

Pricing in Resale Markets: Why Lower-Priced Goods Tend to Retain More Value

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Pricing in Resale Markets: Why Lower-Priced Goods Tend to Retain More Value

The resale market is one of the fastest growing segments of the retail economy, yet little is known about what influence the value of secondhand products. We define *retained value* as a product's resale price expressed as a percentage of its original retail price. We observe lower-priced products retain more value than higher-priced products across five real world data sets collected from four different online resale platforms. We contend this phenomenon is driven, at least in part, by consumer willingness-to-pay. Consumers infer higher margins for higher-priced products in the primary market (i.e., lower production costs as a percentage of the original price), subsequently adjusting their willingness-to-pay down further for these products in the resale market. We replicate the effect observed in the secondary data across four pre-registered laboratory studies, providing evidence consistent with our proposed explanation and inconsistent with potential alternative explanations.

Keywords: Pricing, Resale Market, Retained Value

Track: Consumer Behavior