

Consumer Search and Price Dispersion: Evidence from the U.S. Retail Gasoline Markets*

Mitsukuni Nishida[†]

Marc Remer[‡]

Johns Hopkins Carey Business School

US Department of Justice

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Abstract

Recent papers by Hong and Shum (2006) and Wildenbeest (2011) have developed methods for estimating the distribution of consumer search costs from only price data. This paper applies these econometric techniques to a large number of retail gasoline markets in the United States, in order to study how search costs and intensity varies across markets. Preliminary results suggest the estimated search cost distribution varies significantly across geographical markets. We identify the degree to which heterogeneity in stations and markets may explain search behavior of consumers in retail gasoline markets.

Keywords: Gasoline, Search, Price dispersion

JEL-Classification: D4, D8, L8

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[†]100 International Drive Baltimore, MD 21202 USA. Email: nishida@jhu.edu.

[‡]Economic Analysis Group, U.S. Department of Justice. Email: marc.remer@usdoj.gov. The views expressed in this article are entirely those of the author and are not purported to reflect those of the U.S. Department of Justice.