

# **Shopping, Shipping, and Spatial Competition with Price-Taking Firms**

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## **Abstract**

We consider a price-taking equilibrium in the spatial setting for a broad class of shopping and shipping models (in shopping models transport costs are independent of purchases; in shipping models they are proportional to purchases). A (unique) pricing equilibrium is shown to exist for any set of firm locations. This equilibrium is then used to examine locational incentives in the two-stage process whereby firms first choose locations anticipating the subsequent price-taking outcome. The outcome is spatial agglomeration if demand is sufficiently inelastic and there are only two firms: agglomeration does not occur otherwise.