Facilitating Practices: The Effects of Advance Notice and Best-Price Practices

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Abstract: Even if firms in a market choose discount prices noncooperatively, the use of most-preferred-customer and meet-or-release contracts enables those firms to adopt quantity-choice strategies. Consequently, there can be a range of list prices that are impervious to unilateral nonselective discounts, but this range does not include prices above the level determined in a Cournot equilibrium. The practice of advance public notification of list-price increases can facilitate the establishment of such supracompetitive list prices, as was argued in the recent FTC Ethyl case. The possibility of offering discounts selectively results in a much more competitive situation.