ITIF | INFORMATION TECHNOLOGY & INNOVATION FOUNDATION
SCHUMPETER PROJECT ON COMPETITION POLICY



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Competition and Markets Authority
United Kingdom

Written Submission on the Competition and Markets Authority's Proposed Decision on Its Strategic Market Status Investigation Into Google's Mobile Platform

The Schumpeter Project for Competition Policy at the Information Technology and Innovation Foundation (ITIF), the world's leading think tank for science and technology, appreciates the opportunity to comment on the Competition and Markets Authority's (CMA) Proposed Decision on its Strategic Market Status (SMS) Investigation Into Google's Mobile Platform as part of its enforcement of the Digital Markets, Competition and Consumers Act of 2024 (the Act), and specifically the CMA's provisional view that Google has SMS in the provision of its Mobile Platform.

ITIF's Schumpeter Project on Competition Policy promotes an understanding of antitrust law and economics that is designed to maximize dynamic competition and innovation, with a particular focus on promoting sound antitrust enforcement in the digital economy and other high-tech industries. ITIF draws heavily from the work of the Austrian-American economist Joseph A. Schumpeter, who famously described how competition takes the form of "creative destruction" by large firms that have both the incentive and the ability to engage in the risk taking and research and development which are necessary to drive innovation.

RESPONSES TO QUESTIONS

Do you have any views on our proposed descriptions of the relevant digital activities, namely: the mobile operating system, native app distribution, and mobile browser and browser engine?

ITIF understands that mobile operating systems, native app distribution, and mobile browser and browser engine are three platforms that constitute core parts of a user's mobile experience and which, in their own way, connect consumers with various types of content and functionalities.

Do you have any views on our provisional conclusion that it would be appropriate to treat those activities as a single digital activity, referred to as a mobile platform, whose purpose is to facilitate interactions between users and providers of digital content and services on Android mobile devices in order to allow users to access, view and engage with such content and services on their mobile devices?

For the purpose of analyzing competition in a particular market, sometimes a group of otherwise distinguishable offerings is "clustered" together. This may occur for products that many customers prefer purchasing together, or if there are considerable economies of scope that make it considerably more efficient to sell the products together, and if entering into competition with the "cluster" is difficult.[1] These conditions do not appear to be met in this case, and competitive dynamics differ substantially depending on whether one is evaluating mobile operating systems, app distribution, or mobile browser and browser engine.

Do you have views on our provisional finding that the competitive constraint on Google's mobile platform from Apple's and other rival mobile ecosystems is limited? This relates specifically to the competitive constraint in attracting end users and content providers.

ITIF does not agree with the provisional finding that Apple poses only a limited competitive constraint on Google in the mobile space when it comes to competing for end users and content providers. A subject of ongoing litigation in the United States, ITIF has made clear its position that there is no basis for viewing competition in mobile platforms in a way that excludes the vigorous competition Google faces from Apple, and particularly in terms of differentiated platform design and other feature-based competition that typifies the mobile space.[2]

Do you have views on our provisional finding that there are high barriers to entry and expansion for mobile platforms?

Mobile platforms typically benefit from network effects that enhance the value they provide: The more users a particular platform attracts, the more valuable it becomes to application developers seeking to engage with users; conversely, the more developers a mobile platform has, the more valuable it becomes to users. As such, a mobile platform that enjoys network effects is not by itself a basis for concern, but merely a feature of how it creates value by connecting users and developers. Indeed, the CMA's own consumer survey noted that 24 percent of Android users and 15 percent of iOS users considered switching or actually switched to iOS or Android respectively, which is consistent with consumers viewing barriers to entry and other switching costs as not prohibitive. Furthermore, a lack of very high rates of switching does not by itself imply that barriers to entry are high—as the survey acknowledges, consumers are generally satisfied with their smartphone, and thus have little incentive to switch. And even a lack of very high levels of switching concomitant with high prices is

[1] *See, e.g.*, Herbert Hovenkamp, *Digital Cluster Markets*, 2022 COLUM. B. L. REV. 246 (2022)
[2] Amicus Brief to the US District Court for the Northern District of California Regarding Epic Games v. Google | ITIF.



consistent with the incumbent-driven innovation and feature competition that helps to explain the high levels of satisfaction consumers enjoy. In addition, when mobile platforms are viewed more broadly to include hardware, the open nature of Android clearly has an effect of reducing barriers to entry by reducing the costs for "double entry" at the operating system and hardware levels.

Do you have views on our provisional finding that the competitive constraint on Google's mobile platform from alternatives to content distribution within Google's mobile ecosystem, and alternatives on non-mobile devices, is limited?

Single-brand markets should not be used to assess the competitive constraints on Google's mobile platform, including those related to content distribution (e.g., Android app distribution). Even still, Google's Play Store is but one of many ways users access content within Google's mobile ecosystem. Android users may not only utilize alternative app stores, such as Samsung's Galaxy Store, but also get apps directly from a website through sideloading—both of which are common practices among Android users, effectively allowing them to "multi-home" with respect to app distribution channels on Android.

Do you have views on our provisional conclusion that there are no expected or foreseeable developments that are likely (whether individually or in combination) to be sufficient in scope, timeliness and impact to eliminate Google's substantial market power in the provision of its mobile platform over the next 5 years?

Like many digital markets, the mobile space has been defined by innovation and feature competition that tend to limit the prospects for substantial and entrenched market power.[3] Going forward, this can include disruption by cloud-based platforms and super apps that act as middleware and empower alternative means for app distribution. Indeed, with respect to mobile gaming, U.S. courts have found that technological changes are rapidly reshaping the market in a way that is likely to make substantial and entrenched market power difficult to maintain over time.[4]

Do you have views on our provisional conclusion that Google has substantial and entrenched market power (SEMP) and a position of strategic significance (POSS) in respect of its mobile platform?

While ITIF recognizes the critical importance that mobile platforms play in the modern economy, it does not believe Google enjoys substantial and entrenched market power in its mobile platform. Indeed, substantial and entrenched market power—so defined, dominance or monopoly power—plainly does not exist given the robust competition between Google and Apple for mobile consumers. Indeed, the CMA itself has characterized the mobile ecosystem as a "duopoly," which is incompatible with any type of monopoly or

[3] *Id.*
[4] *Epic Games, Inc. v. Apple Inc.*, 559 F. Supp. 3d 898, 1032 (N.D. Cal. 2021).



dominant-fringe market structure. Moreover, with respect to app distribution and browsers, the alternatives mobile consumers have to Google and Apple's respective solutions are considerable.

Do you have any other views in relation to the assessment/evidence set out in the proposed decision?
In its Roadmap of possible measures to improve competition in mobile ecosystems, the CMA notes that it "will explore the factors likely to be of particular importance for the development of AI services on mobile with a view to considering whether measures are needed such as greater interoperability, and improved choice architecture." While ITIF broadly agrees with the CMA that AI is likely the most disruptive trend in the mobile space going forward, and additionally submits that AI is already positively disrupting to the mobile *status quo*, such as through mobile AI chatbots, the dynamic and rapidly evolving nature of AI markets belies the existence of any sort of market failure that could justify application of the Act in the foreseeable future.

Very truly yours,

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