

WHY DO COMPETING BUSINESSES OPEN UP NEXT TO ONE ANOTHER? NASH EQUILIBRIUM IN OPENING HYPERMARKETS IN BUCHAREST

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Abstract: *Modern Game Theory can be applied in various social and economic situations where the decision made by a single individual is based on the decisions made by others. Companies started to apply these principles in making different management decisions, like opening a new retail center. This paper focuses on the study of the rationale behind the decision of opening a new food retail store very close to the main competitors by applying the Nash Equilibrium in a normal form game with complete information and its extension to the Hotelling model. Early 2017, 36 hypermarkets were operating in Bucharest (Kaufland, Cora, Auchan and Carrefour), all located at a minimum average distance of 2,83 km from one another. Each store serves more than 50.000 people. Most of the stores are placed in the south side of the city. Kaufland is the chain with the highest market share and operating profit in Romania, having the most stores in proximity of other competitors.*

Key words: consumer behavior; hypermarket; Hotelling model; Nash Equilibrium
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