

THE HONG KONG POLYTECHNIC UNIVERSITY DEPARTMENT OF MANAGEMENT AND MARKETING

Departmental Research Seminar



Socialize More, Pay Less:
Randomized Field Experiments on Social Pricing
By

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Time : 10:30 am – 12:00 nn
Venue : Online via Zoom

Abstract

A growing number of online retailers have started to mesh their pricing strategies with consumers' social networks. Specifically, they allow consumers to invite peers from social media to request a discount for their purchases. Inspired by this phenomenon, we propose social pricing, a novel pricing framework under which consumers with higher social capital enjoy a better price. Conceptually, social pricing enables firms to achieve price discrimination based on a consumer's social value. This is in sharp contrast with traditional price discrimination, where price differentiation typically hinges on consumers' personal value (individual willingness to pay). Although social pricing has been popular in practice, whether it works, why it works, and how it works remain unclear due to a lack of rigorous academic research. To address this gap, we design and conduct two randomized field experiments on a leading online fresh food retailer to understand the value of social pricing. Social pricing has been commonly credited for its effectiveness in new customer acquisition. Interestingly, our study reveals that it is also highly effective on existing consumers. Our analysis shows that social pricing can increase an online retailer's profit by 40% solely from existing consumers, compared with regular firm-offered discounts. Exploration of the underlying mechanisms reveals that perceived engagement and social cost are the main drivers here, which not only help to increase purchase frequency but also induce higher order value per purchase. In the follow-up experiment, we vary the structure of social pricing by requiring heterogeneity in consumers' purchasing behaviors. The results suggest that a heterogeneity-based strategy can further amplify the benefits of social pricing. In summary, our study conceptualizes a novel pricing scheme, social pricing, and provides valuable guidance to both researchers and practitioners by offering actionable insights regarding the design of social pricing strategies.

Dr Huazhong Zhao is Assistant Professor of Marketing at City University of Hong Kong. He received his PhD in Marketing from University of Florida, MSc and BE in Computer Science from Oxford University and Tsinghua University. Utilizing a wide variety of quantitative methods, his research focuses on social influence, online advertising, medical services and AI.

All interested are welcome.



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