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In 2017, the Internet Society published a comprehensive study to better understand the forces of change that will shape the Internet over the next five to seven years: The 2017 Global Internet Report: Paths to Our Digital Future. These forces, or “Drivers of Change,” were identified through extensive consultations with experts in and out of the Internet Society’s global community. The drivers encompass technological, economic, regulatory, security, and network-related opportunities and challenges for the Internet of the future. Among the driving forces our community identified was the Internet economy.

Specifically, the community identified a concern that a lack of competition and increased market concentration could have severe implications for the Internet’s technical evolution and use. Our goal for this new report was therefore to explore trends of consolidation in the Internet economy, guided by the central question: Are there trends of consolidation in the Internet economy, and if so, how will consolidation impact the Internet’s technical evolution and use?

Consolidation is not a new phenomenon, but often a natural evolution as industries and markets mature. Opportunities to reduce costs, expand market share, and enhance scalability are intrinsic incentives in any economic domain where companies acquire competitors or incorporate parts of the production chain. This is also true for the Internet economy, where we’ve seen some trends of consolidation in various markets. These are understood as growing forces of concentration, vertical and horizontal integration, and shrinking opportunities for market entry and competition.

The fact that a few corporations dominate large parts of the Internet is not news. Today, a handful of actors play a significant role in our increasingly-connected societies. In this context it’s important to consider what the implications of those trends are, not only from an economic perspective but also in terms of how they may shape the Internet in coming years.

What became evident throughout this work is that consolidation in the Internet economy raises a much more complex set of issues than what the popular press typically covers. Investigating trends of consolidation is indeed a challenging task because its impact is a complex story of benefits and threats. As policymakers and other decision makers read this report, we hope they begin to understand this nuance, which manifests itself at a number of different yet interrelated layers of the Internet economy: Applications and Services; Access Services; and Service Infrastructure.

In this report, we have outlined what we think the benefits and the threats are, and what features from the current trends of consolidation we believe are important as we look towards the future. As such, this report is not intended to provide an in-depth economic analysis, but rather a collection of observations that has been gathered through research and with the help of our global community.

While most questions remain unanswered, we believe that many of them are too important to ignore. Instead, this project has prompted even more questions that have made it clear that consolidation is a topic that will require further work. The work must be done not only by us, but hopefully in collaboration with the broader Internet community.