

Amazon, Apple, Facebook and Google - Too big to Fail, Too big to Regulate

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Abstracts

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SUMMARY

The US subcommittee hearing on July 29th 2020 brought many serious allegations of antitrust practices against the tech giants Amazon, Apple, Facebook and Google. Amazon, Apple and Google were accused of operating online marketplaces which disadvantage their competitors, whilst the main complaint levelled at Facebook was its buying out of the competition altogether. The subcommittee will publish its final report on these issues later in the year, but the likelihood of meaningful consequences for Big Tech has been called into question.

KEY HIGHLIGHTS

Despite scrutiny of Amazon's monopolization of consumer data on its online marketplace, which enables it to undercut competitors that also depend on that marketplace, it has so far faced few repercussions. However, the EU has a strong track-record of upholding its antitrust laws to the particular detriment of tech companies. The bloc has less to lose and more to gain from using legal means to limit the antitrust practices of tech giants like Amazon, which are not incorporated there and generate far smaller economic contributions than they do in the US.

Like Amazon, Apple owns and sets the rules for a marketplace where its direct competitors generate a significant proportion of their sales. Unlike Amazon, cases against Apple's marketplace, the App Store, have been fairly

conventional antitrust cases involving anti-competitive rule-making rather than monopolization of data. They have mainly centered on the 30% transaction fee Apple charges on any revenues made through the apps it distributes, and on its practice of blocking apps which compete with its own. A \$1.2bn fine from the French government in March 2020 was the first Apple has received, but smaller controversies have been a long-term thorn in its side.

Despite an abundance of privacy scandals and record breaking fines, Facebook remains the most-used social network worldwide with 2.7 billion monthly active users (MAU), reported in the company's Q2 financial report. Facebook continues to enjoy booming profits, achieving \$18.48bn of net income during 2019. The platform is still able to take advantage of vast amounts of consumer data and use targeted advertising to boost its revenues. In its Q2 results, Facebook reported an 11% increase in online advertising revenues outpacing competitors including YouTube, Twitter and Snap Inc. When a company like Facebook continues to monopolize a market, it becomes susceptible to abusing its power for its own advantage. Facebook has prioritized profits and growth over the security of its users despite making promises to allow consumers to choose how their personal information is shared. Despite the penalty, Facebook's MAUs grew 8% and advertising revenues increased 28% in the same quarter. Facebook held \$58.24bn of cash and cash equivalents and marketable securities as of June 30 2020, which will allow Facebook to pay off any future fines with ease

SCOPE

Learn how the big four tech giants are being questioned over their business practices

See the strength of the criticisms being brought against them

Understand whether regulations and fines are likely to damage their businesses

See if it is possible for the firms to be broken up in future

REASONS TO BUY

What anti competitive practices are these players being accused of?

Just what is the likely response in the US and EU?

Is there the ability or will to attempt to break up any of these players?

Going forward, will fines or penaltys hurt these players significantly?

Contents

Executive Summary

Tech giants too big to fail

EU's stance on Amazon is expected to be tough

Amazon faces general support for tech regulation in the EU's member states

Amazon exposes itself to further regulations due to its new healthcare interests

Drone delivery is set to become another new regulatory frontier

Apple's main threat is from antitrust regulation

Apple's tax avoidance fines have been the highest in the world

The threat of data-privacy regulation to Apple threat is low for now

Regulations tighten for Facebook

Splitting up Facebook is possible but unlikely

A split may not be the best solution

Facebooks dominates social network advertising revenues

Google continues to exploit consumer data

Google is the "King of Cash"

Charging Google for news content could level the playing field for news publishers

Appendix

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