Abstract

Consumers purchase multiple types of goods, but may be able to examine only a limited number of markets for best price. We propose a simple model which captures these features, conveying new insights. A firm's price can deflect or draw attention to its market and consequently, limited attention introduces a new dimension of cross-market competition. We characterize the equilibrium and show that having partially attentive consumers improves consumer welfare. With less attention, consumers are more likely to miss the best offers; but enhanced cross-market competition decreases average price paid as leading firms try to stay under the consumers' radar.