

## Accepted Manuscript

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PII: S1059-0560(16)30081-8  
DOI: doi: [10.1016/j.iref.2016.08.003](https://doi.org/10.1016/j.iref.2016.08.003)  
Reference: REVECO 1290

To appear in: *International Review of Economics and Finance*

Received date: 17 June 2016  
Revised date: 14 August 2016  
Accepted date: 15 August 2016



Please cite this article as: Chen, C.L., Liu, Q., Li, J. & Wang, L.F.S., Corporate social responsibility and downstream price competition with retailer's effort, *International Review of Economics and Finance* (2016), doi: [10.1016/j.iref.2016.08.003](https://doi.org/10.1016/j.iref.2016.08.003)

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## Corporate Social Responsibility and Downstream Price Competition with Retailer's Effort

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**Abstract:** This paper examines the optimal degree of upstream firms' concern over CSR and its influences in a vertically related market with imperfect substitute products. The setting is composed of two profit-maximizing downstream and two upstream firms in which one of them or both may act consumer-friendly. It considers wholesale versus retail pricing strategy of upstream firms with retailer's effort in a simultaneous game under such setting. It shows that under different pricing rules, the impacts of a higher upstream firms' concern over CSR on market equilibrium outcomes either with symmetric case (two consumer-friendly upstream firms) or asymmetric case (one consumer-friendly upstream firm) are different. In particular, it finds that higher concern over CSR is beneficial to upstream consumer-friendly firm(s) both under wholesale pricing and retail pricing, except in the case of one consumer-friendly upstream firm with strategic leverage under retail pricing, who will benefit. It also compares the corresponding consumer and social welfare under different pricing rules and finds that the retailers' efforts play a key role.

**Key Words:** Corporate Social Responsibility; Vertically Structure; Retailer's Effort; Pricing Rule; Social Welfare

**JEL Classifications:** D21, L12, L13, L22, L81, M14

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