

MARKET DEFINITION DILEMMA REGARDING PLATFORMS

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OUTLINE*

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• Based on DOĞAN C. and INCE E. (2019) "Challenges Associated with the Market Definition Process on E-commerce Platforms: Why Bother with a Market Definition?", CUTS International

THE NEED FOR A MARKET DEFINITION

A Few Basics (from traditional perspective)...

WHY DO WE NEED MARKET DEFINITION?



Because the **MARKET POWER** matters for the restriction to create effect/harm in most cases: in all cases except for ones concerning hardcore/per se restrictions



Market power
assessment



Effect-analysis:
Harm to
Market



Need for
«**Relevant Market**»
Definition

A Few Basics (from traditional perspective)...

AND WE NEED IT RIGHT...

IF NARROW

Type 1 (False positive)

undue intervention

IF WIDE

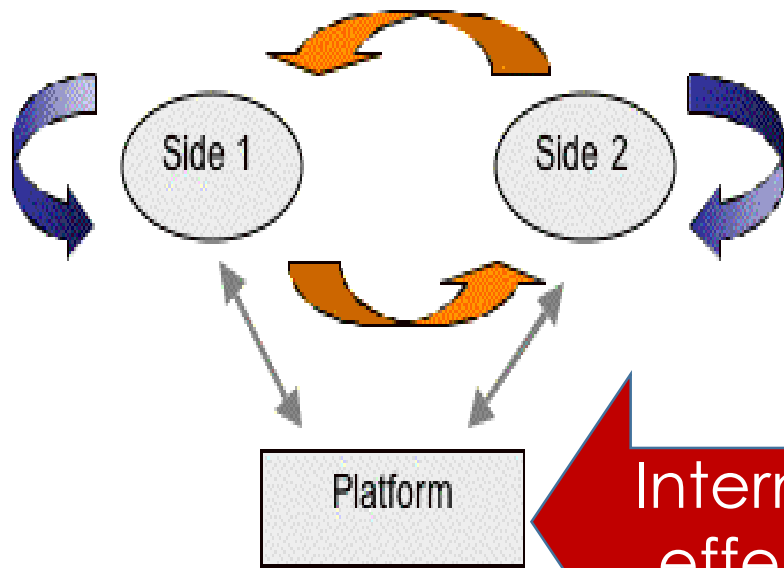
Type 2 (False negative)

insufficient intervention

CHALLENGES ASSOCIATED WITH THE MARKET DEFINITION PROCESS ON PLATFORMS

The main characteristics of multi-sided markets

Multi-sided markets (=platforms)



Interrelated demands

Direct Network Effects



Indirect Network Effects

Internalization of the indirect network effects by **the Platform not the users**

Markets where the platform serves seemingly distinct but connected (via interrelated demands) consumer groups.

Main Challenges...

To internalize (=to exploit the profit opportunities created by) the indirect network externalities



Price structure rather than price levels



Market definition process becomes problematic

SSNIP?

HM?

CLA?

Relevant market definition for platforms so far...

Even though the characteristics make the process tough, there are certain factors that could be decisive, such as...

Indirect Network Effects
being
unilateral or bilateral

Market being
transaction or non-transaction

Market being audience or
matching

Consumer demand met
by a single-sided
competitor

Relevant market definition for platforms so far...

Indirect Network Effects is unilateral (e.g media markets)



The demand on one-side can be met by non-platforms



Defining two separate but related markets is reasonable

Transaction (e.g e-commerce platforms)



The transaction is observable by platform



Defining a single market is reasonable

Non-transaction (e.g newspapers)



The transaction does not take place via platform



Defining distinct but related markets can be the case (NOT AS RULE)



Matching (dating/social media)



Opportunity to find a match



A single market can be defined

Audience (search engine)



Platforms funded by ads



Separate markets can be defined

TURKEY'S EXPERIENCE

Yemek Sepeti Investigation



Leading online food ordering platform in Turkey

Allegement: MFN to foreclose rival platforms

MFN Coverage: price, menu content, delivery region, payment options, delivery time, ...

Investigation under Article 6: Abuse of dominance

Relevant market definition

- Off line channels?/Restaurants' call centers?/webpages?
→seperate markets?
- Yemek Sepeti is a transaction platform→ single market defined
- In line with the literature on multi-sided markets
- Diffentiated between offline and online channels

Leading online accommodation booking platform

Allegement: MFN (*best price guarantee/price parity*) to foreclose rival platforms

Investigation under Article 4: “*Complicating and restricting the activities of competing undertakings...*”

Article 4 Analysis:

- Vertical Agreement
- Market Share > %40 → Group Exemption Regulation

Relevant Market Definition:

- Off line channels? / webpages? → separate markets?
- Booking is a transaction platform → single market defined
- In line with the literature on multi-sided markets
- Differentiated between offline and online channels

Sahibinden.com Investigation

sahibinden.com

*To buy, to sell, to rent and to explore,
address is always the same...”*

Leading e-commerce platform

Allegation: excessive pricing in online automotive and real estate listing markets

Investigation under Article 6: Abuse of dominance

Relevant market definition

- «onlineplatform services with regards to vehicles sales/rentals» and «onlineplatform services with regards to real estate sales/rentals»
- Non-transaction markets
- Matching markets
- Single market defined → in line with literature

SEARCH FOR AN ALTERNATIVE

Things getting complicated...

There is no perfect fit: no clear-cut rules regarding how to define relative market

All classifications are contraversial and getting complicated (one within each other)

The Google logo is centered on the slide, rendered in its characteristic multi-colored font.

As a search engine is a...

Matching platform for some

Audience platform for some

even not two-sided for others

Is Market Definition a Must with Platforms

Need for
«Relevant Market»
Definition



Market power
assessment

Effect-analysis:
Harm to Market

Question: Can we assess market power and harm without defining the market?

Network effects

Feedback loops

Multi-homing

Effect can be in any demand
source/side (consumer group)

THANK YOU

