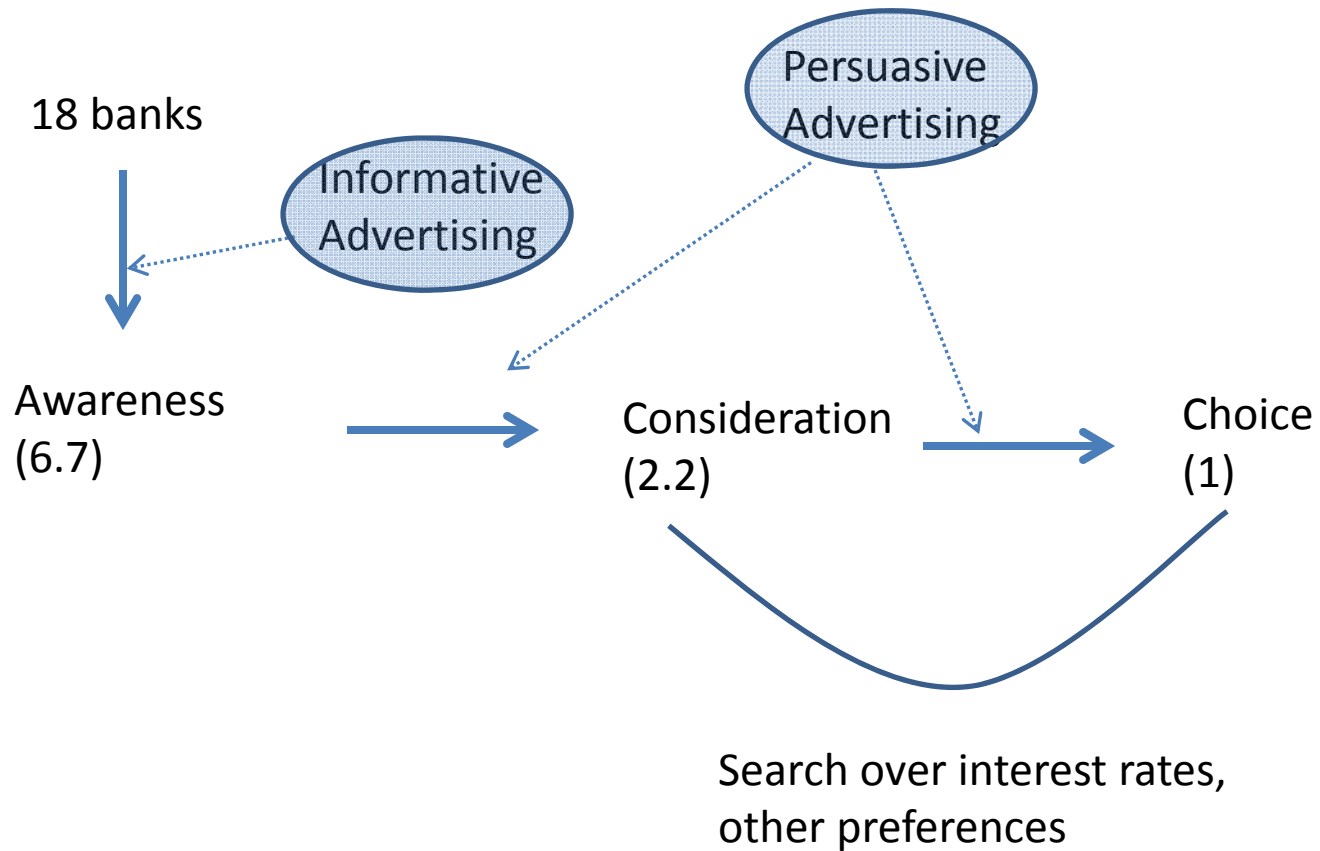


# Discussion of Honka, Hortacsu, and Vitorino

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

	Prod.	Institution	APY	Min Bal To Open	Min Bal To Avoid Fees	Mthly Fees	NSF Fees	Other ATMs	ATM Surcharge	Advertiser Comments
<input type="checkbox"/>	Interest checking	<a href="#">FNBO Direct</a> Posted: 10/13/2014	0,65	1,00	0	0,00	33,00	3	0	<a href="#">Cashback savings where you shop with MyDeals on your check card</a>
<input type="checkbox"/>	Interest checking	<a href="#">Charles Schwab Bank</a> Posted: 10/13/2014	0,10	1,00	0	0,00	25,00	0	0	<a href="#">Earn 0,10% APY. No Minimum Balance. No ATM Fees &amp; Free Bill Pay.</a>
<input type="checkbox"/>	Interest checking	<b>TD Bank, NA</b> Posted: 10/13/2014	0,05	2500,00	2500	25,00	35,00	0	3	
<input type="checkbox"/>	Interest checking	<b>Peoples United Bank</b> Posted: 10/10/2014	0,02	25,00	7500	25,00	37,00	0	3	
<input type="checkbox"/>	Interest checking	<b>First Niagara Bank, NA</b> Posted: 10/13/2014	0,01	50,00	1000	15,00	37,00	0	2	
<input type="checkbox"/>	Interest checking	<b>Webster Bank</b> Posted: 10/13/2014	0,01	50,00	4000	16,95	37,00	0	1,75	
<input type="checkbox"/>	Interest checking	<b>Bank of America</b> Posted: 10/10/2014	0,01	100,00	10000	25,00	35,00	3	3	

# Search model

- Comes close to vertical quality with geographic differentiation and  $\varepsilon_i$
- 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
  - Bank's advertising coefficient not *that* important in the specification.
  - But they all advertise and they often advertise their features (free checking, snap checks on the app).
  - Have we rejected that those advertised features play an important role in Awareness to Consideration or Consideration to Choice?
  - Could consumers have pretty good expectations of price at this stage (from advertising)?

