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The effect of information on product quality: Evidence from restaurant hygiene grade cards

This study was conducted in Los Angeles, December, 1997 that their local government required the restaurant to display the grade cards which were examined by the department of Health and Services to evaluate the increasing in the product information to consumer cause firms to improve the quality or not? Before introducing hygiene grade cards, the revenue of restaurant was insensitive to the changes of the hygiene cards but when restaurant can obtain the grade cards the result changed. The higher level of the card that restaurant obtained, the higher revenue the restaurant got. The 3 mains conclusion from grade cards are firstly, grade cards can cause an increasing in inspection scores. Secondly, grade cards make people to become sensitive to the quality of restaurant. And lastly, grade cards decrease a chance of infecting in food poisonous. All in all, grade cards did positive in both consumer and restaurant by reducing the information asymmetry of consumer. When the consumer can access to the quality of food, it raises a standard of the restaurant so they need to keep their product quality by maintain their good quality can increase the revenue 5% higher than the lower level of quality cards.

Hub and high fares: Dominance market power in the U.S. Airline industry

This research paper attempts to find the source of market power in the airline industry. They found that firstly, an airline with a large share of traffic on route can create market power without having an umbrella effect that allows the others to raise the price as much. Secondly, the bigger the endpoints of carrier operation, the bigger share on route and its average price. Hub-and-spoke air transport systems allow the efficient use of aircraft and other inputs to develop point-to-point system. Dominated by one or two carriers in the airport leads to a higher air fares for consumer who would like to fly to or from that airport but it doesn’t have spillover effect to the airline which serving in the same airport. The marketing strategy which is FFPs program also be the evident of advantage of airline dominance because it attracts and repeats the business group which create loyalty program to benefit the airline’s route network.