From Deep Discounts to Responsible Retailing: Retailer and Consumer Responses to a 25%-Off Cap on Alcohol Promotions

Alcohol use generates substantial societal harms. Governments commonly seek to reduce or disincentivize alcohol consumption through regulatory measures such as taxes, minimum prices, or advertising restrictions. In this paper, we document a hitherto unstudied regulatory measure introduced in the Netherlands in 2021: a discount cap of 25% on promotions of beer and other alcoholic products, and provide an integrated assessment of both supply- and demand-side effects using a cross-country difference-in-differences framework. On the supply side, prior to the measure, more than 50% of alcoholic-beer promotions exceeded the 25% threshold. After implementation, we find full adherence to the 25% limit on price discounts with little evidence of substantive changes to other pricing or promotional instruments. On the demand side, the results show that households reduced their share of beer purchased on promotion. Total volume of beer purchased decreased, with considerable heterogeneity based on households' prior purchase volumes: light and moderate buyers reduced volume purchased considerably, while heavy buyers showed little change. Overall, this novel regulatory instrument affects consumer demand through the mandated reduction in discount depth, with little evidence of offsetting adjustments in other retailer instruments, providing useful insights for policymakers.