Abstract

The emerging field of data analytics and the increasing importance of data and information in decision making has created a large market for buying and selling information and information-related services. In this market, for some types of information products, it is common for a consumer to purchase the same type of information product from multiple sources. In other situations, a consumer may buy different types of information products from different sources and synthesize the information. On the seller side, bundling of different types of information products appears to have emerged as a key design strategy to improve profitability. This paper examines bundling decisions of a duopoly in the information market in which each seller offers two (or more) types of information products. A pair of competing information products from the two sellers can be substitutes or complements and consumers may find it profitable to purchase the same type of information from both sellers. We show that bundling by both sellers emerges as the equilibrium outcome when (at least) one competing pair consists of substitutes and (at least) one pair consists of complements. In this case, bundling by both sellers benefits them both by softening the price competition between their offerings. Softening of competition does not occur when all competing pairs in the bundles have only substitutes (complements) even if the degree of substitutability (complementarity) between products within a pair varies across pairs, resulting in an equilibrium in which each information type is sold separately by both sellers.

Keywords: Bundling, pricing, competition, analytical models, information markets