

## Search Prominence and Loyal Consumers

This study examines how search prominence schemes implemented by platforms affect competition between asymmetric third-party sellers using a sequential consumer search framework. We consider the asymmetric sellers for their loyal consumers and compare scenarios in which either obtain a prominent position in the search. We show that search prominence can mitigate price competition, especially when a seller without loyal customers becomes more prominent.

Such prominence results in both sellers pricing relatively higher and earning more profits in equilibrium but at the expense of reduced consumer surplus. Our findings suggest that assigning the seller- (or platform-) oriented search prominence may be unfavorable for consumers and thus requires careful consideration.