

Entry and competition in platform markets. Evidence from the European tablet industry

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Summary

- The paper studies Microsoft's entry in the market of OS for tablets, which was dominated by Apple and Google.

Windows RT entry was unsuccessful, although welfare enhancing
→ Microsoft Store lagged considerably behind.

- ① The elimination of the app disadvantage would rise Windows RT share from 1 to 46%.
- ② The elimination of discriminatory licensing charges would push down the share of Microsoft's Surface Tab within Windows RT segment from 92 to 85%.

Comments

- I really liked the clear exposition, in particular the careful definition on markets and products, key for a BLP framework.
- This case study summarized beautifully one of the main challenges with ICT-related superstars:
 - some *accessible* markets are not contestable due to complementarities, even if you are Microsoft.

Extensions and Open Questions

Access to applications turned out to be critical complement feature which strongly influences consumer choice of tablets. As Microsoft Store was lagging behind the two incumbent app stores in the number of applications, Microsoft and the partnering OEMs faced a strong competitive disadvantage vis-a-vis Android and iOS.

- ① What about connectivity to PC? *Incompatibility* to Windows 8 seems key.
- ② Also, were they substitute? I see ipad more for fun, windows for work, so maybe app count less relevant. Maybe try to study type of app?

→ New Surface Pro is advertised as a 2-in-1 (laptop plus tablet) with high performances, in line with your results.

Extensions and Open Questions (II)

BLP instruments work under the assumption that, due to strategic interactions among oligopolistic vendors, the choice of product characteristics by competitors will influence price of product j but not product characteristics.

- Still, Microsoft arrived later both with OS and tablets.
→ Are these products and their characteristics a strategic choice?