Online Appendix

How Firms Set Their Prices: Survey Evidence Along the Stages of Price Setting

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Abstract

This paper presents novel survey evidence on how firms set prices across the private-sector Swiss economy. The survey covers all stages of the price-setting process and reveals substantial heterogeneity by sector, firm size, customer type, and sales channel. Firms combine time- and state-dependent elements when reviewing prices. Competitor-based pricing dominates over markup rules, and price discrimination is multidimensional and widespread. Price changes occur far less frequently than reviews, are typically synchronized within firms, and exhibit a slightly upward-sloping hazard of adjustment. Cost pass-through is driven mainly by labor, supplier, and raw material costs, with asymmetric responses to cost versus demand shocks. Price rigidity arises primarily from implicit and explicit contracts and cost-based pricing, while operational frictions such as menu costs play only a minor role.

JEL classification: E30, D22, D40, L11, C83

Keywords: Price Setting, Price Adjustment, Price Rigidity, Inflation, Survey Evidence

A. The Price-Setting Survey: Capturing Firm Behavior along the Stages of Price Setting

A.1 Sample design

Table A.1. Respondents' roles and divisions within their firm

	Share of firms (%)
Owner/CEO/board director/authorized officer	70.0
Department head	16.7
Team manager	4.7
Specialist	8.6
Management	57.3
Finances/controlling/accounting	35.8
Sales	3.6
Marketing/communication	0.5
Human resources	0.7
Executive department/administration	2.1

Notes: This table shows the percentage of respondents across roles (in the upper panel) and divisions (in the lower panel) within their firm.

Table A.2. Sectoral and size distribution of firms

	Share of firms in panel (%)	Share of firms in economy (%)
Sector group		
Manufacturing	29.4	9.4
Construction	5.3	11.0
Retail Trade	25.4	20.3
Financial and Insurance Activities	0.8	1.9
Other Service Activities	36.2	56.1
Other	2.8	0.7
Size class		
S	59.3	94.9
M	28.4	4.5
L	12.3	0.6

Notes: This table shows the sectoral and size distribution of the 1,715 firms participating in the survey experiment. Sector group "other service activities" includes all services excluding retail trade and financial and insurance activities. Sector group "other" includes agriculture, forestry, fishing, mining, electricity, gas, water supply, waste, public administration, education, activities of households as employers, activities of membership organizations, activities of extraterritorial organizations. Size classes differentiate between large (employing more than 250 employees, "L"), medium-sized (employing more than 50 employees but less than or equal to 250 employees, "M"), and small firms (employing fewer than 50 employees but more than 1 employee, "S").

Table A.3. Comparison of non-respondents and respondents across firm characteristics

	Full sample			KOF survey participants		
	Non-Respondents	Respondents	Propensity (logit)	Non-Respondents	Respondents	Propensity (logit)
Size						
S	0.721	0.588	Ref. Cat.	0.562	0.549	Ref. Cat.
M	0.199	0.281	1.169** (0.078)	0.304	0.305	0.988 (0.086)
L	0.080	0.131	1.465*** (0.107)	0.135	0.146	1.214* (0.113)
Sector						
Manufacturing	0.167	0.302	Ref. Cat.	0.342	0.371	Ref. Cat.
Retail	0.541	0.236	0.250*** (0.255)	0.064	0.060	0.781 (0.289)
Services	0.292	0.462	0.882 (0.209)	0.594	0.569	0.844 (0.209)
Sector (NACE sections)						
C	0.157	0.278	Ref. Cat.	0.304	0.335	Ref. Cat.
G	0.546	0.276	1.038 (0.238)	0.124	0.125	1.117 (0.238)
H	0.023	0.045	1.223 (0.252)	0.045	0.055	1.281 (0.252)
I	0.017	0.020	0.774 (0.289)	0.033	0.025	0.807 (0.288)
J	0.016	0.029	1.140 (0.274)	0.031	0.035	1.163 (0.274)
K	0.029	0.052	1.144 (0.247)	0.056	0.063	1.197 (0.247)
L	0.008	0.008	0.595 (0.379)	0.016	0.010	0.596 (0.379)
M	0.038	0.068	1.228 (0.234)	0.071	0.085	1.341 (0.234)
N	0.017	0.022	0.842 (0.282)	0.034	0.026	0.850 (0.283)
P	0.010	0.013	0.813 (0.328)	0.020	0.016	0.864 (0.329)
Q	0.043	0.057	0.803 (0.237)	0.083	0.069	0.848 (0.237)
R	0.021	0.027	0.935 (0.271)	0.040	0.032	0.915 (0.271)
Region						
Lake Geneva	0.165	0.137	Ref. Cat.	0.142	0.128	Ref. Cat.
Mittelland	0.206	0.201	0.955 (0.154)	0.211	0.203	0.920 (0.184)
Northwestern	0.118	0.121	0.960 (0.197)	0.134	0.122	0.848 (0.232)
Zurich	0.176	0.187	1.046 (0.189)	0.175	0.181	0.937 (0.224)
Eastern	0.157	0.165	0.990 (0.192)	0.166	0.175	0.987 (0.227)
Central	0.117	0.119	1.054 (0.197)	0.109	0.126	1.145 (0.234)
Ticino	0.059	0.070	1.392 (0.595)	0.062	0.066	1.283 (0.685)
Language						
D	0.712	0.732	Ref. Cat.	0.728	0.748	Ref. Cat.
F	0.226	0.194	0.956 (0.154)	0.205	0.182	0.870 (0.181)
I	0.062	0.074	0.824 (0.556)	0.067	0.069	0.703 (0.637)

Notes: This table compares the distribution of respondents and non-respondents (as shares of the respective samples) across key firm characteristics (size class, sector classifications, region, and language region) for (i) the full survey sample and (ii) the sample restricted to firms that participated in previous KOF business tendency surveys. Logit-based response propensities (odds ratios from logistic regressions) are used to assess the extent to which non-response is systematically related to firm characteristics. NOGA sections with fewer than 10 participants are omitted from logistic models. Standard errors are in parentheses; *, **, *** denote significance at the 10%, 5%, and 1% levels.

Table A.4 provides a comprehensive profile of the firms participating in the Price-Setting Survey. I first summarize the distribution of respondents across the main dimensions of heterogeneity: size, sector, customer orientation, and sales channel. Out of the total 1,552 respondents, 920 are small firms (2–49 employees), 441 medium-sized (50–249), and 191 large (250 or more employees). By sector, 457 operate in manufacturing, 300 in retail trade, and 669 in other services excluding retail. Regarding customer orientation, 789 firms generate more than half of their turnover with other firms ("B2B"), while 570 sell primarily to private consumers ("B2C"). Finally, by sales channel, 1,198 firms rely mainly on offline channels (10% or less of turnover from online sales), while 285 derive more than 10% of

turnover from e-commerce.

To examine whether these dimensions are related, the table also reports their joint distribution. The diagonal blocks confirm internal consistency within each dimension, while the off-diagonal shares reveal some notable patterns. For example, large firms are more often found in manufacturing (38.0%) and less so in retail (11.7%), whereas small firms are relatively more common in retail (28.8%) and services (46.6%). Medium-sized firms are strongly represented in manufacturing (44.8%) but much less in retail (9.1%). Manufacturing firms tend to serve B2B customers (94.4%) and operate mainly offline (89.1%), while retail firms are strongly associated with B2C customers (83.2%). Online sales are somewhat more prevalent among service firms (26.7%) compared to manufacturing (10.9%). These observations suggest that certain characteristics frequently co-occur, but no single dimension fully explains the variation, supporting the view that heterogeneity is multidimensional.

Beyond these core dimensions, the table also summarizes additional characteristics of the responding firms. The main market for most companies is domestic: on average, firms generate 83% of their turnover from sales of their main product or service in Switzerland, 11% from the euro area, and 6% from the rest of the world. This domestic orientation is strongest in the retail sector (97%) and least pronounced in manufacturing (63%). The relatively low overall export share (17%) reflects the broad sectoral coverage of the survey, which includes services, construction, and public sectors that are largely domestically oriented. For manufacturing firms only, the average export share rises to 27%, which is much closer to expectations for export-intensive industries. In terms of customer type, respondents report earning the largest share of turnover from other companies (53%), followed by private consumers (38%) and government agencies (9%). Manufacturing firms are predominantly business-to-business (86%), while retail firms earn over three-quarters of turnover from private consumers. Other service providers are more balanced, selling almost equally to firms and consumers. Across all sectors, most companies do business with customers with whom they expect to do business again ("regular customers"), while fewer than 10% indicate doing business with "occasional customers." The customer relationship is particularly close in manufacturing and less so among service providers and firms with a higher share of online sales.

Sales channels are predominantly offline (88%), with online channels accounting

for an average of 11% of turnover. Online sales represent more than twice the share in services (15%) and retail (13%) than in manufacturing (6%). Regarding sourcing, more than half of firms report no imports of inputs for their main product or service. Among those that import, 43% source from the euro area and 5% from other countries. Import dependence is highest in manufacturing, where 71% of firms source inputs from the euro area and 7% from outside Europe.

Market concentration is generally low: 55% of firms estimate their market share at below 10%, whereas 16% report holding more than half of the total market. Competitive pressure is high—45% of respondents face 20 or more competitors for their main product or service. Competition is more intense in retail and services (over 50% of firms report 20 or more competitors) than in manufacturing (30%).

Table A.4. Characteristics of the firms participating in the Price-Setting Survey

		Size			Sector			Customer		Channel	
	Total	S	M	L	Manufacturing	Retail	Services	B2B	B2C	Offline	Online
Respondents	1552	920	441	191	457	300	669	789	570	1198	285
Size											
S	59.3	100.0	0.0	0.0	45.3	80.7	58.6	52.1	70.5	58.8	62.1
M	28.4	0.0	100.0	0.0	39.8	12.3	28.0	35.2	19.1	29.7	24.9
L	12.3	0.0	0.0	100.0	14.9	7.0	13.5	12.7	10.4	11.4	13.0
Sector											
Manufacturing	32.0	24.6	44.8	38.0	100.0	0.0	0.0	54.3	4.5	36.2	17.3
Retail	21.0	28.8	9.1	11.7	0.0	100.0	0.0	6.4	43.1	21.1	21.9
Services	46.9	46.6	46.1	50.3	0.0	0.0	100.0	39.4	52.4	42.7	60.8
Customer											
B2B	58.1	50.6	71.8	62.9	94.4	16.8	50.8	100.0	0.0	60.2	50.4
B2C	41.9	49.4	28.2	37.1	5.6	83.2	49.2	0.0	100.0	39.8	49.6
Channel											
Offline	80.8	79.9	83.4	78.7	89.1	79.0	73.3	83.5	77.2	100.0	0.0
Online	19.2	20.1	16.6	21.3	10.9	21.0	26.7	16.5	22.8	0.0	100.0
Turnover by region											
CH	83.3	88.4	76.9	73.4	62.9	97.2	88.6	73.3	95.1	83.5	83.4
Euro area	10.8	7.6	14.6	17.1	24.2	2.0	7.2	17.6	3.1	10.5	11.3
Other countries	5.6	3.5	8.4	9.6	12.7	0.8	3.8	9.1	1.6	5.7	5.3
Turnover by customer											
Firms	52.8	47.0	63.3	56.8	86.0	20.8	45.5	89.0	9.7	54.6	45.9
Consumers	38.3	45.1	26.6	32.2	7.9	76.6	42.8	6.1	87.0	36.3	45.8
Government	8.5	7.4	9.9	11.0	5.9	2.6	11.0	5.0	3.2	8.6	8.3
Turnover by channel											
Offline	87.8	86.4	91.1	87.3	93.2	87.2	82.9	89.9	86.2	97.0	49.8
Online	10.8	11.7	8.5	11.6	5.9	12.5	14.7	9.4	12.4	1.4	50.2
Customer type											
Regular	90.7	90.2	93.3	87.0	96.2	88.9	87.9	97.4	83.2	91.6	87.6
Occasional	9.3	9.8	6.7	13.0	3.8	11.1	12.1	2.6	16.8	8.4	12.4
Regions of imports for inputs											
No	52.7	59.3	43.7	42.0	22.5	52.9	71.1	39.5	67.9	52.2	53.5
Euro area	42.6	36.5	50.8	53.6	70.6	41.3	25.7	54.5	28.4	43.3	40.8
Other countries	4.6	4.3	5.5	4.4	7.0	5.8	3.2	6.0	3.7	4.5	5.6
Market share											
0%–4%	39.3	46.9	31.0	21.8	26.1	50.3	43.3	33.5	49.0	40.7	34.9
5%–9%	13.5	11.8	17.0	13.4	18.0	12.0	11.0	15.7	10.1	13.5	14.0
10%–24%	17.2	12.3	22.1	29.1	23.1	13.4	15.4	20.5	12.4	17.1	17.6
25%–49%	14.2	11.0	17.0	23.5	20.0	11.3	12.4	16.8	11.3	12.9	18.0
50%–100%	15.8	18.0	12.8	12.3	12.8	13.0	18.0	13.5	17.2	15.8	15.5
Number of competitors											
0	3.2	3.7	2.5	2.2	1.1	2.0	4.8	1.9	4.1	2.9	3.2
1–4	13.9	12.7	16.8	13.0	15.8	13.3	14.2	13.9	14.9	13.4	16.6
5–9	24.8	23.2	26.7	27.7	38.0	22.8	18.0	27.8	19.7	25.7	21.2
10–19	13.5	11.2	15.7	20.1	15.1	11.6	12.6	15.7	10.1	12.9	17.0
20+	44.6	49.2	38.2	37.0	30.0	50.3	50.5	40.7	51.2	45.2	42.0

Notes: This table reports the characteristics of firms participating in the Price-Setting Survey. Figures show the share of responding firms (in percent) with the respective characteristic. The column "Total" reports results for all respondents. The "Size" columns distinguish between small firms (2–49 employees), medium-sized firms (50–249 employees), and large firms (250 or more employees). The "Sector" columns classify results into manufacturing, retail trade, and other services excluding retail. The "Customer" columns differentiate between firms that generate more than half of their sales with other firms ("B2B") and those that generate more than half with private consumers ("B2C"). The "Channel" columns distinguish between firms deriving more than 10% of their turnover from online sales ("Online") and those deriving 10% or less from e-commerce ("Offline").

A.2 Questionnaire of the Price-Setting Survey

Introduction

This survey examines how Swiss companies determine the prices for their products or services and what factors influence the price-setting process. It is divided into four sections:

- Section A asks general questions about your company and its main products and services.
- Section B collects information about how your company sets prices for its products or services.
- Section C collects information about price changes and factors that influence your decision to adjust prices.
- Section D addresses factors that may cause delays in price adjustments.

Explanation of important terms in the survey:

Price Throughout the survey, the term "price" refers to the actual transaction sales price, not the list price. Therefore, if discounts from the list price are common in your industry, refer to the after-discount price of your product or service. Final transaction prices in certain industries offering services or customized products may be largely a function of the work involved. If this applies to your firm, refer to your hourly or daily charge out rate as the price.

Product/service Since your company probably sells many different products or services, it is difficult to generalize the answers to the questions for all products or services. For this reason, we would like you to refer to a product or service that best represents the company. Therefore, please answer the following questions for your main product or service or a product or service that is typical for your company. In the questionnaire, this product or service is simply referred to as "product/service."

General information

1. **What percentage of sales of your main product/service is generated in the following areas?**

(a) Switzerland: _____ %

(b) Euro-area countries: _____ %

(c) Other countries: _____ %

2. **What percentage of sales of your main product/service is generated through the following channels?**

(a) Offline: _____ %

(b) Online: _____ %

3. **What percentage of sales of your main product/service is generated by the following customers?**

(a) Businesses: _____ %

(b) Private consumers: _____ %

(c) Government: _____ %

4. **The profit margin of your main product/service over the last five years has**

□ Increased

□ Remained unchanged

□ Decreased

5. **Are most of the customers of your main product/service regular customers, with whom you expect to do business again, or occasional customers, whom you do not expect to be repeated customers?**

□ Regular customers

□ Occasional customers

6. **Do you import inputs to create your product/service or your product/service itself?**

□ Yes, mostly from the euro area

□ Yes, mostly from other countries

□ No

7. **What is your market share[12] in your main market?**

[12]The market share is measured by sales of our main product/service as a proportion of total sales of that product/service in the market.

- □ Less than 5%
- □ Between 5% and 10%
- □ Between 10% and 25%
- □ Between 25% and 50%
- □ Over 50%

8. **How many competitors are there in the main market for your main product/service?**
   - □ None
   - □ Less than 5 competitors
   - □ Between 5 and 10 competitors
   - □ Between 10 and 20 competitors
   - □ More than 20 competitors
9. **Competition in the main market for your main product/service over the last five years has**
   - □ Increased
   - □ Remained unchanged
   - □ Decreased

Information regarding price formation

10. **Who determines the price of your main product/service?**
    - □ We determine the price ourselves.
    - □ The price is determined through negotiations/contracts with the customer.
    - □ The price is determined through negotiations/contracts with the supplier.
    - □ The parent company determines the price.
    - □ The government determines the price.
11. **What determines whether you review the price of your main product/service (*without necessarily changing it*)?**
    - □ Review in regular time intervals

□ Review in regular time intervals, but also in response to specific events (e.g., a considerable change in costs)

□ Review in response to specific events (e.g., a considerable change in costs)

12. How often do you review the price of your main product/service (*without necessarily changing it*)?

□ Several times a day

□ Daily

□ Weekly

□ Monthly

□ Quarterly

□ Semi-annually

□ Yearly

13. How applicable are the following statements to the way you price your product/service? fully applicable □—□—□—□ fully inapplicable

(a) **We determine the price using rules of thumb (e.g., indexation to the national consumer price index).**

(b) **We determine our price by adding a constant mark-up on calculated unit costs.**

(c) **We determine our price by adding a variable mark-up on calculated unit costs, depending on market conditions.**

(d) **We determine our price by considering the prices of our competitors.**

(e) **We determine our price by considering customer demand and the perceived value customers derive from purchasing our main product/service.**

(f) **We determine our price by adding a constant mark-up on calculated unit costs.**

(g) **We determine the price based on information about the *past behavior* of all variables relevant for price determination.**

(h) **We determine the price based on information about the *current behavior* of all variables relevant for price determination.**

(i) **We determine the price based on information about the *future expected behavior* of all variables relevant for price determination.**

14. The price of your product/service: Yes □—□—□ No

(a) **varies across geographical markets in Switzerland**

(b) **differs across customers ("personalized pricing")**

(c) **depends on the quantity sold**

(d) **is determined case by case**

(e) **differs whether the product/service is sold via the internet ("online") or stationary ("offline")**

(f) **depends on real-time market dynamics or the time of the day ("dynamic pricing")**

15. To what extent are the following aspects of price formation of your main product/service automated? Here, automation means that decisions are taken without human interaction. Yes □—□—□ No

(a) **The price comparison with our competitors is automated.**

(b) **The decision to review the price is automated.**

(c) **The price calculation is automated.**

(d) **The decision to change the price is automated.**

16. How has the introduction of digital technologies affected the following aspects of your pricing? Increased □—□—□ Decreased

(a) **Ability to change prices more frequently**

(b) **Ability to compare prices to competitors' prices**

(c) **Profit margin**

(d) **Cost of labor**

17. What impact do you expect the introduction of digital technologies by your own company and by other parties to have on the price of your product/service in the next three years? The price of your product/service will due to the introduction of digital technologies
Significantly increase □—□—□—□—□ Significantly decrease

(a) **by your own company**

(b) **by other parties (i.e., suppliers, customers and competitors)**

Information regarding price changes

18. **18. How often do you *change* the price of your main product/service?**
    - □ Several times a day
    - □ Daily
    - □ Weekly
    - □ Monthly
    - □ Quarterly
    - □ Semi-annually
    - □ Yearly
19. **To the best of your knowledge, has the frequency of price adjustments changed in the past decade?**
    - □ Yes, we change prices more frequently today.
    - □ Yes, we change prices less frequently today.
    - □ No, it has not changed.
20. **Over the next 3 years, do you expect the frequency of price adjustments to change in your company?**
    - □ Yes, we expect to change prices more frequently than today.
    - □ Yes, we expect to change prices less frequently than today.
    - □ No, we don't expect it to change.
21. **The probability of changing the price of your product/service**
    - □ Is higher if the price has been changed recently than if the price has not been changed for a long time.
    - □ Is higher if the price has not been changed for a long time than if the price has been changed recently.
    - □ Is independent of the time of previous price changes.
22. **When you adjust the price of your product/service, do you also change the prices of other products/services at the same time?**

□ Yes, we change the prices of *all* products/services at the same time.

□ Yes, we change prices for *most* products/services at the same time.

□ Yes, we change prices for *some* products/services at the same time.

□ No, we change prices for *only one* product/service at a time.

23. When your competitors adjust the price of their product/service, do you also change the price of your product/service at the same time?

□ We *always* change the price of our product/service at the same time.

□ We *usually* change the price of our product/service at the same time.

□ We *rarely* change the price of our product/service at the same time.

□ We *do not* change the price of our product/service at the same time.

24. For your main product/service, how important is each of the following factors in motivating a price *increase*?

Very important □—□—□—□ Totally unimportant

(a) **Increase in labor costs (e.g., negotiated wage increase)**

(b) **Increase in financing costs**

(c) **Increase in the cost of raw materials**

(d) **Increase in energy and fuel prices**

(e) **Increase in exchange rate**

(f) **Increase in suppliers' prices**

(g) **Decrease in our productivity**

(h) **Demand increase**

(i) **Demand increase**

(j) **Price increase by a competitor**

(k) **Product improvement (e.g., quality, design)**

(l) **The intention of gaining market share**

25. For your main product/service, how important is each of the following factors in motivating a price *decrease*?

Very important □—□—□—□ Totally unimportant

(a) **Decrease in labor costs (e.g., negotiated wage increase)**

(b) **Decrease in financing costs**

(c) **Decrease in the cost of raw materials**

(d) **Decrease in energy and fuel prices**

(e) **Decrease in exchange rate**

(f) **Decrease in suppliers' prices**

(g) **Increase in our productivity**

(h) **Demand increase**

(i) **Demand reduction**

(j) **Price reduction by a competitor**

(k) **Product improvement (e.g., quality, design)**

(l) **The intention of gaining market share**

Information regarding price rigidities

26. Sometimes companies decide not to change the price of their product/service. There are often a variety of reasons for this. Some of them are listed below. How important are the following reasons for *not* changing the price of your product/service to your company? Please neglect here any special effects of the COVID-19 pandemic on your pricing policy.
Very important □—□—□—□ Totally unimportant

(a) **We are hesitant to change prices for fear that our competitors will not follow suit.**

(b) **We do not change the price because the next price adjustment can be made only after a certain period of time.**

(c) **We fear that we need to revise the price in opposite direction soon after adjusting prices.**

(d) **We have fixed contracts that limit our ability to change prices.**

(e) **Our customers expect a stable price, and more frequent changes could damage customer relationships.**

(f) **We set prices at commercially attractive price points (e.g. CHF 9.90 instead of CHF 10.10) and only change them when it is convenient to move to a new attractive threshold.**

(g) **It is costly in terms of time or money to gather all relevant information for pricing decisions.**

(h) **It is costly for us to change prices (e.g., new catalogs, changing price tags).**

(i) **We change prices when we realize that costs changed.**

(j) **We prefer to vary other elements of our products or services (e.g., warranty, delivery lag, customer services) rather than change prices.**

(k) **We don't reduce prices because our customers may take this as a reduction in the quality of our product or service.**

(l) **Delays within our organization slow down pricing decisions.**

(m) **Low inflation makes large price changes more noticeable.**

(n) **We are reluctant to change the price if we are uncertain about the future development of our business situation.**

(o) **We loose many customers when raising the price but gain only a few new customers when cutting it.**

(p) **Are there any important reasons other than those listed above? If yes, please specify:** _____

27. Please answer the following question with regard to any special effects of the COVID-19 pandemic on your pricing policy. How important were the following reasons for *not* changing the price of your product/service for your company *during the COVID-19 pandemic?*
Very important □—□—□—□ Totally unimportant

(a) **We are hesitant to change prices for fear that our competitors will not follow suit.**

(b) **We do not change the price because the next price adjustment can be made only after a certain period of time.**

(c) **We fear that we need to revise the price in opposite direction soon after adjusting prices.**

(d) **We have fixed contracts that limit our ability to change prices.**

(e) **Our customers expect a stable price, and more frequent changes could damage customer relationships.**

(f) **We set prices at commercially attractive price points (e.g. CHF 9.90 instead of CHF 10.10) and only change them when it is convenient to move to a new attractive threshold.**

(g) **It is costly in terms of time or money to gather all relevant information for pricing decisions.**

(h) **It is costly for us to change prices (e.g., new catalogs, changing price tags).**

(i) **We change prices when we realize that costs changed.**

(j) **We prefer to vary other elements of our products or services (e.g., warranty, delivery lag, customer services) rather than change prices.**

(k) **We don't reduce prices because our customers may take this as a reduction in the quality of our product or service.**

(l) **Delays within our organization slow down pricing decisions.**

(m) **Low inflation makes large price changes more noticeable.**

(n) **We are reluctant to change the price if we are uncertain about the future development of our business situation.**

(o) **We loose many customers when raising the price but gain only a few new customers when cutting it.**

B. Further Results from the Price-Setting Survey

Table B.1 shows the percentage of companies for which the price of their main product or service varies fully or partly across geographical markets in Switzerland ("by region"), differs across customers ("by customer"), depends on the quantity sold ("by quantity sold"), differs whether the product or service is sold via the internet ("by channel"), or depends on real-time market dynamics or the time of the day ("by time").

Table B.1. Price discrimination

		Size			Sector			Customer		Channel	
	Total	S	M	L	Manufacturing	Retail	Services	B2B	B2C	Offline	Online
By region	42.5	48.9	32.6	47.0	16.4	29.8	43.7	39.5	44.5	45.1	33.3
By customer	72.9	71.6	69.7	75.0	84.3	7.9	69.4	84.3	57.9	72.2	74.5
By quantity	67.0	71.6	67.3	66.0	88.3	45.7	58.9	83.1	38.9	65.8	71.4
By channel	16.9	12.4	13.1	20.1	17.6	22.4	19.2	18.3	17.6	10.1	39.2
By time	23.4	19.5	17.9	27.4	14.2	20.1	21.7	29.4	20.4	21.1	33.5

Notes: This table shows the percentage of companies for which the price of their main product or service varies fully or partly across geographical markets in Switzerland ("by region"), differs across customers ("by customer"), depends on the quantity sold ("by quantity sold"), differs whether the product or service is sold via the internet ("by channel"), or depends on real-time market dynamics or the time of the day ("by time"). The options are not mutually exclusive. The column "Total" reports results for all respondents. The "Size" columns distinguish between small firms (2–49 employees), medium-sized firms (50–249 employees), and large firms (250 or more employees). The "Sector" columns classify results into manufacturing, retail trade, and other services excluding retail. The "Customer" columns differentiate between firms that generate more than half of their sales with other firms ("B2B") and those that generate more than half with private consumers ("B2C"). The "Channel" columns distinguish between firms deriving more than 10% of their turnover from online sales ("Online") and those deriving 10% or less from e-commerce ("Offline").

Table B.2 presents the share of companies reporting that the introduction of digital technologies has increased, left unchanged, or decreased various aspects of their price setting, including the frequency of price changes, the ability to compare prices with competitors, profit margins, and labor costs.

Table B.2. Effect of digitization on aspects of price setting

		Size			Sector			Customer		Channel	
	Total	S	M	L	Manufacturing	Retail	Services	B2B	B2C	Offline	Online
Ability to change prices more frequently											
Increased	22.6	27.5	19.9	23.2	31.4	58.7	19.4	23.4	22.0	20.2	28.1
Remained unchanged	76.8	71.8	79.3	76.4	68.2	41.3	80.2	76.3	77.1	79.0	71.9
Decreased	0.6	0.7	0.8	0.4	0.4	0.0	0.4	0.3	0.8	0.8	0.0
Ability to compare prices to competitors' prices											
Increased	17.6	23.7	16.4	17.0	17.0	44.1	15.9	15.9	20.8	13.1	31.5
Remained unchanged	81.9	75.3	82.3	83.0	82.4	55.9	84.0	83.4	79.0	86.2	68.4
Decreased	0.5	1.0	1.3	0.0	0.6	0.0	0.1	0.7	0.2	0.7	0.1
Profit margin											
Increased	9.4	9.5	13.9	6.7	11.6	6.1	9.5	10.1	6.8	6.6	16.1
Remained unchanged	77.1	75.9	75.4	78.4	83.0	63.7	75.6	79.1	71.8	79.5	72.2
Decreased	13.5	14.7	10.6	14.9	5.4	30.2	14.9	10.8	21.5	13.9	11.7
Cost of labor											
Increased	15.2	13.6	17.2	14.4	9.7	4.8	17.3	14.4	18.3	14.0	18.9
Remained unchanged	73.5	72.2	68.0	77.0	77.3	77.2	71.7	75.2	74.3	76.1	68.3
Decreased	11.3	14.2	14.8	8.6	13.0	18.0	11.0	10.5	7.4	9.9	12.7

Notes: This table presents the share of companies reporting that the introduction of digital technologies has increased, left unchanged, or decreased various aspects of their price setting, including the frequency of price changes, the ability to compare prices with competitors, profit margins, and labor costs. The options are not mutually exclusive. The column "Total" reports results for all respondents. The "Size" columns distinguish between small firms (2–49 employees), medium-sized firms (50–249 employees), and large firms (250 or more employees). The "Sector" columns classify results into manufacturing, retail trade, and other services excluding retail. The "Customer" columns differentiate between firms that generate more than half of their sales with other firms ("B2B") and those that generate more than half with private consumers ("B2C"). The "Channel" columns distinguish between firms deriving more than 10% of their turnover from online sales ("Online") and those deriving 10% or less from e-commerce ("Offline").

Table B.3 reports weighted implied monthly frequencies of price reviews and price changes for firms that automate a given dimension of price setting versus those that do not.

Table B.3. Automation and frequency of price reviews and changes

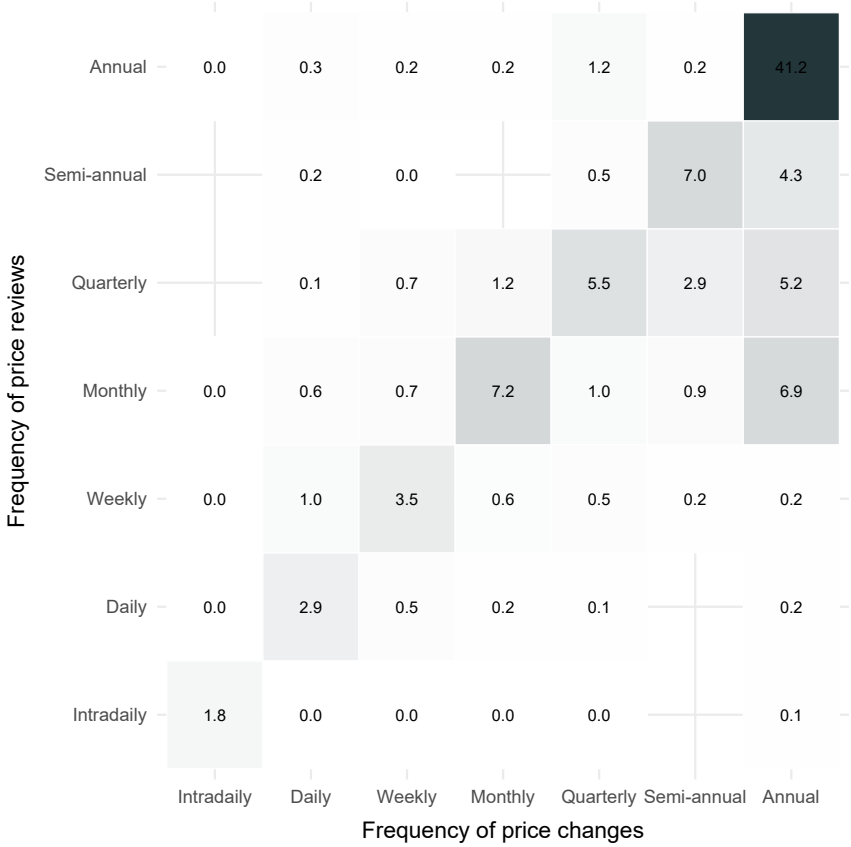
	Price review (implied monthly frequency)		Price change (implied monthly frequency)	
Automation dimension	Automated	Not automated	Automated	Not automated
Price calculation	45.0	36.2	39.1	26.3
Price change	52.9	37.6	44.3	29.5
Competitor comparison	48.6	38.0	38.8	30.1
Price review	51.4	36.5	39.9	29.2

Notes: This table reports weighted implied monthly frequencies of price reviews and price changes for firms that automate a given dimension of price setting versus those that do not. Frequencies are computed by mapping categorical responses to monthly probabilities (intradaily/daily/weekly/monthly = 1; quarterly = 1/3; semi-annually = 1/6; yearly = 1/12). Values represent lower bounds. Automation dimensions are not mutually exclusive.

I assess whether firms that review prices more frequently also change prices more frequently. Both measures are ordered categorical survey items, with categories: 1 intradaily, 2 daily, 3 weekly, 4 monthly, 5 quarterly, 6 semi-annual, 7 annual. Figure B.1 shows the survey-weighted joint distribution of review and change fre-

quency categories. The joint distribution is concentrated on or near the diagonal (exact diagonal mass 69.1 percent, diagonal $\pm$ 1 mass 82.2 percent), indicating that firms that review more often also change prices more often. The survey-weighted Pearson correlation based on implied monthly frequencies is $r = 0.69$, confirming a strong positive association between monitoring and implementation frequencies.

Figure B.1. Joint distribution between the frequency of price reviews and the frequency of price changes



Notes: The heatmap shows the survey-weighted joint distribution of review and change frequency categories. Categories: 1 intradaily, 2 daily, 3 weekly, 4 monthly, 5 quarterly, 6 semi-annual, 7 annual.

The upper panel of Table B.4 presents the share of companies reporting an increase, no change, or a decrease in the frequency of price adjustments for their main product or service over the past decade. The lower panel presents the corresponding expectations for the next three years.

Table B.4. Change in the frequency of price changes

		Size			Sector			Customer		Channel	
	Total	S	M	L	Manufacturing	Retail	Services	B2B	B2C	Offline	Online
Over the past decade, the frequency of price changes has . . .											
Increased	30.5	40.1	34.2	26.6	45.4	44.3	26.1	41.1	24.5	29.2	35.4
Remained unchanged	68.0	57.7	63.1	72.6	52.3	53.2	72.3	57.7	73.3	69.1	64.0
Decreased	1.6	2.2	2.7	0.8	2.3	2.6	1.6	1.2	2.2	1.7	0.6
Over the next 3 years, the frequency of price changes is likely to . . .											
Increase	35.2	39.2	39.9	31.8	49.2	50.7	33.4	43.0	32.6	33.7	45.3
Remain the same	63.5	57.7	59.0	67.1	49.3	39.1	65.5	55.6	66.4	65.2	54.5
Decrease	1.3	3.1	1.1	1.2	1.5	10.2	1.1	1.3	1.0	1.1	0.2

Notes: The upper panel presents the share of companies reporting an increase, no change, or a decrease in the frequency of price adjustments for their main product or service over the past decade. The lower panel presents the corresponding expectations for the next three years. The options are not mutually exclusive. The column "Total" reports results for all respondents. The "Size" columns distinguish between small firms (2–49 employees), medium-sized firms (50–249 employees), and large firms (250 or more employees). The "Sector" columns classify results into manufacturing, retail trade, and other services excluding retail. The "Customer" columns differentiate between firms that generate more than half of their sales with other firms ("B2B") and those that generate more than half with private consumers ("B2C"). The "Channel" columns distinguish between firms deriving more than 10% of their turnover from online sales ("Online") and those deriving 10% or less from e-commerce ("Offline").

Table B.5 shows the importance of each of the theories tested (Table 12) as a reason for Swiss companies not to change the price of their main product or service. Numbers are weighted average scores across answer choices, ranging from 1 ("totally unimportant") over 2 ("of minor importance") and 3 ("moderately important") to 4 ("very important").

Table B.5. Importance of theories that explain price stickiness

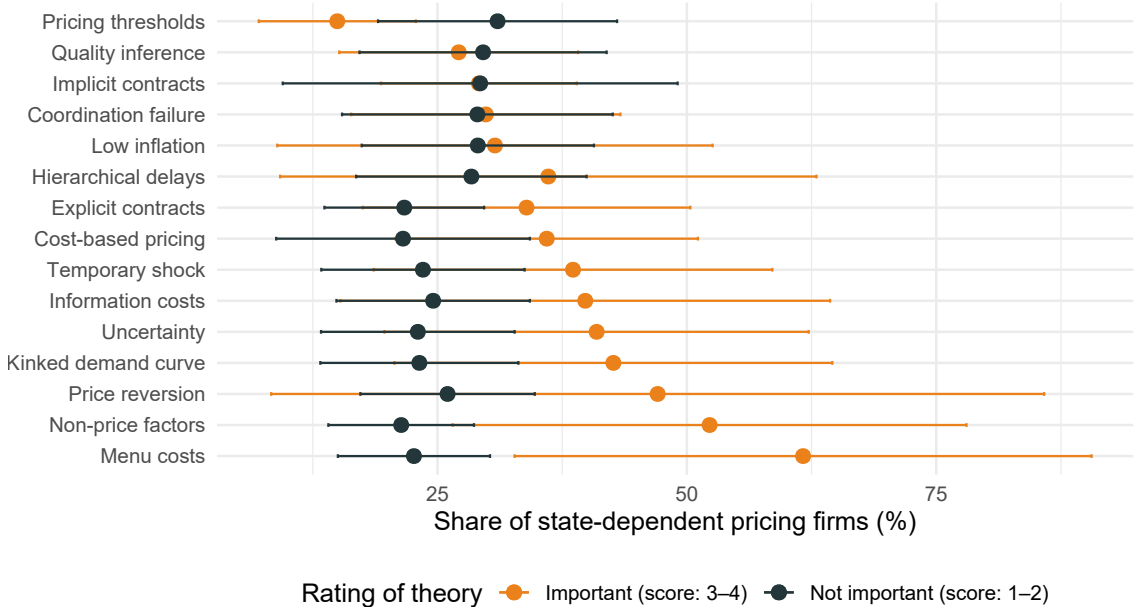
		Size			Sector			Customer		Channel	
	Total	S	M	L	Manufacturing	Retail	Services	B2B	B2C	Offline	Online
Explicit contracts	2.7	2.3	2.7	2.8	2.7	1.8	2.8	2.7	2.7	2.8	2.7
Implicit contracts	2.7	2.8	2.8	2.6	2.9	2.8	2.7	2.8	2.6	2.7	2.6
Coordination failure	2.2	2.2	2.1	2.2	2.4	2.9	2.1	2.4	2.0	2.2	2.0
Cost-based pricing	2.7	2.7	2.8	2.6	3.1	2.6	2.5	2.9	2.3	2.7	2.6
Kinked demand curve	2.1	2.3	2.1	2.1	2.1	2.3	2.1	2.3	2.0	2.1	2.2
Hierarchical delays	1.7	1.6	1.6	1.8	1.8	1.8	1.6	1.8	1.5	1.7	1.5
Low inflation	1.8	1.9	1.8	1.8	1.8	2.0	1.8	1.9	1.6	1.8	1.8
Menu costs	1.7	1.6	1.6	1.8	1.8	1.9	1.7	1.8	1.6	1.6	1.9
Information costs	2.0	2.0	1.9	2.1	2.2	2.2	2.0	2.2	1.9	2.0	2.1
Non-price factors	1.8	1.9	1.8	1.9	1.7	1.4	1.8	2.0	1.6	1.8	1.9
Quality inference	1.8	2.0	1.9	1.7	1.8	1.7	1.8	1.9	1.7	1.8	1.8
Price reversion	1.9	1.9	1.8	1.9	1.9	2.2	1.8	2.0	1.6	1.8	2.0
Temporary shock	2.2	2.1	2.3	2.2	2.3	2.4	2.2	2.3	2.2	2.2	2.2
Pricing thresholds	1.7	1.8	1.6	1.7	1.5	3.0	1.7	1.7	1.8	1.7	1.7
Uncertainty	2.0	2.1	2.1	2.0	2.1	2.0	2.0	2.2	1.8	2.0	2.1

Notes: This table shows the importance of each of the theories tested (Table 12) as a reason for Swiss companies not to change the price of their main product or service. Numbers are weighted average scores across answer choices, ranging from 1 ("totally unimportant") over 2 ("of minor importance") and 3 ("moderately important") to 4 ("very important"). The options are not mutually exclusive. The column "Total" reports results for all respondents. The "Size" columns distinguish between small firms (2–49 employees), medium-sized firms (50–249 employees), and large firms (250 or more employees). The "Sector" columns classify results into manufacturing, retail trade, and other services excluding retail. The "Customer" columns differentiate between firms that generate more than half of their sales with other firms ("B2B") and those that generate more than half with private consumers ("B2C"). The "Channel" columns distinguish between firms deriving more than 10% of their turnover from online sales ("Online") and those deriving 10% or less from e-commerce ("Offline").

To complement the analysis of price rigidity, Figure B.2 examines whether firms that consider a given reason for price rigidity important differ in their review rule—specifically, whether they rely on state-dependent rather than time-dependent pricing. This provides an additional check on the interpretation that certain reasons align with time-dependent behavior while others correspond to state-dependent adjustment regimes.

The analysis uses the survey question on review triggers, which distinguishes between time-dependent (calendar-based), state-dependent (event-triggered), and mixed approaches. For clarity, the figure below focuses on firms that report a pure time-dependent or state-dependent rule, excluding mixed responses. For each reason, I compute the weighted share of firms using state-dependent pricing among those that rate the reason as important (scores 3–4: "moderately important" or "very important") and those that rate it as not important (scores 1–2: "totally unimportant" or "of minor importance").

Figure B.2. Share of state-dependent pricing by importance of reasons for price rigidity



Notes: The figure compares the share of firms using state-dependent pricing between those that consider a reason important (scores 3–4) and those that do not (scores 1–2). Points show weighted shares; error bars indicate 95% confidence intervals. When the blue point lies to the right of the orange point, firms rating the reason as important are more likely to use state-dependent pricing.

Several patterns emerge. At the top of the chart, reasons such as menu costs, non-price factors, and price reversion show the largest differences: firms rating these reasons as important are far more likely to use state-dependent pricing (e.g., menu costs: 62% vs. 23%; non-price factors: 52% vs. 21%; price reversion: 47% vs. 26%). Other reasons associated with higher state-dependent shares include kinked demand (43% vs. 23%), uncertainty (41% vs. 23%), information costs (40% vs. 25%), temporary shock (39% vs. 24%), cost-based pricing (36% vs. 22%), and explicit contracts (34% vs. 22%). These patterns suggest that firms emphasizing operational frictions, informational costs, or competitive dynamics tend to monitor prices and adjust in response to events, consistent with state-dependent behavior—even when formal constraints (e.g., contracts) limit implementation flexibility.

By contrast, at the bottom of the chart, differences are small for low inflation (31% vs. 29%) and coordination failure (30% vs. 29%), while implicit contracts show

virtually no gap (29%). Two reasons tilt toward less state-dependent behavior among firms that deem them important: quality inference (27% vs. 30%) and pricing thresholds (15% vs. 31%). These latter patterns align with time-dependent or interval-based adjustment, where firms wait for convenient price points or avoid frequent changes to preserve perceived quality.

Overall, the evidence confirms a systematic link between the importance of reasons for price rigidity and firms' review rules. Reasons tied to informational frictions, menu costs, and competitive pressures correspond to higher state-dependent shares, while psychological pricing and quality concerns align with time-dependent behavior. Contractual constraints show a mixed picture: they are important for many firms, yet those same firms often report event-triggered reviews, suggesting that monitoring and implementation regimes can diverge.