

# Economics and Strategy for Market Intermediaries and Two-Sided Platforms (4118)

Syllabus

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The syllabus consists of academic articles that will be discussed in each of the sessions. The supporting material consists of other articles, notes and cases. We will refer to them recurrently in multiple sessions:

## Supporting Material

- Eisenmann, Parker and Van Alstyne, "Strategies for Two-Sided Markets," *HBR*, Oct 2006
- Kumar, Petersen and Leone, "How Valuable Is Word of Mouth?," *HBR*, Oct 2007
- Gupta and Mela, "What Is a Free Customer Worth?," *HBR*, Nov 2008
- Hagiu and Yoffie, "What's Your Google Strategy?," *HBR*, Apr 2009
- Eisenmann, "Winner-Take-All in Networked Markets," HBS Note 806-131, Sep 2007
- Piskorski, Halaburda and Smith, "eHarmony," HBS Case 709-424
- Hagiu and Halaburda, "Responding to the Wii?," HBS Case 709-448

## Academic Articles

### Module 1: Preliminaries

#### (Sep 2, 2009) Network Effects

- Tirole, *Industrial Organization*, (1988), Chapter 10.6: "Network Externalities, Standardization, and Compatibility"

### **(Sep 9, 2009) Competing Networks**

- Katz and Shapiro (1985), "Network Externalities, Competition and Compatibility," *AER*
- Katz and Shapiro (1986), "Technology Adoption in the Presence of Network Externalities," *JPE*
- Katz and Shapiro (1994), "Systems Competition and Network Effects," *JEP*

## **Module 2: Monopolist Two-Sided Platform**

### **(Sep 16, 2009) Two-Sided Markets**

- Hagiu (2007), "Merchant v. Two-Sided Platform," *Review of Network Economics*, 6 (2)
- Wright (2004), "One-Sided Logic in Two-Sided Markets," *Review of Network Economics*, 3 (1)

### **(Sep 23, 2009) Monopolist Two-Sided Platform**

- Evans (2006 wp), "Two-Sided Platforms and Analysis of Single-Firm Conduct," Sep 2006

### **(Sep 30, 2009) Governance in Two-Sided Platform**

- Hagiu (2009 wp), "Quality vs. Quantity and Exclusion by two-Sided Platforms," Apr 2009
- Hagiu and Lee (2008 wp), "Exclusivity and Control," May 2008
- Hagiu and Jullien (2008 wp), "Why Do Intermediaries Divert Search?," Dec 2008

## **Module 3: Competition in Two-Sided Markets**

### **(Oct 7, 2009) Price Competition in Two-Sided Markets**

- Armstrong (2006), "Competition in Two-Sided Markets," *Rand*, 37 (3): 668-691
- Caillaud and Jullien (2001), "Competing Cybermediaries," *European Economic Review*, 45: 797-808
- Rochet and Tirole (2003), "Platform Competition in Two-Sided Markets," *Journal of European Economic Association*, 1 (4): 990-1029
- Caillaud and Jullien (2003), "Chicken and Egg: Competition among Intermediation Service Providers," *Rand*

**(Oct 14, 2009) Competition Between Auctions**

- Ellison, Mobius and Fudenberg (2004), "Competing Auctions," *Journal of European Economic Association*, 2 (1): 30-66
- Brown and Morgan (2006 wp), "How Much is a Dollar Worth? Tipping versus Equilibrium Coexistence on Competing Online Auction Sites"

**(Oct 21, 2009) Competition between Platforms with Heterogeneous Agents**

- Damiano and Li (2008), "Competing Matchmaking," *Journal of European Economic Association*, 6 (4): 789-818
- Ambrus and Argenziano (2009), "Asymmetric Networks in Two-Sided Markets," *American Economic Journal: Microeconomics*, 1
- Halaburda and Piskorski (2009 wp), "Limiting Choice as Strategic Differentiator"

**(Oct 28, 2009) Competition in Two-Sided Markets and Network Structure**

- Halaburda (2009 wp), "The Role of Network Connections in Platform Competition"

**(Nov 4, 2009) Other Issues in Competition**

- Gao (2009 wp), "When to Allow Buyers to Sell? - Bundling in Mixed Two-Sided Markets"

**(Nov 11, 2009)** Veterans' Day Holiday, no class

**Module 4: Platform Formation**

**(Nov 18, 2009) Platform Formation**

- Evans and Schmalensee (2008 wp), "Failure to Launch," draft 2008
- Evans (2009), "How Catalysts Ignite: The Economics of Platform-Based Start-ups," in Gawer (ed.), *Platforms, Markets and Innovation*, 2009

**(Nov 25, 2009)** No class

**(Dec 2, 2009) Students' Project Presentations**