Digital Platforms

Development of monitoring system and investigation into Amazon’s terms and conditions for sellers (2019)*

Digital Clearinghouse Roundtable
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*The views expressed are purely personal and do not necessarily represent an official position of the Bundeswettbewerbsbehörde.
Motivation

Life and daily routines are increasingly digital

Expectations in late 1990s
- More competition due to lower barriers for market entry
- Multi-homing

Status quo in 2020
- Only a handful digital conglomerates
- Single-homing (Google, Facebook, ...)

Digital Platforms
Motivation

- GAFAM are a matter of public interest in Austria
- Austria specific aspects (eg Austrian Third-party Sellers on amazon.de)
- Transaction value threshold since 2017 part of the Austrian merger control
- Know-how in the digital field is needed
„Regulators should not be scared of anything!“
- Caffarra (2020)
Digital Platforms (multisided)

- Two or more distinct user groups
  - Multi-sidedness
  - Commercial or not
- Direct and indirect network effects
- Usually part of a larger ecosystem
Platform

Source of Logos: www.amazon.de
Ecosystem (narrow)

Source of Logos: www.amazon.de

Digital Platforms
Ecosystem
(broader)

Hidden Intermediaries,
Data Brokers, ...

Source of Logos: www.amazon.de

Digital Platforms
Understanding Digital Platforms

- Studying all user groups
  - Roles, incentives, direct and indirect network effects
- Considering the ecosystem embedding the platform
- Business model
  - Product-funded or ad-funded or mixed
- Role of data
- Sector specific regulation
### User Groups

<table>
<thead>
<tr>
<th>Client/Role</th>
<th>Actions/Activities</th>
<th>Services/Products</th>
<th>Data/Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients</td>
<td>Demand Products, Rate Products/Sellers</td>
<td>Demand additional</td>
<td>Generate Data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>services</td>
<td></td>
</tr>
<tr>
<td>Sellers</td>
<td>Offer Products, Pay Commissions</td>
<td>Demand additional</td>
<td>Generate Data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services and Ads</td>
<td></td>
</tr>
<tr>
<td>Amazon</td>
<td>Offers Products, Offers Marketplace</td>
<td>Offers Services</td>
<td>Collects Data</td>
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<tr>
<td></td>
<td></td>
<td>(Logistics,...)</td>
<td>Sets the Rules</td>
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<tr>
<td></td>
<td></td>
<td>and Ads</td>
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</table>
Network effects

<table>
<thead>
<tr>
<th>Indirect</th>
<th>Sellers → Clients</th>
<th>Clients → Sellers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Variety of Goods</td>
<td>Demand</td>
</tr>
<tr>
<td></td>
<td>Prices</td>
<td>Feedback</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct</th>
<th>Sellers → Sellers</th>
<th>Clients → Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Competition</td>
<td>Information (eg ratings),</td>
</tr>
<tr>
<td></td>
<td>Support (eg seller forum)</td>
<td>Delivery Delays</td>
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</tbody>
</table>
Findings 2019 (selection)

• Many sellers have no real alternatives to amazon.de
  – Single-homing
  – Market power

• Deficits in Communication of Amazon

• Product rankings not transparent

• Welfare effects of Amazon’s dual role unclear
  (Hagiu et al 2020 find positive welfare effects)

• Due to indirect network effects unclear how sellers are affected by Amazon’s conduct (eg generous warranty or suspensions of seller accounts)
Goals of the Platform Monitoring together with RTR

- Initial system
- Detecting first evidence of issues or potential infringements
- Generating know-how
- Cooperating with other authorities and regulators
For Authorities and Regulators
it’s still day one!

Links:
RTR (2020): Monitoring of digital communication platforms and gatekeepers of the open Internet

BWB (2019): Case Report - Amazon.de Marketplace
https://www.bwb.gv.at/fileadmin/user_upload/Fallbericht_20190911_en.pdf


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