

Author's Accepted Manuscript

A Welfare Evaluation of Tying Strategies

Amit Gayer, Oz Shy



PII: S1090-9443(16)30162-4
DOI: <http://dx.doi.org/10.1016/j.rie.2016.08.003>
Reference: YREEC686

To appear in: *Research in Economics*

Received date: 18 July 2016
Revised date: 24 July 2016
Accepted date: 5 August 2016

Cite this article as: Amit Gayer and Oz Shy, A Welfare Evaluation of Tying Strategies, *Research in Economics*, <http://dx.doi.org/10.1016/j.rie.2016.08.003>

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 a review of the resulting galley proof before it is published in its final citable 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.

A Welfare Evaluation of Tying Strategies*

Amit Gayer[†]

The Western Galilee College

Oz Shy[‡]

MIT Sloan School of Management

August 24, 2016

Abstract

We compare monopoly profit, consumer surplus, and total welfare associated with three commonly-used tying strategies: no tying, pure tying, and mixed tying. Whereas previous literature focused mainly on profit comparisons, this paper evaluates the relationship between component production costs and total welfare. We identify several market failures where the seller does not adopt the welfare-maximizing tying strategy. Finally, we explore how consumer exclusion rates (uncaptured market) are affected by tying strategy and some implications for unbundling regulation.

Keywords: Tying strategies, bundling, price discrimination, pure tying, mixed tying

JEL Classification Number: D4, L11,

Draft number: Gayer-Shy V2.tex

*We thank the editor of this journal for most valuable corrections and comments on an earlier draft.

[†]*E-mail:* AmitG@wgalil.ac.il. Western Galilee College, P.O.B. 2125, Acre 24121, Israel.

[‡]*E-mail:* ozshy@ozshy.com. MIT Sloan School of Management, 100 Main Street, E62-613, Cambridge, MA 02142, U.S.A.

Download English Version:

<https://daneshyari.com/en/article/7384208>

Download Persian Version:

<https://daneshyari.com/article/7384208>

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