

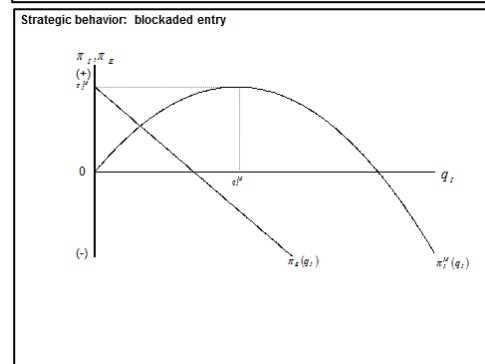
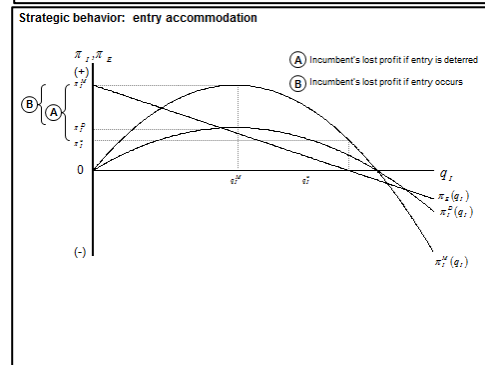
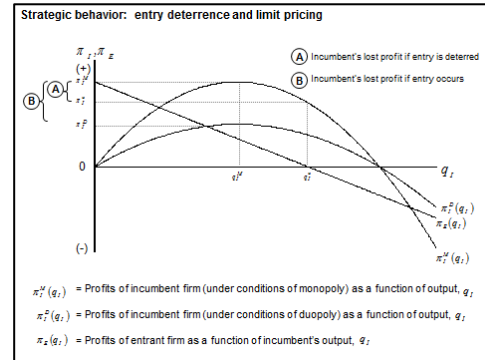
1.7: Entry Deterrence and Predation

Three entry deterrence strategies:

- Capacity expansion / preemption
- Product proliferation
- Long-term contracts

Model of entry deterrence:

- Entry accommodation
- Blockaded entry



- Predatory Behavior**
- Deep pockets or "long purse" theory
 - "Reasonable" pricing
 - Areeda-Turner test
 - Recoupment
 - The policy dilemma

Predatory behavior key concepts:

- Long purse theory
- Low-cost signaling
- Reputation for toughness
- Areeda-Turner test
- Recoupment

Relevant exercises: Problem Set 1, exercise 10.