Search Costs and Context Effects – Online Appendix

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A Online Appendix

A.1 Proof of Proposition 1

Suppose the DM exhibits diminishing sensitivity of degree γ. We have $r_\gamma z = r_\gamma(z)$. Hence, we can write the indifference condition as

$$c = \int_a^{r_\gamma} \frac{(zr_\gamma)^{1-\gamma} - (zp)^{1-\gamma}}{1-\gamma} f(p)dp. \tag{1}$$

Using implicit differentiation, we obtain

$$\frac{dr_\gamma}{dz} = -\frac{r_\gamma}{z} + \frac{r_\gamma^\gamma}{z}\frac{1}{F(r_\gamma)}\int_a^{r_\gamma} p^{1-\gamma} f(p)dp. \tag{2}$$

This expression equal zero at $\gamma = 1$ and is strictly negative at any $\gamma < 1$. From this the first statement follows directly. Next, we calculate

$$\frac{\partial}{\partial\gamma}\left[\frac{dr_\gamma}{dz}\right] = \frac{r_\gamma^\gamma}{z}\frac{1}{F(r_\gamma)}\int_a^{r_\gamma} p^{1-\gamma}(\ln r_\gamma - \ln p) f(p)dp. \tag{3}$$

This expression is strictly positive, which implies the second statement. We show that the two statements also hold if the DM exhibits relative thinking of degree ρ. We have $r_\rho z = r_\rho(z)$ so that we can write the indifference condition as

$$c = \int_a^{r_\rho} z^{1-\rho}\frac{r_\rho - p}{(b-a)^\rho} f(p)dp, \tag{4}$$

from which we obtain

$$\frac{dr_\rho}{dz} = -\frac{1-\rho}{z}\frac{1}{F(r_\rho)}\int_a^{r_\rho}(r_\rho - p) f(p)dp. \tag{5}$$

This expression equals zero at $\rho = 1$ and is strictly negative at any $\rho < 1$, which shows the first statement for relative thinking. Further, we obtain

$$\frac{\partial}{\partial\rho}\left[\frac{dr_\rho}{dz}\right] = \frac{1}{z}\frac{1}{F(r_\rho)}\int_a^{r_\rho}(r_\rho - p) f(p)dp. \tag{6}$$

Since this expression is strictly positive, the second statement also holds for relative thinking.

A.2 Instructions

This appendix shows the instructions to the experiment for the AMT workers. The prices mentioned in these instructions are for the $S\,1$ treatment (they change according to the treatment). The instructions for the Prolifc and student subjects are essentially the same and only differ in payment details.

Instructions for Part 2, Screen 1

The second part of the study is about buying a product. We call it "Product A."

Your budget for this product is 4 USD. If you buy product A at price P, then your earnings in the second part of the study will be 4 USD minus the price, that is 4 - P USD. The earnings from this part of the study will be paid as a bonus in MTurk.

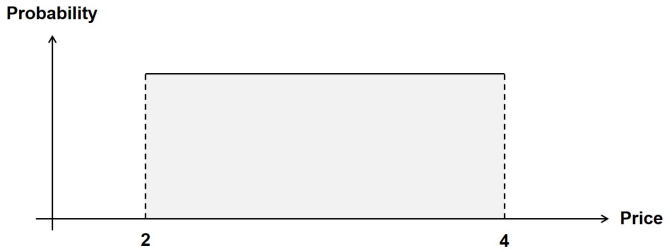
You can simply buy product A for 4 USD. **You do not need to do anything else for this. All the earnings will be paid automatically.**

Alternatively, you can search for a lower price for product A in some online shops. On the next page we will explain how this works.

Instructions for Part 2, Screen 2

The second part of this study starts right after the first. However, you do not have to complete it immediately. We are going to send you an email message containing the link to the second part so that you can complete it anytime within the next four days.

In the second part of the study you will get access to up to 100 online shops that offer product A. The prices in each online shop vary between 2 and 4 USD. The following graph shows the probability distribution over all possible prices in each online shop. All prices between 2 and 4 USD are equally probable.



To find out the price of an online shop, a 16-digit code must be entered on the store page. This code will be given to you as soon as you click on an online shop (but it cannot be entered by "copy and paste"). After entering the code the price will be displayed.

To help you understand this principle, here is some typical code:

H2J2H34VSDF217GD

Please, enter this code on the next page! Note that "copy and paste" is not possible (just like at the actual online shops).

Instructions for Part 2, Screen 3

The code from the last page is: [Textfield]

Instructions for Part 2, Screen 4

Once you learn the price of product A at an online shop, you can decide whether you want to buy the product from that online shop or continue searching.

You can visit each online shop as often as you want. However, you can also stop at any time by clicking "Buy."

If you visit the shop again, you will not have to enter the code to find out the price (the price of an online shop does not change).

You can buy product A only once. As soon as you click "Buy", you purchase product A at the price of this online shop and the second part of this study is over.

Instructions for Part 2, Screen 5

If you do nothing, you automatically buy product A at a price of 4 USD. We then pay you a bonus of 4 - 4 = 0 USD for the second part of the study.

If you buy product A at price P in one of the online shops, we pay you a bonus of 4 - P USD.

If you visit some online shops but do not buy product A from any of them, you will automatically buy the product at the price of 4 USD and your bonus will be 4 - 4 = 0 USD.

Instructions for Part 2, Screen 6

Before continuing with the second part and searching for a price of product A, please enter the code [code] in MTurk now. This is necessary to end the first part and will secure your payment of 1 USD. Your earnings from the second part will be paid to you as a bonus and there will be no need to enter anything else in MTurk to end the second part.

You can also continue searching at some later time. We are going to send you an email with the link to the second part. You have four days to buy product A. Of course, participation in the second part is completely optional. However, you will not receive a bonus payment if you decide not to search.

I have entered the code [code] in MTurk [Checkbox]

We will not be able to pay you if you do not enter this code in MTurk!

Please follow this link to the second part: [Link]

A.3 Balancing Tables

Table A1: Descriptive Statistics Across Treatments, All Subjects

Treatment	$S1$ / $S2$	$S3$ / $S6$	$S5$ / $S10$	$S7$ / $S14$	One-way ANOVA p-value
			Panel A: AMT Workers		
Age	40.5 (11.7)	39.4 (11.2)	40.2 (12.8)	38.7 (11.2)	0.522
Gender (share females)	0.48	0.44	0.44	0.40	0.597
Willingness to take risk	5.8 (2.8)	5.8 (2.7)	6.1 (2.7)	5.8 (2.7)	0.747
CRT score	1.7 (1.2)	1.8 (1.2)	1.5 (1.3)	1.7 (1.2)	0.148
Education	2.9 (0.8)	2.9 (0.7)	3.0 (0.7)	2.9 (0.7)	0.350
Average hourly earnings	7.0 (8.2)	7.5 (7.7)	8.3 (9.4)	6.4 (4.3)	0.147
Average hours per week	20.9 (15.0)	22.0 (14.3)	19.5 (14.5)	20.7 (16.1)	0.545
N	140	161	153	172	
			Panel B: Prolific Subjects		
Age	41.5 (13.2)			41.6 (13.6)	0.925
Gender (share females)	0.43			0.39	0.416
Willingness to take risk	5.2 (2.6)			5.4 (2.5)	0.622
CRT score	1.7 (1.2)			1.8 (1.2)	0.497
Education	2.7 (0.8)			2.8 (0.8)	0.149
Expected hourly earnings	12.0 (8.0)			12.7 (8.1)	0.417
Hourly reservation wage	9.7 (6.1)			11.8 (17.0)	0.163
N	152			152	
			Panel C: Student Subjects		
Age	23.3 (3.0)	23.7 (3.2)	23.4 (3.0)	23.5 (3.6)	0.716
Gender (share females)	0.65	0.59	0.64	0.60	0.626
Willingness to take risk	5.5 (2.3)	5.7 (2.1)	5.4 (2.1)	5.2 (2.2)	0.209
CRT score	2.0 (1.1)	2.1 (1.1)	2.1 (1.1)	2.1 (1.1)	0.997
N	148	146	143	144	

Notes: Age is in years, willingness to take risk is on a scale from 0 (not willing to take risk at all) to 10 (very willing to take risk), CRT score is on a scale from 0 to 3, education is on a scale from 0 to 4 (0 = No degree, 1 = Some high school, 2 = High school degree, 3 = Bachelor's degree, 4 = Master's degree or higher); average hourly earnings, expected hourly earnings, and hourly reservation wage are in USD. Standard deviation in parentheses.

Table A2: Descriptive Statistics Across Treatments, Searchers Only

Treatment	$S1$ / $S2$	$S3$ / $S6$	$S5$ / $S10$	$S7$ / $S14$	One-way ANOVA p-value
			Panel A: AMT Workers		
Age	41.3 (11.9)	40.0 (11.3)	40.3 (12.7)	38.6 (10.7)	0.296
Gender (share females)	0.50	0.41	0.46	0.41	0.365
Willingness to take risk	5.6 (2.9)	5.5 (2.6)	6.0 (2.6)	5.7 (2.6)	0.500
CRT score	1.8 (1.2)	1.9 (1.2)	1.6 (1.3)	1.8 (1.2)	0.119
Education	2.9 (0.8)	2.9 (0.7)	3.0 (0.8)	2.9 (0.7)	0.546
Average hourly earnings	7.1 (7.9)	7.1 (5.5)	8.2 (8.7)	6.3 (4.2)	0.138
Average hours per week	20.6 (14.4)	20.8 (12.8)	18.8 (13.5)	20.1 (15.3)	0.655
N	119	135	127	147	
			Panel B: Prolific Subjects		
Age	41.1 (12.1)			41.3 (13.3)	0.901
Gender (share females)	0.42			0.39	0.527
Willingness to take risk	5.3 (2.6)			5.5 (2.4)	0.543
CRT score	1.7 (1.2)			1.8 (1.2)	0.665
Education	2.6 (0.8)			2.8 (0.7)	0.082
Expected hourly earnings	12.0 (8.2)			12.7 (8.0)	0.515
Hourly reservation wage	9.6 (5.9)			11.9 (17.7)	0.151
N	139			137	
			Panel C: Student Subjects		
Age	23.4 (3.1)	23.5 (2.9)	23.5 (3.2)	23.2 (2.9)	0.887
Gender (share females)	0.63	0.60	0.65	0.56	0.536
Willingness to take risk	5.5 (2.2)	5.7 (2.0)	5.3 (2.1)	5.2 (2.2)	0.380
CRT score	2.1 (1.1)	2.0 (1.1)	2.1 (1.0)	2.1 (1.1)	0.966
N	126	121	124	119	

Notes: Age is in years, willingness to take risk is on a scale from 0 (not willing to take risk at all) to 10 (very willing to take risk), CRT score is on a scale from 0 to 3, education is on a scale from 0 to 4 (0 = No degree, 1 = Some high school, 2 = High school degree, 3 = Bachelor's degree, 4 = Master's degree or higher); average hourly earnings, expected hourly earnings, and hourly reservation wage are in USD. Standard deviation in parentheses.

A.4 Sequential versus Non-Sequential Search

We assess whether subjects' search behavior in our experiment is more in line with sequential or with non-sequential search. De los Santos et al. (2012) suggest three tests, which can be applied to our data. Test 1 to Test 3 below are directly taken from De los Santos et al. (2012); only the wording is slightly adjusted. Additionally, Test 1 contains a prediction for non-sequential search, which is not part of the original version.[1]

Test 1 (Recall)**.** *Under sequential search, a subject should not buy from a previously sampled shop, unless she has sampled all shops. Under non-sequential search, the probability of buying from the last sampled shop should not be significantly different from the probability of buying from any given previously sampled shop.*

Test 2 (Price Dependence I)**.** *Under sequential search, those subjects who search only once are more likely to have found a relatively low price than those subjects who search more than once. Under non-sequential search, there should be no such relationship.*

Test 3 (Price Dependence II)**.** *Under sequential search, subjects are more likely to continue search if the price at the current shop is relatively high. Under non-sequential search, there should be no such relationship.*

Table A3 summarizes the results of all tests and for all subject pools. For Test 1, we find that 87.7 percent of AMT workers, 85.5 percent of Prolific subjects, and 59.4 percent of student subjects indeed purchase from the last sampled shop or search all 100 shops (six student subjects searched all shops). Importantly, the probability of buying from the last sampled shop is much larger than the probability of buying from any given previously sampled shop (one-sided t-tests, p-values < 0.001). With respect to Test 2, we find that those subjects who search exactly once find on average a significantly lower price at the first shop than subjects who search more than once. The differences are significant for AMT workers (one-sided t-tests, p-values < 0.007), Prolific subjects (one-sided t-tests, p-values < 0.021), and student subjects (one-sided t-tests, p-values < 0.001). Finally, for Test 3, we find that, at any shop, the probability of continuing search increases significantly in the observed price. Table A3 shows the average increase in the probability of continuing search when the price at the current shop is raised by one USD/Euro. These results originate from a linear probability regression model and the corresponding coefficients are all significant at the 1-percent level. We conclude that behavior in our experiment is roughly consistent with sequential search and inconsistent with non-sequential search.

[1] De los Santos et al. (2012) distinguish between Test 2 and Test 3 since the latter can account for product differentiation. This does not matter for our setting, but for the sake of completeness we consider all tests.

Table A3: Sequential versus Non-Sequential Search

	Panel A: AMT workers	*Panel B: Prolific Subjects*	*Panel C: Student Subjects*
Test 1 (Recall)			
share purchase from last sampled shop or search all shops	87.7%	85.5%	59.4%
av. purchase prob. for previously sampled shop	5.9%	7.6%	4.9%
Test 2 (Price Dependence I)			
price at first shop	one search vs. multiple searches	one search vs. multiple searches	one search vs. multiple searches
$S1$ / $S2$	2.84 vs. 3.20	2.85 vs. 3.04	4.76 vs. 6.07
$S3$ / $S6$	8.29 vs. 9.81		13.68 vs. 18.98
$S5$ / $S10$	14.73 vs. 15.98		23.24 vs. 31.22
$S7$ / $S14$	20.61 vs. 22.54	19.09 vs. 22.06	30.60 vs. 42.26
Test 3 (Price Dependence II)			
change in prob. continuing search	one USD price increase at current shop	one USD price increase at at current shop	one Euro price increase at at current shop
$S1$ / $S2$	23.1%	20.6%	7.4%
$S3$ / $S6$	7.9%		1.8%
$S5$ / $S10$	5.1%		1.3%
$S7$ / $S14$	3.4%	4.3%	0.8%

Notes: The results for Test 3 originate from an OLS regression. The unit of observation in this regression is a price observation. The dependent variable has value 1 if subjects continued searching after observing the price and value 0 otherwise. The independent variables are the price at the current shop, treatment dummies, and interactions between the price at the current shop and the treatment dummies. Standard errors are clustered at the individual level.

A.5 Welfare and Price Scale: Detailed Results

Table A4: Relative Welfare Loss from Context Effects

Diminishing Sensitivity Parametrization

	$\gamma = 0.40$			$\gamma = 0.70$			$\gamma = 1.00$		
Scale/c	0.05	0.15	0.30	0.05	0.15	0.30	0.05	0.15	0.30
$z = 1$	<0.01	0.01	0.03	0.01	0.04	0.09	0.03	0.09	0.22
$z = 2$	0.01	0.02	0.04	0.03	0.07	0.13	0.06	0.15	0.30
$z = 7$	0.01	0.03	0.04	0.05	0.09	0.15	0.11	0.23	0.39
$z = 14$	0.02	0.03	0.04	0.05	0.10	0.16	0.13	0.26	0.42
$z = 20$	0.02	0.03	0.04	0.05	0.10	0.16	0.14	0.27	0.43
$z = 200$	0.01	0.02	0.03	0.05	0.09	0.14	0.16	0.31	0.47
$z = 2000$	0.01	0.02	0.02	0.04	0.07	0.11	0.17	0.32	0.49

Relative Thinking Parametrization

	$\rho = 0.50$			$\rho = 0.75$			$\rho = 1.00$		
Scale/c	0.05	0.15	0.30	0.05	0.15	0.30	0.05	0.15	0.30
$z = 1$	<0.01	0.01	0.02	0.01	0.02	0.04	0.02	0.04	0.07
$z = 2$	0.01	0.02	0.04	0.03	0.05	0.09	0.05	0.09	0.16
$z = 7$	0.02	0.04	0.06	0.05	0.09	0.14	0.09	0.17	0.26
$z = 14$	0.02	0.04	0.06	0.06	0.10	0.15	0.11	0.20	0.30
$z = 20$	0.02	0.04	0.06	0.06	0.11	0.16	0.12	0.21	0.31
$z = 200$	0.02	0.04	0.05	0.06	0.11	0.15	0.14	0.25	0.36
$z = 2000$	0.02	0.03	0.04	0.05	0.09	0.13	0.15	0.27	0.38

A.6 AMT Robustness Checks (R1 and R2): Instructions

In robustness check *R*1, we update the information provided in the invitation on AMT for our HIT. We first show the invitation of the baseline study and then the invitation of the first robustness check. Next, we show the precise wording of the comprehension question in robustness check *R*2.

A.6.1 AMT Invitation Baseline Study

Title:

Scientific study, survey (USD 1, 5-10 minutes, option to earn bonus in additional part (online shopping experiment)).

Description:

Short survey and online shopping experiment.

Procedures:

Scientific Study, survey (USD 1, 5-10 minutes, option to earn bonus in additional part (online shopping experiment)).

This is a scientific study conducted by researchers from Frankfurt School of Finance & Management, KU Leuven, and the University of Innsbruck. Your Worker ID will be retrieved automatically when you click the link to start the project. It will only be used for assigning the payment to the right account and to control that you have not participated in this HIT before. On the last page of the survey, you will receive a personalized completion code. Please copy and paste this completion code in the box below so that we can verify that you have completed the survey.

Please click on the link below in order to start.

Make sure to leave this window open as you complete the project.

A.6.2 AMT Invitation in Robustness Check R1

Title:

Scientific study, survey, experiment (USD 1 for sure; you can work on the experiment as long as you like to earn more than USD 1).

Description:

There are two parts to this HIT. First, a short survey for which you get USD 1. Second, you can work on an online shopping experiment as long as you like. For the experiment, you can earn more money (will be paid as a bonus). Details follow in the first part.

Procedures:

Scientific survey and online shopping experiment (USD 1 for completing the survey; you can work on the experiment as long as you like and earn more money).

This is a scientific study conducted by researchers from Frankfurt School of Finance & Management, KU Leuven, and the University of Innsbruck.

There are two parts to this HIT. First, a short survey for which you get USD 1. Second, you can work on an online shopping experiment as long as you like. For the experiment, you can earn more money (paid as a bonus). You will learn in the first part how the second part works, including how much additional money you can earn.

Your Worker ID will be retrieved automatically when you click the link to start the project. It will only be used for assigning the payment to the right account and to control that you have not participated in this HIT before. On the last page of the survey, you will receive a personalized completion code. Please copy and paste this completion code in the box below so that we can verify that you have completed the survey.

Please click on the link below in order to start.

Make sure to leave this window open as you complete the project.

A.6.3 AMT Comprehension Question in Robustness Check R2

At the end of the instructions to Part 2 of our study (after Screen 5), we asked the following comprehension question:

To see whether we explained everything clearly, we will now ask you to answer the following question: Suppose that, after searching for the lowest price, you buy product A at a price of [0.7 $\times$ highest price] USD. What will be your bonus? [Textfield] USD

In case of a wrong answer, we provided the correct answer and an explanation.

A.7 AMT Robustness Checks (R1 and R2): Detailed Results

Table A5: Robustness Checks ($R1$ and $R2$) – Demographic Variables

	All Subjects	Searchers
	Panel A: Robustness Check R1	
Age	35.8 (10.1)	36.0 (10.5)
Gender (share females)	0.42	0.41
Willingness to take risk	6.7 (2.6)	6.6 (2.7)
CRT score	1.3 (1.2)	1.5 (1.1)
Education		
No degree	0%	0%
Some high school	1.0%	1.3%
High school degree	18.4%	21.1%
Bachelor's degree	68.4%	64.2%
Master's degree or higher	12.2%	13.4%
AMT Labor		
Average hourly earnings	9.7 (11.4)	10.4 (11.7)
Average hours per week	25.5 (17.1)	25.0 (16.7)
N	304	232
	Panel B: Robustness Check R2	
Age	40.4 (12.4)	40.3 (12.2)
Gender (share females)	0.39	0.36
Willingness to take risk	5.8 (2.7)	5.6 (2.7)
CRT score	1.6 (1.2)	1.8 (1.2)
Education		
No degree	0%	0%
Some high school	0.7%	0.8%
High school degree	26.8%	26.4%
Bachelor's degree	55.9%	56.1%
Master's degree or higher	16.7%	16.7%
AMT Labor		
Average hourly earnings	7.1 (5.8)	7.0 (5.7)
Average hours per week	21.1 (15.1)	19.4 (13.6)
N	306	246

Notes: Standard deviation in parentheses.

Table A6: Robustness Checks ($R1$ and $R2$) – Descriptive Statistics

	Price Scale	Share Searchers	Mean No. Searches if search	Median No. Searches if search	Gain Share if search
			Panel A: Robustness Check R1		
$S1$	[2.00, 4.00]	0.78	1.9 (1.9)	1	0.59
$S7$	[14.00, 28.00]	0.74	3.3 (5.2)	1	0.63
N		304	232	232	232
			Panel B: Robustness Check R2		
$S1$	[2.00, 4.00]	0.82	2.3 (2.7)	1	0.66
$S7$	[14.00, 28.00]	0.79	3.1 (4.6)	1	0.69
N		306	246	246	246
	Price Scale	Mean Search Duration	Median Search Duration	Mean Total Duration	Median Total Duration
			Panel A: Robustness Check R1		
$S1$	[2.00, 4.00]	104 (90)	80	275 (527)	141
$S7$	[14.00, 28.00]	87 (69)	72	484 (984)	158
N		230	232	223	232
			Panel B: Robustness Check R2		
$S1$	[2.00, 4.00]	78 (48)	66	337 (711)	158
$S7$	[14.00, 28.00]	86 (63)	71	353 (622)	184
N		245	246	230	246

Notes: Search duration and total duration in seconds. For AMT workers from robustness check $R1$ (robustness check $R2$), the mean duration per search excludes 11 (8) searches that took longer than 10 minutes, and the mean total duration excludes 9 (16) searchers who took longer than 100 minutes. Standard deviation in parantheses.

Table A7: Search Cost Estimates (Robustness Checks $R1$ and $R2$, Diminishing Sensitivity)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Robustness Check R1			
$S1$		0.603***	0.545***			0.238***
		(0.085)	(0.118)			(0.030)
$S7$		3.063***	3.059***			0.264***
		(0.466)	(0.700)			(0.036)
$\tilde{\beta}_0$	1.641***			0.249***	0.214***	
	(0.242)			(0.052)	(0.051)	
$\tilde{\sigma}$	4.458***	2.434***	1.377***	0.404***	0.217***	0.403***
	(1.134)	(0.479)	(0.230)	(0.108)	(0.049)	(0.070)
γ	0.000	0.000	0.000	0.793***	0.849***	0.793
				(0.088)	(0.076)	
Controls	No	No	Yes	No	Yes	No
N	232	232	232	232	232	232
			Panel B: Robustness Check R2			
$S1$		0.591***	0.578***			0.245***
		(0.105)	(0.148)			(0.040)
$S7$		3.071***	2.826***			0.298***
		(0.530	(0.761)			(0.047)
$\tilde{\beta}_0$	1.852***			0.272***	0.267***	
	(0.324)			(0.071)	(0.079)	
$\tilde{\sigma}$	7.079***	3.713***	2.631***	0.631***	0.485***	0.625***
	(2.166)	(0.908)	(0.571)	(0.216)	(0.147)	(0.138)
γ	0.000	0.000	0.000	0.757***	0.737***	0.757
				(0.103)	(0.096)	
Controls	No	No	Yes	No	Yes	No
N	246	246	246	246	246	246

Notes: Same ordered probit regressions as in Table 4, with AMT workers from robustness check $R1$ and robustness check $R2$, respectively; updated models with parametrization for diminishing sensitivity. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

Table A8: Search Cost Estimates (Robustness Checks $R1$ and $R2$, Relative Thinking)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Robustness Check R1			
$S1$		0.603***	0.545***			0.338***
		(0.085)	(0.118)			(0.048)
$S7$		3.063***	3.059***			0.338***
		(0.466)	(0.700)			(0.051)
$\tilde{\beta}_0$	1.641***			0.338***	0.295***	
	(0.242)			(0.063)	(0.070)	
$\tilde{\sigma}$	4.458***	2.434***	1.377***	0.640***	0.334***	0.640***
	(1.134)	(0.479)	(0.230)	(0.157)	(0.071)	(0.126)
ρ	0.000	0.000	0.000	0.835***	0.887***	0.835
				(0.094)	(0.082)	
Controls	No	No	Yes	No	Yes	No
N	232	232	232	232	232	232
			Panel B: Robustness Check R2			
$S1$		0.591***	0.578***			0.329***
		(0.105)	(0.148)			(0.059)
$S7$		3.071***	2.826***			0.329***
		(0.530)	(0.761)			(0.057)
$\tilde{\beta}_0$	1.852***			0.329***	0.328***	
	(0.324)			(0.076)	(0.093)	
$\tilde{\sigma}$	7.079***	3.713***	2.631***	0.876***	0.655***	0.876***
	(2.166)	(0.908)	(0.571)	(0.267)	(0.178)	(0.214)
ρ	0.000	0.000	0.000	0.847***	0.816***	0.847
				(0.106)	(0.099)	
Controls	No	No	Yes	No	Yes	No
N	246	246	246	246	246	246

Notes: Same ordered probit regressions as in Table 4, with AMT workers from robustness check $R1$ and robustness check $R2$, respectively; updated models with parametrization for relative thinking. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.8 Alternative Subject Pools (R3 and R4): Detailed Results

Table A9: Alternative Subject Pools – Demographic Variables

	All Subjects	Searchers
	Panel A: Prolific Subjects	
Age	41.6 (13.3)	41.2 (12.7)
Gender (share females)	0.41	0.41
Willingness to take risk	5.3 (2.6)	5.4 (2.5)
CRT score	1.7 (1.2)	1.8 (1.2)
Education		
No degree	0.7%	0.4%
Some high school	1.3%	1.4%
High school degree	37.8%	38.4%
Bachelor's degree	45.1%	44.9%
Master's degree or higher	15.1%	14.9%
Prolific Statistics		
Expected hourly earnings	12.3 (8.0)	12.3 (8.1)
Hourly reservation wage	10.8 (12.8)	10.7 (13.2)
N	304	276
	Panel B: Student Subjects	
Age	23.5 (3.2)	23.4 (3.0)
Gender (share females)	0.62	0.61
Willingness to take risk	5.4 (2.1)	5.4 (2.1)
CRT score	2.1 (1.1)	2.1 (1.1)
Study Field		
Economics	29.1%	30.0%
Law	5.7%	6.1%
Science	17.2%	16.7%
Humanities	22.6%	21.6%
Medical Science	15.3%	15.1%
Other	10.2%	10.4%
N	581	490

Notes: Standard deviation in parentheses.

Table A10: Alternative Subject Pools – Descriptive Statistics

	Price Scale	Share Searchers	Mean No. Searches if search	Median No. Searches if search	Gain Share if search
			Panel A: Prolific Subjects		
$S1$	[2.00, 4.00]	0.91	2.9 (3.1)	2	0.71
$S7$	[14.00, 28.00]	0.90	2.9 (4.6)	1	0.70
N		304	276	276	276
			Panel B: Student Subjects		
$S2$	[4.00, 8.00]	0.85	7.0 (6.6)	5	0.87
$S6$	[12.00, 24.00]	0.83	9.6 (15.1)	5	0.89
$S10$	[20.00, 40.00]	0.87	10.2 (12.1)	6	0.91
$S14$	[28.00, 56.00]	0.83	11.5 (17.2)	6	0.93
N		581	490	490	490
	Price Scale	Mean Search Duration	Median Search Duration	Mean Total Duration	Median Total Duration
			Panel A: Prolific Subjects		
$S1$	[2.00, 4.00]	82 (53)	68	317 (459)	195
$S7$	[14.00, 28.00]	88 (62)	72	327 (479)	202
N		270	276	257	276
			Panel B: Student Subjects		
$S2$	[4.00, 8.00]	62 (32)	55	464 (425)	359
$S6$	[12.00, 24.00]	65 (36)	53	520 (558)	382
$S10$	[20.00, 40.00]	62 (30)	55	658 (602)	562
$S14$	[28.00, 56.00]	60 (33)	54	758 (956)	455
N		487	490	469	490

Notes: Search duration and total duration in seconds. For Prolific subjects (student subjects), the mean duration per search excludes 12 (18) searches that took longer than 10 minutes, and the mean total duration excludes 19 (21) searchers who took longer than 100 minutes. Standard deviation in parentheses.

Table A11: Search Cost Estimates (Alternative Subject Pools, Diminishing Sensitivity)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Prolific Subjects			
$S1$		0.357***	0.555***			0.113***
		(0.056)	(0.148)			(0.016)
$S7$		2.992***	4.610***			0.126***
		(0.477)	(1.231)			(0.018)
$\tilde{\beta}_0$	1.596***			0.119***	0.178***	
	(0.279)			(0.026)	(0.052)	
$\tilde{\sigma}$	6.696***	2.467***	2.419***	0.235***	0.234***	0.234***
	(2.040)	(0.533)	(0.513)	(0.65)	(0.64)	(0.044)
γ	0.000	0.000	0.000	1.029***	1.025***	1.029
				(0.088)	(0.087)	
Controls	No	No	Yes	No	Yes	No
N	277	277	277	277	277	277
			Panel B: Student Subjects			
$S2$		0.247***	0.379***			0.124***
		(0.050)	(0.124)			(0.024)
$S6$		0.481***	0.731***			0.155***
		(0.101)	(0.251)			(0.032)
$S10$		0.551***	0.846***			0.144***
		(0.113)	(0.293)			(0.029)
$S14$		0.579***	0.872***			0.133***
		(0.124)	(0.290)			(0.028)
$\tilde{\beta}_0$	0.458***			0.138***	0.209**	
	(0.066)			(0.050)	(0.092)	
$\tilde{\sigma}$	1.996***	1.816***	1.793***	0.542**	0.547**	0.541***
	(0.502)	(0.444)	(0.439)	(0.229)	(0.229)	(0.128)
γ	0.000	0.000	0.000	0.415***	0.408***	0.415
				(0.120)	(0.119)	
Controls	No	No	Yes	No	Yes	No
N	490	490	490	490	490	490

Notes: Same ordered probit regressions as in Table 4, with Prolific subjects (robustness check $R3$) and student subjects (robustness check $R4$), respectively; updated models with parametrization for diminishing sensitivity. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

Table A12: Search Cost Estimates (Alternative Subject Pools, Relative Thinking)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Prolific Subjects			
$S1$		0.357^{***}	0.555^{***}			0.168^{***}
		(0.056)	(0.148)			(0.026)
$S7$		2.992^{***}	4.610^{***}			0.168^{***}
		(0.477)	(1.231)			(0.027)
$\tilde{\beta}_0$	1.596^{***}			0.168^{***}	0.261^{***}	
	(0.279)			(0.034)	(0.077)	
$\tilde{\sigma}$	6.696^{***}	2.467^{***}	2.419^{***}	0.404^{***}	0.400^{***}	0.404^{***}
	(2.040)	(0.533)	(0.513)	(0.109)	(0.105)	(0.087)
ρ	0.000	0.000	0.000	1.092^{***}	1.088^{***}	1.092
				(0.097)	(0.096)	
Controls	No	No	Yes	No	Yes	No
N	277	277	277	277	277	277
			Panel B: Student Subjects			
$S2$		0.247^{***}	0.379^{***}			0.131^{***}
		(0.050)	(0.124)			(0.027)
$S6$		0.481^{***}	0.731^{***}			0.154^{***}
		(0.101)	(0.251)			(0.032)
$S10$		0.551^{***}	0.846^{***}			0.140^{***}
		(0.113)	(0.293)			(0.029)
$S14$		0.579^{***}	0.872^{***}			0.126^{***}
		(0.124)	(0.290)			(0.027)
$\tilde{\beta}_0$	0.458^{***}			0.138^{***}	0.210^{***}	
	(0.066)			(0.046)	(0.087)	
$\tilde{\sigma}$	1.996^{***}	1.816^{***}	1.793^{***}	0.571^{***}	0.573^{**}	0.569^{***}
	(0.502)	(0.444)	(0.439)	(0.220)	(0.219)	(0.139)
ρ	0.000	0.000	0.000	0.457^{***}	0.450^{***}	0.457
				(0.119)	(0.118)	
Controls	No	No	Yes	No	Yes	No
N	490	490	490	490	490	490

Notes: Same ordered probit regressions as in Table 4, with Prolific subjects (robustness check $R3$) and student subjects (robustness check $R4$), respectively; updated models with parametrization for relative thinking. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.9 Multi-Item Search (R5 and R6): Instructions

Instructions for Part 2, Screen 1

The second part of the study is about buying two products. We call them "Product A" and "Product B."

Your budget for product A is 4 USD. If you buy product A at price P, you additionally earn 4 USD minus the price, that is 4 - P USD. Your budget for product B is 28 USD. If you buy product B at price P*, you additionally earn 28 USD minus the price, that is 28 - P* USD. The earnings from the two transactions will be paid as a bonus in MTurk.

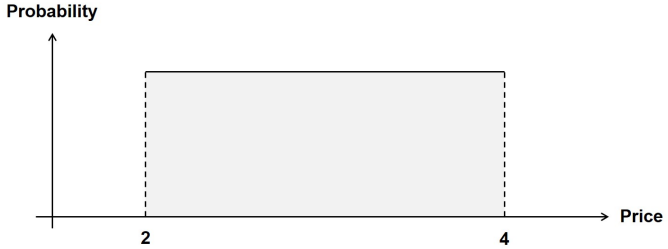
You can simply buy product A for 4 USD and product B for 28 USD. **You do not need to do anything else for this. All the earnings will be paid automatically.**

Alternatively, you can search for a lower price for product A and product B in some online shops. On the next page we will explain how this works.

Instructions for Part 2, Screen 2

The second part of this study starts right after the first. However, you do not have to complete it immediately. We are going to send you an email message containing the link to the second part so that you can complete it anytime within the next four days.

In the second part of the study you will get access to up to 100 online shops that offer product A and access to up to 100 shops that offer product B. The prices in each product A online shop vary between 2 and 4 USD. The following graph shows the probability distribution over all possible prices in each product A online shop. All prices between 2 and 4 USD are equally probable.



The prices in each product B online shop vary between 14 and 28 USD. All prices between 14

and 28 USD are equally probable.

To find out the price of an online shop, a 16-digit code must be entered on the store page. This code will be given to you as soon as you click on an online shop (but it cannot be entered by "copy and paste"). After entering the code the price will be displayed.

To help you understand this principle, here is some typical code:

H2J2H34VSDF217GD

Please, enter this code on the next page! Note that "copy and paste" is not possible (just like at the actual online shops).

Instructions for Part 2, Screen 3

The code from the last page is: [Textfield]

Instructions for Part 2, Screen 4

Once you learn the price of a product at an online shop, you can decide whether you want to buy the product from that online shop or continue searching.

You can visit each online shop as often as you want. However, you can also stop searching for a product at any time by clicking "Buy."

If you visit the shop again, you will not have to enter the code to find out the price (the price of an online shop does not change).

You can buy product A only once and product B only once. As soon as you click "Buy", you purchase the corresponding product at the price of this online shop. After buying product A and product B the study is over.

Instructions for Part 2, Screen 5

If you do nothing, you automatically buy product A at a price of 4 USD and product B at a price of 28 USD. We then pay you a bonus of 0 USD for the second part of the study.

If you buy product A at price P and product B at price P*, we pay you a bonus of

(4 - P) + (28 - P*) USD.

If you visit some product A online shops but do not buy product A from any of them, you will automatically buy product A at the price of 4 USD. If you visit some product B online shops but do not buy product B from any of them, you will automatically buy product B at the price of 28 USD.

Instructions for Part 2, Screen 6

Before continuing with the second part and searching for prices of product A and product B, please enter the code [code] in MTurk now. This is necessary to end the first part and will secure your payment of 1 USD. Your earnings from the second part will be paid to you as a bonus and there will be no need to enter anything else in MTurk to end the second part.

You can also continue searching at some later time. We are going to send you an email with the link to the second part. You have four days to buy product A and product B. Of course, participation in the second part is completely optional. However, you will not receive a bonus payment if you decide not to search.

I have entered the code [code] in MTurk [Checkbox]

We will not be able to pay you if you do not enter this code in MTurk!

Please follow this link to the second part: [Link]

A.10 Multi-Item Search (R5 and R6): Detailed Results

Table A13: Multi-Item Search (*R*5 and *R*6) – Demographic Variables

	All Subjects	Searchers
	Panel A: Multi-Item Search AMT Workers	
Age	40.7 (11.2)	41.4 (11.3)
Gender (share females)	0.50	0.51
Willingness to take risk	7.6 (2.1)	7.6 (2.2)
CRT score	1.2 (1.0)	1.4 (1.0)
Education		
No degree	0%	0%
Some high school	0%	0%
High school degree	9.4%	10.9%
Bachelor's degree	72.8%	71.0%
Master's degree or higher	17.8%	18.1%
AMT Labor		
Average hourly earnings	7.5 (10.1)	7.4 (10.6)
Average hours per week	26.5 (15.5)	28.2 (15.5)
N	191	138
	Panel B: Multi-Item Search Prolific Subjects	
Age	41.7 (12.4)	41.2 (12.3)
Gender (share females)	0.42	0.40
Willingness to take risk	4.8 (2.6)	4.7 (2.6)
CRT score	1.8 (1.2)	2.0 (1.2)
Education		
No degree	0%	0%
Some high school	1.3%	1.4%
High school degree	39.0%	39.7%
Bachelor's degree	40.3%	39.0%
Master's degree or higher	19.5%	19.9%
Prolific Statistics		
Expected hourly earnings	12.0 (11.4)	11.2 (5.9)
Hourly reservation wage	11.4 (16.2)	10.4 (12.2)
N	159	146

Notes: Standard deviation in parentheses.

Table A14: Multi-Item Search ($R5$ and $R6$) – Descriptive Statistics

	Price Scale	Share Searchers	Mean No. Searches if search	Median No. Searches if search	Gain Share if search
		Panel A: Multi-Item Search AMT Workers			
$S1$	[2.00, 4.00]	0.66	1.2 (1.2)	1	0.53
$S7$	[14.00, 28.00]	0.66	2.2 (4.0)	1	0.56
N		191	138	138	138
		Panel B: Multi-Item Search Prolific Subjects			
$S1$	[2.00, 4.00]	0.92	2.5 (3.6)	1	0.67
$S7$	[14.00, 28.00]	0.92	5.4 (13.7)	1	0.69
N		159	146	146	146
	Price Scale	Mean Search Duration	Median Search Duration	Mean Total Duration$^+$	Median Total Duration$^+$
		Panel A: Multi-Item Search AMT Workers			
$S1$	[2.00, 4.00]	96 (70)	78	201 (157)	156
$S7$	[14.00, 28.00]	91 (58)	74	279 (421)	158
N		136	138	131	138
		Panel B: Multi-Item Search Prolific Subjects			
$S1$	[2.00, 4.00]	75 (50)	58	406 (656)	179
$S7$	[14.00, 28.00]	75 (50)	66	431 (907)	201
N		143	146	132	146

Notes: Search Duration and Total Duration in seconds. For AMT workers from robustness check $R5$ (Prolific subjects from robustness check $R6$), the mean duration per search excludes 4 (5) searches that took longer than 10 minutes, and the mean total duration excludes 7 (14) searchers who took longer than 100 minutes. $^+$ Total duration for treatment $S1$ (treatment $S7$) here indicates the time between the start of the second part of the experiment and the purchase of the cheap (expensive) product. Standard deviation in parentheses.

Table A15: Search Cost Estimates (Multi-Item Search *R*5 and *R*6, Diminishing Sensitivity)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Multi-Item Search AMT Workers			
$S1$		0.611***	0.671***			0.211***
		(0.052)	(0.103)			(0.016)
$S7$		3.874***	4.190***			0.222***
		(0.338)	(0.644)			(0.017)
$\tilde{\beta}_0$	2.001***			0.216***	0.238***	
	(0.212)			(0.027)	(0.040)	
$\tilde{\sigma}$	3.470***	1.379***	1.246***	0.170***	0.157***	0.170***
	(0.640)	(0.153)	(0.135)	(0.027)	(0.024)	(0.017)
γ	0.000	0.000	0.000	0.931***	0.925***	0.931
				(0.055)	(0.053)	
Controls	No	No	Yes	No	Yes	No
N	245	245	245	245	245	245
			Panel B: Multi-Item Search Prolific Subjects			
$S1$		0.622***	0.556***			0.254***
		(0.114)	(0.163)			(0.042)
$S7$		3.410***	3.026***			0.319***
		(0.621)	(0.897)			(0.053)
$\tilde{\beta}_0$	1.947***			0.286***	0.256***	
	(0.349)			(0.076)	(0.086)	
$\tilde{\sigma}$	8.991***	4.776***	3.991***	0.804***	0.682***	0.795***
	(2.816)	(1.224)	(0.960)	(0.281)	(0.224)	(0.184)
γ	0.000	0.000	0.000	0.762***	0.766***	0.762
				(0.103)	(0.099)	
Controls	No	No	Yes	No	Yes	No
N	282	282	282	282	282	282

Notes: Same ordered probit regressions as in Table 4, with AMT workers from the multi-item search experiment (robustness check *R*5) and Prolific subjects from the multi-item search experiment (robustness check *R*6), respectively; updated models with parametrization for diminishing sensitivity. For each subject, the choices in the two scale treatments are treated as independent observations. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

Table A16: Search Cost Estimates (Multi-Item Search *R*5 and *R*6, Relative Thinking)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Multi-Item Search AMT Workers			
$S1$		0.611***	0.671***			0.316***
		(0.052)	(0.103)			(0.027)
$S7$		3.874***	4.190***			0.316***
		(0.338)	(0.644)			(0.028)
$\tilde{\beta}_0$	2.001***			0.316***	0.350***	
	(0.212)			(0.037)	(0.060)	
$\tilde{\sigma}$	3.470***	1.379***	1.246***	0.287***	0.263***	0.287***
	(0.640)	(0.153)	(0.135)	(0.043)	(0.038)	(0.032)
ρ	0.000	0.000	0.000	0.949***	0.941***	0.949
				(0.061)	(0.058)	
Controls	No	No	Yes	No	Yes	No
N	245	245	245	245	245	245
			Panel B: Multi-Item Search Prolific Subjects			
$S1$		0.622***	0.556***			0.339***
		(0.114)	(0.163)			(0.062)
$S7$		3.410***	3.026***			0.339***
		(0.621)	(0.897)			(0.062)
$\tilde{\beta}_0$	1.947***			0.339***	0.304***	
	(0.349)			(0.079)	(0.099)	
$\tilde{\sigma}$	8.991***	4.776***	3.991***	1.113***	0.935***	1.113***
	(2.816)	(1.224)	(0.960)	(0.348)	(0.277)	(0.285)
ρ	0.000	0.000	0.000	0.874***	0.871***	0.874
				(0.108)	(0.103)	
Controls	No	No	Yes	No	Yes	No
N	282	282	282	282	282	282

Notes: Same ordered probit regressions as in Table 4, with AMT workers from the multi-item search experiment (robustness check *R*5) and Prolific subjects from the multi-item search experiment (robustness check *R*6), respectively; updated models with parametrization for relative thinking. For each subject, the choices in the two scale treatments are treated as independent observations. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.11 Comprehension Question

We implement the comprehension question from Subsection 6.1 in two samples: AMT workers from robustness check $R2$ and Prolific subjects from robustness check $R3$. In the following, we briefly evaluate the results from the comprehension question and examine our estimation results when we exclude subjects who did not correctly answer it.

Among the AMT workers from robustness check $R2$, 74.2 percent correctly answered the comprehension question, 75.7 percent in treatment $S1$ and 72.8 percent in treatment $S7$. The difference is not statistically significant (two-sided t-test, p-value = 0.570). Panel A of Table A17 and Panel A of Table A18 show the results from our ordered probit regressions when we drop those subjects from our sample who did not correctly answer the comprehension question. They are fairly similar to those from the original sample, see Table A7 and Table A8. In particular, the estimated context effect parameters γ and ρ are almost identical.

Next, among the Prolific subjects from robustness check $R3$, 84.9 percent correctly answered the comprehension question; 88.2 percent in treatment $S1$ and 81.6 percent in treatment $S7$. The difference is not statistically significant (two-sided t-test, p-value = 0.110). Panel B of Table A17 and Panel B of Table A18 show the results from our search cost estimations when we drop those subjects from our sample who did not correctly answer the comprehension question. Again, they are fairly close to those from the original sample, see Table A11 and Table A12.

Table A17: Search Cost Estimates (Comprehension Check, Diminishing Sensitivity)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: AMT Workers from Robustness Check R2			
$S1$		0.525***	0.519***			0.217***
		(0.116)	(0.179)			(0.044)
$S7$		2.827***	2.580***			0.267***
		(0.606)	(0.930)			(0.052)
$\tilde{\beta}_0$	1.688***			0.243***	0.242***	
	(0.365)			(0.078)	(0.094)	
$\tilde{\sigma}$	7.610***	3.920***	2.878***	0.658**	0.531***	0.650***
	(2.887)	(1.209)	(0.814)	(0.277)	(0.204)	(0.181)
γ	0.000	0.000	0.000	0.768***	0.738***	0.768
				(0.124)	(0.118)	
Controls	No	No	Yes	No	Yes	No
N	192	192	192	192	192	192
			Panel B: Prolific Subjects from Robustness Check R3			
$S1$		0.333***	0.458***			0.111***
		(0.056)	(0.140)			(0.017)
$S7$		2.524***	3.550***			0.124***
		(0.448)	(1.121)			(0.019)
$\tilde{\beta}_0$	1.290***			0.117***	0.155***	
	(0.239)			(0.027)	(0.050)	
$\tilde{\sigma}$	5.020***	2.079***	2.112***	0.230***	0.229***	0.230***
	(1.619)	(0.490)	(0.499)	(0.069)	(0.068)	(0.047)
γ	0.000	0.000	0.000	0.986***	0.996***	0.986
				(0.097)	(0.096)	
Controls	No	No	Yes	No	Yes	No
N	235	235	235	235	235	235

Notes: Same ordered probit regressions as in Table 4, with AMT workers from robustness check $R2$ and Prolific subjects from robustness check $R3$, respectively; subjects who did not correctly answer the comprehension question are excluded; updated models with parametrization for diminishing sensitivity. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

Table A18: Search Cost Estimates (Comprehension Check, Relative Thinking)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: AMT Workers from Robustness Check R2			
$S1$		0.525***	0.519***			0.288***
		(0.116)	(0.179)			(0.064)
$S7$		2.827***	2.580***			0.288***
		(0.606)	(0.930)			(0.062)
$\tilde{\beta}_0$	1.688***			0.288***	0.293***	
	(0.365)			(0.082)	(0.110)	
$\tilde{\sigma}$	7.610***	3.920***	2.878***	0.903***	0.712***	0.903***
	(2.887)	(1.209)	(0.814)	(0.343)	(0.247)	(0.278)
ρ	0.000	0.000	0.000	0.865***	0.824***	0.865
				(0.129)	(0.122)	
Controls	No	No	Yes	No	Yes	No
N	192	192	192	192	192	192
			Panel B: Prolific Subjects from Robustness Check R3			
$S1$		0.333***	0.458***			0.162***
		(0.056)	(0.140)			(0.027)
$S7$		2.524***	3.550***			0.162***
		(0.448)	(1.121)			(0.029)
$\tilde{\beta}_0$	1.290***			0.162***	0.221***	
	(0.239)			(0.035)	(0.074)	
$\tilde{\sigma}$	5.020***	2.079***	2.112***	0.385***	0.384***	0.385***
	(1.619)	(0.490)	(0.499)	(0.111)	(0.111)	(0.091)
ρ	0.000	0.000	0.000	1.041***	1.052***	1.041
				(0.106)	(0.106)	
Controls	No	No	Yes	No	Yes	No
N	235	235	235	235	235	235

Notes: Same ordered probit regressions as in Table 4, with AMT workers from robustness check *R*2 and Prolific subjects from robustness check *R*3, respectively; subjects who did not correctly answer the comprehension question are excluded; updated models with parametrization for relative thinking. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.12 Diminishing Utility from Money

In Part 2 of the experiment, subjects receive a budget equal to the highest possible price b to avoid negative payments. Therefore, scale-dependent search costs could in principle be consistent with an income effect that is induced by the scale-dependent budget and expected utility preferences with risk aversion:[2] Subjects earn on average more from search in treatment $S\,7$ than in treatment $S\,1$. Hence, their marginal utility from money after the first search is on average smaller in $S\,7$ than in $S\,1$ (and consequently also their payoff from an additional fixed price saving).

Even though such an argument may seem appealing at first glance, it is not empirically plausible. Substantial curvature of the von Neumann-Morgenstern utility function on a small support implies implausible lottery and labor supply choices. In terms of lotteries, this argument was first formalized by Rabin (2000). He shows that risk aversion at small lotteries would imply the rejection of very attractive large lotteries. For example, if the DM rejects the 50-50 gamble "gain 12 USD or lose 10 USD" at all initial wealth levels, then, under expected utility preferences, she would also reject a 50-50 gamble with a loss of 100 USD and *any* gain value. In terms of labor supply, expected utility preferences with risk aversion would imply consumption smoothing considerations and hence a positive relationship between transitory changes in wages and working hours (e.g., Camerer et al. 1997). However, such considerations seem to be absent in our setting. To show this, we consider the subsample of AMT workers with above median working hours on AMT. These individuals work 31 hours or more per week on the platform.

AMT sample used for estimation	$S\,1$ Mean No. Searches	$S\,7$ Mean No. Searches	Estimated γ / ρ	$S\,7$ Standard Model SC	Updated Model SC	Direct SC
high weekly hours	2.7 (2.7)	3.6 (8.6)	1.11 / 1.31	4.38	0.14 / 0.17	0.19

Our estimation results for this group show large degrees of diminishing sensitivity/relative thinking as well as a particularly pronounced difference between standard model search costs and direct search costs. In treatment $S\,7$, one more search would on average take these subjects 1 minute and 29 seconds and yield them an expected payoff of 1.55 USD, which in turn would allow them to reduce their weekly working time on AMT by 30 minutes and 15 seconds.

[2]To illustrate this formally, we continue our example with utility function $u(w - p + \Delta p, g)$ from Section 2. Note that we have $\frac{\partial^2 u}{\partial w \partial \Delta p} = u_{11}(w - p + \Delta p, g) < 0$, i.e., an increase in wealth reduces the marginal utility from price savings.

A.13 Increasing Search Costs

The classic sequential search model assumes that search costs per search are constant in the number of searches. In general, it may also be possible that search costs increase in the number of searches, depending on the environment. However, we believe that increasing search costs are unlikely to explain our results. The AMT workers' number of searches increases only slightly, from 2.9 in treatment $S1$ to 3.5 in treatment $S7$ (and this increase is not statistically significant). Overall, they spend on average less than 5 minutes on search, but work for many hours on AMT. Hence, it seems unlikely that increasing search costs can rationalize their behavior. Next, the Prolific workers' number of searches is on average essentially the same in the treatments $S1$ and $S7$, which again rules out increasing search costs as an explanation.

The student subjects' number of searches increases significantly in the price scale. Nevertheless, there are several reasons for why it is unlikely that increasing search costs explain the increase in the student subjects' search cost estimates. First, subjects have several days to complete the task and they can have breaks at their discretion after each search. Hence, they are not forced to start or to continue search when it is inconvenient for them. This is a major difference to real-effort tasks that take place in a limited period of time and where performance cannot easily be increased.[3] However, few student subjects (around 5 percent) take a break between searches.[4] Therefore, we believe that increasing search costs cannot explain the scale-dependency of the students' search cost estimates.

Second, search in our setting is akin to a simple data entry job that does not require cognitive effort and for which it is common to hire students as research assistants; their wage would be around 13.50 Euro per hour in Innsbruck. The hourly wage promised to experimental subjects is 15.00 Euro per hour. A back-of-the-envelope calculation shows that if increasing search costs (instead of context effects) would explain our findings, this would imply unreasonably high hourly reservation wages for our student subjects. In treatment $S1.0$, subjects spend on average 4.90 minutes on search and the estimated search costs implied by the last search equal 0.25 Euro. In treatment $S7.0$, subjects spend on average 12.63 minutes on search and the estimated search costs implied by the last search equal 0.58 Euro. Each search takes around 60 seconds so that the corresponding hourly reservation wage is on average 34.74 Euro in treatment $S7.0$. If search costs would further increase in a linear manner, then after one

[3]For example, in DellaVigna and Pope (2018) subjects have to press alternating keys as quickly as possible for ten minutes. In this setting, there are tight physical limits on performance so that effort costs must be convex.

[4]In contrast, Ursu et al. (2023) find for search in the product category of apparel that 43 percent of consumers take at least one break while searching. They suggest that these breaks occur due to search fatigue. However, the products in their settings have many dimension consumers may take into account when making comparisons (design, color, materials, asf.), while in our experiment products are homogeneous and only vary in prices.

hour in this "job" the search costs per search would be 2.60 Euro[5], which implies an average hourly reservation wage of 156 Euro. This number would be even larger if we assume that search costs rise in a convex manner. Clearly, these numbers do not make much sense.

Third, we can show that an empirical search model that allows for increasing and convex search costs, but abstracts from context effects, does not generate scale-independent search cost estimates for our sample. To this end, we incorporate the search cost function per search $c(n) = c_0 \times n^\delta$ with $c_0 > 0$, $\delta \geq 0$, and the number of searches $n > 0$ into our empirical model. Bushong and Gagnon-Bartsch (2023) use this functional form to estimate the curvature of effort costs in a real-effort experiment that elicits subjects' labor supply decisions. They estimate $\delta \approx 1.21$. We use this functional form with fixed values of δ and abstract from context effects ($\gamma = 0$ and $\rho = 0$). We find that neither increasing and convex search costs ($\delta > 1$) nor increasing and concave search costs ($0 < \delta \leq 1$) can equalize the mean of estimated search costs c_0 in our four scale treatments. For student subjects, the ratio between the lowest and the highest search cost estimate is 1.8 or higher (further details are available from the authors upon request). In contrast, allowing for context effects and assuming constant search costs, we obtain a maximal ratio of 1.25 for students subjects.

[5]For this calculation, we assume a linear time trend in search costs and use the facts that the estimated search costs (for $\gamma = 0$) are, on average, 0.25 Euro after 4.90 minutes and 0.58 Euro after 12.63 minutes. We then obtain search costs per search of $0.58 + \frac{0.58-0.25}{12.63-4.90} \times (60 - 12.63) = 2.60$ Euro after 60 minutes.

A.14 Search Cost Distribution

For our ordered-probit model, we assumed that search costs are log-normally distributed. An alternative assumption is that search costs are normally distributed, which allows for the possibility of negative search costs. More generally, we can relax the distributional assumption by applying a Box-Cox transformation (Box and Cox 1964). It transforms a non-normal dependent variable c into a normally distributed variable. Its functional form is

$$g(c) = \frac{c^\lambda - 1}{\lambda} \text{ if } \lambda \neq 0 \text{ and } g(c) = \ln c \text{ if } \lambda = 0. \tag{7}$$

In a Box-Cox transformation, the value λ is chosen so that the transformed distribution most closely resembles a normal distribution. We conduct a Box-Cox transformation on search costs within our ordered probit regression framework with flexible context effect parameters and λ using maximum likelihood estimation. Moreover, we estimate the context effect parameters for fixed values $\lambda = 0$ (log-normally distributed search costs) and $\lambda = 1$ (normally distributed search costs).

Table A19 shows the results for the updated models with diminishing sensitivity and relative thinking, respectively. For AMT workers, the estimated degree of diminishing sensitivity γ (relative thinking ρ) lies between 0.98 and 1.07 (1.06 and 1.14); the estimated Box-Cox parameter λ is 0.50 (0.43) and the corresponding γ (ρ) is 1.05 (1.08). For Prolific subjects, the estimated degree of diminishing sensitivity γ (relative thinking ρ) lies between 1.01 and 1.03 (0.99 and 1.09); the estimated Box-Cox parameter λ is 0.38 (0.32) and the corresponding γ (ρ) equals 1.01 (1.03). Finally, for student subjects, the estimated degree of diminishing sensitivity γ (relative thinking ρ) varies between 0.42 and 0.69 (0.46 and 0.60). The estimated Box-Cox parameter λ equals 0.16 (0.14). Hence, for student subjects the distribution of search costs is close to the log-normal distribution; the corresponding γ (ρ) equals 0.51 (0.50). We conclude that our main results regarding context effects continue to hold under a distributional assumption on search costs that is more flexible than the assumption of log-normality.

Table A19: γ / ρ Estimates under (log) normal distribution and Box-Cox transformation

	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: AMT workers			
β_0	-2.632***	-1.373***	-0.882***	-2.663***	-1.364***	-0.810***
	(0.205)	(0.072)	(0.010)	(0.198)	(0.079)	(0.015)
σ	1.317***	0.273***	0.077***	1.436***	0.417***	0.132***
	(0.050)	(0.039)	(0.007)	(0.051)	(0.045)	(0.010)
γ	0.975***	1.046***	1.069***			
	(0.089)	(0.051)	(0.034)			
ρ				1.141***	1.078***	1.055***
				(0.097)	(0.059)	(0.037)
λ	0	0.504***	1	0	0.432***	1
		(0.042)			(0.037)	
N	528	528	528	528	528	528
			Panel B: Prolific Subjects			
β_0	-2.917***	-1.631***	-0.886***	-2.746***	-1.619***	-0.820***
	(0.188)	(0.126)	(0.011)	(0.187)	(0.131)	(0.016)
σ	1.258***	0.394***	0.082***	1.386***	0.565***	0.139***
	(0.063)	(0.068)	(0.008)	(0.067)	(0.078)	(0.012)
γ	1.029***	1.011***	1.020***			
	(0.088)	(0.064)	(0.040)			
ρ				1.092***	1.027***	0.994***
				(0.097)	(0.074)	(0.043)
λ	0	0.377***	1	0	0.317***	1
		(0.055)			(0.050)	
N	277	277	277	277	277	277
			Panel C: Student Subjects			
β_0	-3.374***	-2.645***	-0.953***	-3.433***	-2.644***	-0.930***
	(0.327)	(0.220)	(0.006)	(0.313)	(0.229)	(0.005)
σ	1.672***	0.927***	0.049***	1.703***	1.006***	0.076***
	(0.065)	(0.125)	(0.006)	(0.065)	(0.122)	(0.004)
γ	0.415***	0.511***	0.694***			
	(0.120)	(0.111)	(0.046)			
ρ				0.457***	0.498***	0.592***
				(0.119)	(0.111)	(0.021)
λ	0	0.155***	1	0	0.142***	1
		(0.031)			(0.030)	
N	490	490	490	490	490	490

Notes: Ordered probit regressions with flexible γ or ρ and Box-Cox parameter λ on search costs; $\lambda = 0$ reflects a log-normal distribution and $\lambda = 1$ a normal distribution of search costs; β_0 and σ are the original estimates reflecting the average and standard deviation of Box-Cox transformed search costs. Standard errors are in parentheses. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.15 Including Non-Searchers into the Search Cost Estimation

So far, we excluded the non-searchers from the search cost estimation. The main reason for this was that it is unclear why these subjects decided not to search a single online shop (or whether they made a conscious decision at all or just forgot to search). Since the share of non-searchers is stable across treatments, it is quite likely that a lack of incentives is not the main driver of their behavior. Nevertheless, it is possible that these subjects did not commence searching as their search costs are too large. One could then ask how our search cost estimates would change if we include the non-searchers into our empirical analysis.

We extend the ordered-probit model from Subsection 5.2 so that it also takes the non-searchers in account. If subject i searches $n_i = 0$ shops, her likelihood contribution equals

$$P_i = \Pr(c \geq c(b,\gamma)) = \Pr(\exp(x_i\beta + \sigma\varepsilon_i) \geq c(b,\gamma)) = 1 - \Phi\left(\frac{\ln c(b,\gamma) - x_i\beta}{\sigma}\right). \tag{8}$$

With the non-searchers, the main descriptive statistics and estimation results are as follows:[6]

sample used for estimation	$S1$ / $S2$ Mean No. Searches	$S7$ / $S14$ Mean No. Searches	Estimated γ / ρ	$S7$ / $S14$ Standard Model	Updated Model SC	Direct SC
AMT Workers	2.4 (4.0)	3.0 (6.4)	0.97 / 1.12	8.36	0.35 / 0.47	0.18
Prolific Subjects	2.7 (3.1)	2.6 (4.4)	1.06 / 1.12	5.19	0.17 / 0.27	0.27
Student Subjects	6.0 (6.5)	9.5 (16.2)	0.76 / 0.59	14.15	0.76 / 1.93	< 0.25

For AMT workers and Prolific subjects, the results with non-searchers are almost the same as without non-searchers. The search cost estimates from the standard model again increase in the price scale (p-value < 0.001) and the estimated context effect parameters are around one so that the search cost estimates from the updated model are much smaller than from the standard model, scale-independent (p-value > 0.111), and roughly at the same order as subjects' direct search costs. For student subjects, both the search cost estimates from all models and the estimated context effect parameters become larger through the inclusion of non-searchers. Nevertheless, also in this sample the search cost estimates from the standard model are increasing in scale (p-value < 0.001) and become scale-independent once the empirical model allows for context effects (p-value > 0.211).

[6]To calculate the direct search costs for non-searchers, we use their search duration from the test in the first part of the experiment.

A.16 Searching More Than Once

One may suspect that our main results are driven by the large fraction of subjects who only search once. We therefore consider our estimation results when we exclude those subjects who search exactly one shop. Importantly, the share of searchers who only search once is similar in all treatments: 52.1 percent in $S\,1$, 58.5 percent in $S\,3$, 60.6 percent in $S\,5$, and 58.5 percent in $S\,7$ for AMT workers; and 50.0 percent in $S\,1$ and 58.4 percent in $S\,7$ for Prolific subjects. Table A20 and Table A21 show the results for AMT workers and Prolific subjects. The estimated context effect parameters remain large and are roughly the same as in the original specification. The estimated search costs are naturally much smaller for subjects who search more than once than for subjects who search only one shop.

Table A20: Search Cost Estimates (Searching more than once, Diminishing Sensitivity)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: AMT Workers			
$S1$		0.186^{***}	0.123^{**}			0.072^{***}
		(0.048)	(0.048)			(0.017)
$S3$		0.691^{***}	0.427^{**}			0.096^{***}
		(0.181)	(0.170)			(0.023)
$S5$		0.936^{***}	0.611^{**}			0.083^{***}
		(0.256)	(0.238)			(0.021)
$S7$		1.366^{***}	0.874^{***}			0.089^{***}
		(0.346)	(0.328)			(0.021)
$\tilde{\beta}_0$	0.819^{***}			0.085^{***}	0.057^{**}	
	(0.162)			(0.030)	(0.026)	
$\tilde{\sigma}$	3.546^{***}	2.031^{***}	1.559^{***}	0.234^{**}	0.187^{**}	0.232^{***}
	(1.224)	(0.590)	(0.441)	(0.104)	(0.080)	(0.061)
γ	0.000	0.000	0.000	0.919^{***}	0.910^{***}	0.919
				(0.146)	(0.142)	
Controls	No	No	Yes	No	Yes	No
N	224	224	224	224	224	224
			Panel B: Prolific Subjects			
$S1$		0.110^{***}	0.193^{**}			0.038^{***}
		(0.024)	(0.082)			(0.007)
$S7$		1.031^{***}	1.739^{**}			0.039^{***}
		(0.234)	(0.724)			(0.008)
$\tilde{\beta}_0$	0.521^{***}			0.038^{***}	0.066^{**}	
	(0.132)			(0.011)	(0.030)	
$\tilde{\sigma}$	2.128^{***}	0.646^{***}	0.657^{***}	0.071^{***}	0.075^{***}	0.071^{***}
	(0.937)	(0.195)	(0.197)	(0.026)	(0.028)	(0.019)
γ	0.000	0.000	0.000	1.114^{***}	1.094^{***}	1.114
				(0.125)	(0.125)	
Controls	No	No	Yes	No	Yes	No
N	127	127	127	127	127	127

Notes: Same ordered probit regressions as in Table 4, with AMT workers and Prolific subjects from robustness check *R*3, respectively; subjects who searched only one shop are excluded; updated models with parametrization for diminishing sensitivity. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

Table A21: Search Cost Estimates (Searching more than once, Relative Thinking)

	Standard Model			Updated Model		
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: AMT Workers			
$S1$		0.186***	0.123**			0.092***
		(0.048)	(0.048)			(0.024)
$S3$		0.691***	0.427**			0.112***
		(0.181)	(0.170)			(0.029)
$S5$		0.936***	0.611**			0.090***
		(0.256)	(0.238)			(0.025)
$S7$		1.366***	0.874***			0.094***
		(0.346)	(0.328)			(0.024)
$\tilde{\beta}_0$	0.819***			0.097***	0.063**	
	(0.162)			(0.032)	(0.028)	
$\tilde{\sigma}$	3.546***	2.031***	1.559***	0.311**	0.244**	0.308***
	(1.224)	(0.590)	(0.441)	(0.127)	(0.096)	(0.090)
ρ	0.000	0.000	0.000	1.015***	1.000***	1.015
				(0.154)	(0.150)	
Controls	No	No	Yes	No	Yes	No
N	224	224	224	224	224	224
			Panel B: Prolific Subjects			
$S1$		0.110***	0.193**			0.049***
		(0.024)	(0.082)			(0.011)
$S7$		1.031***	1.739**			0.049***
		(0.234)	(0.724)			(0.011)
$\tilde{\beta}_0$	0.521***			0.049***	0.088**	
	(0.132)			(0.014)	(0.041)	
$\tilde{\sigma}$	2.128***	0.646***	0.657***	0.106***	0.112***	0.106***
	(0.937)	(0.195)	(0.197)	(0.040)	(0.042)	(0.032)
ρ	0.000	0.000	0.000	1.151***	1.129***	1.151
				(0.137)	(0.137)	
Controls	No	No	Yes	No	Yes	No
N	127	127	127	127	127	127

Notes: Same ordered probit regressions as in Table 4, with AMT workers and Prolific subjects from robustness check *R*3, respectively; subjects who searched only one shop are excluded; updated models with parametrization for relative thinking. Standard errors are in parentheses. The controls are a dummy for above-median age, gender, a dummy for above-median willingness to take risk, and a dummy for above-median CRT score. Significance at * $p < 0.1$, ** $p < 0.05$, and *** $p < 0.01$.

A.17 Non-Sequential Search

Throughout the paper, we assumed that subjects search according to the sequential search paradigm. As shown in Appendix A.4, search behavior in our experiment is more consistent with sequential than with non-sequential search. Nevertheless, in this appendix, we estimate search costs and the degree of context effects under the non-sequential search paradigm. For convenience, we use the relative thinking parametrization for this.[7]

Under non-sequential search, the DM chooses the number n of prices she wishes to obtain and then trades with the cheapest shop in her sample. With n searches, the distribution over the lowest price is given by $F^{[n]}(p) = 1 - (1 - F(p))^n$ and the expected expenses weighted by the relative thinking parametrization equals

$$\mathbb{E}^{[n]}(v^{rt}) = \frac{1}{\Delta_F^{\rho}} \int_a^b pn(1 - F(p))^{n-1} f(p) dp. \tag{9}$$

With F being the uniform distribution, we get

$$\mathbb{E}^{[n]}(v^{rt}) = \frac{1}{\Delta_F^{\rho}} \left(a + \frac{b-a}{n+1} \right). \tag{10}$$

The DM chooses n to maximize her expected payoff

$$\max_n \; -\mathbb{E}^{[n]}(v^{rt}) - cn. \tag{11}$$

From this, we obtain an upper and a lower bound on search costs. Consider a DM who searches $n \geq 1$ shops. From the fact that she weakly prefers searching n instead of $n+1$ we get the lower bound

$$c_-^{\text{nseq}}(\rho, n) = \mathbb{E}^{[n]}(v^{rt}) - \mathbb{E}^{[n+1]}(v^{rt}), \tag{12}$$

and from the fact that she weakly prefers searching n instead of $n-1$ shops we obtain

$$c_+^{\text{nseq}}(\rho, n) = \mathbb{E}^{[n-1]}(v^{rt}) - \mathbb{E}^{[n]}(v^{rt}). \tag{13}$$

Suppose DM i searches n_i shops. For given ρ, the true value of search costs must be in between the lower and upper bound. Assuming again that the log of search costs is normally distributed,

[7] For the diminishing sensitivity parametrization we do not obtain a closed form solution of the upper and lower bound of search costs. We therefore abstract from diminishing sensitivity in this extension.

we get the likelihood contribution

$$\begin{aligned} P_i &= \Pr(c_-^{\text{nseq}}(\rho, n_i) \leq c_i < c_+^{\text{nseq}}(\rho, n_i)) \\ &= \Phi\left(\frac{\ln c_+^{\text{nseq}}(\rho, n_i) - x_i\beta}{\sigma}\right) - \Phi\left(\frac{\ln c_-^{\text{nseq}}(\rho, n_i) - x_i\beta}{\sigma}\right). \end{aligned} \tag{14}$$

As for the sequential search model, we then get the distribution over search costs and the parameter ρ from maximum likelihood estimation. With this model, we jointly estimate search costs and the degree of relative thinking for AMT workers, Prolific and student subjects. We obtain the following results:

Robustness Check Non-Sequential Search	$S1$ / $S2$ Mean No. Searches	$S7$ / $S14$ Mean No. Searches	Estimated ρ	$S7$ / $S14$ Standard Model SC	Updated Model SC	Direct SC
AMT workers	2.9 (4.1)	3.5 (6.8)	1.01	3.58	0.27	0.16
Prolific	2.9 (3.1)	2.9 (4.6)	1.07	3.67	0.22	0.26
Students	7.0 (6.6)	11.5 (17.2)	0.71	2.04	0.20	< 0.25

The results are roughly the same as for the sequential search model. Again, the search cost estimates from the standard model increase significantly in the price scale; for the AMT workers from 0.53 USD in treatment $S1$ to 3.58 USD in treatment $S7$; for the Prolific subjects from 0.45 USD in treatment $S1$ to 3.67 USD in treatment $S7$; and for the student subjects from 0.50 Euro in treatment $S2$ to 2.04 Euro in treatment $S14$. All these differences are significant at the 1-percent level. In the treatments with the highest scale, the search cost estimates from the standard model exceed subjects' direct search costs by an order of magnitude. Notably, this now also holds for the student subjects.

The estimated level of relative thinking ρ is again significantly positive for all subject pools. Further, the estimated search costs from the updated model with non-sequential search are slightly higher than those from the updated model with sequential search (these were 0.20 USD for AMT workers, 0.17 USD for Prolific subjects, and 0.14 for student subjects). Nevertheless, they are still relatively close to subjects' direct search costs. We therefore conclude that we obtain our main results also when we use the non-sequential search paradigm.

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