

Antitrust Analysis of Multisided Platforms: Comments from the perspective of Japan

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JFTC Cases on Platform and INE

Merger Cases

- KADOKAWA and DWANGO (2014)
 - Publishing contents and IT portal (nico nico) businesses
 - Pay site was defined as the market.
 - Explicit accounts of roles of the platform and indirect network effects (INE); and associated concerns on input and customer foreclosures.

- YAHOO JAPAN and IKYU (2015)
 - IT portal and on-line booking businesses
 - Online reservation services on travels / restaurants; meta-search services
 - A caveat was made on the role of big data on consumers purchasing behavior.

High technology markets

- Technological developments in e-commerce, big data, computers, and pricing algorithms, have changed the way we shop, and freed us from local retailers.
 - Increased flow of information
 - Lower search costs to facilitate matching
 - Induced more dynamic and allocative efficiencies.
- The advent of smartphones, tablets, and computers in principle promises better competitive environments, supporting our informed and educated choices.

Big Data, AI, and IoT

- With drawbacks of online business disappearing, big data and AI (algorithms) play an increasingly essential role in both online and offline businesses.
 - Companies are now using sophisticated algorithms to engage in mining and trading data, recognize behavioral patterns. They may eventually optimize prices for personalized services.
 - Consumers enjoy free online services, most of whom without noticing what value of data they are offering, who use them, and how.

Big Data, AI, and IoT ... and competition policy

- Invisible hand of competition between AIs
 - Hopefully leading to perfect competition
 - Under more of personalized promotion and services, however, a question may arise as to how consumers make informed comparison and educated choice.
- Platforms help level the playing field and intensify competitive pressure. It could however engender INE and associated market power.
 - E.g., use of MFN and the agency model

Challenges to the Competition Agency

- It is increasing difficult to understand whether a conduct at issue is anticompetitive in a data-driven economy.
 - With the conventional enforcement toolbox at hand, the agency has to make judgment under uncertainty.
- It is also important to account for the dynamics that shape how data-driven economy evolve.
 - INE and market forces could lead to market tipping and permanent market power.
- The agency should be better equipped and informed to protect competition for the benefit of consumers in the age of virtual competition.
 - JFTC-METI joint investigation to online businesses.
 - Need for more in-depth inquiry at a focused sector to learn what is really happening.

Thank you

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