

Abstract

Very little is known about the extent and nature of competition in the mainframe and associated services market in India. This is the first study to analyze competition and related issues in the Indian server market, with an extensive focus on mainframe computing. Structural indicators of competition are estimated using secondary data across different segments of the server market. These reveal that the market is highly concentrated, especially in the high-end segment. Concentration progressively reduces in the mid- and entry-level segments, respectively. Since structural indicators of competition do not always reflect or imply abuse, firm conduct is gauged from an extensive primary survey of users and vendors. The survey of users across different size classes and verticals belonging to both the private and public sectors reveals that by being late starters, Indian users were able to avoid many of the costs associated with being locked into a proprietary technology such as the mainframe. While competition to the mainframe *has* developed in recent times, our survey also points to the difficulty of migrating away from a proprietary technology such as the z/OS owned by IBM and tied to its mainframe hardware. The low installed base of such systems in India compared to Europe and the United States implies that there are no immediate public policy concerns in this regard. At the same time the report cautions that expansion in the installed base of mainframes with the proprietary z/OS could lead to welfare losses like those reported for Europe and suggests a possible role for the Competition Commission of India (CCI) under the existing legal framework.