CompeteGrok Analysis Report

Query: explain step by step BLP demand estimation

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BLP Demand Estimation: Step-by-Step Guide

BLP stands for Berry, Levinsohn, and Pakes (1995), a seminal random coefficients logit model for estimating demand in **differentiated product markets** (e.g., automobiles, cereals). It solves key logit limitations: (1) IIA assumption (rigid substitution), (2) price endogeneity, and (3) unobserved heterogeneity. Estimation uses **GMM** with a **nonlinear inversion**.

Step 1: Random Utility Model Setup

- **Agents**: (

Privacy: Ephemeral RAG; zero retention. **Disclaimer:** Not legal advice. Models have caveats (e.g. IIA assumption). Verify 2025 data. **LaTeX:** Inline x, display

$$E = mc^2$$

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