

# Accepted Manuscript

Information and Two-Sided Platform Profits

Andrei Hagiu, Hanna Halaburda

PII: S0167-7187(14)00041-1  
DOI: doi: [10.1016/j.ijindorg.2014.04.001](https://doi.org/10.1016/j.ijindorg.2014.04.001)  
Reference: INDOR 2168

To appear in: *International Journal of Industrial Organization*

Received date: 18 March 2013  
Revised date: 5 April 2014  
Accepted date: 14 April 2014



Please cite this article as: Hagiu, Andrei, Halaburda, Hanna, Information and Two-Sided Platform Profits, *International Journal of Industrial Organization* (2014), doi: [10.1016/j.ijindorg.2014.04.001](https://doi.org/10.1016/j.ijindorg.2014.04.001)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

## Information and Two-Sided Platform Profits\*

Andrei Hagiu<sup>†</sup>Hanna Halaburda<sup>‡</sup>

April 5, 2014

**Abstract**

We study the effect of different levels of information on two-sided platform profits—under monopoly and competition. One side (developers) is always informed about all prices and therefore forms responsive expectations. In contrast, we allow the other side (users) to be uninformed about prices charged to developers and to hold passive expectations. We show that platforms with more market power (monopoly) prefer facing more informed users. In contrast, platforms with less market power (i.e., facing more intense competition) have the opposite preference: they derive higher profits when users are less informed. The main reason is that price information leads user expectations to be more responsive and therefore amplifies the effect of price reductions. Platforms with more market power benefit because higher responsiveness leads to demand increases, which they are able to capture fully. Competing platforms are affected negatively because more information intensifies price competition.

*Keywords:* two-sided platforms, information, responsive expectations, passive expectations, wary expectations

---

\*We are grateful to Andres Hervas-Drane, Bruno Jullien, Robin Lee, Gaston Llanes, Francisco Ruiz-Aliseda, Richard Schmalensee, Julian Wright and Liyan Yang for very helpful comments on earlier drafts of this paper. All remaining errors are our own.

<sup>†</sup>Harvard University (HBS Strategy Unit), ahagiu@hbs.edu.

<sup>‡</sup>Bank of Canada, hhalaburda@gmail.com. Views presented in this paper are those of authors, and do not represent Bank of Canada's position.

Download English Version:

<https://daneshyari.com/en/article/5078073>

Download Persian Version:

<https://daneshyari.com/article/5078073>

[Daneshyari.com](https://daneshyari.com)