

Seminar

“Consumers' Trust of Multi-attribute Experience-goods Seller”

(in English)



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Date: 16 November 2017 (Thursday)

Time: 4:00pm – 5:30pm

Venue: WYL314, Dorothy Y. L. Wong Building

Abstract: This paper presents a dynamic model for a monopolist who sells experience goods with both search and experience attributes. Two attributes are interdependent in consumers' valuation. We call them complements (substitutes) if an increase in one attribute raises (lowers) the marginal value of the other attribute. Unlike in standard experience goods settings, deviation in quality typically takes two steps to complete, and in case of substitutes, deviation is preceded by a V-shaped quality trend. In equilibrium, the search attribute increases in the seller's discount factor when two attributes are complements, but decreases in the seller's discount factor when two attributes are substitutes. Commitment to the search attribute facilitates the seller's ability to gain consumers' trust for his product's experience attribute. Quality commitment can be implemented through the familiar minimum quality standard when the attributes are complements, but not when they are substitutes.

Biography: Yuk-fai Fong is Professor of Economics and Director of Center for Experimental Business Research at Hong Kong University of Science and Technology Business school. His research interests are Industrial Organization and Applications of Repeated Games. Professor Fong has published his work in Journal of Political Economy, Review of Economic Studies, International Economic Review, RAND Journal of Economics, Journal of Economic Theory, and Games and Economic Behavior. Professor Fong is an Editor of B.E. Journal of Theoretical Economics and Associate Editor of International Journal of Industrial Organization.

All Are Welcome

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