

Digital Platforms: a practical framework for evaluating policy options

The increasing economic and societal impact of digital platforms, such as Google, Apple, Uber, Airbnb and Netflix, raises a number of questions for policy makers. On the one hand, digital platforms offer efficiencies and opportunities for innovation. On the other hand, they challenge existing policy frameworks by disrupting markets. Concerns are raised about whether the current regulatory approaches and instruments suffice to promote and safeguard public interests.

We suggest that policy makers should not focus on trying to define digital platforms but rather recognise that platform economics is only one element of a much broader set of characteristics of digital business models. Each business model is built on strategic choices in how it operationalises platform economics in order to exploit direct and indirect network effects. This choice is made together with strategic choices in other characteristics of the business model, such as how data is being used, what revenue model is applied, etc. Each of these characteristics can introduce a risk or opportunity for public interests. A policy that aims to address one particular public interest can easily affect the balance between the various business model characteristics and may have unintended effects on other public interests. It is therefore crucial to recognise the heterogeneous nature of digital platforms. In particular, one should stay away from attempts to force digital platforms into a single category, as the positive and negative impacts on public interests differ from case to case.

We have developed a practical framework that provides structured guidance for policy makers when designing policies in the context of the digital economy. Our framework differs from other approaches in that we take the digital business models as the starting point for the analysis. The framework has been applied to a number of case studies in the European context.

The framework consists of three pillars:

1. **Platform characteristics** capturing the various technical and business aspects of platforms, such as the revenue model (direct payment, advertising, revenue share), network effects, use of data (internal, external, curation/editorial control) and dependence of other companies on a platform.
2. **Public interests** categorized in four broad areas: competition and innovation, consumer interests, freedom from improper influence, and integrity and continuity of applications.
3. **Policy options** broadly divided in three categories: removing obsolete instruments, using existing instruments (stricter enforcement or tailor their application to the digital economy) and adopting new instruments.

The analysis of a platform case starts with determining the platform characteristics, relating each of these to the public interests, and formulating policy options. Then, the framework invokes a return-path analysis for assessing a) how the interventions affect the business model, b) whether it has the desired effect on public interests, and c) does not have undesired side-effects on public interests. In this way, the analytical framework gives policymakers a practical tool for more balanced decision making in the context of digital platforms. In the attached document, you find the full report 'digital platforms: an analytical framework for identifying and evaluating policy options'.