

Cognitive Challenges in Double Discount Processing and Mitigation Strategies for Vulnerable Consumers

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Abstract

Consumers often mistakenly believe that combining a 40% discount with an additional 40% off results in an 80% discount, when the actual reduction is 64%. This research introduces a new attentional process that underlie these errors and show that lower working memory (e.g., with elderly consumers or when working memory is strained by factors such as certain types of background music) makes consumers especially prone to these miscalculations, which in turn, lead them to perceive a better deal than is actually offered. We also outline interventions, such as distributing discount information across multiple pages, to help mitigate such errors. Further, this paper also reports results from a field experiment validating these strategies. Overall, this work emphasizes the need for firms to accommodate consumers' cognitive limitations and provides public policy recommendations to ensure fair and equitable promotional practices, ultimately improving the shopping experience for all consumers.

Keywords: *working memory; double discounts; vulnerable consumers*

Track: *Pricing & Promotions*