Comments on
The Value of Competitor Information: Evidence from a Field Experiment

Alan Sorensen

U of Wisconsin & NBER

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Questions and answers

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How do they respond?

- Typically by making themselves more aligned with their competitors

Is manager ignorance surprising?

Should we expect nail salon managers to know competitors' prices?

- Yes, because price appears to be an important factor in consumers' decisions
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  Note: 80% of treated firms did *not* change their prices

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Side point: Do standard pricing models assume firms know rivals' prices?

Not really! Because models are almost always static

This paper provides multiple useful insights about real-world price determination

Further questions (and partial answers)

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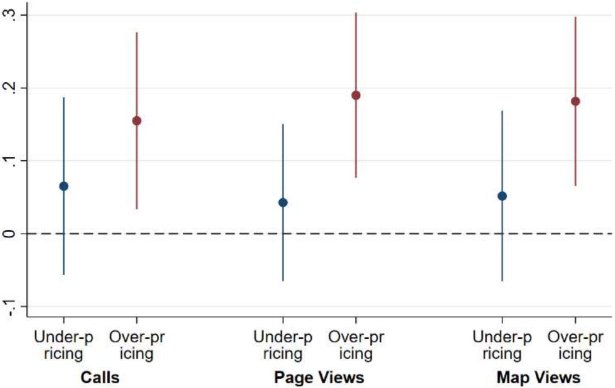
- Suggestive evidence says yes

Did treated firms benefit from the information?

Treated firms that were overpriced experienced uptick in positive Yelp indicators:

Figure F.2: Performance effect by baseline over- or under-pricing



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Why aren't managers more knowledgeable?

- Informal interviews point to *inattention*
- Follow-up experiment looks promising

Broader lessons?

Price dispersion

- More information $\Longrightarrow$ more "alignment"
  $\Longrightarrow$ suggests online firms should exhibit less price dispersion
- But in this context maybe it's more interesting how many treated firms did *not* change their prices
- Price transparency pushes toward convergence, but apparently the pressure is mild

Dynamics of price determination

- When and how do firms change prices?
- In response to what stimuli?

Any lessons for the new literature on algorithmic pricing?