Drugs, Showrooms and Financial Products:  
Competition and Regulation when Sellers Provide  
Expert Advice

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Abstract

We consider a market in which sellers can exert an information-gathering effort to advise  
buyers about which of two goods best fits their needs. Sellers may steer buyers towards the  
higher margin good. We show that for sellers to collect and reveal information, profits on  
both goods must be sufficiently close to each other, i.e., lie within an implementability cone,  
which competition or regulation may ensure. Instruments to do so vary with the context.  
Controlling market power while improving the quality of advice is more difficult when sellers  
have private information on the profitability of the goods.

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