

Retail Price Stickiness, Market Structure and Distribution Channels

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Abstract

Using Japanese scanner data that contains transaction prices and sales for more than 1,600 commodity groups from 1988 to 2008, we find statistically significant negative correlation between the frequency of price changes and the degree of market concentration. We also find that the structural factors relating to a distribution channel are significantly correlated with the rigidity of retail prices. Decomposing the frequency of price changes, we find both inter- and intra-brand competition are positive effect on the frequency of sale. For the price-setting behavior of a manufacturer, inter-brand competition among manufacturers has significant effect whereas intra-brand competition among retailers does not have a significant effect. We also document that the length of contract between manufacturers and retailers has significant and positive effect on price stickiness.

JEL classification codes: L11, E31, C41

Key words: Sticky price, Market concentration, Distribution channel

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