

"Probabilistic Purchasing: When Retailing and Las Vegas Meet"

A number of retailers offer gambling or lottery type of price promotions with a chance to receive one's entire purchase for free. While these retailers seem to share the intuition that probabilistic discounts are attractive to consumers, it is unclear how they compare to traditional sure discounts of equal expected value. We compared these two price promotions across five experiments in the field and in the lab. Together, we found that consumers strongly preferred a probabilistic discount over a sure discount, and that this preference seemed to be particularly driven by the disutility of paying, thereby adding support to the concept of the "pain of paying" in purchase transactions. Finally, our results suggest that purchases, where the payment is coupled with the acquisition or consumption of a product, might be coded as a loss at the point of purchase rather than a gain or a neutral exchange.