Competing suppliers under price sensitive demand with a common retailer

Abstract
Pricing strategy is extremely important in commoditization. Commoditized products such as drinking water and generic pharmaceutical products are generally considered to be indifferent among manufacturers and can be easily substituted with similar products by competitors. Price is the only factor influencing consumers' decisions. The goal of this study is to investigate and present a price sensitive linear demand model that is more intuitive and interpretable with respect to the effects of competitor price and different bargaining power scenarios. In this model, a duopoly manufacturer and a common retailer are studied under the Manufacturer Stackelberg, Retailer Stackelberg and Vertical Nash scenarios. The results of this study are compared with existing linear demand models in previous studies.

Author Keywords
Bargaining power; Channels of distribution; Competition; Game theory; Oligopoly

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