



OVERVIEW OF DRIP PRICING

Mary Sullivan

Federal Trade Commission

May 21, 2012

DEFINITION OF DRIP PRICING

A pricing technique in which firms advertise only part of a product's price and reveal other charges later as consumers go through the buying process.



WHY DO FIRMS USE DRIP PRICING?

- To hide part of the price from consumers:
intentionally deceptive
- A la carte pricing
- To affect the way consumers perceive price:
partition pricing
- Are all instances of drip pricing
equally harmful?



OTHER FACTORS TO CONSIDER

- Role of consumer learning
- Role of reputation
- Role of competition
- Economic analysis: how do these factors affect outcome?



REGULATION AND ENFORCEMENT

- How can we tell when drip pricing is harmful?
- What types of policies could lead to improved consumer decision making?

