

























When  $\beta_1 = \lambda + \Delta P$ ,  $\beta_2^*(\beta_1) = \lambda - \Delta P$ . When  $\beta_2 = \lambda - \Delta P$ ,  $\beta_1^*(\beta_2) = \lambda + \Delta P$ . Hence, we can easily find the equilibrium  $(\beta_1^*, \beta_2^*) = (\lambda + \Delta P, \lambda - \Delta P)$ .

When  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) = \lambda - \Delta P$ . When  $\beta_2 = \lambda - \Delta P$ ,  $\beta_1^*(\beta_2) \neq 1$ . Hence, there's no equilibrium when  $\beta_1^* = 1$ .

When  $\beta_1 = \widehat{\beta}_1$ ,  $\beta_2^*(\beta_1)$  has two possible value:  $\lambda - \Delta P, \widehat{\beta}_2$ . If  $\beta_2 = \lambda - \Delta P$ ,  $\beta_1^*(\beta_2) \neq \widehat{\beta}_1$ . If  $\beta_2 = \widehat{\beta}_2$  and  $\beta_1 = \widehat{\beta}_1$ , we can derive  $\beta_1^* = \lambda + \Delta P$  and  $\beta_2^* = \lambda - \Delta P$  by solving the equations. Hence, we can find the equilibrium  $(\beta_1^*, \beta_2^*) = (\lambda + \Delta P, \lambda - \Delta P)$ .

- (5) When  $0 \leq \lambda - \Delta P < 1$  and  $\lambda + \Delta P = 1$ ,

The optimal strategy of service provider 1:

$$\beta_1^* = \begin{cases} \min\{\widehat{\beta}_1, 1\} & , 0 \leq \beta_2 < \lambda - \Delta P \\ 1 & , \beta_2 = \lambda - \Delta P \\ 0 & , \lambda - \Delta P < \beta_2 \leq 1 \end{cases} \quad (41)$$

The optimal strategy of service provider 2:

$$\beta_2^* = \begin{cases} 0 & , \beta_1 = 0 \\ \min\{\widehat{\beta}_2, \lambda - \Delta P\} & , 0 < \beta_1 < 1 \\ \lambda - \Delta P & , \beta_1 = 1 \end{cases} \quad (42)$$

When  $\beta_2 = \lambda - \Delta P$ ,  $\beta_1^*(\beta_2) = 1$ . When  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) = \lambda - \Delta P$ . Hence, we can easily find the equilibrium  $(\beta_1^*, \beta_2^*) = (1, \lambda - \Delta P)$ .

When  $\beta_2 = 0$ ,  $\beta_1^*(\beta_2)$  has two possible values:  $\widehat{\beta}_1, 1$ . However,  $\beta_2^*(\beta_1) \neq 0$  when  $\beta_1 = \widehat{\beta}_1$  or 1. Hence, there's no equilibrium when  $\beta_2 = 0$ .

When  $\beta_2 = \widehat{\beta}_2$ ,  $\beta_1^*(\beta_2)$  has two possible values:  $\widehat{\beta}_1, 1$ . If  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) \neq \widehat{\beta}_2$ . If  $\beta_1 = \widehat{\beta}_1$ ,  $\beta_2^*(\beta_1)$  has two possible values:  $\widehat{\beta}_2, \lambda - \Delta P$ . From previous discussion we know that when  $\beta_1^* = \widehat{\beta}_1$  and  $\beta_2^* = \widehat{\beta}_2$ , we can get  $\beta_1^* = \lambda + \Delta P, \beta_2^* = \lambda - \Delta P$ . Hence, there's no equilibrium when  $\beta_2^* = \widehat{\beta}_2$ .

- (6) When  $0 \leq \lambda - \Delta P < 1$  and  $\lambda + \Delta P > 1$ ,

The optimal strategy of service provider 1:

$$\beta_1^* = \begin{cases} \min\{\widehat{\beta}_1, 1\}, & 0 \leq \beta_2 < \lambda - \Delta P \\ 0, & \beta_2 = \lambda - \Delta P \\ 0, & \lambda - \Delta P < \beta_2 \leq 1 \end{cases} \quad (43)$$

The optimal strategy of service provider 2:

$$\beta_2^* = \begin{cases} 0, & 0 \leq \beta_1 \leq \lambda + \Delta P - 1 \\ \min\{\widehat{\beta}_2, \lambda - \Delta P\}, & \lambda + \Delta P - 1 < \beta_1 \end{cases} \quad (44)$$

- If  $\lambda + \Delta P < 2$ ,

When  $\beta_2 = 0$ ,  $\beta_1^*(\beta_2)$  has two possible values:  $\widehat{\beta}_1, 1$ . If  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) \neq 0$ . If  $\beta_1 = \widehat{\beta}_1$ ,  $\beta_2^*(\beta_1) = 0$  if  $\widehat{\beta}_1 \leq \lambda + \Delta P - 1$ . Hence, there exists equilibrium  $(\widehat{\beta}_1, 0)$  if  $\widehat{\beta}_1 < 1$  and  $\widehat{\beta}_1 \leq \lambda + \Delta P - 1$ .

When  $\beta_2 = \lambda - \Delta P$ ,  $\beta_1^*(\beta_2) = 0$ . When  $\beta_1^* = 0$ ,  $\beta_2^*(\beta_1) \neq \lambda - \Delta P$ . Hence, there's no equilibrium when  $\beta_2 = \lambda - \Delta P$ .

When  $\beta_2 = \widehat{\beta}_2$ ,  $\beta_1^*(\beta_2)$  has two possible values:  $\widehat{\beta}_1, 1$ . From previous discussion we know that  $\beta_1 = \lambda + \Delta P$  and  $\beta_2 = \lambda -$

$\Delta P$  when  $\beta_2 = \widehat{\beta}_2$  and  $\beta_1 = \widehat{\beta}_1$ , which does not satisfy the domain of incentive level. Hence, there's no equilibrium if  $\beta_1 = \widehat{\beta}_1$ . If  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) = \min\{\widehat{\beta}_2, \lambda - \Delta P\}$ . Hence, there exists equilibrium  $(\beta_1^*, \beta_2^*) = (1, \widehat{\beta}_2)$  if  $\widehat{\beta}_1 > 1$  and  $\widehat{\beta}_2 < \lambda - \Delta P$ .

- If  $\lambda + \Delta P \geq 2$ ,

When  $\beta_2 = 0$ ,  $\beta_1^*(\beta_2)$  has two possible values:  $\widehat{\beta}_1, 1$ . When  $\beta_1 = \min\{\widehat{\beta}_1, 1\}$ ,  $\beta_2^*(\beta_1) = 0$  since  $\min\{\widehat{\beta}_1, 1\} \leq \lambda + \Delta P - 1$ .

Hence, there exists equilibrium  $(\beta_1^*, \beta_2^*) = (\min\{\widehat{\beta}_1, 1\}, 0)$ .

- (7) When  $\lambda - \Delta P = 1$  and  $\lambda + \Delta P = 1$ , i.e.,  $\lambda = 1$  and  $\Delta P = 0$ ,

The optimal strategy of service provider 1:

$$\beta_1^* = \begin{cases} 0, & \beta_2 = 0 \\ \min\{\widehat{\beta}_1, 1\}, & 0 < \beta_2 < 1 \\ 1, & \beta_2 = 1 \end{cases} \quad (45)$$

The optimal strategy of service provider 2:

$$\beta_2^* = \begin{cases} 0, & \beta_1 = 0 \\ \widehat{\beta}_2, & 0 < \beta_1 < 1 \\ 1, & \beta_1 = 1 \end{cases} \quad (46)$$

From the condition, we know that  $\Delta P = 0$  and  $\lambda = 1$ . By substituting them into equation, we can get  $\min\{\widehat{\beta}_1, 1\} = \widehat{\beta}_1 = \beta_2$  and  $\widehat{\beta}_2 = \beta_1$ . When  $\beta_2 = \beta_1 \in [0, 1]$ ,  $\beta_1^*(\beta_2) = \beta_2$ . When  $\beta_1 = \beta_2 \in [0, 1]$ ,  $\beta_2^*(\beta_1) = \beta_2$ . Hence, there exists equilibrium  $(\beta_1^*, \beta_2^*) = (\beta_2, \beta_1)$ .

- (8) When  $\lambda - \Delta P \geq 1$  and  $\lambda + \Delta P > 1$ ,

The optimal strategy of service provider 1:

$$\beta_1^* = \begin{cases} 0 & , 0 \leq \beta_2 \leq \lambda - \Delta P - 1 \\ \min\{\widehat{\beta}_1, 1\} & , \lambda - \Delta P - 1 < \beta_2 < \lambda - \Delta P \\ 0 & , \beta_2 = \lambda - \Delta P \end{cases} \quad (47)$$

The optimal strategy of service provider 2:

$$\beta_2^* = \begin{cases} 0 & , 0 \leq \beta_1 \leq \lambda + \Delta P - 1 \\ \widehat{\beta}_2 & , \lambda + \Delta P - 1 < \beta_1 \end{cases} \quad (48)$$

- If  $\lambda + \Delta P \geq 2$ ,

When  $\beta_2 = 0$ ,  $\beta_1^*(\beta_2) = 0$ . When  $\beta_1 = 0$ ,  $\beta_2^*(\beta_1) = 0$ . Hence, we can easily find the equilibrium  $(\beta_1^*, \beta_2^*) = (0, 0)$ .

- If  $\lambda + \Delta P < 2$ ,

When  $\beta_2 = 0$ ,  $\beta_1^*(\beta_2) = 0$ . When  $\beta_1 = 0$ ,  $\beta_2^*(\beta_1) = 0$ . Hence, we can easily find the equilibrium  $(\beta_1^*, \beta_2^*) = (0, 0)$ .

When  $\beta_2 = \widehat{\beta}_2$ ,  $\beta_1^*(\beta_2)$  has three possible values:  $0, \widehat{\beta}_1, 1$ . If  $\beta_1 = 0$ ,  $\beta_2^*(\beta_1) \neq \widehat{\beta}_2$ . If  $\beta_1 = \widehat{\beta}_1$ ,  $\beta_2^*(\beta_1) = \widehat{\beta}_2$  if  $\widehat{\beta}_1 > \lambda + \Delta P - 1$ . From previous discussion we know that  $\beta_1 = \lambda + \Delta P$  and  $\beta_2 = \lambda - \Delta P$  when  $\beta_2 = \widehat{\beta}_2$  and  $\beta_1 = \widehat{\beta}_1$ , which does not satisfy the domain of incentive level. If  $\beta_1 = 1$ ,  $\beta_2^*(\beta_1) = \widehat{\beta}_2$ . The equilibrium exists if  $\min\{\widehat{\beta}_1, 1\} = 1$  and  $\lambda - \Delta P - 1 < \widehat{\beta}_2 < \lambda - \Delta P$ . However, there's no solution. Hence, there's no equilibrium when  $\beta_2^* = \widehat{\beta}_2$ .