Lingnan University 嶺南大學 香港 Hong Kong

ECON DEPARTMENT OF ECONOMICS

Seminar

"Consumer Search and Optimal Pricing under Limited Commitment"

(in English)

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Date: **29 October 2018 (Monday)**
Time: **3:00pm – 4:30pm**
Venue: **WYL314, 3/F, Dorothy Y. L. Wong Building**

Abstract

This paper studies the effects of limited price commitment on consumer search and optimal pricing. I consider an environment in which consumers are uncertain about a seller's commitment to the advertised price. I characterize the set of pure-strategy equilibria and find that a higher degree of commitment leads to lower prices. I show that the impact of search costs on prices is non-monotone and depends on the level of commitment as well as the magnitude of the search cost. I also evaluate the effects of regulation that limits the extent of a seller's deviation from the advertised price and demonstrate that stricter regulation may not be welfare improving. Finally, I consider the case where sellers have heterogeneous levels of commitment power and investigate how the difference in commitment power influences market outcomes. I find that full commitment allows a seller to dictate the order in which consumers visit sellers when rival sellers have limited commitment, while a higher degree of limited commitment does not permit the seller to determine the order.

Biography

Dai Yifan is Assistant Professor of economics in the School of Business at Hong Kong Baptist University. She received her PhD from University of Lowa. Yifan's research interests are game theory, search theory and industrial organization.

All Are Welcome

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