

ABSTRACT

Jiraneer Surased: Formulation and Effect of Consumer's Reference Price on

Purchase Evaluation: the Moderating Roles of

Product Knowledge and Deal-proneness

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Rooted in the assimilation-contrast theory, it is well accepted in the pricing literature that a consumer's purchase evaluation is largely influenced by reference price discrepancy, which is a difference between reference and product price. Three types of reference prices, external reference price, internal reference price and reservation reference price, have been identified in the literature. Past research has found that strength of effect and types of reference prices used vary across consumers. This study develops a model of reference price formulation and suggests two important constructs, product knowledge and deal-proneness, to explain inconclusive results about types and effects of reference price in the literature.

Results of the experiment reveal that product knowledge and deal-proneness significantly moderate the relations. High product knowledge consumers use more of the reservation reference price than do their lower product knowledge counterparts. While, low product knowledge consumers use more of the external reference price. Deal-prone consumers use more of the external reference price than do their non-deal-prone counterparts. For high product knowledge consumers, there is a tendency for an inverted U-shaped relation between reference price discrepancy and purchase evaluation. While, for deal-prone consumers, the relation tends to be monotonic.

Results of the structural equation model suggest that the proposed integrative model of reference price fits very well with the data. Product knowledge and deal-proneness significantly moderate the formulation of reference price and its effect on purchase evaluation. Therefore, they further support the former analysis.

This study advances the understanding of the concept of reference price. Results of the study generates valuable knowledge for marketing scholars as well as practitioners.
