

Platform Competition with Multihoming: **Subsidize or Not?**

Hanna Halaburda

(based on research with Yannis Bakos)

Two-sided Platforms are Different

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 - AirBnB: *home-owners* and *guests*



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- It may make sense to **subsidize!**



$u(x)$

Side X



Platform



Side Y

$u(x)$

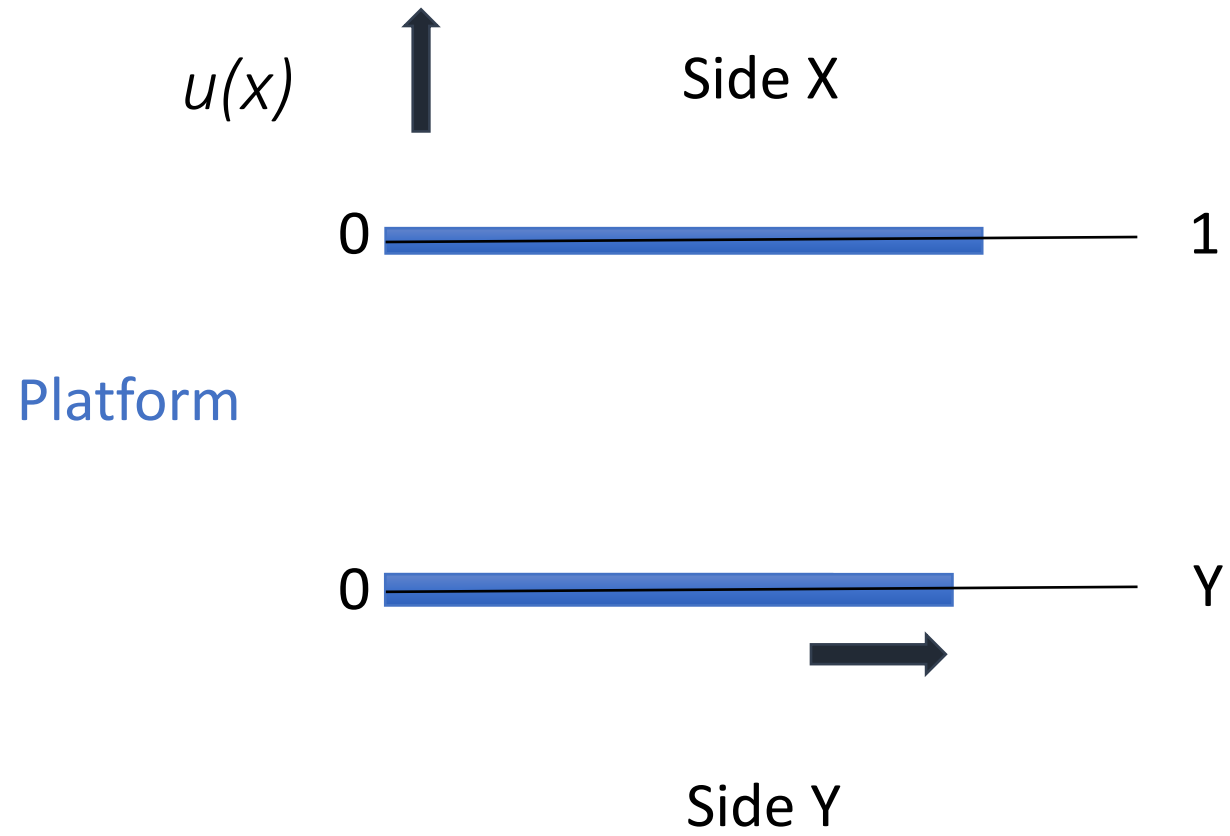
Side X



Platform



Side Y



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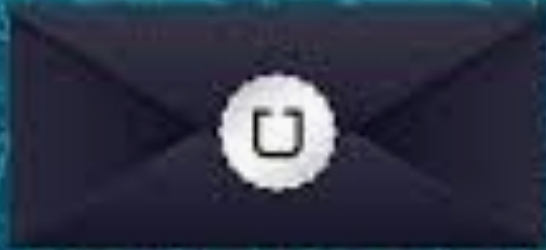
- Interdependence of the sides

- Pricing on one side affects the attractiveness of the platform on the other side

- It may make sense to **subsidize!**

- Search for wisdom about *which* side to subsidize

UBER



GET YOUR FIRST RIDE FREE!

USING PROMO CODE:

LYEFM

Beware of Multihoming

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- It may turn the subsidy logic on its head

Beware of Multihoming

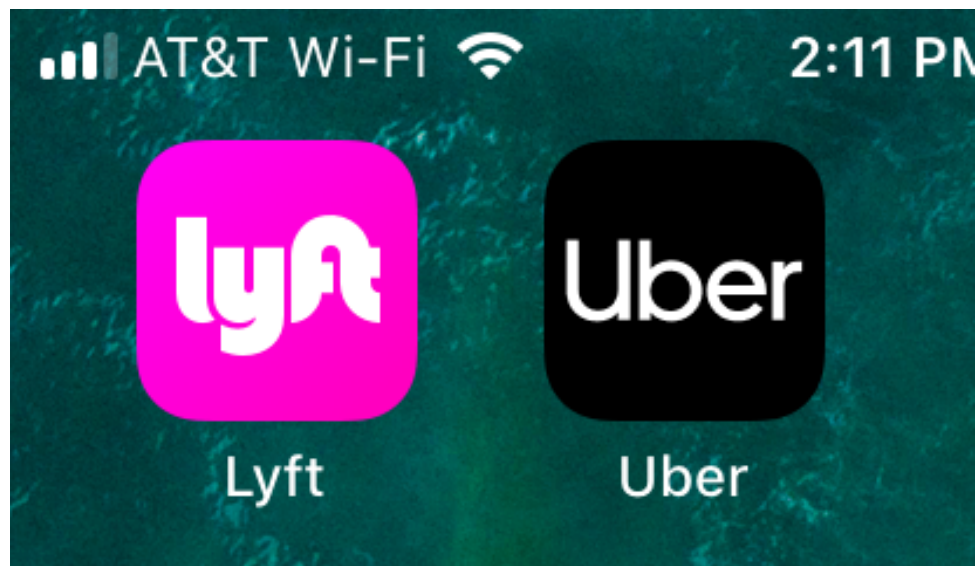
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Beware of Multihoming

- It may turn the subsidy logic on its head
- Especially if we have multihoming on **both** sides
- This case has been largely dismissed in theoretical explorations
- But we have many markets where this happens



Side X



Platform A

Platform B



Side Y

Platform A



Platform B



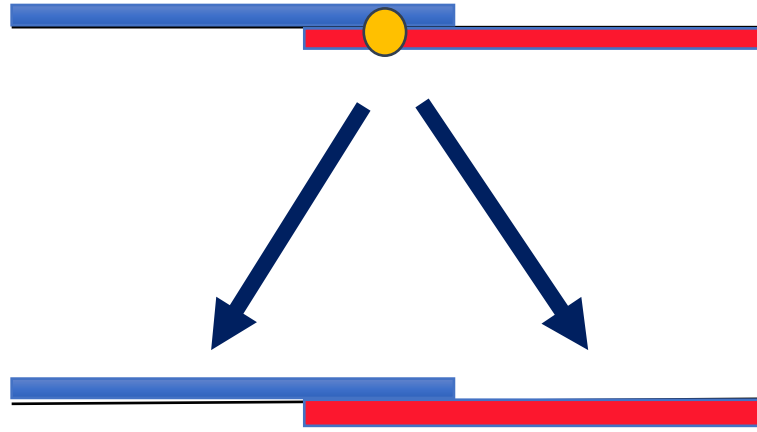
Platform A



Platform B



Platform A



Platform B

Platform A



Platform B



$2x$

Platform A



Platform B



Platform A



Platform B



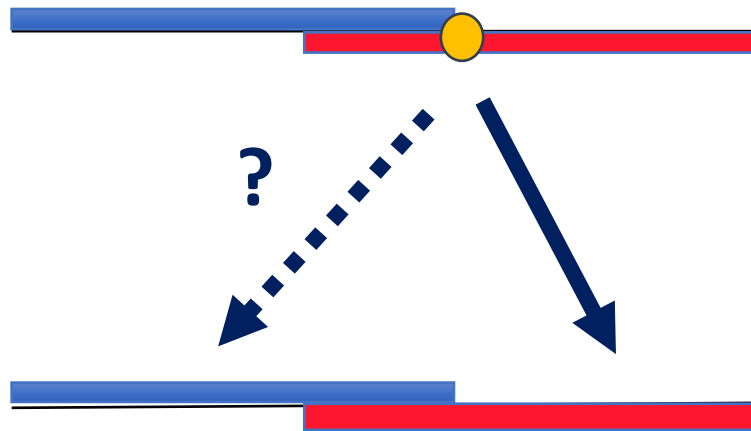
Platform A



Platform B



Platform A

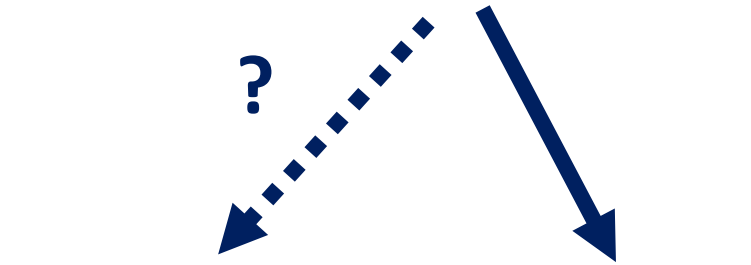


Platform B

Platform A



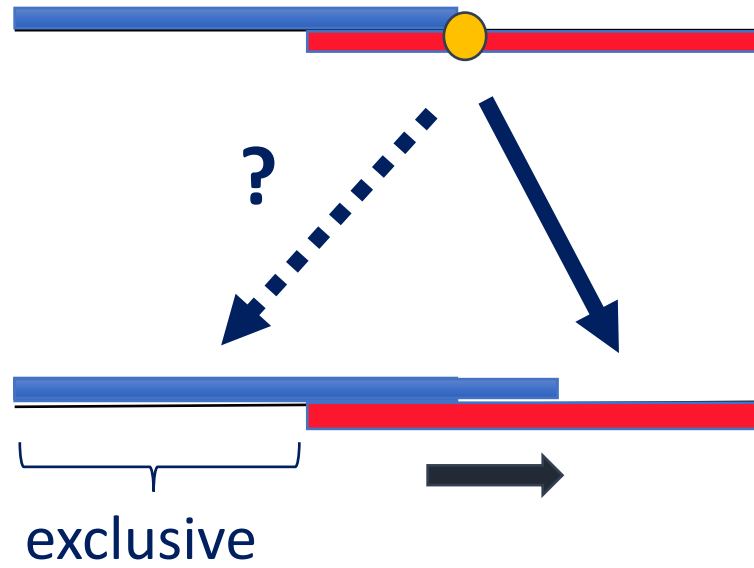
Platform B



exclusive

Platform A

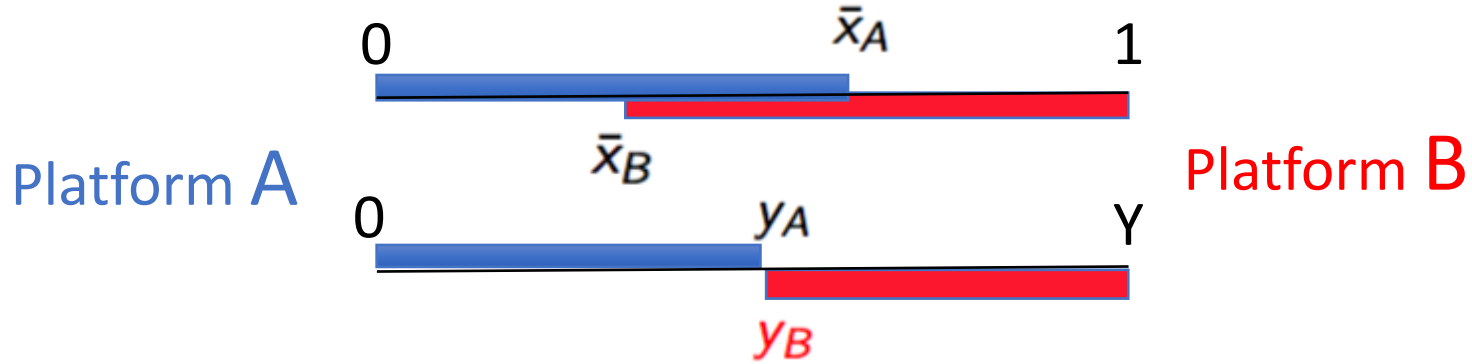
Platform B



Mathematically...

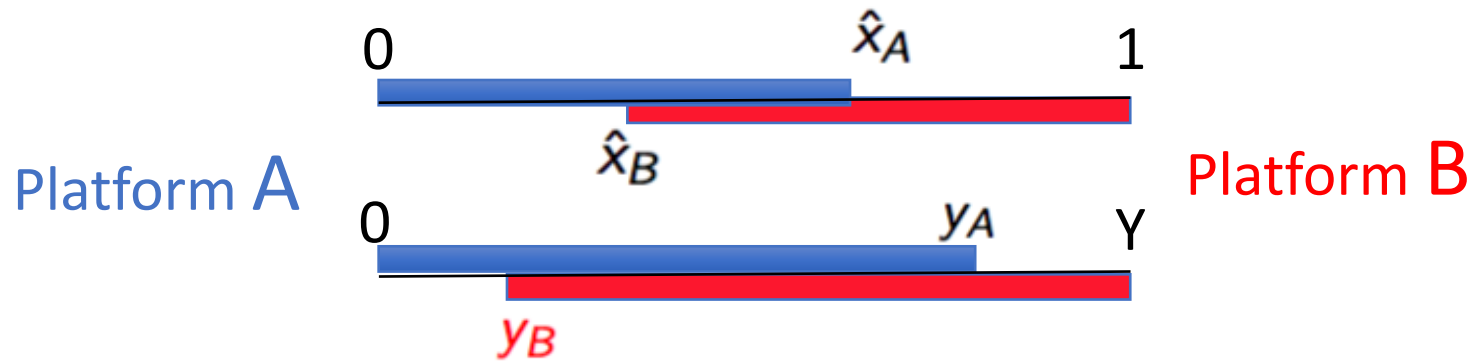
Some single-homing

$$\bar{x}_A = \frac{A_x + \alpha y_A - p_A}{z}$$



Multi-homing on both sides

$$\hat{x}_A = \frac{A_x + \alpha y_B - p_A}{z}$$



With Multihoming on Both Sides...

- ... subsidies only lower platforms' profits

UBER



GET YOUR FIRST RIDE FREE!

USING PROMO CODE:

LYEFM

\$50 CREDIT



Promo Code: **FIFTYGO**

U B E R

Guaranteed earnings start TODAY

Here's what's new: we're reducing prices to heat up demand in Denver. We've got you covered with around-the-clock guarantees starting today, in place for a limited time.

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Fri and Sat 5pm to 3am	\$23.00	1.70
All Other Hours	\$18.00	1.20

* You must accept 90% of your trips to qualify for the guarantee



With Multihoming on Both Sides...

- ... subsidies only lower platforms' profits
- Not just a matter of time

With Multihoming on Both Sides...

- ... subsidies only lower platforms' profits
- Not just a matter of time
- Need strategies to impose single-homing at least on one side

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Ride Pass

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- ✓ Get price protection—no matter the traffic or time of day
- ✓ Save up to 15% every time you ride
- ✓ Lock in prices wherever you ride in the Austin metro area

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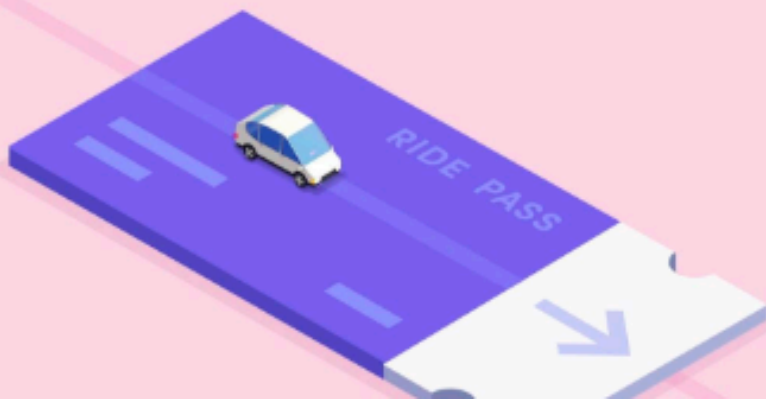
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Strut that money-saving glow. With a Ride Pass, you get \$4 off each of your next 20 Lyft rides - plus 5% off any other ride. All for a one-time price of \$14.99. Offer expires on April 2.

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Platform competition with
multihoming on both sides?

Subsidies don't work