Platform Access Regulation and Quality Reallocation*

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Abstract

This paper examines the effects of platform access requirements on quality composition and consumer welfare in a model with two countries, heterogeneous firms and two fixed qualities. We represent the requirement as a fixed cost of platform export that does not depend on sales. As the cost rises, less productive platform exporters leave the foreign market; more productive ones switch to direct export and charge lower prices. With firm mass and the commission rate fixed, the loss from exit exceeds the gain from lower prices after switching for each quality. Expenditure shifts toward the quality with the smaller proportional loss, while consumer welfare falls. When the platform chooses a common commission rate, a higher access cost makes sales within each quality more responsive to a further rate increase, which tends to lower the rate. Changes in the distribution of platform sales across qualities can instead raise it, leaving the direction of the optimal rate ambiguous. If the rate falls enough, the welfare gain from the lower rate can outweigh the welfare loss in the fixed-rate case.

Keywords: Online platforms; Heterogeneous firms; Platform access regulation; Quality reallocation.
JEL Classification: F12, F13, L15, L81

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