

Accepted Manuscript

Title: What Drives the Market Share Changes? Price versus Non-Price Factors

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PII: S0954-349X(16)30055-8
DOI: <https://doi.org/10.1016/j.strueco.2017.12.001>
Reference: STRECO 690



To appear in: *Structural Change and Economic Dynamics*

Received date: 20-7-2016
Revised date: 23-9-2017
Accepted date: 20-12-2017

Please cite this article as: Benkovskis, Konstantins, Wörz, Julia, What Drives the Market Share Changes? Price versus Non-Price Factors. *Structural Change and Economic Dynamics* <https://doi.org/10.1016/j.strueco.2017.12.001>

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What Drives the Market Share Changes? Price versus Non-Price Factors¹

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Highlights

- The contribution of taste and quality to export market shares is substantial.
- Developing countries experience impressive gains in taste and quality.
- All G7 countries suffer losses in taste and quality.
- This can be partially related to the international fragmentation of production process.

Abstract

The paper proposes a theoretical framework for explaining gains and losses in export market shares by considering both price and non-price determinants. Starting from a demand-side model à la Armington (1969), we relax several restrictive assumptions to evaluate the contribution of unobservable changes in non-price factors (e.g. taste and quality), taking into account differences in elasticities of substitution across product markets. Using highly disaggregated annual trade data from UN Comtrade between 1996

¹ This paper presents research conducted within the ESCB Competitiveness Research Network (CompNet). The views expressed in this research are those of the authors and do not necessarily reflect the official viewpoints of Latvijas Banka or Oesterreichische Nationalbank. The authors would like to thank Rudolfs Bems, Chiara Osbat, Georg Strasser, participants of the BOFIT research seminar on 14 May 2013, the 15th ETSG Annual Meeting in Birmingham on 12–14 September 2013, EEA 2014 annual congress on 25–29 August 2014, and ECB internal research seminar on 25 April 2016, and to assume responsibility for any errors and omissions.

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