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Xulia González

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**Chain heterogeneity and price-setting behavior:
Evidence from e-grocery retailers***

Xulia González[†]
University of Vigo

Abstract

This paper investigates the role of chain heterogeneity in price-setting decisions. The data set comprises more than 1.5 million daily price observations gathered from Web pages of the main grocery retailer chains operating in Spain. The empirical analysis reveals that pricing strategies at the chain level (i.e., not at the individual store level) play a significant role on the frequency with prices are changed and also on the level of prices. For a given product, there is far more variation in price levels *across* chains than among the stores *within* a chain. Furthermore, our results suggest that some retail chains set regular prices in a centralized fashion. We explore other drivers of the frequency of price changes by estimating an instrumental variables Poisson model. We find that more popular products exhibit more price changes and that rivals' price changes have a positive and significant effect.

Keywords: online grocery; retail chains; retail pricing; frequency of price change; Poisson model

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[†] Facultad de Economía. Universidad de Vigo. As Lagoas Marcosende s/n, 26210-Vigo. Tel: +34 986812516. E-mail: xgzeltz@uvigo.es

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