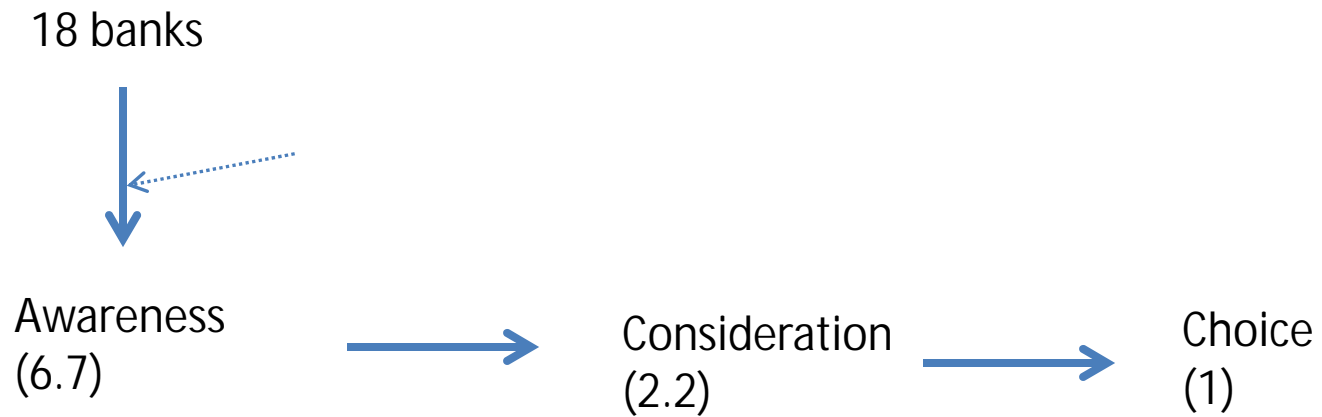


# Discussion of Honka, Hortacsu, and Vitorino

Judy Chevalier

FTC, October 2014

# Data/Model Setup



# Interest rate elasticity

- Would be lower if included the 18 banks in the choice set.
- Still really low :
  - 52% choose highest interest rate product
  - 31% choose second highest
  - But the consideration set averages 2.2 banks

# Price is multidimensional

Show Selected Only Click column heading to sort

	Min Bal To	Min Bal To Avoid	Mthly	NSF	Other	ATM	Advertis
12/1/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/2/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/3/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/4/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/5/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/6/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/7/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/8/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/9/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/10/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/11/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/12/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/13/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/14/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/15/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/16/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/17/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/18/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/19/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/20/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/21/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/22/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/23/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/24/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/25/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/26/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/27/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/28/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/29/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/30/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00
12/31/2012	100.00	200.00	50.00	5.00	2.00	1.00	0.00

# Search model

- Comes close to vertical quality with geographic differentiation and  $i$
- But really, this is probably closer to a matching environment.
  - High balance and low balance consumer likely to choose different products
- Search cost calibration: interpretation depends on whether fees and interest rates are positively or negatively correlated.

# Informative vs Persuasive Advertising

- Advertising plays a role in awareness
- Advertising plays a lesser measurable role in consideration/choice
- The awareness to consideration step still pretty mysterious.

