

# WROE ALDERSON LECTURE

2024 - ABSTRACT

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**Friday, May 10, 2024**

Where: JMHH 270  
When: 3:00 PM to 4:30 PM

## THE FEES PARADOX: THE PAIN OF CHOICE

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Consumers are increasingly subject to fees, often without knowing why they are charged. This fee growth is due partly to an increasingly complex and underregulated marketplace. In addition to annoying consumers, fees transfer wealth from consumers' wallets to wealthy corporations and individuals.

Aware of rising public concerns, many industries have adopted a la carte pricing, where consumers can choose options and associated fees. For example, at many hotels, guests can pay fees for early check-in or late check-out, for using the pool, Wi-Fi, and gym, and for breakfast. Other companies instead use all-inclusive pricing or assess mandatory fees (e.g., "resort fees").

In this talk, I first review prior research on how consumers react to different pricing models that involve fees (e.g., partitioned pricing, drip pricing). I then will present some research in progress that investigates consumers' preference for the freedom to choose options and associated fees. We show in a series of studies involving different industries, options, and fee/additional charge structures, that consumers mispredict how much they like optional fees. While they prefer optional fees when comparing different pricing structures (all-inclusive, mandatory fees), as they might be asked to do in a marketing research pricing survey, they dislike optional fees in consumption contexts that involve paying for optional items that have fees associated with them. We provide some initial evidence that this happens because consumers mispredict the pain of payment that comes with the freedom of choice.