OECD Handbook on Competition Policy in the Digital Age

Glossary of key terms

Across-platform pricing parity agreement

An across-platform pricing parity agreement (APPA) guarantees to a platform that the prices or terms and conditions quoted by suppliers on that platform will be as favourable as those offered on the supplier's own website (the narrow clause) or on any other platform (the wide clause) (OECD, 2018, p. 25[1]).

Algorithm

Algorithms are sequences of commands that generate an output from a given input (OECD, 2018, p. 2[2])

Big Data

Big Data is commonly understood as the use of large scale computing power and technologically advanced software in order to collect, process and analyse data characterised by a large volume, velocity, variety and value (OECD, 2016, p. 2[3]).

Blockchain

Blockchain or Distributed ledger Technology (DLT) is a shared ledger (or record) of transactions between parties in a network that is not controlled by a single central authority. It is a general purpose technology that crowd-sources verification services and therefore removes the need for a trusted third party to fulfil that role (OECD, 2018, p. 2[4]).

Bundling

See "Tying".

Conglomerate mergers

Conglomerate mergers bring together firms that are not currently market competitors, or in a supply relationship with one another. The products of the firms can either be complements, weak substitutes, or unrelated (OECD, 2020, p. 6[5]).

Consumer data

Consumer data are data concerning individual consumers, where such data have been collected, traded or used as part of a commercial relationship (OECD, 2020, p. 7[6]).

Cross-platform network effects

Cross-platform network effects (or network externalities) occur when the participation of users on at least one side of a platform generates network externalities on another side of the platform (OECD, 2019, p. 6[7]).

Data portability

The ability (sometimes described as a right) of a natural or legal person to request that a data holder transfer to the person, or to a specific third party, data concerning that person in a structured, commonly used and machine-readable format on an ad-hoc or continuous basis (OECD, 2021, p. 9[8]).

Digital economy

The Digital Economy incorporates all economic activity reliant on, or significantly enhanced by the use of digital inputs, including digital technologies, digital infrastructure, digital services and data. It refers to all producers and consumers, including government, that are utilising these digital inputs in their economic activities (OECD, 2020, p. 5[9]).

Digital markets

Markets within the digital economy, sometimes also referred to as digital platform markets.

Disruptive innovations

Disruptive innovations have the potential to drastically alter markets and their functioning. They not only involve a new product or process, but can also involve the emergence of a new business model (OECD, 2017, p. 2[10]).

Dual pricing policies

In the context of e-commerce, dual pricing involves a manufacturer charging different wholesale prices for products depending upon whether these are sold through offline or online sales channels (OECD, 2018, p. 21[1]).

E-commerce

E-commerce is the sale of goods, services and digital content distribution over the internet to retail customers, as well as other activities such as online advertising (OECD, 2018, p. 2[11]).

Envelopment

Envelopment refers to a strategy by a platform with dominance in one market to enter another platform market (whether the platforms are complements, substitutes, or unrelated) by bundling or tying the two platform products. As a result of network effects (from the dominant platform's existing user base) and economies of scope (due to shared technology and data), the competing platforms in the second market would be unable to compete (OECD, 2020, pp. 26-27[5]).

Exclusionary abuses

Exclusionary abuses arise when a firm with market power uses certain strategies to push competitors out of the market in question and prevent new entry (OECD, 2020, p. 24[12]).

Explicit collusion

Explicit collusion refers to anti-competitive conducts that are maintained with explicit agreements, whether they are written or oral. The most direct way for firms to achieve an explicit collusive outcome is to interact directly and agree on the optimal level of price or output (OECD, 2017, p. 19[13]).

Exploitative abuses

Exploitative abuses refer to situations in which a firm uses its market power to impose unfair prices or other conditions on purchasers (OECD, 2020, p. 50[12]).

Feedback loops

Feedback loops in digital markets are self-reinforcing processes in which a change to the conditions on one side of the market are amplified, due to data collection or network effects. For example, if an online platform uses data generated by its users' activities to improve its service, it will be able to increase consumer value and thus demand. It may also sell data to third parties, or use the data to better target advertisers, thus improving its revenues. Because these revenues can be invested in further improvements in service quality, demand may rise even further. Thus, an initial user base can generate a self-reinforcing cycle of improvements that cause the user base to increase further, continuing the cycle. This cycle is one of the reasons why concentration may be higher in digital platform markets (OECD, 2016, p. 10[14]; OECD, 2019[7]).

FRAND

Fair, reasonable, and non-discriminatory terms. The concept is typically used as regards the licencing of standard essential patents, i.e. patents that standard setting organisations (SSOs) have accepted as being essential to the operation of technical standards. To prevent patent holders from exploiting the market power derived from owning a patent essential to the operation of a widely used technical standards, SSOs require members to make an ex ante commitment that if any technologies on which they hold patents or pending patents are included in the SSO's standard, they will license those technologies on FRAND terms. (OECD, Competition, Patents and Innovation II, 2009).

GUPPI

Gross upward pricing pressure index, used to assess the potential for a post-merger firm to profitably increase prices due to a loss of competitive pressure. Unlike the UPP (upward pricing pressure test), the GUPPI does not take into account cost efficiencies generated by a merger (OECD, 2019, p. 22[15]).

Hub-and spoke arrangements

Hub-and-spoke arrangements are agreements between competitors in one market (the spokes) co-ordinated by vertically related intermediaries (the hub), mostly through information exchanges (OECD, 2019, p. 2[16]).

Interoperability

Interoperability refers to the ability of different digital services to work together and communicate with one another (OECD, 2021, p. 12[17]).

Line of business restrictions

Line of business restrictions (LOBRs) are antitrust remedies or regulatory restrictions that limit the activities that a firm can undertake (OECD, 2020, p. 4[18]).

Digital markets

Markets within the digital economy.

Monopsony power

Monopsony power is a situation where a firm has market power that allows it to determine the prices of an input it purchases. For example, in labour markets monopsony power allows the firm in question to restrict the quantity of labour that it purchases in order to reduce wages or lower the working conditions of its workers below competitive levels.

Most-favoured nation clauses

Most-favoured nation clauses (MFNs) are clauses normally embedded in long-term contracts between two firms for the provision of intermediate goods or raw materials whereby the supplier undertakes to apply to the buyer the best price conditions among those applied to any other buyer (OECD, 2019, p. 35[19]).

Multi-homing

Multi-homing refers to the ability of users to use multiple competing platforms at the same time. This contrasts with single-homing, where consumers use only a single platform (OECD, 2019, p. 10[7]).

Multisided markets

A market in which a firm acts as a platform and sells different products to different groups of consumers, while recognising that the demand from one group of customer depends on the demand from the other group(s) (OECD, 2018, p. 10[20]).

Network effects

Network effects refer to the gains enjoyed by consumers of a product when more consumers use that product. For example, users of a social network experience a benefit, or positive externality, as more of their acquaintances set up accounts on the network (OECD, 2019, p. 6[7]). Network effects can occur within a given side of a platform, or between different sides (see *cross-platform network effects).*

Platforms

Platforms are firms that provide different services to different groups of interconnected consumers (OECD, 2019, p. 6[7]).

Platform markets

See "Multisided markets."

Product ecosystem

A line of products and services with a technological linkage increasing the complementarity between them (Bourreau, 2020, p. 3[21])

Resale price maintenance

Resale price maintenance (RPM) is a particular type of vertical agreement in which an upstream firm controls or restricts the price (or sometimes the terms and conditions) at which a downstream firm can on-sell its product or service, usually to final consumers (OECD, 2008, p. 2[22]).

Selective distribution

Selective distribution refers to vertical arrangements by which a supplier defines minimum standards for admission to its distribution network, agreeing to supply all distributors which meet these requirements. In e-commerce markets, this can take the form of "internet addendums" which introduce more restrictive conditions for online sales (OECD, 2018, p. 17[1]).

Single homing

See "Multi-homing."

SSNIP test

The small but significant non-transitory increase in price test.

SSNDQ test

The small but significant non-transitory decrease in quality test.

Tacit collusion

Tacit collusion refers to forms of co-ordination which can be achieved without any need for an explicit agreement, but which competitors are able to maintain by recognising their mutual interdependence. In a tacitly collusive context, the non-competitive outcome is achieved by each participant deciding its own profit-maximising strategy independently of its competitors. This typically occurs in transparent markets with few market players, where firms can benefit from their collective market power without entering in any explicit communication (OECD, 2017, p. 19[13]).

Tying

Tying means that a firm requires its customers to purchase one or more "tied" products if they wish to purchase a "tying" product. It can be achieved through technical or contractual means. Bundling can be considered a form of tying, and occurs when a firm offers multiple products together in a single package. It can do so by either refusing to make the products available on a standalone basis, or offering the bundle at a discount (OECD, 2020, p. 2[23]).

UPP

Upward pricing pressure test, used to assess the potential for a post-merger firm to profitably increase prices, taking into account the change in competitive pressures and the cost efficiencies generated by a merger (OECD, 2019, p. 22[15]).

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Access the handbook online or download a pdf copy at www.oecd.org/daf/competition-policy-in-the-digital-age/.

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