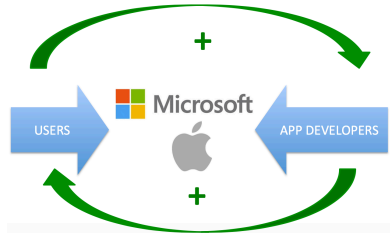# ECONOMIES OF PLATFORMS
Open Questions

Özlem Bedre-Defolie

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&
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E.CA Expert Forum, Berlin
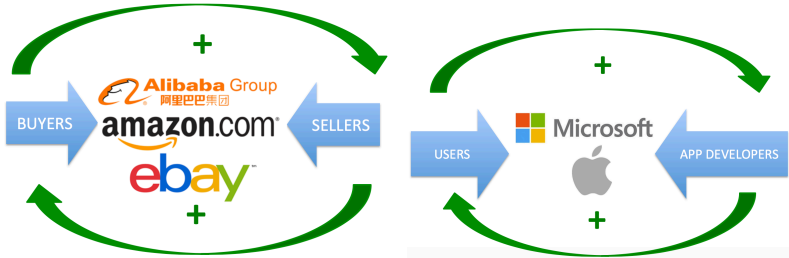October 1, 2018

Platforms are very crucial for the economy

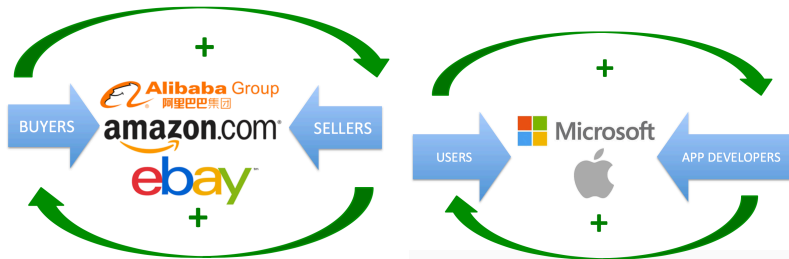They facilitate interactions between different groups of users.

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- Their business practices have been focus of anti-trust and regulatory scrutiny in Europe and in the US.
  - Visa, MasterCard cases, and IF regulation; AMEX case (US)
  - Google cases, E-book case
  - Cases on MFCs of HRS, Booking.com, Expedia in Europe

E-commerce: Opportunities and Challenges

- E-commerce has become the most prominent trade channel.
  - Europe: B2C e-commerce was EUR 514 billion in 2017, 8.8% of retail trade, and nearly 5% of GDP.
  - In 2017 B2C e-commerce was 9% of US's retail trade, 23.8% of China's retail trade .

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- Even small sellers can access to large customer bases of online market places, but have to pay high commissions.
- Intense price competition lower online sellers' prices, but high commissions of market places push seller prices up.
  - E.g., Amazon's average seller commission is 17%, it is 20% for books and 25% for jewellery.

Variety and quality provision on platforms
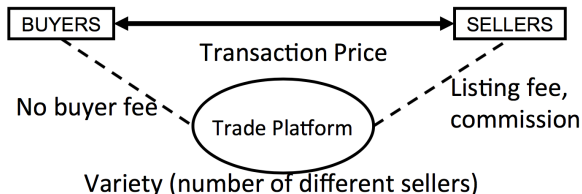
- Research Question: When does platform's pricing induce over-/under-provision of variety (or quality)?

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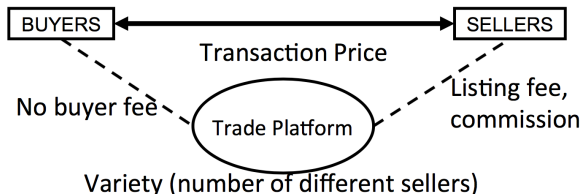
- Research Question: When does platform's pricing induce over-/under-provision of variety (or quality)?
- Very little literature: Nocke, Peitz and Stahl (2007), Hagiu (2009) provide only membership models.

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  - Seller contract type (unit fee vs ad-valorem fee matters when products are asymmetric in quality)
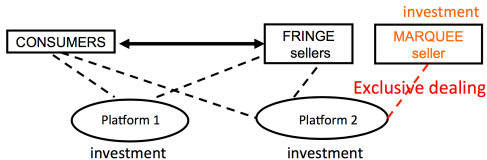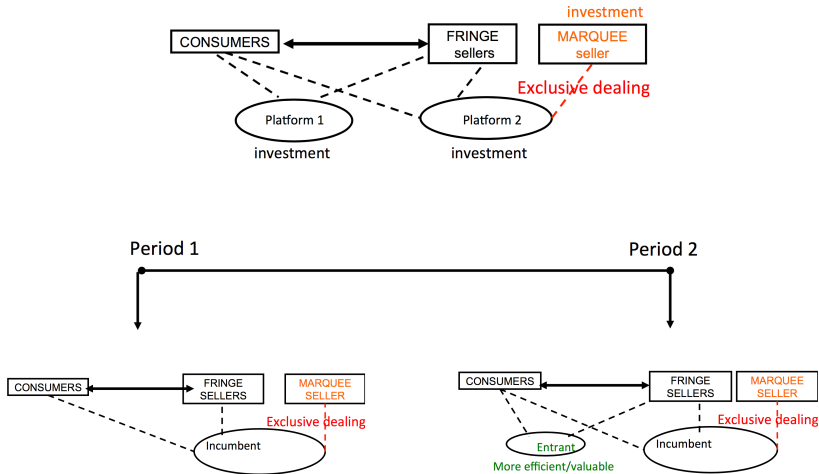
Platforms' restrictions on multi-homing: Exclusive dealing

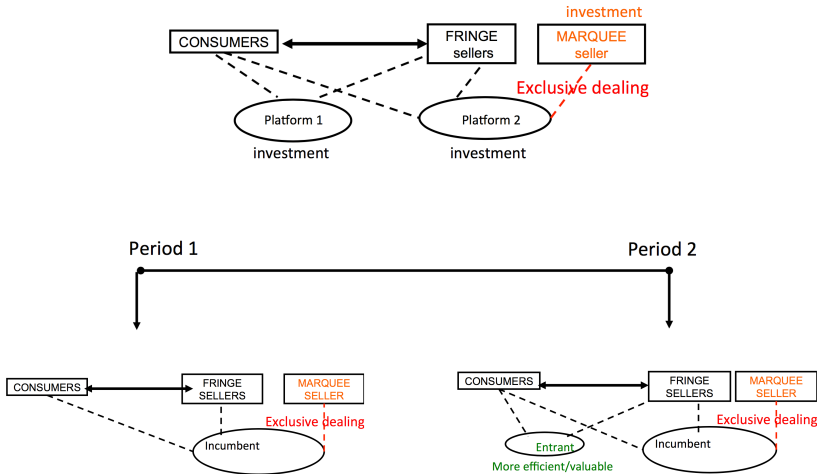# Platforms' restrictions on multi-homing: Exclusive dealing
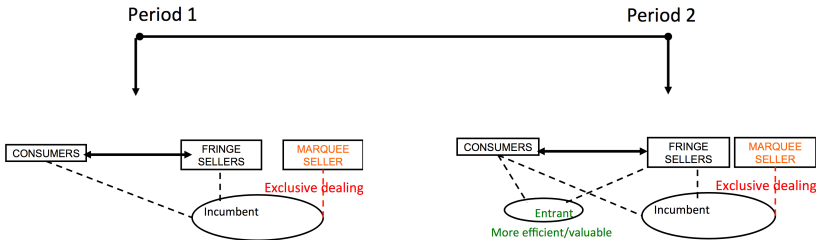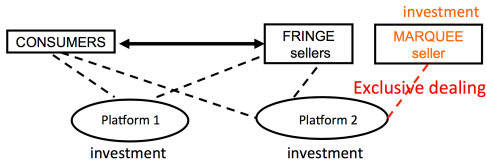
Research Questions:

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Platforms' restrictions on multi-homing: Exclusive dealing

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- When will ED lead to inefficient foreclosure?

- When there are one-sided network effects:

What we know

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- ED could have pro-efficiency effects by protecting relationship specific investments against free-riding (Segal-Whinston, 2000; Stennek, 2007).
- ED might be pro-competitive by helping an entrant to solve the chicken-and-egg problem (Lee, 2013)

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- How does allowing ED affect investment incentives of the marquee seller and those of platforms?
- What would be the equilibrium effect of banning ED?

- How to measure consumers' utility from variety on online platforms?

- How important pro-competitive effects of ED compared to price effects?