

## Economic Analysis of Two-sided Market

### **Abstract**

This study examines the Japanese magazine market, which is a typical example of “audience-maker” type platform industries, constructing the empirical market model in order to investigate antitrust concerns in two-sided markets.

This study estimates a structural model of the Japanese magazine market, that is, the reader demand and the advertiser demand, explicitly incorporating the indirect network effects between two sides of the market. In addition, this study empirically tests whether the Japanese magazine market in which resale price maintenance is a common marketing practice, is competitive or collusive.

The estimation results of the market model shows that the indirect network effects on the advertiser side from the reader side are crucial in the advertisers’ choice of a magazine. On the other hand, the indirect network effects on the reader side from the advertiser side are not important in the readers’ choice of a magazine.

The preliminary empirical results of selection of the supply-side model show that the model of competition on both sides of the market has the better fit to the data than other alternative supply models. However, the test is preliminary and one must interpret the results carefully. We must collect more data and conduct comprehensive empirical studies in order to reach a solid conclusion.