Abstract

More often we see firms in seemingly unrelated markets either merging or forming alliances which, among other things, allow them to bundle their products. Grocery stores in different countries, for example, offer their customers discount vouchers (fuelperks!) that can be redeem when purchasing fuel at a particular gas station chain. In this paper, we study the static and dynamic (i.e., the possibility of sustaining collusion) implications of having firms, either through conglomerate mergers or alliances, implementing non-linear pricing schemes for otherwise unrelated products. Bundling is always present in competition but unlikely in a cartel agreement. Bundling allows the cartel to generate higher profit -sometimes charging a premium rather a discount for the bundle when preferences are positively correlated- but also makes deviation from the collusive agreement far more attractive. Depending of the correlation of preferences, the deviation effect is either complemented with a milder punishment (for positive correlations) or partially offset with a harsher punishment (for negative correlations). The deviation effect is so strong that it is unlikely to be fully offset even when the punishment is reversion to zero profit (perfectly negative correlation).