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***When:*** 12:00 PM to 1:20 PM

**Channel Management and MAP:
Evidence from a Quasi-Experiment**

*ABSTRACT*: Minimum Advertised Price (MAP) is a pricing policy widely used by manufacturers to influence prices set by their downstream partners. A MAP policy imposes a lower bound on advertised prices, subjecting violating retailers to punishments such as termination of distribution agreements. Despite this threat, violations are common. This paper shows that the mere fact that manufacturers monitor pricing and have a contractual threat to terminate distribution may be insufficient in achieving compliance, and that the context and terms of the policy affect manufacturers’ ability to govern MAP. Two key elements to improve compliance are uncovered: customization to the online environment and credible monitoring and punishments.

I analyze the pricing, enforcement, and channel management policies of a manufacturer over several years. During this period, new channel policies take effect, providing a quasi-experiment. The new policies lead to substantially fewer violations. With improved compliance, channel prices increase by 2% without loss in volume. The reduction in violations is particularly stark among retailers that do not provide services or have lower sales volume and for popular products. At the same time, there is an increase in opportunistic behavior among top retailers or high service providers, and for less popular products via deeper discounts.