Title:

Game of Platforms: Strategic expansion in two-sided markets (work in progress)

Abstract:

Online platforms, such as Google, Facebook, and Amazon, are constantly expanding their activities, while increasing the degree of overlap in their service offering. In this work, we focus on the scope and overlap of online platforms' activities, which are endogenously determined in our model. Specifically, we analyze an expansion game between two online platforms offering differentiated services to users for free, while selling user clicks to advertisers. At the outset, each platform offers one service, and users may subscribe to one platform or both (multihoming). Each platform then decides whether to expand by adding the service already offered by its rival. Platforms' expansion decisions affect users' subscription decisions. In turn, the resulting user partition affects platforms' pricing strategies and profits. The equilibrium of this game is analyzed, and the effects of stickiness in users' subscription decisions, of asymmetry in platform size, and of users' click-through rate on the outcome of the expansion game are studied.