

# Comments on “Denial of interoperability and future first-party entry” by Massimo Motta and Martin Peitz

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# Overview of the paper

- Motivation: Google denied Enel X's app JuicePass access to Android Auto, despite Google not having a competing app
  - ▶ But the results extend to other cases e.g., Apple and Spotify
- Theory model to understand this:
  - ▶ Two period model, mass of consumers, third-party app
  - ▶ In first period, only third-party app is available
  - ▶ In second period, platform can introduce first-party app
  - ▶ Data-enabled learning from first to second period
  - ▶ Main analysis: platform must give access in second period, and chooses whether or not to give it in first period as well
- Main insights:
  - ▶ Trade-off: denying the third-party app access in the first period harms short-term profit, but then first-party app faces less future competition
  - ▶ Consumers (weakly) better off if access in first period is compulsory
  - ▶ But forcing access in second period can cause platform to deny access in first period, harming consumers

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- Do you need data-enabled learning to get the main trade-off?
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    - ★ Eqn (1) simplifies to  $0 > \beta\pi_C^1(1)$  so never deny in first period
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    - ★ At least for low  $\beta$  will deny in both periods, and get same trade-off

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- Why assume that platform must allow access in second period?
  - ▶ Natural if access was granted in the first period...
  - ▶ ... otherwise use a “self-preferencing” parameter to capture platform’s ability to restrict access in second period

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- Minor comments:
  - ▶ Be clear at start that  $\pi_P$  doesn't include  $\beta$  share of  $C$ 's revenues
  - ▶ Could allow partial coverage in microfounded examples, so that  $C$  expands first-period market to acquire more data
  - ▶ Technical point: reduced-form  $\pi_C^1(1)$  could be "endogenous" in some cases e.g.,  $C$ 's pricing in first period to obtain more consumers (more data) will depend on anticipated entry of platform's product and (where appropriate) whether  $C$  will get access in second period
  - ▶ Timing:  $P$  decides in second period whether to enter. But alternatively could decide entry+access policy at same time in first period