Discussion on "Platform Competition and Interoperability: The Net Fee Model" by Mehmet Ekmekci, Alexander White, and Lingxuan Wu

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Summary of the model and results

- Paper considers a general model of platform competition
- Main novelty: Competition in net fees
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- Main novelty: Competition in net fees
  Platforms set a fixed fee and extract all surplus from consumer interaction via per-transaction fees
- Modelling assumption makes competition with network effects highly tractable.
- Equilibrium prices have a similar structure as in standard models of platform competition
- A larger number of platforms can make a large platform even bigger as demand of the smaller platforms splinters
- Mandated interoperability lowers prices and dominance

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  already accepted at *Management Science*

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  Approach would not work (or require perfect price discrimination) if agents differed with respect to the interaction benefit.

- Approach assumes that platforms sequentially set membership fees and per-interaction fee (microfoundation). Online marketplaces such as Amazon, do not fit the model.

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  Are there examples of markets in which firms cannot commit to membership fees?

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  $\Rightarrow$ A large platform increases consumer welfare.

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  Federal cartel office cleared the merger by stating that it is a catching-up merger to challenge the largest platform Immoscout24 (may help to avoid market tipping).