

# Researchers reveal suboptimal conditions of platform bundling strategy

6 September 2021, by Liu Jia

The research team led by Prof. YU Yugang from University of Science and Technology of China (USTC) of the Chinese Academy of Sciences, collaborating with Prof. ZHANG Fuqiang from Washington University in St. Louis, studied the optimal bundling strategy of retail enterprises under the platform supply chain structure. The results were published in *Production and Operations Management*.

With the support of the new generation of information technology and [platform](#) economy, "platform" has become a typical feature of modern supply chain.

Previous studies concerning the bundling strategy mostly focused on the problems under the traditional supply chain. In this study, the researchers studied the agency selling of the platform with multi product bundling. Agency selling is a sales model where suppliers pay a commission fee to the platform to gain access and sell directly to consumers.

The researchers found that upstream suppliers would strategically increase the retail price of products to compel the retail platform to use the bundling strategy. In this case, when the commission proportion paid to the retail platform is in the middle range, the profits of the platform would decrease if the platform has bundling capability, compared with the situation without bundling ability. Also, the excessive retail price of suppliers would reduce the residual value of consumers and damage social welfare.

Based on this finding, the researchers proposed that the platform promises not to bundle sales in advance to eliminate the negative effect of bundle sales ability on retail platforms and consumers and to improve social welfare.

This study reveals the suboptimal feature of bundling strategy in the operation of retail platform

theoretically, which benefits the platform supply chain management. The construction and optimization of platform supply chain is not only one of the major national strategies, but also an important content in the proposals for formulating the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035.

**More information:** Xiaolong Guo et al, Optimal Bundling Strategy for a Retail Platform Under Agency Selling, *Production and Operations Management* (2021). [DOI: 10.1111/poms.13366](https://doi.org/10.1111/poms.13366)

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