

The Economics of Platform Price Parity Clauses [Working Title]

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Motivation:

Modern digital platforms, from online travel agencies like Booking.com to marketplaces like Amazon, serve as vital intermediaries connecting sellers with buyers. Many operate under an agency model, where sellers set prices but pay platforms a commission per transaction. To protect their business model, many platforms have implemented price parity clauses (PPCs; also called most-favored-nation [MFN] clauses) in their contracts, restricting sellers from offering lower prices through alternative distribution channels. Platforms argue that PPCs prevent 'showrooming', where consumers discover products via the platform but purchase them elsewhere at lower prices, thereby free-riding on the platform's services. However, several competition authorities have viewed PPCs as anticompetitive tools that enable platforms to maintain market power and charge high commissions. Multiple EU member states have banned certain forms of PPCs, and the EU's Digital Markets Act now prohibits their use by 'gatekeeper' platforms.

Goal:

The goal of this thesis project is to examine the economic role of PPCs on digital platforms through a comprehensive literature review. The student should analyze the theoretical justifications for PPCs, assess regulatory concerns about their anticompetitive effects, and evaluate the empirical evidence on their impact

References and Related Literature:

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