

Do market characteristics impact the relationship between retailer characteristics and online prices?

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We propose that market characteristics interact with retailer characteristics to determine online prices. The retailer characteristics examined include—service quality of a retailer, channels of transaction provided by a retailer and the size of a retailer. The market characteristics capture the level and nature of competition, and the price level of a product. We utilize a Hierarchical Linear Model (HLM) framework for capturing and testing the proposed interactions. The better fit between the model and the online market structure is reflected by a twenty-five percent increase in explainable price dispersion over results from comparable studies. Our study demonstrates that while retailer characteristics do impact online prices, this influence is significantly enhanced or diminished by the accompanying market characteristics.

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