

# New Insights from Behavioral Pricing: Implications for Marketing Strategy

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# New Insights from Behavioral Pricing: Implications for Marketing Strategy

## **Abstract**

This special session provides novel insights into aspects of behavioral pricing. All of the four papers focus on issues related to the psychology of pricing, such as price as a risk signal (paper 1), price fairness (paper 2 and paper 3), and consumer reactance to product recommendations in the context of price competition (paper 4). The findings provide important implications for firms' marketing strategies and applications in the digital age.

## **Feeling Worried, Not Safe: Insights into the Insurance Price Risk Signal**

*Jochen Reiner, Julia Wamsler, Martin Natter*

Do (high) insurance prices exert a risk signal that negatively affects the purchase likelihood of the insurance and the product to be insured? Based on two empirical studies and a simulation on complementary optional insurance, the authors provide evidence for the proposed risk signal and derive pricing implications for product and service providers and insurance companies.

## **Adopting Cost Transparency as a Marketing Strategy: Analytical and Experimental Exploration**

*Wei Shi Lim, Vincent Mak, Christopher Tang, Raghavendra KC*

Should sellers disclose cost information to consumers? If yes, under what conditions should they do so? We examine these questions using analytical modelling followed by laboratory experimentation. A key result is that, as quality differentiation between competing sellers decreases, they become more likely to adopt cost transparency and reduce prices.

## **The Effect of Disclosing Labor Cost on Consumer Preference**

*Lucas Stich, Christoph Ungemach, Christoph Fuchs, Martin Spann*

We examine whether, and if so, why and when making the cost of labor transparent can lead to favorable (or unfavorable) consumer responses. Specifically, we argue and empirically show in a labor-intensive service context that paying the human service provider a fair share of the service's price can increase consumers' preference for that service – *if* this information is disclosed to consumers.

## **Product Recommendations, Consumers' Reactance and Retailers' Price Competition**

*Sofien Bahani, Skander Esseghaier, John Zhang*

What approach to recommender systems would data rich Internet retailers prefer? How does it impact price competition? We study how consumers' reactance mediates firms' choices between two approaches to product recommendation: (i) broadcast recommendation, a one-size-fits-all approach, and (ii) personalized recommendations, a tailored approach. Under low reactance, firms would choose broadcast recommendations as they lower the intensity of price competition.

