Discussion of
S. Behringer and L. Filistrucchi
“Price Wars in Two-Sided Markets: The case of the UK Quality Newspaper”

Alessandro Gavazza
New York University, Stern School of Business

NET Institute Conference, New York
April 16th, 2010
Motivation:

SETTING: Price war of UK quality newspaper in the 1990s.

QUESTION: What was going on? Was it predatory pricing?
Motivation:

SETTING: Price war of UK quality newspaper in the 1990s.

QUESTION: What was going on? Was it predatory pricing?

Alessandro Gavazza
THIS PAPER:

- Develops a model of differentiated newspapers that choose:
  - Political position (Hotelling-style);
  - Cover prices;
  - Advertising prices (Two-sided markets).

RESULTS:

- Pricing below marginal costs in a two-sided market;
- No evidence of predatory pricing;
- Maybe asymmetric costs?
THIS PAPER:

- Develops a model of differentiated newspapers that choose:
  - Political position (Hotelling-style);
  - Cover prices;
  - Advertising prices (Two-sided markets).

RESULTS:

- Pricing below marginal costs in a two-sided market;
- No evidence of predatory pricing;
- Maybe asymmetric costs?
THIS PAPER:

- Develops a model of differentiated newspapers that choose:
  - Political position (Hotelling-style);
  - Cover prices;
  - Advertising prices (Two-sided markets).

RESULTS:

- Pricing below marginal costs in a two-sided market;
- No evidence of predatory pricing;
- Maybe asymmetric costs?
THIS PAPER:

- Develops a model of differentiated newspapers that choose:
  - Political position (Hotelling-style);
  - Cover prices;
  - Advertising prices (Two-sided markets).

RESULTS:

- Pricing below marginal costs in a two-sided market;
- No evidence of predatory pricing;
- Maybe asymmetric costs?
THIS PAPER:

- Develops a model of differentiated newspapers that choose:
  - Political position (Hotelling-style);
  - Cover prices;
  - Advertising prices (Two-sided markets).

RESULTS:

- Pricing below marginal costs in a two-sided market;
- No evidence of predatory pricing;
- Maybe asymmetric costs?
THIS PAPER:

• Develops a model of differentiated newspapers that choose:
  ◦ Political position (Hotelling-style);
  ◦ Cover prices;
  ◦ Advertising prices (Two-sided markets).

• RESULTS:
  ◦ Pricing below marginal costs in a two-sided market;
  ◦ No evidence of predatory pricing;
  ◦ Maybe asymmetric costs?
Remarks/Comments/Questions:

- Lots to admire in this paper:
  - Interesting facts;
  - Ambitious model.
- Newspapers moved to the left (horizontal differentiation).
  - What about vertical differentiation?
- Prices went back up after two years.
  - Why?
  - How do alternative hypotheses explain it?
Remarks/Comments/Questions:

- Lots to admire in this paper:
  - Interesting facts;
  - Ambitious model.

- Newspapers moved to the left (horizontal differentiation).
  - What about vertical differentiation?

- Prices went back up after two years.
  - Why?
  - How do alternative hypotheses explain it?
• Lots to admire in this paper:
  ○ Interesting facts;
  ○ Ambitious model.

• Newspapers moved to the left (horizontal differentiation).
  ○ What about vertical differentiation?

• Prices went back up after two years.
  ○ Why?
  ○ How do alternative hypotheses explain it?
Lots to admire in this paper:
- Interesting facts;
- Ambitious model.

Newspapers moved to the left (horizontal differentiation).
- What about vertical differentiation?

Prices went back up after two years.
- Why?
- How do alternative hypotheses explain it?
Remarks/Comments/Questions:

● Lots to admire in this paper:
  ○ Interesting facts;
  ○ Ambitious model.

● Newspapers moved to the left (horizontal differentiation).
  ○ What about vertical differentiation?

● Prices went back up after two years.
  ○ Why?
  ○ How do alternative hypotheses explain it?
Remarks/Comments/Questions:

- Lots to admire in this paper:
  - Interesting facts;
  - Ambitious model.

- Newspapers moved to the left (horizontal differentiation).
  - What about vertical differentiation?

- Prices went back up after two years.
  - Why?
  - How do alternative hypotheses explain it?