

On Advertising Adjustment Costs and Dynamic Advertising Competition

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Abstract

This study considers the fact that the tourist's utility can be influenced by the number of tourists. By using the bandwagon and snob effects of Leibenstein(1950) and the concepts of conformity and vanity of Grilo, Shy and Thisse(2001), the study analyzes the case where the firm exerts the differentiating tip charging policy and how the policy affects the tourist's travel price and the firm's profit.

Keyword : Tips, Bandwagon effect, Snob effect, Travel price