

"When the Price You See Is Not the Price You Get: A Bargaining Study"

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Although the Western press has recently reported that consumers have become more willing to bargain, it is still rather uncommon to observe consumers bargaining at retail stores. However, the extent to which firms are actually willing to bargain is largely unknown. We construct a theoretical model in order to better understand how the characteristics of a firm and a product influence a firm's incentives to bargain and test the model's predictions by conducting a field experiment at more than 250 stores throughout Vienna, Austria. In particular, we analyze the extent to which retail firms throughout Vienna consent to granting a discount when asked. A discount was granted in approximately 40% of the time, and when granted it was approximately 10% off of a product's posted price on average. We relate firms' willingness to bargain to firm and product characteristics, in line with our theory.