

The Effect of Multi-brand Strategy in Entry Game: Evidence from Japanese Restaurant Industry

Hideyuki Tomiyama

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Abstract

In this paper, I develop an empirical entry model of restaurants, incorporating multi-brand strategies. To deal with a large action space, my model is based on the profit inequality approach developed by Pakes, Porter, Ho, and Ishii (2015). As a result, I find that cannibalization effect between the same brand shops is larger than that between different brand shops. Furthermore, I implement a counterfactual experiment in which the most dominant firm could use only one of their brands. The result suggests that multi-brand strategy increase the market share of the firm and decrease that of other firms significantly. In other words, the multi-brand strategy plays an important role in blocking other firms' entry because multi-brand firms can mitigate cannibalization and fill product space effectively.

Keywords: Multi-brand strategy. Entry game. Profit inequality.