

MARKETING COLLOQUIA

FALL 2018

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Date: Thursday, September 20, 2018

Where: 741 JMHH

When: 12:00 PM to 1:20 PM

THE THRILL OF THE DEAL: QUANTIFYING THE PRICE OF PERCEIVED DISCOUNTS AND MARK-UPS

ABSTRACT: I investigate the role of transaction utility on consumers' purchasing behavior. I designed two laboratory paradigms to mirror shopping experiences using discounts and mark-ups (Study 1) and coupons (Study 2). In my experiments, participants purchase virtual goods, allowing me to isolate transactional utility from inferences of product quality. Results reveal that consumers experience transactional utility even over these virtual goods, and will sacrifice monetary payoffs for transaction utility. Participants gain utility from perceived discounts, disutility from perceived mark-ups, and utility from using more of a coupon. My estimates suggest consumers are willing to pay 37-57 cents to use an extra dollar of a coupon and 37-78 cents to avoid a dollar of perceived mark-up. These estimates suggest a large relevance for transaction utility across a wide array of consumer decisions and purchasing behavior.