Abstract

This paper discusses brand firms' endogenous timing choice when facing non- brand firms. We study a market which consists of brand products and non- brand products. There exist two groups of consumers: one buy only brand products while the other buy whatever is cheaper. Brand firms can choose to produce in either period 1 or period 2 while non- brand firms can only produce in period 2. One important feature of this market is that, when the price of brand products is low enough, brand firms can supply both consumer groups. We show that, brand firms' timing choice affects market price of both brand and non- brand products. There are two main results in our paper: first, when brand firms face a low- end market whose size is relatively small, one of them is willing to give up leadership; second, when the low- end market size is relatively large, both brand firms are better off if they give up leadership together, though, they would never do so. Thus, brand firms should not always take leadership together.