

The Effects of Mandatory Disclosure of Retail Prices: Evidence from the Israeli Supermarket Industry

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Abstract

We study the impact on prices and on price dispersion of a regulation that required Israeli food retailers to post online the prices of each and every item that they sell. Using rich data collected before and after the regulation, a differences-in-differences research design and various control groups we find evidence that prices have fallen by 3% to 5% after the regulation. The decline in prices is concentrated among supermarkets that faced weaker local competition and among chains that initially set relatively high prices. We also find that price dispersion has fallen and that this fall in dispersion occurred before prices have declined.