Effects of Spatial Location of Price Information on Consumers’ Perception of Prices and Products

Rajneesh Suri, Drexel University
Rajesh Chandrashekaran, Fairleigh Dickinson University
Dhruv Grewal, Babson College

There are numerous ways in which price information can influence consumer perceptions of value. This research investigates how the location of price information relative to the product and consumers’ motivation to process information influence consumers’ evaluations of products and prices. A content analysis of newspaper advertisements and three empirical investigations show that the spatial location of price information in reference to the information about the product influences the evaluation of prices and products.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/13295/volumes/v35/NA-35

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
assumed that risk can only be presented by price, thus neglecting possible signalling outside consumers’ subjective knowledge to affect consumers’ perceived risk. Thus, in this research, the proposed model will also consider an improved risk factor within the utility framework to replace the over-emphasised price uncertainty.

Erdem and Keane’s (1996) model gives a more comprehensive explanation of decision making and contains price, risk (perceived risk), attributes of products (perceived quality), and signalling factors. Although it provides a good starting point as a decision-making model, unfortunately they did not regard the process as a two-stage decision process which can view the consideration set as an essential latent process. In the proposed model, this problem can be resolved since the entire structure of the model is based on the two-stage decision process.

Another main contribution of Erdem and Keane’s model is that it considers the current decision for future reference, which is also referred to as a forward-looking structure. Since consumers do sometimes try some products in order to gain experience for their future decisions, the proposed model will also utilise the forward-looking concept in formulating a final choice process.

Data Collection and Analysis
Two sets of data will be employed for this research. One is based on ERIM data which include supermarket purchasing data for five different categories. Another set of data is from Hewlett-Packard, which will include not only revealed data but stated data for comparison.

Summary
The proposed research will provide a more sophisticated way of investigating consumers’ purchasing behaviour while firms employ brand extension strategies. From a managerial perspective, this model can be used as an important tool for investigating consumers’ possible reaction toward a brand strategy.

References


Effects of Spatial Location of Price Information on Consumers’ Perception of Prices and Products
Rajneesh Suri, Drexel University, USA
Rajesh Chandrashekar, Fairleigh Dickinson University, USA
Dhruv Grewal, Babson College, USA

Often time, retailers’ advertisements place price information in the proximity of the advertised products. Past research suggests that the relationship between numerical information and its spatial representation is deeply rooted in the brain’s organization for these capacities (Dehaene 1997; Thomas and Morwitz 2005). The simplest demonstration of such relationship is research showing that responses to larger numbers are quicker when responses are made on the right side of space, whereas responses to smaller numbers are quicker when the responses are made on the left (Hubbard et al. 2005). Despite the obvious implication of such phenomena in the marketing context, the marketing literature has not yet researched the issue of how the location of prices to the left or the right side of an advertised product influences the processing of price information and consequently the evaluation of the product. Based on past research on the effects of hemispheric lateralization and arousal on information processing this research develops predictions about the effects of the location of price information on product evaluation. The conceptualization leads to the following hypotheses: