

Score a discount on Amazon? You might've unwittingly paid more

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More than a quarter of vacuum cleaners sold on Amazon have at some point pretended to offer a discount when they had actually just increased the price, according to new research.

By pairing a price increase with the introduction of a previously unadvertised "list price" for a product, Amazon signals to shoppers that they are receiving a discount when they actually pay 23% more, on average, for their new vacuum than they would have just a day earlier. Days after the price hike, the price drops and both the list price and misleading discount claim disappear.

Sellers of digital cameras, blenders, drones and even books used the same misleading practice, although less frequently. The false discounts drove higher sales despite charging more money, causing the products to improve in Amazon's sales rankings.

These findings come from new research into this pricing phenomenon by Jinhong Xie at the University of Florida, Sungsik Park at the University of South Carolina and Man Xie at Arizona State University. The team has published their analysis in the journal *Marketing Science*.

"When you see this list-price comparison, you naturally assume you are getting a discount. It's not just that you didn't get a discount. You actually paid a higher price than before the seller displayed the discount claim," said Jinhong Xie, a professor in the Warrington College of Business at UF.

Currently, regulations prohibiting deceptive pricing require that sellers use truthful price comparisons. Consumers have won class-action lawsuits against retailers like JC Penney and Ann Taylor for making discount claims using illegitimate values in price comparisons.

In the pricing practice that Xie and her colleagues uncovered, the list price can be truthful yet still misleading. That's because retailers advertise a price discount by displaying the list price when they actually raise prices and give the impression of a deal. But most of the time, the product is sold at a cheaper price without any comparison to a list price.

It is the timing of the price comparison that misleads shoppers.

"Current regulations are all about the value of the list price, and they don't say anything about misleading [consumers](#) by manipulating the timing of the list price's introduction," Xie said.

The researchers studied the pricing of household products on Amazon from 2016 to 2017. Xie and her colleagues followed more than 1,700 vacuums and gathered nearly half a million individual observations of prices. While most introductions of a new list price were associated with a price drop or no price change, 22% were instead accompanied by a price increase.

Because shoppers perceive they are getting a deal, these misleading discounts actually improved the products' sales rankings on Amazon, a proxy for sales volume.

"We found that by increasing the price by 23% on average, the seller achieves an 11% advantage in their sales rank among all products in the home and kitchen category," Xie said. "This allows firms to achieve the impossible: increasing margins and increasing sales simultaneously."

Other products used this practice anywhere from 3% of the time for books to more than 13% of the time for blenders, digital cameras and drones.

Xie says consumers can protect themselves by questioning ubiquitous "discounts" advertised in online stores. Shoppers should not assume a [discount](#) claim means the price is lower than usual. Instead, shoppers should comparison-shop across multiple websites. They can also use [online tools](#) that provide price histories to learn if the advertised price they are seeing is really a deal or not.

"We think consumers need to be aware so they can protect themselves," Xie said. "And we think that consumer organizations and regulators should evaluate this new marketing practice to determine whether and how to manage it."

More information: Sungsik Park et al, *Frontiers: Framing Price Increase as Discount: A New Manipulation of Reference Price, Marketing Science* (2022). [DOI: 10.1287/mksc.2022.1402](https://doi.org/10.1287/mksc.2022.1402)

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