WORKSHOP

PARIS GAME THEORY SEMINAR : "FIRMS TESTING VS CONSUMER FEEDBACKS"

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Institut Henri Poincaré (IHP), 11 rue Pierre et Marie Curie, Paris 75005

Organisateurs : CEPS, CNRS, HEC Paris, LAMSADE, PSL, LEMMA, Université Paris-Panthéon-Assas, CEREMADE

This paper studies how firms trade off market sales and laboratory testing when they are uncertain about product safety. We develop a model of strategic experimentation in which firms learn publicly through costly laboratory tests as well as through consumer feedback generated by market sales. A standalone firm enters the market while making negative profits, thereby engaging in market experimentation, and continues laboratory testing for some time after entry. With multiple firms, informational externalities lead to free-riding and thus to less experimentation (both in the laboratory and in the market) overall. We also examine market-authorization regulations that restrict entry into the market.

The organizers Michael Greinecker, Frédéric Koessler, Maël Le Treust, Christina Pawlowitsch and Yannick Viossat.
Game Theory Seminar IHP