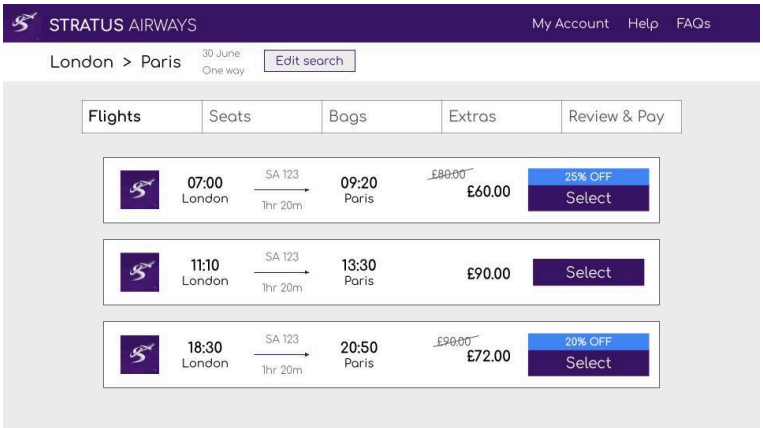
3.2 Reference pricing

'The choice architect displays a previous (or future) price with the current price, which makes the current price look more attractive.'



Typical design

Crossed-out prices and a '20/25% off' label are included to signal a price reduction.

It isn't made clear to customers what the crossed-out prices relate to, and so it is unknown if the price reduction represents a genuine deal or not.

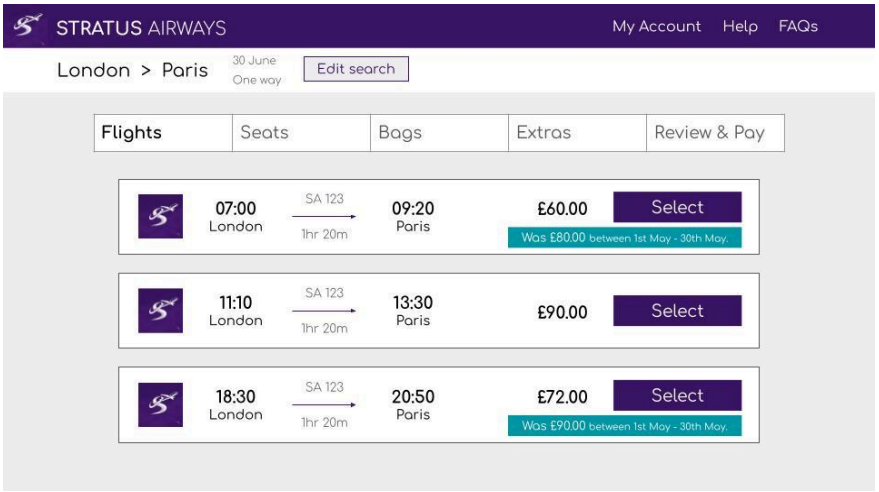
Consumer attitudes towards reference pricing:		
Top responses	• Indifferent (28%) • Reassuring (21%)	• Helpful (27%) • Manipulative (17%)
Overall sentiment	Positive: 44% Negative: 27%	

It is well established that reference prices can change consumer behaviour. When truthful and presented fairly, they can helpfully guide consumers to a good deal, but they can also raise consumer valuations of the offer, and lower efforts to search for better deals.[15]

When presented with inaccurate, false or insufficient contextual information, they can mislead consumers into believing they're getting a good deal, and can undermine effective competition by hindering proper comparison of options.

Improved design

Our version shows that it's still possible to offer legitimate discounts and good deals without taking advantage of consumers. Airlines offering genuine discounts are able to do so on a level playing field.



[15] Ahmetoglu et al. (2014) *Pricing practices: A critical review of their effects on consumer perceptions and behaviour*.