

Why would consumers pay less for separate than bundled products?

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Packaging an expensive item with a cheap one seems like a no-brainer. But according to a new study in the *Journal of Consumer Research*, most consumers in this situation are not willing to pay as much for a combination as they would for two separate items.

"[Consumers](#) often encounter product combinations, many of which include both expensive and inexpensive items," write authors Aaron R. Brough (Pepperdine University) and Alexander Chernev (Northwestern University). "Logically, people should be willing to pay more for options that they like. Adding an attractive option to an existing offering might be expected to increase the offering's value and consumers' willingness to pay."

But consumers don't always follow that logic. For example, consumers who were willing to pay \$2000 for a flat-screen TV and \$10 for a [video cable](#) when they considered them separately were only willing to pay \$1950 when the two were combined. Likewise, pairing an inexpensive tote bag with a higher-priced suitcase decreased consumers' willingness to pay. The authors say this occurred even when consumers were willing to pay full price for each item considered alone.

Consumers tend to think in categorical terms, according to the authors. For example, when items classified as expensive or inexpensive are combined, consumers perceive the combination to be "moderately expensive." "The problem is consumers forget that they are purchasing multiple items. As a result of the erroneous [perception](#) that a combination of expensive and inexpensive items is less valuable than a single expensive item, consumers are willing to pay less for the combination than for a single item that they perceive as 'purely expensive.'"

The authors found that the number of consumers who chose an expensive product declined by

approximately 15 percent when an inexpensive item was added to it. They also found that across six different [product categories](#) (scooters, grills, phones, jackets, backpacks, and TVs) participants were willing to pay, on average, 25 percent less for a combination of an expensive and inexpensive item.

"Because including an inexpensive item in a bundle can decrease consumers' [willingness](#) to pay, managers may be better off selling items from different price tiers separately," the authors conclude.

More information: Aaron R. Brough and Alexander Chernev. "When Opposites Detract: Categorical Reasoning and Subtractive Valuations of Product Combinations." *Journal of Consumer Research*: August 2012.

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