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## **Effect of Price Estimate Precision on Pre- and Post-Outcome Satisfaction**

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Although consumers prefer price estimates provided on a fine-grained scale (Zhang & Schwarz 2012), we find that precise price estimates are only beneficial when the firm is able to deliver the product below estimate. When outcomes exceed estimates, consumers are more satisfied when initial estimates were provided on a coarse scale.

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# Effect of Price Estimate Precision on Pre- and Post-Outcome Satisfaction

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## EXTENDED ABSTRACT

Recent research on the precision of provided anchors suggests that consumers adjust less when a provided anchor is represented on a fine-grained scale than on a coarse scale (Janiszewski & Uy 2008; Zhang & Schwarz 2012). As a result, consumers are more confident that a product will deliver on its promises, and are therefore more likely to select a product, when the promise is conveyed in fine-grained units (Zhang & Schwarz 2012). Zhang and Schwarz (2012) find that consumers prefer products whose attributes are expressed precisely (vs. imprecisely), and conclude that consumers have more confidence in outcomes when companies provide fine grained estimates, and that precision may therefore be beneficial to the firm. While Zhang and Schwarz focus on quantities of time, one estimate that consumers routinely receive from firms is a price estimate. We examine how the precision of a price estimate affects satisfaction with the estimate and beliefs about future outcomes. Further, we examine what happens when the actual price differs from the price estimate.

Conceptually replicating the findings of Zhang and Schwarz (2012) and Uy and Janiszewski (2008), we find that consumers who receive a precise price estimate adjust less from this estimate when predicting a final price than do consumers who receive an imprecise estimate. Additionally, we demonstrate that precise price estimates result in narrower ranges of believed possible outcomes. More specifically, while the precision of the anchor does not affect the lower boundary of the range of possible outcomes, consumers believe that the highest price they may possibly pay is significantly higher when they receive an imprecise (rounded) price estimate. We also demonstrate that consumers prefer precise price estimates and that satisfaction with the estimate appears to spill over onto general attitudes toward the retailer, as consumer report more positive attitudes toward the retailer after receiving a precise price estimate. Finally, despite consumer preferences for precise estimates, we provide evidence that providing a precise estimate can backfire. Specifically, we find that when the final price exceeds the estimated price, consumers are more dissatisfied when they originally received a precise estimate, perhaps stemming from their beliefs that this outcome is less fair.

At the price estimate stage, we replicate the findings of Zhang and Schwarz (forthcoming). Specifically, precise price estimates appear to lead consumers to adjust less when settling on an anticipated price. While the precision of the estimate did not affect participants' estimates of the lowest conceivable price for their car repairs, participants who received imprecise estimates believed the highest conceivable price to be significantly higher than participants who received a precise estimate. Additionally, it appears that consumers prefer more specific information when navigating an uncertain service interaction—participants who received a precise estimate were more satisfied with the estimate, and the service interaction as a whole, than were participants who received an imprecise estimate. Combined, these findings suggest that service providers and retail-

ers of variably priced goods would benefit from providing the most precise price estimate possible.

However, when the final price does not match a provided price estimate, our results suggest that the opposite may be true: service providers may be better served by providing imprecise price estimates. When the final price is lower than estimated, the precision of the original estimate does not matter—consumers are always happy and the final price seems fair. However, when the final price comes in above the original estimate, consumers who received a precise price estimate believe the final price to be less fair, are less satisfied with the final price, and have lower overall attitudes towards the service provider.

Zhang and Schwarz (2012) invoke Gricean maxims to explain consumers' pattern of adjustments from precise anchors—an assumption of the *maxim of quantity* leads to the inference that a precisely provided price estimate has more thought behind it (and should therefore be closer to the actual outcome than an imprecise price estimate). In our study, the precise price estimate was lower than the precise price estimate (\$381 vs. \$400) and the two estimates were provided between subjects—participants were unaware that others were receiving different estimates. In practice, however, there are circumstances where individuals receive separate estimates of the same quantity, and this information may be shared. For example, two coworkers may compare company-provided estimates of upcoming performance bonuses or a married couple may compare two unique quotes they received for the same service. Given consumers' preferences for precise price estimates, the question arises as to whether a consumer would prefer a higher (but more precise) estimate over a lower (but less precise estimate). We are currently working to examine this question.

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