

Abstract

The internet has not only reduced consumer search costs, but has also enabled more efficient and sophisticated search procedures. For example, online consumers can streamline their search process if appropriately defined categories of products and services are available. This paper proposes a search model with product categories where consumers choose which categories to search and firms respond to such more targeted search by strategically choosing the categories to list their products. The analysis focuses on the relationship between category architecture and the type of information which can be credibly disclosed by firms' category choices to consumers.