

Analysis of Monopoly Issues in China's Platform Economy and Corresponding Response Measures

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Abstract: In recent years, China's fast-paced economic growth has driven widespread expansion of its internet sector, positioning the platform economy as a crucial engine for sustaining developmental momentum. Yet this breakneck expansion of the platform economy has been accompanied by the emergence of multifaceted and acute monopolistic challenges. This study critically examines monopolistic dynamics within China's platform economy through a tripartite lens: deconstructing its conceptual architecture, tracing the ecosystem drivers of market consolidation, and mapping emergent dominance patterns, thereby substantiating the urgency of adaptive antitrust governance. It also lists several reasons for the formation of platform monopoly, and by analyzing the necessities of anti-monopoly on market competition, innovation and government control, it is recommended to continuously improve the legislative system, clarify and refine the criteria for identifying monopoly behaviors, and strengthen anti-monopoly supervision over the platform economy. In this way, the platform economy could be promoted to develop in a harmonious and orderly manner, and the normal competition order of the market can be maintained.

Keywords: Platform, economy, anti-monopoly.

1. Introduction

With the continuous advancement of Internet technology in China and the ever-growing number of Internet users, a wide variety of Internet platforms have emerged. They connect users from all corners of the country. Whether it's social media, e-commerce, transportation, or financial investment, platforms are gradually becoming crucial intermediaries between consumers and producers, leveraging their unique data monopoly advantages, two-sided market attributes, and dynamic competition characteristics [1]. However, as the platform economy expands, the associated monopoly problems are becoming increasingly severe. In China's current platform economy landscape, giants such as Taobao, JD.com, and Ele.me have emerged in multiple sectors, including online shopping and food delivery services. These large scale platforms, taking advantage of their unique dominant positions, abuse their market power to pursue the high profits brought about by monopoly. This behavior not only squeezes out other competitors but also undermines consumers' rights and interests, ultimately exerting a significant negative impact on free market competition. This study will start from the essence of the platform economy, discuss the causes of monopoly formation, analyze the specific manifestations of monopoly behavior, explore the necessity of regulating monopoly, and then propose suggestions for dealing with monopoly behavior. The meaning of this study is to provide

suggestions to protect consumers' rights and interests and ensure the effective maintenance of market competition order.

2. Literature review

2.1. Type and behavior of monopoly in the platform economy

Many scholars start from the main types of monopoly and conduct a detailed classification of monopolies. Professors Tianguang Meng, Yulu Men, and Yu Yan take the typology of platform monopoly as the starting point and point out that platform monopolies can mainly be divided into data dominance type, price manipulation type, data blocking type, and price trust type. Through research on large scale platforms such as Alibaba, ByteDance, and DiDi Global Inc, they have identified the correlations among these four types. Although there are obvious differences among these four types of platform monopolies, there are also similarities, and they can transform into one another according to changes in conditions [2]. Regarding monopoly behaviors, Liu analyzed the common self-preferential treatment behaviors of platform operators. She pointed out that in essence, these behaviors belong to discriminatory treatment. She also discussed the definition of the relevant market and the determination of the dominant position, concluding that the peculiarities shown by these behaviors only exist in their appearance and some implementation means, and have nothing to do with the nature of the behaviors [3].

2.2. Dilemmas of anti-monopoly in the platform economy

After analyzing the main difficulties in anti - monopoly, Yimin Fei believes that the main dilemmas faced in anti - monopoly of the Internet platform economy are as follows: First, the relevant laws for identifying monopoly behaviors are not perfect. Second, there is insufficient law enforcement guarantee for anti - monopoly in the platform economy. Third, there are difficulties in the judicial process of anti - monopoly in the platform economy [4]. Hao classifies and summarizes the dilemmas of anti - monopoly from the following three aspects: (1) The issue of balancing the development and regulation of the platform economy. (2) The great difficulty in identifying monopoly behaviors in the platform economy. (3) The anti - monopoly of the platform economy is restricted by technology [5].

2.3. Anti-monopoly governance of the platform economy

Qian Wang starts from the abuse of market dominance in the platform economy, analyzes the current situation and deficiencies of anti - monopoly in China's platform economy, and believes that it is necessary to improve the anti - monopoly legislation for the abuse of market dominance in the platform economy, standardize anti - monopoly law enforcement means, and optimize anti - monopoly judicial suggestions [6]. Xingnan Pu also believes that it is necessary to improve the legal guarantee for platform anti - monopoly. On this basis, it is required to optimize the rules for identifying platform monopoly behaviors and strengthen the supervision of platform anti - monopoly [1].

3. Development of China's platform economy and monopoly issues

3.1. The connotation and development of the platform economy

The so-called platform economy is a new economic model based on digital technology that coordinates information networks and platform services and unifies resource allocation. In essence, it is a form of the digital economy [1]. As an intermediary, the platform not only connects consumers and merchants but also promotes value exchange and commodity circulation. It is inseparable from

social production and people's lives. Nowadays, technology is developing at an increasingly rapid pace. The progress of Internet technology around the world is also advancing by leaps and bounds. They are driving social and economic transformation at an astonishing speed. Thanks to the high quality development of the platform economy, sectors such as online food ordering, short video apps, and online shopping have witnessed rapid growth. These developments have facilitated people's daily lives and met their needs, which is why the platform economy is becoming increasingly popular (shown in Figure 1 and Figure 2).

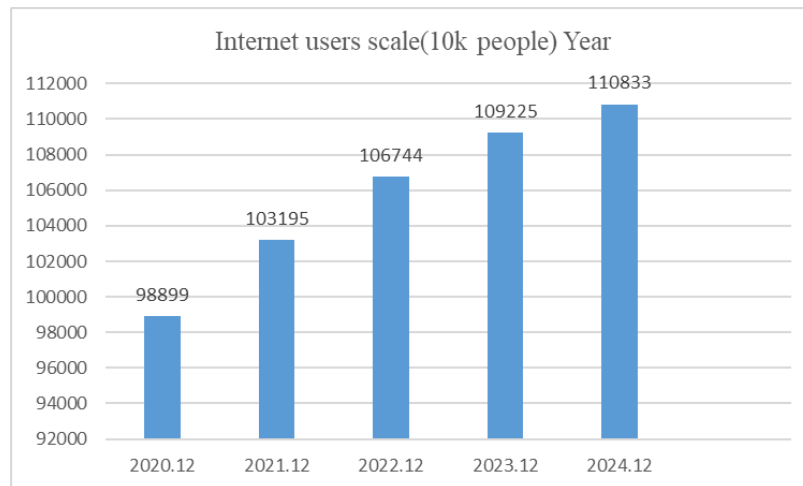


Figure 1: The size of internet users (2020.12-2024.12) [6]

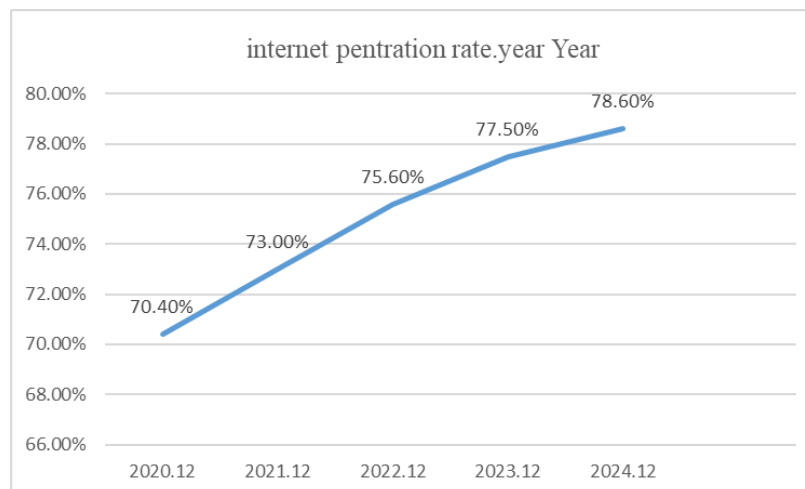


Figure 2: The internet penetration rate (2020.12-2024.12) [6]

As of December 2024, the number of Internet users in China reached 1.108 billion, an increase of 16.08 million compared with December 2023. The Internet penetration rate reached 78.6%, up 1.1 percentage points compared with December 2023. This data indicates that Internet platforms have penetrated deeply into people's lives and become an important part of it. However, a series of problems have emerged in the rapidly developing Internet platform economy. For example, problems like "pick one of two", "big data killing behavior", and "platform banning behavior" have occurred. These monopoly issues not only harm the rights and interests of consumers but also disrupt the market balance, exerting a negative impact.

3.2. Monopoly in the platform economy

The platform economy is an organizational form of the digital economy. It not only has the basic characteristics of the digital economy but also its own unique features. Under the influence of these characteristics, platforms are more prone to engaging in monopoly behaviors. The formation of monopoly in the platform economy is mainly due to the large scale collection and processing of data. This, in turn, significantly promotes both user accumulation and data collection. As a result, production factors and technologies become centralized, ultimately leading to monopoly [7]. Among these factors, the two - sided market structure, the advantage of data concentration, and user stickiness are important reasons for the formation of monopoly in platforms.

3.2.1. The two-sided market

Compared with a one - sided market, when there are two groups of users, the communication between users increases. The effect that one group of users can achieve by joining the platform depends on the number of the other group of users. Therefore, it can create greater value, thereby attracting more users and advertisements. The total value of the platform will also be greater than the sum of the values of each one - sided market. As a result, the platform can develop rapidly and eventually obtain a monopoly position [1].

3.2.2. The formation of data concentration

Compared with small scale platforms, large scale platforms are more powerful. Therefore, they have an advantage in data collection and processing. As a result, they are more likely to form data concentration and gain a monopoly position.

3.2.3. User stickiness and habits

During the process of using platforms, if a user has become accustomed to using a particular platform, the likelihood of them switching to other similar platforms will decrease. Since users have developed stickiness to the platform and changing habits requires a significant amount of time, platforms that enter the market earlier have greater monopoly advantages. It is difficult for platforms that enter the market later to compete with them, which leads to the emergence of monopolies.

3.3. Platform economy monopoly and the necessity of anti-monopoly

3.3.1. Main form of platform economy monopoly

The forms of monopoly in China's platform economy are not limited to the following. Only a few common forms are listed here.

The “pick one of two” behavior in the platform economy. The "pick one of two" behavior refers to that in the process of platform transactions, merchants are restricted to conducting business only on the current platform and are prohibited from doing business with other platforms with similar functions. For example, since 2015, during its holiday promotion campaigns, the Taobao platform has repeatedly restricted transactions and presented a "pick one of two" agreement to platform merchants. This has forced these merchants to abandon registering on or participating in activities on platforms that are in competition with Taobao. Moreover, Taobao has utilized technological means to enforce this "pick one of two" requirement, thereby maintaining an unfair competitive advantage. In 2019, T-mall launched another "pick one of two" battle. According to media reports, merchants claimed that the so - called "pick one of two" was not just a formality; they had to make a choice between the two. If a merchant cancelled their store on the Tmall platform, they would lose 40% of

their turnover. If they refused to take their products off the shelves, the platform would use technological means to block the merchant from search results, achieving the same effect, and the merchant would suffer a 60% loss in turnover [8].

The "big data killing behavior" in the platform economy. "big data killing behavior" refers to that platforms analyze consumers' consumption preferences and behaviors by using the consumption related data collected from them. Then, they set different prices for different users to maximize profits. For example, when taking a ride hailing service, the pricing of the fare varies according to the mobile phone brands used by consumers. The survey results show that users with Apple phones are generally charged more than those with Android phones [9-10]. Moreover, platforms may selectively push certain products while hiding others to induce consumers' choices. For instance, when booking a hotel, the platform may display rooms with a high price to individuals with high salaries and hide the low-priced ones.

Platform banning behavior in the platform economy. The platform banning behavior refers to that to maintain its dominant position, a platform uses technological means to prohibit the links of other platforms with similar functions from being accessed on its own platform, such as link shielding and access link restrictions. For example, the Tencent platform blocks the sharing links of apps such as TikTok and Xigua Video. Also, it prohibits other operators like Hangzhou Kuaiyi from collecting data on various products and services in WeChat official accounts [11].

3.3.2. The necessity of anti-monopoly

In the platform economy ecosystem, Internet companies use their market dominance to implement competitive strategies such as the "pick one of two" approach, "big data killing", and "platform banning". This directly restricts consumers to a single transaction scenario. After a specific platform has solidified its market power, its service pricing mechanism gradually deviates from the market equilibrium level. This phenomenon not only diminishes the space for consumers' independent decision making but also disrupts the competitive landscape of the multi-sided market. Ultimately, this phenomenon will lead to the formation of monopolies, causing the market to lose its resource allocation ability, undermining the free competition environment, damaging the fair competition order, and affecting the development of the platform economy. To ensure healthy competition in the market in the era of the digital economy, there is an urgent practical need to carry out anti-monopoly regulation [5].

The high-quality development of the platform economy relies on technological innovation as the driving force. Operators with the status of market pioneers establish market barriers by implementing competitive strategies such as the "pick one of two" approach and "big data killing" to obtain excessive profits. This also leads to incumbents developing an inertia towards innovation, ultimately resulting in monopoly. When monopoly phenomena occur in the platform economy, platform enterprises engaging in monopolistic practices will take advantage of their own strengths to crowd out other enterprises and even prevent them from innovating, to maintain their dominant position all the time. Eventually, it will lead to a reduction in the investment of platform enterprises in product and service innovation, a decline in market innovation. Large-scale platform enterprises will lack competition. Without competition, platform enterprises will lose the motivation for innovation. The number of new entrants will decline, and market vitality will weaken. Therefore, in order to infuse the platform economy market with innovative impetus, anti-monopoly regulation is necessary.

The platform economy has a unique sharing mechanism, so any party can share and collect information on the platform. Moreover, platforms with a monopoly position will collect and utilize a large amount of such data to pursue profits. This will affect the government's control over information and increase the difficulty for the government in formulating relevant policies. Therefore, the government needs to spend a large amount of resources to formulate policies and regulate the

monopolistic behaviors of platform enterprises. As a result, public resources are consumed, a large amount of government tax revenue is used, and the funds available for infrastructure construction are reduced.

3.4. Suggestions on anti-monopoly regulation

3.4.1. Identifying monopoly behaviors

When the value of data is unclear and the impact of the number of users and user stickiness on market dominance is uncertain, the traditional identification criteria can hardly meet the current needs. Therefore, the first step should be to improve the Hypothetical Monopolist Test. For example, pay attention to the revenue behind free goods or services. Since users need to watch advertisements while enjoying the services, the platform can obtain advertising fees and other invisible income. Introduce a testing method based on service quality, that named the SSNDQ test. This method transforms the original price increase into a quality decrease. It determines whether a relevant market is formed by observing the quality decrease of the platform's target services [9]. Moreover, different identification criteria should be selected for different platforms. For example, for online shopping platforms, the criteria could be the number of users and transaction volume; for short video platforms, the criteria could be traffic and user stickiness.

3.4.2. Strengthening the anti-monopoly supervision

With the development of the platform economy, the supervision model also needs to be continuously improved to meet new challenges. Therefore, firstly, coordinated supervision in the field of the platform economy should be strengthened. Secondly, the anti - monopoly agencies should improve the accuracy of identifying monopoly behaviors. Finally, efforts should be made to promote the transformation of post - event supervision of anti - monopoly in the platform economy to pre - event and in - process supervision. By integrating these three aspects, it can strengthen the supervision and promote the anti - monopoly supervision to keep up with the times.

3.4.3. Improving the legislative system

To ensure fair market competition, safeguard consumers' rights and interests, and promote the healthy development of the platform economy, it is essential to continuously improve relevant laws and regulations [4]. Due to the rapid development of the platform economy and the lagging nature of laws, the existing laws find it difficult to handle the complex platform economy and can hardly achieve the expected results. Therefore, to build a more efficient legislative system, judicial interpretations should be used to promptly update and optimize the existing laws. Relevant legal policies should be introduced to encourage the sharing and exchange of data, thereby reducing monopolies caused by data barriers. Legal regulations should be implemented for special areas in the platform economy, such as the scale effect and the abuse of algorithms.

4. Conclusion

This study starts by elaborating on the connotation of the platform economy, briefly describes the development of Chinese online platforms, identifies the main reasons for the formation of monopolies in the platform economy. The two-sided platform leads to an increase in platform value².the formation of data concentration³.user stickiness and habits. Then it lists three main forms of monopoly: pick one of two behavior, big data killing behavior, and platform banning behavior. Through the analysis of these forms, the necessity of anti - monopoly is offered from three aspects: fair competition, market innovation, and government control. Finally, based on the analysis of the

monopoly in China's platform economy, suggestions for anti-monopoly regulation are proposed: First, improving the legislative system for anti-monopoly in the platform economy. Second, clarifying and refining the criteria for identifying monopoly behaviors. Third, strengthening the anti-monopoly supervision of the platform economy.

The anti-monopoly work in China's platform economy cannot be completed in a short time. Due to the limited research depth and practical conditions, the phenomena analyzed and the suggestions offered in this study have certain limitations, and some issues still need further discussion. In the future, China's anti-monopoly efforts in the platform economy will face more challenges. Based on the platform economy, China should fully consider its own actual situation, construct an anti-monopoly system framework for the platform economy that suits itself. In this way, China can find an anti-monopoly regulatory path that not only promotes the healthy development of the platform economy but also suits its national conditions in the rapid development of online platforms.

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