



The Effect of Posted “Original” Prices on Consumers’ Willingness to Pay for Sale Items

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Abstract

This paper investigates the role of posted original prices in influencing consumer Willingness to Pay through the lens of behavioural economics. Through analysing primary and secondary data, this paper found that consumer purchasing decisions are rarely driven by objective price alone and factors like psychological cues, perceived value, and cognitive biases play an equally significant role. Theories such as Adjustment Theory, Loss Aversion Theory and Attribution Theory play a large role in the decisions made by consumers and posted “original” prices use psychological tactics to influence consumers towards a product. Primary Data was collected from 75 participants of varying age and gender demographics. The data indicated that respondents actively sought discounted prices regardless of whether the purchase occurred during an official sale period. Additionally, a certain amount of “sale fatigue” was found amongst the respondents as they did not always associate the word “sale” with a large discount. Secondary data from the Zara Summer Sale across 3 years, showed that the sales values, profits and total revenue increased each year, further supporting the action of these psychological theories and cues. This paper found that customer decisions are never made in isolation as various psychological factors play roles in deciding whether to buy an “on sale” item. Additionally, it was also found that producers deliberately play to these biases to persuade consumers to buy their products.

Keywords: Willingness To Pay (WTP); Behavioural Economics; Utility; Perceived Price; Anchoring Bias; Loss Aversion Theory; Behavioural Pricing

1. Introduction

In modern consumer markets, the perception of value is often shaped, not by what a product is worth, but by what it used to be worth. The idea of posted “original” prices allows producers to create an illusion of value and a “good deal”. Consumers rarely evaluate prices in isolation. Instead, they anchor their judgments to reference points that define a valuable offer, creating systematic bias. These dynamics of pricing and consumer behaviour, including the idea of consumers preferring a posted price, fall under the field of behavioural economics. Unlike traditional economics, this study does not assume that all consumers are rational beings and hence does not rely on the *Theory of Rationality*. This theory, often referred to as the *Rational Choice Theory*, states that individuals use rational calculations to make rational choices and achieve outcomes that are aligned with their own personal objectives[1]. However, the idea of a rational consumer has evolved along the years and the new rational consumer is said to behave in a context that makes sense to them, supports their wants and needs and abides by what benefits them[2]. To understand this phenomenon as a part of behavioural economics, one must understand the concept of behavioural pricing, a strategy used in modern day marketing of setting prices based on the rational or irrational behaviour of consumers[3]. Behavioural pricing directly shapes how consumers determine the value of a product and hence, how much they are willing to pay for it.

Another concept that impacts posted prices is the “Willingness to Pay”(WTP). This is defined as the maximum price a customer is willing to pay for a product or service under given circumstances of time and place[4]. The thought is that WTP is influenced by factors outside of personal preferences[5] as consumers view prices not merely as numerical values, but *rather as deals* that can benefit them. Hence, WTP directly impacts the consumer surplus, which is defined as the financial benefit consumers receive when they pay less for a product or service than the maximum amount they are willing to pay[6], and hence the consumer surplus is the difference between

what a consumer is willing to pay and the actual price that is paid[7]. While factors such as package size, colour options, etc. influence WTP[8], this research paper will explore the factor of price as well as “original” price.

This paper would, essentially, analyse the role of behavioural economics in the case of specific commodities posted on sale where there is mention of the original pricing. The theories behind consumer behaviour with regard to these commodities which would be corroborated by analysis of Zara and primary data.

2. Literature Review/Background

An experiment investigating the *Willingness to Pay*(WTP) of Commercial Vehicles(Cummings et al., 1986; Mitchell and Carson,1987), found that consumers' opinions were dependent on factors such as the *marginal utility, price proposed and the value determined* of the whole product. It also explores consumer psychology through various theories, biases and concepts. According to a study by Jacoby and Olsen(1977), price is separated into *Perceived Price* and *Objective Price*. They defined *Objective Price* as the actual price of the good or service while *Perceived Price* was defined by Zeithamal(1988) as the price, or value, determined by the consumer[9]. Perceived Price has also been defined, by Chang and Wildt(1994), as “the consumers’ perceptual representation or subjective perception of the objective price of the product/service”[9].

One of the most important theories that leads to biases and errors in human decision making, is the *Dual Processing Theory*. This theory states that there is a distinction between the ways that humans think, suggesting that there are two clusters of thinking that cause us to make decisions in different ways[10]. One cluster, called *System 1* or *Type 1* thinking, is the fast and intuitive way of thinking while the other describes a logical, rational and thought-through method of thinking and decision making, called *System 2* or *Type 2* thinking. It was identified that System 1 thinking, although fast, led to the creations of mental shortcuts, later termed as *Heuristics*, that can cause gaps in our thinking. Heuristics are mental shortcuts that help people with fast problem-solving and making quick and efficient decisions[11]. However, there are also drawbacks to heuristics as they can lead to cognitive biases, causing a number of different psychological errors that can impact a consumer’s WTP.

The *Adjustment Theory*, also referred to as anchoring bias or anchoring heuristics, correlates to the idea of estimating value or price by using existing information as an anchor (Tversky and Kahneman, 1974)[12]. An anchor, or an anchor value, is defined as the first piece of information we encounter, hence causing reliance on that piece of information and leading to this bias[13]. Across various studies, anchoring is used to explain why consumer judgements and interpretations tend to be influenced by initial impressions, perspective and values. A study done by Englich and Mussweiler(2001) tested the impact of the anchoring effect on sentencing and a judge’s perception[14]. The research found that participants who were recommended to give a higher sentence usually ended up giving a sentence approximately 8 months greater than participants who were recommended to give a lower sentence[15]. This impact can also be seen in a consumers willingness to pay as sale values such as percentages, like 40% off, that seem higher tend to have more sales and more consumers with the needed WTP as compared to values such as \$2 that seem lower in perceived value.

Meanwhile, the *Attribution Theory* deals with how the social perceiver uses information to arrive at causal explanations for events. It examines what information is gathered and how it is combined to form a causal judgment (Fiske and Taylor, 1991), allowing researchers to analyse and understand consumer perception when viewing discounts and price changes[16]. In his research, Weiner(1986) states that there are 4 *dimensions* to making attributions related to causality[17]: *Internality, Stability, Controllability and Globality*.

1. **Internality:** Refers to whether the cause of the assumption is internal to a person, such as their personality or abilities, or external to them, such as chance or situational factors[16].
2. **Stability:** Talks about whether the cause of a behaviour is attributed to something stable, that remains consistent over a period of time, or to something unstable, temporary things such as mood.
3. **Controllability:** Considers whether the attribution is caused by something controllable or uncontrollable. In the case of someone’s WTP, in a situation where someone else bought a sale item that they were debating about, a controllable factor could be their decisiveness and an uncontrollable factor could be that the other consumer reached the item faster.
4. **Globality:** Refers to whether people attribute a behaviour to globally applicable factors or situation specific factors[16].

Another suggested dimension is the *self-serving bias*, which refers to an individual’s tendency to attribute behaviours in a way that would benefit themselves, whether internal, external, controllable, stable or global[16].

Hence attribution theory states that an observer evaluates 3 types of information and hence attributes a behaviour to one of three factors[18].

1. **Consensus:** The extent to which a group of other individuals behave in a similar manner to the same stimulus or triggering factor[18]. For example, if a large proportion of buyers buys the same item on sale, the behaviour is attributed to the cheaper available price. If a behaviour reaches a high level of consensus, it is usually linked to global and generalisable factors[16].
2. **Distinctiveness:** A measure of how an individual reacts to various forms of stimuli or different situations. Distinctiveness measures whether a particular behaviour is unique to a specific situation or if it is likely to be caused by external factors[16]. If a behaviour is only performed in one specific situation by a particular individual, then that behaviour is considered to be highly distinctive[18].
3. **Consistency:** Measures how often a behaviour occurs between a single individual and stimulus. If a behaviour occurs often in the same situation with the same person, the behaviour is said to be consistent[18]. If behaviours are seen to be consistent over time, the behaviour is more likely to be attributed to stable factors[16].

Additionally, WTP can be influenced by the *Loss Aversion Theory*, or prospect theory, as it describes how the pain of losing out on something feels worse than gaining something else. In the case of consumer psychology, the idea of *losing a good deal on a product feels worse and is more memorable than the joy of saving money* by not buying the product at all. For example, the loss of losing ₹100 feels more painful than the feeling of joy at gaining ₹100 hence consumers may hurry to get deals that save them money rather than not buying the product entirely. There are 3 main reasons why consumers may be loss-averse; *Demographic variables, Environmental Factors and Knowledge and Experience*[19].

1. **Demographic Variables:** Various groups of consumers have varying differences such as age, personality, mental prejudices, etc.[19] and these differences could impact how loss-averse a consumer is. A study conducted by Sokol-Hessner et al.(2013) found that people with higher emotional regulation, people who are able to control their emotions better than most, are less likely to incur losses[20]. Hence, these individuals are more resistant to the effects of the loss-aversion mindset and can avoid buying items purely because they are on sale.
2. **Environmental Factors:** Factors such as the decision making model can play on loss aversion and lead to consumers buying 'for sale' for sale products. Objects that are presented as a potential loss rather than as a potential gain[20] through methods such as including the original price of an item along with the sale price are more likely to be bought by a consumer due to their loss-averse mindset.
3. **Knowledge and Experience:** Consumers may develop a sense of loss-aversion due to previous losses that have occurred. Similar to how investors who have suffered major losses might make more loss-preventive decisions[19], consumers who feel as if they have lost out on a good deal before might rush to buy products that are on sale when the difference in price is shown through *original* and *sale* prices.

Some studies, such as Benartzi, S., & Thaler, R. H. (1995), also found that a consumer's ethnic background can have an impact on how loss-averse they are[19].

3. Research Gap and Methodology

There has been extensive research on behavioural economics and the impact of nudge economics on the idea of rationality amongst consumers. Behavioural theories explain how every decision of the consumer or producer comes under the larger definition of "rationality" which is different from the neoclassical "rationality" that has been propounded. This paper analyses the theories, both economic and psychological, on consumers choosing to buy commodities on sale where there is mention of the original pricing. Why is this an attractive proposition for both consumers and producers? Are these just gimmicks on the part of producers? How influential are they for the consumer?

The methodology adopted would be of the mixed method type, where both quantitative and qualitative analysis would be used from authentic sources to justify the "rationality" of both the consumer and producer. Quantitative data from authentic sources would be analysed and a qualitative explanation would be provided for the decisions. In addition to this, primary data of 75 respondents has also been collected and analysed. The data was collected through google forms (Attached in Appendix).

4. Analysis

As of 2025, Australia, India and the UK have the highest profit margins, suggesting strong distribution networks and strong sales representation[21]. Factors like alternative packaging, flavour variants and value-add offers caused sales to increase as standardized sales strategies helped companies work with the psychological cues and biases, suggested by behavioural economics, during sale periods.

While Zara does not release their exact sales profits, it can be approximately calculated using their yearly data, the average seasonal sale percentage[22], and an estimated revenue breakdown.

For the year of 2025, we can gather the foundational financial data;

FY25 Revenue: €28.051 billion

Total Zara First Half Revenue: €13.150 billion

Using this data, we can apply the seasonal sale percentage of around 25% to 35% of total H1 revenue, giving us two values;

Conservative Estimate(25%): €13.150 billion x 0.25 = €3.2875 Billion

Aggressive Estimate(35%): €13.150 billion x 0.35 = €4.6025 Billion

Hence, Zara averages at a revenue of €3.95 Billion for the summer sale of 2025. Similarly, Zara's revenue for the Financial Years of 2023 and 2024.

Amount Earned By Zara During the Annual Sale For the Year 2023-25

Year	Revenue	Growth Percentage	Percentage of Total Yearly Revenue
2023	€2.93 Billion	+0.11%	11.6%
2024	€3.14 billion	+0.09%	11.6%
2025	€3.95 billion	+0.06%	11.7%

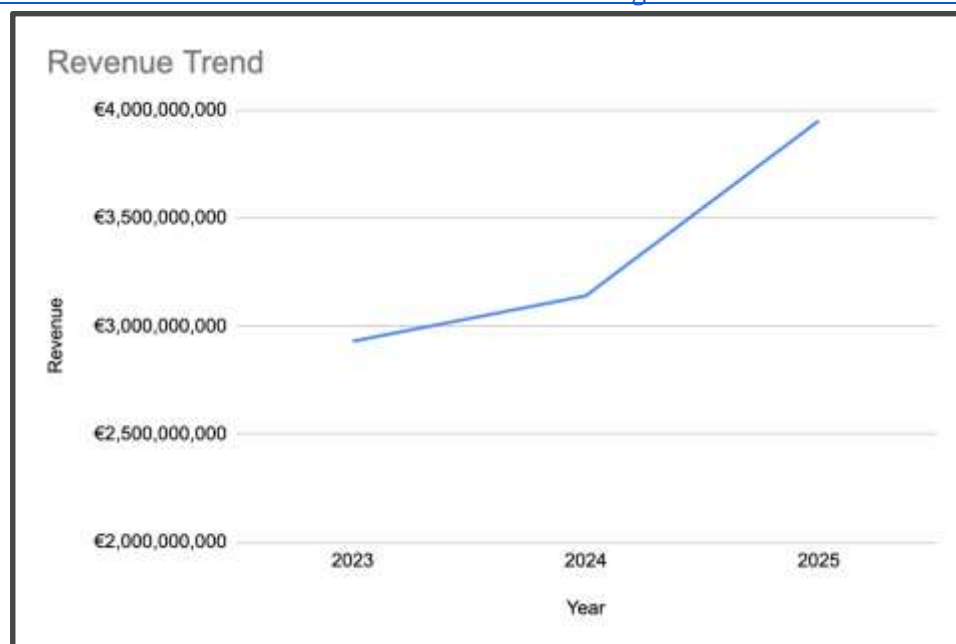
Source:

<https://www.inditex.com/itxcomweb/aq/en/press/news-detail/10da31b6-0c12-43e4-9e33-103766d27821/fy2023-results>

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<https://wwd.com/business-news/financial/inditex-h1-2025-sales-growth-zara-tech-investments-1238130470/>



As represented in the data, Zara's revenue from summer sales kept increasing while their growth percentage increased at a slower rate, suggesting that Zara spent more and more on their designs and products each year and that their rate of spending was greater than their rate of revenue increase each year.

Revenue growth during sale periods shows a clear link to *Anchoring Bias* as consumers are more drawn to products that display a sale price. Due to the posted "original" price, the consumer's inherent psychological biases cause their brains to take the original value as the anchor value, hence determining the sale price as a "good deal" and influencing the consumer to be irrational in their purchasing decisions. Zara's annual revenue for the year of 2025 reached approximately €28 Billion [23] out of which approximately €4 was from the two week period of the summer sale alone, around 11.7%. As the sale price feels like a bargain, consumers are driven to make a greater number of purchases, therefore giving higher purchase volumes and higher revenue.

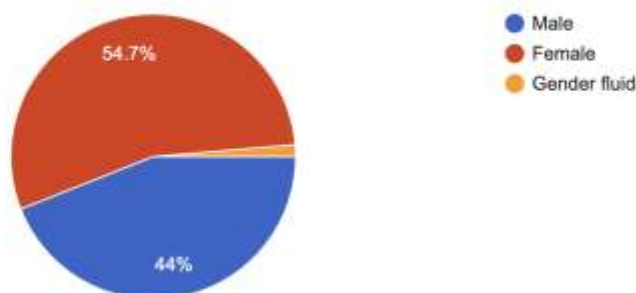
The declining growth rate, $0.11\% \rightarrow 0.09\% \rightarrow 0.06\%$, shows a gradual case of sales fatigue as consumers. Sales fatigue can be defined as the mental exhaustion and stress experienced by consumers when faced with an overwhelming amount of options, lack of guidance while shopping or unclear options[24]. Additionally, as consumers grow more experienced with repeated sales, the anchoring effect weakens and there is less potential for the WTP to be manipulated. Hence, this suggests that the heuristics that lead to the anchoring effect can be lessened over time as consumers stop using mental shortcuts to make purchasing decisions and instead use system two, using logic and reasoning, to decide whether to buy a product.

5. Analysis of the Primary Data collected from 75 respondents via a google form

a. Gender

Gender

75 responses

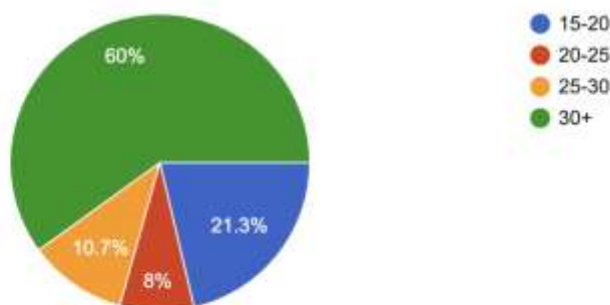


54.7% of respondents were female.

b. Age

Age

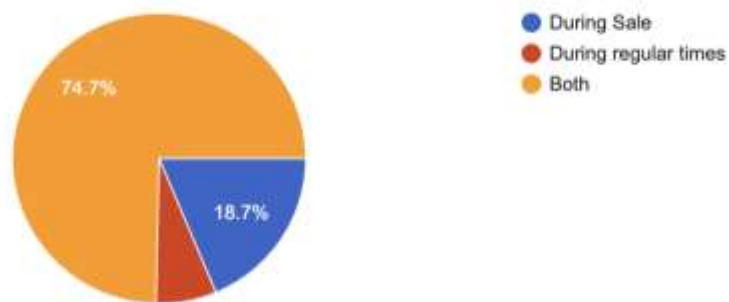
75 responses



60% of the respondents were in the age group of 30+ years.

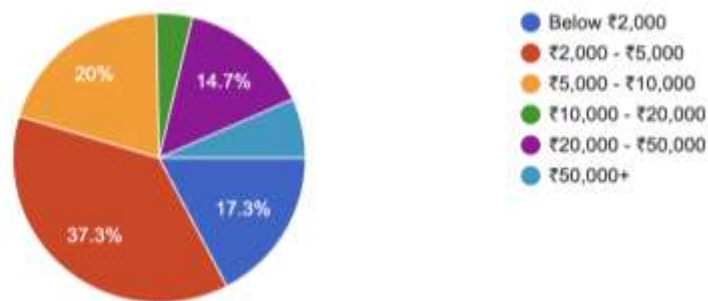
- c. On asking the respondents whether they would buy products during the sale period 74.7% indicated that they would prefer buying products both during and off sale periods. Only 18.7% of respondents indicated that they would only buy during the sale period.

75 responses



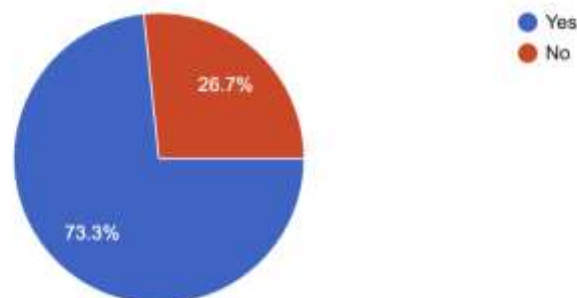
- d. 37.3% of the respondents use the sale period to, primarily, purchase commodities that ranged between the prices of ₹2,000 and ₹5,000.

75 responses



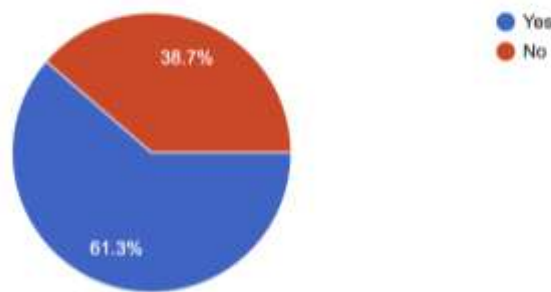
- e. On asking the respondents whether they attempted to exhaust all options in reducing the price of commodities before purchasing, 73.3% said that they did.

75 responses



f. 61.3% of the respondents did calculate the final price when stickers like 20%/30%/50% off were pasted on items.

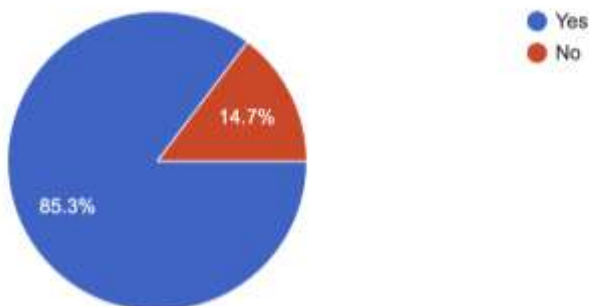
75 responses



g. On inquiring whether the respondents were affected by huge advertisements from ecommerce platforms like Amazon and Flipkart, approximately 45% indicated that they did buy largely during these sales. Some of the respondents indicated that it was “need based”, others said that they always searched extensively for a good price irrespective of whether it was the sales period or not.

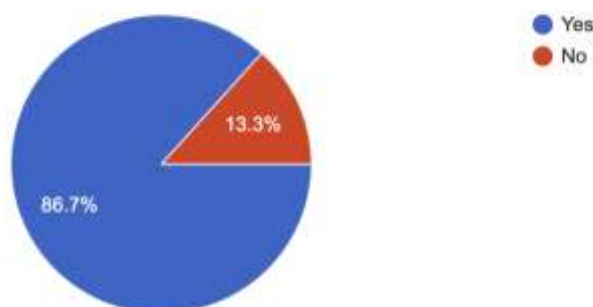
h. To understand the psyche of individuals' reactions during a sale, the respondents were asked whether they looked for a sale price for entertainment services like a music concert or a sports event. 85.3% said that they did look for discounted prices, even in the case of entertainment.

75 responses



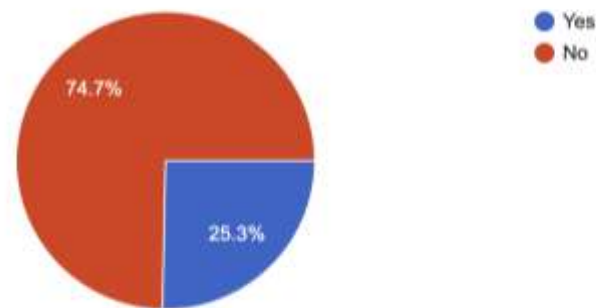
i. When asked whether they would consider going for the event even if they were not able to arrange for a discounted ticket, 86.7% of them said that they would still go at the original price.

75 responses



- j. However, if the tickets were being sold in the black market at a higher-than-original price, then 74.7% of them said that they would forgo the event.

75 responses



When the rest 25.3% were asked their rationale for paying a higher-than-original price; they responded by saying that it was a “once in a lifetime opportunity” and that they had set their mind on attending the event.

6. Observations of the above Survey.

The survey clearly showed that respondents looked for a lower price irrespective of the timing of the sale period, as they were keen to obtain the commodity at the lowest price possible. However, what also seemed to be apparent is the extent of “sale fatigue” amongst the respondents. It seemed that they felt that the word “sale” did not necessarily mean a very large discount. This was apparent when the percentages were translated into actual rupee amounts. Significantly, the respondents were keen to know the exact percentage that the price of the item was being reduced by.

Another factor which came to the surface was the need of the particular commodity. If the commodity was highly priced, then the respondent was not overly interested in the sale price but more so on the quality of the product. The lower the price, the greater the incentive to pick it up during a sale period. Clearly stating that if the commodity was not to their liking when it arrived, it would not matter as the amount spent was minimal.

7. Limitations

While researching various theories, it was seen that, even though there was an abundance of available research papers, the content of each paper rarely varied and it was difficult to find different perspectives or varying ideas about different theories. This ended up causing this research paper to only look into one particular perspective for each of the psychological or economic concepts that were investigated, limiting the scope of the research.

The primary research was restricted to 75 respondents and it is possible that the results may vary with a larger number of respondents. This was not possible due to paucity of time and money. A larger survey amongst different sections of the population with varying demographics and income may have shown a different response. It is possible that both demographic and income may play an extremely important role in picking up products during the “sale period”.

8. Conclusion

This paper explored the influence of behavioural pricing and reference-dependent thinking on consumer **Willingness to Pay**, drawing on theories of anchoring, loss aversion, and price perception to understand how posted original prices shape consumer judgement. Through both the primary and secondary research, it was found that consumers do not evaluate prices in isolation but are influenced by cues such as the presence of a posted original price that serves as an anchor for perceived value. The research suggests that it is possible for psychological cues and biases to have a reduced effect over time as the human brain moves from system 1 to system 2 thinking according to the *Dual Processing Theory*, which states that there are two clusters of thinking which process information and make decisions differently. Hence, the more frequently the problem is faced while shopping, the less is the influence of bias on consumer decision-making.

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10. Appendix

Google Form Responses: <https://docs.google.com/spreadsheets/d/1J-9ISVLkgHZy1IezU-F7MUX1l0QBglxJAvVsWTIS96E/edit?usp=sharing>

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