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Consumer Search on the Internet

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Highlights

- Search frictions in online markets are examined using data of consumer's online browsing and transaction behavior.
- The search patterns indicate that consumers visit relatively few firms and exhibit a strong search preference for prominent retailers.
- An equilibrium non-sequential search model is proposed that variation of search intensities at different retailers during consumers' search process.
- Search cost estimates under asymmetric sampling assumption are lower than when assuming consumers sample equally among alternatives.
- Accounting for unequal consumer search reduces search cost estimates in half, from \$1.80 to \$0.90 per search.
- Search cost heterogeneity is examined using a rich set of consumer characteristics and relating them to search patterns, search duration and search costs estimates.
- Estimates indicate that consumer search costs are related to their observable characteristics, such as income, where individuals with income greater than \$100,000 incur relatively higher search costs.

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