

## Discussion of Song

“Estimating

# Summary

- Combines structural estimation and two sided markets
  - Internalize positive externality between the two sides  
incentive to be big
  - Platforms compete on both sides (directly or indirectly)
- Findings:
  - magazines set consumer prices below marginal cost but  
earn large mark up on advertisers
  - Merger into monopoly can be welfare enhancing for both  
consumers and advertisers
  - Both findings specific to two sided markets
- Clear intuition, enormous work in implementation

# Empirical Estimation



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...

– x includes

... ..

Advertisement

Assume  $f(x) = \dots$

... ..

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# Comments on advertiser demand

$$n_{jt}^B = \left( 1 - F \left( \frac{n_{jt}^B}{M_{jt}} \mid \theta \right) \right) M_{jt} \rightarrow \log(n_{jt}^B) = \log(M_{jt}) + e_{jt}$$

- F(.) seems arbitrary, it dictates demand sensitivity to price and readership
  - Is it possible to estimate parameters in F(.)?
- Endogeneity of price and readership?



# Comments on model choice and IVs

- Assume competitive bottleneck
  - Allow advertisers to multi homing with no direct competition of advertisers between platforms
  - Evidence on multi homing and lack of exclusive dealing?
- Assume demand shocks are independent between TV magazines and other magazines
  - Do different segments target same readers (e.g. married women)?
  - Do same advertisers advertise in multiple segments?
  - Do publishers engage in bundle price across segments?
- Does estimation account for (1) a publisher's ownership on multiple TV magazines, and (2) market structure changes in the data?

# Other comments

- Consumers and advertisers have different quality rankings on magazines
  - The offered explanation is magazines with large market shares do not fully exploit readership in advertiser pricing
  - Does this violate the assumption of Bertrand optimal pricing?
- More intuition of why merger leads to lower advertising price for some magazines?
- Platforms may differentiate for better targeted advertising
  - How would this affect estimation and counterfactuals?