

# Effects of Variety-seeking Recreation Behavior on Pricing Policies and Social Welfare in the Recreation Industry

李堯賢, 陳惠君

Finance

Management

hsien@chu.edu.tw

## Abstract

In this paper, we present a two-stage game to analyze how a firm prices its two recreation activities in the presence of tourists' variety-seeking recreation behavior in the recreation industry. The concept of the subgame perfect Nash equilibrium is applied to solve the two-stage game. We study and compare the prices, the number of tourists, profits of the firm, consumer surplus and social welfare under the two pricing policies. We find that the firm's profit, consumer surplus and social welfare are lower under the single pricing policy, which does not take tourists' variety-seeking recreation behavior into account in the process of pricing decision. We also conduct numerical simulations to illustrate the theoretical implications of tourists' variety-seeking recreation behavior.

Keyword : Variety-seeking recreation behavior, Pricing, Social welfare, Recreation industry