

# Data and online platforms

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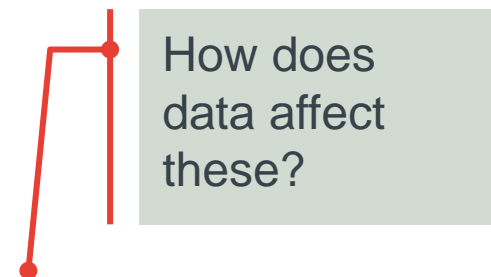
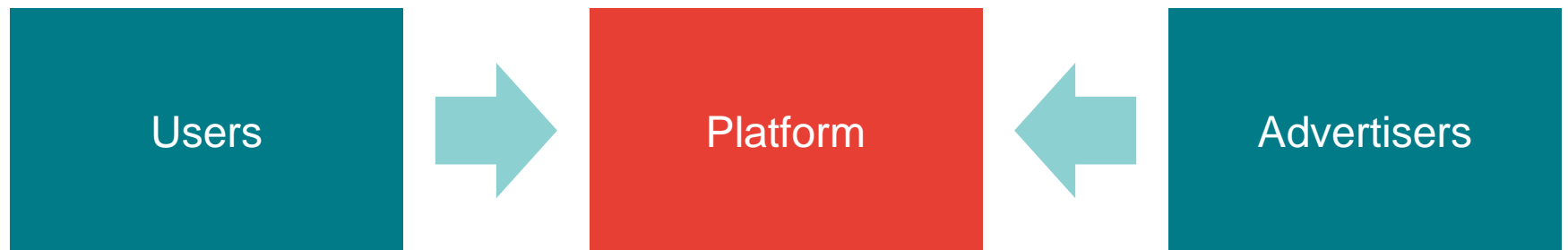
## Some initial thoughts

15 May 2018



# Need to look at both sides to understand market power in online platforms...

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... key driver is feedback effects

# Useful to identify two types of platform as data issues apply differently to each

Two-directional platforms (attract users through advertisements)



One-directional platforms (attract users through content)



snapchat



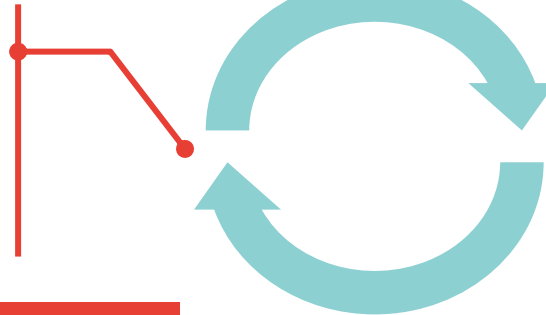
# Two-directional platforms can have market power through indirect network effects...

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More attractive to users

Gain consumers

Indirect network effect – value to users on one side of the platform increases with the number of users on the other side of the platform

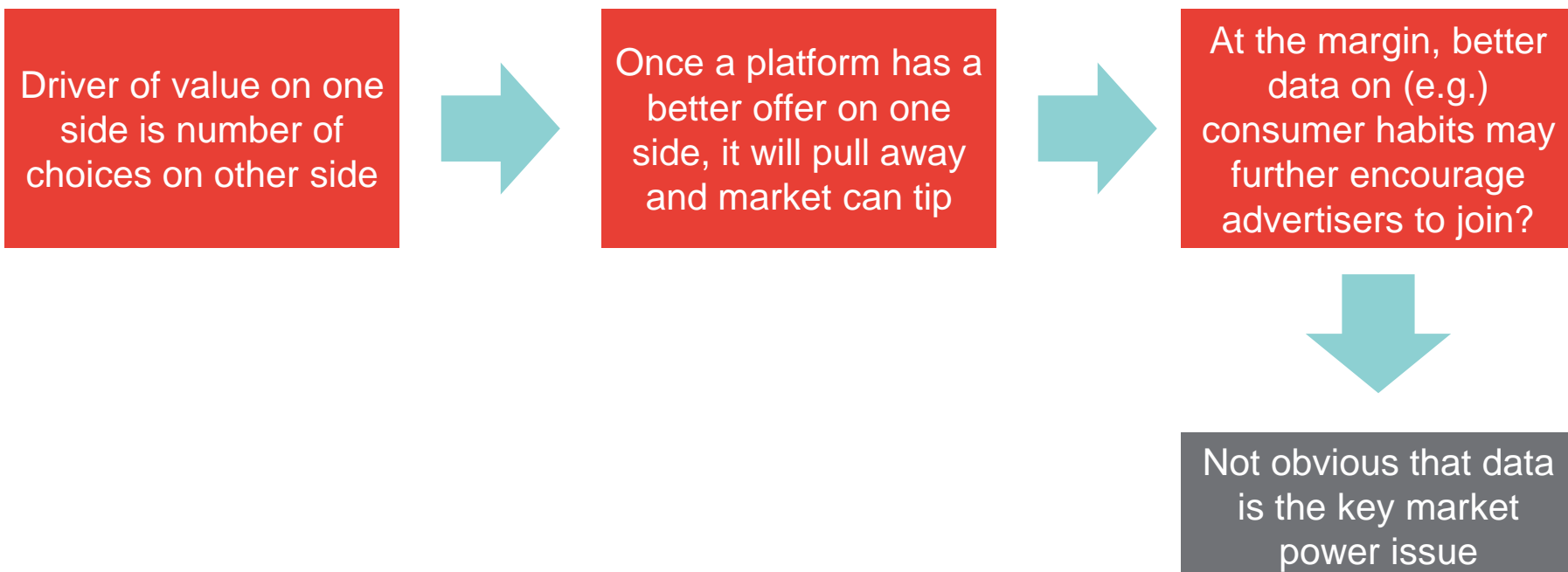


Gain advertisers

More attractive to advertisers

# ... but not obvious that data strongly affects this dynamic

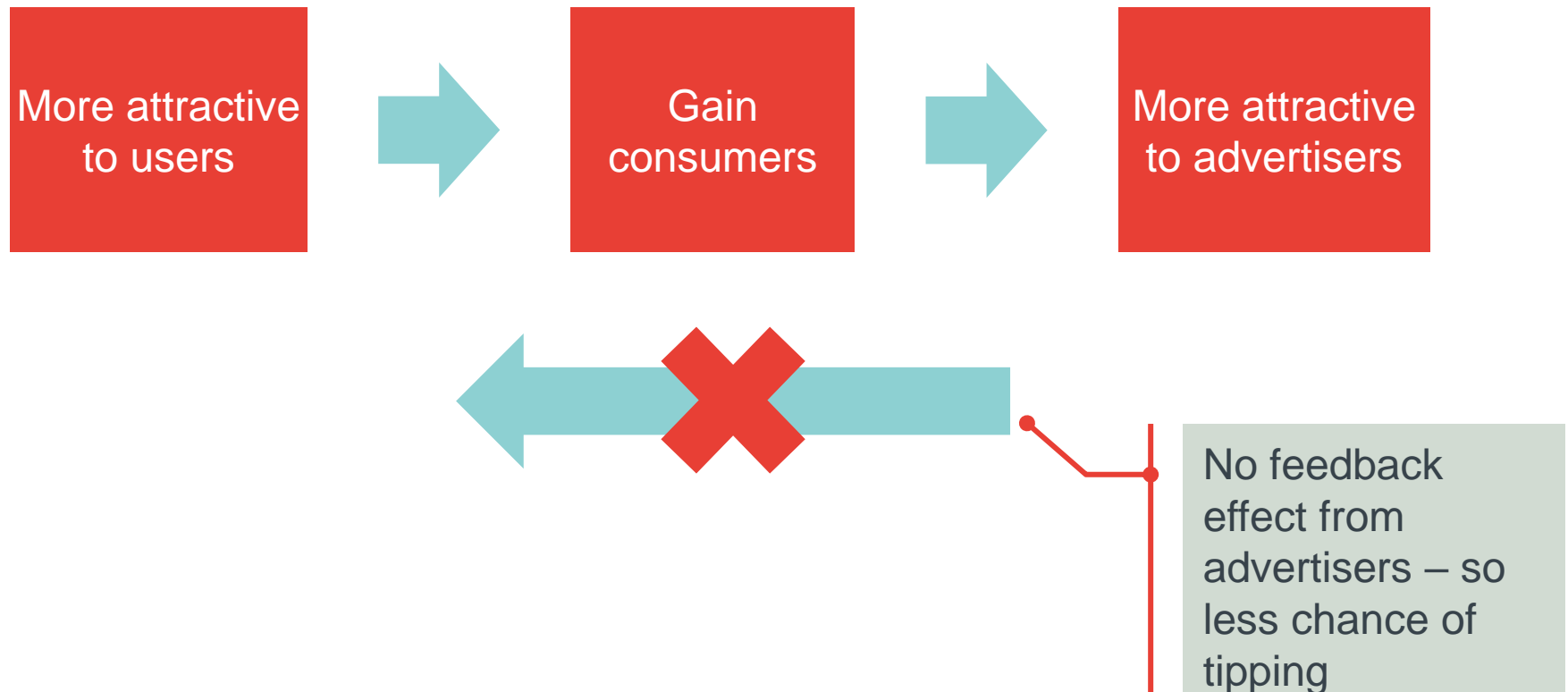
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# Data issues might be more interesting for one-directional platforms...

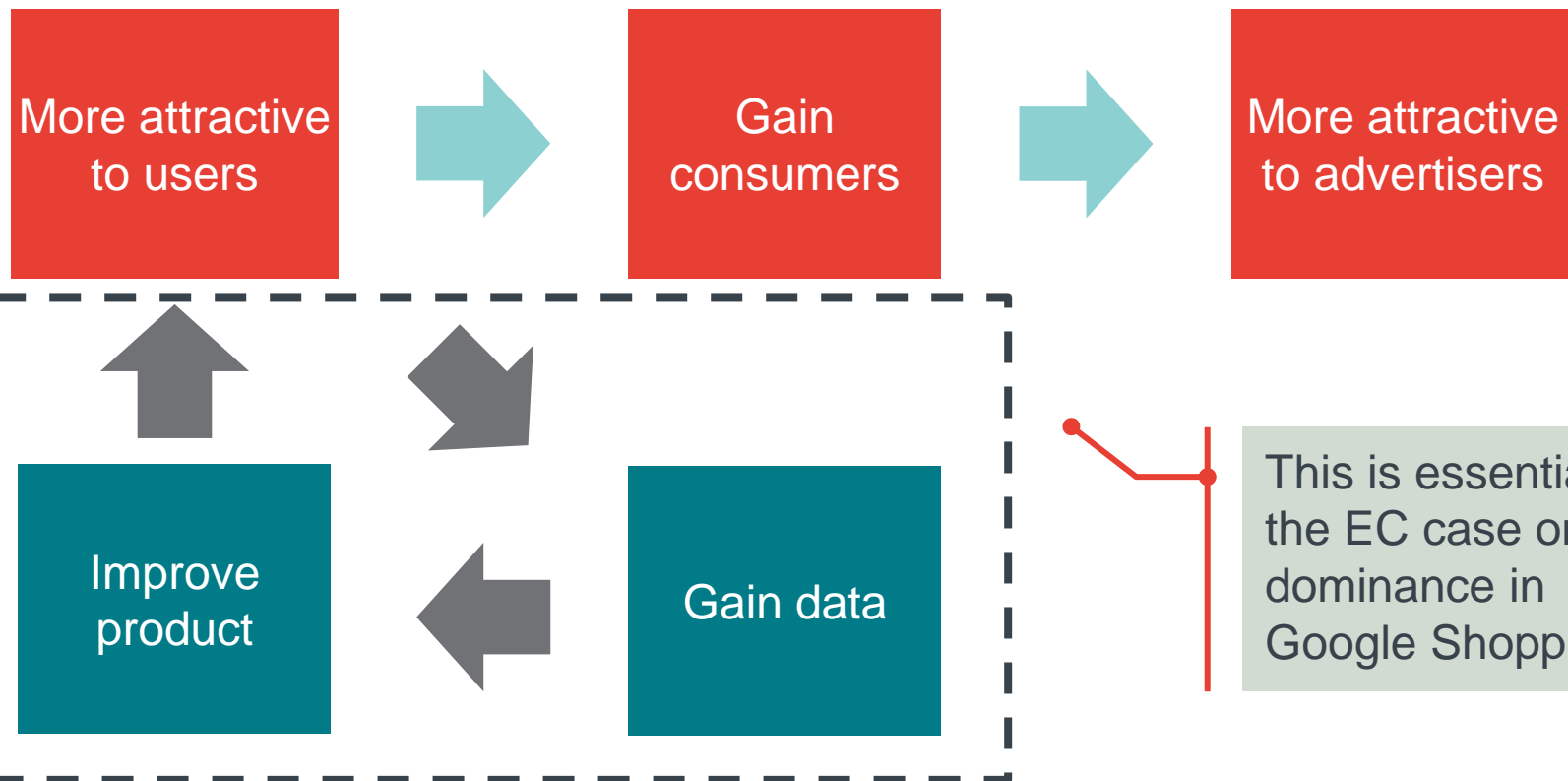
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“No data issue” case

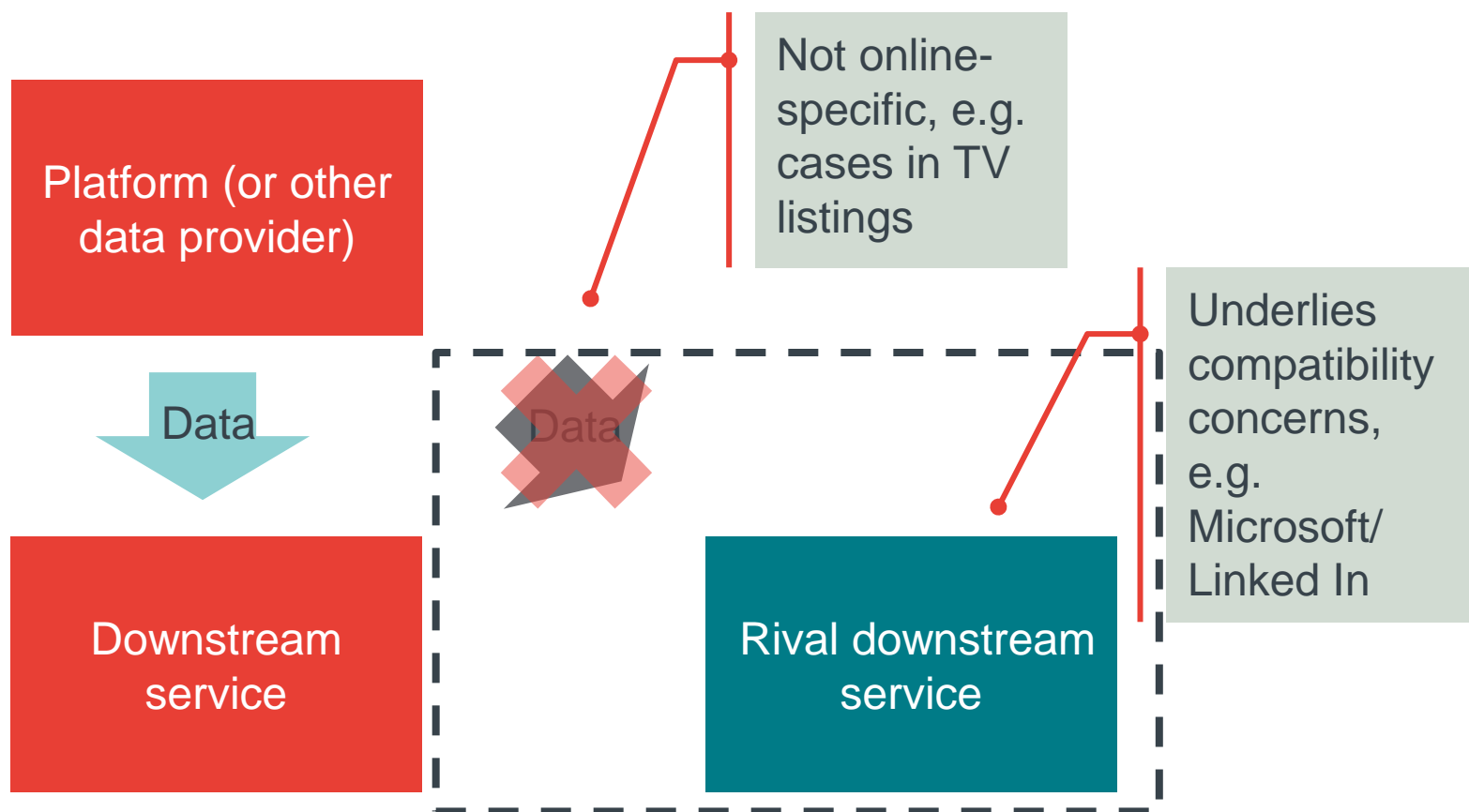


# ... as they can create two-way feedback loops

“Data improves product” case



# A second data issue is the standard vertical foreclosure issue



# Market definition issues

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Platform market  
power issue?

No obvious  
implication of data  
for market  
definition

Vertical foreclosure  
issue?

Could think about  
market for  
provision of  
relevant data

Usual issues  
apply, e.g.  
are there  
good  
substitutes?



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