

Asymmetric Product Line and Multi-homing ^{*}

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Abstract

This study examines vertical relationships in which an monopolistic upstream producer supplies a product through downstream distributors to consumers, who may access multiple distributors (i.e., multi-homing). We show that the upstream firm deals with only one of distributors exclusively without any contractual arrangements since exclusive supply induces more consumers to multi-home, which increases both the producer's and distributors' profit. We also show that forcing non-exclusive supply on the producer can worsen welfare due to the reduction of multi-homing consumers.

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^{*}Preliminary. Any comments are highly appreciated.

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