Earlier competition on discount tickets[*]

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Abstract

In this article, we consider how an early option to purchase tickets affects on the competition between two airlines. We consider that airlines can set their prices of tickets two times: before and after a passenger knows precisely her schedule. We focus on the relationship between passengers' behaviors and competition over flight schedules and prices between two airlines. We obtain two results; 1. Expected profits of both firms are identical in any subgame perfect equilibrium outcome, 2. Every equilibrium flight operates on the most efficient interval in terms of a passenger.