

*The Hong Kong Polytechnic University*  
*Department of Logistics and Maritime Studies*  
*Research Seminar*

## **The Bright Side of Having an Enemy**

by

**Prof. Baojun JIANG**  
**Associate Professor of Marketing**  
**Olin Business School**  
**Washington University in St. Louis**

(joint work with Mushegh Harutyunyan)

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**Time: 10:30am - 11:30am**

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**The Hong Kong Polytechnic University**

**(Conducted in English)**

### **Abstract:**

Conventional wisdom suggests that more intense competition will lower firms' profits and that a firm will prefer no competition in the market if possible. We consider a market with two quality-differentiated manufacturers selling through independent exclusive retailers. Our analysis shows that a manufacturer and its retailer can actually both become *worse off* if their competing manufacturer and retailer exit the market. Put differently, more intense competition in the market can be all-win for the manufacturers, the retailers, and the consumers. Interestingly, the high-quality manufacturer can benefit from an increase in its competitor's quality, even if that increase is costless; in other words, a firm may prefer a strong rather than weak enemy. These results suggest that a manufacturer's profit may increase when the perceived quality of its competitor's product increases, e.g., due to favorable product reviews from consumers or third-party rating agencies, and that the manufacturer may have an incentive to help its competitor to improve product quality or to remain in the market.

*Key words:* competitive strategy, channel, double marginalization, pricing

### **Bio:**

Baojun Jiang is an associate professor of marketing at the Olin Business School at Washington University in St. Louis. He received a B.A. in economics and physics from Grinnell College, an M.S. in physics and an M.S. in electrical engineering from Stanford University, an M.B.A. from the University of Texas at Austin, and an M.S. and Ph.D. in information systems from Carnegie Mellon University. His current research interests include the sharing economy, platform-based business models, channels, innovations, competitive strategy, behavioral economics, and marketing-operations interface. His research has been published in top-tier journals such as *Marketing Science*, *Management Science*, *Journal of Marketing Research*, and *Production and Operations Management*. He was selected as a 2017 MSI Young Scholar by the Marketing Science Institute, and serves on the Editorial Review Boards of *Journal of Marketing Research* and *Marketing Science*.

Please email to [winnie.wy.tang@polyu.edu.hk](mailto:winnie.wy.tang@polyu.edu.hk) for enquiries.

**All are welcome!**