

Local Market Competition in Retail Service Industries (Tentative)
– Case studies of the Japanese Movie Industry –

Abstract

This study conducts two empirical analyses about the local market competition in the Japanese movie theater market.

First, we construct a model of consumers' demand for movies which incorporates the distance between consumers and theaters, and empirically study the local market competition in the Japanese movie theater market, utilizing micro data on the Japanese movie theaters and the Grid Square Statistics data. The estimation results of marginal effects of price change imply that, in the movie theater market, theaters compete with more nearby theaters. Moreover, according to the results of SSNIP test about the definition of local movie theater market, except for a very small portion of theaters, mergers among movie theaters will not lessen market competition and will not reduce consumers' welfare drastically.

Second, we conduct an econometric analysis about the local market competition of the Toho-Subaru merger case in which the court judged about the bounds of local movie theater market. The empirical results reveal that rival theaters far apart from a centered theater had statistically significant negative effects on the price of that theater. On the other hand, different theaters of the same owner negatively affected on price, but only theaters within 10km from the centered theater had statistically significant effects. These results suggest that the minimum local movie theater market in Tokyo in the early 1950s was a 10km circle around theaters, possibly larger. Hence, the Tokyo High Court seems to have defined a somewhat smaller geographic range of a particular field of trade than the actual one.

In Japan, geographic information data systems, such as Grid Square Statistics, are available, and it is fairly easy to measure distance through longitude and latitude, using free Internet services. The effective applications of empirical frameworks like this study enable us to precisely assess competition in retail service market.

* The views expressed in this study are ours, and do not reflect the views of the Competition Policy Research Center, or the Japan Fair Trade Commission. Needless to say, all remaining errors are ours.