

# FACTSHEET

## Competition in the digital era

### 🗨️ Digitisation and how it matters to consumers?

The digitisation of the economy – and its benefits for consumers – goes beyond the fact that many people wouldn't know how to find the nearest supermarket without a smartphone. Digitisation is on track to profoundly affect how we as consumers live our lives, therefore shaping not only the economy but also our society.

### 🗨️ Competition in digital markets needs fixing

When competition works it provides an effective incentive to companies to offer consumers innovative products, more choice and better value for money. But all too often in digital markets, companies that are initially successful in terms of offering innovative products try to preserve their powerful position by excluding other innovative companies that could challenge them.

Data is a powerful leverage in this attempt to keep challengers at bay. With access to massive quantities of consumer data and the tools to analyse it tech giants can identify demand trends.

As a consequence, competitors who, for example, do not have the same chances to reach huge numbers of consumers – and therefore their data – face significant difficulties to overcome the competitive advantage enjoyed by incumbents. Why is this a problem for consumers? They might for instance no longer be able to switch to alternative suppliers. That's the case of messaging apps where newcomers face the disadvantage of fewer people using their services. Dominant digital players have also managed to lock people into their platform thus controlling the information they have access to.

### 🗨️ But what about EU competition policy?

Consumer welfare and well-being is at the centre of EU competition law. This means that there is an important role to play for the EU's competition arm to protect consumers from dominant firms. Traditionally, competition authorities have focused mainly on price effects. However, EU competition law can look beyond mere financial or economic detriment to consumers. It can also take into account restrictions of choice, loss of innovation or degradation of product quality when consumers are forced to swallow intrusive privacy practices.



## What should be done?

But while competition enforcement might be well-placed in theory to address the new realities of the digital economy, it must also adapt to them so as to remain an effective means to tackle insufficient competition. In some cases, new regulation may be necessary to complement competition enforcement.

A [report](#) just published by BEUC on “The Role of Competition Policy in Protecting Consumers’ Well-being in the Digital Era” makes several specific recommendations. These include:

- **tackling competition problems at an early stage** before they can cause irreparable harm to consumers, for example by ordering companies to stop potentially harmful practices while full investigations are carried out;
- **helping competition authorities to become more effective enforcers** by boosting their tools and resources for gathering information and analysing how competitive markets are;
- requiring merging companies in some cases in digital markets **to prove that deals would not distort competition** (rather than competition authorities having to prove they would distort competition);
- **increasing competition authorities’ focus on how consumers behave in real life** when assessing whether operators can manipulate users’ behaviour, block market entry or restrict consumer choice and information flows. Dark patterns for instance, such as deceptive design practices, can manipulate consumers into making certain choices;
- **encouraging coherent and efficient cooperation** between authorities dealing with competition, data and consumer protection and regulated markets, such as financial services, telecoms, transport and energy;
- **regulation to deal with systemic market failures**, sector specific problems and protection of vulnerable groups of consumers, as a complement to competition enforcement. New regulation may be necessary, for example, on the conditions for data sharing and interoperability, the use of default options, the behaviour of powerful internet platforms and enforcement of consumer protection rules in the digital economy.

Thriving markets need strong regulatory oversight to ensure the rules are being respected by all market players. This is even more true in the digital economy, where the lines between market and society – think about the spread of disinformation on dominant social media platforms – are more and more blurred.