

# The Dilemma and Outlet of Relevant Market Definition under Internet Bilateral Market

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**Abstract:** The definition of the relevant market under the Internet bilateral market has always been an unbridgeable gap in anti-monopoly judicial cases, which puts forward a new problem for the settlement of anti-monopoly cases. The definition of relevant market under bilateral market is not only a technical dilemma, but also a problem that has not been solved in judicial practice. In order to solve this problem, we need to clearly understand the three characteristics of the Internet bilateral market, correct the attitude to solve the relevant market definition problem, make corresponding adjustments for different types of market, and try to use new definition method to find the way to define the relevant market under the Internet bilateral market.

**Keywords:** Internet; Bilateral market; Relevant market

At present, the theoretical method of relevant market definition in China can only solve the problem of traditional market (unilateral market), but there are many theoretical loopholes in the definition of relevant market of Internet bilateral market, and it is difficult to solve the definition of relevant market of bilateral market in both theory and judicial practice. Therefore, this paper intends to analyze the theoretical characteristics of the two-sided market and combine the case of Baidu to put forward some suggestions to improve the technical methods of defining the relevant market under the Internet two-sided market.

## 1. Characteristics of bilateral market in Internet industry

Bilateral market theory, which started at the beginning of this century, has become one of the most active research fields in economics. According to the Anti-monopoly Commission of The State Council "guidelines on the relevant market definition", the relevant market refers to the scope of goods and regional scope of competition for specific goods or services in a certain period of time, the size of the relevant market scope mainly depends on the degree of substitution of goods and regional. However, there is still no consensus on the definition of bilateral market in academic circles, and there are two main viewpoints: First, from the perspective of network externality, it is considered that if the trading platform in the market provides products or services to both sides of the transaction through a certain price strategy, and the decision result of one side will affect the decision of the other side, that is, the utility obtained by one side depends on the number of participants on the other side, such a market is a bilateral market. From the perspective of bilateral market transaction relationship, it is considered that bilateral market is composed of two different types of user groups. The platform in the market plays an intermediary role, and each type of user contacts with another type of user through the platform, and obtains value in the process. Although these expressions differ slightly, they all reflect some characteristics of the relevant market:

### 1.1 Cross network effect

In a two-sided market, there is not only a network effect between the same users on one side of the platform, but more importantly, there is a cross network effect between the users on both sides of the platform, that is, the number of users on either side will affect the number of users and revenue on the other side.

### 1.2 Asymmetry of price structure

In order to achieve more trading volume and maximize profits, platform enterprises often adopt different pricing strategies for users on both sides of the platform. Platform enterprise through to the side of the user to take low price or even free strategy, attract the edge of a large number of users to enter the market, at the same time use of the edge users of network externality effect, make the edge of the number of users of radiation to the other side the number of users, expand the user's needs, on the other side at the same time to carry out some value-added services to maximize the interests of the platform.

### 1.3 Interdependence and complementarity

Users on both sides of the platform are interdependent and complementary to the products or services provided by both sides. If only users on one side have demands or there is no demand between users on both sides, the platform enterprise will not exist.

## 2. The dilemma of defining the relevant market under the Internet bilateral market

### 2.1 The judicial practice dilemma of defining relevant market under the Internet bilateral market

Due to the complexity of bilateral market derived from Internet, the definition of relevant market in judicial practice has caused great obstacles. In the Baidu case, the plaintiff Tangshan Renren company believes that the defendant Baidu has a dominant market position, and its blocking of The national Medicine website is an abuse of dominant market position, which violates the provisions of the Anti-monopoly Law, so it sued the court.

The plaintiff's argued that the relevant market in this case was the market for "search engine services", and the court agreed. The court held that: "Search engine services are essentially Internet information retrieval and location services. As there is no relevant service to form the demand substitution relationship at present, "search engine services" constitute the relevant service market of this

case. Tangshan Renren's claim is established and supported by the court."

## **2.2 Technical and methodological dilemmas of relevant market definition in Internet bilateral market**

The technical methods used by judicial organs to define relevant markets can be divided into two categories: one is traditional product substitution analysis; The second is the assumed monopolist test.

(1) It is difficult for the court to obtain the basic data of SSNIP. As a hypothetical test method, SSNIP does not measure consumers' purchasing behaviors by raising market prices, but is a simulation test based on market data and economic principles.

(2) The Internet industry's free pricing strategy for users hinders the SSNIP test. The free pricing strategy of Internet enterprises directly limits the application of SSNIP test based on price base.

(3) The two-sided market nature of the Internet affects the effectiveness of SSNIP test. As the products and services provided by Internet enterprises are multifarious and diverse, they blend and cross with each other and lack obvious boundaries, thus forming different interest user groups.

## **3. The way out of relevant market definition under the Internet bilateral market**

### **3.1 Establish a correct awareness of relevant market definition**

In view of the judicial status quo of relevant market definition in the bilateral Internet market, many scholars in a pragmatic attitude proposed that the judicial authorities should "weaken the importance of relevant market definition", "relevant market definition is affected by the limitations of the definition method, continued application will hinder the further trial of the case. Therefore, the definition should be put on hold". The necessity of relevant market definition has been questioned by people.

It is true that it is difficult to define the relevant market under the Internet bilateral market, but it cannot be the reason for judicial authorities to avoid defining the market. The definition of relevant market is the primary prerequisite to judge whether an act belongs to the regulation of the Anti-monopoly Law. Only after the definition of relevant market is completed, can the market share of an enterprise in its relevant business market be calculated, so as to judge whether it has a dominant market position.

### **3.2 SSNIP test method is applicable for adjustment of different market types**

SSNIP test method is the best method to define relevant market at present. According to the characteristics of the two-sided market of the Internet industry, the SSNIP test method will still have its place of use if it is properly perfected. As for the directly observable transactions of users on both sides centering on the platform functions, since the trading subjects on both sides of the market have a consistent understanding of the platform functions, the markets on both sides can be integrated into a whole market, and the SSNIP test method can be directly applied. At this point, the benchmark price of SSNIP test shall be selected based on the trading volume of the platform, and the total price of service fees charged by the platform to market entities on both sides shall prevail. For e-commerce platforms, for example, the benchmark price of SSNIP tests should be locked in to the total service fees charged by the platform enterprises to suppliers and consumers. At the same time, considering that the cross-network effect of The Internet will enlarge the demand changes caused by price increase, the range of price increase should be appropriately reduced in the process of SSNIP testing to achieve a balance between price structure and quantity.

### **3.3 Introduction of SSNDQ test method**

Products in the Internet industry are characterized by short replacement cycle, fast speed and more emphasis on innovation. Therefore, the main focus of competition lies in product quality, performance and service and experience for users, rather than the price competition of traditional products. Therefore, when there is difficulty in applying SSNIP or it is difficult to define relevant market for applying SSNIP, we can consider SSNDQ (Small but Significant and not-transitory Decrease in Quality) instead of SSNIP for testing.

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