

ON SELF-PREFERENCING

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AGENDA

1. Background
 - ✓ Self-preferencing and current regulatory states in JP and EU
 - ✓ Insights from the Economics literature
2. Discussions
 - A) Long-run effects of asymmetric regulations
 - B) Implementation of self-preferencing regulations

THE GOAL OF REGULATION

- What is the goal of self-preferencing regulations?
 - ❖ in Japan
 - Act on Improving Transparency and Fairness of Digital Platforms
 - ✓ Specified Digital Platform Providers (SDPPs) must submit a yearly report on the current situation of their businesses
 - ✓ On self-preferencing, the SDPPs shall disclose if they are doing it, which means *self-preferencing itself is not prohibited* by the Act
 - But, none of them, with the exception of one, declared that they were self-preferencing

THE GOAL OF REGULATION

- What is the goal of self-preferencing regulations?
 - ❖ in EU
 - ❑ P2B Regulation: fairness & transparency
 - ✓ Article 5(1) and (2) require online platforms “to set out the main parameters that determine ranking and the reasons [...]”
 - ✓ Self-preferencing is not prohibited, like Japan’s Act
 - ❑ Digital Markets Act: contestability & fairness
 - ✓ Article 6(5) prohibits self-preferencing by gatekeeper platforms

THE GOAL OF REGULATION

- What is the goal of self-preferencing regulations?
 - ❖ in EU (cont'd)
 - ☐ German Competition Act
 - ✓ Self-preferencing must only be prohibited on a case-by-case basis after a careful balancing of potential competitive and welfare effects (Peitz, 2022)

ECONOMICS INSIGHTS

- Growing literature on self-preferencing
 - ❖ Survey papers (Etro, 2022; Peitz, 2022; Kittaka, Sato, & Zenryo, 2022)
- Insights from the literature
 - ❖ Self-preferencing would harm some sellers (Hagiu, Teh, & Wright, 2022)
 - ✓ The DMA's ban can restore the fairness of competitive environments
 - ❖ In terms of consumer/social welfare, self-preferencing may be beneficial or detrimental (Hervas-Drane & Shelegia, 2022; Zenryo, 2022)
 - ✓ Germany's case-by-case evaluation is nice from a welfare perspective

DISCUSSION (A)

- Caveat about *asymmetric regulation* and its long-run effects
 - ❖ Only large platforms are subject to the regulations
 - ❖ Small (entrant) platforms are allowed to do self-preferencing
 - ❖ Will new platform entry be encouraged?
- Lack of relevant studies
 - ❖ No existing studies have addressed the effect of asymmetric regulations on dynamic competition between incumbent and entrant platforms
 - ❖ Is there any possibility that new entry will be discouraged?

LONG-RUN EFFECTS

- Just a conjecture (of mine)
 - ❖ Asymmetric regulations make it possible for incumbent large platforms to commit to not doing self-preferencing, whereas entrant platforms cannot make such a commitment
 - ❖ If this commitment is effective, platform entry might be reduced
 - ✓ E.g., some sellers would hesitate to migrate to a new platform that may do self-preferencing
- We might need to know more about regulating self-preferencing
 - ❖ Is there any room left for flexibility in amending the rules?

DISCUSSION (B)

- How do we implement self-preferencing regulations?
 - ❖ What is the definition of self-preferencing that should be regulated?
 - ❖ Who is responsible for detecting self-preferencing?

IS IT SELF-PREFERENCING?



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IMPLEMENTATION

- Detecting self-preferencing
 - ❖ Who should prove the presence/absence of self-preferencing?
 - ❑ Competition authorities?
 - ✓ How do they define and detect self-preferencing?
 - ❑ Platforms?
 - ✓ How do they prove they are NOT self-preferencing?
 - ✓ Could be Devil's proof

REFERENCE

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