



Sector inquiry into digital platforms: Results of the initial consultation and next steps

Many digital platform markets in Sweden work well. In some areas, however, market participants have identified problems with platforms restricting access to customer data or taking advantage of the fact that the same company can be both a customer and a competitor of the platform. The problems experienced are related to the perception that the platforms have considerable market power.

The Swedish Competition Authority will address these issues in the next phase of the sector inquiry and welcomes further comments from all stakeholders.

Initial consultation and interviews

In November 2019, as part of the sector inquiry, the Swedish Competition Authority launched an initial consultation with stakeholders in the relevant sector. The aim was to find out what market participants thought about the perceived problems and about the practices the sector inquiry should address. The Swedish Competition Authority has now evaluated the results of the consultation.

The Swedish Competition Authority launched a written consultation in November last year. Interviews were conducted in December and January with stakeholders who either made written submissions or who the Swedish Competition Authority got in touch with.

A total of 24 different companies, organisations and authorities took part in the consultation by means of written submissions and/or interviews. Participants included digital platforms, companies using digital platforms, Swedish and international trade associations and foreign authorities.

The Swedish Competition Authority would like to thank everyone who contributed with information and comments.

Boost competition and help companies reach new customers and markets

Respondents broadly believe that digital platforms have a fundamentally positive impact on competition. Digital platforms allow companies to reach new markets and customers in ways that were not previously possible. This is particularly relevant to small and medium businesses, which now have easy access to tools to market themselves.

The ability to collect and analyse consumer data means that companies can gain new insights about their customers and use them to refine their offerings. The degree of detail in the data supports targeted advertising and has helped companies to market more efficiently.

Challenges in relation to digital platforms

Respondents also noted that the emergence of digital platforms raises a number of challenges for Swedish companies.

Several respondents pointed out generally that certain platforms have a particularly strong position and that users have limited alternatives to them.



The respondents consequently feel that certain practices on these platforms are becoming problematic and, in some cases, that new rules are necessary.

Others focused on problems with existing sector regulation in some of the markets involved, and on how digitalisation in general requires existing regulations to be updated.

Focus on two practices on digital platforms that are perceived as problematic

As the sector inquiry progresses, the Swedish Competition Authority has decided to focus on comments pertaining to practices on digital platforms that are considered as particularly problematic from the point of view of competition.

The market power of platforms is identified as one of the main reasons why these practices are considered problematic. In the Swedish Competition Authority's view, the issue of market power may become an important factor as the inquiry progresses.

In particular, the Swedish Competition Authority noted that two scenarios kept cropping up in the consultation responses and were found in several of the markets involved in the inquiry.

Digital platforms restrict companies' access to customer data. When consumers shop on a platform, they generate a number of data points, such as which options they select between, the sites they previously visited, and contact details. Exactly what data is collected depends on the platform and whether the consumer consented to data collection.

According to companies using these platforms to distribute their products, customer data is important and necessary to develop and improve their offerings, to sell to repeat customers and to target marketing to new customers. Customer data is also valuable to the platform, allowing it develop its own services and offering.

However, companies feel that customer data tends to be retained by the plat-

forms and not shared with the companies using them. This has a negative impact on companies as it limits their ability to develop, get repeat sales and to market themselves, which in turn may potentially result in entry barriers. Some respondents also indicated that as a consequence, customer relationships are handled by the platform rather than the selling company.

As the sector inquiry progresses, the Swedish Competition Authority wants to understand the role played by customer data on platforms that connect buyers and sellers. In the process, it is particularly interesting to investigate how sellers can obtain customer data, what value customer data has for the sellers and the platforms, and how restricted access can affect competition between different distribution channels.

The problem overlaps with data protection and consumer issues, so the Swedish Competition Authority may contact the relevant authorities as part of the sector inquiry.

Leveraging by digital platforms.

Some of the platforms identified in the consultation are characterized by the fact that they operate in multiple, often neighbouring, markets. One consequence of this is that a company can be a customer of the platform in one market and a competitor in another.

Companies feel that some platforms are taking advantage of this, using their power in one market as leverage to grow on another. This can take different forms in different markets and platforms. Respondents stated

- that platforms make the use of one of their services conditional upon the use of another
- that platforms use data from the platform in order to enter neighbouring markets
- that platforms direct their users to their own offerings in preference to competitors'
- that the platform impoverishes the offering of competitors.



Those companies that feel they are affected by this kind of problem say that this affects them negatively by marginalising their own offerings in favour of the platform's competing alternatives.

Vertical integration can often increase efficiency and boost competition. In certain situations, however, vertical integration can have a negative impact on competition and ultimately consumers. This could happen if a vertically integrated company with significant market power in one market uses this power improperly in order to gain a competitive advantage in another market.

As the sector inquiry progresses, the Swedish Competition Authority aims to assess to which extent the identified issues may adversely affect competition and analyse which circumstances and factors that, on a general level, are important for this assessment.

Next steps

As the sector inquiry progresses, the Swedish Competition Authority will focus on investigating the problems addressed above. The Swedish Competition Authority intends to determine the actual prevalence of the issues, whether there is a risk that competition will be adversely affected and, if so, whether the competition rules are sufficient or there is a need for new rules.

In light of the issues the Swedish Competition Authority intends to investigate in more detail, the next steps will focus on five of the six markets that were initially selected – digital advertising, mobile app stores, food deliveries, audiobooks and digital marketplaces.

Regarding the sixth market, digital payment services, the Swedish Competition Authority considers that the issues raised are not primarily related to digital platforms. In several cases, the problems rather pertain to the market power of banks or a lack of compliance of the so-called PSD2 directive, issues which are to a large extent outside the scope of this inquiry.

We are interested in further comments

The Swedish Competition Authority is eager to receive information and comments from stakeholders with experience and knowledge of the issues raised in the consultation, but no later than 15 April 2020. In particular we welcome comments from

- App owners/developers
- Stakeholders across the digital advertising-chain
- Publishing houses
- Restaurants with home delivery
- E-commerce system providers

Please send written comments and submissions to digitalaplattformar@kkv.se

Schedule

In spring 2020 we will conduct in-depth interviews and collect information from market participants through orders to provide information and surveys.

The results of the sector inquiry will be published in September 2020.