How platforms create value for their users:

implications for the Digital Markets Act

A study commissioned by the Computer and Communications Industry Association

The DMA **risks over-enforcement** by restricting a series of common business practices, found offline as well as online, that can have net positive effects for society.

In particular, the DMA's 'catch-all' and 'per se' approach to prohibiting a range of value creating behaviours risks stifling the growth of Europe's digital economy.





Platforms unlock benefits for users across three layers of value creation

The economics, management science, and information technology literature shed new light on how platforms compete by creating value for consumers and business users

Aggregation
Aggregation
Intermediation
Intermediation



connecting users to facilitate interactions, characterised by positive direct and/or indirect network effects



helping to unlock scale economies for businesses while reducing transaction costs and increasing quality and trust for consumers



realising economies of scope as they extend their user offering by adding new features and services, thereby fostering innovation and dynamic competition

This value is created through practices that are common both online and offline

bundling and tying

Supermarkets bundle grocery and non-grocery services (e.g. bakeries, butchers, petrol stations) which increases convenience for users







Apple preferences its proprietary contactless payment technology, enabling an alternative hardware-based solution to ensure privacy and security for users



scale economies

leveraging



Credit reference agencies combine data from various sources

to provide more efficient oversight of borrowers and matching to lenders



Netflix and other streaming services use data to personalise the service and better match viewers with relevant content

Case study: Google Maps

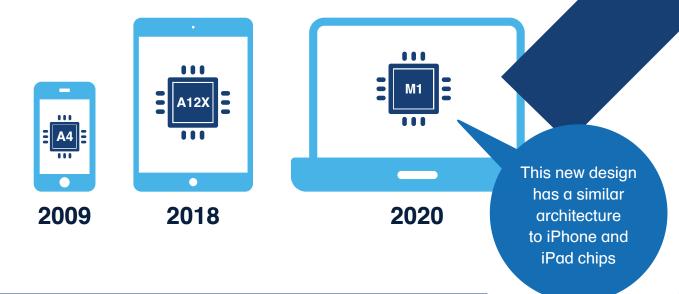
A richer search and mapping experience benefitting consumers and local businesses

displays rich search results of a higher quality when displayed in Google Search helps local businesses to attract new customers and compete with other offers superior quality businesses services to a wider user base reduces transactions costs unlocks by enhancing efficiencies convenience for from deeper users cross-product integration increases trust in a safer online environment (e.g. with review features) *l*everaging provides a personalised experience with results that are most relevant to the user offers consistency and support for local businesses to achieve productive efficiencies contributes to improved information in the other parts of the ecosystem

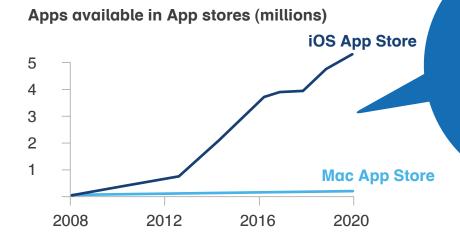
Case study: Apple Silicon

An innovative in-house design enhancing quality for users and opportunities for developers

Leveraging: Apple is transitioning the Mac line from Intel to its in-house 'Apple Silicon' chipsets. Users benefit from technologies developed for iPhones, such as energy-efficient chips which extend battery life



Self-preferencing: Apple gains flexibility and agility in adapting future products to changing consumer tastes



Bundling and tying:
developers can create
Mac-specific apps by
applying simple tweaks
to pre-existing iOS apps.
Mac users will benefit
from better integration
with iPhone apps

The DMA creates a risk of over-enforcement

Restricting common business practices, found offline as well as online, risks stifling the growth of Europe's digital economy

- The 'catch-all' scope is inconsistent with the wide range of differentiated platform business models
- The 'per se' nature of the obligations risks over-enforcement, restricting practices that can create significant value for consumers
- The focus on contestability and fairness in the short run appears to be at the expense of long-run dynamic competition and innovation

Recommendations:

Adopt a more flexible and tailored approach

- drop the 'catch-all' and 'per-se' approach
- · align with competition law principles
- include an effects-based assessment of the conduct and remedies
- provide a route to appeal on the merits
- draw inspiration from the European telecoms regulatory framework and the Digital Markets Taskforce's proposals in the UK

Download our full report for CCIA at:

www.oxera.com/how-platforms-create-value

