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# Does “Bait and Switch” Really Benefit Consumers? Advancing the Discussion . . .

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## Abstract

We applaud the advances in this colloquy and the areas of convergence that are emerging. However, this reply points out that the purported benefits of “bait and switch” found in Hess and Gerstner (1998) are predicated upon (i) only a single component (availability) within the broader domain of bait and switch; (ii) the assumption that one of the parameters in the consumer utility function differs with the availability of advertised brands; and (iii) a further assumption that no other parameters in the model will change when the

availability condition changes. After assessing these developments, we conclude that i) the legal status of bait-and-switch schemes is fine as it stands; ii) when understood in their true complexity, parameters in the consumer utility functions likely will not differ with regard to availability, thus obviating the finding of increased consumer welfare; and iii) even if it is believed that utility functions would differ, effects on other model parameters clearly suggest that consumers will be worse off with bait and switch. Despite these differences, however, we are pleased with the developments the dialogue has produced.

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

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We’re back with an encore; this colloquy is not quite over. While Professors Hess and Gerstner (1998—hereafter HG) have proffered interesting extensions of the Gerstner and Hess (1990—hereafter GH) model, some intriguing complexities remain to be discussed. Our response addresses three essential points:

1. In terms of generalizations, we reiterate the importance of the Wilkie, Mela, and Gundlach (1998—hereafter WMG) discussion of law and public policy. The GH and HG generalizations refer to a much narrower definition of bait and switch than outlined by law.

2. In terms of modeling, we assess some interesting changes in assumptions between HG and GH. This enables us to better highlight areas of emerging consensus as well as disagreement. In addition, we also correct a likely inadvertent misconstrual of our position with regard to the availability laws.

3. We underscore our continuing belief that overall, bait-and-switch practices are bad for consumers.

## 1. Legal Status of Bait and Switch

The legal status of bait-and-switch practices provides the substantive grounding for this discussion. In this regard, it is essential that we stress two key points:

1. *Fraudulent and deceptive forms of bait and switch are intrinsic concerns for law and public policy.* This now appears to be an area for possible convergence, as the new HG discussion more sharply clarifies their view that intentionally fraudulent and deceptive forms of bait and switch can harm consumers. However, their discussion does not tie this point very closely to their summary conclusions on bait and switch (or their title), which could possibly mislead some casual readers and perhaps courts in the future.

2. *“Unavailability” (intentional understocking) is by no means the only form of bait and switch.* As shown in WMG (Figure 1), current law identifies an entire family of forms that bait-and-switch practices can take. We were (and are) fully aware of the challenges to modeling such complex phenomena, so we did not explicitly