

Choice Frictions in Large Assortments

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Abstract

This paper studies how the growth and evolution of product assortments impact consumer adoption, churn, and long run consumption. Most economic theories of product variety and the value of platforms suggest consumers at least weakly prefer larger product assortments. In contrast, the psychological literature on the phenomenon of choice overload finds that larger assortments overwhelm consumers with decision costs or induce more regret. I provide empirical evidence of how the size and contents of product assortments impact consumers over their lifetime in an online platform market that provides restaurant delivery. I find that assortment expansion increases the acquisition of new consumers but reduces the frequency of consumption among consumers who remain on the platform. I rationalize these impacts via a model of costly attention and choice under limited information. Counterfactual exercises show that targeting choice set reductions can improve revenue among existing customers.

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