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Identification and Estimation of Market Size in Discrete Choice Demand Models

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11:00–12:30

WYL314, 3/F, Dorothy Y. L. Wong
Building, Lingnan University



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BIOGRAPHY

Prof. Linqi ZHANG is an Assistant Professor at the Chinese University of Hong Kong (CUHK) Business School. Her research lies at the intersection of empirical industrial organization and applied econometrics, with a particular emphasis on the identification of structural models in demand analysis and their applications to policy-relevant questions. She received her Ph.D. from Boston College in 2024 and subsequently served as a postdoctoral researcher at the Norwegian School of Economics (NHH) during the 2024–2025 academic year.

ABSTRACT

Within the framework of Berry (1994) and Berry, Levinsohn, and Pakes (1995), I prove that market size can be point identified along with all demand parameters in a random coefficients logit (BLP) model. I require no additional data beyond what is needed to estimate standard BLP models. Identification comes from exogenous variation that shifts quantities and the nonlinearity of the demand system. I illustrate the method using a merger simulation in the ready-to-eat cereal market, and find that assuming a market size larger than the true estimated size would underestimate merger price increases and has non-trivial implications for welfare.