

## Supplementary Materials

### “Why do we Overestimate others’ willingness to pay?”

At the suggestion of the Editor, we here provide those parts of our instructions that described auction-type procedures. (We have omitted details of the preamble/demographic questions/attention check questions.)

#### Studies 2a and 2b

In Studies 2a and 2b, after other instructions participants reached a page which read:

#### **INSTRUCTIONS -- Please read carefully**

Now we would like you to imagine that you are attending an auction for various consumer products.

In this auction you are asked to state the maximum amount that you would be willing to pay for the item. The price is then revealed. If the amount you stated is more than the price, you pay the price and receive the product; if the revealed price is less than your bid, you pay nothing and do not receive the product. Your bid is a binding commitment and cannot be changed once the price is revealed.

For example, suppose the product is a pair of headphones, and that you state that the most you are willing to pay is \$25. The price is then revealed as \$50. In this case, no sale will take place. Now, if you had actually been prepared to pay up to \$60 for the headphones then it would have been better to have stated this as your bid – you’d have got them for \$50.

Similarly, suppose you state that you’d be willing to pay a maximum of \$25 for a designer t-shirt, and that the price is then revealed to be \$20. In this case, you would have to pay \$20 and get the shirt. Now, if you were only really willing to pay \$15 then it would have been better to have stated this as your bid – you wouldn’t have ended up paying more than you want to for the t-shirt.

So, you should be absolutely honest about how much you’d be willing to pay – do not under- or over-state the amount.

**Please make sure that you fully understand these instructions before continuing.**

Study 3 used very similar instructions except for a change to the third person (e.g., “the potential buyer...” rather than “you...”) and with slight alteration to the numeric amounts in the examples.

## Study 4

After other instructions, participants read:

### **INSTRUCTIONS -- Please read carefully**

I am planning to conduct a study looking at people's spending behavior.

Suppose that I recruit a sample of 20 people to take part in my study.

The participants will be a mixture of staff and students at the University where I work. The people will be a mix of men and women, and none of them will be under 18 or over 60 years of age. All of them will have a regular income.

Click the arrow to continue the instructions.

[Page Break]

### **INSTRUCTIONS -- Please read carefully**

The participants will take part in an auction for a "Hotel Chocolat" Dinner Party Hamper, like the one pictured below.

According to the company that makes them, the hamper contains “a bottle of our award-winning Cocoa Gin; a bottle of sparkling Prosecco, exclusively bottled for pairing with our chocolate; a shareable Mini Dipping Adventure, with fruit, nuts and biscuits and molten chocolate; six Beer Truffles made with Belgian blonde beer and high-cocoa milk chocolate; milk chocolate caramelised hazelnuts; a bottle of our Tawny Port, perfect for pairing with our chocolate; and a Hazelnut & Pistachio Bûche – a soft and smooth milk chocolate log ideal for slicing and sharing after dinner”.

Click the arrow to continue the instructions.

[Page Break]

The instructions for the auction will be as follows:

Each of you will submit a bid for the hamper. You will enter your bid privately; you cannot discuss your bids with one another, or see what anyone else is bidding.

The person who submits the highest bid will get the hamper, and they will pay the amount of the **second highest** bid.

This type of auction means that the optimal strategy for you is to indicate exactly

the maximum that you would be prepared to pay for the hamper. If you submit a higher bid, you might end up having to pay more than you want to for the product. If you submit a lower bid, you might miss out on getting the hamper even though you'd have been prepared to pay more than the person who gets it.

So, it is in your interest to bid exactly the maximum that you would be prepared to pay for the hamper.

**Make sure you understand these instructions before clicking advance**

## **Studies 5a and 5b**

The participants in the auction were instructed as follows:

### **INSTRUCTIONS -- Please read carefully**

You and the other participants in this study are going to take part in an auction for the Chocolate Lovers Gift Hamper pictured below.

It contains:

Simón Coll Hot Chocolate Block (200g)

Willie's Cacao Dark Chocolate Pearls with Sea Salt & Caramel (150g)

James's Chocolate Vanilla Praline Macaroons (85g)

Cartwright & Butler Chocolate Wafer Fingers (200g)

Joe & Seph's Caramel Gourmet Popcorn with Belgian Chocolate (90g)

(Box dimensions: 340x185x90mm)

[Image of hamper]

Each person will submit a bid for the hamper. You will enter your bid privately and cannot discuss your bid with other people, or see anyone else's bid. Similarly, you should not use the internet or any other outside reference when deciding on your bid.

The person who submits the highest bid will get the hamper, and they will pay the amount of the **second highest** bid.

This type of auction means that the optimal strategy for you is to indicate exactly the maximum that you would be prepared to pay for the hamper. If you submit a higher bid, you might end up having to pay more than you want to for the product. If you submit a lower bid, you might miss out on getting the hamper even though you'd have been prepared to pay more than the person who gets it.

So, it is in your interest to bid exactly the maximum that you would be prepared to pay for the hamper. You can bid as much or as little as you like (including zero), but make sure that it accurately reflects the most that you would be prepared to pay for the hamper.

**Please note:** This is a real auction. If you submit the highest bid, we will contact you to arrange delivery of the hamper and to collect the payment from you.

Please type your bid, in pounds and pence, in the box below (do not include a pound sign). Then click the advance button. You won't be able to change your bid after you continue, so make sure you enter your bid accurately.

The participants who had to estimate the mean bid and mean income for the auction-goers were instructed as follows (the sentences regarding incentives were only presented to participants in the incentive condition; slightly different versions were used for US and British samples, as indicated below and in the main text):

#### **INSTRUCTIONS -- Please read carefully**

We are going to tell you about a study that we recently conducted.

In that study, 25 participants reported some information about themselves and made a real consumer decision.

Your task today will be to estimate the average responses to some of questions that we asked people.

[As an incentive, **if your estimate is the closest to the true value then you will receive a [£10/\$15] bonus**. There are two bonuses available, one for each of the estimates that you will be asked to make.]

Please do not discuss your answers with anyone else or use an outside source (e.g., the internet).

We are interested in **your** judgments so please complete this task on your own, using your own judgment.

Click the advance button to continue.

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#### **INSTRUCTIONS -- Please read carefully**

We recruited 25 people to take part in our previous study.

All of the participants were employees of a [British] university. They were a mix of men and women; none of them were under 18 or over 60 years of age. All of them had a regular income.

Click the arrow to continue the instructions.

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We asked the 25 people to report their annual pre-tax income (the amount they make each year before taxes).

What do you think the average (arithmetic mean) income was?

Enter your best estimate in the box below. (Please do not include a pound sign.)

[Page Break]

**INSTRUCTIONS -- Please read carefully**

We also asked the participants to take part in an auction.

The instructions that we gave people are reproduced below.

[There followed verbatim the instructions from the auction]

What do you think was the average amount that the participants were prepared to pay for the hamper?

That is, what was the average (arithmetic mean) of the 25 bids?

Enter your best estimate in the box below. (Enter a value in [pounds and pence/dollars and cents]; do not include a pound sign.)