Price research: What is the willingness to pay a range or a single point?

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Sprache/Language: Deutsch/ English

One of the major responsibilities of marketing managers is the pricing and positioning of products. Basically, pricing policies of business companies have to be supported by internal information, e.g., cost structures or strategic directions, and external information about specific market characteristics such as price positioning of competing companies. However, probably the most important element in price setting and price optimization is the determination of the particular value (utility) a product delivers to the consumer which translates into the real willingness to pay (WTP). Not surprisingly, numerous WTP elicitation methods have been developed. One of them is the so called Becker-DeGroot-Marschak-Mechanism. However, recent literature is debating whether the WTP can be measured as a distinct point or whether it is a range of possible values. This thesis will review the literature to assess both approaches in their applicability and limitations. Finally, this thesis shall come up with an own suggestion (based on the reviewed literature) whether it is better to measure WTP as a point or a range.

Introductory literature:


