

Report on "A Study of Pricing Evolution in the Online Toy Market"

(This report is meant to be shared with the editor and the authors alone.)

This is a purely descriptive paper on different pricing behavior between pure Internet retailers (dotcoms) and online branches of multi-channel retailers (OBMCRs). The authors did find some differences although these differences are dwindling over time, but they do not intend to pin down the reasons behind the patterns they've found.

Main Strengths

- 1) I think the impact of Internet on the evolution of the marketplace is a fascinating topic. A descriptive paper is a good start for us to understand this (on-going) phenomenon. And since price data is so rare in the field of empirical IO, any reasonable attempt analyzing pricing patterns adds to the field.
- 2) The result that the price dispersion of OBMCRs is higher than that of the dotcoms initially is very interesting.

Main Weaknesses

- 1) The specific empirical questions are rather poorly motivated. The paper has a feel of "now that we have such and such data, let's run some regressions". The authors just provide some perfunctory explanations on the different pricing behaviors of the two types of online retailers.
- 2) The econometric model seems error-prone, or rather, in a haste to finish the paper, the authors have skipped some important details that it makes it quite difficult to decipher what they meant. For example, the authors keep talking about "panel data regression models with error components and serial correlation." As any regression model has error component(s), this is a curious use of language. Perhaps the authors meant "...models with serially correlated error terms?" But as it was shown later, although the authors controls for time fixed effects, they don't really have any autocorrelated error terms. For another example, how are the two time trends " T_{dotcom} " and " T_{OBMCR} " constructed, given that time fixed effects are already included in the regression model? Are these interaction terms between dotcom/OBMCR and time trends? If yes, are there any level effects of the dummy variable dotcom/OBMCR? Yet another example, why should "SDPprice" be included in the regression? Lastly, how was hypothesis testing done exactly? for H1, does the null hypothesis mean that all coefficients before retailer dummies are equal to each other? But that means the null hypothesis is "all retailers charge the same price", not "OBMCRs and dotcoms charge the same price".
- 3) There is a large room for the writing to be improved. Even the abstract is confusingly written. What does "both retailer types demonstrate different magnitudes of price dispersion that move at different rates over time" mean?