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It's Google vs Amazon, but consumers who lose out

As the tech giants continue their spat over access to, and sales of, each other's products the only clear result is less choice for us

Last week, a brewing row between Amazon and Google became a war. As revenge for Amazon refusing to stock Google's line of gadgets - the company's Chromecast internet TV box, Google Home speaker and, most recently, its Nest line of smart thermostats - Google removed access to YouTube from Amazon's own Fire TV devices. In defending the move, Google also pointed out that Amazon has refused to make its own internet TV service, Prime Video, work on Chromecast devices.

There are two curious things about this spat. One is that everybody involved loses. By restricting access to YouTube, Google will forgo the lucrative advertising revenues that come from it; Amazon, meanwhile, misses out on both sales of Google products and its own, which are now crippled by the loss of YouTube and are less attractive to shoppers.

The other thing to note about this dispute is that it would have been incomprehensible five years ago. Back then, Google's Chromecast did not exist, neither had it bought Nest. Amazon had no such thing as Prime Video or Fire TV. The only major property that existed back then was YouTube.

This is not the first time that big tech companies have embarked on rearguard action. Apple restricts most of its software to its own phones and tablets, for example. Microsoft spent years ensuring its own web browser, Internet Explorer, got special privileges on Windows.

But they have been relatively rare, because despite the rising power of big tech companies, they have rarely overlapped: Google was known for its internet search empire and Android, its mobile operating system. Amazon was a retailer whose only major foray into hardware had been its Kindle ebook reader. Apple sold phones and music; Microsoft made software.

But that has all changed in the last few years. As all these companies try to secure dominance of technologies like video streaming and artificial intelligence, the paths of Silicon

Valley's giants are converging. Amazon and

'They will likely compete on other fronts in the future: drone delivery, for instance'

Google are now both in the business of selling TV boxes, online storage, music and video streaming services, cloud computing, tablets, smart assistant speakers and advertising.

The last two of these are crucial: Amazon was first to the new market for smart speakers powered by artificial intelligence with its Echo device in 2014; Google

followed suit last year. Both believe smart speakers are a crucial means by which we will all use technology in the future, and despite entries from other companies, the two lead the market. Amazon, naturally, refuses to sell Google's speaker.

Meanwhile, Amazon is threatening to crash the advertising duopoly enjoyed by Google and Facebook. Its growing footprint, which includes its shopping website but also its video service and mobile software, is now big enough to qualify as valuable billboard space in its own right. Amazon's advertising revenue is expected to double between 2017 and 2019, money that would likely have found its way into Google's pocket.

The companies are likely to be competing on other fronts in the future: drone delivery, for instance. And other big tech groups are battling in areas they historically avoided. Microsoft now directly competes with Apple by making its own computers, something it used to leave to others.

On the face of it, there may not be anything wrong with this: indeed, one response to the idea that we should be worried about the increased power concentrated among a handful of Silicon Valley companies is that they all compete fiercely with each other.

But Amazon and Google bickering shows the other side of this: Amazon may have reduced the sales of a rival product by refusing to stock it, and Google may have successfully reciprocated. But there is no doubt who has definitely lost out: consumers. They now have less choice about what to buy and watch.

There would be an uproar if this became a trend: what would stop Google removing its services from iPhones for example, or Amazon banning Netflix from its TV devices. It might seem unlikely, but then, so should the present situation, in which Amazon TV owners are unable to watch YouTube.

This is the sort of area where competition policy would typically step in, and in some cases it already has. This year, the European Commission fined Google €2.4bn (£2.1bn) for restricting rival shopping services on its search engine, and is conducting other investigations into the company on similar grounds. But antitrust policy only applies in some circumstances: where a company has a dominant market share in Europe, or where there is price gouging in the US. The digital age defies these requirements: Amazon has only 16pc of online sales in the UK, but its influence is much, much larger than that: witness the chill that went through the grocery market when it bought Whole Foods. Prices are a poor measure of consumer welfare in an age where products are often given away for free, as YouTube is.

To date, big tech companies have been happy to lose cash as they simultaneously rush into new markets, a land grab that has been more about market share than profits. As they try to consolidate their positions, as Amazon and Google are doing now, we may be the ones that turn out to be the biggest losers.