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Yes, “Bait and Switch” Really Benefits Consumers

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Abstract

In our 1990 *Marketing Science* paper we demonstrated that a law prohibiting bait and switch may have the surprising consequence of hurting the consumers it was designed to protect. Wilkie, Mela, and Gundlach (1998) postulate that this may be false if upselling is equally effective when the bait brand is available and when it is out of stock. We show here

that our earlier conclusion is correct in a more general setting: A law prohibiting bait and switch in a competitive market can reduce consumer well-being but never improve it. When bait and switch occurs, it creates welfare gains, and when it would create welfare losses, it does not occur, regardless of a law prohibiting the practice.

(Pricing; Promotion; Public Policy; Bait and Switch)