

Platform Competitions and Vertical Restraints
Based on an Analysis of the Sony Computer Entertainment Case
Abstract

Recently, the importance of the platform in understanding a framework of a real economy has been recognized. Also, the interest for the platform in the economics increases quickly, and many analyses have been done. In this study, to be concrete, we focus on a case of the resale price maintenance by Sony Computer Entertainment (SCE)(2001). We explain the background and the decision in the SCE case in detail. Then, on the basis of the background of the case, we will make it clear how the resale price maintenance by the platform can be evaluated from the viewpoint of competition policy.

The platform typically faces the two-sided markets, in which the usages of each side customer creates the cross-group network externalities, and the benefit enjoyed by a customer of one side depends upon how well the platform does in attracting customers in the other side. So far, the central topic of economics analysis concerning the platform and the two-sided markets was the elucidation of the price structure which the platform assigns in each side. Typically, the optimum price structure has a property that the platform assigns a low price on one side in order to enlarge a size of customer group and assigns a high price on the other side to treat profit center. In addition, because this price structure internalizes the network externality across both sides, there is no big inconsistency with the economic welfare. However, there is only a few literature which concerns the vertical restriction by the platform.

The decision in the SCE case has not been conscious of the role of the videogame as a platform explicitly from a viewpoint of two sided market. If we consider the circumstance of the videogame market of that time, however, the distribution policy adopted by SCE was based on the following three issues: () prevention of price falling of software, () reduction of the demand uncertainty risk to which game developers and retailers face and () reduction of the distribution margins. In this study, we make economics analyses on these three issues, and then explain that the resale price maintenance has a point which is not necessarily relates to the anticompetitiveness. This study makes it clear that the platform may apply the resale price maintenance in order to internalize the network externalities, which may result in an increase of the economic welfare.

This study offers rich points since we starts from the specific case, and so the implication for the competition policy is also concrete. Furthermore, because the argument is based on the two-sidedness of platforms, a new point is presented concerning the evaluation of the resale sale price maintenance. Simultaneously, we present the firm point of view for competition policy by exhibiting a theoretical conclusion, which makes it possible to make more appropriate judgment concerning the strategies of SCE and other platforms.