

## **Where to enter in hub-spoke networks?**

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### **Abstract**

This paper investigates whether entering one spoke or rim route of an incumbent's hub-spoke networks is preferable for entrants. The spoke market size is generally larger than the rim market size. In the rim market, the scales of demands for the substitutive connecting and direct routings are different. Passengers differentiate flights of carriers. We demonstrate that interesting case, entering the route with smaller scale of demand is comparatively profitable, occurs. Furthermore, while entry on the spoke route is always socially preferable, entrants prefer to enter the rim route if the scale of demand for the direct routing is large enough. Keywords: hub-spoke network, entry route, the scale of demand, product differentiation

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