

Platform Price Parity Clauses with Direct Sales

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Abstract:

In a context of vertical contractual relationships between competing sellers distributing their products through competing intermediation platforms as well as directly, we analyze the welfare effects of price parity clauses. These clauses, which have been the subject of recent antitrust cases in various sectors -- hotel online booking services, car or home insurance, marketplaces or e-books, are contractual restriction that prevent a seller from offering the same product at a lower price on other platforms or through its own direct sales channel. Contrary to the theories of harm put forward by competition agencies in these cases, we show that once one allows suppliers to sell directly to final consumers and accounts for the supplier's participation constraints, price parity clauses do not always lead to higher commissions and final prices. We show that price parity clauses may even simultaneously benefit all actors in the market -- platforms, suppliers as well as consumers -- even in the absence of any efficiency argument (i.e., reduction of search costs, protection from free-riding on services, etc).