

Digital Distribution and Competition Policy

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“Industrial Antitrust” Enforcement

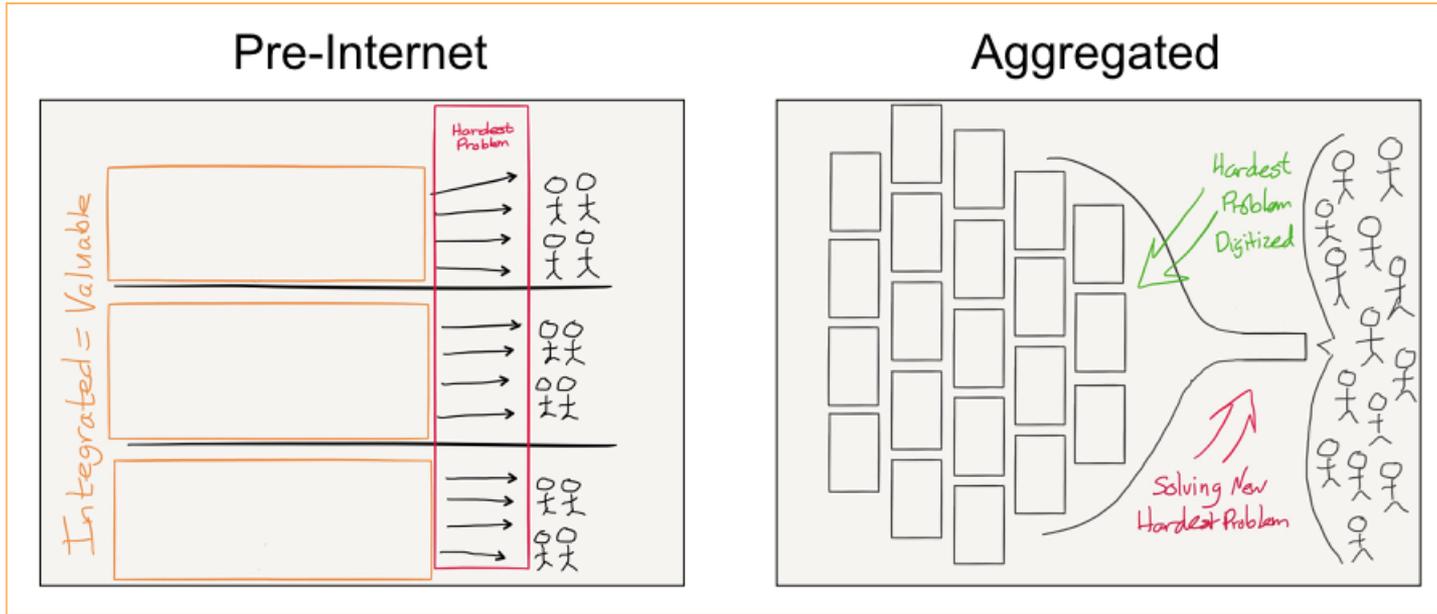
- Predatory pricing and margin squeeze
- Exclusive purchasing, single branding, discount and rebate schemes
- Tying and bundling
- Refusal to supply (*contra.* refusal to interoperate)

=> How products are distributed through the supply chain

The End of “Industrial Antitrust”

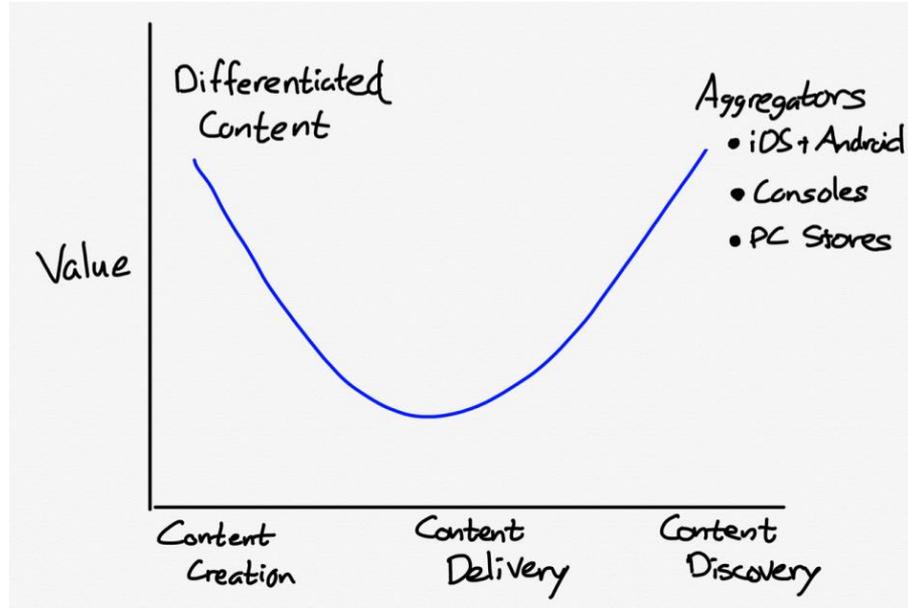
"Most of the tools of analysis used in traditional competition law enforcement rest on strong hypotheses about the organization of economic activities. First, hierarchical firms are supposed to operate on **predefined markets** for goods or services where they meet consumers. Second, those firms are considered to operate on markets where similar firms are competing with them by offering **substitutable products** or services to those that they offer. Thus a market is the locus of competition. Third, those firms **sell their products or services for a price** to consumers. Their goal is to maximize their profits on the markets on which they sell the product or services they supply by producing up to the point where their **marginal revenue and their marginal cost are equal**. Also, because they seek to maximize profits, firms will never choose to charge a price which is below their average variable cost. Their marginal revenue and ultimately **the price they charge is therefore a function of the intensity of competition** they have on the market and the goal of antitrust is to ensure that the price of those products or services remains competitive. **An individual firm may have market power if it has a large share of the market** and is protected by barriers to entry." - Frederic Jenny, OECD Competition Committee Chairman
["Competition Law and Digital Ecosystems: Learning To Walk Before We Run"](#) (January 2021)

Digital Platform Revolution



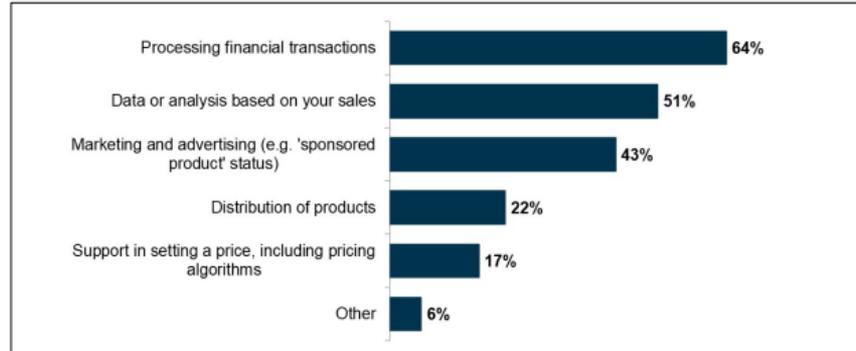
source: <https://stratechery.com/2015/aggregation-theory/>

Digital Platform Revolution



source: <https://stratechery.com/2022/gaming-the-smiling-curve/>

Strengthening SMEs vs Incumbents



Source: Digital Platforms research survey. A8. What services did your business receive from the platform? Base: All businesses (286)

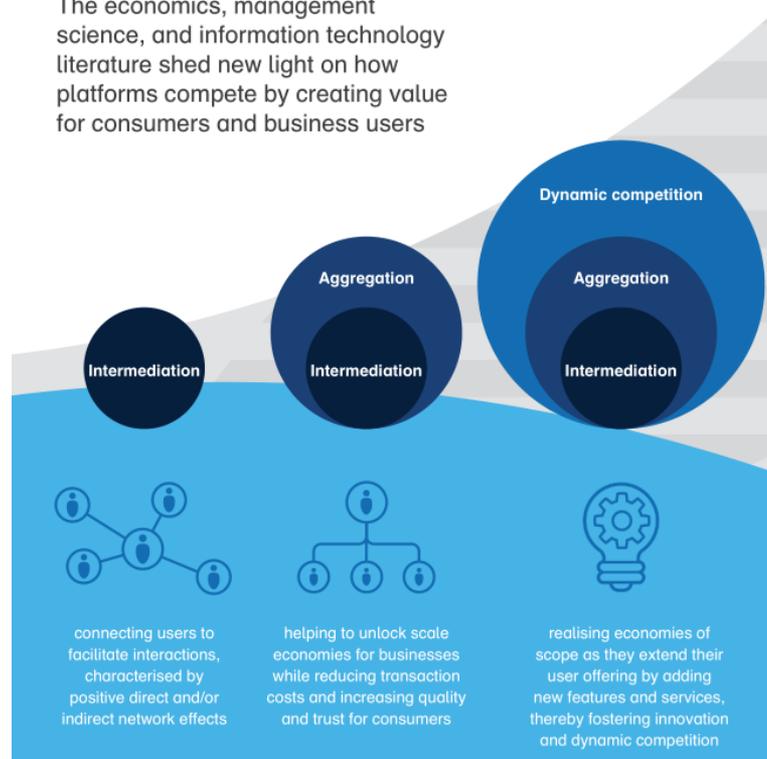
As shown in Figure 3.5, most retail businesses believe access to a larger market is a benefit of using the platform (66%). This is significantly higher among businesses with a turnover of less than £100,000 (77%). Around a quarter of businesses say it is an additional channel to sell their products (24%), which is significantly higher among users of eBay (33%). One in seven retailers feel that the benefit of using the online platform is that it provides new opportunities for overseas sales (14%). Again, this is significantly higher among businesses with a turnover of less than £100,000 (20%).

source: [Retailers' Experience of Using Digital Platforms](#)
[BEIS Research Paper Number: 2021/039 \(2021\)](#)

Lower Customer Acquisition Costs

5.19 Both Google and Facebook have very long tails of small advertiser clients. Expenditure of the median UK advertiser in 2018 on Google Search was only £[200-300] while the mean was £[16,000-17,000]. Expenditure of the median UK advertiser in 2018 on Facebook was only £[0-100] while the mean was £[500-1000]. Smaller advertisers account for a significant proportion of these platforms' revenues. [15-20]% of Google's 2018 UK search advertising revenues came from advertisers spending less than £100,000 and [30-40] % came from advertisers spending less than £1 million. About half of Facebook's advertising revenue comes from smaller clients.

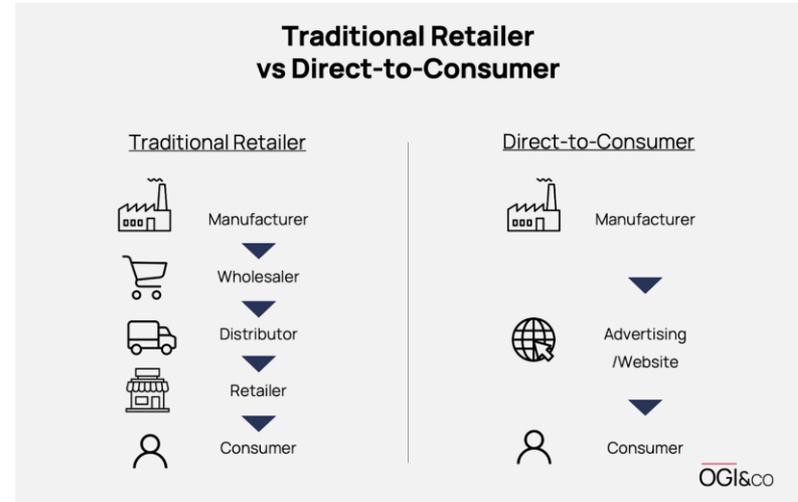
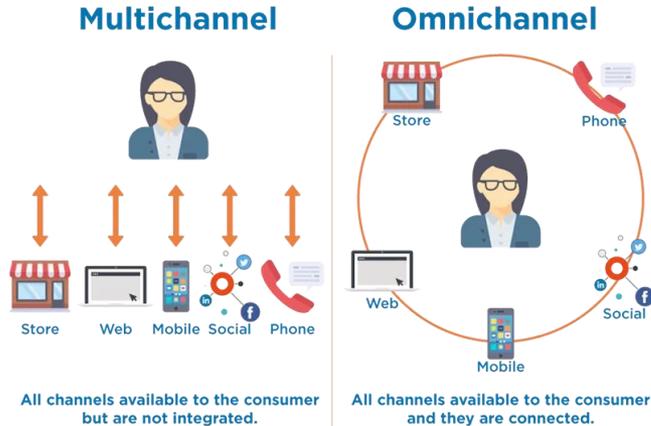
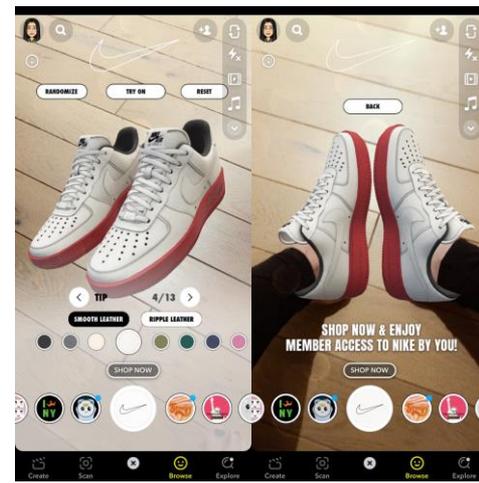
The economics, management science, and information technology literature shed new light on how platforms compete by creating value for consumers and business users



source: [*How platforms create value for their users: implications for the Digital Markets Act*](#) (Oxera, May 2021)

Shifting Dynamics

- Rise in “selective distribution systems” and other restraints
- Omni-channel retail
- Direct-to-Consumer
- AR/VR technologies



Industrial Policy

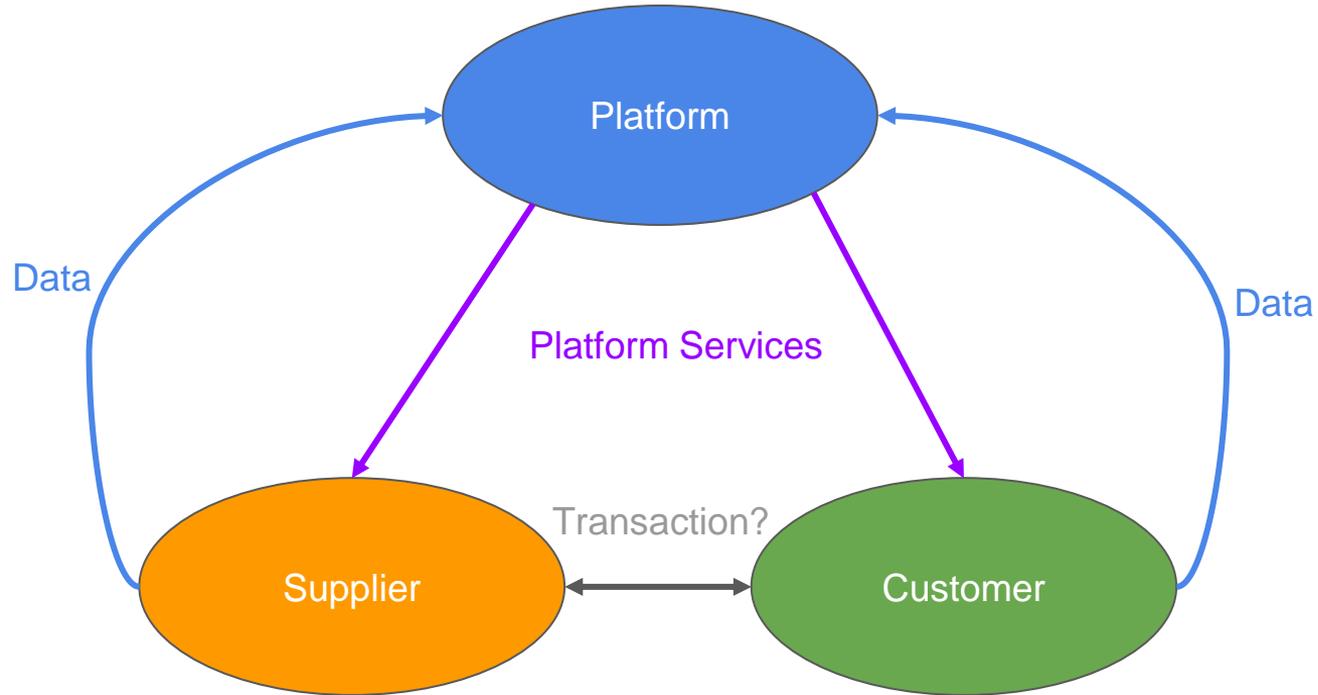
Vestager looks at boosting 'High Street' in competition review

by [Simon Van Dorpe](#) · JUN 14, 2021 · 2 MINUTES READ

EU competition chief Margrethe Vestager said today she is mulling ways to favor physical stores in a pending review of competition rules.

source: <https://pro.politico.eu/news/vestager-looks-at-boosting-high-street-in-competition-review>

Principal / Agent or Supplier?



Happy to Discuss!

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