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Digital platforms and their impact on the competitive environment

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***Abstract:** The article examines the specific features of digital platform functioning and their impact on the competitive environment in the context of the digital transformation of the economy. It is substantiated that the rapid development of the digital economy has contributed to the emergence of a new type of business entity – digital platforms, which have become key intermediaries between producers, consumers, and service providers.*

The purpose of the article is to investigate the characteristics of digital platforms and analyze their influence on the competitive environment. The study employs both general scientific and special research methods, including analysis and synthesis, induction and deduction, comparison, generalization, a systems approach, and statistical analysis.

The key characteristics of digital platforms include multi-sided market structures, network effects, the use of large-scale data, business model scalability, low marginal costs, and a high degree of user dependence on platform ecosystems.



The study identifies the major threats to competition, including increasing market concentration, the use of data as a source of market power, the acquisition of potential competitors, and restrictions on access to digital markets. The necessity of adapting state competition policy instruments to the specific features of the digital economy and strengthening antitrust control over the activities of large digital platforms is substantiated in order to minimize the negative economic consequences arising from the deterioration of the competitive environment.

It is concluded that digital platforms are an important driver of innovation and economic efficiency; however, their growing market power creates new challenges for ensuring effective competition. The further development of digital markets requires the improvement of competition regulation mechanisms, the development of new approaches to assessing platform market power, and the formation of a balanced state competition policy aimed at supporting innovation and protecting an effective competitive environment.

Ключові слова: *competition, competitive environment, digital platforms, state competition policy, digitalization, antitrust regulation.*

Цифрові платформи та їхній вплив на конкурентне середовище

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Анотація: *У статті досліджено особливості функціонування цифрових платформ та їхній вплив на конкурентне середовище в умовах*



цифрової трансформації економіки. Обґрунтовано, що стрімкий розвиток цифрової економіки сприяв формуванню нового типу суб'єктів господарювання – цифрових платформ, які стали ключовими посередниками між виробниками, споживачами та постачальниками послуг.

Метою статті є дослідження особливостей функціонування цифрових платформ та аналіз їхнього впливу на конкурентне середовище. У дослідженні було використано загальнонаукові та спеціальні методи: аналіз та синтез, індукцію та дедукцію, порівняння, узагальнення, системний підхід та статистичний аналіз.

Ключовими ознаками цифрових платформ є багатосторонність ринку, наявність мережесих ефектів, використання великих масивів даних, масштабованість бізнес-моделі, низькі граничні витрати та високий рівень залежності користувачів від екосистеми платформи. Доведено, що саме мережесі ефекти та концентрація даних формують конкурентні переваги цифрових платформ і водночас створюють ризики посилення ринкової влади окремих суб'єктів господарювання. Визначено основні загрози для конкуренції, серед яких посилення ринкової концентрації, використання даних як джерела ринкової влади, поглинання потенційних конкурентів та обмеження доступу до цифрових ринків. Обґрунтовано необхідність адаптації інструментів конкурентної політики держави до особливостей цифрової економіки та посилення антимонопольного контролю за діяльністю великих цифрових платформ для мінімізації негативних наслідків для економіки внаслідок погіршення стану конкурентного середовища.

Зроблено висновок, що цифрові платформи є важливим фактором розвитку інновацій та підвищення ефективності економічних процесів, однак їх зростаюча ринкова влада створює нові виклики для забезпечення ефективної конкуренції. Подальший розвиток цифрових ринків потребує вдосконалення механізмів конкурентного регулювання, розроблення нових



підходів до оцінювання ринкової влади платформ та формування збалансованої конкурентної політики держави, спрямованої на підтримку інновацій і захист ефективного конкурентного середовища.

***Ключові слова:** конкуренція, конкурентне середовище, цифрові платформи, конкурентна політика держави, цифровізація, антимонопольне регулювання.*

Statement of the problem. The rapid development of the digital economy has led to the emergence of a new type of business entity - digital platforms, which have become key intermediaries between producers, consumers, and service providers. Platforms such as Google, Amazon, Meta, and Apple are effectively shaping a new architecture of the global economy and exerting a significant influence on the competitive environment.

Digital platforms have become the foundation of the modern digital economy by facilitating interactions among millions of users, businesses, and public institutions. At the same time, their rapid growth creates new challenges for competition policy, as high levels of market concentration and strong network effects may contribute to the emergence and strengthening of dominant market positions.

Analysis of recent research and publications. The impact of economic digitalization on the transformation of the competitive environment has become an important area of scholarly inquiry for many researchers. In particular, Soares, I., and Nieto-Mengotti, M. [1] emphasize the strengthening effect of digitalization on competition and market dynamics. At the same time, Jürgensmeier, L., and Skiera, B. [2] highlight the opposite effect of digitalization, which may enhance the market power of certain economic actors. Proposals aimed at strengthening competition regulation in digital markets have been repeatedly advanced by Botta, M. [3]. Similar views regarding the introduction of more stringent regulatory instruments in



digital markets are shared by Gal, M., and Petit, N. [4]. Furthermore, Gerasymenko, A. [5] notes that digital transformation has become a powerful catalyst for change in society as a whole and in the development of economic competition in particular.

The identification of previously unresolved parts of the general problem. However, the scientific literature still lacks sufficient research on the ability of countries to effectively adapt and modernize competition policy instruments in order to safeguard competition within national economies under the conditions of increasing digitalization.

Formulation of the article objectives. The purpose of this article is to examine the specific features of digital platform functioning and to analyze their impact on the competitive environment.

Presentation of the main research material. The digital economy possesses an inherent tendency to transform the competitive environment. Accordingly, government involvement in regulating the activities of digital platforms should take this characteristic into account when developing mechanisms to combat unfair practices and protect competition in digital markets. Therefore, a further important step in studying the nature of digital platforms and their impact on the competitive environment within the national economy is the identification of an optimal public policy framework that promotes the efficient operation of market participants in digital markets while simultaneously preserving fair competitive conditions.

A digital platform can be defined as a multi-sided digital market that facilitates interactions among different groups of users through the use of digital technologies and algorithmic systems. One of the key characteristics of digital platforms is the presence of strong network effects: the greater the number of users on a platform, the more valuable it becomes for other market participants.

Sanchez-Cartas, J., and Leon, G. [6] define a platform as a multi-sided market that facilitates interactions among different groups of users. They also identify



network effects as one of the key characteristics of platforms and classify them according to the types of network effects that exist between user groups.

Soares, I., and Nieto-Mengotti, M. [1] note that the key characteristics of digital platform business models include economies of scale and network effects.

Another challenge in regulating the activities of digital platforms, according to Gerasymenko, A., and Hanovskyi, V. [7], is that the rapid expansion of the digital economy has significantly strengthened the market power of digital multi-sided platforms, making the accurate measurement and assessment of such market power increasingly difficult.

Based on the conducted analysis of the nature and operational characteristics of digital platforms, it can be concluded that digital platforms represent a distinct type of economic actor whose functioning differs significantly from traditional business models. Their uniqueness is determined by a set of interconnected characteristics that create competitive advantages and underpin the dominant role of platforms in the contemporary digital economy.

First and foremost, digital platforms are characterized by a multi-sided market structure that facilitates simultaneous interactions among multiple groups of users, including consumers, producers, advertisers, service providers, and other stakeholders. Another important feature of their operations is the extensive use of data, which serves as a strategic resource for improving algorithms, personalizing services, and supporting managerial decision-making. At the same time, the efficiency of digital platforms is largely driven by network effects, whereby an increase in the number of users enhances the value of the platform for each participant, thereby stimulating further market expansion.

An equally important characteristic is the high scalability of the platform business model, which enables platforms to rapidly expand their operations without a proportional increase in costs. This feature is closely associated with low marginal costs of serving additional users, creating favorable conditions for rapid growth and



the concentration of market power. Furthermore, digital platforms develop their own ecosystems of products and services, within which users often become highly dependent on the platform's infrastructure, making it more difficult to switch to alternative providers.

Therefore, it is the combination of a multi-sided market structure, extensive data utilization, network effects, scalability, low marginal costs, and user lock-in within platform ecosystems that shapes the economic nature of digital platforms and determines their substantial influence on the structure of modern markets and the development of the competitive environment.

Digital platforms now play a central role in structuring interactions between consumers and businesses. They shape access to information consumer choice through increasingly sophisticated data-driven and algorithmic mechanisms that were marginal or far less developed ten years ago. According to the OECD Going Digital Toolkit, in 2024, more than 75% of internet users in OECD jurisdictions purchased goods and services online and around 77% of businesses had a web presence, showing how relevant transactions in online markets have become [8].

As noted by OECD experts [9], in recent years, regulators have become increasingly concerned about large digital platforms' market power and their growing influence within and beyond the respective markets. A number of expert studies and the perception that competition law enforcement was not as effective in solving digital competition concerns spurred the debate about whether and, if so, how to regulate, and proposals to intervene with ex ante regulation multiplied.

As the results of the above-mentioned studies demonstrate, the last decade has been characterized by the rapid expansion of digital giants. The high competitiveness and unique features of digital platforms enable them to exert a significant influence on digital markets.

Recent statistical data indicate a high level of concentration within the global digital market. According to forecasts by the analytical company eMarketer, in 2026



the three largest digital companies - Meta, Google, and Amazon - will account for more than 62% of the global digital advertising market [10]. According to Reuters, Meta may surpass Google in digital advertising revenue for the first time in 2026, with projected advertising revenues of USD 243.46 billion compared to Google's USD 239.54 billion [10].

Similar conclusions have been reached by experts from the United Nations Conference on Trade and Development (UNCTAD). In its updated 2025 report on global trade, UNCTAD notes that the digital economy is experiencing increasing market concentration, reflected in the growing control over global data flows, digital services, and market activity by a small group of leading digital platforms [11].

Digital platforms now dominate the global economy — reshaping trade, communication and everyday life. Seven of the world's 10 most valuable companies are now digital giants. These firms do not lead in just one area — they span the entire digital economy, from cloud computing and e-commerce to artificial intelligence and advertising (Figure 1) [12].

7 of the world's 10 most valuable companies are now digital giants

Billion dollars, 26 June 2025

	Company	Location	Industry	Market capitalization
1	NVIDIA	United States	Information Technology	3 781
2	Microsoft	United States	Information Technology	3 674
3	Apple	United States	Information Technology	2 985
4	Amazon	United States	Consumer Discretionary	2 257
5	Alphabet (Google)	United States	Communication Services	2 077
6	Meta Platforms	United States	Communication Services	1 792
7	Saudi Aramco	Saudi Arabia	Energy	1 567
8	Broadcom	United States	Information Technology	1 248
9	TSMC	Taiwan Province of China	Information Technology	1 160
10	Tesla	United States	Consumer Discretionary	1 055

Figure. 1. 7 of the world's 10 most valuable companies are now digital giant
Source: UNCTAD, *Global Trade Update, 2025* [11]



Therefore, based on the data presented in Figure 1, it can be concluded that digital markets are becoming increasingly concentrated. The five leading digital multinational corporations currently account for 48% of global sales, compared to only 21% in 2017 [11].

Summarizing the above findings, it can be argued that the high concentration of digital markets gives rise to several significant challenges, including:

- barriers to market entry for new participants;
- the imposition of platform-specific terms and conditions on users;
- preferential treatment of a platform's own services and products;
- the accumulation of excessive volumes of personal data;
- increasing dependence of businesses on a limited number of dominant platforms.

The European Union was among the first jurisdictions worldwide to introduce a comprehensive regulatory framework for digital platforms. The main regulatory instruments include the Digital Services Act (DSA) [13] and the Digital Markets Act (DMA) [14].

The Digital Markets Act (DMA) is aimed at limiting the market power of large digital platforms and ensuring fair competitive conditions. The regulation establishes a set of specific obligations for large digital platforms designated as “gatekeepers” [15].

Between 2020 and 2025, the European Commission adopted a number of significant antitrust decisions aimed at addressing anti-competitive practices by major technology companies. In particular, in 2025, the European Commission launched new investigations into the cloud computing services of Amazon Web Services and Microsoft Azure under the DMA framework [16; 17].

Research conducted by the Digital Markets Competition Forum indicates that the implementation of the DMA may have a substantial impact on European



businesses. According to the study, potential losses incurred by companies as a result of changes in platform operating rules could reach EUR 114 billion [18].

Therefore, digital platforms are fundamentally transforming the competitive environment by shifting the focus from physical products to digital services and ecosystems. They facilitate the rapid exchange of information and reduce transaction costs; however, they also create barriers to market entry through network effects, thereby necessitating the adaptation of business models and the development of new regulatory approaches.

The main threats posed by digital platforms to competitive environment include the following:

1. **Increasing Market Concentration.** Network effects contribute to the dominance of the largest platforms and facilitate the exclusion of competitors from the market.
2. **Use of Data as a Competitive Advantage.** Large platforms accumulate vast amounts of data, creating significant barriers to entry for new market participants and strengthening their competitive position.
3. **Self-Preferencing Practices.** Digital platforms may favor their own products or services in search results, rankings, or recommendation systems, thereby distorting competitive conditions for third-party providers.
4. **Acquisition of Potential Competitors.** Major technology companies actively acquire promising start-ups and emerging firms, which may reduce competitive pressure and limit future market rivalry.

The importance of adapting and modernizing state competition policy instruments in digital markets is further confirmed by UNCTAD data (Figure 2), which illustrate the number of global government interventions in the field of competition policy. According to these data, the number of such interventions has increased significantly, rising from 14 in 2020 to 153 in 2024 [11].

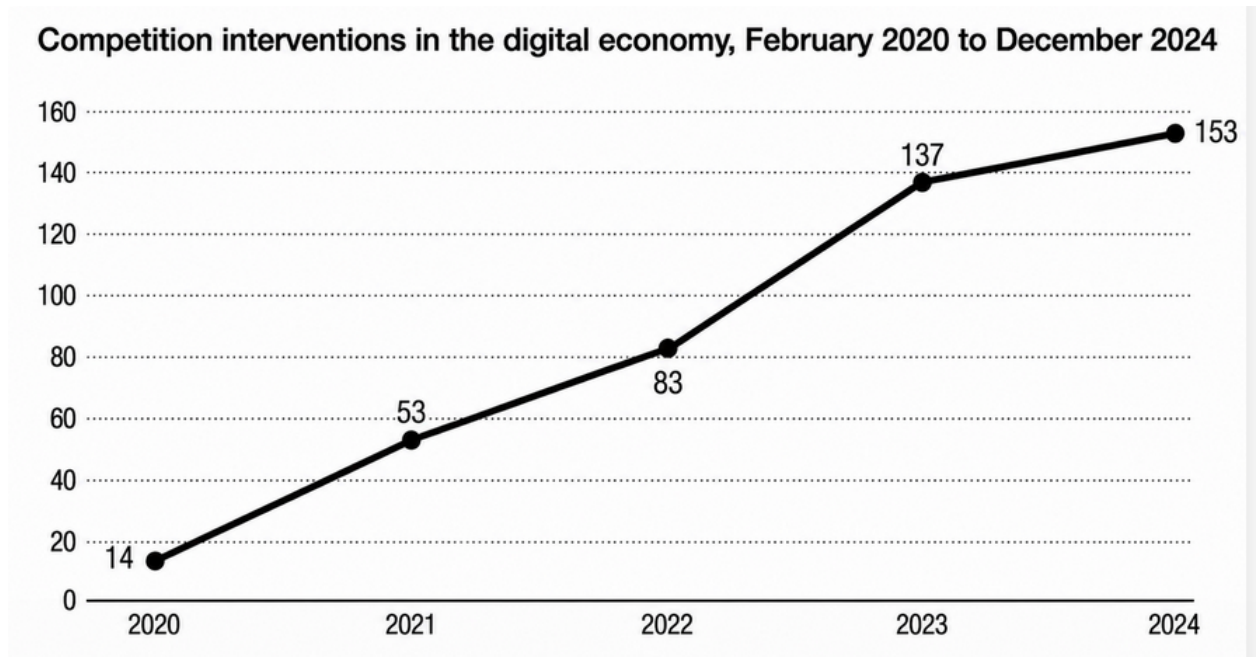


Figure 2. Competition interventions in the digital economy (2020-2024)

Source: UNCTAD, 2025 [12]

Despite a considerable number of targeted reforms in this area, significant gaps still remain today that need to be addressed to ensure the effective implementation of competition policy in digital markets. For instance, some large online platforms control key ecosystems within the digital economy. They have become dominant players in digital markets, possessing substantial market power. Their rules may sometimes create unfair conditions for other companies operating on these platforms and limit consumer choice, thereby undermining the principles of fair competition.

Conclusions. Digital platforms have become key elements of the modern economy and have significantly transformed the competitive environment. Their activities contribute to the development of innovation, the reduction of transaction costs, and the expansion of business opportunities. At the same time, the high level of concentration in digital markets creates risks of monopolization and restrictions on competition.



Contemporary competition policy is gradually adapting to the new challenges of the digital economy. The European Union has already established a comprehensive regulatory framework for digital platforms through the Digital Markets Act (DMA) and the Digital Services Act (DSA), whereas Ukraine is still in the process of developing its own approach to regulating digital markets.

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