

A note on Multi-Store Paradox

Kosuke Hirose*

Graduate School of Economics, The University of Tokyo

January 22, 2015

Abstract

We theoretically support the existence of the equilibrium in which establishing multi-store exists in a variety of a circular city model. In previous works, it is not credible for an incumbent to establish multiple stores as an entry deterrence. This kind of phenomenon is called as 'multi-store paradox.' We solve the problem by incorporating multi-store two incumbents into a four-location-then-price model and show that the incumbents can deter an entrant by establishing multiple stores while a monopolistic incumbent can not.

JEL classification numbers: C72, D43, L13,

Keywords: multi-store competition, spatial preemption, circular-city model, spatial competition

* Correspondence author: Kosuke Hirose, Graduate School of Economics, The University of Tokyo, 7-3-1, Hongo, Bunkyo-ku, Tokyo, 113-0033, Japan. E-mail: 2223389948@mail.ecc.u-tokyo.ac.jp