Technology transfer in the market with heterogeneous consumers (Tentative)*

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Abstract

The purpose of the paper is to explain why some firms may transfer its technology to rival firms without direct compensation. We consider a Hotelling market with duopolists, who sell products with different qualities. The market consists of heterogeneous consumers, who are decomposed into two groups in terms of the valuation for product quality. We show that when the consumers' preferences for the product quality are sufficiently heterogeneous, high quality firm benefits from the quality-enhancing technology transfer. Furthermore, we extend the model to a circular city with four firms and show that a firm can benefit from the technology transfer to *direct competitors* rather than an indirect competitor.

Keywords: Technology transfer, Competitor collaboration, Consumer heterogeneity

JEL Classification Numbers: L24, L41, M21

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