

Why (and When) Do Consumers Prefer an Uncertain Price Promotion to a Sure Discount?

(Celia Gaertig, Booth & Joseph Simmons, Wharton)

Uncertain Promotion:

Chance to get a product for free

Sure Discount:

Sure discount of equal expected value

e.g.,
“20% chance to get a product for free”

?

e.g.,
“20% off”

Our New Theory: Size of the Sure Discount

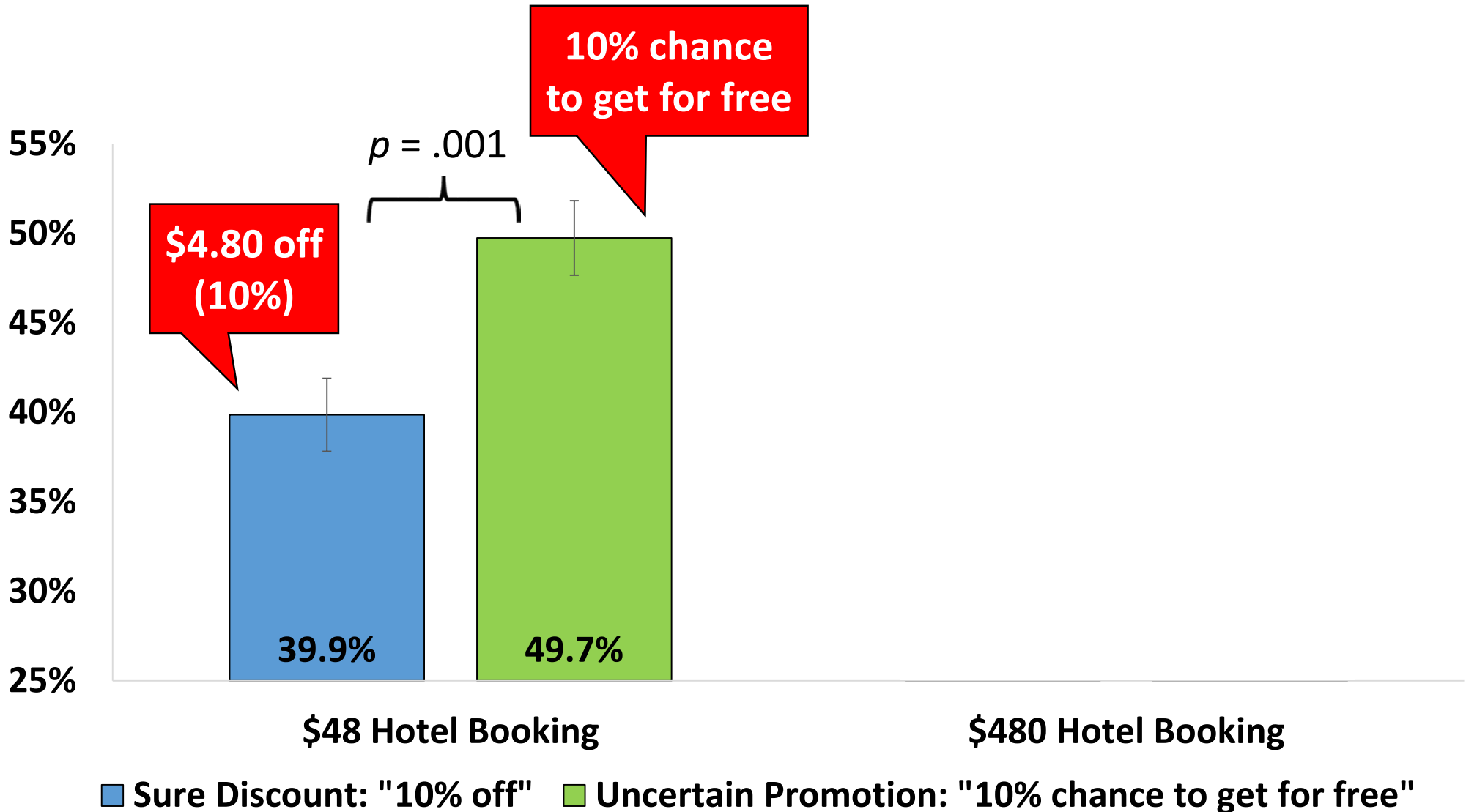
Consumers are more likely to prefer an uncertain promotion to a sure discount when the sure discount feels small.

For example, when:

- ✓ **The price of the product is small (Study 1)**
- ✓ The context makes the sure discount feel small
 - ✓ The sure discount feels small, because it is framed in %, not \$

Study 1: Price is Low or High

Percentage of Participants Who Chose The Promoted Hotel:



Study 1: Price is Low or High

Percentage of Participants Who Chose The Promoted Hotel:



Interaction: $p = .041$

Summary of Findings

Consumers are more likely to prefer an uncertain promotion to a sure discount when the sure discount feels small.

For example, when:

- ✓ The price of the product is small (Study 1)
- ✓ **The context makes the sure discount feel small**
- ✓ **The sure discount feels small, because it is framed in %, not \$**

THANK YOU

celia.gaertig@chicagobooth.edu