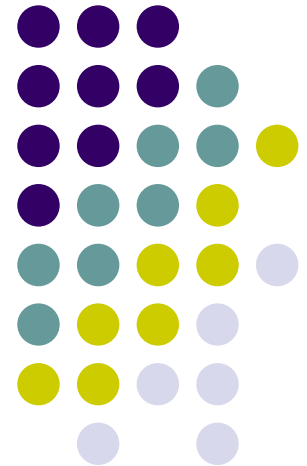


Price Transparency: Fees

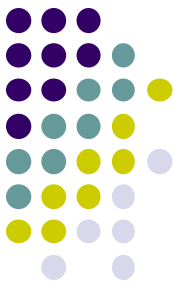
Discussions of
Althenyan and Morwitz
Tran, Maddio, Rossi, and Tremblay

Tanjim Hossain (University of Toronto)

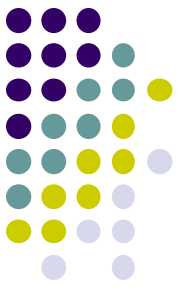
*3rd FTC Conference on
Marketing and Public Policy 2026*



Non-Transparent Prices: Existing Literature



- When a part of the price is not clearly mentioned some buyers ignore that price
 - Raising the shrouded part of the price increases revenue
 - Making the shrouded price clearer reduces revenue
 - Morwitz, Greenleaf, and Johnson (1998), Hossain and Morgan (2006), Chetty, Looney, and Kroft (2009), Ellison and Ellison (2009), Einav et al (2015), Blake et al (2021)
- Unshrouding removes partition pricing effect and institutional transparency increases revenue
 - Brown, Hossain, and Morgan (2009)



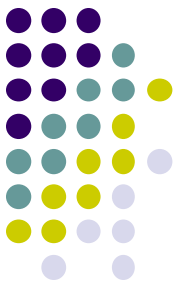
Summary of the Literature

- Many papers from many different contexts
 - Mostly focus on buyer behavior and less on seller strategies
 - Ellison and Ellison (2009), Einav et al (2015), Repetto and Solis (2020), Han, Moorthy, and Sand (2025)
 - Less discussion on comparison of non-transparent vs. transparent pricing or how such pricing may backfire
 - Brown, Hossain, and Morgan (2009), Dertwinkel-Kalt, Koster, and Sutter (2020)
 - Mechanism underlying the observed consumer behavior is not thoroughly analyzed
 - Inattention/salience, mental accounting, anchoring, myopia, miscalculation

The Impact of Surcharges on Consumers: The Role of Consideration Set Formation

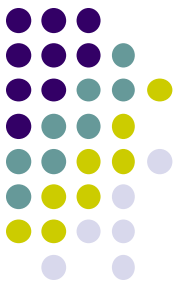


- How does price formats shape consideration set formation and choices?
 - All-inclusive vs. partitioned vs. drip pricing
- Unincentivized experiment (paid online survey) on Prolific Academic / Cloud Connect
 - Consumers receive info about 6 hotels that vary in terms of price and location where price is presented according to the treatment
 - They form a 3-hotel shortlist
 - Then choose one from the shortlist upon more info



Main Results

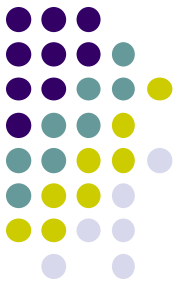
- Under all-inclusive prices, about 90% of the respondents chose the optimal set and around 70% for partitioned and drip pricing
- Choice was optimal for about 50%, 25%, and 20% cases respectively
 - Conditional on correct consideration set, is choice affected by the price presentation?
- Subjects underestimated the prices under drip and partitioned pricing
- Less than 10% of subjects “start over” under partitioned pricing



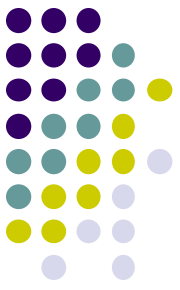
My Comments

- Partitioned and drip pricing leading to different consideration sets relative to all-inclusive is nice
- Why do they form a sub-optimal consideration set?
 - Calculation mistake, mental accounting, lack of incentives?
- Incentivized experiment will be very useful
 - Would the share of “starting over” be still so low if subjects got paid according to chosen hotel’s characteristics?
- Is there any new policy implication from learning that different consideration set is formed?
 - What if price presentation were simplified (\$ instead of %)?

Unshrouding Hidden Fees on a Peer-to-Peer Platform

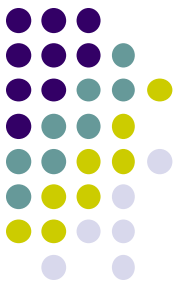


- Airbnb starts displaying prices inclusive of cleaning fee due to EU regulation
 - January 2019: Airbnb posts all-inclusive (service, cleaning, taxes) prices upfront for EU-based consumers --- customers from non-EU IP addresses not affected by this
 - October 28, 2004: S&H fee displayed on eBay US
- Analyze seller-side responses after the change
 - Changes in base price and fees
 - Impact separated by zero fees and positive fees
 - Impact of affordability



Main Results

- Post policy change prices (both base price and price including fees) increase
 - The increase is larger for listings with zero fees
- Define and measure perceived affordability
 - More affordable hosts raise their prices more
- Hosts who typically charge cleaning fees reduce those fees slightly
 - The effect is greater for those serving more EU travelers



My Comments

- A policy relevant paper
 - Many markets/platforms have become more transparent over time and we need to understand effect on both sides
 - Maybe useful in designing remedies and price-transparency policies
- Are zero fees sellers necessarily attentive?
 - Systematic differences, experience effect
- Additional empirics
 - Understanding the determinants of cleaning costs and controlling for them
 - Analyze the demand side: length and number of stays