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THE MODEL OF THE LINEAR CITY UNDER TRIANGULAR DISTRIBUTION OF CONSUMERS

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Abstract
This paper presents a model of oligopolistic competition in presence of horizontal differentiation of goods, under a triangular distribution of consumers. The triangular distribution represents a case of concentration of consumers around the central location. The main result is that a good deal of differentiation among goods can be achieved in equilibrium also under such assumption concerning the consumers’ distribution. This means that the incentive to differentiate prevails on the incentive to hold the central location, even if consumers are concentrated in the central location. The analysis based on an empirical case-study is presented, concerning the choice of beverage retails in a town. The empirical evidence is consistent with the theoretical model.

Keywords: horizontal product differentiation, Hotelling, maximum differentiation, minimum differentiation.

REFERENCES