

Why "40% off" is actually a bad deal - AvvoStories

Friday, April 22 2016, 1:13 PM



Why “40% off” is actually a bad deal

MONEY, NEWS

Apr 21, 2016

By Gemma Alexander
We've all seen eye-popping discounts touted on online shopping sites from Amazon to Overstock. But are those deep discounts real?

Checking around at other sites often reveals the exact same item offered for the same price—with no one, not even the manufacturer, charging the “list price” or “suggested retail price” used as the basis for calculating those enormous price drops.

What is a list price, anyway?

The list price was originally introduced as a way to protect consumers back in the days when comparison shopping meant driving around town—or to the next town over—to find out if a different store had a better price. The idea was

that printing a price on the box would deter unscrupulous shop owners from grossly overcharging for a product. Over time, people came to count on that listed price not only for establishing a sense of what a product should cost, but also as a basis for determining the value of any discounts.

Today's online world makes comparison shopping a lot easier, yet the list price has taken on even greater importance as people look for bargains online.

Merriam Webster defines "list price" as:

"the basic price of an item as published in a catalog, price list, or advertisement before any discounts are taken," and offers this sample sentence: "The car's *list price* was \$30,000, but the actual selling price was less."

It's a telling example, because as any savvy car shopper knows, the list, or sticker, price on a new car is a fiction. It turns out that for many products sold online, the list price is equally fictitious. Reporter David Streitfield [priced one item](#) (a high-end skillet) at nearly 20 different online retailers, including Amazon, Williams-Sonoma, and the manufacturer's own website. Every one of them offered the item at around \$200 while showing a list price closer to \$300. Not a single website was actually charging the list price. It seems that nowadays the list price is an imaginary number.

It's sneaky, but is it illegal?

Just because everybody is doing it doesn't make it right. "If you're selling \$15 pens for \$7.50, but just about everybody else is also selling the pens for \$7.50, then saying the list price is \$15 is a lie," David Vladeck, former director of the Federal Trade Commission's Bureau of Consumer Protection told Streitfield.

So far, the biggest legal precedent is a [California case against Overstock.com](#). Eight district attorneys filed suit in 2010, claiming that the Internet retailer posted an inflated list price next to the sale price. Early this year, California Judge Wynne Carvill found that Overstock had violated state false advertising and unfair business practices laws since 2006. Overstock was fined \$6.8 million in civil penalties and ordered to bring its advertising practices into compliance with the law within 60 days. Overstock has filed an appeal claiming it only follows "standard industry practices."

There is truth in Overstock's claim that it was just going with the flow (so to speak). But a slew of lawsuits are [challenging the practice](#), which is widespread not just online but at brick-and-mortar outlet stores, too. [J. Crew](#) is currently accused of labeling its regular online prices as discounted and publishing "valued at" prices that were never charged. Michael Kors and J.C. Penny have both already spent millions to settle class action suits.

[In a letter](#) asking the Federal Trade Commission (FTC) to take a look at outlet advertising practices, Senators Sheldon Whitehouse (D-RI), Richard Blumenthal (D-CT), and Ed Markey (D-MA), joined by Rep. Anna G. Eshoo (D-CA), claim that 85 percent of goods sold at outlet stores are not excess inventory as implied but are actually manufactured specifically for the outlets. The listed retail price for goods that are not even offered at the brand's regular retail stores would then be completely made up, in violation of the [FTC's Guides Against Deceptive Pricing](#).

Consumer beware

Today list prices are more useful as a tool for retailers to mislead consumers than for consumers to gauge cost savings. Between lawsuit settlements and congressional requests for legal definitions for terms like "outlet," there's a good chance that the FTC will get involved. But in the meantime, the old advice still holds true – you better shop around.

- [How NCAA Tournament players can finally get paid - AvvoStories](#)
- [What's hurting education the most? - AvvoStories](#)
- [Kesha: Winning the PR battle, losing the legal war - AvvoStories](#)
- [Avvo Survey Reveals Anxiety about Cost is a Top Concern of Individuals Facing Divorce - AvvoStories](#)

Recommended by

Tagged [fraud](#)

[Leave a comment](#)