

Multiproduct Firm, Consumer Search and Demand Heterogeneity

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Abstract

This study constructs a sequential consumer search model with differentiated products where some consumers search for a single product while the others search for multiple products. When the mass of consumers who demand for one of the products decreases, the price for one product decreases while another price increases due to the existence of the joint-search effect even if the products are neither complements nor substitutes. In addition, under some conditions, such a decrease demand causes *an increase* in each firm's profit.

Keywords: consumer search, multiproduct pricing, demand heterogeneity

JEL classification: D11, D43, D83, L13

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