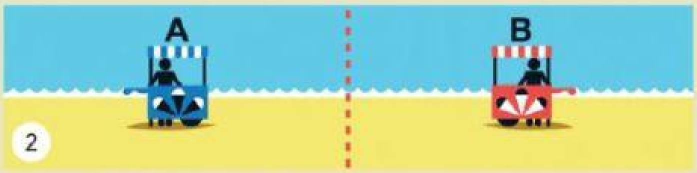
The story of the ice cream sellers

Have you ever noticed that you often find the same kinds of shops together in the same street? Why are they together? Economics gives us one explanation...

Imagine a beach a kilometre long, full of sunbathers. The sun is shining, the sea is warm. An ice cream seller called George arrives. Where does he put his ice cream cart? Obviously, [1]__________, where the sunbathers can easily walk to him and buy an ice cream.

Later that day, a second ice cream seller, Georgina, arrives. George and Georgina talk for a while and decide that the best solution is this: [2]__________, and they each put their ice cream cart in the middle of their half.

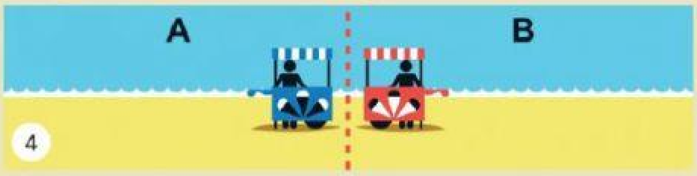


In zone A of the beach the customers go to George, and in zone B they go to Georgina. This is good for the customers, because nobody needs to walk more than 250 metres for an ice cream.

But George isn't happy – he only has 50% of the customers that he had before. So [3]__________.

Zone A is now bigger than zone B, and George has more customers and makes more money, but some of his customers need to walk 500 metres to get their ice cream.

Of course, Georgina sees what George has done, and now she isn't happy – she's going to lose money. So [4]__________, and gets 50% of the customers again.



The result is this:

- George and Georgina end up next to each other.
- They both get 50% of the customers.
- More customers need to walk further for an ice cream.

So what's good for businesses isn't always good for customers.

A she moves to the middle of the beach, too
B he puts it in the middle of the beach
C they divide the beach into two halves, A and B
D he goes back to the middle of the beach