

When you buy at a discount online, are you really paying more?

February 3 2023



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A study published in a recent issue of INFORMS journal *Marketing Science* has found evidence of a questionable practice that tricks consumers into thinking they are getting a discount when they are actually paying more.

The study, "Framing Price Increase as Discount: A New Manipulation of Reference Price," is authored by Sungsik Park of the University of South Carolina, Man Xie of Arizona State University and Jinhong Xie of the University of Florida.

"Imagine you are shopping online for a new vacuum cleaner," says Park. "You find a product that shows a selling price of \$190, a list price of \$250 and the announcement 'You save \$60.' You like the sweet deal and you buy it. Later, you talk to a friend who tells you she bought the same product for \$115 and did not notice any mention of list price. You then go back online and discover that, indeed, the current price is \$115 and the list-price comparison has vanished. You've been duped. So how does this happen?"

What's happened is that the seller introduced a short-term price increase, but framed it as a discount. The seller does this by simultaneously increasing the price and adding a list price display. Then, a few days later, the [seller](#) reduces the price and removes the list price information.

The study authors tracked multiple product categories on Amazon over a 13-month period, mostly during 2017. They studied cases in which online sellers simultaneously increased price and introduced a list-price comparison.

"We found that price-increase and list-price synchronization (PILPS) is a prevalent practice across many product categories and sellers," says Man Xie. "This practice induces more shoppers to buy at a higher price. It boosts both profit per sale and the number of products sold."

This raises an obvious question. Is PILPS legal?

"Current regulations targeting deceptive pricing focus on the truthfulness of a list price *value*, by, for instance, deterring the use of fake or inflated

list [prices](#)," says Jinhong Xie. "PILPS misleads [consumers](#) by manipulating the *timing* of list-price display and has so far flown under the radar of regulators."

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)

Provided by Institute for Operations Research and the Management Sciences

Citation: When you buy at a discount online, are you really paying more? (2023, February 3) retrieved 3 June 2024 from <https://phys.org/news/2023-02-buy-discount-online-paying.html>

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