



Keio Business School

Price Competition Game

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This game is designed for players to experience how prices change when there is price competition, and how companies participating in price competition behave. Similar to the “Setting the Price of a Special Mixed Gas,” this game assumes the following situation.

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The game is played in groups of 3–7 players. If there are eight or more participants, please divide them into multiple groups. The ideal number of players in each group is 4–6. During the game, each group represents a single industry, and the players in that group represent companies in the industry.

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Players engage in price competition within their respective group (industry). Each industry is competing in the market for special mixed gas, and each company determines the price of its own product. A company’s profit margin equals its price less a unit cost of 80 yen. The price each company sets determines its market share, which determines its profit. Market share and profit are determined as follows.

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1. First, each company declares the current price of its own product. Any industry-accepted practice can be used to declare prices, including players submitting their prices in writing, each player taking turns to state their price, or all players yelling out their prices at once on the count of three.
2. Calculate the simple average of the declared prices.
3. Any company that has declared a price exactly equal to the average shall receive the average market share. This is 25% if there are four companies in the industry, 20% if there are five companies, or 16.7% if there are six companies. As for other companies, for each 1 yen lower than the average price, their market share shall rise 2 percentage points. Conversely, for each 1 yen higher than the average price, their market share shall fall 2 percentage points.

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