Discussion of
H. Halaburda and Y. Yehezkel

“Platform Competition under Asymmetric Information”

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NET Institute, April 20th, 2012
MOTIVATION:

- I own a Blackberry and I am considering switching to an IPhone or to an Android Phone.
- However, I am not sure how much I am going to like a different platform.
- Similarly, Blackberry does not exactly know how much I like my phone.
THIS PAPER (1):

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QUESTIONS:

- How ex-ante uncertainty and ex-post asymmetric information affect platform competition and market outcomes in a two-sided market?
  - Efficiency.
  - Which side of the market do platforms subsidize?
- Further applications: Multi-homing and Adoption of new technology by the platforms (in paper).
MODEL:

- Buyer: \( V(q, \theta) - t \); Seller: \( t - C(q, c) \).
- Uncertainty and Asymmetric Information: \( \theta \sim K(\theta), c \sim G(c) \) unknown before joining the platform.
- Platform(s) mediates between buyer and seller. Access fees \((F_B, F_S)\) and Transaction fees \((t_B(\theta, c), t_S(\theta, c), q(\theta, c))\).
- Competing platforms: Technologically undifferentiated, only difference in beliefs. (Q: Where is this difference coming from?).
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- **Competing platforms:** Technologically undifferentiated, only difference in beliefs.
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RESULTS:

Lots of them! Main ones:

- A monopolistic platform sets the efficient level of trade. **INTUITION:** Monopolistic platform faces no coordination problem. Thus, set efficient $q$ and use fees as in two-part tariffs to capture surplus.

- Competing platforms may choose inefficient level of trade. $\implies$ Lower Social Welfare than Monopoly platform. **INTUITION:** Competing platforms cannot extract information rents from both sides of market. Hence, they distort the level of trade downward.
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