
What is an online platform?

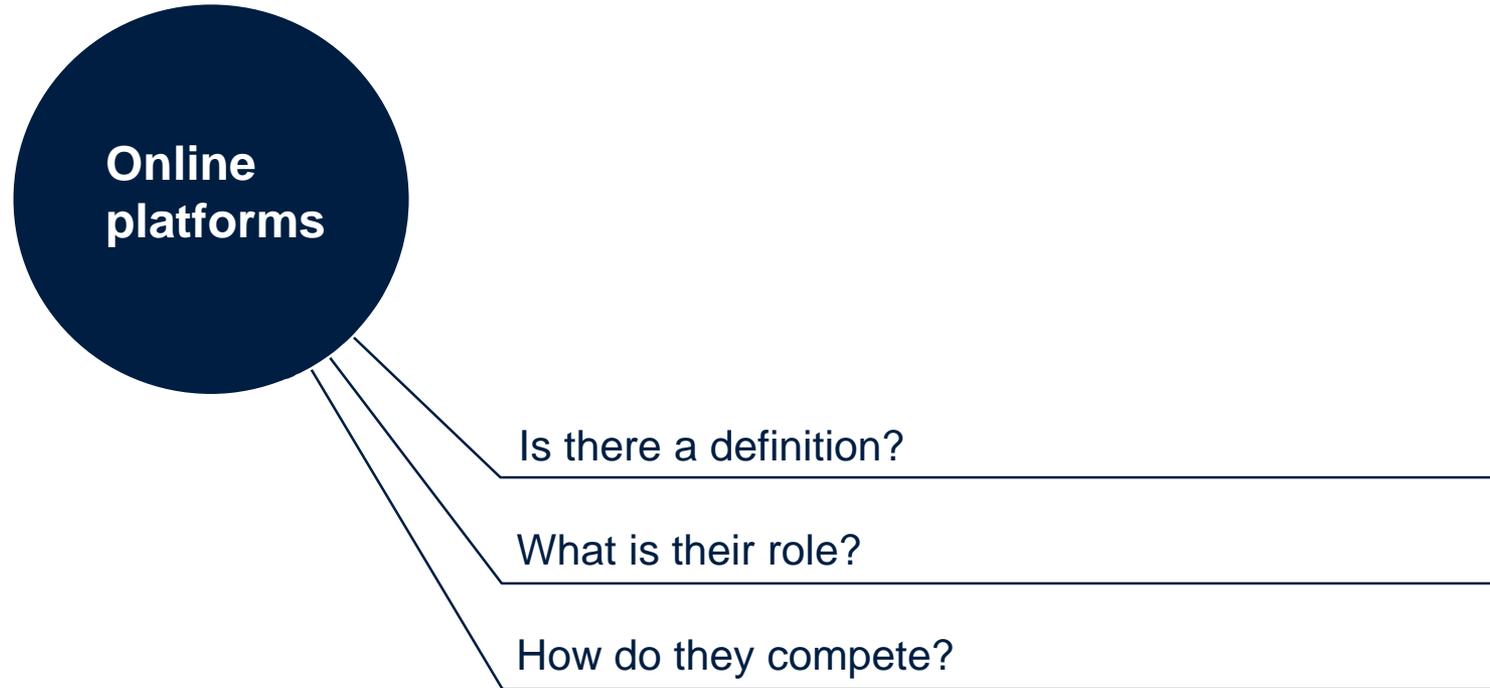
CEPS: digital forum

Session 1: *What is a platform, what is their role, how are they changing, how do they compete with each other?*

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Overview



These slides are based on Oxera's report for Google: Oxera (2015), 'What are the benefits of online platforms?', October, <http://www.oxera.com/Latest-Thinking/Publications/Reports/2015/What-are-the-benefits-of-online-platforms.aspx>.

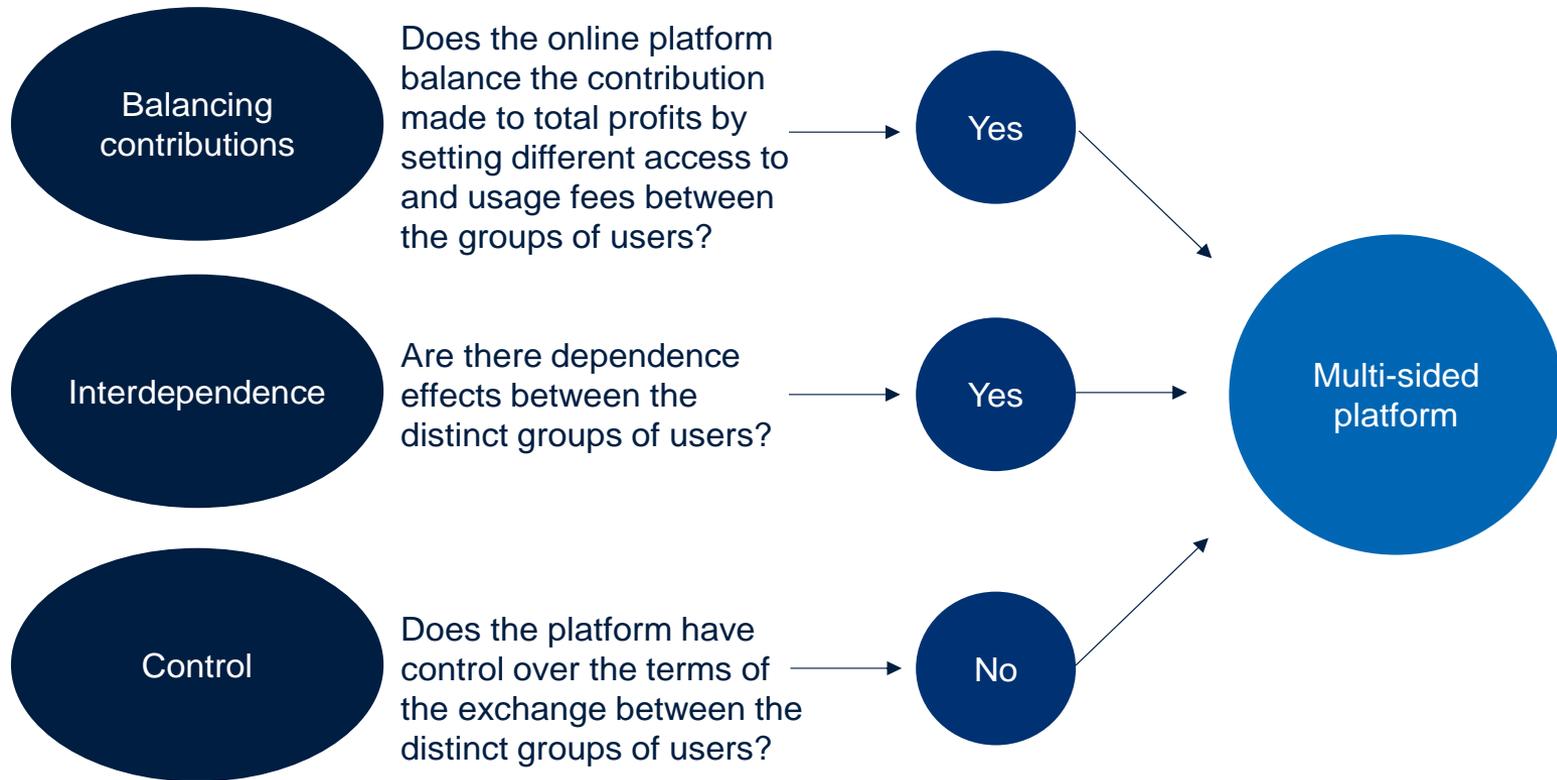
Is there a definition?

Institutional definition: an example

- the European Commission provided a definition in its last consultation:
‘an undertaking operating in two (or multi)-sided markets, which uses the Internet to enable interactions between two or more distinct but interdependent groups of users so as to generate value for at least one of the groups. Certain platforms also qualify as intermediary service providers’*
- four criteria:
 - multi-sided platforms
 - intermediary
 - several groups of users that are interdependent
 - Internet

* European Commission (2015), ‘Consultation on Regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy’, 24 September, p. 5. [Emphasis added]

Difficulties in defining multi-sided platforms



Source: Oxera analysis.

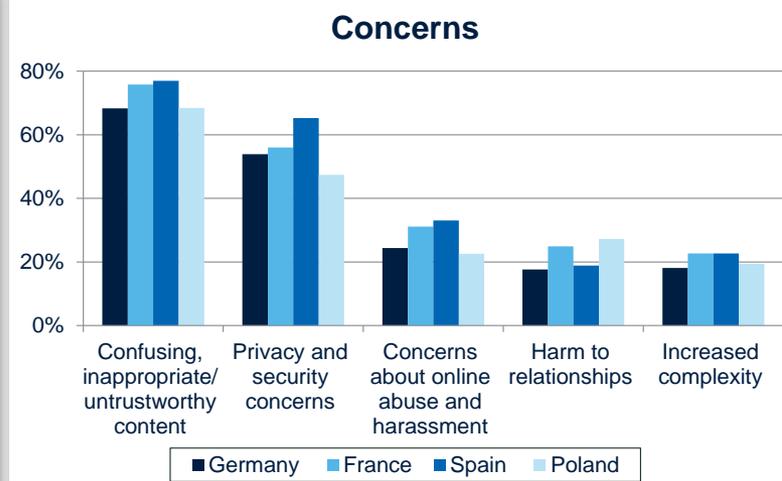
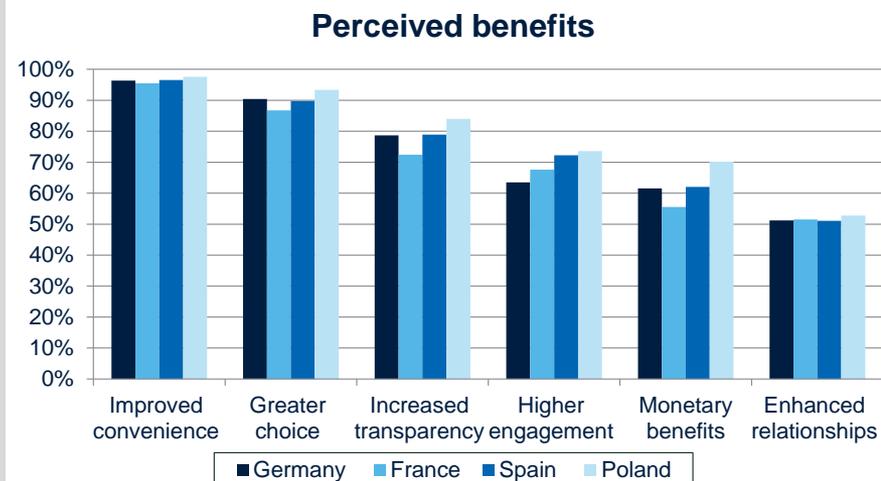
Other criteria are also vague

- intermediary
 - pure intermediaries?
 - intermediary vs reseller
 - mixed business models
- interdependence
 - OECD: value for all groups of users?
 - EU: value for at least one group of users?
- Internet and technology convergence

What is the role of online platforms?

Platforms provide significant benefits to consumers

Consumers perceptions are balanced, but stress benefits



Source: Oxera analysis.

Source: Oxera analysis.

- overall, the benefits outweigh the concerns: 97% of consumers perceive benefits, and just over 80% voice concerns
- 64% of consumers have a strong perception of the benefits, 36% of the concerns



Other benefits include:

- **time savings:** information platforms save their users **50–100 minutes** per month
- **monetary savings:** comparison platforms save their users **€12–€117** per year
- **social benefits:** on communication platforms, users **are connected to 81–156 contacts**, and 32–57% of users have met in person at least one person with whom they first interacted online

Platforms provide significant benefits to businesses

Different business models use platforms in different ways

Online platforms reduce the effects of geographic barriers

- expand the pool of potential employees, customers and investors

Online platforms can support new and different types of businesses or products

- this could include funding a project or widening the market to support niche products

Online platforms change the cost structures of businesses

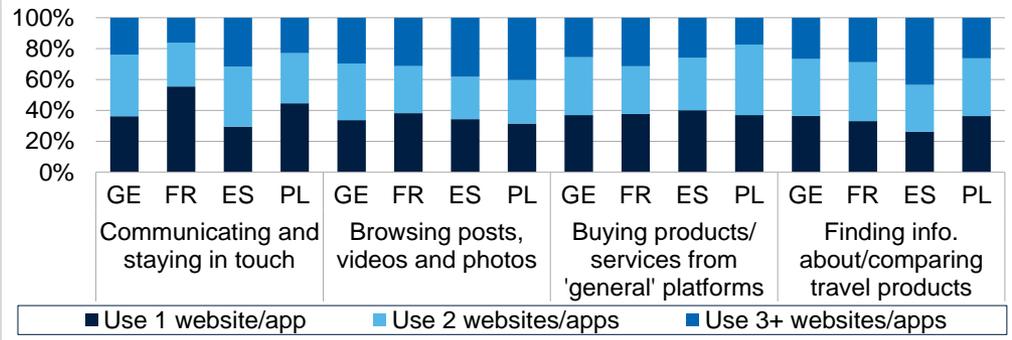
- lower staff search costs; reduce costs of posting vacancies
- lower cost of gathering customer feedback and engaging with customers
- more targeted, effective marketing; reducing the cost of acquiring customers

How do online platforms compete?

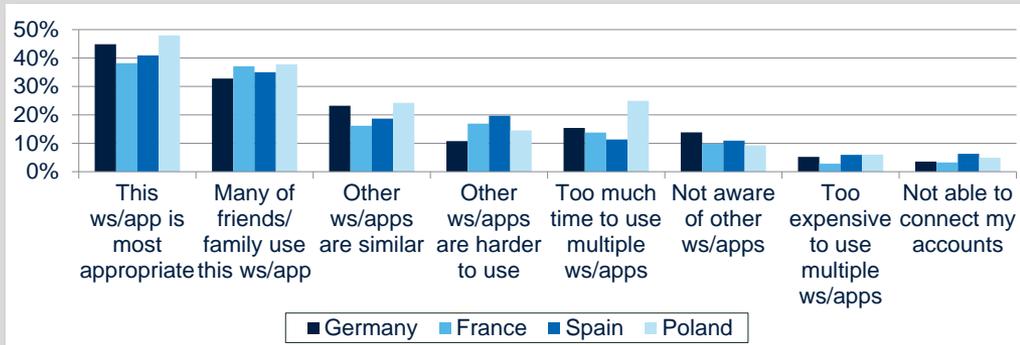
Most consumers 'multi-home'

Appears to be feasible for most and desirable for many

- between 60% and 70% of consumers use multiple websites or apps for specific tasks
- about 25% use three or more websites or apps
- this suggests limited potential for lock-in on the consumer side



Source: Oxera analysis.



Source: Oxera analysis.

- of consumers who use just one platform for a task, very few cite barriers as a reason for 'single-homing'
- many express an explicit preference for the platform they use
- network effects also play an important role

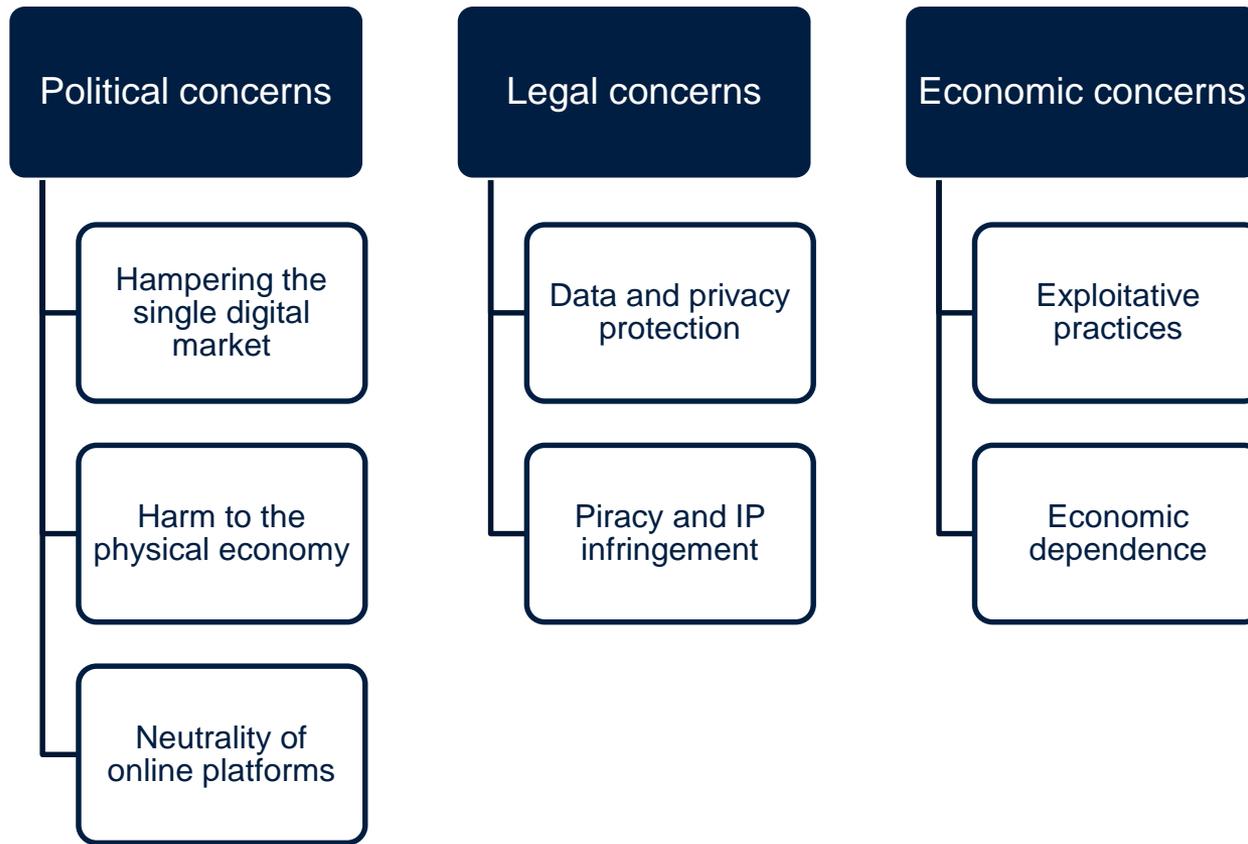
Conclusion

Take-away messages

- ‘online platform’ is a concept that is ill-posed in the context of policy (antitrust and regulation)
- ‘online platforms’ are bringing together users (customers and producers), allowing trades that would otherwise not happen
- they compete because consumers like to multi-home, but concentration is likely to be due to the interdependence between user groups and differentiation (?)

Concerns expressed around online platforms

Is the FTC approach a solution?



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