

"Managing inter- and intra-group externalities on two-sided platforms"

Paul Belleflamme

Université catholique de Louvain,
Center of Operations Research and Econometrics
B-1348 Louvain-la-Neuve, *Belgium*

Many economic and social situations require the interaction between different groups of agents on some 'platform'. This interaction often exhibits positive inter-group externalities (agents of one group are better off when the number of agents of the other group(s) increases) and negative intra-group externalities (agents within a group compete with each other). B2B and B2C marketplaces are typical examples of such platforms. The externalities taking place on these platforms can be seen as shared resources, and the internalisation of the externalities can be seen as a way to manage these shared resources. In that respect, intermediaries play a crucial role and it is important to address the following three issues: (i) Can a for-profit platform succeed in an environment where agents have the possibility to interact on a free (public or open) platform? (ii) In the presence of a random-matching market, are there profitable opportunities for intermediaries to operate centralized exchanges? (iii) Does the presence of for-profit intermediaries affect sellers' incentives to innovate in B2C interactions? The presentation will bring elements of answers to these three questions.