

# Is the third-party retailer a threat or an opportunity at Online Marketplace? Pricing response to entry

**Jimi Park**

Hult International Business School

**Shijin Yoo**

Korea University

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# Is the third-party retailer a threat or an opportunity at Online Marketplace? Pricing response to entry

## **Abstract**

The platform owner and third-party retailers (3PRs) have been competing with each other under the roof of the platform. One of biggest fears for retailers at online marketplace is how to reprice upon potential entrants. We focus on (1) a linkage between pricing and potential entrants at online marketplace, (2) whether the platform owner's pricing is dissimilar with that of 3PRs'. Compared to the traditional that view market entrants as threats, we find that (1) the impact of repricing on market entrants only with 3PRs but not with the platform owner (2) smaller the platform owner's price response parameter compared to 3PRs, (3) the existence of asymmetric price behavior of FBAs at Amazon.com, for 20 products over 110 weeks between 2018 and 2020, with the price changes extracted by a price tracking website, Keepa.com. Additional cost and weak capacity management thus are revealed to be important force influencing such price behavior.

**Subject Areas:** *Distribution;Pricing;Retailing*