Exclusionary Effects of Incentive Schemes
Platform Rewards and Multi-Homing in Ride-Hailing

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HIGHLY PRELIMINARY. COMMENTS WELCOME

Knight Georgetown Institute, Digital Competition Conference
5 February 2026

Why This Matters for Competition Policy

- **Platform incentive schemes** are common for making each platform side engaged. We explore one type of incentive: those aimed at ride-hailing drivers. These serve legitimate purposes: improve driver effort, increase service quality, enhance consumer availability

- **But some schemes** can simultaneously reduce multi-homing and limit competitive entry by new platforms (Bai Tang, 2022; Zhang et al., 2022)

- **The policy challenge:** How can policy actions distinguish between pro-competitive incentives and exclusionary ones? (Bai Tang, 2022; Calzolari Denicolò, 2011)

- **This paper provides:** A conceptual framework and empirical evidence to make that distinction, building on methods for examining distributors contracting with retailers under competition law (Kobayashi Wright, 2025; Morell et al., 2015)

- **Focus:** One side of the platform. Not the important role of network effects or feedback loops between the supplier/customer sides of the platform (Jopson et al., 2025).

The Incentive Scheme Dilemma

Legitimate Business Goals

- Reward drivers giving more rides, appearing in high demand situations
- Incentivize service quality, not cancelling rides, and doing good during ride
- Improve customer experience
- Increase platform utilization

Potential Anti-Competitive Effects

- Reduce driver multi-homing through lock-in
  $$\Downarrow$$
- Limit entry and growth of competing platforms
  $$\Downarrow$$
- Maintain market power
  $$\Downarrow$$
- In concentrated markets: entrench dominance

Can we distinguish between incentives that are legitimate or anti-competitive?

Distinguishing Quantity vs Loyalty Discounts

Quantity Discounting

- Commission falls only on *marginal rides*
- Linear incentive structure
- **Pro-competitive:** Entrant can match marginal commission
- Does NOT deter multi-homing

Loyalty Discounting

- Discount applies *retroactively* to all rides
- Creates large jump in total pay at target
- Payment is deferred and conditional on success in next period
- **Anti-competitive:** Entrant must compensate for lost discount
- **DETERS multi-homing**

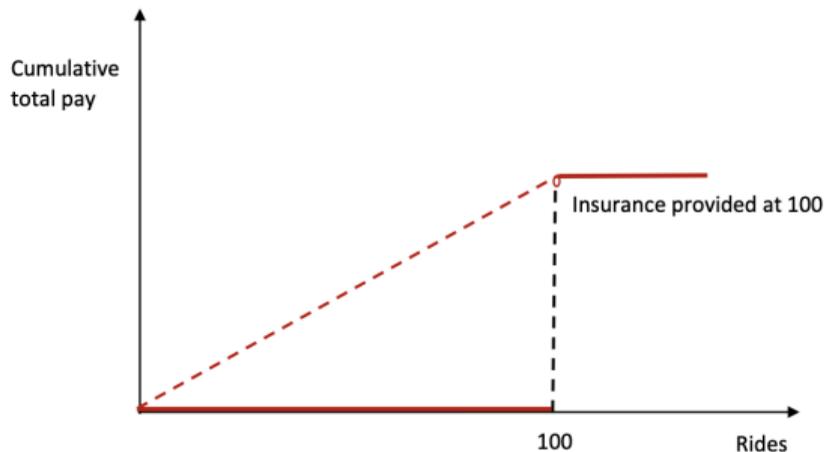# Visual: How Bonuses and Loyalty Discounts Create Exclusionary Effects

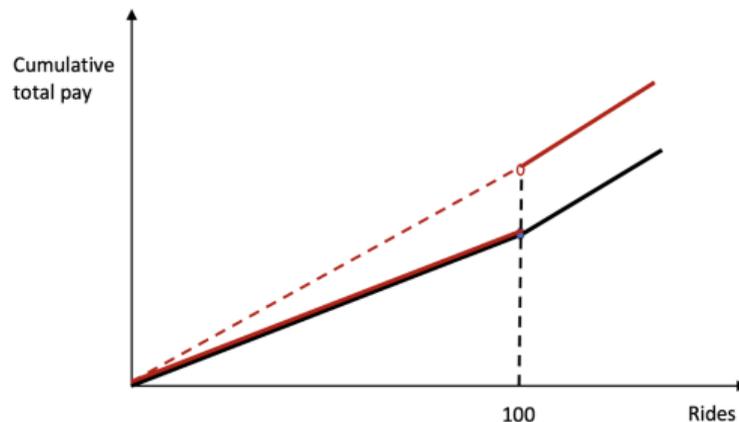

Figure: Total pay with bonus scheme

Figure: Total pay with loyalty discount scheme

The red solid line shows the loyalty discount jump. An entrant cannot compensate for this retroactive discount on all prior rides.

Ride-Hailing Tier Systems Function as Loyalty Rebates

Tier	Platinum	Gold	Silver	Member
Commission	14%	17%	19%	20%
Rides/month	395	345	265	< 265
Required completion rate	85%	80%	78%	-
Required Star Ratings	4.7	4.6	4.5	-

- **Forward-looking loyalty effect:** Expected pay in month N+1 jumps when target is reached in month N
- **Insurance multiplier:** Top tiers unlock insurance & bonuses, creating even larger jumps
- **Tier clustering:** Tight spacing means drivers constantly at risk of falling into lower tier

The Narrow Tier Spacing Problem

Silver Tier

$\sim$12 rides/day*

between tiers
3.7 ride/day from boundary

Gold Tier

$\sim$15.7 rides/day*

between tiers
2.2 rides/day from Silver to
Platinum

Platinum Tier

$\sim$17.9 rides/day*

small downward gap to Gold
highest earners

Tight tiers $\Rightarrow$ maximum disincentive to multi-home, especially at Gold tier

* assume driving 22 days per month. If assume 26 days, rides needed to reach each tier fall to 10.2, 13.3 and 15.2, tightening the daily ride gap

Not All Incentive Schemes Are Exclusionary

Rush-Hour Bonuses Are Pure Quantity Discounting

Example: "Accept 3 rides in rapid succession during rush hour, get a $5 bonus"

- ✓ Incentive at the margin (next ride)
- ✓ Does NOT carry over between periods
- ✓ Entrant can replicate on equal terms
- ✓ Does NOT deter multi-homing

Key insight: Not all platform incentives can be viewed as exclusionary. The distinction matters for enforcement.

Empirical Evidence: The Manila Ride-Hailing Market

2018: The Shock
- Grab-Uber merger: The two largest ride-hailing companies in Manila merge.
- 90%+ post-merger market share
- Motivated by multi-country strategy (exogenous to Manila)

2022: The Survey
- PCC administered survey
- 4,179 driver responses (19.7% response rate)
- large number of respondents were pre-merger multi-homers

Legal context: Acquiring company entered a decree with local competition authority that placed constraints on exclusion

Why this matters: Quasi-natural experiment context for assessing incentive effects.

Survey Design: A Powerful Empirical Approach

- **Sample:** 4,179 drivers, representing large active driver base

- **Multi-homing history:** Survey identified 30%+ who had previously multi-homed (pre-merger)

- **Revealed preference:** These drivers demonstrated willingness to multi-home, not inherent aversion

- **Key question:** "Would you add a second platform if it offered same commission but fewer rides?"

- **Critical insight:** Comparing former multi-homers vs. others isolates incentive effects from preferences

Key Finding: Most Drivers Refuse Multi-Homing

Table: Willingness to join another service by tier level, experienced drivers

Tier	No due to driver's risk of falling a tier	No due to absence of additional rides	Yes: more rides and maintain tier	Yes: extra rides compensate if tier falls	Other
Platinum	55.4	19.1	11.5	3.4	10.6
Gold	58.6	18.9	7.7	4.1	10.7
Silver	55.1	19.8	8.9	5.0	11.3
Member	48.5	23.5	8.1	6.7	13.3
Total	52.7	21.2	8.7	5.4	12.0

Notes: In percentages of responses. Percentages may not sum to totals due to rounding. Source: Analysis of October 2022 PCC driver incentives survey, question 16, broken down by existing self-reported tier of driver.
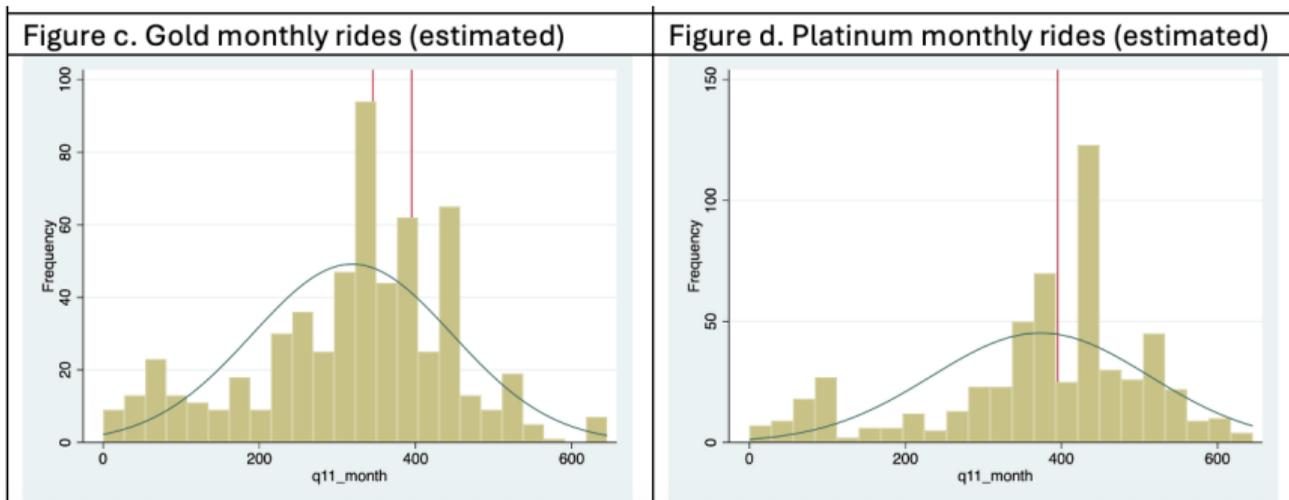
55.4%
Platinum

58.6%
Gold

55.1%
Silver

48.5%
Member

Tier concerns are pervasive across ALL levels, with Gold tier drivers facing maximum pressure

Figure c. Gold monthly rides (estimated) Figure d. Platinum monthly rides (estimated)

Source: Analysis of October 2022 PCC driver incentives survey.

Figure: Density of monthly rides by current tier (estimated) gold and platinum

The Most Powerful Evidence: Former Multi-Homers

Table: Willingness to join another service by pre-merger category of driver

Pre-merger driver status	No due to driver's risk of falling a tier	No due to absence of add'l rides	Yes: more rides and maintain tier	Yes: extra rides compensate if tier falls	Other
Driving for both	45.4	22.1	14.1	8.6	9.8
Grab only	53.6	21.2	7.3	4.0	14.0
Uber only	51.4	21.2	6.3	7.9	13.3
Total	50.5	21.5	9.3	6.2	12.5

Notes: In percentages of responses. Percentages may not sum to totals due to rounding. Source: Analysis of October 2022 PCC driver incentives survey, question 16, broken down for drivers who joined a ride-hailing service before the Grab–Uber merger (question 7).

Of drivers who multi-homed before 2018 merger

45.4%

Still refuse to multi-home due to tier concerns, and another 22% refuse due to lack of additional rides

Why this is decisive:

- These drivers proved willingness to multi-home (revealed preference)
- **Conclusion:** Incentives determine behavior, overcome preferences
- **The tier system changed the equation**

Policy Implications for Competition Law

- **Clear enforcement principle:** Loyalty discount schemes in platform labor markets can be presumptively problematic when design or primary effect is to deter multi-homing

- **Tier system red flags:** Look for discontinuous pay jumps, narrow tier spacing, retroactive application of discounts

- **Innocent alternative exists:** Pro-competitive incentive can be achieved through pure quantity discounts without loyalty effects

- **Evidence burden:** Where dominance + tier-based loyalty discounts exist, presumption of harm unless rebutted

- **Context matters:** Effects more serious in 1 firm markets; may be less concerning with multiple competitors (even 2)

Conclusions & Future Research

What we've shown:

✓ High level framework distinguishing loyalty from quantity discounts

✓ Tier systems function as loyalty rebates

✓ Empirical evidence of substantial multi-homing deterrence (52.7%)

✓ Effect robust across all tier levels

✓ Even former multi-homers are deterred (45.4%)

Future work:

- Network density effects: How entrant customer demand affects driver decisions

- How do entrant offers affect driver decisions (some drivers do multi-home or move)

- Hysteresis: Why do former multi-homers now reject multi-homing?

- Other platforms: Food delivery, logistics, other labor markets

- Counterfactuals: Can continuous insurance contributions work?