



You are cordially invited to

UCLouvain Economics Seminar

**On Thursday April 20, 2017, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1**

Jérôme Pouyet
(PSE, Paris)

Will give a presentation on

Vertical mergers in platform markets

Abstract:

We analyze the competitive impact of vertical integration between a platform and a manufacturer when platforms provide operating systems for devices sold by manufacturers to customers, and, customers care about the applications developed for the operating systems. Two-sided network effects between customers and developers create strategic substitutability between manufacturers' prices. When it brings efficiency gains, vertical integration increases consumer surplus, is not profitable when network effects are strong, and, benefits the non-integrated manufacturer. When developers bear a cost to make their applications available on a platform, manufacturers boost the participation of developers by affiliating with the same platform. This creates some market power for the integrated firm and vertical integration then harms consumers, is always profitable, and, leads to foreclosure. Introducing developer fees highlights that not only the level, but also the structure of indirect network effects matter for the competitive analysis.

Information:

paul.belleflamme@uclouvain.be and william.pariente@uclouvain.be