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Corrigendum to "Product Line Strategy within a
Vertically Differentiated Duopoly"
[Econom Lett.137 (2015) 114-117]

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Corrigendum to "Product Line Strategy within a Vertically Differentiated Duopoly" [Econom Lett. 137 (2015) 114-117]

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Kitamura and Shinkai (KS, (2015)) present Propositions 2 and 3 that characterize graphically firms' product line strategies through the quality superiority and the relative cost efficiency ratios in page 116. However, we find some typos to be corrected in these propositions. The classification of product line strategy presented in Figure 1 in KS is correct. All other description in KS is also correct. Therefore, the typos of Propositions 2 and 3 in KS should be corrected as follows:

Proposition 2 *In the duopoly equilibrium derived above, the next inequalities hold among the outputs of high-quality good and low quality good of each firm:*

$$\begin{aligned} 0 &< q_{2H}^* < q_{1L}^* < q_{1H}^* \leq q_{2L}^* \text{ for } (2c_{2H} - 1 + r)/r < \mu \leq (c_{2H} + 1 + r)/r \text{ and } 1 < c_{2H} < 2 \text{ (I)} \\ 0 &< q_{1L}^* < q_{2H}^* < q_{2L}^* < q_{1H}^* \text{ for } (c_{2H} + 1 + r)/r < \mu < (2(2c_{2H} - 1) + r)/r \text{ and } 1 < c_{2H} < 2 \text{ (II)} \\ 0 &< q_{1L}^* < q_{2L}^* \leq q_{2H}^* < q_{1H}^* \text{ for } (2(2c_{2H} - 1) + r)/r \leq \mu \text{ and } 1 < c_{2H} < 2 \text{ (III)}, \end{aligned}$$

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where the Roman numbers in the equations above stand for the Area numbers in Figure 1.

Proposition 3 *In the duopoly equilibrium derived above, we see that*

$$\begin{aligned}
q_{1L}^* &= 0 < q_{2L}^* < q_{2H}^* < q_{1H}^* \text{ for } (2(2c_{2H} - 1) + r)/r < \mu \text{ and } 2 < c_{2H} \text{ (VI)} \\
q_{1L}^* &= 0 < q_{2H}^* < q_{2L}^* < q_{1H}^* \text{ for } (2c_{2H} - 1 + r)/r < \mu < (2(2c_{2H} - 1) + r)/r \text{ and } 2 < c_{2H} \text{ (V)} \\
q_{2H}^* &= q_{1L}^* = 0 < q_{1H}^*, q_{2L}^* \text{ for } 1 < \mu < (2c_{2H} - 1 + r)/r \text{ and } 2 < c_{2H} \text{ (IV)} \\
q_{2H}^* &= 0 < q_{1L}^* < q_{1H}^* < q_{2L}^* \text{ for } 1 < (2(2 - c_{2H}) + r)/r < \mu < (2c_{2H} - 1 + r)/r, \\
5/4 &< c_{2H} < 2 \text{ (VII)} \\
q_{2H}^* &= 0 < q_{1H}^* < q_{1L}^* < q_{2L}^* \text{ for } 1 < (2 + r - c_{2H})/r < \mu < (2c_{2H} - 1 + r)/r, \\
\mu &< (2(2c_{2H} - 1) + r)/r \text{ and } 1 < c_{2H} < 2 \text{ (VIII)} \\
q_{2H}^* &= q_{1H}^* = 0 < q_{1L}^* < q_{2L}^* \text{ for } 1 < \mu < (2 + r - c_{2H})/r \text{ and } 1 < c_{2H} < 2 \text{ (IX)},
\end{aligned}$$

where the Roman numbers in the equations above stand for the Area numbers in Figure 1.

References

- [1] Kitamura, R. and T. Shinkai (2015), “Vertical Differentiation with Cournot Competition,” *Econom. Litte.* , 137 (2015) 114-117.