Learning to Coordinate: A Study in Retail Gasoline[1]

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Research question

- How is collusion initiated?

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Green, Marshall and Marx (2015), Ivaldi et al. (2003):

- the implementation of collusive agreements, both tacit and explicit, has been explored extensively
- the issue of how collusion is initiated has largely been abstracted from, or presumed to be explicit

Related literature

Ex-post case studies of known cartels and explicit collusion

- Clark and Houde

Context and Data

Context

Retail gasoline market of Perth, Australia

- 1.7 million people, 472 gasoline stations
- 4 major retailers: BP, Caltex, Coles, Woolworths
  - station shares: 22%, 16%, 16%, 13%
  - prices centrally set by the major retailers
  - shares stable from 2004-2015

Price transparency policy - Fuelwatch

- price reporting website
- 24-hour rule

Context and Data

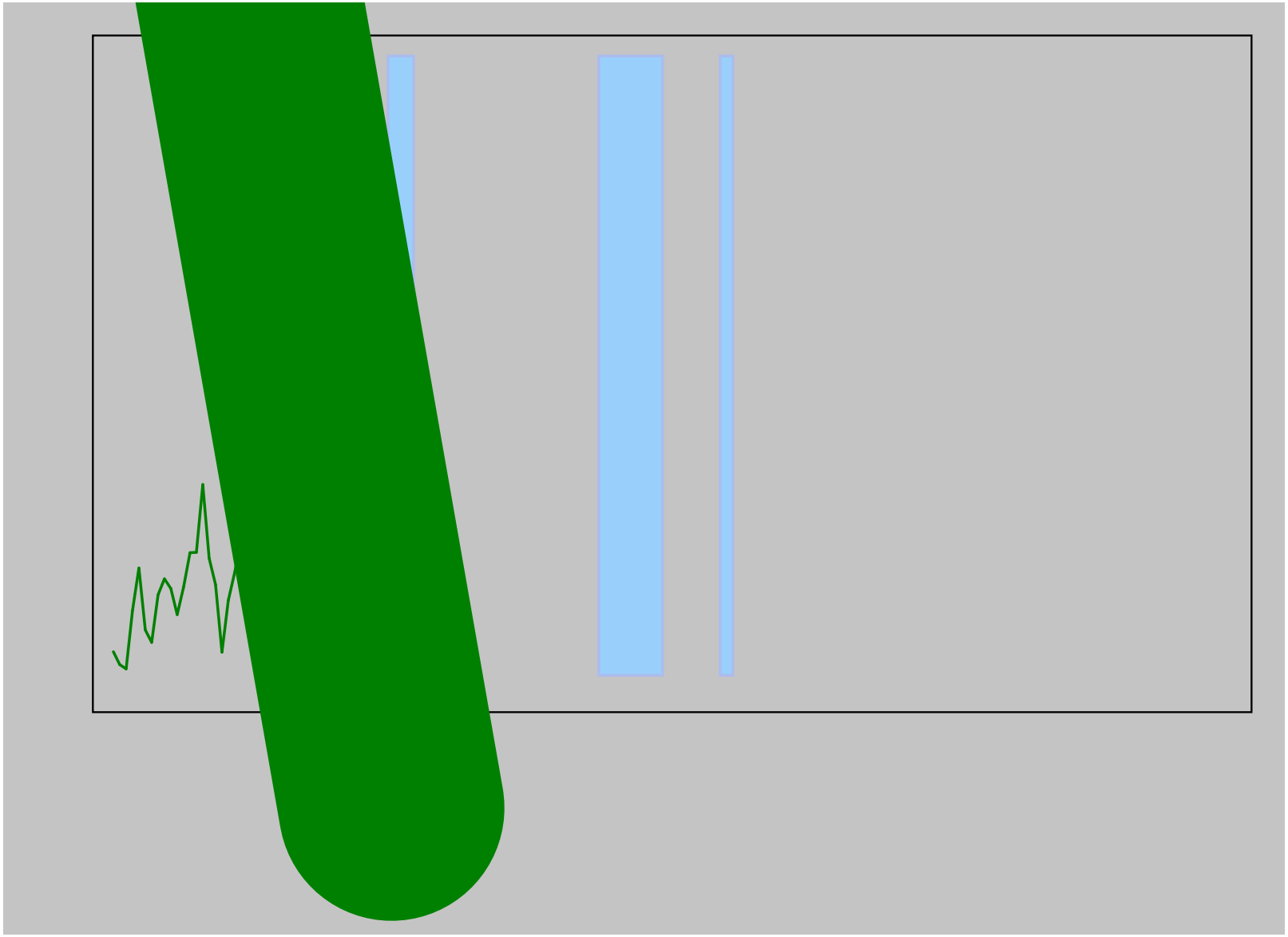
Data

Context and Data

Retail pricing

Context and Data

Monthly average prices, costs and margins



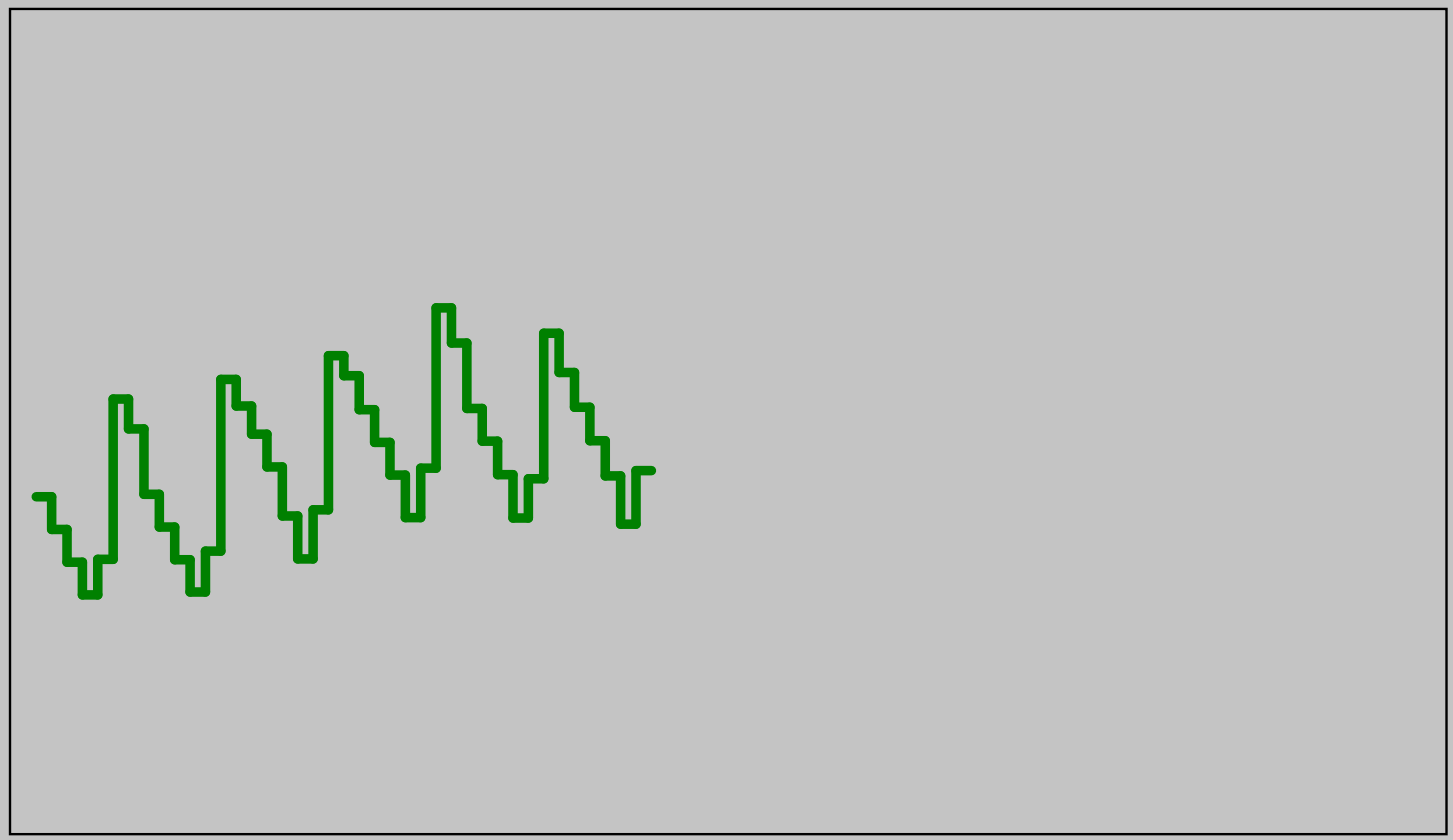
15 Years of Retail Pricing

To study the evolution of pricing, it is helpful breakdown price cycles into two components

- price jumps
- price cuts

15 Years of Retail Pricing

Defining price jumps, cuts and cycle length



15 Years of Retail Pricing

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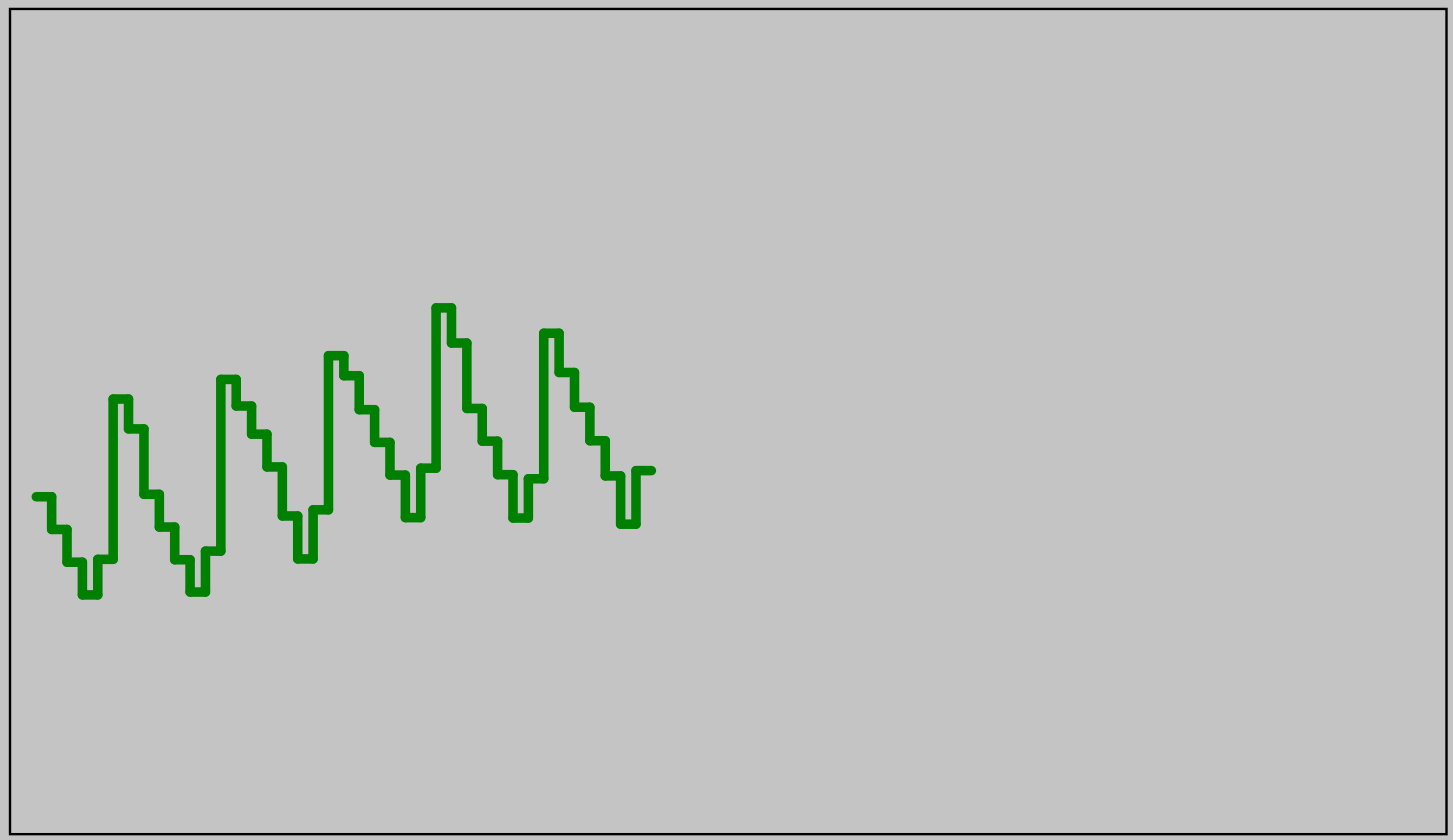

15 Years of Retail Pricing

Distribution of price changes: 2001-2003

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