

Do sales Matter? Evidence from UK Food Retailing.

Some comments

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Main results of the paper

- Sales represent a significant amount of price variation
- Both brands and own-labels exhibit sales even if it is in a lower extent for own-labels
- Retailers have different strategies (EDLP / HiLo)
- Some correlation between the timing of sales across retailers

- At least two classes of models
 - INTERTEMPORAL PRICE DISCRIMINATION
 - Conlisk, Gerstner, Sobel (1984): monopoly; consumers have different WTP and WTWait
 - Sobel (1984), Extend to oligopoly (high price when demand 'low' otherwise low price to attract non loyal consumers
 - Pesendorfer (2002) . Oligopoly. For goods than can be inventoried
 - COMPETITION BETWEEN RETAILERS
 - Varian (1980). Non inventoried products. Loyal versus 'shoppers'. Mixed strategy pricing. Price drawn from a distribution. Price change at every period

- This two classes of models lead to different predictions
 - Intertemporal price discrimination story: high 'regular' price most of the time with periodic discounts.
 - Competition story. No notion of regular price. When considering discrete points rather than a continuum, possibility to have a modal price (cf. Hosken Reiffen (2004) simulations)
- Test of distribution of sales in the UK using these two classes of models.
 - Different profile
 - Pesendorfer model, when number of retailers selling a product increases, then the probability to have a sale in one of the retailers increase (you can test this).

Some dimensions to better use

- Product category: Perishable vs non perishable
 - No results wrt this dimension. Remark that with some perishable products, more difficult to find a regular price as some seasonality might be present.
 - Cf. previous slides
 - Distribution of prices might be useful
- Product category :
 - Correlation between sales on products of the same relevant market (extend a little bit the scope)
 - Way to detect cost changes as they should impact all similar products (same idea as the one you used but with on a larger market)
- Retailers are multi products. Analysis for a given retailer. Correlation between sales at the retailer level (ignoring the interactions with any other retailers). ?
- Retailers strategy: HiLo vs EDLP; loss leader versus other products, (marketing literature)

Other remarks / questions

- Do you have any explanation about the fact that own-label products are less frequently and less deeply discounted than branded products. Is it related to any regulation (are prices below marginal costs legal?).
- Seems that own-label products are under-represented in your sample (a lot of categories with 0 own-labels products)
- Role of fidelity cards which allow reduction on specific items (in France, this is used in relation to own-label products).
- For some products, with significant share of the cost attributable to the raw material, possibility to analyse pricing in relation with agricultural products price. (time series are easy to get).