

Concealing Prices

Diego Aparicio
IESE Business School
Spain

FTC — October 2024



SIDE SIDE NO .01

Hand-built side table made in sculpture clay

Finished in matte off white

18" H x 14 1/2" DIA.

* To order 8 weeks lead time

[INQUIRE](#)



SIDE SIDE NO .01

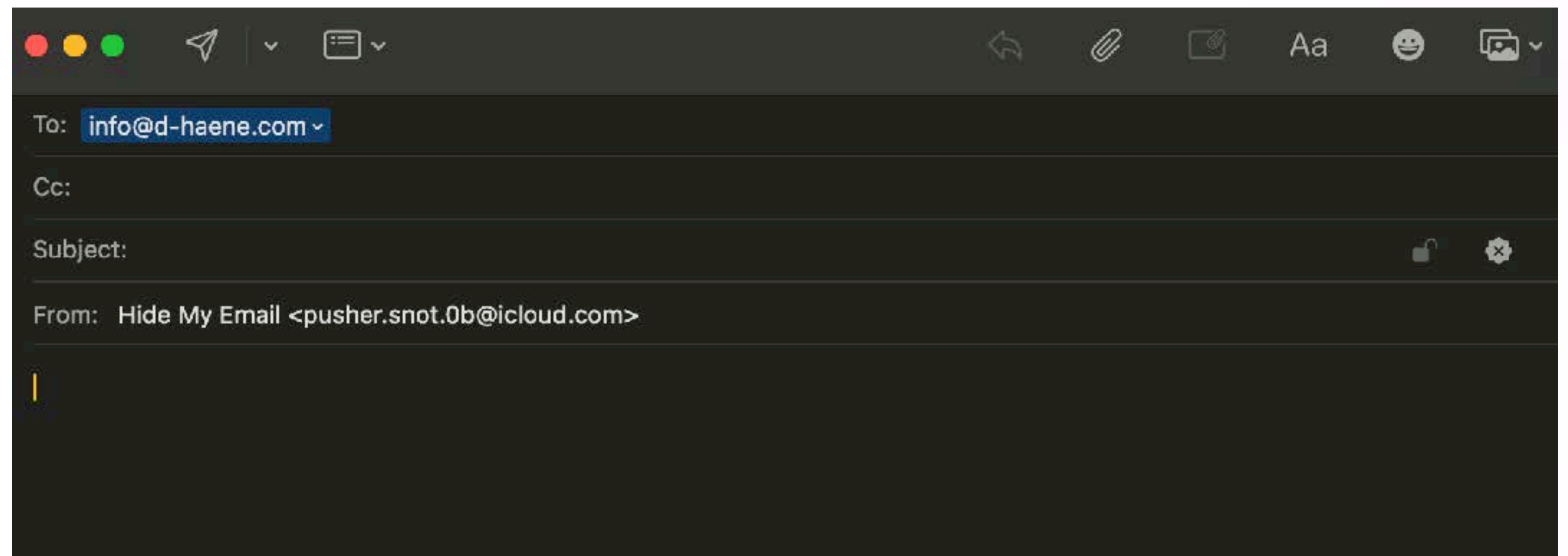
Hand-built side table made in sculpture clay

Finished in matte off white

18" H x 14 1/2" DIA.

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INQUIRE





CitiZ Platinum

Finish
Platinum

SELECT COLOR



Stainless Steel

\$299.99

Add to cart



Lattissima One

Finish
Standard

SELECT COLOR



Shadow Black

\$399.99

Add to cart



Creatista Pro

Finish
Standard

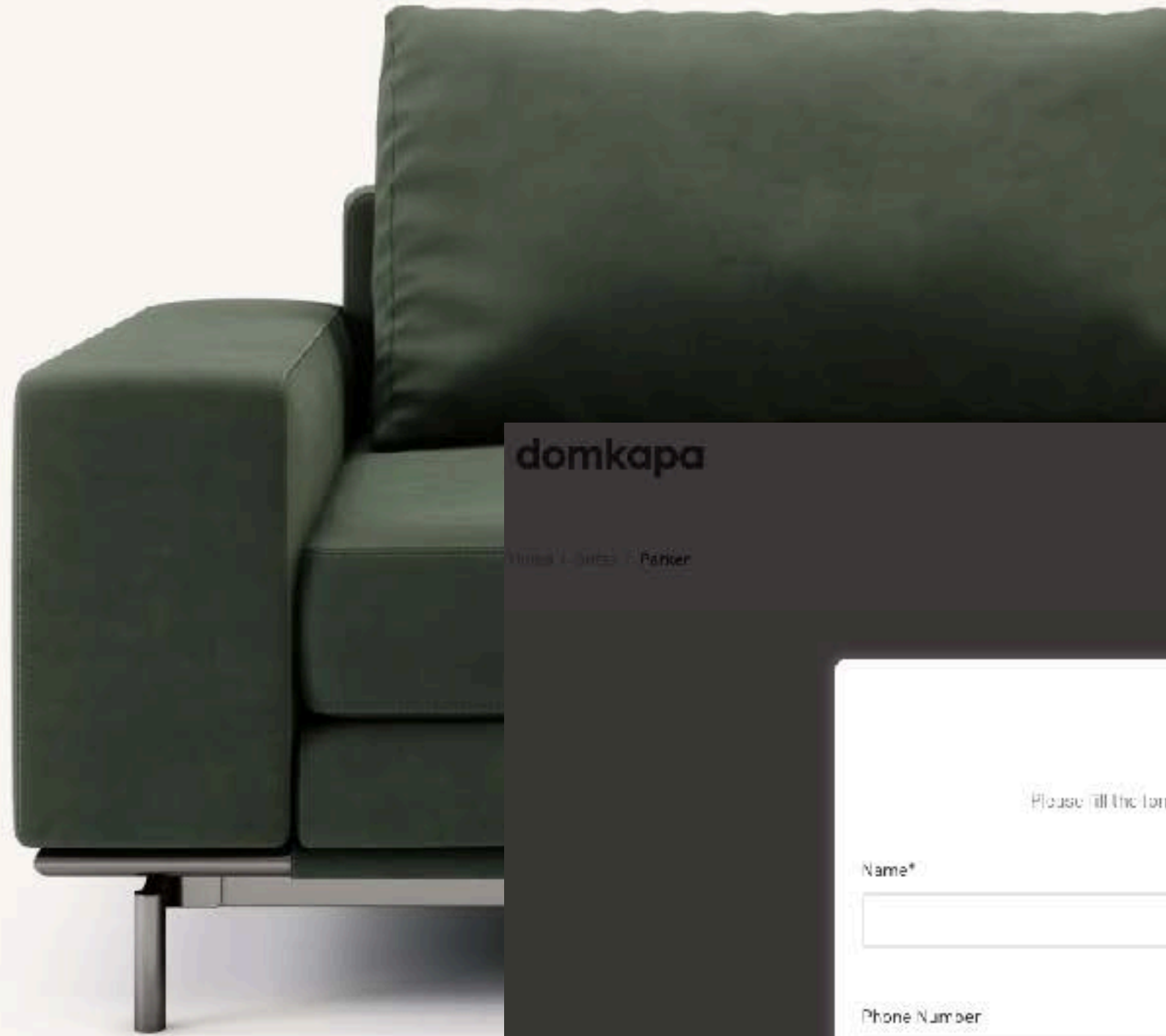
SELECT COLOR



Brushed Stainless Steel

\$849.99

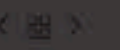
Add to cart



Parker

Sofas

GET PRICE



Parker

Sofas

GET PRICE

Request Price

Please fill the form below to receive the information you are looking for.

Name*

Email*

Phone Number

Country*

—Please choose an option—

Occupation*

—Please choose an option—

Company

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REQUEST NOW

EVENING BAG

Imitation Pearls & Gold-Tone Metal
White & Black

Ref. AS3771 B10869 NN893

Price upon request

DIMENSIONS

11 x 17 x 7 cm ([in](#))

VARIATIONS (4)



[CONTACT US](#)

[DISCOVER MORE CREATIONS IN BOUTIQUES](#) [?](#)



Store Locator



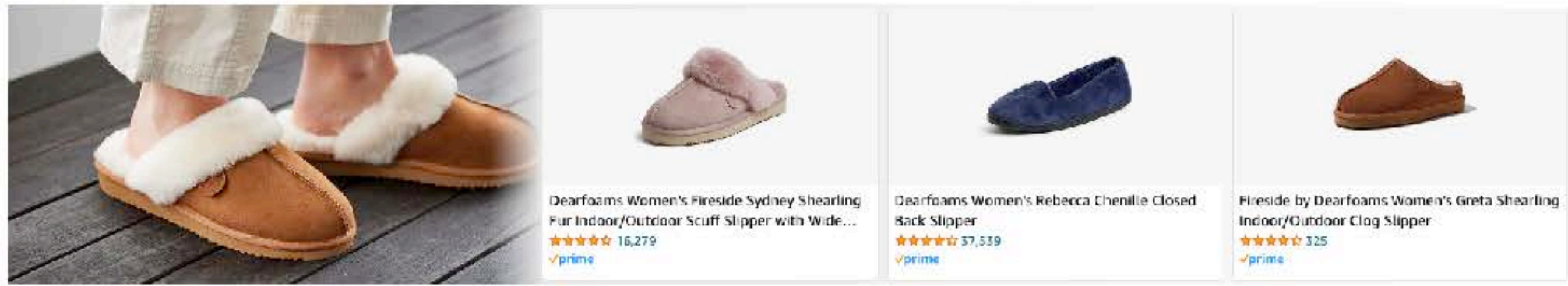
With its timeless aesthetics, functions and rich history, the Datejust is a watchmaking icon and one of the brand's most recognizable watches.



1-48 of 416 results for "dearfoams slippers suede" Sort by: Featured






- Expand all Collapse all
- Eligible for Free Shipping
- Delivery Day
- Prime Try Before You Buy
- Department
- Customer Reviews
- Amazon Fashion
- Brands
- Price
- Deals & Discounts
- Women's Shoe Size
- Color
- Women's Shoe Width
- Shoe Outer Material
- Shoe Heel Height
- Closure Type
- Special Features

The American Brand Best in Comfort Since 1947
Shop Dearfoams >



Results

Price and other details may vary based on product size and color.

 <p>Dearfoams Women's Gifts for Mom Cute Cozy Mothers Day Mama Bear Slipper ★★★★☆ 18,427 50+ bought in past month \$24.99 FREE delivery Mon, Apr 29 on \$35 of items shipped by Amazon Or fastest delivery Tomorrow</p>	 <p>Dearfoams Men's Bradford Suede Closed Toe Indoor/Outdoor Scuff Slipper ★★★★☆ 1,294 50+ bought in past month Click to see price FREE delivery Mon, Apr 29 on \$35 of items shipped by Amazon Or fastest delivery Wednesday</p>	 <p>Dearfoams Men's Brendan Indoor/Outdoor Breathable Memory Foam Clog Hous... ★★★★☆ 15,536 50+ bought in past month Click to see price FREE delivery Mon, Apr 29 on \$35 of items shipped by Amazon Or fastest delivery Tomorrow</p>	 <p>Dearfoams Women's Fireside Cairns Shearling Easy on/Off Slide Sandal Slipper ★★★★☆ 3,178 50+ bought in past month \$33.53 List: \$75.00 FREE delivery Mon, Apr 29 on \$35 of items shipped by Amazon Or fastest delivery Tomorrow</p>	 <p>HomeTop Women's Classic Microsuede Memory Foam Slippers Durable Rubber Sole... ★★★★☆ 12,533 \$22.99 Join Prime to buy this item at \$19.74 FREE delivery Mon, Apr 29 on \$35 of items shipped by Amazon Or fastest delivery Wednesday</p>
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These Practices Open Up For Debate...

The background features a light blue sky at the top, transitioning into a series of stylized, overlapping hills. The hills are rendered in soft, pastel colors, including white, light purple, and pale blue, creating a dreamy, ethereal atmosphere.



Should You Make Your Prices Public on Your Website?

[Lisa Singer](#), VP, Research Director DEC 4 2019

An increasing number of B2B organizations are including product pricing on their website. Although this approach can have many benefits (e.g. shorter sales cycle, more productive sales reps), it may not be appropriate for every offering. If you're thinking about making your pricing public, consider the following six elements before making your decision:

- *Your*





Liston Witherill

Apr 30, 2017 · 4 min read · [Listen](#)

When You Should (and Shouldn't) Publish Prices on Your Website

"I hate leaving money on the table."

If you haven't said it, you've certainly thought it at some point or another.

And I'm totally with you: I don't want to leave money on the table either. And one way to do that is to publish your prices on your website. Or is it?

I've been asked a lot lately why some consultants publish prices on their websites, and others don't. I certainly can't speak for them, but there are several reasons why someone might do one or the other, and several questions you should answer to figure out the best approach for yourself.



MARKETING | 3 MIN READ

Embrace the Controversial: Why You Should Publish Pricing on Your Website

Written by Doug Kirk



One of the most controversial decisions for almost any business owner is **whether to post pricing information on their website**. Invariably, business owners are inclined to keep this information off the website (this is not true for pure commodity driven sites, such as car rentals or hotels, of course, but for B2B services such as consultants, accountants, translators, and high end B2C items).

But why is this the case even though it's perhaps one of the most important pieces of data in the buying cycle?

We're here to say and show (in detail) that this is a *huge* mistake! If there is one thing that every buyer wants to know, it's "What is this going to cost me?"

So, why won't people put price on their website?



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TOUR



reddit

r/explainlikeimfive Search Reddit

FEEDS

Popular

TOPICS

Gaming

Sports

Business, Economics, a...

Crypto

Television

Create an account to follow your favorite communities

Posts Detailed Rules

Posted by u/m1KeLoWrEy 3 years ago

10

ELI5: Why Do Some Brands Hide or Don't Show The Price Tag of Their Products or Services?

Other

Companies such as Richard Mille, Rolex, Rolls Royce and many more don't show the price of their products on their websites. I understand that luxury is something that most people can't afford, and for those who can afford it, usually the price tag does not matter. I just find it interesting that some brands like Louis Vuitton, Gucci, and Polo Ralph Lauren show their prices on their websites, while other luxury brands don't. Is there a psychology behind this or are there brands just trying to lure in customers who are actually capable purchasing their products?

5 Comments Share Save Hide Report 70% Upvoted

Quora

Search for questions, people, and topics

Why do sales assistants hide price tags for luxury bags?

Ad by Grammarly

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All related (35) Sort Recommended

Geet Mehar
Founder & Sales Head @ Sellulose · Author has 139 answers and 474.4K answer views · 6y ·

Its very psychological why they do it.

Luxury products ain't for just super rich people. They are for rich people and even for middle class people who can once in a while afford luxury.

When you place the price tag out in open -

27 1

Should I Put My Prices On My Website?

Pia Silva Former Contributor

Follow

Sep 26, 2018, 12:33pm EDT

This article is more than 3 years old.

TWEET THIS

- Pricing transparency immediately weeds out bargain shoppers, which are people I'm not interested in working with.
- I establish my pricing based on what I believe our services are worth and what I want for it, regardless if that price is perceived as expensive or inexpensive.

New!
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[Got it!](#)

The Fight Over Who Sets Prices at the Online Mall

Give this article

By Brad Stone

Feb. 7, 2010

Where's the price?

On some pages of e-commerce sites selling products like televisions, digital cameras and jewelry, a critical piece of information is conspicuously missing: the price tag.

To see how much these items cost, shoppers must add the merchandise to their shopping carts in effect, taking it up to the virtual register for a price check.

The missing prices are part of a larger battle sweeping the world of e-commerce. Wary of the Internet's tendency to relentlessly drive down prices, major brands and manufacturers and now, book publishers are striking back, deploying a variety of tactics and tools to control how their products are presented and priced online.

Different Views...

YES, HIDE PRICES

- “sticker shock”, prices are painful, scare customers away

NO, DON'T HIDE PRICES

- own the price conversation
- transparency, annoyance, hassle costs

Delaying the Price Disclosure – A Guiding Example ...

The background of the slide features a series of overlapping, wavy, light blue and white shapes that create a sense of depth and movement, resembling a stylized landscape or a series of hills. The colors are soft and pastel, with the white shapes appearing to rise from the blue background.

Delaying the Price Disclosure — A Guiding Example ...



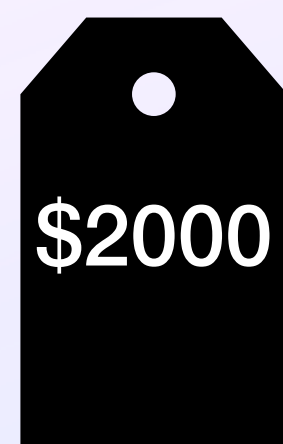
Delaying the Price Disclosure — A Guiding Example ...



delayed



Delaying the Price Disclosure – A Guiding Example ...



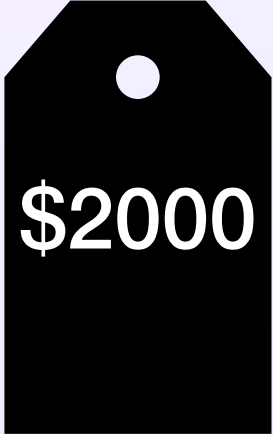
immediate



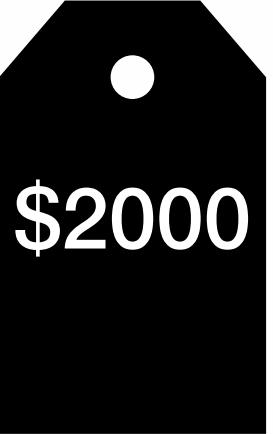
delayed



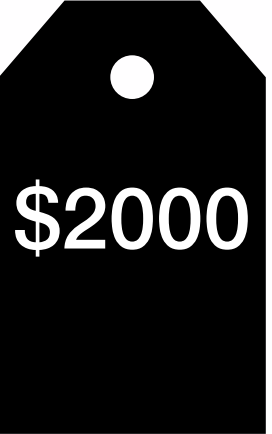
Delaying the Price Disclosure – A Guiding Example ...



immediate



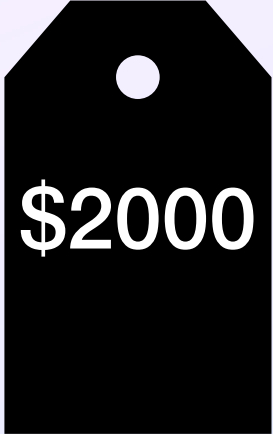
delayed



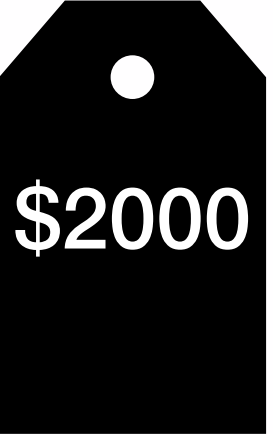
disclose earlier?



Delaying the Price Disclosure – A Guiding Example ...



immediate



delayed



disclose earlier?



Overview of Talk

The background features a series of overlapping, wavy, horizontal bands. The top band is a light blue. Below it is a band of light purple. The bottom-most and largest band is white. The transitions between these colors are soft and blended, creating a sense of depth and movement.

Overview of Talk

1. Related Work

- our question has not been directly studied
- ambiguous effects

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2. Field Experiments

- exploratory

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- exploratory

3. Discussion and Lab Experiment

Academic Background...

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Academic Background...

THEORY

- Price “obfuscation” = “an action that increases the amount of time that consumers must spend to learn a firm’s price” (Ellison and Wolitzky 2012)
 - Ellison and Ellison (2009), Ellison (2006), Branco et al. (2016), Piccione and Spiegler (2012), Gabaix and Laibson (2006), Chioveanu and Zhou (2013)
 - Search costs
 - Boundedly rational consumers

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EVIDENCE

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 - Chiles (2021), Seim et al. (2017), Dertwinkel-Kalt et al. (2020), Lee and Han (2002)
- ...Firms stand to benefit through obfuscation / hidden fees / shrouding / price dripping
 - Morwitz et al. (1998), Hossain and Morgan (2006), Brown et al. (2010), Xia and Monroe (2004), Blake et al. (2021), Santana et al. (2021), Bertini and Wathieu (2009), Chetty et al. (2009), Goldin and Homonoff (2013)

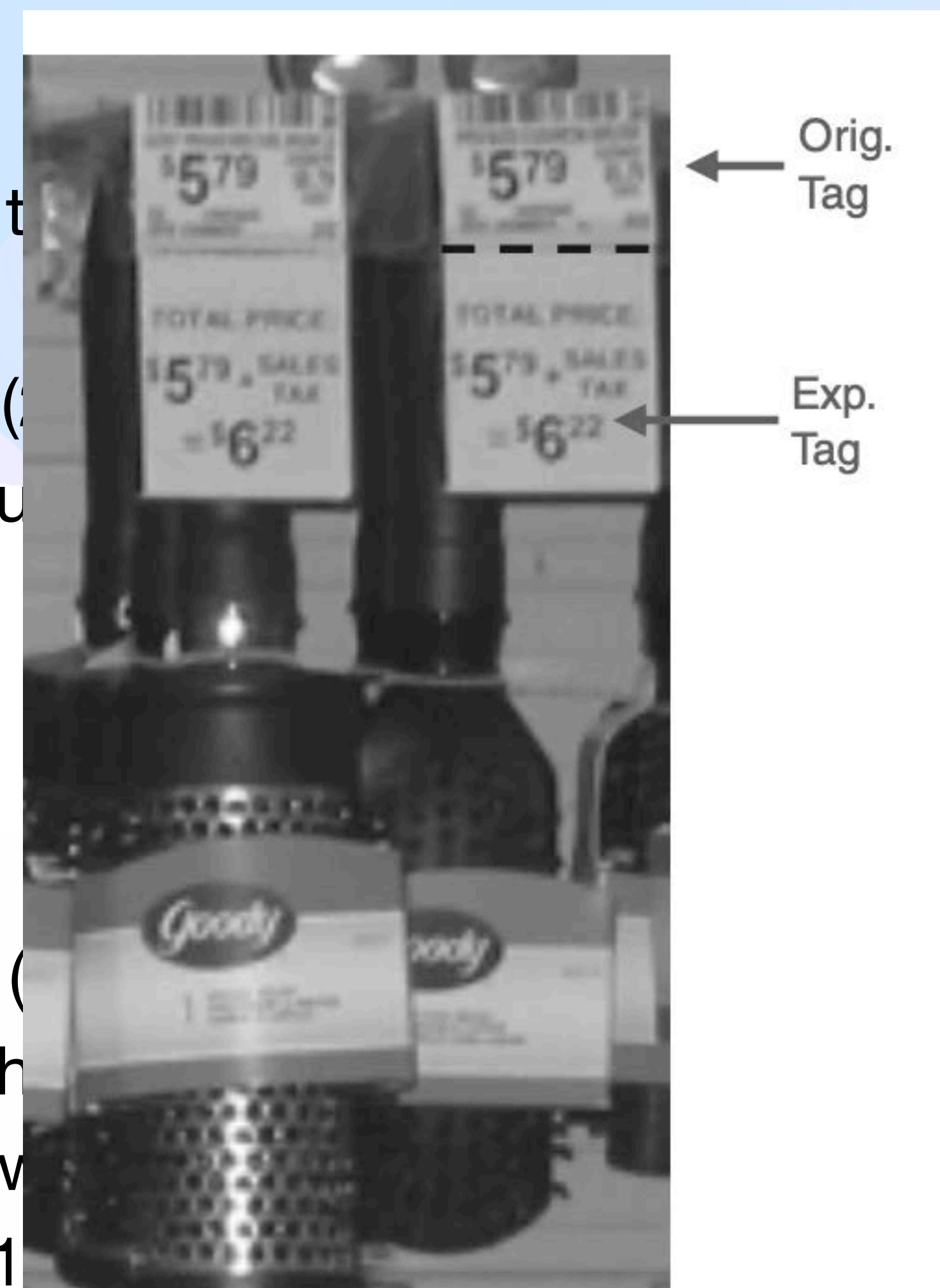
Academic Background...

THEORY

- Price “obfuscation” = “an action that increases the amount of time and effort a consumer must spend to learn a firm’s price” (Ellison and Wolitzky 2012)
 - Ellison and Ellison (2009), Ellison (2006), Branco et al. (2011), Ellison and Ellison (2010), Ellison and Spiegel (2012), Gabaix and Laibson (2006), Chioveanu et al. (2013)
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Another form of price obfuscation

The background features a series of overlapping, wavy, organic shapes in shades of light blue, lavender, and white, creating a soft, abstract landscape effect.

Another form of price obfuscation

Price Negotiation or Haggling

- No opportunity to price discriminate

Busse et al. (2017), Atefi et al. (2020), Jindal and Aribarg (2020), Allender et al. (2021)



"...well, how much ya got?"

Another form of price obfuscation

Drip Pricing

- Not “hiding” an extra charge: shipping costs, taxes, add-ons



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“...well, how much ya got?”

Another form of price obfuscation

Drip Pricing

- Not “hiding” an extra charge: shipping costs, taxes, add-ons
- Consumers can neglect the entire price?
 - Consumers won't buy without knowing the price!
- Miscalculations
 - There is nothing to calculate!



Price Negotiation or Haggling

- No opportunity to price discriminate

Busse et al. (2017), Atefi et al. (2020), Jindal and Aribarg (2020), Allender et al. (2021)



“...well, how much ya got?”

Overview of Experiments

Field 1	Field 2	Field 3	Lab 4
Online Store	Physical Stores	Email Newsletters	Online Store

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DOES IT AFFECT REAL PURCHASE BEHAVIORS?

(1) Experiment: Delaying Prices in the Online Store

The background of the slide features a series of overlapping, wavy, abstract shapes in shades of light blue and white, creating a soft, layered effect. The top portion of the slide is a solid light blue, which transitions into these wavy shapes as they descend.

(1) Experiment: Delaying Prices in the Online Store

- ▶ Prices delayed until the *next logical step* (?)

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 - goes to the product page and the price is revealed

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- ▶ 2 conditions in the category page:
 - Products with prices
 - Products without prices
 - a consumer has to click on the product
 - goes to the product page and the price is revealed
- ▶ Web-splitting A/B experiment
 - 50% of traffic randomly directed to each condition
 - track purchases


(1) Experiment: Delaying Prices in the Online Store



DeLonghi EC155 15 Bar Espresso and Cappuccino Machine, Black Stainless Steel

★★★★☆ ~ 12,656


\$99.95



Hamilton Beach Espresso Machine, Latte and Cappuccino Maker with Milk Frother, 15 Bar Italian Pump, Single Cup, Black & Stainless (40792) Plastic

★★★★☆ ~ 1,279

\$148.85



DeLonghi EC155 15 Bar Espresso and Cappuccino Machine, Black Stainless Steel

★★★★☆ ~ 12,656



Hamilton Beach Espresso Machine, Latte and Cappuccino Maker with Milk Frother, 15 Bar Italian Pump, Single Cup, Black & Stainless (40792) Plastic

★★★★☆ ~ 1,279

vs.



Nespresso Vertuo Plus Coffee and Espresso Maker by De'Longhi, Matte Black

★★★★☆ ~ 12,179


\$181.00



Gevi Espresso Machine 15 Bar Pump Pressure, Cappuccino Coffee Maker with Milk Foaming Steam Wand for Latte, Mocha, Cappuccino, 1.5L Wat... Plastic

★★★★☆ ~ 1,850

\$119.99



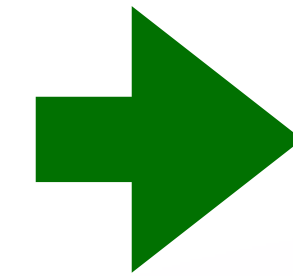

Nespresso Vertuo Plus Coffee and Espresso Maker by De'Longhi, Matte Black

★★★★☆ ~ 12,179



Gevi Espresso Machine 15 Bar Pump Pressure, Cappuccino Coffee Maker with Milk Foaming Steam Wand for Latte, Mocha, Cappuccino, 1.5L Wat... Plastic

★★★★☆ ~ 1,850

DeLonghi EC155 15 Bar Espresso and Cappuccino Machine, Black **\$99.95**

Visit the De'Longhi Store

★★★★☆ ~ 12,652 ratings

Amazon's Choice for "delonghi ec155"

Add to Cart

Buy Now

\$99.95

Style: Machine

Capacity: 1 Liters

Brand: De'Longhi

Color: Black

Special Feature: Removable Tank, Cup Warmer

Coffee Maker Type: Espresso Machine

About this item

- EVERY CUP TO YOUR LIKING: 15-bar professional pressure assures quality results every time, and adjustable controls allow you to make modifications for your personal taste preferences.
- BREW LIKE A PRO: Whatever your preference – single or double espresso, cappuccino or latte – the machine brews authentic barista-quality beverages just like you enjoy at your favorite coffeehouse. Input power (W): 1050
- YOUR FOAM, YOUR WAY: A manual frother mixes steam and milk to create a rich, creamy froth for evenly textured drinks – just the way you like them.
- ONE ESPRESSO SHOT OR TWO: The three-in-one filter holder, included with the unit, has filters for one espresso shot, two shots, and one for an easy-serve espresso pod – whatever your preference.
- NO WAITING BETWEEN CUPS: The Advanced Cappuccino System maintains the optimal temperature so you can brew cup after cup instantly.
- SLEEK SPACE-SAVING DESIGN: With a sleek profile, compact design and narrow footprint, the EC155 fits beautifully on a kitchen countertop – without taking up too much space.
- CONVENIENT WATER TANK: The water tank is simple to remove, refill, and reattach, and the water level is easily visible to eliminate the guesswork.
- EASY TO CLEAN: Removable water tank and drip tray make for easy cleanup, and the parts are dishwasher safe.

Customer ratings by feature

Easy to clean	★★★★☆	4.0
Easy to use	★★★★☆	4.0
Blending power	★★★★☆	3.9
Quality of material	★★★★☆	3.8

(1) Experiment: Delaying Prices in the Online Store

- ▶ Randomized controlled experiment...

$$Sales_{i,t} = \alpha + \beta Delay\ Prices + \delta_t + \epsilon_{i,t}$$

- ▶ Outcome:
 - purchase rate, unit sales, dollar revenues

(1) Experiment: Delaying Prices in the Online Store

	Probability Daily Purchase	Log Daily Units	Log Daily Revenue
Delay Prices	.127 ** (.048)	.160 ** (.075)	.426 * (.245)
Constant	.825 *** (.039)	1.205 *** (.053)	3.506 *** (.173)
Observations	126	126	126

Takeaways

- delayed price disclosure (vs. immediate price disclosure) increases e-commerce sales

(2) Experiment: Delaying Prices in Physical Stores

The background of the slide features a series of overlapping, wavy, organic shapes in shades of light blue and white, creating a soft, abstract landscape effect. The shapes are layered, with some appearing more prominent than others, giving a sense of depth and movement.

(2) Experiment: Delaying Prices in Physical Stores

- ▶ Again...how to operationalize a price delay?

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- ▶ Possibilities:
 - Rotate the price tags
 - Unfold to reveal the price
 - Check prices at register
 - Ask a salesperson, “Please wait here...”

(2) Experiment: Delaying Prices in Physical Stores

- ▶ Again...how to operationalize a price delay?
- ▶ Possibilities:
 - Rotate the price tags
 - Unfold to reveal the price
 - Check prices at register
 - Ask a salesperson, “Please wait here...”
- ▶ **Print new tags without prices**
 - Same tags (product title, product description) but no price
 - Caution! This intervention is costly! Implementation costs, labor costs, salesforce face more inquiries...

(2) Experiment: Delaying Prices in Physical Stores

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- ▶ Cross-over design

- Literature: Fisher et al. (2018); Hainmueller et al. (2015); Jones and Kenward (2003)

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- stores allocated to the same treatment
- stores rotating treatments
- stores not treated
- (stores pre-selected to be similar and distant from each other)

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 - stores allocated to the same treatment
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 - (stores pre-selected to be similar and distant from each other)
- ▶ 4 treatment conditions:
 - ALL prices delayed vs. CONTROL

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 - stores allocated to the same treatment
 - stores rotating treatments
 - stores not treated
 - (stores pre-selected to be similar and distant from each other)
- ▶ 4 treatment conditions:
 - ALL prices delayed vs. CONTROL
 - LOW prices delayed, HIGH prices delayed

(2) Experiment: Delaying Prices in Physical Stores

- ▶ Estimate a fixed-effects model (Fisher et al., 2018)

$$Sales_{s,c,t} = \alpha_0 + \gamma_1 All_{s,c,t} + \gamma_2 High_{s,c,t} + \gamma_3 Low_{s,c,t} + \delta_t + \delta_{s,c} + \epsilon_{s,c,t}$$

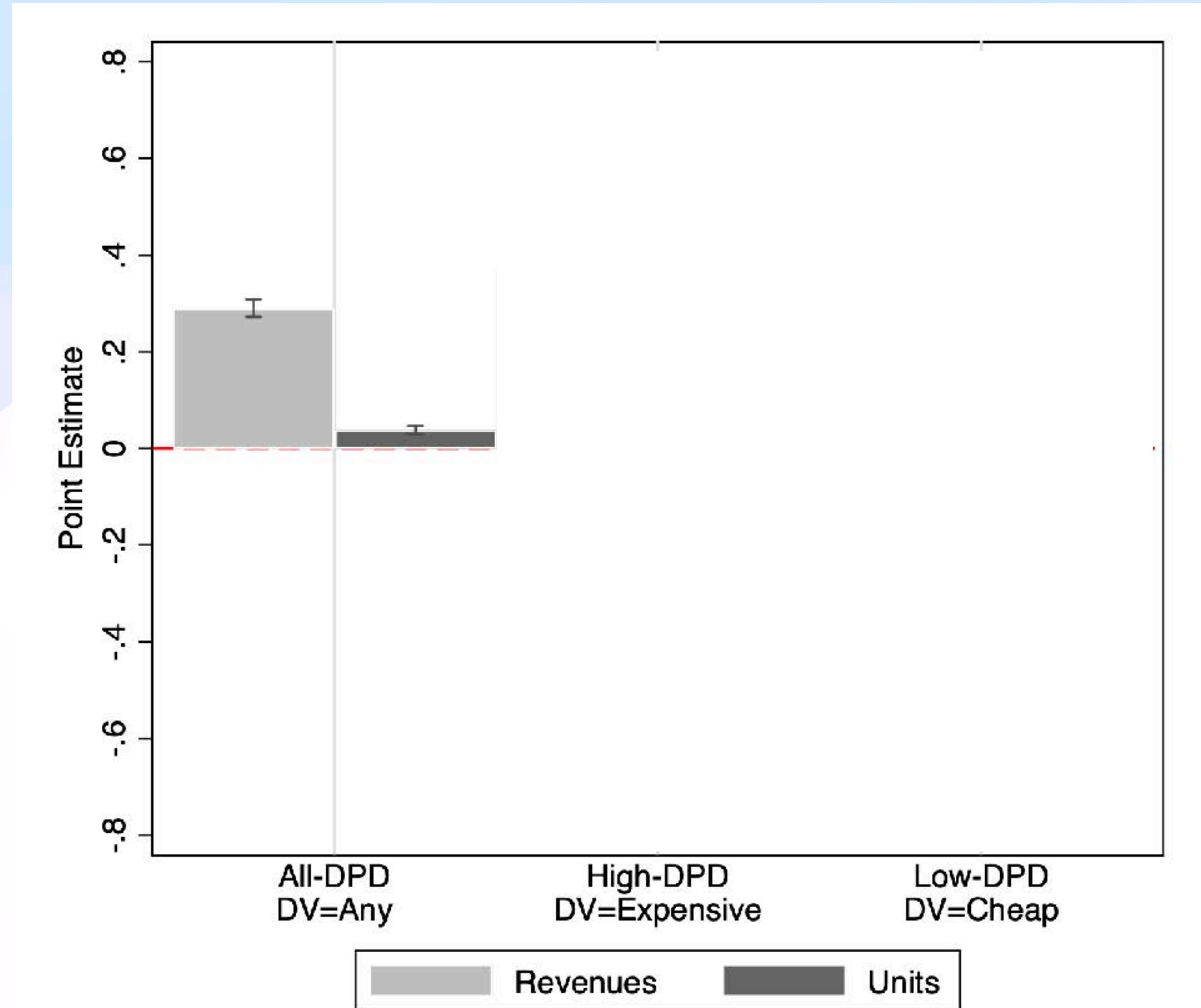
- ▶ Outcome:
 - purchase rate, unit sales, dollar revenues
 - unit of analysis: sales at the store x category x date level

(2) Experiment: Delaying Prices in Physical Stores

Consistent with the e-commerce experiment!

Takeaways

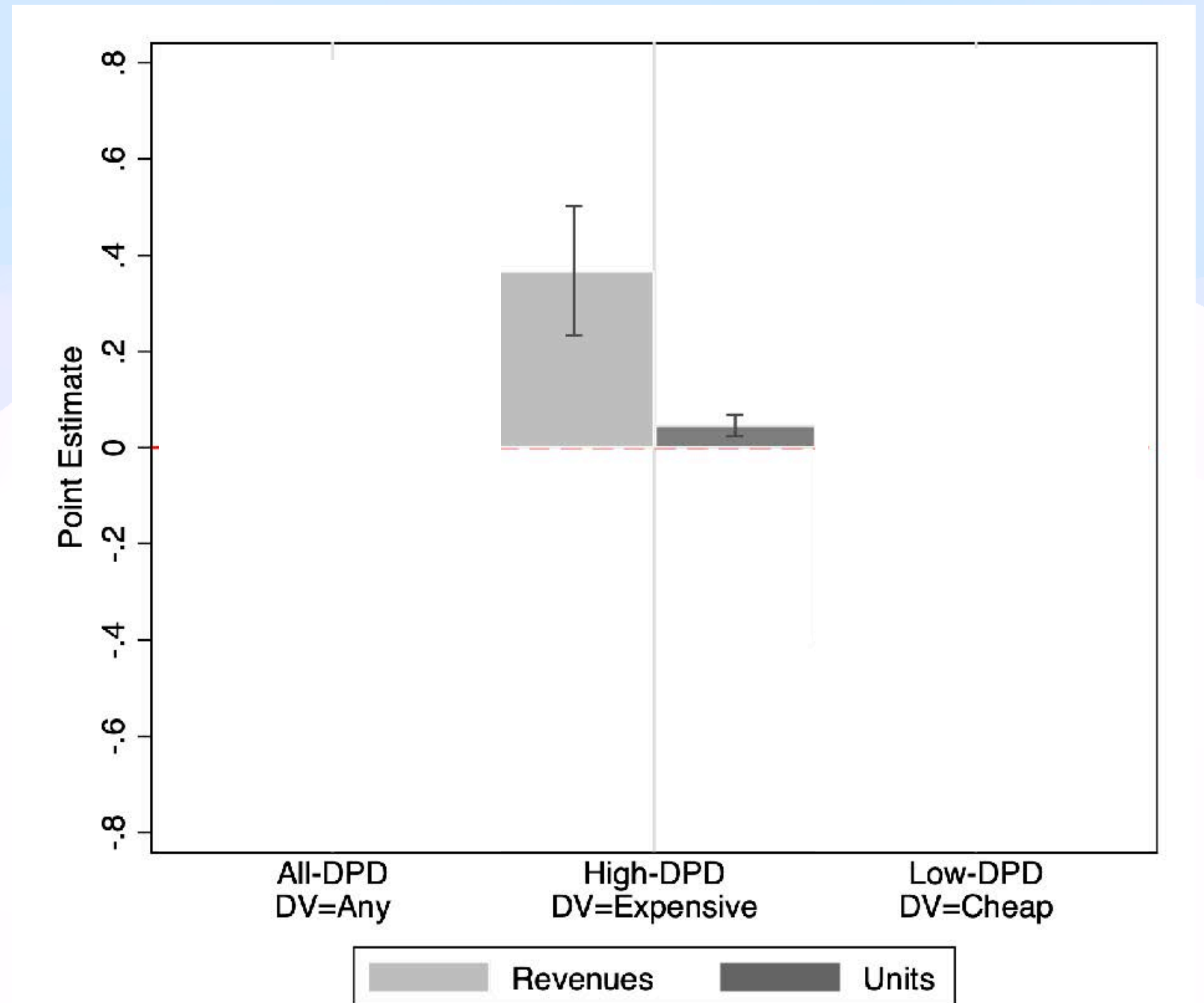
- delaying ALL prices increases store sales (vs. immediate disclosure)



(2) Experiment: Delaying Prices in Physical Stores

Takeaways

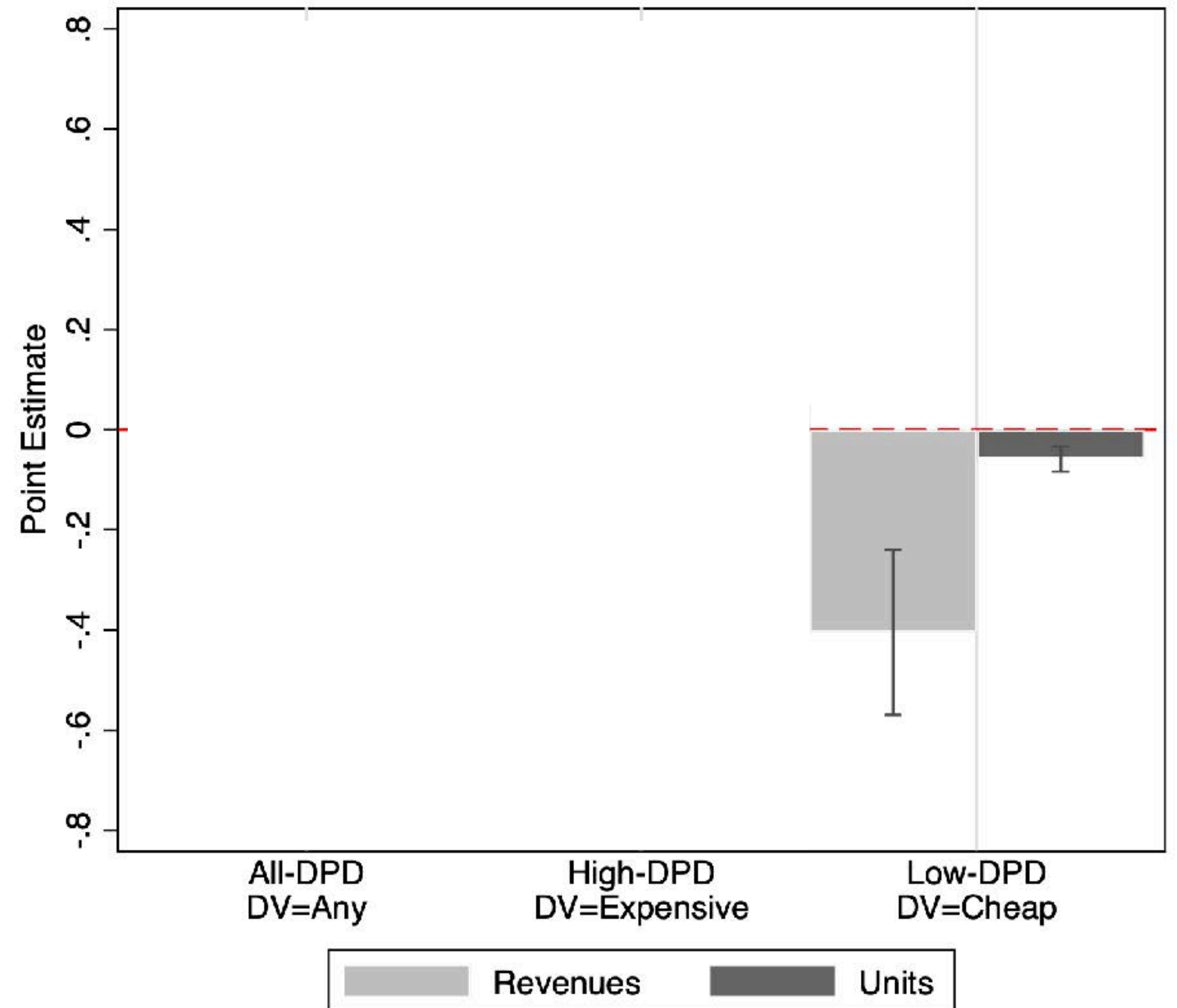
- delaying HIGH prices increases sales of expensive products
- “sticker shock” effect



(2) Experiment: Delaying Prices in Physical Stores

Takeaways

- delaying LOW prices decreases sales of cheap products



(3) Experiment: Reaching Out to +700K Customers via Email

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(3) Experiment: Reaching Out to +700K Customers via Email

- ▶ Company sends emails to the client base
- ▶ 1/day during 7 days
 - Track user purchases during 7 days
 - Different products in the email

(3) Experiment: Reaching Out to +700K Customers via Email

- ▶ Company sends emails to the client base
- ▶ 1/day during 7 days
 - Track user purchases during 7 days
 - Different products in the email
- ▶ How to operationalize a delay?
 - Control: email shows products with prices
 - Treatment: email shows products without prices
 - Prices revealed if you click and visit the product page

(3) Experiment: Reaching Out to +700K Customers via Email

- ▶ Company sends emails to the client base
- ▶ 1/day during 7 days
 - Track user purchases during 7 days
 - Different products in the email
- ▶ **How to operationalize a delay?**
 - Control: email shows products with prices
 - Treatment: email shows products without prices
 - Prices revealed if you click and visit the product page
- ▶ **Email communicates PROMOTIONS (products at discounted prices)**

(3) Experiment: Promotions — Guiding Example


WOMEN MEN KIDS BABY UNISEX

**LIMITED-TIME OFFERS
END TONIGHT!**

These deals end tonight, so don't wait to spruce up your wardrobe for less. Save on high-quality wear-now essentials starting at **\$9.90**.

SHOP WOMEN SHOP MEN SHOP KIDS

100% PREMIUM LINEN



XXS-XXL
100% Premium Linen Long-Sleeve Shirt
\$29.90 ~~\$39.90~~
ENDS TONIGHT


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XXS-XXL
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XS-3XL
100% Premium Linen Long-Sleeve Shirt
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Premium Linen Long-Sleeve Shirt

★★★★★ 4.4 (See 19 reviews)

The refreshing beauty of 100% linen material. Exquisite details for a finished look.

Product ID: 459857

Color: 61 BLUE



Size: UNISEX M

XS S **M** L XL XXL 3XL

MySize ASSIST Check your recommended size

[Size Chart/Compare](#)

\$29.90

Limited-Time Offer until 5/14

Quantity: 1

in stock

ADD TO CART

Store stock status
You can check store stock status here.

Height: 5'11"/181cm
Size: M

immediate price disclosure
“deals” with prices and discounts

delayed price disclosure
“deals” without prices and discounts

(3) Experiment: Reaching Out to +700K Customers via Email

- ▶ Randomized controlled experiment...

$$Sales_{i,t} = \alpha + \beta Delay Prices + \epsilon_{i,t}$$

- ▶ Outcome:
 - purchase rate, unit sales, dollar revenues
 - unit of analysis: user level

(3) Experiment: Reaching Out to +700K Customers via Email

	Probability Weekly Purchase	Per-User Log Weekly Units	Per-User Log Weekly Revenue
Delay Prices	-.297 *** (.035)	-.002 ** (.000)	-.017 *** (.002)
Constant	2.608 *** (.026)	.019 *** (.000)	.136 *** (.001)
Observations	771,583	771,583	771,583

Takeaways

- delayed price disclosure decreases purchases for promotions

2 Takeaways and 1 Question

The background features a light blue sky at the top, transitioning into a range of stylized mountains. The mountains are rendered in soft, pastel colors, including white, light purple, and pale blue, creating a serene and minimalist landscape.

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1. Timing the price is an important research question
(managerial/theory)

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1. Timing the price is an important research question
(managerial/theory)
2. Timing the price is economically impactful
3. What might explain these findings?

Overview of Experiments

<i>Experiment</i>	E-commerce	Physical stores			Email promotions
<i>Which prices are delayed?</i>	all prices	all prices	high prices	low prices	all prices
<i>Results?</i>	increases sales	increases sales	increases sales	decreases sales	decreases sales

Overview of Experiments

Field 1	Field 2	Field 3	Lab 4
Online Store	Physical Stores	Email Newsletters	Online Store



AFFECTS REAL PURCHASE BEHAVIORS



THEORY?

Theory — Price Expectations

The background of the slide features a series of overlapping, wavy, abstract shapes in shades of light blue and white, creating a soft, layered effect against a pale blue gradient.

Theory – Price Expectations

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product is MORE
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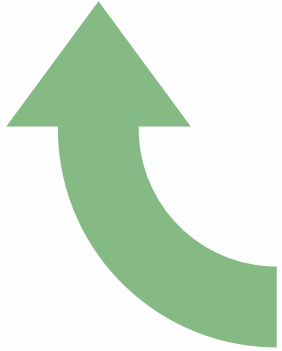
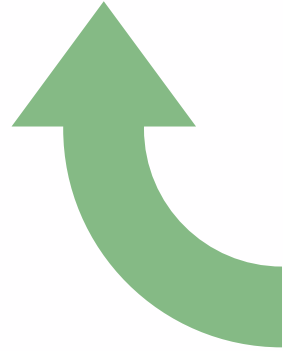
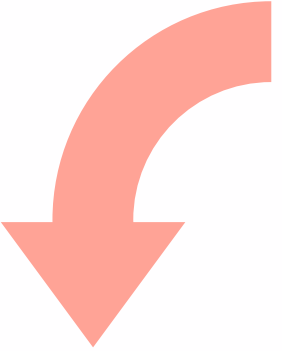
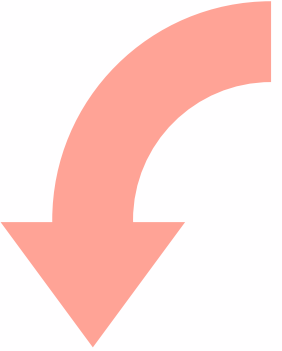
product is MORE attractive to buy when the price is revealed!

2. delay leads to downward expectation:

- negative discrepancy: Expected \$\$ < Actual \$\$

product is LESS attractive to buy when the price is revealed!

Overview of Experiments

<i>Experiment</i>	E-commerce	Physical stores			Email promotions
<i>Which prices are delayed?</i>	all prices	all prices	high prices	low prices	all prices
<i>Results?</i>	increases sales	increases sales	increases sales	decreases sales	decreases sales
<i>How does it shift price expectations?</i>					

Theory Evidence 1/2: Expectations tend to be Pessimistic

The background features a light blue gradient at the top, transitioning into a series of overlapping, wavy, semi-transparent shapes in shades of light blue and white. These shapes create a layered, mountain-like or cloud-like effect, with the white shapes appearing more prominent in the foreground.

Theory Evidence 1/2: Expectations tend to be Pessimistic

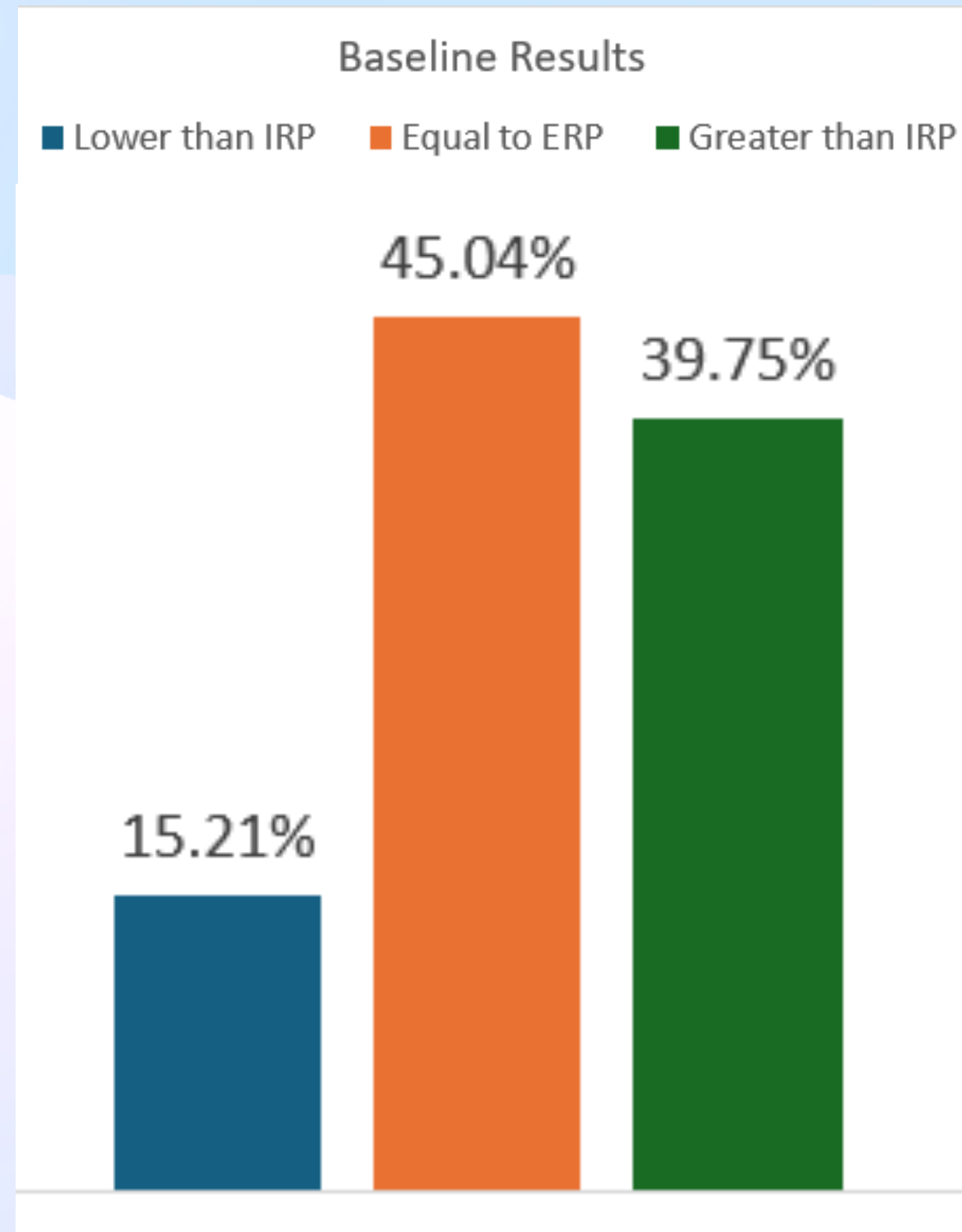
1. MTURK participants are shown an image and asked to estimate the average price
2. They answer for 10 items (categories)
3. If prices are not shown...Do you expect prices to be below, equal, or above your [XX] average?

Theory Evidence 1/2: Expectations tend to be Pessimistic

“Imagine you were shopping for a [product] and ... can't see the price yet ... If you had to guess, what would you expect it to be?”

Participants answered on a 7-point scale relative to the average price (AP) they provided initially. The scale ranged from 1 = “The price on the tag is much lower than [AP],” to 7 = “The price on the tag is much higher than [AP].”

Theory Evidence 1/2: Expectations tend to be Pessimistic



1. MTURK participants are shown an image and asked to estimate the average price
2. They answer for 10 items (categories)
3. If prices are not shown...Do you expect prices to be below, equal, or above your [XX] average?
4. 15% believe it will be cheaper vs. 40% believe it will be more expensive

Theory Evidence 2/2: Delay Amplifies Expectations

The background features a series of overlapping, wavy, abstract shapes in shades of light blue and white, creating a soft, layered effect. The top portion is a solid light blue, while the lower portion consists of these layered, undulating forms that transition from light blue to white.

Theory Evidence 2/2: Delay Amplifies Expectations

- 3 contextual conditions (baseline, high, low) x 2 price conditions (immediate, delay)
- Step 1: participants are asked reference price for an espresso machine
- Step 2: contextual information of the retailer (Baseline vs. Premium vs. Cheap)
- Step 3: select preferred option from 12 alternatives

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- Step 4: [Prices are revealed]
- Dependent Variable (willingness to purchase) and Mediator (expectations discrepancy)

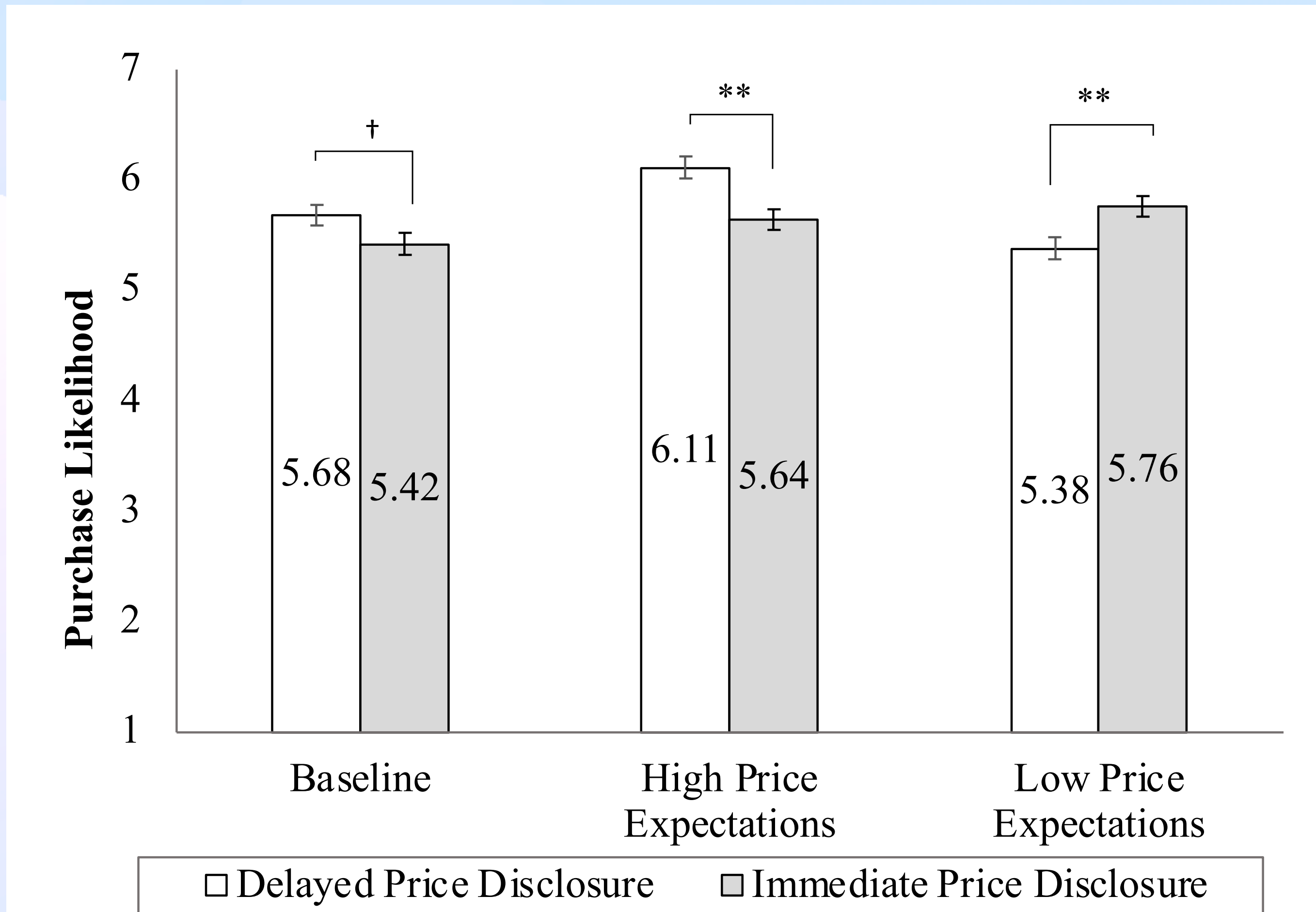
Theory Evidence 2/2: Lab Experiment

Dependent Variable, we asked: “If you were to purchase an espresso machine, how likely would you be to purchase the one you selected?” (1 = “not likely at all,” and 7 = “extremely likely”).

Mediator Variable, we asked: “Is the price of the option you selected cheaper, about the same, or more expensive than what you would expect it to cost?” (1 = “the price is much lower than what I would expect it to cost,” 4 = “the price is about the same as what I would expect it to cost,” 7 = “the price is much higher than what I would expect it to cost”).

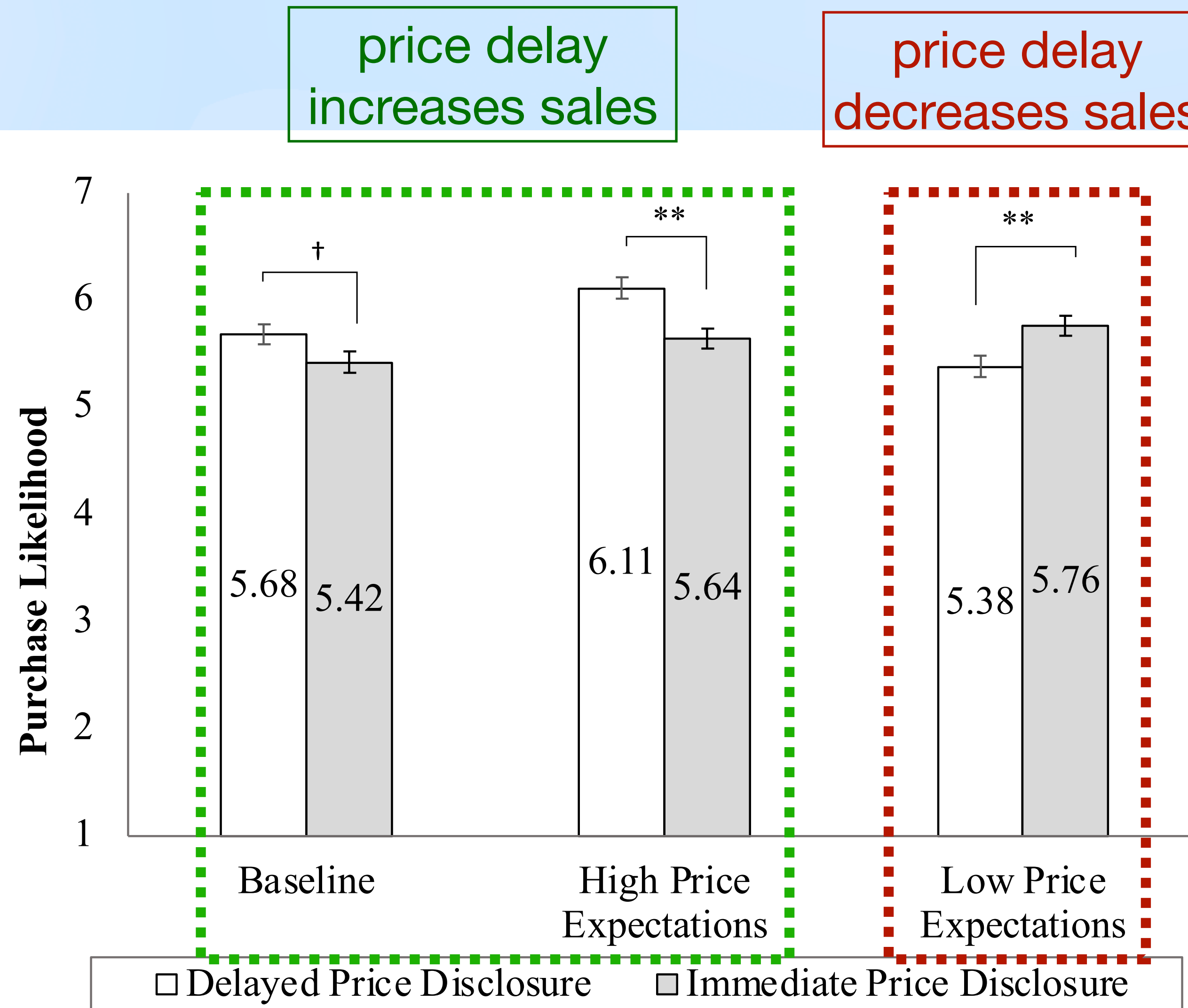
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expected a HIGHER price

price delay increases sales

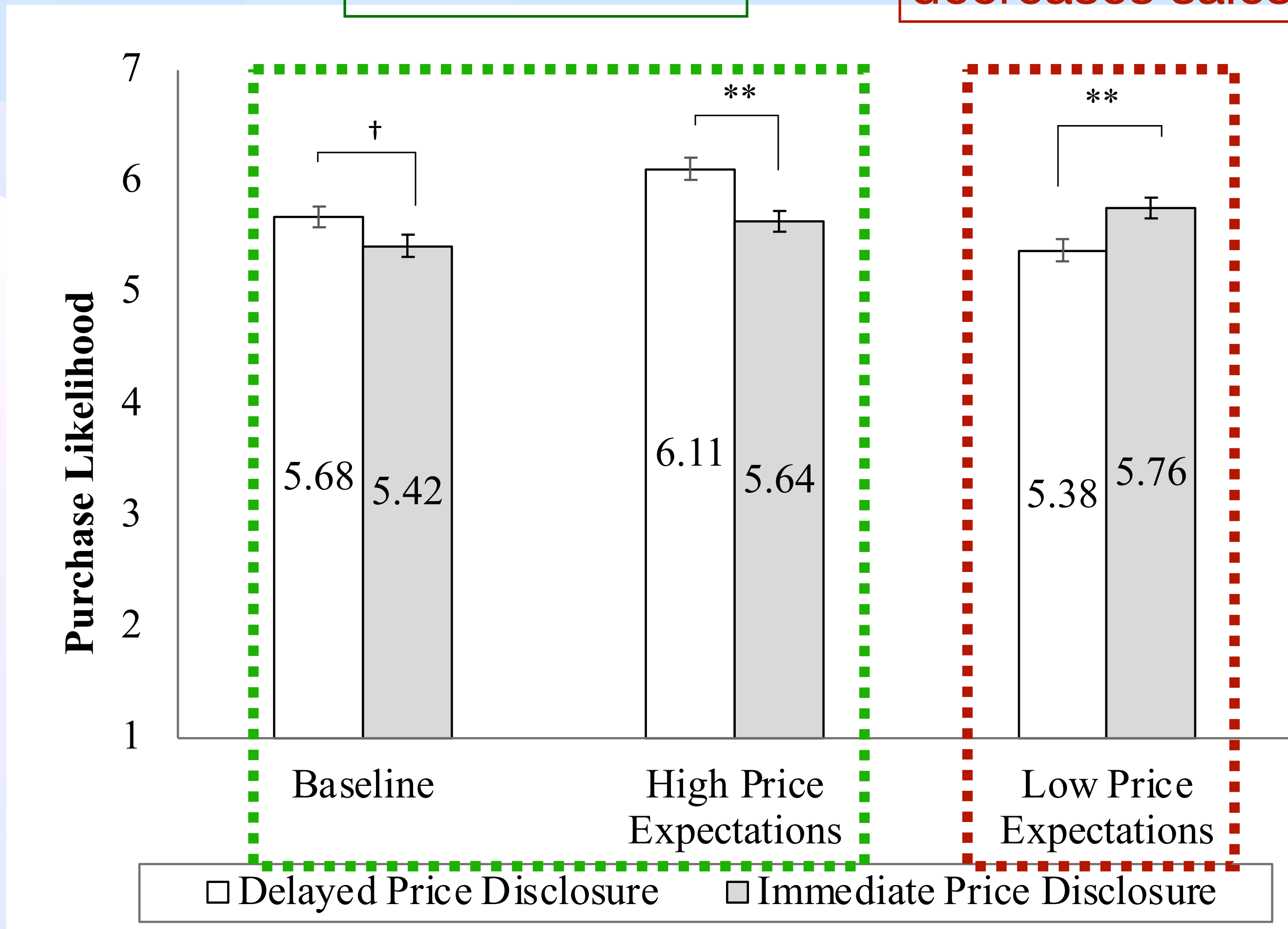
price delay decreases sales

expected a LOWER price

✓ Lab experiment replicated the main effect on purchase behavior

✓ Effect is mediated by discrepancy in price expectations

✓ Moderators...



Managerial Implications

The background of the slide features a series of overlapping, wavy, organic shapes in shades of light blue, lavender, and white, creating a soft, abstract landscape effect.

Managerial Implications

- ▶ For businesses:
 - understand customers' price expectations
 - context can attenuate or amplify expectations
 - implement price delays when you can bring “positive surprises”
 - branding implications

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- ▶ For businesses:
 - understand customers' price expectations
 - context can attenuate or amplify expectations
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 - branding implications
- ▶ Extensions:
 - short term vs. long term effects
 - frequency of purchase, loyalty

Final Thoughts

The background features a light blue sky above a series of rolling hills. The hills are rendered in soft, pastel colors, including white, light purple, and pale blue, creating a serene and minimalist landscape.

Final Thoughts

- ▶ Personalization:
 - customize the delay

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- ▶ Policy:
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Final Thoughts

- ▶ Personalization:
 - customize the delay
- ▶ Policy:
 - which customers are under-buying or over-buying?
 - a price delay can be a beneficial friction?

THANKS

Diego Aparicio
IESE Business School
Spain

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