

Price Dispersion in an Online LCD TV Market*:

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ABSTRACT

This article investigates how price dispersion is affected by product characteristics at a popular Japanese online price comparison site, Kakaku.com. An examination of 21,202 prices of LCD TVs, which were first listed on Kakaku.com from November 15, 2004 to December 9, 2005, reveals that price dispersion increases at an early stage of the product life cycle, and then decreases later. We also show that the price dispersion among expensive products is smaller than that among cheaper products. These two results are also found in other “digital holy durables,” that is, digital cameras and DVD recorders, though the effects of brands differ across products.

JEL Classifications: D4, D8, M3, L13

Keywords: Price Dispersion; Price Comparison; Law of One Price; Internet shopping; Electronic Commerce; TV retail markets

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