

“The Impact of Ad-Avoidance Technologies in the Market for Video Streaming”

(in English)



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Abstract: To study the impact of Ad-Avoidance Technologies (AATs) usage in the market for video streaming, we construct a game-theoretic model of platform competition: A continuum of audience receives heterogeneous random valuations from watching videos across different platforms where the valuations are identically independently distributed (IID). Each platform provides two types of memberships: the audience could either watch the video bundled with the ads for free (Free Membership), or pay a subscription fee to get rid of ads (Premium Membership). A certain share of the audience, independently from their valuations, has access to AATs which could reduce the disutility from watching ads. Platforms compete by setting subscription fees, and given the subscription fees, the valuation vector and the status of access to AATs, the audience chooses which platform to join and which membership to maximize the final utility, or not watching at all. We further allow the platforms to drop Free Membership. Theoretically, we show that both the equilibrium subscription fee and platform revenue decreases in the penetration rate of AATs. By calibrating the parameters of our model with actual data from the Chinese video streaming market, we are able to simulate counter-factual outcomes under various penetration rates, and confirm that an increase in the usage of AATs would reduce the platforms’ revenues, force the platforms to drop Free Membership, and hurt the social welfare in the long run.

Biography: Prof. Tan is currently a Professor of Economics at the University of Southern California. Previously, he held the positions of Associate Professor of Economics at the University of British Columbia and Associate Professor of Economics at the Hong Kong University of Science and Technology. His research focuses on the areas of industrial organization, antitrust economics, auction theory, and microeconomics. His most recent work is concerned with conditional pricing practices in competitive settings, including all-units discounts, two-part tariffs and nonlinear pricing, and platform competition in multi-sided markets. His research work has been published in such leading scholarly journals as the American Economic Review, Econometrica, Review of Economic Studies, RAND Journal of Economics, Journal of Economic Theory, Games and Economic Behavior, International Economic Review, and Journal of Development Economics, as well as many others.

All Are Welcome

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