Platform Pricing under Dispersed Information*

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Abstract

We study monopoly and duopoly pricing in a two-sided market with dispersed information about users’ preferences. We first show how the dispersion of information introduces idiosyncratic uncertainty about participation rates and how the latter shapes the elasticity of the demands and thereby the equilibrium prices. We then study informative advertising campaigns and product design affecting the agents’ ability to estimate their own valuations and/or the distribution of valuations on the other side of the market.

JEL classification: D82
Keywords: two-sided markets, dispersed information, platform competition, global-games, informative advertising

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