

Range-based versus Point-based WTP/WTA Measures: New Findings for the Endowment Effect

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Abstract

Previous research has examined the well-known endowment effect using point-based measures of willingness to pay (WTP) and willingness to accept (WTA) values and found that this effect leads to market failure because sellers' WTA often exceeds buyers' WTP. This research examines the endowment effect using range-based measures of WTP and WTA, providing a more realistic perspective given bounded rationality and uncertainty conditions. To confirm the conceptual extensions and modifications of the endowment effect, we conceptually replicate a comprehensive point-based study on the endowment effect (Jefferson/Taplin, 2011) using range-based measures. Our results show an increased endowment effect but also less severe inefficiencies in a market, as there is significant overlap between WTP and WTA ranges, leading to a more efficient market than previously thought and more transactions taking place.

Subject Areas: *Consumer Behaviour, Pricing*

Track: Pricing & Promotions