User Data and Endogenous Entry in Online Markets

Laura Abrardi  Carlo Cambini  Raffaele Congiu  Flavio Pino

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Discussant: Adi Shany, Tel Aviv University
The effect of a DB on firm entry and competition in online market:

- The main assumptions:
  - Oligopolistic markets
  - The DB is a monopoly
  - Data allow firms to price discriminate

- The main results:
  - The DB lowers competition in the downstream market by
    - reducing entry through a higher price of data ⇒ **entry barrier**
    - providing a competitive advantage to some of the firms by selectively selling data
The main idea:
Since the DB has all the bargaining power it extract all the surplus from the data by reducing competition

Interesting and important question that highly relevant to competition policy
Helps to understand the structure of the downstream market when:
  ▶ The DB is a monopoly
  ▶ Firms use data for personalized prices
The main idea:
Since the DB has all the bargaining power it extracts all the surplus from the data by reducing competition.

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Next step: can the authors improve the applied implications of the paper?
- What will be the effect in more competitive data market?
- What will be the effect if firms do not discriminate?
Do firms use data to price discriminate?

Evidence indicates that the use of personalized pricing is limited (Bird and Neeman, 2022)

Examples of data usage:
- Target advertising and reduce consumer search cost
- Reduce information gaps (i.e. in the mortgages market)

What will be the effect of DB on entry and competition if firms use data in a way that benefits the consumer as well?
Thank You