

Search and Segregation

Martin Obradovits

PII: S0167-7187(17)30440-X
DOI: [10.1016/j.ijindorg.2017.09.004](https://doi.org/10.1016/j.ijindorg.2017.09.004)
Reference: INDOR 2393



To appear in: *International Journal of Industrial Organization*

Received date: 16 November 2015
Revised date: 27 July 2017
Accepted date: 21 September 2017

Please cite this article as: Martin Obradovits, Search and Segregation, *International Journal of Industrial Organization* (2017), doi: [10.1016/j.ijindorg.2017.09.004](https://doi.org/10.1016/j.ijindorg.2017.09.004)

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Highlights

- I study a duopolistic market in which consumers are segregated according to their willingness to pay
- Consumers only observe their local firm's price, but may search the other submarket at positive cost
- If many consumers are "flexible", paradoxically no search occurs in the unique equilibrium
- Otherwise, there is active search in equilibrium, and firms may employ complex mixedstrategy pricing
- Welfare comparative statics with respect to search costs; optimal regulation; and a model variation with perfect consumer information are considered

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