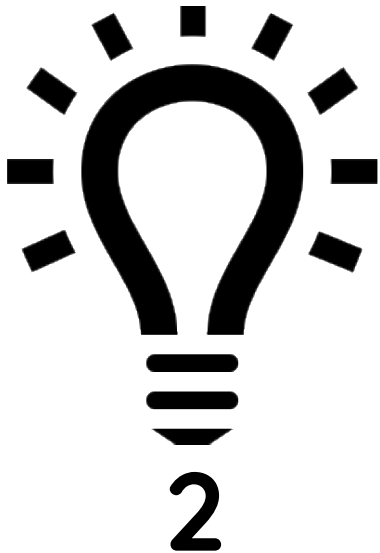


Non-transaction platform



Separate markets for distinct
market sides (interrelated
markets)

Suggestions to define relevant markets in multi-sided markets



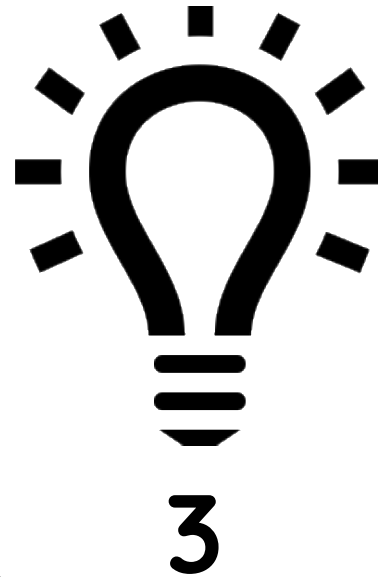
- Considering both sides of the market, even in non-transactional platforms.
- A platform needs both sides on board and therefore competes for customers on both sides.
- Do not take product differentiation as given (pricing decision on the two-sides are interrelated)

Suggestions to define relevant markets in multi-sided markets

Transaction platform

SSNIP test

Non-transaction platform



- Check the profitability of an increase level (i.e. the sum of the prices paid for the transaction by the two sides)
- Take into account the changes in overall profits and all feedbacks

- Check the overall profitability of a rise in price on each side of the market

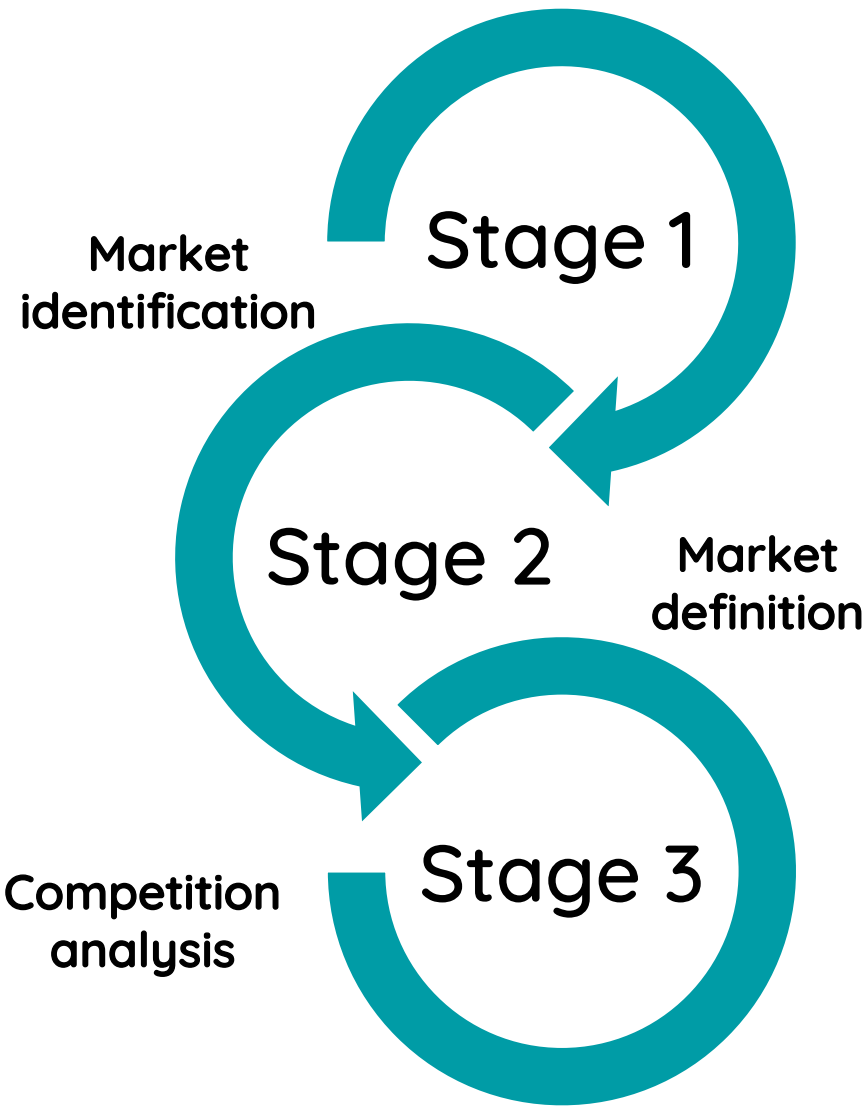


Approach to an economic analysis methodology

- Two or more group of users
- Indirect network effects
- An intermediary
- Price structure (it needs to be impossible for the side that pays more to the platform to pass through the difference in price to the other side)

Special attention to:

- Indirect network effects
- Multi-homing and single-homing
- Price strategies
- Big data and market power
- Chicken or the egg dilemma.



Transactional

- Single market

Non-transactional

- Two separate markets
- Interrelated markets



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Thank you!

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