

Opening Hours and Quality Choices

Very Preliminary

Mai Yamada*

Graduate School of Economics

Osaka University

January 21, 2014

Abstract

Using a duopoly model with symmetric retailers, we show that retailers' strategies related on opening hours and quality choices of goods vary depending on the cost structure of quality investment in goods. In the case of the cost being constant regardless of the length of opening hours, a retailer with longer opening hours chooses his/her higher quality and charges his/her higher prices. On the other hand, in the case of the cost increasing proportional to opening hours, a retailer with longer opening hours chooses his/her lower quality and charges his/her lower prices. The latter case is consistent with Japanese retailers' behaviors.

JEL Classification: L13; L51; R32

Keywords: Duopoly; Opening hours; Multi-dimensional product differentiation

*Address: 1-7, Machikaneyama, Toyonaka, Osaka 560-0043, Japan. Email: maiyamada0820@gmail.com