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Price discrimination in sharing economy – social and economic implications

ABSTRACT

With the rapid development in new information technologies, sharing economy platforms disrupt the traditional service markets by crowd sourcing services from individual providers and offer customers alternatives. Consumers are also more adapting to the trend on convenience-oriented service offerings utilizing new technologies. These changes together with innovative ways of sourcing service supply result in nonmonotonic demand curves that are different from those in neoclassical economic models under monopolistic/oligopolistic settings. To maximize consumer surplus extraction, multiple-service price discrimination has been witnessed in practice in the emerging sharing economy market. We investigate such impact on a sharing economy market of standardized service using an economic modeling approach. Our model and results not only help understand how such practice impacts the profit of the sharing economy firms and the welfare of the community, but also provide insights for policy makers.

KEYWORDS: Sharing Economy, Price Discrimination, Social Sustainability