

A BLP Demand Model of Product-Level Market Shares with Complementarity

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Abstract :

We propose a novel BLP model of demand for bundles that deals with multiple purchases and allows for complementarity among products. Its identification and estimation only require the availability of aggregate data at product level (e.g., sales quantities), a feature that enables researchers to implement policy evaluations without collecting individual-level purchases of bundles. We estimate the demand for Ready-To-Eat (RTE) cereal and milk in the US and investigate the policy implications of their complementarity. We find that RTE cereal and milk are overall complementary. As a result, policy change in one category may negatively affect the other, leading to new sources of welfare loss in classic policy simulations such as mergers and sugar tax.