

**Nevo and Wolfram 2002**

This paper wants to study about the relationship between coupon and shelf price of ready-to-eat cereal. Nondurable good manufacturer invest a lot on coupon and more than advertising. So, This paper wants to find the reason why the cereal manufacturer has to give coupon to customers. With this relationship, Coupon may be a tool to create price discrimination. Price discrimination in this paper explained by a model of static monopoly price discrimination. The monopoly must differentiate the customer in 2 groups, high price elasticity and low price elasticity, so the manufacturer can charge high price with less price elasticity group of customer. Moreover, Coupon can decrease the uniform price by create competition between brands. At the end, Both brand will decrease their shelf-price. So, Coupon can increase demand and repeat purchasing behavior. However, The relationship between coupon and shelf price can be positive and negative. It depends on its case. The coupon can be issued when there is low demand or issued to attract new customers and repurchased.

To study the relationship using data and model, The data collected from 65 cities from the beginning of 1989 to the end of 1992. This time-series data because it collected the information by the specific range of time. By the relationship between prices and coupons using the model, The model contains 5 variables: The coupon available in particular city, the brand-fixed effects to vary by city, the city-fixed effect to vary across quarters and the quarter effects to vary by brand. By the record, the manufacturer increased the number coupon and then stop issuing it. The result is the demand decreased so that the manufacturer has to use it again even they gain less profit. This can be correlated with the fact that coupon can increase the demand.