

# Study: Double discounts confuse consumers

September 13 2007

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A U.S. study showed that consumers often are unable to determine the true cost of goods when confronted with a "double discount."

For example: You're walking by a store window and you see a sign that offers a product at 20 percent off the original price, plus an additional 25 percent off the already reduced sale price.

How much is the discount?

Researchers said consumers often mistakenly believe the total discount is 45 percent off the original price when, in fact, the true discount is 40 percent.

"Retailers frequently use the strategy of double discounts for their regular promotions or to induce customers to open a credit card account with them," said researchers Allan Haipeng Chen of the University of Miami and Akshay Rao of the University of Minnesota. "Such errors in peoples' judgments of the net effect of multiple price discounts ... have implications for a variety of marketing settings including advertising, promotion, pricing, and public policy."

The study, reported in the *Journal of Consumer Research*, explored why consumers frequently believe a double discount is a better deal than a single discount of the same total magnitude.

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Citation: Study: Double discounts confuse consumers (2007, September 13) retrieved 25 April 2024 from <https://phys.org/news/2007-09-discounts-consumers.html>

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