

## **A/ ASSIGNMENT RECAP**

- Prepare a **15-minute presentation** analyze consumer behavior and competition in a particular industry, incorporating data analysis and economic models like Hotelling, to provide recommendations for a company

Suggested Structure:

**I. Introduction (Suggested 1 slide)**

**II. Analysis**

**A. Consumers' preferences (Suggested 7-8 slides)**

**1. Factor Identification**

**2. Data Analysis**

**B. Hotelling competition (Suggested 11-12 slides)**

**C: Guest Lecture (Suggested 11-12 slides)**

**III. Discussion and Recommendation (Suggested 15-16 slides)**

**IV. Conclusion (Suggested 1 slide)**

## **B/ KEYWORD EXPLANATIONS**

### **1. Hotelling model**

The Hotelling model analyzes spatial competition between firms selling differentiated but similar products. It assumes consumers are distributed uniformly along a line representing product variants. Firms choose locations along this line to balance proximity to competitors versus differentiation. Closer locations allow poaching of some rival customers but reduce differentiation. The model shows how competition can lead to minimal differentiation in equilibrium, as firms locate close together to attract the 'indifferent consumer' at the midpoint between them.

### **2. Indifferent consumer**

In the Hotelling model, the consumer who is indifferent between purchasing from the two firms, is located at the point where they are equidistant.

### **3. Profit Function**

A profit function calculates economic profit as total revenue minus total costs, typically expressed as a function of output quantity to analyze profit maximization.

### **4. Best response function**

In game theory and competition models, a firm's best-response function gives its profit-maximizing output level in response to competitors' outputs. It incorporates strategic interdependence.

## **5. Nash equilibrium**

In game theory, a Nash equilibrium is an outcome where each player's strategy is optimal given the strategies of all other players. No player has an incentive to unilaterally deviate.

## **6. Consumer behavior**

How consumers make purchasing decisions based on preferences, budget constraints, product information, and other factors like demographics.

## **7. Demand factors**

Attributes of a product or market that influence consumer demand such as price, quality, convenience, and brand image.

## **8. Equilibrium price**

The equilibrium price is the market price established through supply and demand interactions. At the equilibrium price, the quantity demanded by consumers equals the quantity supplied by firms.

## **9. Equilibrium profits**

Equilibrium profits are the maximum economic profit a firm earns by optimizing output where marginal revenue equals marginal cost. Equilibrium profits depend on market structure - more competitive markets drive them toward zero while less competitive markets allow sustained positive profits.

## **10. Marginal Cost**

Marginal cost is the additional cost incurred to produce one extra unit of output. Firms maximize profit where marginal revenue (extra revenue from selling another unit) equals the marginal cost of producing that unit.

## **11. Price elasticity of demand**

How consumer quantity demanded responds to changes in price.

## **12. Consumer utility:**

Satisfaction derived from consuming goods and services.

## C/ FOOD FOR HUNGRY THOUGHTS

- Convenience Stores in Vietnam: Exploring Growth Opportunities (Vietnam Investment Review): <https://vir.com.vn/convenience-stores-in-vietnam-exploring-growth-opportunities-91704.html>
- The Battle for Vietnam's Convenience Store Market (Nikkei Asia): <https://asia.nikkei.com/Business/Business-trends/The-battle-for-Vietnam-s-convenience-store-market2>
- Inside the Fight for Vietnam's Lucrative Convenience Store Market (VnExpress): <https://e.vnexpress.net/news/business/companies/inside-the-fight-for-vietnam-s-lucrative-convenience-store-market-4337570.html>
- Competitive Effects of Store Brands (Journal of Marketing Research): <https://journals.sagepub.com/doi/abs/10.1509/jmkr.48.5.696.19198>
- Spatial Competition and Market Share: An Application to Motion Pictures (RAND Journal of Economics): <https://www.jstor.org/stable/2555988>
- Competition in Retail Markets (Journal of Economics and Management Strategy): <https://onlinelibrary.wiley.com/doi/abs/10.1111/jems.12495>
- Thao D (2020) 'How Convenience, Price, Store Layout and Technology Influence Buying Behavior of Different Millennial Groups in the Convenience Stores in Vietnam', VNU Journal of Science: Economics and Business, 36(2):39-51, doi:10.25073/2588-1108/vnueab.4374.