

Profiting from price partitioning in professional sport

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Introduction and review of literature

StubHub, the most prominent online platform for ticket resale in the United States, has used different price partitioning strategies over the last years, including only displaying their fees (taxes, shipping, and their commission) once the buyer arrived at the checkout page, displaying an all-inclusive price, and allowing consumers to choose whether they want to see the all-inclusive price or the partitioned price. These different strategies show that organizations see value in experimenting with different price partitioning strategies. Price partitioning allows organizations to maximize profits by breaking down the total price of a product into two or more mandatory components (Hamilton & Srivastava, 2008). For example, research suggests that online consumers are more sensitive to shipping fees compared to sales taxes (Xia & Monroe, 2004). Across different sectors, research findings show that consumers have more favorable responses to prices when larger portions are tied to elements that provide higher benefits (Hamilton & Srivastava, 2008). The advantage of price partitioning is that each component of the product (or service) is linked to its respective price, allowing consumers to evaluate the perceived benefit of each component individually (Hamilton & Srivastava, 2008).

Beyond shipping and tax partitions, partitions may also highlight different components of a product or service. One example is charging environmental (or 'green') fees for sport event tickets based on evidence that sport consumers may be willing to pay more for products that are considered environmentally friendly (Blankenbuehler & Kunz, 2014). This finding was supported by Drayer and Greenhalgh (2015), who conducted an experiment that showed green fee price partitions of an event ticket influenced consumers' purchase intentions. Specifically, small partitions embedded as part of the larger ticket price resulted in significantly higher purchase intentions than all other experimental groups, while the control group, which paid no environmental fee, had the lowest intention to purchase. Although the difference in consumers' purchase intentions was significant, the results of the previous study only show that partitioning can affect attitudes and behaviors; they do not show that consumers are willing to pay more for those partitions. Therefore, the purpose of the current study is to examine whether sport organizations would be able to generate additional revenue from price partitioning strategies.

Theoretical framework

Based on maximization theory (Simon, 1955), consumers asked to pay the lowest overall price should be most likely to purchase. However, given respondents' receptiveness to environmental fees in previous studies, consumers may be less price sensitive when environmental fees are included, even at a higher price. Additionally, the effect of partitioning may also affect consumers' attitudes, especially their perceived fairness and perceived value of the offer (Xia & Monroe, 2004).

Therefore, the current study examines all three outcome variables (1. Likelihood of ticket purchase; 2. Perceived fairness of the price; 3. Perceived value of the offer), while controlling for several variables (i.e., age, income, education, environmental values, and team attachment) often associated with differences in attitudes towards the team or the environment.

Methods

The current study utilized a similar design to the study of Drayer and Greenhalgh (2015); however, in the current study, consumers were asked to pay higher overall prices reflective of the differing partitions. Specifically, while the control group paid only the \$85 base price, the four remaining experimental groups were required to pay environmental fees on top of the \$85 base price. The experimental groups were split into small (\$5) and large (\$15) fee sizes and received either an offer that included a hybrid environmental fee (i.e., a \$90 ticket that included a \$5 green fee) or a partitioned environmental fee (i.e., an \$85 ticket plus an additional green fee).

Sampling involves the utilization of a social media campaign targeting fans who engaged in team-specific virtual conversations. Fans of the Philadelphia Eagles, an organization with a prominent environmental campaign, are incentivized with a raffle to win gift cards useful for merchandise related to their favorite team. Data collection is currently ongoing with 80 responses to date. A MANCOVA will be utilized to assess the research questions.

Implications

The current study will expand our understanding of the effects of price partitioning on consumers' attitudes and behaviors. Results will show that consumers are either (A) willing to pay more for tickets when those tickets are tied to environmental initiatives or (B) still sensitive to the overall cost of the ticket and are not willing to pay more to support environmental initiatives. Either result may be useful to those introducing environmental initiatives and marketers responsible for price setting.

References

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