

MENU PRICE INCREASE ANNOUNCEMENTS AND SHAREHOLDER VALUE: THE ROLE OF DUAL DISTRIBUTION CHANNELS

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Abstract

Price is a key element of the marketing mix, directly impacting profitability and firm performance. To date, most studies in the literature have focused on pricing decisions from a consumer perspective, making research on the impact of pricing decisions on shareholder value an understudied domain. This study examines how investors react to menu price increases in restaurants, considering the moderating effect of the governance structure of dual distribution channels of the focal firms. Analyzing 188 price increase announcements from 48 U.S. firms between 2000 and 2018, the authors find that, on average, price increases lead to negative cumulative abnormal returns (-1.08% on Day Zero and One Window). However, restaurant chains with a more balanced distribution channel—having nearly equal numbers of franchised and company-owned outlets—experience higher shareholder value following price increase announcements.

Keywords: shareholder value, (un)balanced distribution channel, price increase announcement

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