

Consumer Search – Winter Semester 2016

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Lectures: Tuesday 13.15 - 16.30 in designated weeks (see below) in VGSE seminar room.

Starts: Tuesday 4 October 2016

Language: English

Target group: VGSE PhD students

Prerequisites: Game Theory and industrial organization at Masters level

Registration: Through [univis](#).

Readings: articles

Format: The class will meet roughly every other week for one afternoon (Tuesdays from 13.15 – 16.30). On the basis of recent research articles, different topics will be introduced by the lecturer, but the idea is that all participants have read the key articles and that questions and interesting further topics for research are discussed. In addition, participants have to give two short presentations. The first one should cover the research topic, why it is interesting, how it relates to the search literature and what is meant to be added to that literature (without having the results yet). The second presentation should present the results and be based on a written article.

Outside the lectures, participants and lecturer should also discuss ongoing research with each other.

Grading will be as follows. There will be one **midterm** exam, two presentations, and a final research paper. The midterm accounts for 40%, each of the presentations and the final paper for 15%, while the remaining 15% is for in class participation. The purpose is to have a very interactive class where we get to know the relevant literature well, and where we develop new research ideas.

Course outline

Week	Topic	Literature
40	Introduction to consumer search: different versions of the Diamond paradox Traditional solutions to the Diamond paradox: Shoppers (Stahl, 1989) and product differentiation (Wolinsky, 1986)	
41		
42	Search and Learning: The optimality of reservation price strategies	

43		
44		
45	First research presentations	
46	Strategic and non-strategic search frictions	
47		
48		
49	Multi-product search and vertical relations	
50	Prominence and ordered search, product design and long tail	
51 or 2	“Midterm”	
3		
4	Second research presentations, paper hand in	

1. Classics in Consumer Search

G. Stigler. The Economics of Information. *Journal of Political Economy*, 1961, pp. 213-225.

D.O. Stahl. Oligopolistic pricing with sequential consumer search. *American Economic Review*, 79:700-712, 1989.

A. Wolinsky. True monopolistic competition as a result of imperfect information. *The Quarterly Journal of Economics*, 101(3):493{511, 1986.

Other papers:

S. Anderson and R. Renault. Pricing, product diversity, and search costs: a Bertrand-Chamberlin-Diamond model, *RAND Journal of Economics* 30 (4), 1999, pp. 719–735.

M.C.W Janssen and S. Shelegia. Beliefs and consumer search. Technical report, University of Vienna, Department of Economics, 2015b.

2. Learning and Consumer Search

Basic papers:

M. Rothschild. Searching for the lowest price when the distribution of prices is unknown. *Journal of Political Economy*, 82:689-711, 1974.

J.D. Dana. Learning in the equilibrium search model. *International Economic Review*, 35: 745- 771, 1994.

M.C.W. Janssen and A. Parakhonyak. Non-reservation Price Equilibria and Consumer search. Vienna, mimeo.

Other papers:

R. Benabou and R. Gertner. Search with learning form prices: Does increased inflationary uncertainty lead to higher prices. *The Review of Economic Studies*, 60: 69-93, 1993.

Fishman, Arthur. 1996. “Search with Learning and Price Adjustment Dynamics.” *Quarterly Journal of Economics* 111 (1): 253–68.

M.C.W. Janssen, P. Pichler, and S. Weidenholzer. Oligopolistic markets with sequential search and production cost uncertainty. *The RAND Journal of Economics*, 42:444-470, 2011.

M. Tappata. Rockets and feathers: Understanding asymmetric pricing. *The RAND Journal of Economics*, 40:673-687, 2009.

3. Strategic and non-strategic search frictions

Basic papers:

Armstrong, M. and J. Zhou, “[Search Deterrence](#)”, *Review of Economic Studies*, 2016, 83(1), 26-57.

Janssen, M.C.W. and A. Parakhonyak. Consumer search markets with costly revisits. *Economic Theory*, 55:481-514, 2014.

Other papers:

Ellison, G., and A. Wolitzky (2012): .A Search Cost Model of Obfuscation,.*Rand Journal of Economics*, 43(3), 417-441.

Wilson, CM (2010) [Ordered Search and Equilibrium Obfuscation](#), *International Journal of Industrial Organization*, 28(5), pp.496-506,

4. Multi-product Search and vertical relations

Basic papers:

Rhodes, Andrew. 2014. "Multiproduct retailing." *The Review of Economic Studies*,

Zhou, Jidong. 2014. "Multiproduct search and the joint search effect." *The American Economic Review*, 104(9): 2918-2939.

Janssen, M.C.W., Daniel Garcia and Jun Hunda 'The Double Diamond Paradox', *American Economic Journal: Microeconomics* (forthcoming),.

Janssen, M.C.W. and S. Shelegia 'Consumer Search and Double Marginalization', *American Economic Review* 2015 (105, 6): 1683-1710.

Other papers:

S. Shelegia [Multiproduct Pricing in Oligopoly](#)", *International Journal of Industrial Organization*, 30(2), 2012, 231-242.

5. Prominence and ordered search, product design and long tail

Basic papers:

H Bar-Isaac, G Caruana, V Cuñat Martinez, [Search, design and market structure](#), *American Economic Review* 102 (2), 1140-1160.

Armstrong, M., J. Vickers and J. Zhou., "Prominence and Consumer Search", *RAND Journal of Economics*, 2009, 40(2), 209-233.

Other papers:

Athey, S. and G. Ellison, Position Auctions with Consumer Search, *Quarterly Journal of Economics*, 2011, pp. 1213-1270.

Chen, Yongmin and Chuan He. "Paid-Placement: Advertising and Search on the Internet", *Economic Journal*, Vol. 121, F309-F328, 2011.;

Haan, M. and J.L. Moraga-Gonzalez, Advertising for attention in a consumer search model, *Economic Journal* 121, pp. 552-579, 2011