

Competition and Challenges in the Context of Internet Platforms in the Digital Age

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Abstract

The size and power of Internet companies has been considered a threat to healthy markets and democratic values. This article discusses how the dynamics of digital markets give rise to specific antitrust issues that require updating the Competition Policy Toolkit. The central argument is that in view of such challenges the hard core of competition law should be implemented and developed in the light of new values. In particular, competition policy should consider concerns related to data security and privacy in order to better explain competition in digital markets, and to improve the application of anti-trust legislation and the development of public competition policies.

Keywords: Digital Markets, Competition Law, Internet Platforms, Multivariate Markets, Competition Policy, and Privacy.

Introduction

The development of new information and communication technologies, particularly the advent of the Internet, has profoundly changed social, political and economic relationships, with consequences for various aspects of daily life. Reclaiming the benefits of leading digital markets, technology companies-some of which were founded a few decades ago-are now among the largest in the world. In August 2018, Apple became the first public company to be valued at US \$ 1 trillion in market capitalization, with all shares being valued collectively. The second most valuable company in the world is Amazon, with a market value of US \$ 884.01 billion, followed by Google with US \$ 854.86 billion and Microsoft at the fourth position with US \$ 827.53 billion.

The size and concentration of power in the hands of some Internet companies are the object of political, legal and economic concerns. Around the world, governments, academics and civil society have called for greater scrutiny of Internet platforms. In this scenario, competition is often defended as a potential solution to engage Internet giants, enabling lawyers and economists to develop analytical and regulatory tools capable of addressing markets in rapid and sustained growth. Challenges however, the relationship between the defense of competition and the regulation of Internet platforms is a relatively obscure area of research.

In the international literature, a growing number of studies argue that many of the concepts and tools developed to analyze traditional business models will not be applicable to Internet companies, except for considerable customization (EVANS and Skellemance, 2013). This is because such companies have complex systems that differentiate them from traditional markets (EVANS, 2008). For example, offering free products and services, such as an e-mail account and access to social networks, focus on price dynamics such as Difference Analysis, such as the definition of the relevant market. In addition, it is also difficult to deal with the fast pace of innovation in law and the continuous change of the technology sector (Mt. Chhay, 2008 or Ch. Sch. Jug., 2009), which turns into a continuous target in digital markets.

The purpose of this article is to contribute to such debate by discussing some of the theoretical and practical limitations of competition law in front of multilateral Internet platforms. The objective is to reveal whether, and in what ways, concepts and tools need to be adapted to meet the new challenges of digital markets. In other words, if it is true that Internet platforms require the creation of different legal systems, then what should be the variable?

Increasing Targets... Internet Platforms and their Features

From a distance, it can be difficult to identify common characteristics connecting different technology companies, which offer a wide variety of goods and services, and which operate in different sectors of the economy. Social networks have characteristics and uses that are very different from those offered by search engines, which in turn are different from operating systems. A closer examination, however, reveals the characteristics shared between the companies that are the subject of this article, which justifies the adoption of the combined analytical framework proposed here.

First, such companies own and control important Internet platforms, which are configured as multi-markets-serving two or more specialized and mutually attractive users (Mt. 2003) Huh. Such platforms provide connections, and the Internet is the means by which such connections take place, creating value for groups that otherwise could not be created (Mt. Chhay-Images 2005). Due to the emphasis on mediation and coordination activities for the purposes of this article, multilevel platforms and markets will be used for interchange. In addition, when qualifying agents who use the Internet as a medium, digital and online will be used reciprocally.

A second feature common to such companies is that the Internet platforms they control collect and process large amounts of data, and a large part of this data is personal information. For such companies the collection and processing of personal data is not just a moderate activity, but processes that are the business model they adopt. On the one hand, data is used by platforms to enable or improve the supply of goods and services. For example, for the distribution application to function properly, access to user location data is required. On

the other hand, data is often transferred to third parties, primarily for the purpose of targeting advertisements.

Internet Companies Aware of Competition and New Challenges

Internet companies that fit the proposed definitions intend traditional concepts to protect competition and justify the adoption of analytical tools suited to new challenges. In particular, the fact that such companies depend on user data to operate in their respective markets creates new questions for antitrust analysis. Between the secrecy and defense of competition, in this sense, is an area that deserves maximum attention. Companies start competing for data, aiming to expand their databases, and through the data, using the amount of information they already have to gain or maintain a dominant position in the market.

In this context, recent studies have examined the ways in which the defense of competition should be adapted to construct explanatory models for the digital economy (Mt. Chamb. 2016). Competition officials around the world have also faced this issue, both in cases that come up for examination by agencies, and in specially commissioned studies and analyzes to understand the new challenges, where over 80% of the Internet population is a user and has a strong presence of large technology companies, 1 complex competitive matters involving Internet companies, increasingly reaching the Administrative Council, the responsible body for economic security to protect competition in the country. In this sense, this article will address the following research question what are the main challenges of competition law in the digital economy and how should they be addressed?

Although the focus of analysis is competition and the avoidance of emerging problems in the field, the performance of digital platforms involves broader social issues, and creates problems that can be viewed through more than one lens of analysis. In particular, the use of personal data for micro-targeting advertisements raises issues related to user privacy. In this sense, part of the work to diagnose challenges also involves identifying the interfaces between competition and regulatory means to protect the privacy and personal data of Internet users.

New Challenges for Antitrust Analysis in Multilateral Platforms

Multilevel platforms are not a new idea. In Athens, dated some thousands of years ago, around 300 BC, merchants, sailors, and financiers gathered near the dock to join each other to establish a business trip (EVANS and Scammers, 2016). But in this century only the first economic model for multilateral platforms was developed by Jean-Charles Richet and Jean Tyrol (2003), analyzing how the relative prices on both sides of a platform coordinated demand. More recently, Evans and Schlemnesse (2007) defined multilateral forums as one in which (o) there are two or more groups of customers (e) they need each other in some way (b) but who own Cannot capture the value of their own mutual attraction and (a) rely on the catalyst to facilitate value-generating interactions between them.

Multi-Platforms Play an Important Role

Platforms exist in both online and offline worlds. There are many traditional industries in which multi-platforms play an important role, including payment arrangements, financial exchanges and shopping centers. Although this analysis focuses on multi-digital markets, many of the competition issues discussed here also apply to offline platforms. Internet platforms are also very variable in terms of services and products. They are typically associated with tech giants such as Amazon, Facebook, or Apple (collectively known by the familiar GAFAs), but other niche businesses also benefit from selling connections. For example, Twilight is an Internet application that connects interested restaurants and customers to order food. However, it is important to note that not all online businesses are platforms. There are companies that provide goods and services using the Internet as a medium, but only a group of customers, a unilateral online marketplace. Typical cases are traditional retail stores that also have online stores, where they sell the same products that are available in brick and mortar stores.

Multilevel platforms have been challenging antitrust analysis and economic concepts for many years. Evans and Schlemmese (2013) provide a comprehensive review of the economic literature on multi-platform platforms with a particular focus on competition issues. The authors argue that many of the analytical tools with multi-platform platforms (Mt. Chambl. Ambd. 2013) that are commonly used in antitrust issues are not applicable without significant optimization. In particular, online multilateral markets have characteristics that make them even more susceptible to defects. This section discusses antitrust analysis of platform markets, focusing on the nuances of Internet platforms.

Direct Network Implications for Social Networking Platforms

Social networking platforms are typical examples of markets with direct network effects. Facebook users, for example, use social networks to keep in touch with friends and acquaintances. The more known people enter the network, the more connections that each user can make, which also increases the attraction of the network for each of them.

Indirect network effects, in turn, are related to multiple sides of the market and exist when the number of agents engaged on one side of the market affects the value of the platform for agents acting on the other side (Warier, Farrell, and Abhappattva 2004). Mobile phone operating systems, such as Apple iOS or Google Android, are good examples of a multi-platform with strong indirect network effects. The more mobile users adopt it, the more developers create applications for the system, which attracts more users to the platform (European Commission, 2018).

Platforms are characterized by high switching costs for users. Such a cost arises when forms of consumer compatibility require separate purchases from the company (Th. Stem-Gsmkmt 2007), that is, they adapt between their current purchases and previous

investments (Gnstmt 1995). As a result of the consumer's desire for. In this context, the benefits of switching to a different provider should be high enough to persuade customers to pay these costs. For example, a person who has used a Pychwadam phone for many years probably has many applications and accessories compatible with the device and operating system. If this person is considering purchasing a new phone, the cost of switching to another mobile operating system (for example, Android) will not only include the cost of the device, but also the cost of replacing all incompatible devices. , Learn to use all applications and new operating systems.

Markets with high switching costs are susceptible to closure, so rivals may be prevented from entering, or forced to leave the industry even if more efficient. When switching costs are too high, there is also a tendency for consumers to get stuck with the dominant company, and only significant benefits can convince them to switch to a different vendor. Thus, platforms are often served by some companies.

In addition, competition seeks to prevent security companies from acquiring a dominant position to use market power or from misuse. Thus, the definition of the relevant market is relevant to antitrust analysis. Evans and Schlemiels (2013) argue that, although traditional regressive analysis takes several measures to determine market power, such as market share or cost-price, any method to assess the relevant market in all situations is not reliable, and the analysis must consider multiple sources of evidence. For example, the widely used SSNIP test (small but significant non-transit increase in price) is not very reliable in cases where the market is already inefficient, therefore, this analysis can only be performed at competitive prices is. Other issues arise when coming to the platform, which serve more than one group of users, and an analysis should consider all interdependent customer groups that operate on one platform.

A Market Economy Allocates Scarce Resources

The effect of prices on the behavior of consumers and suppliers plays a central role in understanding how a market economy allocates scarce resources. Thus, price dynamics are also important for antitrust analysis. Platforms typically have specific price dynamics, which define traditional economic analysis. In particular, cyber persists seamlessly-information intermediary activities on the Internet. The authors argue that price dynamics in these markets use products and goods (or even access to consumers), rather than a good use or acquisition to attract more users, platforms often subsidize group agents Those who are more price sensitive or more likely to multi-homing. When platforms have to compete for single-homing agents, the profits generated by the multi-homing side can be transferred to the single-homing side in the form of lower prices (Stadtwich 2006). In other words, the prices of groups of single-homing users are usually below the marginal cost of production or below zero, and are offset by the profits received on the other side of the market. For example, the fact that the Internet search engine charges for Internet users is free, as the platform profits from advertisements on the other side of the market. While advertising companies use various

mediums and platforms to offer their products (multi-home), Internet users typically adopt a search engine as their favorite and the information provided by it (single-home) Rely on.

On Internet platforms, however, the zero costs of many services offered online cannot be explained simply in terms of cross-subsidies and network effects between different sides of the market. While these incentives, which are typical of all platform markets, are also true in digital markets, they only partially explain the value, size, and power of most Internet companies. In fact, these companies extract funds from the collection and processing of users' personal data in many different ways.

When data provides detailed information about users' preferences, it is possible to customize the offering of products and services according to the users' specific interest. For example, companies may use data to improve the design and features of their own platforms, use it to employ micro direction techniques, or sell it for advertising purposes.

When market dynamics change and prices are no longer central to companies' business models, the focus and methods of antitrust analysis will also have to change. However, addressing the new price dynamics in these markets is a challenge. Data has become a valuable asset, but it is not measurable.

Competition policy, in contrast, is very dependent on being quantitative. Antitrust analysis is good for developing tools for estimating prices or estimating the effects of prices, but it does not provide tools to analyze things that are not measurable. Data is one of them, privacy is another. How much is the data? What are the effects of data concentration for competition between Internet platforms?

In Digital Markets-Competing with Data and Data

In digital markets, strong network effects may eventually allow a platform to open up an advantage that is essentially insurable, giving the data monopoly less incentive to compete in others' price secrecy in the market. Once the market stabilizes, and a company gains a dominant position, strong network effects and high switching costs prevent users from seeking alternative platforms. In addition, the concentration of data makes it more difficult for the most effective participants to take a dominant position, as new players will have difficulty assembling large enough scale to enter the market (M.T. 2009). Thus, data monopolies have no incentive to develop products and services that improve data security.

Data monopoly also poses greater risks for cyber security and surveillance. When a large number of companies control large volumes of data, it is easier for governments to target these companies and access stored data. Similarly, data monopolies are more vulnerable to violations of data policies and security breaches by malicious actors. When the data is concentrated in the hands of a few companies, if one of them's security measures are violated or sidelined, too much information will be exposed (Ajnagbyanam 2018).

Data concentration can also be purposefully used to leverage the data monopoly in an antic mimetic manner. In traditional markets, the fact that a company is large and has a dominant position is not a problem that requires antitrust intervention. However, the major companies have a special responsibility not to misuse their powerful position in the market to restrict competition. In digital markets, the same logic applies. The fact that a company is too large or has too much data should not be considered a competitive issue in its own right, but misuse of this data dominance position can cause concern among competition executives.

Finally, personal data collected and processed by Internet companies reveal much about users' preferences and characteristics, which, in turn, allows for the use of fragmented profile techniques, such as micro direction or retagging. Such technologies make it possible to restrict competition and prevent users from accessing certain goods or services based on their personal characteristics. In 2017, for example, the European Commission launched an investigation to assess whether some video game companies were adopting practices to prevent consumers from purchasing digital content based on their location or country of residence. This would be considered a geographic blocking exercise, which uses data from consumers to prevent them from enjoying options at the borders and being able to purchase video games at competitive prices.

Conclusion

Rapid technological development in the context of multilateral markets occurred due to three interrelated factors. First, from the infrastructure point of view, more and more economic and social transactions are aided by information and communication technologies, generating large amounts of data. Second, due to technological advances in the physical layer, storing and disseminating information has become easier, faster and less expensive. Thirdly, in the context of coding, powerful algorithms make it possible to process and analyze new sets of big data (CST-IBWS-2017).

It is also necessary to consider the competitive effects that there will be government intervention on many aspects of the market and the good of all groups involved. Here, consumer well-being is understood not only in terms of economic well-being, but also in the protection of fundamental rights, such as the right to privacy and data protection (Mambo and Aiznbgynam 2016, p. 2). As antitrust concerns increase with the protection of other rights, an integrated and coordinated approach to competition policy and regulation is needed.

The conclusion we can reach in this scenario is that an institutional arrangement is needed to protect competition that is sufficient to promote technological innovation, enable experimentation, enable modification, and incorporate learning. Be flexible, but, at the same time, adequately protect the core principles of stable competition, accountability and democratic control (Bwnjpcbhbw 2013). If, on the one hand, certain regulatory arrangements can lead to tighter markets and less competition, on the other hand, a suitable mix of state

intervention and market forces can encourage a flexible environment, open to innovation and future technologies.

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