

Conscious and Unconscious Customer Reactions to Drip Pricing

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Abstract

Drip Pricing (DP) is a specific price-partitioning tactic under which firms advertise the base price of an offer upfront whereas additional charges sequentially “drip” in during the purchase process. We examine how the timing of the final price disclosure and the number of surcharges affect customer perceptions of the price and the offer. To account for the role of unconscious reactions of customers to DP, we measure the customer’s attention to the final price with eye tracking. Results of an experimental study with 225 participants show that the up-front (versus sequential) final price disclosure decreases the customer’s attention to the final price and the perceived price complexity. Moreover, it increases the perceived transparency of a firm’s pricing, the perceived quality of the service, and perceived price fairness. In particular, a sequential final price disclosure leads to negative customer reactions when DP offers are highly partitioned.

Keywords: *drip pricing; price fairness; eye tracking*

Track: Pricing & Promotions