

Profitable Competition: a Multi-Product Firm Case *

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Abstract

This work ascertains whether competing firms can benefit from intensifying competition or not. To show this, we use a multi-product firm (MPF) model with vertical relations between buyers and sellers. We find that if firms procure products by those exclusive suppliers, those downstream firms may benefit from intensifying competition. This is because supplying multiple goods can give the firm a chance to obtain the positive wholesale price down effect dominating the negative business-stealing effect. This result can be seen both in Cournot and Bertrand competition.

JEL classification: L13; D43

Keywords: product differentiation, multi-product firm (MPF), Cournot and Bertrand Competition, double marginalization, exclusive supply

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