**Can the market alliance’s products be under discussion of antitrust investigation**

*Gyuzel Yusupova*

*The Department of Applied Economics, National Research University Higher School of Economics*

Throughout the world, the cellular operators are very actively entering the financial market. The Russian providers have been recently beginning to offer commodity bundling (financial products and communication services). This fact gave them:

(1) Not to pay in addition for sms-sending to make the financial operations. It’s necessary for bank to provide security of mobile banking.

(2) to have more detailed information about their clients.

(3) to provide special bonus to subscribers who use financial services of operators to increase the subscribers’s loyalty.

 (4) to develop the technology NFC (Near Field Communication) which provides the opportunity consumers to buy the goods and services from mobile phone. It can strengthen the relation between mobile operators, payment systems and banks.

So today all Federal operators issue payment cards. Sometimes for example “MTC” - mobile operator and bank are the same company and to offer the commodity bundling (communication services and bank products) under one brand. In other cases (“Megafon”, “Vympelcom”) the operators are cooperating to separate banks and NSCA (Settlement Non-Banking Credit Organization) to issue payment cards under their brand.

The complex products of alliance between mobile operators and bank are of interest in this article. This fact combines two markets: mobile connection and payment cards. So it’s necessary to take into account that on the one hand such products are commodity bundling but on the other – both markets have network effects. So the presence of specific conditions in sale of such products and network effects can absolutely affect competition on these markets in different ways. This fact can be ambiguously reflected in antitrust investigations.

The theoretical survey of alliance influence in market equilibrium is presented in this article. Also the model of alliance’s behavior on the market with network effects and the influence on the competition and social welfare is analyzed. The model horizontal differentiation of Hotelling is a base.

There are three propositions in this model:

1. Network effect on the mobile market is enhancing the competition which is decreasing an equilibrium value of operators’ fixed parts of tariffs
2. Network effect is enhancing the competition on the market of payment cards
3. The alliance can increase the market share due to network effect

Two situation were examined: (1) without alliance between operator and bank but with network effect; (2) with one alliance. The results of the model are the next.

For first situation. Network effect on the market of mobile communication under different tariffs’ structure increases the competition which makes the operators to decrease the fixed payments.

For second situation. In the equilibrium with one alliance network effect to attract more subscribers. But the practice of alliance on the markets with network effects can increase the concentration on the market that there is no in the situation without network effect. The reason of such situation is in the multiplicative effect when there is essential difference in the call prices inside and to subscribers of other operators. If the cost to increase the market share will be lower than benefit which the bank receives from the additional subscriber, alliance can monopolize the market and decrease the social welfare. So for purpose of antitrust policy the appliance of antitrust legislation should be applied more carefully to the market participations of complex products in the case of lack alliance when network effect increases the social welfare. And also in the case of alliance when the influence of network effect does not outbalance the negative influence of alliance price policy.