ERRATA

A Model of Sales

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The "density function" given after equation (15) in my article published in this Review, September 1980, is incorrect. This cannot possibly be a correct density function since it cannot integrate to one. I would like to thank Carl Norstrøm of the Norwegian School of Economics and Business Administration for drawing this error to my attention. In fact, this expression gives the probability density that any particular store charges a price \( p \) and \( p \) is the lowest price charged. In order to compute the overall probability that \( p \) is the lowest price charged, we need to sum this probability over all stores. By virtue of symmetry:

\[
f_{\text{min}}(p) = n(1-F(p))^{n-1}f(p)
\]

It can easily be checked that the above formula for \( f_{\text{min}}(p) \) does integrate to one.

This affects the subsequent analysis in the following ways:

1) Formula (16) now becomes:

\[
\bar{p}_{\text{min}} = \frac{M}{I}(r-\bar{p})
\]

2) In Table 1, the minus entry in the last row should be a question mark.

3) The effect described in the last paragraph before Section III may occur, but it does not necessarily occur. That is, more uninformed consumers may confer a beneficial externality on the informed consumers through an increase in the number of stores but this will not necessarily happen. Thus the paradoxical effect described in this part of the article is still present in the correct version of the model, but it is somewhat weakened.

4) The formula given in the text immediately before Section IV involves the expression for \( \bar{p}_{\text{min}} \) and should be adjusted in accordance with the correction given above.

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