

Input Pricing and Common Ownership with Channel Asymmetry*

Aika Monden^{†a} Tomomichi Mizuno^{‡b}

^a Graduate School of Management, Kyoto University

^b Graduate School of Economics, Kobe University

December 23, 2024

Abstract

The existence of common ownership and asymmetry of distribution channels are characteristics of recent supply chains. This study analyzes the impact of these characteristics on input pricing. We consider a market with one supplier and two manufacturers. One manufacturer sells its product in two independent markets, while the other sells its product in only one of the two markets. In our model, a standard understanding of the relationship between common ownership and input price changes in the presence of channel asymmetry. In other words, an increase in the extent of common ownership can lead to an increase in input price. Thus, common ownership may reduce the profits of supplier and manufacturers and consumer surpluses. We also investigate whether this result is robust to several extensions.

JEL codes: L13, D43, G32

Keywords: supply chain management, common ownership, vertical relationship, asymmetric distribution channel

*We thank Noriaki Matsushima and seminar participants at the Industrial Organization and Competition Policy Workshop. The authors also gratefully acknowledge the financial support of the Japan Society for the Promotion of Science (JSPS), KAKENHI Grant Numbers JP20K13618, JP22H00043, JP23H00764, and JP24K04863. The usual disclaimer applies.

[†]Graduate School of Management, Kyoto University, Yoshida, Sakyo-ku, Kyoto, 606-8501, Japan. E-mail: aikamonden@gmail.com

[‡]Graduate School of Economics, Kobe University, 2-1 Rokkodai, Nada, Kobe, Hyogo, 657-8501, Japan. E-mail: mizuno@econ.kobe-u.ac.jp