

Submission form to the XVII Conference of SIET, Milano 29 June -1 July

Please, complete and e-mail this form to: siet2015@unibocconi.it

Presenting Author

First name	Family name	Affiliation	e-mail
Alberto	Iozzi	Universita' di Roma `Tor Vergata' e SOAS, University of London	alberto.iozzi@uniroma2.it

Other authors

First name	Family name	Affiliation	e-mail
Ricardo	Flores-Fillol	Departament d'Economia and CREIP, Universitat Rovira i Virgili	ricardo.flores@urv.cat
Tommaso	Valletti	Imperial College London, Universita' di Roma `Tor Vergata' e CEPR	t.valletti@imperial.ac.uk

Title of the presentation

Platform pricing and consumer foresight: the case of airports

Abstract (400-500 words)

Airports have become platforms that derive revenues from both aeronautical and, increasingly, commercial activities. The demand for these services is characterized by a one-way complementarity in that only air travelers can purchase retail goods at the airport terminals. We analyze a model of optimal airport behavior in which this one-way complementarity is subject to consumer foresight, i.e., consumers may not anticipate in full the ex post retail surplus when purchasing a flight ticket. An airport sets landing fees, and, in addition, also chooses the retail market structure by selecting the number of retail concessions to be awarded. We find that, with perfectly myopic consumers, the airport chooses to attract more passengers via low landing fees, and also sets the minimum possible number of retailers in order to increase the concessions' revenues, from which it obtains the largest share of profits. However, even a very small amount of anticipation of the consumer surplus from retail activities changes significantly the airport's choices: the optimal airport policy is dependent on the degree of differentiation in the retail market. When consumers instead have perfect foresight, the airport establishes a very competitive retail market, where consumers enjoy a large surplus. This attracts passengers and it is exploited by the airport by charging higher landing fees, which then constitute the largest share of its profits. Overall, the airport's profits are maximal when consumers have perfect foresight.