Sleeping with the Enemy: Inter-firm product combinations in the pharmaceutical industry

Discussant:
Wei Tan
SUNY Stony Brook

Summary

- Study the pricing strategy when firms use inter-firm product combination.
- Estimate the demand system at the regimen level and recover the cost parameters from the Nash equilibrium conditions
- Perform counterfactuals to evaluate the impacts of product bundling

Demand Estimation

- IV logit demand function

$$\ln s_{jt} - \ln s_{0t} = -\alpha p_{jt} + \beta x_j + \xi_t + \Delta\xi_{jt}$$

- The estimates of demand elasticity are completely driven by the market share of regimen
- Could use BLP method to add additional consumer characteristics and allow random coefficients.
- Additional robustness check
  - Use data from later periods
- Provide estimate of [illegible]

Additional comments

- Do the simulation results hold for more general demand functions?
- The role of advertising when you have product bundling
  - Direct to consumer advertising