Seminario 461: Merger Effects with Product Complementarity: Evidence from Colombia's Telecommunications

Seminario 461: Merger Effects with Product Complementarity: Evidence from Colombia's Telecommunications
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Hora: 12:00 m. (refrigerio) y 12:30 p. m. (inicio del seminario)

Tiempo de exposición: 12:30 p. m. a 2:00 p.m.

Lugar: Banco de la República, carrera 7 # 14-78, piso 13 (Sala de prensa), Bogotá D.C.

Idioma de la exposición: Español

Resumen del documento: Mergers of firms producing complementary products have ambiguous effects on consumer welfare. The merged firm may lower prices to internalize the profits created by complementary products. The firm could also use bundles to exert price discrimination, increasing the prices of standalone products. As such mergers continue to make national headlines in Colombian telecommunications industries, I employ a comprehensive, administrative data set, which records prices, market shares, and plan attributes of the universe of Colombia's telecom carriers, to assess which effect dominates. I estimate a random-coefficient discrete choice of consumer demand model for bundled and standalone telecom products (Internet, cell phone, TV, phone and mobile Internet), in which the degree of substitutability or complementarity among products is a key parameter of interest. I find that these five major telecom products display a mix of substitutability and complementarity, but in general hardwired and mobile services are complements. My counterfactual experiments using the estimated model indicate positive net effects of mergers with complements: despite a small increase in the price of standalone goods, consumer surplus increases by around 7 million dollars per quarter.

PDF icon Merger effects with product complementarity. Evidence from Colombia's Telecommunications

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