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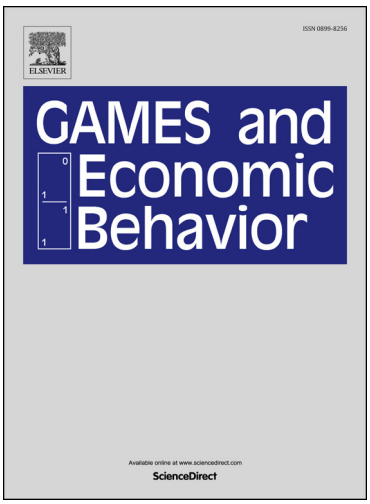

Price competition in product variety networks

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Highlights

- We develop a product-differentiated model where the product space is a network.
- The location of each consumer (node) corresponds to her ideal variety.
- We show that there exists a unique Bertrand-Nash equilibrium.
- Prices are determined by both the firms' sign-alternating Bonacich centralities and the average willingness to pay across consumers.
- Denser networks do not always increase welfare.

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