

**Price Discrimination and Social Network:
Evidence from North American
Auto Dealership Transaction Data ***

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Abstract

Using personnel and transaction data obtained from two auto dealerships located in a large city in Canada, we examine whether same or different ethnic matches between salespersons and customers affect the prices and quantities of transactions. First, compared with White-White matches, we find little evidence of price discrimination for different ethnicity matches (such as White vs. Middle East), and we detect neither premium price setting nor discounting among same ethnicity matches (such as Asian vs. Asian) relative to different ethnicity matches. Regarding quantity, however, sales ratios to ethnically-same customers are substantially higher than is the case for ethnically dissimilar customers. For example, East Asian salespersons concluded more than 30% of their sales with East Asian customers. Moreover, we find that high-performing salespersons skillfully utilize social networks to conclude transactions with customers of the same ethnicity, especially when business conditions are unfavorable. This finding suggests that social networks are important to understanding the nature of auto retail markets.

JEL Classification Codes: M12, M5, J15, J33

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