

A Model of Sales on Online Platforms

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One prominent feature of online sales is consumers relying on the search tools offered by online platforms to process the gigantic amount of information on the platforms and search for products. These search tools such as search engines and recommender systems can potentially have anti-competitive impacts on the market by affecting the consideration sets of consumers. We develop a model showing how the search algorithm affects the market structure and welfare alongside with two other influences brought forth by online platforms: reducing search costs and increasing market participation. Using data from food delivery platforms, we provide empirical evidence of the model.