

Multiproduct Monopoly and Consumer Search with Intra-firm Return Costs

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Abstract

I consider a search market with a multi-product firm. Consumers must pay return cost if they do not immediately buy a product after searching it. With the return cost, the consumers tend to immediately buy a searched product. Although at first glance, this effect is likely to increase prices, equilibrium prices decrease with the return cost since the multi-product firm internalizes competition between products. In addition, consumer surplus may increase with the cost; producer surplus and social welfare decrease with the cost.

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