

# Retail pricing strategies: Do consumers prefer deep discounts or everyday low prices?

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Sometimes finding the best bang for your buck feels like a wild goose chase. It's hard to know which stores offer the best prices at any given time. According to a new study in the *Journal of Consumer Research*, when trying to maximize savings, consumers will choose retailers they believe offer the lowest prices the majority of the time.

"We looked at the impact different [pricing](#) strategies have on the stores people shop at when they do not know the product prices unless they visit the store," write authors Shai Danziger (Tel Aviv University), Liat Hadar (IDC Herzliya), and Vicki G. Morwitz (New York University).

To simulate 100 weekly purchases from a retail store, study participants were asked to purchase products from one of two competing retailers 100 different times. Participants were given a monetary incentive to minimize their total spending and were instructed to base their selections strictly on price.

On each shopping trip, participants first selected a retailer before they were shown the store prices for that week. The authors manipulated the [pricing strategies](#), but in most cases, one retailer used deep-discount pricing while the competing retailer used everyday low pricing or frequent (but small) discounts. While the average price of the two retailers was the same for most experiments, results showed that people consistently tend to choose the retailer they believe is less expensive more often than the retailer they believe is cheapest on average. This pattern held whether or not the retailer used frequent discounts or an

everyday low price guarantee.

These results offer insight for companies regularly using deep discounts or pricing their products lower than their competitors' average prices. The authors suggest a more effective strategy is to simply offer prices that are generally always lower than their competitors' prices. "One reason consumers find these retailers so attractive is that their product prices tend to be cheaper than those of their competitors on the majority of shopping trips. Consumers seem to prefer many small discounts to a few large ones and their perceptions of average prices do not drive their store choices," the authors conclude.

**More information:** Shai Danziger, Liat Hadar, and Vicki G. Morwitz. "Retailer Pricing Strategy and Consumer Choice under Price Uncertainty." *Journal of Consumer Research*: October 2014.

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