

# The Effect of Intermediate Price Discrimination on Retail Prices: Theory and Evidence from France\*

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## Abstract

In a secret contracting environment, economic theory shows that banning wholesale price discrimination may, by solving opportunism, increase prices and lower welfare. We build an original model to analyze how such a ban affects the final prices of national brands (products sold to several retailers, possibly with discriminatory tariffs) and of private labels (products dedicated to one retailer). We show that a ban would raise the final prices of national brand products (direct effect), and impact the prices of private labels to a lower extent (indirect effect). A reform authorizing wholesale price discrimination took place in France in 2008 and our paper uses this natural experiment to test our result. Using a consumer panel dataset of food prices in France over the period 2006-2010, we run a difference-in-differences analysis and show that on average the reform has led to a decrease in prices of national brands by 3.36% compared to private labels.

**Keywords:** Intermediate Price Discrimination, Ex-Post Evaluation, Retail Sector.

**JEL Classification:** K21, L13, L42, L66, L81.

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