



Competition in a big data world

Brussels, 18 January 2016

DLD 16, Munich, 17 January 2016

"Check against delivery"

Introduction

Ladies and gentlemen

It's an honour to be invited to speak here at DLD 16. I don't think anyone, least of all myself would describe me as a tech nerd – especially not my teenage daughters.

I certainly use technology. I shop on the Internet. I use Twitter to talk directly to the public about my work. And I like the fact that it's easy for people to interact via tech solutions.

This is what excites consumers about the new digital economy. Innovative services, which let us do things that simply wouldn't be possible otherwise.

To get that kind of service, we need competition.

We have to make sure new ideas have a fair chance. Of course, an idea can fail because people just don't like the service. That's one of the risks an entrepreneur takes. But powerful companies mustn't abuse their power to stop new ideas having a chance of success.

We also have to make sure consumers get a fair deal. I don't have a problem with mergers, but they mustn't significantly reduce competition. Otherwise, they would give companies a free hand to raise prices or cut quality, knowing that users have nowhere else to go.

In that sense, technology markets are no different from any others. What *is* different is the pace of change. People see vast changes – companies that have billions of users. And that makes them wonder whether the rules they rely on to protect them – including the competition rules – still have what it takes to do the job.

Benefits of data

For example, a lot of people tell me they're worried about how companies are using their data.

I take those worries very seriously. Privacy is a fundamental part of our autonomy as individuals. We must have the right to decide who we share our information with, and for what purpose.

But we also live in a time when we get major benefits from sharing our data. So striking the right balance has become very difficult.

I could have started today by giving you some background about myself. But I didn't need to, because you have all that information to hand. You can do a web search or look through my Twitter feed to find out almost everything you need to know about me.

These incredibly powerful tools, like search engines and social media, are available for free. In many cases, that's because we as consumers have a new currency that we can use to pay for them – our data.

This new currency brings its own challenges. It isn't always easy to know what it's worth. The exchange rate between data and services isn't reported on the news. So it can be hard to decide how much data to give up in return for sharing photos with our friends, or watching a TV show, or sending a message.

But it's clear that these are business transactions, not free giveaways. So consumers have a right to be treated fairly, just as they would if they had paid in cash.

The Commission is working to make sure consumers are protected when they use free services. Look at our case on Microsoft's takeover of Skype. Or the proposal on digital contracts which we adopted

last month, as part of our work on the Digital Single Market. That proposal aims at giving consumers the same legal rights across Europe when they buy digital content like music or movies, whether they pay in cash or with data.

As well as giving us services for free, the data-driven economy can make them better.

Living outside my home country, I use e-commerce sites a lot. And I'm impressed by how accurately they recommend things I might be interested in. Of course, when my children use my account, the site doesn't know it's not me, and I might get some strange recommendations. But generally, they make life easier, by finding things that are right for me, without me needing to search for them.

I'm not the only one who's discovered the benefits of e-commerce. Half of all Europeans bought something online in 2014. With so much at stake, we need to act quickly when we discover problems – such as contracts that try to divide up our Digital Single Market into separate, national markets.

We started a sector inquiry last year into exactly that type of contract. The next formal step will be a preliminary report, around the middle of this year. But I want to get the key issues on the table as soon as I can. So I plan to kick off the debate with an issues paper on geo-blocking that should be published before Easter.

Privacy

The sort of service I've just been describing is hugely popular. So you might assume that people are generally happy with the way their privacy is protected.

But the evidence shows that's not the case. A recent survey found that less than a quarter of people trust online businesses to protect their personal information.

Some people say this is a competition problem. They say that if the market worked properly, companies couldn't get away with letting down their customers like this.

There may be some truth in that, though it doesn't necessarily mean companies have broken the competition rules. But for me, the real question isn't whether companies are competing to offer more privacy – welcome as that is – but for us to have adequate data protection rules in place.

Fortunately, the EU has just agreed a new general data protection regulation, which makes the data protection rules fit for the Digital Single Market. The new rules require data protection to be built into products and services from the start. They promote ways for businesses to develop innovative services using data, without compromising privacy. They clarify the right to be forgotten, and allow users to transfer their data between providers.

So I don't think we need to look to competition enforcement to fix privacy problems. But that doesn't mean I will ignore genuine competition issues just because they have a link to data.

Data as an asset

To give you one example, I'm glad that companies are working together to standardise privacy protection on the Internet. But that shouldn't be done in a way that makes it harder for smaller players to compete.

The same goes for big data. I'm not talking about individuals' personal data as such, but the huge collections of information that companies can use to understand their environment in a way they never could before.

If that means companies can cut costs and serve their customers better, it should be good news for consumers. I'm glad to hear that UPS is using data from its delivery trucks to shorten routes – the reports say it could save 50 million dollars a year by cutting one mile off each route. And I've already mentioned how helpful recommendations can be for consumers.

But if just a few companies control the data you need to satisfy customers and cut costs, that could give them the power to drive their rivals out of the market. And with less competition, there's a risk that there won't be enough incentive for companies to keep using big data to serve customers better.

If a company's use of data is so bad for competition that it outweighs the benefits, we may have to step in to restore a level playing field.

But we shouldn't take action just because a company holds a lot of data. After all, data doesn't automatically equal power.

It might not be easy to build a strong market position using data that quickly goes out of date. So we need to look at the type of data, to see if it stays valuable.

We also need to ask why competitors couldn't get hold of equally good information. What's to stop them from collecting the same data from their customers, or buying it from a data analytics company?

The Commission has looked at this issue in two merger cases - Google's acquisition of DoubleClick, and Facebook's purchase of WhatsApp. In the particular circumstances of those cases, there was no serious cause for concern. Because even after those mergers, other companies would have access to many sources of useful data.

Conclusion

We continue to look carefully at this issue, but we haven't found a competition problem yet. This certainly doesn't mean we never will.

But I hope it makes clear that we don't need a whole new competition rulebook for the big data world. Just as we didn't need one for a world of fax machines, or credit cards, or personal computers. What we do need is to pay close attention to these markets and to take action when it's necessary.

Competition rules can't solve every problem on their own. But they can make an important contribution to keeping digital markets level and open. So that consumers get innovative products at the right prices. And so that digital entrepreneurs, however big or small, have a fair shot at success.

Thank you

SPEECH/16/5224