

Demand Steering Through the Smoke Screen of Stockouts

Evidence from Cigarette Vending Machines

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Discussion by Nadine Hahn

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- ▶ 3) Structural demand model → Answers Q2

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- Cigarette machines as unique setting that closes many alternative channels for stockouts (shocks in price/marginal cost of production, varying margins, advertisement etc.)
- Variation in restocking patterns:
 - ▶ Do you observe different stockout patterns in different locations (night clubs/newsstands)? → Selection on customer characteristics?

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- Cigarette manufacturers (upstream):
 - ▶ Since cigarette prices and retail margins are fixed: Could they anticipate what retailers do?
 - Do they strategically offer high and low margin products?

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→ If manufacturers use actual sales, it could be endogenous to the model
 - ▶ Do you observe variation in cigarette pack size?
- Consumer surplus counterfactual - persistent cigarette demand → inertia?
- What could be a solution? Less stockouts when there is more competition → one retailer cannot own several machines in the same area? geographic differentiation?

Thank You