

# Two-Sided Platforms, Heterogeneous Tastes, and Coordination

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January 20, 2017

## Abstract

This paper studies the coordination of potential users in a duopolistic two-sided market where some agents face negative indirect network externality on both sides. There exist asymmetric equilibria such that (i) one platform attracts more potential users on both sides than its competitor if externality is positive for the majority, or such that (ii) more a half of agents join the platform with less users on each side if the majority take negative externality. Each platform utilizes its expected large (small) demand on a side in both cases to attract other-side potential users with positive (negative) externality, which allows most agents to choose the platform that they prefer in terms of pure benefit or willingness to pay. Asymmetric equilibria may therefore be desirable for both platforms and for most potential users, regarding negative externality on both sides.

Keywords: Two-Sided Platforms; Negative Indirect Network Externality; Asymmetric Equilibria; Coordination.

JEL Classification: D43; D62; L13.