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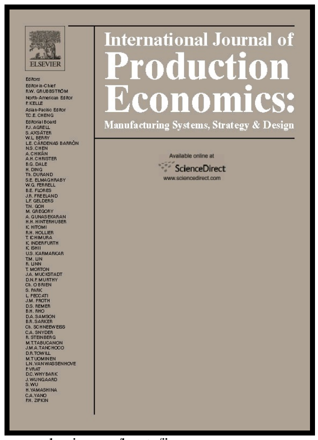

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PII: S0925-5273(17)30118-4
DOI: http://dx.doi.org/10.1016/j.ijpe.2017.03.022
Reference: PROECO6691

To appear in: *Intern. Journal of Production Economics*

Received date: 2 September 2016
Revised date: 29 March 2017
Accepted date: 30 March 2017

Cite this article as: Renato de Matta, Timothy J. Lowe and Dengfeng Zhang Competition in the Multi-Sided Platform Market Channel, *Intern. Journal o Production Economics,* http://dx.doi.org/10.1016/j.ijpe.2017.03.022

Competition in the Multi-Sided Platform Market Channel

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ABSTRACT

We model the decisions in two simple, structurally different, fixed price online channel settings comprised of marketplaces (retailers) where two sellers of substitutable products transact with buyers (consumers) of those products. The first setting is a common retailer setting (CRS) with one marketplace, while the other is an exclusive retailer setting (ERS) where each seller is selling in an exclusive marketplace. We study how price competition and cost sharing in those settings influence the key factors that attract the seller and buyer to a marketplace, i.e. the seller's revenue share and price respectively. We formulate analytic and optimization models of the retailer revenue sharing decision and the suppliers pricing decision under CRS and ERS. Applying these models to market environments with different consumer demand patterns, cost structures, and levels of competition yielded a fairly consistent behavior in supplier price and retailer revenue share for each channel setting. The CRS retailer is better off (i.e. higher profits) than the ERS retailers, whereas the ERS suppliers are better off than the CRS suppliers. Finally, the buyer in ERS is better off because the seller in ERS charges a lower price.

Keywords: