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UNDERSTANDING EFFECT OF REFERENCE PRICE ADVERTISEMENTS ON CONSUMERS PERCEPTION

Swati Baishya¹

¹Research Scholar,
Department of Business Administration,
Gauhati University,
Guwahati, Assam,
India.

Dr. Munin Kakati²

²Professor,
Department of Business Administration,
Gauhati University,
Guwahati, Assam,
India.

ABSTRACT

Advertised reference price or comparative price has been widely used by marketers to lure consumers, but their effectiveness has gained mixed reaction in the real world. The objective of this paper is to study how advertised reference price impacts consumers' perception of perceived value, attitude and finally alternative search intentions. The effectiveness of advertised reference price has been studied in different degrees and along with different types of semantic cues in an experimental setting. Another important factor that has been considered in this study is influence of availability other price information. A 3 x 2 x 2 factorial design has been used in this study and findings suggest significant interaction between the variables.

KEYWORDS: *Advertised reference price, semantic cue, consumer perception, comparative pricing*

INTRODUCTION

The use of comparative price advertising is wide spread. An advertised reference price is (e.g., regular price, original price, manufacturer's suggested price) that predicts that consumers can save money and get a good deal. Advertisers often appeal to this desire to "get a deal" by comparing the deal price with the sell price normally with higher reference price, to make the offer price look more attractive. But whether consumers will actually save money or not depends primarily on the legitimacy of this advertised comparative reference price. Advertised reference prices (ARP) are common in the form of a seller provided regular price or suggested retail price presented in price advertisements (e.g., Chandrashekar, Viswanathan, & Monroe, 2002). The price effect of advertising has been a well-

explored topic in both marketing and economics. According to many economists, advertising traditionally is viewed as a method of differentiating the brands in a market (e.g., Comanor and Wilson 1979). From the managerial point of view, the presence of thresholds and reference prices has important promotional implications (Lattin and Bucklin (1989)). The existence of price thresholds and reference prices suggests that consumers will not notice a price-promotion unless the price reduction exceeds a minimum threshold. It is known that consumers do not evaluate price alone, but rather view price in reference to standards that may be objective or subjective (Monroe 1973)

Most retail advertisements offer products at "exclusive price" to their store price. This price is then compared with a previous price, a

manufacturer's price, a rival seller's price, the price of similar merchandise, or an area price. The basic notion of these advertisements is that the consumer can pay a lesser than the normal price for the merchandise if they purchase it from the seller offering discount. The seller promotes a "special price" in the advertisement in the belief that more consumers will purchase the item if they believe the price is comparatively lower. Price promotions are most likely to be framed as source of gains. They will be incorporated with the sell price and affect reference price (William D. Diamond and Leland Campbell (1989)).

Advertising is a skilled technique. Its basis is in applied psychology. It works in such a way that it attract attention, arouse interest, create desire, carry conviction, and move the will to action through skillfully designed appeals to ambition, envy, fear, shame, snobbery, mother love, and sexual desire. Its main aim is to work and produce gain for the seller who is using it. There is no necessary relationship between the merits of the product advertised and the skill with which the advertising technique is applied.

A major concern of comparative or reference price promotion is its potential for deception. Although research has shown that consumers tend to discount advertised price claims, many studies indicate that comparative price claims, including implausible or exaggerated reference price claims, still influence consumers' perceptions of value and behavioral intentions (Biswas and Blair 1991; Grewal, Marmorstein, and Sharma 1996; Licata, Biswas, and Krishnan 1998; Lichtenstein and Bearden 1989; Lichtenstein; Burton; and Karson (1991); Urbany, Bearde, and Weilbaker (1988)). However there has been very little empirical research on the effect of price discounts on buyers' subjective judgment of products. Barnes (1975) reviewed comparative price cues and semantic cues in retail advertisements. A comparative price cue is provided when an explicit comparison (reference) price is paired with the actual price in a deal display. These semantic cues are specific words and sometimes phrases that are paired with the offered price cues, example the normal price, sell price, especial price or x % off. Barnes (1975) have also found that advertisements that use semantic cues such as "regular/sale" were perceived as more believable and as offering a better value for the money than cues such as "special".

Promotional cues in the forms of various discounts, rebates, coupons, regular price etc perceived by buyers as offering a deal due to the use of reference prices are used to promote these types of price discounts. Therefore, when sellers are providing both the (actual) price and a higher comparative price are actually attempting to provide

a reference for the consumer so that there will be a perceived deal (Kent B. Monroe and Joseph D. Chapman (1987)).

Closer examination of prior reference pricing studies reveals that respondents were provided with only one external reference price, namely, the regular price or a competitor's price. In practice, however, consumers rarely are limited to using only one externally provided reference point or price.

As pointed out by Kahneman (1992), consumers often use multiple reference points in evaluating comparative price claims. Consumers may be exposed to and use information containing multiple reference points from a variety of sources. One source of additional price information is advertisements of comparable products from competitor firms (Balaji C. Krishnan 1999.) Price information on related products may influence the value judgment of the target offer not by influencing internal reference prices, but rather by acting as an additional external standard of comparison. However, the effectiveness of this strategy depends on additional price cues available to consumers because they are likely to use multiple price information in their purchase decision (Mayhew & Winer , 1992), an internal reference price (IRP) based on prices that consumers have known in the past or consider as fair is likely to play an important role. IRP is not constant over time, it is likely to get updated when a consumer faces new price information (Yadav and Seider,1998). Thus, an advertised reference price is likely to be at least partly assimilated in the initial price beliefs (Yadav and Seider, 1998).

One kind of research involving the influences on internal reference price has been the retailer provided advertised reference point. In many product categories, retailers openly provide advertised price at the point of purchase to encourage either competitive comparison (exp, compare at) or time bound comparison (" was Rs – now Rs --") of the actual purchase price (Biswas and Blair 1991; Lichtenstein and Bearden 1989; Mayhew and Winer 1992). Researchers believe that the displayed price is first assimilated into consumers' internal reference price, which in turn influences purchase behavior or evaluations (e.g., Lichtenstein and Bearden 1989; Urbany, Bearden, and Weilbaker 1988). This proposition is in line with the findings of Grewal, Marmorstein, and Sharma (1996) and Krishnan; Biswas; and Netemeyer(2006).These researchers distinguished between within-store price cues (i.e., sale price is compared with earlier price) and between store price cues (i.e., sale price is compared with competitor's price, to which is used as an external reference price) and show that between-store cues are more effective than within-store cues when

cues are concrete in nature. In addition to evaluating a product's current retail price and the prices of other brands, consumers evaluate the available price with some other internal price present in their memory. Researchers have described and examined this internal price in variety of ways. Some examples of this internal comparison price include the reservation price (Scherer, 1980), price perceived by consumers (Della; Bitta; and Monroe 1974), (Emery, 1970), (Monroe 1973), and finally expected price (Kalwani; Yim; Rinne; and Sugita, 1990).

Therefore in price-comparison advertising, a higher advertised comparison price (commonly termed advertised reference price) is compared with a lower advertised selling price. Buyers' judgments of these advertised prices depend not only on the price presented to them, but also on the other types of cues presented within the advertisement, situational influences surrounding buyers, and buyers' internal reference prices (Rajenderan and Tellis 1994). Another factor that may influence the consumers' use of additional price information is the type of semantic cue used to express the savings (Berkowitz and Walton 1980; Grewal, Marmorstein, and Sharma 1996; Lichtenstein, Burton, and Karson 1991). Semantic cues may be perceived as either concrete or abstract.

EFFECTS OF SEMANTIC CUES

In a price promotion advertisement, consumers are exposed to the focal price information within the context of semantic cues. In a comparative-pricing framework, the reference and offering prices are focal cues, while the semantic phrase is classified as a contextual cue (Monroe 1990).

Some semantic cues used in comparative price advertisements are concrete in nature, whereas others are abstract. Cue concreteness can be defined as the degree of detail and specificity about the price comparison being made. A cue such as "Regular Price/Sale Price" can be considered concrete because it is specific about the nature of the price comparison. The "Regular Price/Sale

Price" cue clearly indicates the product's normal price and the current offer price. It is quite likely that consumers feel confident about understanding the price implications of these words. The convection is more among consumers in case of semantic cues where as abstract cues confuse them and they immediately restore to other cues such as information about other similar products. Semantic cues are classified as contextual variables because consumers perceive external reference prices and offering prices in the "context" of the particular semantic cue that the advertiser employs (Monroe 1990). The role of semantic cues also has been of interest to the consumer-research community. Findings from several studies have shown that semantic cues can affect price perceptions under conditions in which (1) the offering price is manipulated while the higher external reference price is held constant

(Berkowitz and Walton 1980); (Della Bitta 1981), and (2) the higher external reference price is manipulated while the lower offering price is held constant (Barnes 1975); (Liefeld and Heslop 1985). While semantic-cue effects have been found in both types of designs, no theoretical explanation has been offered for these effects.

OBJECTIVE

The objective of this study is to present the theories commonly applied to reference price study and propose hypotheses about how information on other brands' price may interact with reference prices used in varying degrees and nature along with the semantic cues. Advertisers use inflated reference prices because the effect of these inflated prices is strong. They did not assess, however, the empirical studies quantitatively. Thus, the strength of the effects of reference prices has not been established. Further, adaptation level theory and assimilation contrast theory have been used in explaining the effects of reference prices, as well as semantic cues used in reference price advertisements and it has been assumed in the study that, internal reference prices, when compared with the lower selling price, result in higher transaction value perceptions.

LITERATURE REVIEW

Literature reviewed for understanding the research designing relevant to the current study				
Sl. No	Title & Author	Research Objective	Research Design/variable studied	Findings
1	The framing of sales promotions: effects on reference price change, William D. Diamond, Leland Campbell	This paper highlights how monetary and non monetary promotions are formed. Price promotion usually indicate gains. Nonmonetary promotions are likely to be framed as gains segregated from the purchase price and will not affect reference price	DV: Price Information IV: Time of promotion- 3 rd week, Type of promotion - 4 Statistical Tool 1x4 factorial design ANOVA	The generated hypothesis suggest that only price promotions would affect reference price, regardless of how reference price is measured.
2	Consumer Evaluation of Reference Price Advertisements: Effects of Other Brands' Prices and Semantic Cues, Abhijit Biswas, Chris Pullig, Balaji C. Krishnan and Scot Burton	This paper tries to examine whether external price information influence the effects of reference prices and associated semantic cues.	DV: Perceived value of the offer, Attitude towards the deal, Search Intention IV: Reference price levels, Semantic cue, other price information Statistical Tool 3x2x2 Factorial Design MANOVA	Results of the study indicate that consumer evaluations are influenced by other external price information within a plausible reference price range. In addition, presence of other external price information results in more positive perceptions of the offer when respondents are exposed to an abstract semantic cue. Also other external price information has no effect when the respondents when they are exposed to reasonably high reference price but this exposure influences consumers value perception and attitude towards the deal and search intentions.
3	Consumer Price and Promotion Expectations: An Experimental Study, Manohar U. Kalwani and Chi Kin YimSource	The authors report results from a controlled experiment designed to investigate the impact of a brand's price promotion frequency and the depth of promotional price discounts on the price consumers expect to pay for a brand.	DV: brand preferences, expected brand prices, and brand choice IV:4 (price promotion frequencies) x 4 (depth of price discounts) Statistical Tool: ANOVA	Authors find that consumer expectations of both price and promotional activities should be considered in explaining consumer brand choice behaviour. particularly, the presence of a pro-motional deal price which is not expected or the absence of a promotional deal when one is expecting may have a significant impact on consumer product evaluation.
4	The Effects of Price-Comparison	Previous price perceived value models of	DV: buyers' perceptions of quality,	The results of these two studies, both individually

	Advertising on Buyers' Perceptions of Acquisition Value, Transaction Value, and Behavioral Intentions , Dhruv Grewal, Kent B. Monroe and R. Krishnan	comparative price advertisements are expanded further. More specifically it describes the effects of advertised selling and reference prices on buyers' internal reference prices, perceptions of quality, acquisition value, transaction value, and purchase and search intentions	acquisition value, transaction value, willingness to buy, and search intention, Buyers' internal reference prices IV: Selling price, advertised reference price Statistical Tool: 2 x 2 between-subjects experimental design, that is, two selling price levels (\$249.95 and \$349.95) and two advertised reference price levels (\$400 and \$500). MANOVA, Factor Analysis	and combined, support the hypothesis that buyers' internal reference prices are influenced by both advertised selling and reference prices as well as the buyers' perception of the product's quality. Findings also suggest that advertised selling price impacts consumers' acquisition value of the transaction.
5	The Effect of Semantic Cues on Consumer Perceptions of Reference Price Advertisement ,Donald R. Lichtenstein, Scot Burton and Eric J. KarsonSource	This article examines the differential effects of two types of semantic cues: (1) cues suggesting that an advertised price discount shows low consistency over time, and (2) cues suggesting that an advertised discount is highly distinctive in relation to its competitors.	DV: fair-price perceptions, lowest-price perceptions, normal-price perceptions, Perceived value of the deal, perceived worth, price acceptability, perceived savings, and value for the money, Attitude toward the deal. IV: Reference price, Consistency, Distinctiveness of the price Statistical Tool: 3 X 2 X 2 design, manipulated (1) the external reference price (high, medium, low) in a reference price ad, (2) the consistency (high, low) with which the advertising merchant employed similar reference price ads over time, and (3) the distinctiveness (high, low) of the merchant's reference price advertising. MANOVA	Results suggest that, for manipulations of external reference prices with offering price held constant, semantic cues that connote high distinctiveness are more effective in influencing consumers' price related evaluations when the external reference price is otherwise implausibly high than are semantic cues that connote low consistency.
6	Consumer Perceptions of Comparative Price	The authors analyze the issue of comparative price	DV: value of the offer, interest in the product	It suggested that willingness to purchase is

	Advertisements, Albert J. Della Bitta, Kent B. Monroe and John M. McGinnis	advertising from a behavioral perspective.	and brand, the intent to acquire more information ,about the brand, and the willingness to consider buying the brand, search for more information, truthfulness of the offer. IV: Sale information- 8,Price Disc- 5, Regular Price - 2 Statistical Tool:2 x 5 x 8 factorial design MANOVA	not naturally induced despite a perception of value from the offer. There was a clear tendency to stop information search (and probably information acquisition) as the amount of the advertised discount increased.
Literature reviewed for understanding the constructs used in the study				
7	The Impact of Advertising Positioning Strategies on Consumer Price Sensitivity, Ajay Kalra and Ronald c. Goodstein	The authors examine the link between advertising and price effects and proposed that this relationship depends on the specific advertising positioning strategy used by the advertiser. Further the authors are of the opinion that advertisements have different goals depending on how the brand is to be positioned in the market.	Advertising positioning	The findings suggest that the effects of advertisement effectiveness must be studied beyond brand attitudinal measures.
8	Empirical generalizations about the impact of advertising on price sensitivity and price, Anil Kaul and Dick R. Wittink	In this paper the effect of advertising on consumer price sensitivity and on price are discussed, and we report empirical generalizations on the basis of the results obtained in various marketing studies.	Advertising and Price Sensity	The study of the relationship between advertising and price sensitivity has received a lot of attention in the marketing literature. One area that has not received much attention in the area of advertising/price interactions is the role of moderators in affecting this relationship, this role has been established in this paper.
9	Comparative Price Advertising: An Integrative Review, Larry D. Compeau and Dhruv Grewal	In this research meta-analytical procedures were used to assess the effects of 1.Advertised reference price , 2. Different degrees of ARP, and 3. Impact of advertised sale price changes on consumers' internal reference price,	Advertised reference price, Perceived value, Search Intention	Evidence indicates that comparative price advertising is a powerful advertising tool, with a strong opportunity for trickery and it needs careful monitoring.

		perceived value, price offer believability, purchase likelihood, and search intention		
10	The effects of reference prices on bidding behaviour in interactive pricing mechanisms, Agnieszka Wolk and Martin Spann	The study examines reference price in terms of consumers bidding tendency in online retailing, e.g., auctions and name-your-own-price .	Advertised Reference price	Results show an exaggerated advertised reference price increases the bidding tendency among consumers who believe the offer.
11	Supermarket Pricing Strategies, Paul B. Ellickson	most supermarket firms choose to position themselves by offering either everyday low prices (EDLP) across several items or offering temporary price reductions (promotions) on a limited range of items. This study observe the pricing strategy the firm has chosen to follow, as reported by the firm itself.	Temporary price reductions (promotions)	Results found significant impact of various demographic and store/chain characteristics, on consumers perception of prices
12	Psychology Consumer Evaluation of Low Price Guarantees: The Moderating Role of Reference Price and Store Image, Abhijit Biswas, Chris Pullig, Mehmet I. Yagci and Dwane H. Dean	This article reports the findings of two studies that examined the effects of low price guarantees (LPG) in retail advertisements within the framework of signaling theory.	Price image of the store	Findings suggest that the effect of an LPG is likely to be moderated by other price cues such as reference prices and by the price image of the store. Additional findings suggest search intention decreased, mainly when low price image store offered LPG.
13	Pricing and Promotion Frequency in the Presence of Reference Price Effects in Supply Chains, Qin Geng, Chongqi Wu, Kunpeng Li	The paper studies the pricing strategy in the presence of reference price effects in a single supply chain of retailer.	Price promotion	Results find that the retailer prefers a episodic promotion strategy to a regular price strategy only when the gain effect on demand is strictly greater than the loss effect.
14	Brand familiarity in Comparative Advertising: Investigating the Effects on Attitudes and Intentions, Dr. Komal Nagar, Ms. Hena Sharma	The objective is to study impact of comparative advertisement on consumers attitude towards brand and purchase intentions in beverages product category, focusing specifically on fruit juices.	Comparative Advertising, Attitude towards the offer, Search Intention	Results reveal that the influence of attitude towards the ad on consumers' attitude towards the brand and purchase intention depends on the awareness of the focal brand. Moderate relationship was found between attitude towards ad and consumers' attitude

				towards brand.
15	Market Price Variation, Perceived Price Variation, and Consumers' Price Search Decisions for Durable Goods, Dhruv Grewal and Howard Marmorstein	This article proposes and tests two possible explanations for why consumers' willingness to engage in price search does not increase alongside with the price variation of durable goods.	Search Intention	The data indicate that the psychological utility that a consumer derives from saving a fixed amount of money is inversely related to the price of the product. Although consumer might believe that price variation is more in case of expensive products; their motivation to spend time in price-comparison shopping for these items may not increase as much as expected.

RESEARCH HYPOTHESIS

The assimilation effects of plausible reference prices are well documented in the literature. As expected, most studies have found greater positive effects of high plausible reference prices on consumers' value perceptions and deal evaluations compared with low plausible or no reference prices. Consistent with prior findings (and potential policy concerns), it is predicted that an advertisement using a high, reasonable reference price will have stronger effects than those using a low or no reference price.

H1: Exposure to a reasonable high reference price will result in higher a) perception of value b) attitude towards the offer c) lower search intentions than exposure to a reasonable low reference price or no reference price

On the basis of this discussion, we put forward that when other brands' prices are higher than or similar to a reasonable reference price, this other price information will enhance consumer perceptions and deal attitudes and reduce search intentions (H2). In addition, within a plausible range of prices, information on other brands' price will influence consumers' evaluations of the deal for a target product, such that reference price effects will be stronger when no other price information is available (H3). More specifically, reference price effects should be more positive for perceptions of value and attitude toward the deal and more negative for search intentions when there is no information available on other brands' prices.

H2: The availability of information on other brands prices that are close to or exceed a reasonable reference price has a positive effect on a) perception of value b) attitude towards the offer c) a negative effect on search intentions.

H3: The effect of a reference price on a) perception of value b) attitude towards the offer c) search intentions will be greater when there is no

information available on other brands prices than when other price information is available.i.e reference price effects are moderated by information on other brand's prices

The hypothesis-testing theory predicts that there will be an interaction between advertising and information available, such that the presence of confirmatory information will result in a stronger effect. Therefore, based on consumers' desire for additional information when faced with ambiguous messages and the hypothesis-testing theory (Deighton 1984; Hoch and Ha 1986), information on other brands' price may have a greater influence for an abstract cue if the other brands' price confirms or positively disconfirms. The reference information (i.e., is similar to or greater than "A Value")

H4: Information on other brands price & semantic cues for the focal brand will interact, such that the effect of other brands price on a) perception of value b) attitude towards the deal c) search intentions will be greater for an abstract cue than a concrete semantic cue.

UNDERSTANDING OF THE CONSTRUCTS

Conceptual Issues Pertaining to the Dependent Variables Perceived Value of the Offer

Monroe and Chapman (1987) suggest that the perceived value of the offer is composed of acquisition and transaction value. Acquisition value represents the product value and depends on the trade-off between the product's benefits and its costs (Monroe 1990; Zeithaml 1988). Transaction value represents the value of the deal and depends on the comparison of the reference price (external or internal) and the selling price (Grewal, Monroe and Krishnan 1998). Perceived transaction value is the perception of psychological satisfaction or pleasure obtained from taking advantage of the

financial terms of the price deal (Lichtenstein, Netemeyer, and Burton 1990; Monroe and Chapman 1987; Thaler 1985; Urbany and Bearden 1989).

Attitude Toward the Deal

The concept attitude is a widely used term in contemporary social culture. A popular meaning defined by Oxford Dictionary is “a way of thinking or behaving” (Hornby & Cowie 1992). In the scientific community, the definition of attitude includes: individual’s evaluations of objects (Gold & Douvan 1997), an association in memory between an attitude object and an evaluation (Fazio 1989). Based on a psychological definition, Solomon (2004) puts attitude in a business perspective and defines attitude as follow; “the attitude means a lasting, general evaluation of people (including oneself), objects, advertisements, or issues”. A two way relation between the product attributes and attitude is needed to recognize halo effects (established empirically by Beckwith and Lehmann 1975; Holbrook 1983; Erickson, Johansson, and Chao 1984). Advertisements creates a picture in the minds consumer more true in case of deal they are going to avail.

Search Intention

Search intention has been defined as the consumer's intention to search for additional information before making a purchase (Della Bitta, Monroe, and McGinnis 1981). It is actually an effort aimed at acquiring information from the external environment. For a more formal definition, we adopt the definition of Beatty and Smith (1987, p. 85) “External search effort is the degree of attention, perception and effort directed toward obtaining environmental data or information related to the specific purchase under consideration.” As per this definition information stored in the memory is not part of the external search effort. External search effort begins when one first considers the purchase seriously and ends with the actual purchase. This effort is affected by information that consumers obtain prior to considering the purchase.

Urbany, Bearden, and Weilbaker (1988) focus on search benefit and define it as the improvement in value or price that the consumer believes can be obtained by searching (Stigler, 1961). Apparently, the more attractive the present price offer (or deal), the lower the need to continue searching, because the benefit of additional search is reduced given the lower likelihood of finding a better deal and the additional search costs. (Dhruv Grewal 1998). As per Punj and Staelin, the starting point is the cost-benefit framework in which the basic proposition is that consumers will expend effort in search as long as the perceived benefits exceed the perceived costs.

Earlier research relating to post purchase, shows that when buyers are exposed to an ARP, their willingness to conduct additional search decreases, as the perceived benefits of search are lower than the costs of search (Della Bitta, Monroe, & McGinnis, 1981; Urbany, Bearden, & Weilbaker, 1988).

RESEARCH METHODOLOGY

PRODUCT: Mixer grinder was chosen as the product for establishing the hypothesis as it is a common home appliances with it not a very high end product and less technical specifications and can attract dealer discounts.

Pretest Results:

Pretests were conducted to select appropriate semantic cues and levels of external reference price, the actual selling price of Rs 4200 was selected as it represented the actual offering of the product model. A group of 30 respondents comprising both male and females were questioned to indicate the highest possible price they are willing to pay. Based on the mean findings the reasonably high reference price was set at 35% more than the actual price and reasonably low reference price was set at 15% higher than the actual price.

The second part of the pre test was to select the semantic cues that would be perceived as concrete or abstract. Initially five cues were selected and the selected cues were given to the respondents who were asked to assess the concreteness and abstractness of each cue using a 5 point scale. The cue : earlier Rs ___/Now Rs ___ had the highest mean and so was selected as the concrete cue and the cue : get 20% more saving had the lowest mean so was selected as the most abstract cue. The other three cues used in the study were 1. Mega sale 2. Upto 30% discount 3. Get additional 10% off.

Study Design

The study used a 3 (Reference Price Levels) x 2 (Cue Type) x 2 (Other Price Information Present or Absent) between-subjects experimental design. Mixer grinder was used for analysis as it is one of the most common electronic appliances found in households within reasonable budget. The sample size for the study is 204 respondents. The three reference price levels used in this study were (1) no reference price, (2) low, reasonable reference price, and (3) high, reasonable reference price. In the no reference price manipulation, only the selling price of Rs 4200 was given. The low, plausible reference price Rs 4830 was set at approximately 15% higher than the selling price. For the high, reference price, an amount approximately 35% higher than the selling price was used at Rs 5670. Other price information was varied at two levels, present or absent. In the information-present cells, the subjects were given external price information

for two comparable mixer grinders. The additional price information was provided in an accompanying advertisement and represented actual market level prices for the two mixer grinder. The first grinder was priced at Rs 5200 and the second one at Rs 5600. These prices were either equal to or slightly less than the high, reference price stated in the target advertisement. Additional product information provided for these other grinder was comparable to that of the focal advertisement, except that no brand name was given in the accompanying advertisement and only product information was provided. Semantic cues in the focal reference price advertisement were manipulated as concrete or abstract. For the concrete cue, claims were made representing the reference price as the earlier selling price ("Was Rs__ /Now Rs__ "). While using abstract cue, the reference price was given as an abstract value representation (" Get 20% more

saving "). Selecting proper semantic cues was made on the basis of pretest results.

The three dependent variables used in the study 1. Perceived value 2. Attitude towards the deal and 3. Search intentions were studied using 5 point scale.

Sample and Procedure

The total 204 respondents were exposed to 12 types of advertisement condition randomly, cell size for the groups was fixed at 17 comprising of both male & female respondents.

The independent variables for the study are:

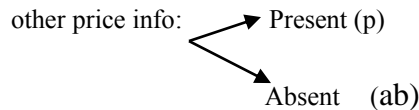
1. Reference Price levels
2. Semantic cue
3. Other price information

Research Design

A 3 x 2 x 2 factorial research design has been used and 12 cell conditions created for undergoing the experiment.

Experimental Variable

1. Ref Price (3 levels) : Non(n) , Low(l), High(h)
2. Semantic cue (2 levels): Abstract(a) , Concrete(c)



pna	pnc	pla	plc	pha	phc
abna	abnc	abla	ablc	abha	abhc

Reference Price	Semantic Cue	Other price information
H	AH	AHA
L	CH	AHP
N	AL	CHA
	CL	CHP
	AN	ALA
	CN	ALP
		CLA
		CLP
		ANA
		ANP
		CNA
		CNP
TOTAL CONDITIONS		12 conditions

Independent variable treatment

1. Reference price:
 - i) Reasonably High reference price(H)
 - ii) Reasonably Low reference price(L)
 - iii) No reference price (N)
2. Semantic Cue:
 - i) Abstract (A)
 - ii) Concrete (C)
3. Other price information:
 - i) Present (P) ii) Absent (A)

3x2x2 factorial design cell conditions :

Advertisements were designed for each of the 12 cell condition, Subjects received an experimental booklet that consisted of instructions on the first page, professionally produced advertisements on the next two pages, and a questionnaire with measures of the dependent variables of interest on subsequent pages.

ANALYSIS AND FINDINGS

For understanding the significance between the dependent variable and the independent variables MANOVA analysis has been done. The three independent variable was spilt into a 3 x 2 x 2 factorial design and total no of response is 204. Hypothesis 1 and 2 are related to the main effects of reference price level and provision of other price information. Hypothesis 3 addressed the interaction between these factors. It was found that the multivariate effects are significant for reference price level (Wilks' lambda = 0.207; F = 75.867; p = 0.000) and information (Wilks' lambda = 0.192; F = 266.008; p = 0.000) as is the interaction effect between price and information (Wilks' lambda = 0.602; F = 18.269; p = 0.000)

Table no 1: Summary of Manova

Main Effects	Wilks' Lambda	F	P
Reference Price	0.207	75.867	0.000
Other Price Info	0.192	266.008	0.000
Semantic Cue	0.713	25.516	0.000
Interactions			
RP x OPI	0.602	18.269	0.000
RP x SC	0.408	35.849	0.000
OPI x SC	0.783	17.598	0.000
RP x OPI x SC	0.654	14.996	0.000

The multivariate interaction is attributable to the dependent variables. As indicated in the table all

dependent variable effects are interpreted on the basis of prediction of hypothesis used in the study.

Table no 2 : Significance of dependent variables

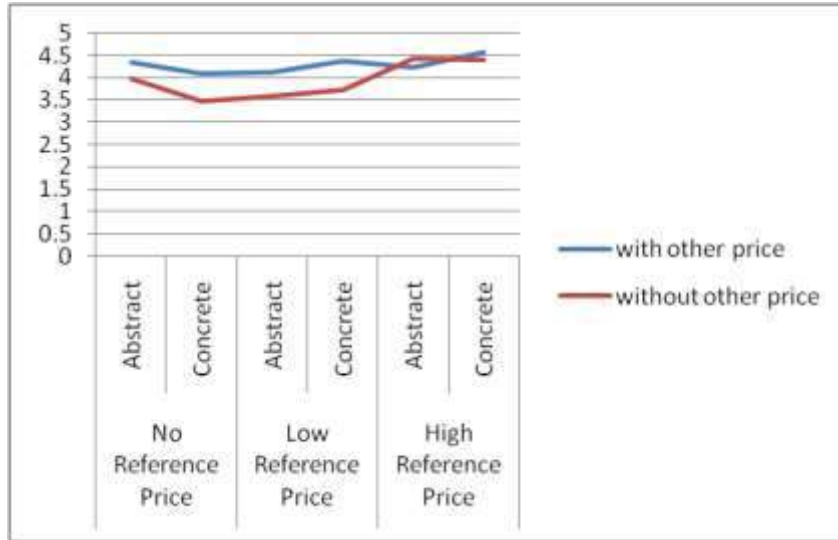
Main effect	Attitude towards the deal	Perceived Value	Search Intention
Ref Price	0.000	0.000	0.000
Semantic Cue	0.002	0.031	0.000
Other Price Info	0.000	0.000	0.000
Interaction effect			
RP x SC	0.000	0.000	0.000
RP x OPI	0.000	0.000	0.000
SC x OPI	0.000	0.000	0.103
RP x SC x OPI	0.006	0.000	0.000

From the table it can be seen that Attitude towards the deal is not dependent on the interaction between RP x SC x OPI, again semantic cue is not significant for perceived value, and the interaction of SC x OPI is not significant for search intentions of the customer.

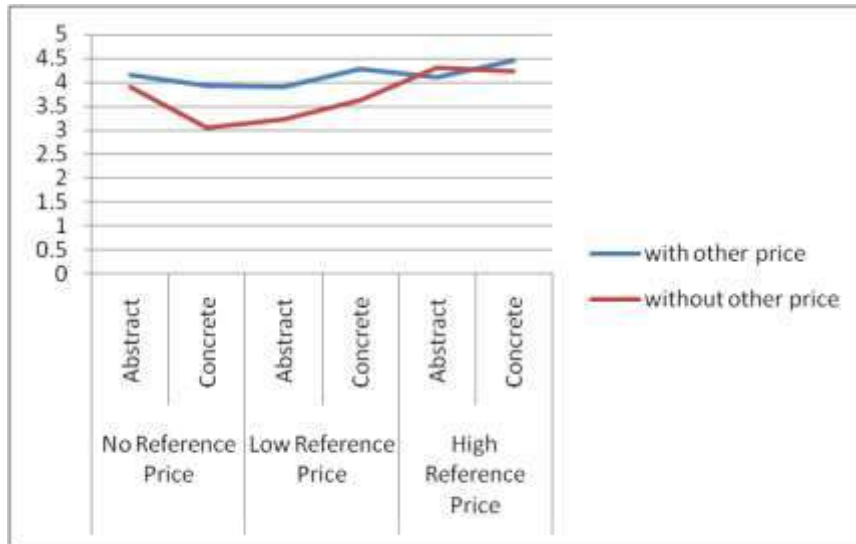
The following figures show plots of the adjusted cell means for the dependent variables 1. Attitude towards the deal 2. Perceived value and 3. Search Intention

Figure no. 1 : Interaction of other price information and reference price

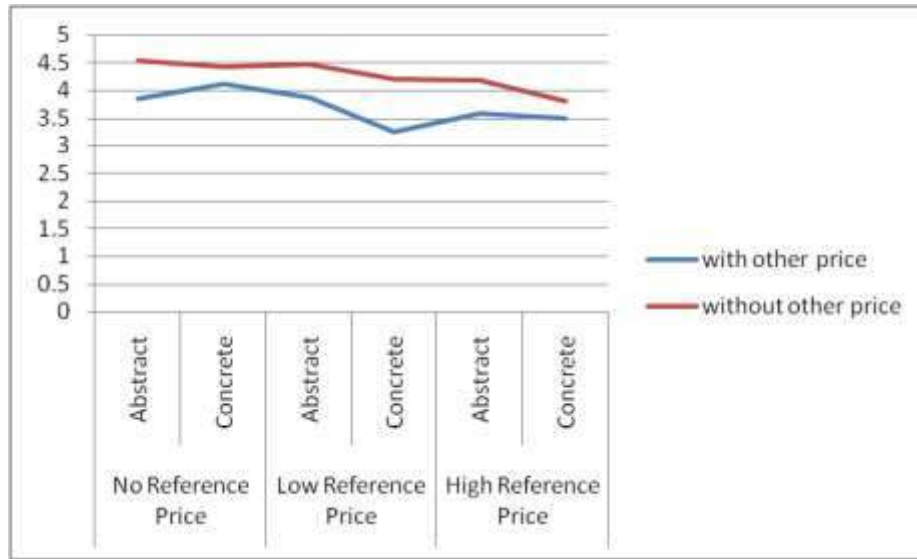
a. Attitude towards the deal



b. Perceived value



C. Search Intention



- As predicted in the 1st hypothesis and consistent with the main effects of reference price, reasonably high reference price results in higher perceived value and attitude towards the deal. Also search intentions are lower for high reference price.
- These effects seem to be dependent on whether other price information is available or not. Findings suggest that when other price information is provided, evaluation of the dependent variables are more positive in general for perceived value and attitude towards the deal and negative for search intentions hence consistent with hypothesis 2.

Table no 3 : effect size (eta sq)

Independent Variable	Attitude towards the deal	Perceived Deal	Search Intentions
Reference Price	0.559	0.503	0.544
Ref price * Other price information	0.244	0.173	0.128

- The effect of reference price is more on the above dependent variables alone than when there is addition of price information of alternative brands. Hence reference price effects are not moderated by presence of other price information, resulting in acceptance of hypothesis 3.
- The above findings are consistent with the findings of (Lichtenstein, Burton, and Karson 1991) and (Biswas, Pullig, Krishnan, and Burton 1999)

The fourth hypothesis predicts that information on other brands’ price will have a greater effect when the semantic cue is abstract compared with when it is concrete. As seen in table no. 1,

manova results indicate a significant interaction between other price information and cue type (wilks’ lambda = 0.783; F = 17.598; p = 0.000). The multivariate interaction effect is attributable for attitude towards the deal (F = 23.756; p = 0.000) and perceived value (F = 25.222; p = 0.000) while the effect was insignificant for search intentions (F = 2.681; p = 0.103)

The adjusted cell means for attitude towards the deal and perceived value for each price information condition and the two types of cues (concrete and abstract) appear in the table below:

Table no. 4: Adjusted cell means of dependent variables for other price information and cue types

Dependent variable	Cue type	
	Abstract	Concrete
<i>With other price information</i>		
Attitude towards the deal	4.22	4.34
Perceived value	4.05	4.21
Search Intentions	3.76	3.61
<i>Without other price information</i>		
Attitude towards the deal	3.98	3.85
Perceived value	3.80	3.63
Search Intentions	4.41	4.14

- Abstract cue is stronger in the absence of other price information than concrete cues for all the three dependent variables.
- In presence of other price information concrete cue is stronger than abstract cue for the variables attitude towards the deal and perceived value. However there is marginal difference between abstract cue and concrete cue in case of search intentions.
- Considering our hypothesis 4, there is interaction between information on other brands’ price and semantic cues but concrete cues effect was more than abstract cues in general except marginally for search intention. Hence the hypothesis is partially correct.

In summary , the findings of the study indicate that within a price range, consumers are influenced by external price information of alternative products in judging a comparative price offer. As predicted high reference price exposure leads to higher attitude and perceived value formation of a particular deal and decreases search tendencies, the reliance is more as indicated in the findings when alternative product prices are available. The effect of the reference price on consumer evaluation was stronger when there was no other price information to confuse or misled them. Interesting finding of the study is that people actually show different perception of cues used in an advertisement in the presence/absence of other price information. When they have access to other price information they seem to rely more on concrete semantic cues resulting in higher deal satisfaction and perceived value this reduces their further search requirements. The credit for this result can be given to concrete cues as they can be easily figured out and compared with rest of the prices by the consumers. On the contrary when customers do not have any other price

information with them they seem to get more attracted in general to abstract cues.

MANAGERIAL IMPLICATIONS AND DIRECTIONS FOR FURTHER RESEACH

Price comparison advertising is a widely used price promotion tactic. Comparative pricing when used true fully provide useful information to the customer. Reference prices in advertisements are difficult for customers to verify, the marketers should always try to give meaningful comparisons to the customers. It has been found in findings of this study that when a high reference price cue is presented with additional cue other similar product prices, customers satisfaction towards the deal increases. Though it has been reported in this research effectiveness of reference price as a single cue to the customers is more effective but it will be foolish on the part of the marketers to concentrate on only the reference price manipulation because we cannot neglect the importance of choosing the correct and appropriate semantic cue. It has been observed that retailers generally use words like “formerly”, “usually”, “suggested” to introduce a reference price to customer but sometimes simplicity of these concrete semantic cue unknowingly decreases the interest of the buyer towards the deal, even many times simple cues like save 20 % does not work for the marketer the same has been suggested in the findings of the fourth hypothesis of this study(refer table). Therefore both the advertised reference price and the semantic cue should be carefully selected, positive statistically significant interaction have been found between them in this study (refer table no). To make the offer look more honest if the marketer makes available the prices of other competitive brands, it increases reliability of the deal and directly decreases further search intentions of the customer (refer graph no)

The next important thing for the marketer is to know “how much” and “how frequently” to use this promotion appeal. It has been found many times

'everyday low price' strategy did not work for many retailers. If the price discount is too small, consumers may perceive little price difference between the previous and new offer and therefore may think that the price reduction does not warrant a purchase effort. Again when a huge discount is given, consumers may perceive that the offer is not genuine. Research works of (Kalwani and Yim (1992), Kalwani et al.(1990), Mayhew and Winer (1992) argued that the frequency and depth of promotions impact price perception of consumers.

Furthermore, promoting more frequently will lower the reference price, and it is likely that consumers will not perceive future promotions to be as attractive as earlier ones. Even worse, the consumer may begin to perceive the regular price as a price increase. Again when the frequency of past price promotions is very low consumers think that the offer as an exceptional event and may not modify the brand's expected price.' These postulates indicate the need to further drift the current research towards a new area of research of exposing the respondents to repetitive promotional deals of the same product over a period of time and draw inferences regarding price and deal perception.

Another important aspect from the managerial perspective is that it is crucial to understand that memories based price technically termed as "Internal reference price" can also play its role in understanding how effective is a price promotion deal. Customers can restore to them to compare prices with competitors. According to Mayhew and Winer (1992), Internal reference price is the price consumers are ready to pay, or consider it fair for the particular brand. Internal reference price is formed from the memory of the past. The main difference between internal reference price and external reference price is that the former arises out of the past experiences of the buyer while the later arises at the point of purchase as offered by the seller.

Dickson and Sawyer (1990) showed that most consumers showed extremely poor recall of prices that they had just paid, a finding that seems to cast doubt on the notion of reference price. However, as Kalyanarain and Winer (1995) noted, a substantial number of respondents in price recall surveys do recall past prices with reasonable accuracy. Moreover, recent research on memory suggests that there are two types of memory, explicit and implicit; and while consumers may not explicitly recall the exact price, they are generally capable of forming vague judgement such as "too high" or "a good deal" (Monroe (1999).

A limitation of the current study is that unknown brands of mixer grinders were used in the experiment and did not consider store image and no information relating to the store was provided to the

respondents, so future studies can examine the role of brand and store name in evaluating a price deal. Consumers not only use their memory based price to judge a store's price image, but also evoke their experiences of that products' price in that store, to make price perceptions of a specific store (Ofir, Raghuram, Brosh, Monroe, and Heiman, 2008). In addition diverse population groups can be used in this study rather than going for an experimental set up with a limited sample size also it will be interesting to see if high reference price leads consumers to believe that the advertised product is of superior quality.

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