COMPETITION COMMISSION OF INDIA'S MARKET STUDY ON ARTIFICIAL INTELLIGENCE AND COMPETITION

CUTS ®
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Since 1983

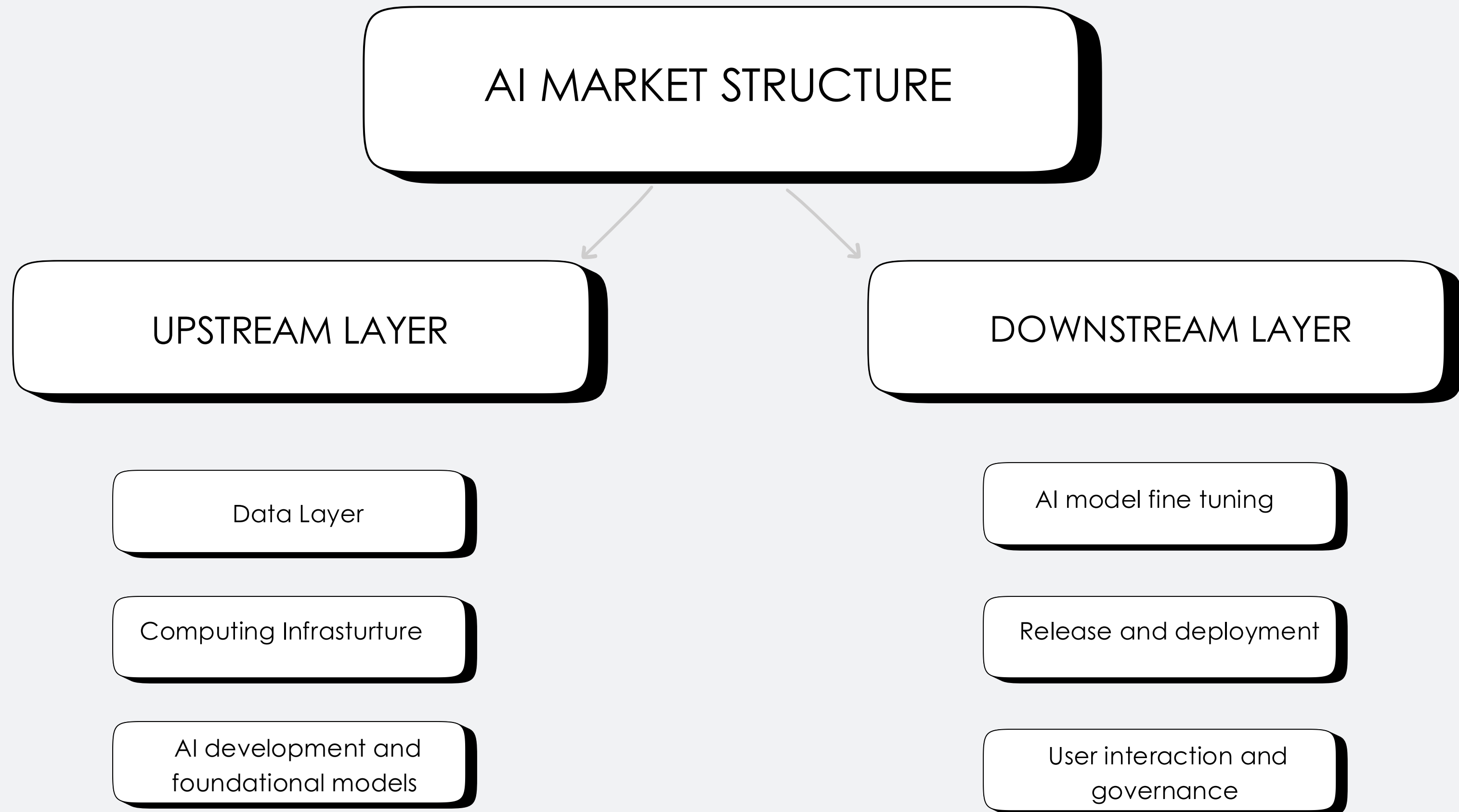# CCI's AI Market Study: Key Components

AI Ecosystem Structure

Application of AI in User Industries

Emerging Competition Law Issues

Regulatory Framework

Action Plan for a Competitive AI Ecosystem

AI ECOSYSTEM STRUCTURE: THE EIGHT-LAYER STACK

AI MARKET STRUCTURE

UPSTREAM LAYER

DOWNSTREAM LAYER

Data Layer

Computing Infrasturture

AI development and foundational models

AI model fine tuning

Release and deployment

User interaction and governance

APPLICATION OF AI IN USER INDUSTRIES

Sector	Main AI Uses
Retail	Personalisation (recommendations, targeted ads), Demand forecasting, Customer engagement (chatbots, AI search) and Inventory & supply chain optimisation
E-Commerce	Delivery optimisation & last-mile logistics, Dynamic pricing, Predictive inventory management and Personalised product recommendations
Logistics & Delivery	Inventory tracking, Route optimisation & GPS dynamic routing, Warehouse automation (robots, IoT) and Demand forecasting & fleet planning
Marketing	Automated content creation, Chatbots & customer support, Behaviour-based personalisation, SEO & ad optimisation and Programmatic advertising
BFSI	Fraud detection & AML monitoring, AI chatbots for customer service, Credit scoring & loan processing and Robo-advisory wealth management
Healthcare	Medical imaging & diagnostics, Drug discovery & molecule prediction, Hospital workflow & resource planning, Personalised treatment & precision medicine

EMERGING COMPETITION LAW ISSUES IN AI INDUSTRY

1.ALGORITHMIC COLLUSION:

    a. AI-driven real-time pricing

    b. Cartel-like outcomes without human communication

2.PRICE DISCRIMINATION:

    a. Personalised pricing based on user profiling

    b. Potentially exploitative opaque algorithms

3.ENTRY BARRIERS:

    a. Data, compute & talent advantages for incumbents

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4. **PREDATORY PRICING**:

    a. Micro-targeted below-cost pricing

    b. Faster exclusion + strong network effects

5. **REDUCED TRANSPARENCY and CHOICE**:

    a. Black-box AI systems

    b. Dominant platforms limiting alternatives

6. **MERGERS AND ACQUISITIONS**:

    a. Risk of killer acquisitions

    b. Tying and anti-competitive partnerships

ACTION PLAN

The report suggests solutions to prevent competition law issues in the AI industry. These preventive measures include:

1. **SELF AUDIT FRAMEWORK:**

   - Six-pillar AI competition compliance model
     - Internal governance for AI compliance
     - Fairness & bias checks in training data
     - Rigorous pre-deployment testing
     - Continuous post-deployment monitoring
     - Transparency + lifecycle-integrated compliance
     - Strong documentation & record-keeping

2. **CCI ADVOCACY INITIATIVE:**

- AI & Regulatory Issues conference with stakeholders
- Targeted workshops on AI & Competition Compliance

3. **REMOVING ENTRY BARRIERS:**

- Promote open-source AI frameworks
- Increase affordable computing access
- Facilitate wider data availability

4. **REGULATORY CAPACITY BUILDING**: Setting up a dedicated think tank.

5. **INTER-REGULATORY AND INTERNATIONAL COOPERATION:**

- MOUs with domestic regulators for coordination
- Collaborating with global authorities.

THANK YOU

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