Highlights: Network externalities in a quantity setting vertically differentiated luxury goods market

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- This study revisits the analysis of the strength of network externalities and the gap in product qualities in a luxury market.
- We depart from the analysis of the existing literature by considering the quantity competition.
- Demand, price, and profit of the low-quality firm are positively associated with the strength of network externalities.
- Profit-enhancing quality of a low-quality firm is higher in the quantity competition than in the price competition.
- Profit-maximizing quality of a low-quality firm is higher than its social-optimal quality.