

Directed Search on a Platform: Meet Fewer to Match More?

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November 2, 2020

Abstract

This paper considers the matching between homogeneous sellers and homogeneous buyers. Sellers are capacity constrained and direct search of uncoordinated buyers by setting (reserve) prices. A costless meeting technology can be designed to affect the matching process. We find that a meeting technology that provides full information to participants is not efficient. The efficient meeting technology needs to provide balance between intensive and extensive margins of the matching process. Furthermore, we characterise the seller- and buyer-optimal meeting technologies. Finally, we show that the efficient matching outcome can be decentralized by a profit-maximizing platform who adopts a simple fee-setting policy.

Keywords: meeting technology, directed Search, platform, intermediation.

JEL Classification: D83, J64, M37.

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