

Abstract of a paper to be presented at the
7th Berlin IO Day, on October 7th, 2016:

Buying Goods of Unknown Value: An Experiment

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There are many examples for markets in which the products or services on offer are difficult to evaluate for consumers, e.g. certain medical treatments, food supplements or financial advice services. Even ex post buyers of such credence goods cannot be sure that their personal experience correctly reflects whether or not they actually obtained good quality. This creates incentives for sellers to behave opportunistically and may protect overpriced goods – that may even not be worth buying at all – from being driven out of the market. In this study we use laboratory methods to examine how buyers make choices under such poor information conditions. Subjects are offered goods that may or may not work, and they can base their decision of what to buy, and indeed whether to buy, only on extremely limited sample information and on the given prices. We investigate whether a particular heuristic that has been proposed for this kind of situation predicts behaviour accurately, and how experience affects subjects' choices in treatments where the items for sale do provide superior value and treatments in which not buying is in fact optimal.