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PARTITIONED PRICING: CAN WE ALWAYS DIVIDE AND PROSPER?

A Dissertation

Submitted to the Graduate Faculty of the
Louisiana State University and
Agricultural and Mechanical College
in partial fulfillment of the
requirements for the degree of
Doctor of Philosophy

in

The Department of Business Administration (Marketing)

By

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ABSTRACT

Research on partitioned pricing suggests that separating the surcharges from the base price of the advertised product may lead to a more favorable effect on consumers' evaluation of the offer compared to a combined presentation of the base price and the surcharge. In this dissertation we propose that partitioned price presentation may not always result in positive outcomes vis-à-vis combined presentation of prices. We propose that consumers' need for cognition and the perceived reasonableness of the surcharge are likely to influence their evaluation of partitioned versus combined prices. Based on cue diagnosticity, Persuasion Knowledge Model, and Characterization-Correction Model we develop process models of how consumers with differing need for cognitions evaluate partitioned and combined price information under reasonable and unreasonable surcharge conditions. The proposed hypotheses are tested across three studies, each consisting of two experiments. The three studies use different products and services and manipulate perceived reasonableness of surcharges in three different ways. The results of the first two studies provide support for the proposed hypotheses. The third study was designed to replicate the findings of the first two studies, examine the process models as well as measure the respondents' attitude toward the retailer under reasonable and unreasonable surcharge conditions. The results show strong support for the hypotheses and demonstrate that for high need for cognition individuals partitioned pricing leads to a higher perception of value of the offer and a higher willingness to purchase compared to combined pricing when the surcharges are perceived to be reasonable. These effects of partitioned pricing are completely reversed for high need for cognition individuals when the surcharge is perceived to be unreasonable. Low need for cognition individuals did not respond differently to the two pricing strategies.

CHAPTER 1: INTRODUCTION

Consumers frequently purchase online or in response to direct mail or telephone solicitations because of economies in time and effort. In fact, the value of e-commerce transactions was only about 9 billion in 1997 (Kwak, Fox and Zinkhan, 2002) and is expected to grow to \$78 billion in 2003 (Lynch, Kent and Srinivasan, 2001). According to GartnerG2's research, 2001 revenue from online shopping grew 40 percent over 2000 revenue and similar or higher increase is expected in the coming years. Revenue from online product sales (not including financial services or travel) is the dollar volume of such transactions has increased from \$30 billion to \$40 billion annually (Grant, 2002).

A cursory review of online or catalog pricing reveals that merchants frequently use partitioned presentation of prices for products in which the total price for the transaction is broken into two components – the larger amount which is the base price and the smaller amount which is the surcharge. The surcharge may include any additional charge such as shipping and handling or taxes. The widespread use of partitioned pricing may be due to the perceptions on the part of the marketers that it helps to enhance the value of the transactions in the minds of the consumers. In fact there is some evidence that marketers can “divide and prosper” (Morwitz, Greenleaf, and Johnson, 1988). However, despite its heavy usage by retailers, we have very little knowledge about this pricing strategy and the boundary conditions which may influence its effectiveness.

The break up of the prices of advertised products into two parts – the base price of an offer and the shipping and handling charges, is termed as partitioned pricing. Consumers may encounter different types of surcharges (shipping and handling charges, processing fees, taxes etc) and/or different presentations of surcharges (dollars or percentage of base price) when

exposed to an offer. Regardless of type of surcharge or the mode of presentation, surcharges are expected to be reasonable based on various factors, such as time of delivery. However, one can imagine instances when consumers may question the reasonableness of a surcharge. For example, consumers may question the reasonableness of the surcharge when they encounter purchase situations that involve a shipping and handling higher than the base price of the product (e.g. a book at Half.com may cost \$2.99 while the shipping and handling charge is \$3.99), or situations where a purchase of a package of items involve payment of shipping and handling separately for each item (e.g. a pack of seven audio CDs may be sent for a shipping and handling charge of \$2.99 for each CD). In a similar vein, if an online search for a DVD player revealed shipping and handling charges that range from \$10 to \$30 among various retailers for the same delivery time, will the \$30 shipping and handling charge be viewed in the same manner as the \$10 shipping and handling charge, everything else being equal? In other words, are consumers likely to react to shipping and handling charges that may be perceived as unreasonable? Do such surcharges favorably affect their decisions vis-à-vis combined presentation of base price and shipping and handling charges, as suggested by previous research?

According to the limited research on partitioned pricing, dividing the price into the base price and the surcharge will have a more favorable impact on consumer evaluation of an advertised offer than an all inclusive combined price (Morwitz, Greenleaf, and Johnson 1998). Researchers also have suggested that partitioned pricing can often be misleading to consumers if the information is not clearly communicated or made salient (Morwitz et al. 1998). In other words, marketers should use partitioned pricing as an effective tactic to create favorable responses in an ethical manner. However, does partitioned pricing always have a favorable impact on consumers' evaluations of the advertised offer as compared to combined pricing?

Imagine the following scenario: A consumer wants to purchase a camera online. He surfs numerous websites of different retailers. He finally selects the perfect camera within his price range but finds the shipping and handling charge unreasonably high. Will he reject his selection because of the surcharge amount or will he judge the value of the deal on the basis of just the base price of the camera and decide to make the purchase? On the other hand, let us now consider the same scenario but this time the consumer is exposed to the total price including the same shipping and handling charge. Will he realize the high surcharge which may be hidden in the total amount? Will he evaluate the same offer differently? Will the combined price obtain a better response as compared to the partitioned price in this case? No previous research has attempted to address these issues.

In order to better understand the effects of partitioned pricing, the research examines when and how the surcharge drives the consumers to respond in different ways to this type of pricing versus combined pricing. Based on theories like cue diagnosticity, characterization-correction model, anchoring and adjustment model, and persuasion knowledge model, process models of how consumers process partitioned and combined prices and how the processing of partitioned pricing may be affected by the nature of the surcharge are offered. Specifically, the effects of partitioned versus combined pricing when the shipping and handling charges are reasonable or fair as opposed to when they are perceived to be unreasonable and unfair are examined. The research also examines how individual differences among consumers may influence processing of such pricing strategies. Are consumers with different individual characteristics affected differently by partitioned pricing vis-à-vis combined pricing? More interestingly – do the individual difference factors *always* drive the consumers to respond to partitioned pricing the same way? In sum, the research specifically investigates the role of the

characteristics of the surcharge and the individual difference characteristic – need for cognition, in consumer processing of partitioned price information versus combined price information.

The purpose of this dissertation is two-fold. First, the effects of perceived reasonableness versus unreasonableness of the surcharge are examined, which is the degree to which the consumer thinks that the surcharge is fair and acceptable. Further, when and how the magnitude of surcharge drives the consumers to respond in different ways to partitioned versus combined pricing is examined. Second, the moderating role of the individual difference factor - need for cognition is examined. Need for cognition is the willingness and motivation of an individual to engage in elaborate thinking. Some individuals are high in need for cognition while the others are low in need for cognition. In other words, if the difference in characteristics of consumers based on their need for cognition influences their evaluation of partitioned pricing versus combined pricing is examined.

It is proposed that compared to low need for cognition (LNFC) individuals, those with high need for cognition (HNFC) are more likely to be affected positively by partitioned pricing than by combined pricing when surcharges are perceived to be reasonable. However, it is unlikely for HNFC individuals to respond favorably to partitioned pricing in all situations since they are believed to engage in extensive and in-depth information processing. Therefore, it is proposed that when surcharges are perceived to be unreasonably high, partitioned pricing not only fails to influence HNFC individuals favorably but also it is less effective than combined pricing. In both conditions of reasonable and unreasonable surcharge, we expect similar effects of partitioned versus combined pricing on LNFC individuals. The theoretical framework supporting these proposals will be discussed in the consequent chapters.

The rest of the dissertation is organized as follows. In the next chapter, the limited state of research in the domain of partitioned pricing versus combined pricing is examined. Also, this chapter discusses the difference between partitioned pricing and partitioned presentation of prices for product bundles. The third chapter presents the conceptual model and discussion of how need for cognition and perceived reasonableness of surcharges may influence the effectiveness of partitioned versus combined pricing as strong moderators. The theoretical bases for the effects of partitioned pricing, combined pricing, need for cognition and reasonableness of surcharge are discussed next. Then two models that demonstrate the different processes adopted by the HNFC and LNFC individuals to evaluate an offer under the two different pricing strategies - partitioned pricing and combined pricing. This is followed by the hypotheses development. The fourth chapter discusses the three studies designed to examine these effects and their proposed methodology.

Three studies have been designed to examine the proposed hypotheses. Each of these three studies has two experiments - one for the reasonable surcharge and another for the unreasonable surcharge associated with partitioned pricing¹. These studies use different products and use different methods to manipulate perceived reasonableness of the surcharge. The manipulation of perceived reasonableness of the surcharge was accomplished in three ways – surcharge as a function of the percentage of the base price of the product, surcharge as a function of the weight/size of the product, and surcharge as a function of the delivery time of the product.

¹ A 2(partitioned pricing vs. combined pricing) X 2(low need for cognition vs. high need for cognition) design was used in the analyses for two experiments in each study – one for reasonable surcharge and the other for the unreasonable surcharge. A 2(partitioned pricing vs. combined pricing) X 2(low need for cognition vs. high need for cognition) X 2(reasonable surcharge vs. unreasonable surcharge) design for analyses of these studies was ruled out because the reasonable/unreasonable surcharge conditions applies only to partitioned pricing and not to combined pricing. A 3(partitioned pricing-reasonable, partitioned price-unreasonable, combined pricing) X (low need for cognition vs. high need for cognition) was also ruled out because the combined price could not be used as a control condition since it was not identical for both reasonable and unreasonable surcharge conditions in study one. Also, in study 2, product varied across the combined price conditions and in study 3 the time of delivery varied across the combined price conditions .

The three studies test for the moderating effects of need for cognition on perceived value of the offer and willingness to purchase the product separately when surcharge is perceived to be reasonable and when surcharge is perceived to be unreasonable.

The first study examines the moderating effects of NFC on consumer evaluation of partitioned pricing separately for reasonable and unreasonable surcharge conditions. An airline ticket purchase scenario was used in this study and perceived reasonableness of the surcharge was manipulated by varying the percentage of the surcharge as a function of the base price. Two 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs were used to test the proposed hypotheses.

The second study was designed to strengthen the results of the previous study by manipulating the perceived reasonableness of the surcharge differently. Assuming that surcharges like shipping and handling charges are a function of weight/size of the product, I decided to manipulate perceived reasonableness of the surcharge by using two different products. With the intent of varying the surcharge while keeping the combined price the same, two products that vary in their weight and size while having the same market prices were selected. This made it possible to achieve the goal of having one combined price while successfully manipulating the surcharge variation. Two experiments were conducted using the two different products representing the reasonable and unreasonable surcharge conditions. Two 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs were used separately for reasonable and unreasonable surcharges.

The third study has been designed to examine the effects of perceived reasonableness of the surcharge by keeping the base price, the surcharge, the combined price, as well as the product the same in both the experiments. This will be achieved by manipulating the perceived reasonableness of the surcharge for the same product based on its delivery time. Generally, shipping and handling charges are inversely related to the length of the delivery time. Therefore, what may be perceived as reasonable shipping and handling charge for an overnight delivery may not be perceived as such for 5-7 days or 7-10 days delivery.

The third study is intended to address any possible problems associated with the use of two different combined prices in the first study and the use of different products in the second study. In this third and final study, the effects of perceived reasonableness of the surcharge was examined by keeping the base price, the surcharge, and the combined price (different delivery time mentioned) the same, and by using a single product. Two 2(partitioned pricing vs. combined pricing) X 2(low need for cognition vs. high need for cognition) between subjects experimental design will be used separately for one-day delivery and 7-10 days delivery condition. The surcharge will be set such that it will seen reasonable for one-day delivery, but unreasonable for 7-10 days delivery.

The fifth chapter contains the results of the three studies followed by the sixth chapter that discusses the findings, the managerial and public policy implications and finally the limitations and the scope for future research are also discussed.

CHAPTER 2: LITERATURE REVIEW

2.1 Research Background

Firms often choose to present the price of a product in separate parts or as a single price of equivalent amount. The break-up of the total price into the base price of the product and a surcharge (e.g., shipping and handling charges, applicable taxes, processing fees) is referred to as partitioned pricing and the presentation of the total amount is referred to as combined pricing. Little research has been conducted to understand how consumers process partitioned price information and how this partitioned pricing strategy affects consumer evaluations.

Morwitz, Greenleaf and Johnson (1998) examined consumer decisions on partitioned pricing involving different products and types of surcharges. They propose that the consumers may use various strategies to process partitioned prices in retail advertisements. According to Morwitz et al. (1998), the strategy a consumer selects to process the partitioned price information will depend on his or her perception of the cost of the effort required to process the complete information and the benefit of the accuracy of calculation. People generate multiple strategies for dealing with decision tasks and these strategies differ in their expected advantages (benefits) and disadvantages (costs). The selection of the strategy involves the consideration of the anticipated benefits and costs of each strategy given a specific task (Payne, Bettman and Johnson 1992). Based on the cost/benefit perspective Morwitz et al. (1998) proposed three processing strategies of partitioned pricing. First, buyers may accurately perform the addition of the surcharge to the base price and calculate the total cost, which may require high cognitive effort. In this case, partitioned pricing should have no different impact on the consumer than combined pricing. Second, they may use heuristics rather than precise mental arithmetic (Hitch 1978). This implies that the consumer will integrate the two different pieces of information in a manner that will

result in a total price lower than the actual aggregate price. This process is explained by the anchoring and adjustment theory (Tversky and Kahneman 1974) which suggests that the buyer anchors on the piece of information that is considered to be most important and then adjusts insufficiently for one or more items in the decreasing order of perceived importance. This requires less cognitive effort than calculating the total cost. Finally, the surcharge may be ignored completely. The consumer may ignore the second piece of information either by not noticing it or by noticing it but not incorporating it to the base price.

Morwitz et al. (1998) study found that the most frequently used strategy to process partitioned prices is the heuristic strategy (54.8%) followed by a considerable proportion that completely ignored the surcharge (23.2%) and the rest used mathematical calculations (21.9%). They also suggest that the more complex the calculation (e.g. if surcharge is presented in percentage), fewer the number of people engaging in accurate mathematical calculation.

Overall, because some consumers are expected to use heuristics to process partitioned prices and others ignore the charges even if some use a calculation strategy, Morwitz et al. (1998) posit that, on average, the recalled total cost will be lower among consumers who see partitioned prices than among consumers who see the combined prices with equivalent total cost.

Morwitz et al. (1998) study the impact of partitioned prices on consumers' demand for products and their recalled total cost. The authors suggest that when recalled total cost decreases, the demand for the product will increase. However, the decrease should be within the consumers' latitude of price acceptance (Lichtenstein, Bloch, and Black 1988, Monroe 1971, 1973). The recalled total cost must be less than the high end of the latitude (the reservation price) and the base price must be greater than the low end of the latitude at which the consumer perceives that the product still has adequate quality.

The authors also examine the impact of the effort required to process partitioned prices on processing strategy, recalled total costs and demand. Following the cost/benefit framework, Morwitz et al. (1998) suggest that the effort required to process partitioned prices is a function of the firm's presentation of the partitioned price information. The firms may present the surcharge in dollar terms or as a percentage of the base price. They examine if the manner in which the partitioned prices are presented, especially the surcharge, influences the strategy consumers use to process them. The authors suggest that the more complicated the calculation seems, the more the consumers are likely to use the lower effort heuristics or ignoring strategies. Therefore, when the surcharge is presented as a percentage of the base price, consumers are more likely to use a heuristic or ignoring strategy to process the partitioned price, followed by a lower recalled cost and a higher demand as compared to when the surcharge is in a dollar amount.

Finally, Morwitz et al. (1998) study the impact of consumers' motivation to process partitioned prices on processing strategies, recalled total costs and demand. Once again, based on cost/benefit framework, they suggest that the consumer's a priori perceived likelihood of purchasing the brand will determine their motivation to process the product information. If the consumers believe that they are unlikely to purchase the brand, they are unlikely to perceive much benefit from expending the effort to process the information. On the other hand, consumers who are likely to buy a brand have little motivation to expend processing effort on information about it because it is unlikely that new information will influence their purchase decision. Therefore, consumers who are relatively uncertain a priori whether they will choose a brand are motivated to expend effort to process price information fully and accurately because there is a greater chance that the complete and accurate information will influence their purchase decision. The authors examine consumers' affect for a product's brand name relative to other brand names

in a consumer choice set as a factor that influences consumers' a priori perceived likelihood of purchasing a product. They suggest an inverted U relationship between consumers' relative brand name affect for a given brand and the probability that they will use a calculation strategy for partitioned prices. Morwitz et al. (1998) conducted two experiments to test their hypotheses. The first experiment was an auction scenario and the surcharge was a buyer's premium. The second experiment involved the selection of a particular brand of telephone from a choice of two from a mail-order catalog and the surcharge was the shipping and handling. Overall, their results suggest that partitioned pricing strategies can be effective in increasing demand for a product.

Their results raise interesting questions of how marketers can design optimal partitioned pricing strategies. Morwitz et al. (1988), imply that the proportion of consumers using heuristic or ignoring strategy instead of a calculation strategy may depend on the size of the surcharge relative to the base price. There may exist an optimal level of surcharge that maximizes the firm profits. They also suggest that the firm's fairness and honesty also may depend on the size of the surcharge. Moreover, the perceived fairness may depend on the stated purpose of the surcharge. These future investigations will need to study the impact of a larger range of surcharges (15% to 18.5% of the base was the typical range of surcharges in the marketplace). According to them, future studies should consider using multiple measures to determine how partitioned price information is encoded and stored in memory. Studies should ideally involve a greater cross section of respondent types and purchase situations.

Although research is very limited in the area of partitioned pricing, another research area, namely partitioned presentation of prices in the context of product bundles, has received extensive attention. The following section reviews the literature on product bundling. Although both the strategies – partitioned pricing and product bundling - include break up of the total price

into two or more parts, there are several grounds on which they can be categorized as completely different strategies.

2.2 Partitioned Pricing vs. Partitioned Presentation of Product Bundles

Partitioned pricing, as examined in this research, is distinct from partitioned presentation of prices in the context of product bundling (Chakravarti, Krish, Paul and Srivastava, 2002) or price bundling (Naylor and Frank, 2001) where price may be presented separately for each component of a multicomponent product bundle (e.g., a refrigerator, an icemaker and a warranty) or as one consolidated total price for the entire product bundle.

Product bundling has been defined as the practice of marketing two or more products and/or services in a single ‘package’ at a special price (Guiltinan 1987). Examples include meal special in restaurants, season tickets for entertainment performances, computer hardware and software combinations, airlines bundling vacation packages combining air travel with car rentals and lodging, Hotels offering weekend packages that combine lodging and meals at special rates, health clubs combining two or more activities at special rates, or car wash with a set of cleaning packages.

Product bundling has three alternative strategies of offering products or services (Schmalensee 1984). These strategies are pure components (all products and services are offered as separate items), pure bundling (mandatory components or package deal that consumers have to purchase together) or a mixed bundling (where products in the bundle are also sold separately). Previous literature on product bundling and partitioned presentation of product bundles has been based on both economic principles (Guiltinan, 1987) as well as psychological perspectives like Thaler’s (1985) analysis of mental accounting which extended prospect theory to explain how consumers encode compound events (Chakravarti et al. 2002, Soman and

Gourville 2001). Venkatesh and Mahajan (1993) propose a probabilistic approach to pricing a product/service bundle while Hanson and Martin (1990) propose an optimal bundle pricing model.

According to Guiltinan (1987), product bundling is based on a couple of managerial perspectives. First, service businesses generally incur little cost to provide any additional services with the core service and moreover service is also perishable in nature. Hence, product bundling is a way to achieve cost economies. Second, bundling helps to broaden a firm's relationship with its customers. Stigler (1968) was the one of the pioneers in this area of study. His model demonstrated that a customer will choose the product that will maximize his individual surplus i.e. the difference between what he is willing to pay vs. the price of the product. Adams and Yellen (1976) utilized Stigler's framework to show that firms would typically want to offer both the bundle and separately priced components (mixed bundling). This way the firms will be able to serve highly asymmetric demanders with the individual components while targeting the bundle components toward the more symmetric demanders (Hanson and Martin 1990).

The degree and type of complementarity among products/services in a bundle has also been an important issue in the price bundling literature (Guiltinan 1987, Oxenfeldt 1966). Complementary products in a bundle provides economies in time and effort from purchasing the products together, they enhance customers' level of satisfaction of one product with the other products and they also enhance overall image of the seller so that all products of the seller are valued more highly (Oxenfeldt 1966). Telser (1979) stressed that complementary products in a product bundle clearly enhances the chances that bundling is profitable. Mulhern and Leone (1991), also demonstrate how retailers can maximize profitability by exploiting the

interdependencies in demand for retail products. They also show that price bundling of related or complementary products positively influence sales.

The studies of Yadav (1994) suggested that people tend to examine bundle items in decreasing order of perceived importance and make adjustments to form overall evaluation of the bundle. He uses the anchoring and adjustment framework to explain the buyer evaluation of bundled offers. According to this model, the buyer selects one bundle item perceived as most important for the evaluation task and then subsequently evaluates the items remaining in decreasing order of perceived importance. More interestingly, Naylor and Frank (2001), examine the importance of an all-inclusive price bundle to consumers. They suggest that consumers consider *more* than just quality and price of the offer to develop perceptions of value. They suggest that consumers may not be displeased with the overall monetary cost but they might be displeased with the incompleteness of the bundle if they have to pay for unbundled items later. The inclusiveness of price bundle creates non-price savings (time and psychic costs) that manifests themselves in higher perceptions of value. There is a disappointment/delight was associated with the inclusiveness of the price bundle. In fact, their findings suggest that consumers would rather pay more for an all-inclusive package than deal with separate charges even if the initial bill is less. The importance of their study lies in their identification of the non-monetary measure as a significant predictor of offer value.

Although product bundling includes break up of the total bundle price into individual prices of the bundle components, partitioned pricing concept differs completely from price bundling concept on various grounds. The additional price components in product bundling can be either consumption related (e.g., icemaker) or performance related (e.g., warranty), while partitioned pricing involves the price of a single product and the surcharge is simply an

additional charge that comes inherently with the purchase of the product. Further, product bundling may have different forms like pure bundling (mandatory components or package deal that consumers have to purchase together) or a mixed bundling (where products in the bundle are also separately sold), but partitioned pricing of a single product does not involve any other product component and leaves the consumers with no options of avoiding the additional charges. Finally, product bundling is typically the strategy of marketing two or more products as a package at a special price, which is lower than the total price of the individual items if purchased separately. The special price tactic is not relevant for the partitioned pricing or the combined pricing strategy.

Some of the theories, like anchoring and adjustment, may overlap between price bundling and partitioned pricing, but the overall literature review of both the research areas suggests that they are completely different concepts. The present research focuses on only partitioned pricing issues. The contribution of this research lies in the identification of the boundary conditions for the effectiveness of partitioned versus combined pricing in retail advertising. Although partitioned pricing has been a prevalent strategy adopted by marketers, in this research it is argued that this strategy may not always result in more favorable responses relative to combined pricing. The second contribution of this research lies in the use of theoretical models such as the persuasion knowledge model (PKM) and characterization-correction model (CCM) and the introduction of cue diagnosticity to explain the effects of partitioned versus combined pricing.

CHAPTER 3: THE CONCEPTUAL MODEL AND HYPOTHESES

3.1 The Model

The conceptual model presented in Figure 3.1 depicts the relationship among the constructs examined in this study. As shown in the model, the effects of partitioned versus combined prices on perception of value of the offer and willingness to purchase the product are moderated by the consumers' need for cognition and is a function of perceived reasonableness of the surcharge. In this section I will discuss need for cognition and perceived reasonableness of surcharge as well as the theories that explain the effects of these two variables.

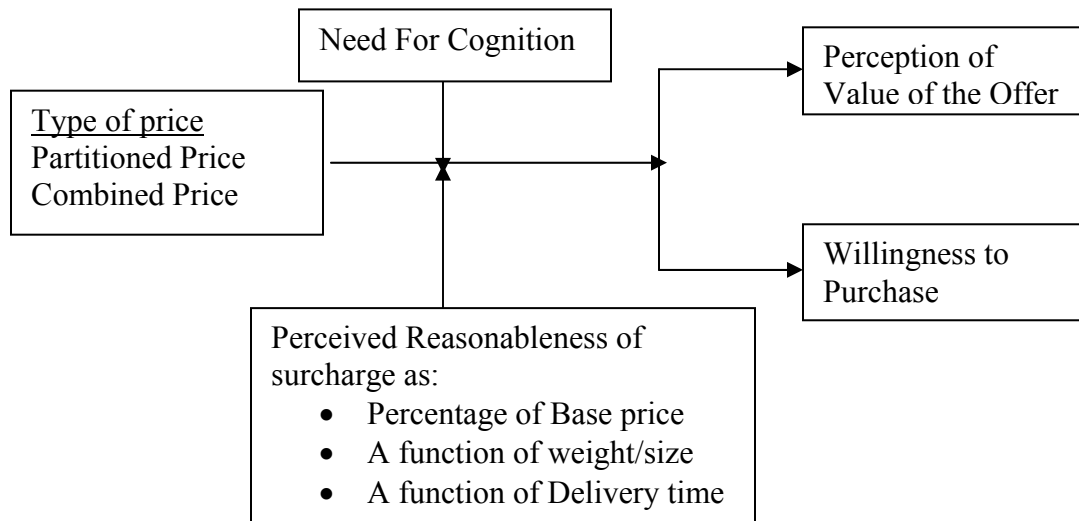


Figure 3.1 Conceptual Model of the Moderating Effects of NFC and Perceived Reasonableness of Surcharge on Perception of Value of the Offer and Willingness to Purchase

3.1.1 Partitioned Price versus Combined Price

The present research focuses on partitioning of the price of one product into its base price and the surcharge. Firms often choose to present the price in separate parts or as a single price of equivalent amount. The break-up of the total price into the base price of the product and a surcharge (e.g., shipping and handling charges, applicable taxes, processing fees) is referred to as

partitioned pricing and the presentation of the total amount is referred to as combined pricing. Little research has been conducted to examine the effects of partitioned pricing of a single product on consumer evaluations and little is understood about how the consumers process partitioned price information. Morwitz, Greenleaf and Johnson (1998), offered explanations of the different partitioned price processing strategies and stated that the selection of a particular strategy in a partitioned pricing context depends on the consumer's perception of the effort versus the accuracy of applying each strategy. According to Morwitz et al., even if the consumers use different strategies, on average partitioned pricing will lead to higher demand for the product than combined pricing. In the present research, it is proposed that partitioned pricing may not always have a favorable impact on consumer evaluation of the offer because of their difference in individual characteristics such as need for cognition, or surcharge related characteristics such as perceived reasonableness of the surcharge. These moderating variables are discussed in the next two sections.

3.1.2 Need for Cognition

Need for cognition is defined as “the tendency of individuals to engage in and enjoy thinking” (Cacioppo and Petty 1982, pg. 116). Persuasion literature shows that high or low need for cognition can account for inconsistent effects of persuasion (Cacioppo, Petty and Morris, 1983, Cacioppo, Petty, Kao, and Rodriguez 1986). HNFC individuals are motivated to seek out and elaborate on relevant information. They also analyze and process discrete pieces of information completely and their evaluation is likely to be very different from LNFC individuals who evaluate a product by relying on easily processable cues in the ad (Zhang 1996).

Petty and Cacioppo (1982) have demonstrated that need for cognition moderates the route to persuasion. High need for cognition individuals are highly motivated to engage in processing

additional issue relevant information than the individuals who are low in need for cognition. Inman, McAlister and Hoyer (1990) note that while low NFC consumers need a reason (e.g., a promotional signal) to purchase a product, high NFC consumers need a *good* reason (e.g., a concomitant price cut) to do the same. In other words, low NFC consumers are likely to employ less complex decision rules or heuristics than do high NFC consumers (Inman et al. 1990). This implies that LNFC individuals, instead of ignoring the cues, are likely to use the available cues in a way that makes their decision making simpler. The findings of Inman et al. (1990) indicate that although the LNFC individuals focus on the relevant cues, they attempt to minimize cognitive effort by not making the necessary inferences that HNFC individuals successfully make due to in-depth cognitive processing.

3.1.3 Perceived Reasonableness of the Surcharge

The second factor is perceived reasonableness of the surcharge in the context of partitioned pricing. Perceived reasonableness of the surcharge is defined as the degree to which the respondents think the surcharge is fair and acceptable. While there is much variability in individual responses to price (Monroe 1971, Monroe 1973), it is the psychological reaction to price that determines consumers' evaluations of an offer. One way that consumers react to prices is on the basis of their judgment of perceived fairness or reasonableness of the price. According to the fair price theory, consumers have some preconceived ideas about what is a fair price for a given item and they are willing to pay this price or a lower price (Kamen and Toman 1970). Consumers are able to make these judgments based on their internal reference prices or price ranges (Monroe 1973, Thaler 1985, Lichtenstein and Bearden, 1989). The prices above the internal reference price range are judged to be high and prices below it are judged to be low (Lichtenstein and Bearden, 1989). Moreover, consumers sometimes think about why a certain

price was set and make inferences about a firm's motive for charging an unreasonably high price. These inferences may further influence perceptions of price fairness and any perceived unfairness might affect the firm negatively (Campbell 1999) and lead to reduced shopping intentions (Campbell 1999). However, some researchers have suggested that judgments of fairness of a price may not necessarily make it acceptable. What makes the price acceptable is its position vis-à-vis a range of acceptable prices stored in the consumers' memory (Lichtenstein, Block and Black, 1988).

Overall, perceptions of price fairness and acceptability are undoubtedly important elements that are considered by consumers in determining reasonableness of an offer or a surcharge associated with the offer. However, need for cognition may influence the perceptions of fairness and acceptability and therefore, reasonableness of a price. It may be reasonable to assume that individuals high in need for cognition will have a more accurate perception of, or be able to better judge the reasonableness of the given price as compared to the individuals low in need for cognition. It is also reasonable to assume that individuals high in need for cognition are likely to assess the diagnosticity of the surcharge, and therefore are more likely to be affected by the reasonableness of the surcharge. Perceived reasonableness of the surcharge will be manipulated by using three different methods in the three studies. These will be discussed in details in the consequent chapters.

3.1.4 Perception of Value of the Offer and Willingness to Purchase

According to an overall definition provide by Zeithaml (1988), perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. In other words, it is the tradeoff between benefits and costs.

Perceived transaction value, perceived merit of the deal or happiness from savings all represent an affective evaluation of monetary savings (Naylor and Frank, 2001).

Willingness to purchase the product has been defined as the likelihood that the buyer intends to purchase the product (Dodds, Monroe, and Grewal 1991). All things equal, buyer's willingness to purchase is positively related to the perceptions of value of the offer.

3.2 Theoretical Bases for the Effects of Partitioned Pricing, Combined Pricing, Need for Cognition and Reasonableness of Surcharge

3.2.1 Cue Diagnosticity

Morwitz et al. (1998) suggested that while some consumers may give equal weight to the base price and the surcharge, others may weigh these components differently. The study posits that it is the perceived utility (*diagnosticity*) of the surcharge versus the base price that determines the weight assigned to these components in situations where consumers decide to weigh the two components differently. It is proposed that, while it may be the completeness or the accuracy of processing the surcharge that influences the recalled aggregate cost, it is the perceived *diagnosticity* of the surcharge versus the base price which influences the use of the price components in judging the value of the offer for the product. In discussing the relative diagnosticities of inputs or cues, Lynch, Marmorstein and Weigold (1988), state, "an input is diagnostic for a judgment or decision to the degree that consumers believe that the decision implied by that input alone would accomplish their decision goals (e.g., maximize utility, choose a justifiable alternative, and so on)." The authors also argue that as the perceived diagnosticity of an input or cue increases, the perceived diagnosticity of the second input or cue decreases. It is posited that diagnosticity of the surcharge vis-à-vis the base price is likely to be a function of the perceived reasonableness of the surcharge. Extending the line of reasoning offered by Lynch et al., (1988), it is argued that perceived utility or diagnosticity of the surcharge vis-à-vis the base

price is likely to increase when it is perceived to be unreasonably high and the surcharge becomes a more salient cue in the decision-making process. Additionally, need for cognition, is likely to determine whether the surcharge will be utilized in assessing the value of the offer and if so, how it will be utilized.

3.2.2 Characterization and Correction Model

While cue diagnosticity determines the weight assigned by the consumer to the base price vis-à-vis the surcharge, characterization and correction model explains their reactions to a perceived reasonable vs. unreasonable surcharge. *Characterization-correction model* was proposed and tested by Gilbert 1989. The model holds that people tend to engage in a two-stage process when exposed to information. The first stage is the characterization stage, which requires little effortful processing. The cognitions related to the message claims are easily accessible and this stage normally results in an initial acceptance of the message claims. If people choose to engage into further elaborate processing, they will enter the correction stage where they will assess other aspects of the message to decide if they should discount the claims. If they choose not to enter this stage and remain in the characterization stage, they are likely to end up accepting those claims, which they would have otherwise discounted (Shiv et al. 1997).

According to characterization-correction model, subjects who are more involved and ready to put in more cognitive effort will choose to go beyond the message claims and look into other related factors that may affect their decision (Shiv et al. 1997). HNFC individuals will consider the claim more thoroughly and elaborately than the LNFC individuals and thus, will enter the correction stage. The outcome of this correction is always in one direction - away from assimilation (Petty and Wegener, 1993). At lower levels of involvement, it is more of an automatic perceptual process rather than an inferential process implying that they have remained

in the characterization stage since they do not elaborate on the advertised message. Therefore, it may be argued that, the HNFC consumers will consider the claim more thoroughly than the LNFC consumers, and thus, will enter the correction stage and negatively evaluate the offer when necessary.

3.2.3 Anchoring and Adjustment Model

While the responses of consumers to partitioned price information can be explained by characterization and correction model, their response to a combined price may be explained by the anchoring and adjustment theory. *Anchoring and adjustment* heuristic (Tversky and Kahneman 1974) enables buyers to accomplish a variety of evaluation tasks.

According to Yadav (1994), anchoring and adjustment involves constructing an initial assessment that is followed by insufficient adjustments of one or more further information. This framework has proved applicable in several types of judgment tasks. A number of integration and adjustment processes have been suggested in the past, such as averaging (Lopes, 1985), insufficient adjustment (Tversky & Kahneman, 1974), and adjustments until people are just within the range of plausible values (Quattrone, Lawrence, Finkel & Andrus, 1984). Wilson, Houston, Etling and Brekke (1996), have predicted that basic anchoring may occur unintentionally and non-consciously, however, anchoring effects may be difficult to avoid even when people are aware of its occurrence. Yadav (1994) uses Lopes' (1982) model of anchoring and adjustment in the context of product bundling. Three stages of Lopes' model have been identified as scanning, anchor selection and anchoring and adjustment.

According to Northcraft and Neale (1987), even experts' judgments are likely to be influenced by anchors even when the anchors are uninformative. When HNFC individuals are exposed to an all-inclusive combined price, they are uncertain about the portion of the total price

associated with the product. In this situation HNFC individuals may tend to make an estimate of the base price of the product which will be biased in the direction of the all-inclusive combined price and assume a lower shipping & handling charge as explained by the anchoring and adjustment framework.

3.2.4 Persuasion Knowledge Model

The overall response of the HNFC individuals to partitioned pricing may be explained by the persuasion knowledge model. According to the PKM “...people’s persuasion knowledge is developmentally contingent” (Friestad and Wright 1994; pg. 1). Consumers develop knowledge about marketing persuasion attempts and various advertising tactics and learn how to respond to these tactics based on their perceived appropriateness (Friestad and Wright 1994; Shiv, Edell and Payne 1997). Based on their knowledge, consumers may question the motives of advertisers. In other words, consumers interpret the persuasion attempts and are able to explain the advertiser’s motivation, employ various coping strategies to avoid being unduly influenced and thereby develop and maintain valid attitudes (Jain and Posavac 2004). It is reasonable to assume that appropriate use of available cues for coping with an advertising message may depend to a large extent on the consumers’ knowledge and beliefs about persuasion attempts.

Applied to partitioned pricing or combined pricing, PKM implies that HNFC individuals will be involved in a deliberative processing of advertised message and examine the price cues to decide on a processing strategy. Specifically for partitioned pricing where more than one price cue is provided, individuals need to decide if characteristics of each the price cue should be evaluated separately or if they should be combined to be evaluated in the decision process. For combined pricing, since one price cue is provided, individuals may not face the same dilemma

but based on PKM they may go through the cognitive process of estimating a base price to evaluate the offer.

In case of partitioned pricing, HNFC individuals may evaluate the two price cues separately. They are likely to view the reasonable or fair surcharge as an acceptable and inherent expense associated with the purchase situation and therefore not a very diagnostic cue for decision-making. On the other hand, when consumers perceive a surcharge as unreasonable, they react adversely even when the base price of the product is acceptable. While this discretion is likely to vary between HNFC and LNFC individuals, perception of reasonableness/unreasonableness of surcharge per se is a function of consumer's reference point for the surcharge. There is ample evidence in pricing literature that consumers compare external prices with internal reference points (Della Bitta, Monroe, and McGinnis 1981, Monroe 1977).

3.2.5 Processing of Partitioned Pricing versus Combined Pricing

The theories discussed in the previous section provides the bases on which the evaluation processes adopted by the HNFC and the LNFC individuals are developed when they are exposed to partitioned versus combined prices as demonstrated in Figure 3.2 and Figure 3.3.

The processing of the price information begins with the exposure of the buyers to the two types of price information. Figure 3.2 depicts the processing of partitioned pricing and combined pricing by the HNFC individuals. The right hand side of Figure 3.2 depicts the processes that the HNFC individuals are likely to adopt when exposed to combined price while the left hand side of the diagram depicts the processes likely to be followed by the HNFC individuals when exposed to partitioned price. Different theories of persuasion explain each step of the processes likely to be followed by HNFC individuals.

When the HNFC individuals are exposed to the combined price, they are likely to either focus on this amount to judge the value of the offer or decide to treat the two price components separately since surcharge may be considered an inherent expense associated with the transaction and not the product. In the latter situation, HNFC individuals may estimate a base price of the product from the combined price provided in the ad and subsequently, focus on this estimated amount to judge the value of the offer. According to anchoring and adjustment theory, the estimated base price will be biased towards the combined price and the balance will reflect a minimal level of surcharge. Therefore, in the combined pricing situation, the HNFC consumers judge the value of the offer based on either the combined price or on the estimated base price.

The left hand side of Figure 3.2 depicts the processes likely to be adopted by the HNFC consumers when they are exposed to the partitioned prices. There are two possible alternatives that the HNFC individuals may select from. First, they may either decide to add the two prices and judge the value of the offer based on the total price. The second alternative, which is more likely to be adopted, is for the HNFC consumers to keep the price of the product separate from the surcharge. They will follow a more elaborate processing strategy and critically evaluate each component separately in the partitioned pricing condition. The HNFC individuals are likely to focus more on the base price of the product to judge the value of the offer if they perceive the surcharge to be reasonable. This is explained by the concept of cue diagnosticity and persuasion knowledge model (PKM). Based on PKM (and the concept of reference points), it is argued that HNFC individuals are likely to view the reasonable surcharge an inherent expense associated with the transaction which should not be included in the evaluation of the offer. Consequently, the base price will be viewed as the diagnostic cue and used to evaluate the offer.

When surcharge is unreasonable, the diagnosticity or salience of the surcharge increases and the surcharge is used along with the base price in assessing the offer. The HNFC consumers may evaluate the offer unfavorably because of the perceived unreasonableness of the surcharge. This phenomenon can be explained by the characterization-correction model. As noted before, the CCM suggests that if people choose to engage into further elaborate processing, they will enter the correction stage where they will assess other aspects of the message to make their purchase decision. Much as the HNFC consumers appreciate the clear break up of information when the surcharge is reasonable, the unreasonable surcharge has a boomerang effect on them and they draw inferences about the firm's motives from the unreasonably high surcharge amount. They enter the correction stage and negatively evaluate the offer. Therefore in the partitioned pricing condition, the HNFC consumers may either judge the value of the offer based on the total price or on the base price only. The theoretical explanation indicates that the latter is more likely to happen.

Figure 3.3 demonstrates the processes adopted by the LNFC individuals when exposed to partitioned pricing and combined pricing. As shown in the figure, the evaluation processes of LNFC individuals in both pricing conditions are similar. When the LNFC individuals are exposed to a combined price, they simply evaluate the combined price to make judgments about the offer. When they are exposed to partitioned pricing, LNFC individuals in an attempt to avoid elaborate processing of information are unlikely to critically evaluate the price components separately. So, LNFC individuals will include the surcharge in their evaluation of the offer and focus on the total expense to be incurred in the transaction. Consequently, their response to partitioned pricing will be similar to their response to combined pricing.

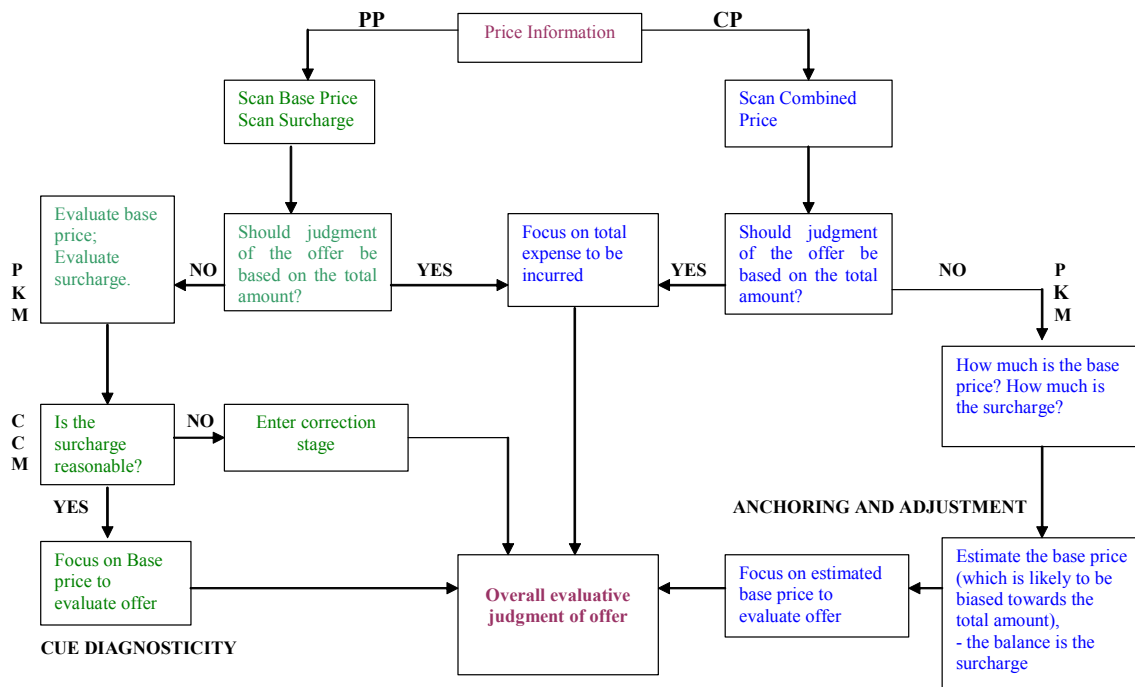


Figure 3.2 Processing of Partitioned Pricing and Combined Pricing by HNFC Consumers

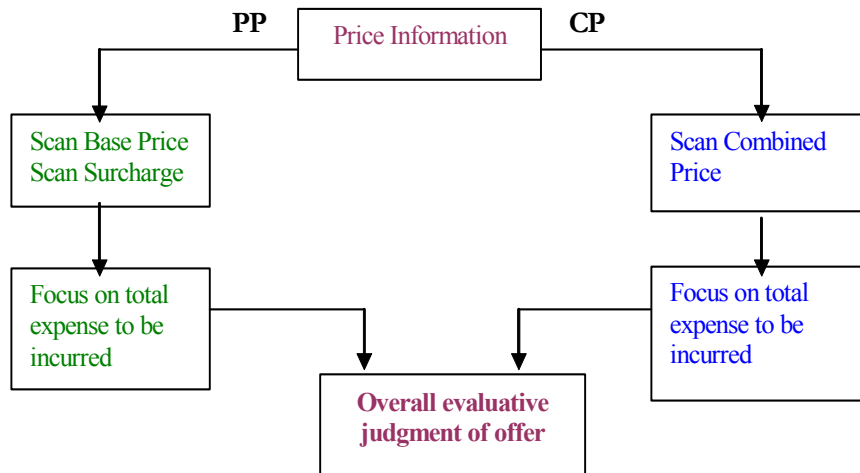


Figure 3.3 Processing of Partitioned Pricing and Combined Pricing by LNFC Consumers

Overall, Figure 3.2 and Figure 3.3 demonstrate that both HNFC and LNFC individuals are likely to process the surcharges. HNFC individuals in general are more likely to keep the reasonable surcharges separate from the base price while attempting to assess the value of the offer for the product, resulting in positive or negative effects of partitioned pricing versus combined pricing based on the reasonableness of the surcharge. LNFC individuals may not experience the differential effects of partitioned pricing to the same extent as the HNFC because they evaluate the offer on the basis of the total cost both in the partitioned and combined pricing condition.

3.3 Hypotheses Development

Hypotheses development is discussed following the evaluation process as illustrated in Figure 3.2 and Figure 3.3. Let us assume a purchase situation of a product. The price information includes a base price of the product and shipping and handling charge as the surcharge. In the context of partitioned price, high need for cognition individuals are likely to process and evaluate price information in addition to the base price of the product such as the shipping and handling charges. They are also capable of accurately calculating the total outlay for the transaction by combining the base price with additional price information. Despite their capability to engage in accurate calculations, it is suggested that HNFC individuals are not likely to consider the surcharge when evaluating the offer, in certain circumstances. For example, they are not likely to factor in the shipping and handling charges when judging the value of the offer for the product when they perceive these charges to be reasonable. Although from the economic perspective this behavior may be irrational, this kind of consumer reaction may be explained by the persuasion knowledge model (PKM), which suggests that consumers develop knowledge of how to cope with different advertising tactics overtime. The context of partitioned pricing, it may be inferred that consumers are likely to assess the fairness and manipulateness of persuasion tactics in

copied with price cues. It is argued that due to more refined and deliberative processing, HNFC individuals are likely to view the reasonable or fair surcharge as an acceptable and inherent expense associated with the purchase situation and consider it as less diagnostic. Consequently, HNFC individuals are more likely to focus on the base price as the primary cue, and not the total outlay, to judge the value of the offer for the product.

HNFC individuals exposed to an all-inclusive combined price are likely to be uncertain about the portion of the total price associated with the product. In this situation HNFC individuals may tend to associate a higher base price to the product and assume a lower shipping & handling charge. This outcome may be explained by the anchoring and adjustment framework which suggests that even experts' judgments are likely to be influenced by anchors, even when the anchors are uninformative (Northcraft and Neale 1987). In other words, the estimate of the base price of the product will be biased in the direction of the all-inclusive combined price. Consequently, for HNFC consumers, exposure to a combined price is likely to result in a lower perception of value of the offer for the product as well as lower willingness to purchase the product.

For LNFC individuals there may be several possibilities in terms of processing partitioned pricing. First, the LNFC individual, considered a cognitive miser, may not notice the surcharge (reasonable or unreasonable) at all. This will lead to partitioned pricing resulting in higher perceptions of value of the offer compared to combined pricing.

However, this possibility is unlikely even for LNFC individuals when the base price and the shipping and handling charges are reasonably contiguous to each other in print, or when the shipping and handling charges presented verbally along with the base price of the product.¹

¹ In the first study, an examination of the manipulation check question in which asked the respondents to recall whether the shipping and handling charges were included in the price of the product or presented separately from the

Additionally, an individual requires expending substantial cognitive effort in order to completely eliminate or ignore a readily available piece of information based on its diagnosticity and, therefore, whether or not this extra information may lead to a better judgment. It is posited that LNFC individuals are not likely to expend this amount of cognitive effort. Inman et al. (1990) note that LNFC individuals react positively to promotional signals combined with a real price cut as well as only to promotional signals. LNFC individuals react positively to only promotional signals because they do not expend any additional cognitive effort in assessing whether the promotional cue is associated with a real price reduction. It seems that ignoring a promotional cue even when the cue may not lead to a better decision requires more cognitive investment on the part of the LNFC individuals than simply incorporating the information as a heuristic cue to arrive at a decision. Similarly in the context of partitioned pricing, LNFC individuals may avoid undergoing the undesirable complex process of analyzing the relevance of the surcharge for judging the value of the offer.

Assuming that it is difficult to completely ignore the additional charges due to their physical proximity to the base price and due the cognitive effort needed to make the decision to ignore a readily available piece of information, the second possibility may be accurately adding the exact amount of shipping and handling charges to the base price to calculate the total cost. While this process may seem to require considerable cognitive effort, this effort is possibly less than the effort required to eliminate a price component based on judgments related to its diagnostic value. In this case, since LNFC individuals are not ignoring the surcharge, partitioned

advertised price of the product, revealed that in each experiment only one respondent missed the shipping and handling charges in the partitioned pricing condition and the respondent was an LNFC individual in both cases. However, in the second study, an examination of similar manipulation check question revealed that in each experiment only one LNFC respondent missed the shipping and handling charges in the partitioned pricing condition – the same as the number of HNFC respondents.

pricing may result in perception of value of the offer as well as willingness to purchase, similar to that created by combined pricing.

A more plausible alternative is that the LNFC individuals may use simplifying heuristics- which may require less cognitive effort than calculating the exact total cost - to incorporate these additional charges in their judgment of the offer value (Hitch 1978). One such heuristic may be rounding the shipping and handling charges and the base price to estimate the total cost. This is likely to result in similar effects of partitioned and combined pricing. Another possible heuristic that may be used by the LNFC individuals is to use the base price as the anchor due to its greater magnitude and salience to arrive at a judgment related to the value of the offer and then incorporates any additional information. Generally, in the process of using a simplifying heuristic the decision maker often overweighs the anchor information and makes insufficient adjustments for any additional information (Jacowitz and Kahneman 1995, Morwitz et al. 1998, Wilson, Houston and Brekke 1996, Tversky and Kahneman 1974). Consequently, the heuristic processes will result in higher perception of value of the offer from partitioned pricing compared to combined pricing and therefore a higher willingness to purchase the product.

Overall, when the surcharge is perceived to be reasonable, HNFC are more positively influenced by partitioned pricing than by combined pricing. The LNFC consumers will not respond similarly to the HNFC consumers. In attempting to avoid expending the cognitive effort necessary to determine the diagnosticity of the surcharge, the LNFC individuals may simply incorporate the surcharge in the total cost. This is likely to result in similar effects of partitioned and combined pricing. Consequently it is hypothesized that:

H1: Compared to a combined price, a partitioned price will result in higher perception of value of the offer for HNFC individuals than for LNFC individuals when shipping and handling charges are perceived to be reasonable.

H2: Compared to a combined price, a partitioned price will result in higher willingness to purchase for HNFC individuals than for LNFC individuals when shipping and handling charges are perceived to be reasonable.

Next, I posit that in case of unreasonably high shipping and handling charges the effects of partitioned (compared to combined) pricing will be reversed for HNFC individuals. As discussed earlier, HNFC individuals exposed to an all-inclusive combined price (the control group for both studies) are likely to be uncertain about the portion of the total price associated with the product, resulting in the estimate of the base price of the product being biased in the direction of the all-inclusive price. Uncertainty about the base price of the product or the biased estimate of the base price may result in a negative effect of combined pricing on HNFC individuals' perception of value of the offer and willingness to purchase the product. However, these negative effects may not be as strong as the negative effects triggered by exposure of the consumer to an unreasonably high shipping and handling charge associated with the offer.

While HNFC individuals may appreciate the clear and specific break-up of the price information into the actual price of the product and the shipping and handling charges in case of partitioned pricing, they are likely to seriously question the fairness of the shipping and handling charges when these charges are perceived to be unreasonably high. Consequently, when shipping and handling charges are perceived to be unreasonably high, HNFC individuals are likely to view the surcharge as an unfair expense associated with the purchase and react negatively to the offer. Therefore for HNFC individuals, perception of value of the offer and willingness to purchase is likely to be unfavorably affected.

HNFC individuals' reactions to unreasonable shipping and handling charges can be explained by the characterization-correction model (CCM) (Gilbert 1989). According to the CCM subjects who are more involved and ready to put in more cognitive effort are more likely

to enter the correction stage and use other factors to reach a decision. In the context of partitioned pricing, HNFC individuals are more likely to realize the unfairness of the excessively high surcharge, enter the correction stage, and negatively react to the surcharge in particular and the offer in general. On the other hand, LNFC individuals are unlikely to enter the correction stage and instead focus on the total expense that would incur for the purchase. Hence, they are not expected to react differently to an unacceptably high surcharge. Consequently, it is hypothesized that:

- H3:** Compared to a combined price, a partitioned price will result in lower perception of value of the offer for HNFC individuals than for LNFC individuals when shipping and handling charges are perceived to be unreasonably high.
- H4:** Compared to a combined price, a partitioned price will result in lower willingness to purchase for HNFC individuals than for LNFC individuals when shipping and handling charges are perceived to be unreasonably high.

CHAPTER 4: METHODOLOGIES FOR THE EMPIRICAL STUDIES

4.1 Study 1

The first study tests for the moderating effects of need for cognition on consumer evaluation of partitioned pricing separately for reasonable and unreasonable surcharge conditions in the two experiments. The results demonstrate that the partitioned pricing strategy leads to a higher perception of value of the offer and a higher willingness to purchase as compared to the combined price when the surcharges are perceived to be reasonable and that the effects of partitioned pricing are reversed when the surcharge is perceived as unreasonable.

4.1.1 Methodology

Two 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs were used separately for reasonable and unreasonable surcharges. Partitioned pricing was operationalized by providing respondents with a base price and a separate surcharge, which was reasonable for one condition and unreasonable for the other. Combined pricing was operationalized by providing respondents with a single price including the surcharge. Need for cognition was assessed by asking subjects to complete a standard 18-item Need for Cognition Scale (ranging from -4 to +4) developed by Cacioppo, Petty and Kao (1984). The study designs as analyzed are presented in Figure 4.1 and 4.2.

The product selected for this study was an airline ticket from Baton Rouge, Louisiana to Tampa, Florida and the surcharge consisted of applicable taxes and the travel agent's processing fees. Each respondent received a questionnaire which contained instructions on the first page followed by a single-page print information of an airline ticket as faxed by the travel agent, measures for perception of value of the offer and willingness to purchase the product,

manipulation check and assumption check measures, measures for perceived reasonable/unreasonable surcharge and an 18-item need for cognition scale. Each subject was instructed to circle their responses on seven-point scales for the dependent variables of perception of value of the offer and willingness to purchase the product and on nine-point scales for NFC.

	Combined Price	Partitioned Price
High Need for Cognition	\$288.50	Base Price: \$249.00 Surcharge: \$39.50
Low Need for Cognition	\$288.50	Base Price: \$249.00 Surcharge: \$39.50

Figure 4.1: Design for Study 1 - Reasonable Surcharge Condition

	Combined Price	Partitioned Price
High Need for Cognition	\$328.50	Base Price: \$249.00 Surcharge: \$79.50
Low Need for Cognition	\$328.50	Base Price: \$249.00 Surcharge: \$79.50

Figure 4.2: Design for Study 1 - Unreasonable Surcharge Condition

The respondents were exposed to the price information of the airline ticket in details along with other relevant information and were informed that the detailed itinerary was not included in the questionnaire. In the *reasonable surcharge experiment*, half of the subjects were

exposed to a ticket price of \$249.00 and an additional \$39.50 as taxes and processing fee (around 16 percent of the base price) while the other half were given a price of \$288.50 for the flight, including taxes and the processing fee for the ticket. In the *unreasonable surcharge experiment*, half of the subjects were exposed to a ticket price of \$249.00 and an additional \$79.50 as taxes and processing fee (around 32 percent of the base price) while the other half viewed the combined price of \$328.50 for the flight, including taxes and processing fee for the ticket. The price of the ticket as well as the taxes and processing fee that were used for the experiment were based on current airline websites. The unreasonably high surcharge was set at \$79.50, almost twice the average surcharge for the range of ticket price used in this study.

4.2 Study 2

The second study examined the effects of the same moderators using a different manipulation of the perceived reasonableness of the surcharge. Generally, postage and handling charges are a function of the weight/size of the package. This led us to use weight/size of the product to manipulate perceived reasonableness of the surcharge. Further, using this factor to manipulate perceived reasonableness of surcharge allowed us to use a single surcharge amount and the same combined price for both experiments. Two products (DVD Player and 35mm compact point-and-shoot camera) were selected that vary in their weight and size while having the similar market prices. This allowed us to achieve the goal of having one combined price while successfully manipulating the surcharge variation as well as make the findings of the previous study stronger.

4.2.1 Methodology

Similar methods as study one were used to examine the effects of reasonable and unreasonable surcharges on HNFC and LNFC individuals. Two experiments were conducted

using the two different products. Two 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs were used separately for reasonable and unreasonable surcharges. Partitioned pricing was operationalized by providing respondents with a base price and a separate shipping and handling charge, while combined pricing was operationalized by providing respondents with a single price including shipping and handling charge. Need for cognition assessment will be the same standard 18-item Need for Cognition Scale developed by Cacioppo, Petty and Kao (1984). Undergraduate students were used as subjects. Subjects were assigned at random to the two experimental groups.

Each respondent received a questionnaire which contained instructions on the first page followed by a single-page print advertisement of a DVD player (in the reasonable surcharge experiment) or a 35mm compact point-and-shoot camera (in the unreasonable surcharge experiment). Next, there were measures for perception of value of the offer and willingness to purchase the product, manipulation check and assumption check measures, measure of reasonableness of surcharge and an 18-item need for cognition scale. A measure was also included to determine the respondent's degree of agreement/disagreement with whether the shipping and handling charges for a product purchased depend on the weight/size of the product and that the shipping and handling charge for a regular sized DVD player is likely to be higher than that of a regular 35mm compact point-and-shoot camera. Seven-point scales were used for the above measures (1=Strongly disagree and 7=Strongly agree). Subjects were instructed to circle their responses on seven-item scales used to measure the dependent variables and their need for cognition on a nine-item scale.

A DVD Player and a 35 mm compact point-and-shoot camera were used for the two experiments in Study 2. To determine the prices and the surcharge amount used for the experiments, current retail websites were searched thoroughly. The respondents in the first experiment (reasonable surcharge) were exposed to the advertisement containing a picture of a DVD player, information about its features, and its price. Half of the subjects were exposed to a price of \$169.99, including shipping and handling charges for the DVD player while the other half were exposed to a base price of \$149.99 for the DVD player and an additional \$19.99 as shipping and handling charges. The price of the DVD player and the shipping and handling charges used for the experiments were based on information from twenty retail websites. The \$19.99 shipping and handling charge was determined by averaging the regular shipping rates for twenty different DVD players (ranging in price from \$134.95 to \$209.00; average price \$169.12) advertised at twenty randomly selected e-tail sites. The shipping and handling rates for the twenty DVDs ranged from \$10.76 to \$30.18 with an average of \$19.53.

In the second experiment (unreasonable surcharge), a 35mm compact point-and-shoot camera, which is substantially smaller in size and weight than a DVD player, was used as a product in order to make the \$19.99 shipping and handling charge (used for the DVD player) seem unreasonably high. Half of the subjects were exposed to a price of \$169.99, including shipping and handling charges for the camera while the other half were given a base price of \$149.99 for the camera and an additional \$19.99 as shipping and handling charges.

	Combined Price	Partitioned Price
High Need for Cognition	\$169.99	Base Price: \$149.99 Surcharge: \$19.99
Low Need for Cognition	\$169.99	Base Price: \$149.99 Surcharge: \$19.99

Figure 4.3: Design for Study 2 - Reasonable Surcharge Condition – DVD Player

	Combined Price	Partitioned Price
High Need for Cognition	\$169.99	Base Price: \$149.99 Surcharge: \$19.99
Low Need for Cognition	\$169.99	Base Price: \$149.99 Surcharge: \$19.99

Figure 4.4: Design for Study 2 - Unreasonable Surcharge Condition - Camera

The price of the camera and the shipping and handling charges used for the experiment were similarly based on twenty current e-tail websites. The \$19.99 shipping and handling charge was determined as unreasonably high by averaging the regular shipping rates for twenty different cameras (ranging in price from \$97.00 to \$212.00; average price \$162.32) advertised at twenty randomly selected e-tail sites. The shipping and handling rates for the twenty cameras ranged from \$5.40 to \$14.71 with an average of \$9.01. The unreasonably high shipping and handling charge was set at \$19.99, more than twice the average charge for the type of camera used in this study. The Study designs as analyzed are presented in Figure 4.3 and Figure 4.4.

It should be noted that the prices were kept constant across the two experiments to examine the effects of partitioned versus combined pricing at different levels of shipping and handling charges. Consequently, the product had to be changed in the second experiment to make the shipping and handling charges seem unreasonably high relative to the size/weight of the product. As discussed before, I believe this is ecologically valid because shipping and handling charges are determined by the size/weight of the shipment.

4.3 Study 3

The first study involved two different combined prices in the two experiments and the second study involved two different products in the two experiments. The third study was designed to examine the effects of perceived reasonableness of the surcharge by keeping the base price, the surcharge, the combined price, as well as the product the same in both the experiments. The third and final study intends to make the previous findings more robust with a different manipulation method for the surcharge.

Manipulation of the perceived reasonableness of the surcharge for the same product in the two experiments was based on its *delivery time*. Generally, the amount of shipping and handling charges are inversely related to the length of the delivery time. Therefore, what is perceived as reasonable shipping and handling charge for an overnight delivery may not be perceived as such for 5-7 days or 7-10 days delivery. In the reasonable surcharge condition the stated shipping and handling charge was used for a one-day priority mail delivery while in the unreasonable surcharge condition the *same* shipping and handling charge was used for a delivery period of 7-10 days.

4.3.1 Methodology

Two 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs were used separately for one-day and 7-10 days delivery times for the third study. Partitioned pricing was operationalized by providing respondents with a base price and a separate shipping and handling charge, while combined pricing was operationalized by providing respondents with a single price including shipping and handling charge. Need for cognition assessment was the same standard 18-item Need for Cognition Scale developed by Cacioppo, Petty and Kao (1984). The booklet, its content, and the measures were very similar to those used in the previous studies and in addition, the measures for evaluating the processes of HNFC and LNFC consumers were included. A different product, personal digital assistant (PDA), was used in study 3 and a PDA model with similar price as the previous study was selected for consistency. Undergraduate students were assigned at random to the treatment conditions in the two experiments.

	Combined Price	Partitioned Price
High Need For Cognition	\$219.98	Base Price: \$199.99 Surcharge: \$19.99
Low Need For Cognition	\$219.98	Base Price: \$199.99 Surcharge: \$19.99

**Figure 4.5: Design for Study 3 - Reasonable Surcharge Condition
Delivery Time One Business Day**

	Combined Price	Partitioned Price
High Need For Cognition	\$219.98	Base Price: \$199.99 Surcharge: \$19.99
Low Need For Cognition	\$219.98	Base Price: \$199.99 Surcharge: \$19.99

**Figure 4.6: Design for Study 3 - Unreasonable Surcharge Condition
Delivery Time 7-10 Business Days**

The design for Study 3 is presented in Figure 4.5 and 4.6. In both the experiments, half of the subjects were exposed to an advertisement of a PDA with a price of \$219.98, including shipping and handling charge while the other half viewed a base price of \$199.99 for the PDA and an additional \$19.99 as shipping and handling charge.

In Experiment 1, the subjects were given a delivery time of one-day, and in Experiment 2, they were provided with a delivery time of 7-10 days. It was expected that shipping and handling charge of \$19.99 will be perceived as reasonable for one-day delivery, whereas, the same amount will be perceived as unreasonably high for 7-10 days delivery. The price of the PDA and the shipping and handling charge used for the experiments were based on information available on current retail websites as well as extensive pretests. The \$19.99 shipping and handling charge was determined by averaging the shipping rates for twenty different PDAs (ranging in price from \$79.99 to \$319.95; average price \$193.93) advertised at twenty randomly selected e-tail sites. The shipping and handling rates for the twenty PDAs ranged from \$5.97 to \$17.75 with an average of \$10.60 for 7-10 days delivery and approximately twice this amount was used for the one-day delivery time. Additionally, pretests were conducted to determine the reasonableness and unreasonableness of \$19.99 shipping and handling for the two different

periods of delivery time. Undergraduate subjects were requested to provide the amount of shipping and handling charge that they find appropriate for an overnight delivery for a palm pilot and an ordinary delivery of 7-10 days. In another pretest, subjects were asked to indicate the degree of reasonableness and unreasonableness of \$19.99 shipping and handling for one day delivery and for 7-10 days delivery. These pretests further validated the surcharge amount used in the experiments.

CHAPTER 5: RESULTS

5.1 Study 1: Experiment One

The first experiment was designed to examine the effects of the moderating variable, need for cognition, under the reasonable surcharge condition. A 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects designs was used. Partitioned pricing was operationalized by providing respondents with the base price of an airline ticket and separate taxes and processing fee, while combined pricing was operationalized by providing respondents with a single airline ticket price including taxes and processing fee of the agent.

Need for cognition was assessed by asking subjects to complete an 18-item Need for Cognition Scale developed by Cacioppo, Petty and Kao (1984). Coefficient alpha was 0.90. The median NFC score across all subjects was 1.00 (SD =1.14). A median split was conducted to categorize the respondents into HNFC and LNFC groups. The median NFC score for the HNFC group was 1.83 (SD = 0.64) and LNFC group was 0.44 (SD = 0.74).

5.1.1 Subjects and Procedure

Eighty five undergraduate students participated in this experiment. Subjects were assigned at random to one of the two pricing treatment conditions. Each respondent received a booklet which contained instructions, a single-page price information and other details of an airline ticket sent by the agent, measures for perception of value of the offer and willingness to purchase the product, manipulation check and assumption check measures, perceived reasonableness of surcharge measures, and an 18-item need for cognition scale. Subjects were instructed to circle their responses on seven-point scales used to measure the dependent variables, and on nine-point scales for need for cognition.

The respondents were provided with the price information for 21-day advance purchase for an airline ticket and other relevant information regarding the flight dates, number of connections, ticket delivery and terms of purchase. Half of the subjects were exposed at random to a price of \$288.50 including applicable taxes and the agent's processing fee, while the other half viewed a base price of \$249.00 for the ticket and an additional \$39.50 as applicable taxes and processing fee.

The perceived reasonableness of the surcharge measure was included in the questionnaire to ensure that the applicable taxes and processing fee of \$39.50 for the ticket chosen based on airline websites was perceived as such by the respondent. The subjects were asked to indicate how reasonable they thought the applicable taxes and processing fee was on a seven-point scale (1 = Unreasonable; 7 = Reasonable). The mean response was 4.37 which was significantly higher than the mid point of the scale ($t = 2.162$, $p = .037$), indicating that \$39.50 was perceived as a reasonable surcharge.

5.1.2 Dependent Variables

The items used to measure the perception of value of the offer and willingness to purchase are similar to the measures used by Biswas, Pullig, Yagci and Dean (2002).

Perception of value of the offer: A summated four-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: "The airfare offered by the agent will be"...(A bad buy for the money—An excellent buy for the money); "The price for the ticket represents"...(A poor offer—An excellent offer); "The price charged by the agent will be"...(An extremely unfair price—An extremely fair price); "The airfare offered by the agent will be"...(Not a good value for money—An extremely good value for money). The items displayed adequate reliability with coefficient alpha = .93

Willingness to purchase: A summated two-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: “If you were considering the purchase of a round-trip to “_____”, how willing would you be to purchase the ticket from the agent making this offer?”...(Definitely unwilling to purchase—Definitely willing to purchase); “What is the probability that you would purchase from this agent, if you were considering the purchase of a round-trip ticket to “_____””...(Not probable at all—Very probable). The correlation was .80 ($p = .00$).

A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .68 ($p < .01$).

5.1.3. Results: Experiment One

5.1.3.1 Manipulation Check

A manipulation check measure was included in the questionnaire to establish that the respondents attended to the surcharge information correctly. Subjects were asked to recall whether the price of the airline ticket stated in the agent’s fax included the applicable taxes and processing fees or was the surcharge amount provided separately. Four subjects (three subjects were from the combined price condition and one subject was from the partitioned price condition) incorrectly recalled the pricing information in the fax. These subjects were excluded from further data analysis. The final data set of 81 respondents consisted of almost equal number of male (39) and female (42) respondents.

5.1.3.2 Hypotheses Tests

H1 and H2 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant interaction

(Wilks' Lambda = .897, $F = 4.370$, $p = .016$) as shown in Table 5.1. No main effect was found for need for cognition, but main effect of price was significant (Wilks' Lambda = .918, $F = 3.384$, $p = .039$). Univariate results presented in Table 5.1 indicate that the multivariate interaction effect was due to the effects on perception of value of the offer [$F(1, 77) = 4.386$, $p = .025$] as well as willingness to purchase [$F(1, 77) = 12.28$, $p = .016$]. The univariate results also indicate that the main effect of price is due to the effects of willingness to purchase [$F(1, 77) = 9.663$, $p = .012$], while the effects of perception of value of the offer was marginal [$F(1, 77) = 3.141$, $p = .057$].

H1 proposed that perception of value of the offer for partitioned pricing (as compared to combined pricing) would be higher for HNFC individuals than for LNFC individuals. Consistent with the hypothesis, the perception of value of the offer was significantly higher for partitioned pricing (mean = 4.41) as compared to that of combined pricing (mean = 3.55) for HNFC individuals ($t = 3.283$, $p = .002$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 3.57) and combined pricing (mean = 3.64) for LNFC individuals ($t = -.230$, $p > .10$) (see Table 5.2 and Figure 5.1). Hence, H1 was supported.

H2 proposed that willingness to purchase the product for partitioned pricing (as compared to combined pricing) would be higher for HNFC individuals than for LNFC individuals. As the results in Table 5.2 and Figure 5.2 show, partitioned pricing resulted in a significantly higher willingness to purchase the product for partitioned price (mean = 4.30) compared to that of combined pricing (mean = 2.83) for HNFC individuals ($t = 4.393$, $p = .001$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 3.19) and combined pricing (mean = 3.28) for LNFC individuals ($t = -.211$, $p > .10$). These results provide support for hypothesis H2.

Table 5.1 Study 1: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 1)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.918	0.082	3.384	0.039	1	3.738 (.057)*	6.684 (.012)
NFC	0.958	0.042	1.671	0.195	1	3.380 (.070)	1.459 (.231)
<i>Interaction Effects</i>							
Price* NFC	0.897	0.103	4.370	0.016	1	5.221 (.025)	8.492 (.005)
Residual					77		

*p-values are provided in parentheses.

Table 5.2 Study 1: Means and t-values (Experiment 1)

Variables	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of Value of the Offer	4.41 (0.81)*	3.55 (0.85)	3.283 ^a	3.57 (1.08)	3.64 (1.08)	-0.230
Willingness to Purchase	4.30 (0.92)	2.83 (1.18)	4.393 ^a	3.19 (1.13)	3.28 (1.46)	-0.211

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a=p<.01

Overall, the findings of the first experiment show that partitioned pricing resulted in a higher perception of value of the offer and higher willingness to purchase the product than combined pricing for HNFC individuals. For LNFC individuals, no significant difference was found for the effects of the two types of pricing strategy on the dependent variables. These results were evident for the surcharges considered to be reasonable based on actual charges in the marketplace and on the perceptions of the respondents.

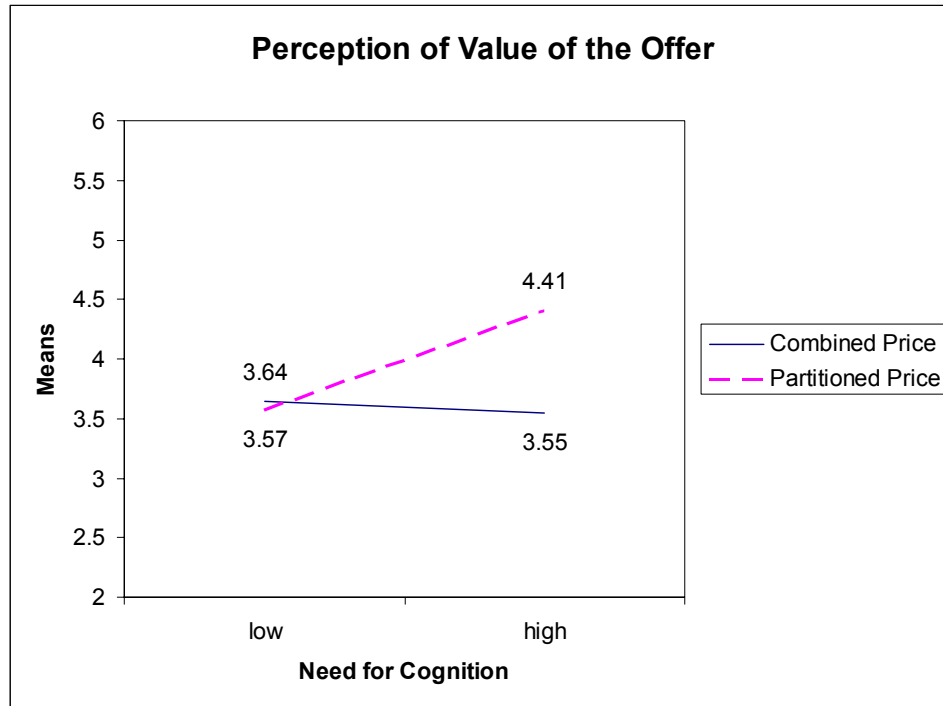


Figure 5.1: Study 1: Experiment 1



Figure 5.2 Study 1: Experiment 1

5.2 Study 1: Experiment Two

The second experiment in Study 1 examines the effects of partitioned versus combined pricing and for need for cognition when the surcharge (taxes and processing fees) is perceived as unreasonable. The methodology of experiment two is similar to that of experiment one. The design and the operationalization of the independent variables and the measurement of the dependent variables remained unchanged. The important difference in the second experiment in Study 1 was the use of a different surcharge amount that resulted in different combined total airfare. Similar to the first experiment, subjects in the second experiment were exposed to airfare information as faxed by the travel agent. One group of respondents was provided with a combined price of \$328.50 for the ticket while the second group was exposed to a base price of \$249.00 for the ticket plus applicable taxes and processing fee of \$79.50. As before, information on applicable taxes and agent's processing fee for the second study was determined from current airline websites. The unreasonably high taxes and processing fee of \$79.50 was set at more than twice the reasonable surcharge.

Perceived reasonableness of the surcharge was measured to assess whether the respondents perceived the surcharge for the air ticket as unreasonable. The respondents were asked to indicate the degree to which they perceived the applicable taxes and processing fee of \$79.50 for the ticket to be reasonable on a seven-point scale (1 = Unreasonable; 7 = Reasonable). The average was 3.04 which was significantly lower than the mid point of the scale ($t = -4.539$, $p = .001$), indicating that \$79.50 was perceived as an unreasonable surcharge.

Need for cognition was measured by using the same 18-item scale as in the first study. Coefficient alpha was 0.90. The median NFC score across all subjects was 0.61 (SD = 1.14). A median split was conducted to categorize the respondents into HNFC and LNFC groups. The

median NFC score for the HNFC group was 1.28 (SD = 0.81); whereas for LNFC group it was 0.00 (SD = 0.72).

5.2.1 Subjects and Procedure

Ninety-two undergraduate students participated in the study. The procedures followed were similar to those of the first experiment. Subjects were provided with a fax sent by the agent containing the price information and other details of the airline ticket. The base price and the other details were similar to those used in the earlier experiment except for higher amount of applicable taxes and the agent's processing fee. The dependent variables, perception of value of the offer (coefficient alpha = .94) and willingness to purchase (correlation = .87, $p = .00$) were measured using the same items as in the first experiment.

A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .79 ($p < .01$).

5.2.2 Results: Experiment Two

5.2.2.1 Manipulation Check

Appropriate manipulation check questions were used to ensure that the respondents attended to the pricing information accurately. Subjects were asked to indicate if the airfare included the surcharge or if the surcharge was stated separately. Nine subjects failed the manipulation check by indicating the incorrect pricing information presentation. Eight subjects who failed the manipulation check were from the combined pricing condition and one subject was from the partitioned pricing condition. These subjects were excluded from further analyses resulting in eighty-three respondents with one missing data, and the remaining equally represented by male (41) and female (41) respondents.

5.2.2.2 Assumption Check

In hypotheses H3 and H4, we posit that HNFC individuals would be more negatively influenced by partitioned pricing as compared to combined pricing when the surcharges are perceived as unreasonable. The assumption underlying this prediction is that HNFC individuals will have more counterarguments about the price/surcharge than the LNFC individuals. This assumption was checked by examining the cognitive responses provided by the participants in the partitioned pricing condition. The assumption check measure was an open-ended question asking the respondents to share the thoughts that went through their minds when they saw the price information of the airline ticket. These statements were interpreted by two coders and any discrepancy was resolved through discussion. Analysis of the responses provided support for the assumption. Consistent with the expectations, it was found that the HNFC individuals offered more counterarguments (mean = 0.71) about the price/surcharge than the LNFC individuals (mean = 0.32) ($t = 2.211, p < .05$).

5.2.2.3 Hypotheses Tests

H3 and H4 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant interaction (Wilks' Lambda = .894, $F = 4.601, p = .013$), as shown in Table 5.3. Univariate results presented in Table 5.3 indicate that the multivariate interaction effect was due to the effects on perception of value of the offer [$F(1, 79) = 4.561, p = .036$] as well as willingness to purchase [$F(1, 79) = 9.210, p = .003$]. The multivariate main effects for price and need for cognition were not significant.

H3 proposed that perception of value of the offer for partitioned pricing (as compared to combined pricing) will be lower for HNFC individuals than for the LNFC individuals when

surcharges are unreasonable. Consistent with the hypothesis H3, the perception of value of the offer for partitioned pricing was significantly lower (mean = 3.29) compared to that of combined pricing (mean = 4.17) for HNFC individuals ($t = -2.344$, $p = .024$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 3.53) and combined pricing (mean = 3.31) conditions for the LNFC individuals ($t = .624$, $p > .10$) (see Table 5.4 and Figure 5.3). Hence H3 was supported.

H4 proposed that willingness to purchase the product for partitioned pricing (as compared to combined pricing) will be lower for HNFC individuals than for the LNFC individuals when surcharges are unreasonable. As expected, partitioned pricing resulted in a significantly lower willingness to purchase the product (mean = 3.00) compared to combined pricing (mean = 4.47) for HNFC individuals ($t = -3.615$, $p = .001$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 3.27) and combined pricing (mean = 2.93) for LNFC individuals ($t = .793$, $p > .10$) (see Table 5.4 and Figure 5.4). These findings provide support for hypothesis H4.

Table 5.3 Study 1: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 2)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.957	0.043	1.769	0.177	1	1.639 (.204)*	3.512 (.065)
NFC	0.940	0.060	2.468	0.091	1	1.440 (.234)	4.513 (.037)
<i>Interaction Effects</i>							
Price* NFC	0.894	0.106	4.601	0.013	1	4.561 (.036)	9.210 (.003)
Residual					79		

*p-values are provided in parentheses.

Table 5.4 Study 1: Means and t-values (Experiment 2)

Variables:	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of Value of the Offer	3.29 (1.03)*	4.17 (1.39)	-2.344 ^a	3.53 (1.17)	3.31 (1.13)	0.624
Willingness to Purchase	3.00 (1.04)	4.47 (1.57)	-3.615 ^a	3.27 (1.38)	2.93 (1.46)	0.793

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a=p<.01

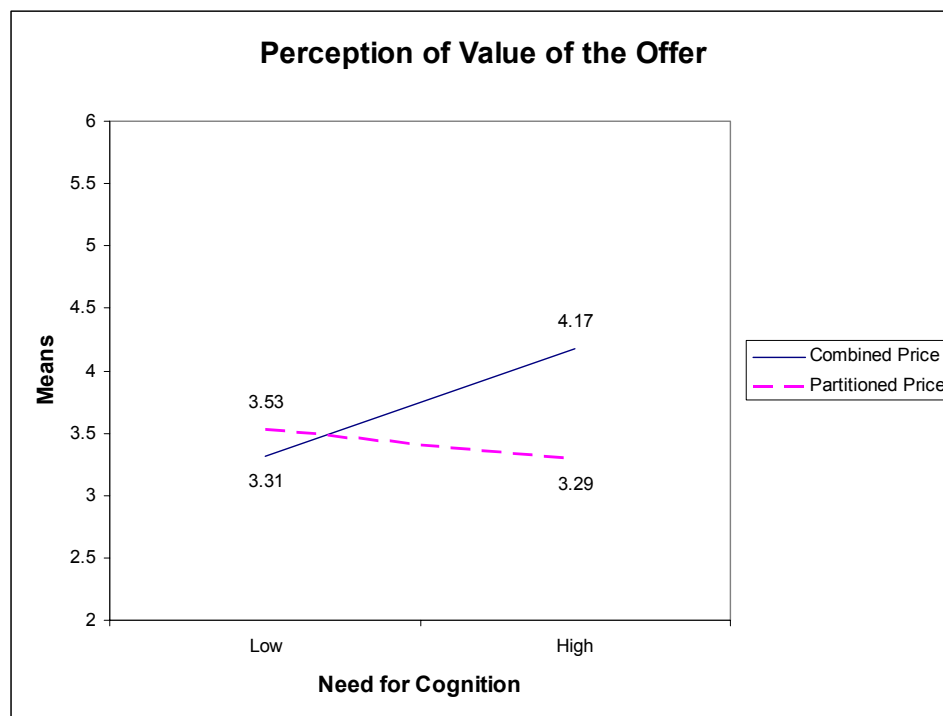


Figure 5.3 Study 1: Experiment 2

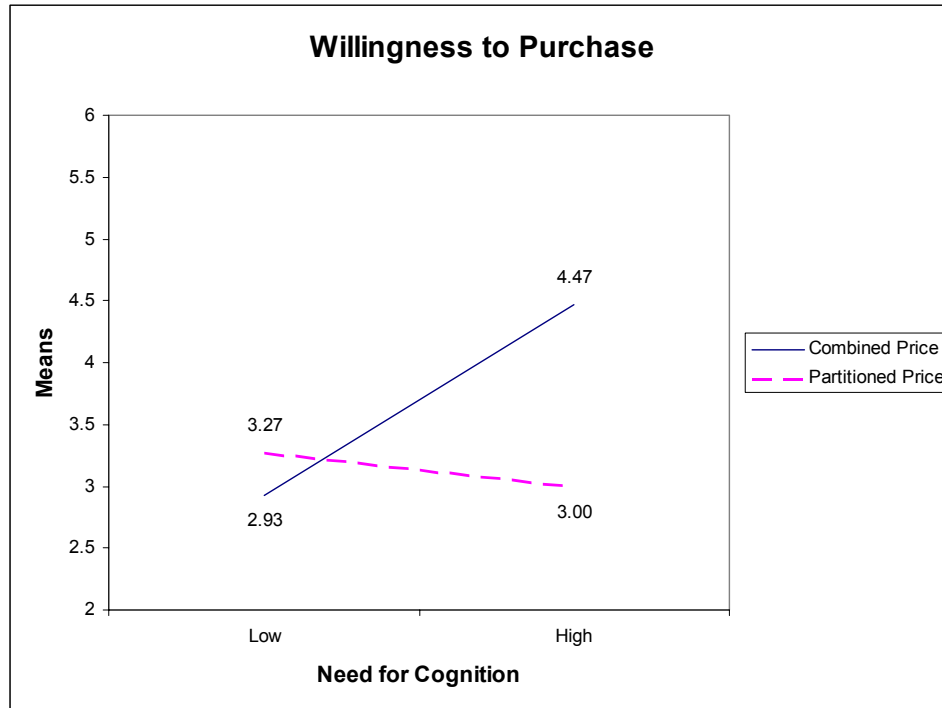


Figure 5.4 Study 1: Experiment 2

In sum, the findings of the second experiment of Study 1 show that partitioned pricing resulted in a lower perception of value of the offer and lower willingness to purchase the product than combined pricing for HNFC individuals when the surcharge is perceived to be unreasonable. For LNFC individuals, there was no significant difference in the effects of the partitioned versus combined pricing when the surcharge is unreasonably high.

5.2.2.4 Additional Analyses for Study 1

Additional analyses were conducted in both experiments of study 1 to examine if the effectiveness of the *combined pricing* on perception of value of the offer and willingness to purchase is similar across HNFC and LNFC individuals. In the first experiment, the combined price (\$288.50) resulted in perception of value of the offer for HNFC individuals (mean = 3.55), which was not significantly different from that of the LNFC individuals (mean = 3.64) ($t = .305$, $p > .10$). Similarly, the willingness to purchase the product for HNFC individuals (mean = 3.08)

was not significantly different from that of LNFC individuals (mean = 3.39) ($t = .804, p > .10$). However in the second experiment, in contrast to expectation, combined price (\$328.50) resulted in perception of value of the offer for HNFC individuals (mean = 4.18) significantly higher than that of the LNFC individuals (mean = 3.31) ($t = 2.083, p < .05$). Similarly, willingness to purchase the product for HNFC individuals (mean = 4.4788) was significantly higher than that of LNFC individuals (mean = 2.93) ($t = 3.101, p < .01$).

Similar tests were conducted to examine if the effectiveness of *partitioned pricing* on perception of value of the offer and willingness to purchase is significantly different across HNFC respondents and LNFC respondents in both experiments of study 1. In the first experiment, the partitioned pricing resulted in perception of value of the offer for HNFC individuals (mean = 4.41), which was significantly higher than that of LNFC individuals (mean = 3.57) ($t = 3.098, p < .01$). Similarly, the willingness to purchase the product for HNFC individuals (mean = 4.45) was significantly higher than that of LNFC individuals (mean = 3.37) ($t = 3.262, p < .01$). However, in the second experiment, partitioned pricing resulted in perception of offer value for HNFC individuals (mean = 3.29) similar to that of LNFC individuals (mean = 3.53) ($t = .749, p > .10$). Similarly, the willingness to purchase the product for HNFC (mean = 3.00) was also not significantly different from that of LNFC individuals (mean = 3.27) ($t = .761, p > .10$).

The unexpected findings in the second experiment prompted us to further analyze the patterns of the effectiveness of the partitioned pricing. A combined data set of the two experiments was created and analyzed to examine whether the effectiveness of partitioned pricing on HNFC individuals was significantly lower in the unreasonable surcharge experiment as compared to the reasonable surcharge experiment. The results showed that, for partitioned

pricing, perception of value of the offer for HNFC individuals (mean = 4.41) in the reasonable surcharge experiment was significantly higher than that in the unreasonable surcharge experiment (mean = 3.29) ($t = 3.958, p < .01$). Similarly, willingness to purchase followed the same pattern and the effectiveness of partitioned pricing on HNFC individuals in the reasonable surcharge experiment (mean = 4.30) was significantly higher than that in the unreasonable surcharge experiment (mean = 3.00) ($t = 4.335, p < .01$).

Similar analyses were conducted to examine the responses of LNFC to partitioned pricing across the two experiments. The results showed that perception of value of the offer for LNFC individuals (mean = 3.57) in the reasonable surcharge experiment was similar to that in the unreasonable surcharge experiment (mean = 3.53) ($t = .107, p > .10$). Similarly, willingness to purchase for HNFC individuals in the unreasonable surcharge experiment (mean = 3.19) was also similar to that in the reasonable surcharge experiment (mean = 3.27) ($t = -.194, p > .10$). Overall, these results provide additional evidence of reduced effectiveness of partitioned pricing in the unreasonable surcharge condition as compared to the reasonable surcharge condition for HNFC individuals.

5.3 Study 2: Experiment One

A 2(combined price vs. partitioned price – manipulated variable) X 2(low need for cognition vs. high need for cognition – measured variable) between subjects design was used for the first experiment. Partitioned pricing was operationalized by providing respondents with a base price and a separate shipping and handling charge, while combined pricing was operationalized by providing respondents with a single price including shipping and handling charge. Need for cognition was assessed by asking subjects to complete the 18-item Need for Cognition Scale (Cacioppo, Petty and Kao, 1984). Coefficient alpha was 0.88. The median NFC

score across all subjects was 0.67 (SD = 1.12). A median split was conducted to divide the respondents into HNFC and LNFC groups. The median NFC score for the HNFC group was 1.11 (SD = 0.62) and LNFC group was -0.03 (SD = 0.79).

5.3.1 Subjects and Procedure

Seventy-seven undergraduate students participated in the experiment. Subjects were assigned at random to the two pricing treatment conditions. Each respondent received a booklet which contained instructions, a single-page print advertisement of a DVD player, measures for perception of value of the offer and willingness to purchase the product, manipulation check measures, measures of agreements/disagreements to statements related to shipping and handling charges of a DVD player vs. a camera, perceived reasonableness of the surcharge measure, and an 18-item need for cognition scale. The subjects were instructed to circle their responses on seven-point scales used for the dependent variables and other check measures and on nine-point scales for need for cognition.

The respondents viewed an advertisement containing a picture of a DVD player, its features, and its price. Half of the subjects were exposed to a price of \$169.99, including shipping and handling charges for the DVD player while the other half viewed a base price of \$149.99 for the DVD player and an additional \$19.99 as shipping and handling charges. The \$19.99 shipping and handling charge was determined by averaging the shipping rates for twenty different DVD players (ranging in price from \$134.95 to \$209.00; average price \$169.12) advertised at twenty randomly selected e-tail sites. The shipping and handling rates for the twenty DVDs ranged from \$10.76 to \$30.18 with an average of \$19.53.

5.3.2 Pretests

Pretests were conducted to ensure that the shipping and handling charge of \$19.99 for the DVD player chosen based on marketplace information was perceived as reasonable by respondents similar to those used in the main study. Twelve subjects were provided with an ad similar to the one used in the first main study where the base price was listed as \$149.99 and the shipping and handling charge was \$19.99. The subjects were asked to indicate how reasonable they thought the shipping and handling charge was on a seven-point scale (1 = Not Reasonable at All; 7 = Very Reasonable). The average was 3.44 which was not significantly different from the mid point of the scale ($t = -1.644$, $p = .139$), indicating that \$19.99 was perceived as *neither* very reasonable *nor* very unreasonable. However, since the mean response was lower than the midpoint of the scale a second pretest was conducted. In the second pretest eleven different subjects were provided with a combined price of \$169.99 and asked to estimate the base price of the product. The subjects estimated an average base price of \$150.36 implying that they expected to pay an average of \$19.64 for shipping and handling for the DVD player. Further, measures of perceived reasonableness of the shipping and handling charges were included in the questionnaire of the main study. Perceived reasonableness of the surcharge was measured to assess whether the respondents perceived the shipping and handling charges as reasonable for a DVD Player. The perceived reasonableness of the surcharge measure asked the respondents to indicate the degree to which they perceived the shipping and handling charges of \$19.99 for the DVD Player to be reasonable on a seven-point scale (1 = Unreasonable; 7 = Reasonable). The average was 4.94 which was significantly higher than the mid point of the scale ($t = 6.247$, $p = .001$), indicating that \$19.99 was perceived as a reasonable surcharge.

Respondents' opinions regarding shipping and handling charges for DVD players vis-à-vis shipping and handling charges for 35mm point-and-shoot compact cameras were also assessed. The respondents were asked to indicate the degree to which they agreed or disagreed with two statements on seven-point scales (1 = Strongly disagree; 7 = Strongly agree). The first statement was "Shipping and handling charges for a product purchased depends on the weight or size of the box." The average of the responses was 6.18, which was significantly higher than the mid point of the scale ($t = 16.305$, $p = .001$), indicating that the respondents strongly agreed with the statement. The second statement was: "Shipping and handling charges for a regular sized DVD Player is likely to be higher than the shipping and handling charges of a regular sized 35mm (point-and-shoot) camera." The average was 5.39, which was significantly higher than the mid point of the scale ($t = 5.068$, $p = .001$), indicating strong agreement with the statement.

5.3.3 Dependent Variables

The items used to measure the perception of value of the offer and willingness to purchase are similar to the measures used by Biswas, Pullig, Yagci and Dean (2002).

Perception of value of the offer: A summated four-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: "The DVD player offered by the merchant will be"...(A bad buy for the Money—An excellent buy for the money); "the advertised offer represents"...(No savings at all—An extremely large savings); "The price charged by the merchant for the DVD player will be"...(An extremely unfair price—An extremely fair price); "The DVD player offered by the advertising merchant will be"...(Not a good value for money—An extremely good. The items displayed adequate reliability with coefficient $\alpha = .91$

Willingness to purchase: A summated two-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: “If you were considering the purchase of a DVD player, how willing would you be to shop from the merchant running this advertisement?”...(Definitely unwilling to shop—Definitely willing to shop); “What is the probability that you would shop from this merchant running the ad, if you were considering the purchase of a DVD player?”...(Not probable at all—Very probable). The correlation was .67 ($p = .00$).

A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .66 ($p < .01$).

5.3.4 Results: Experiment one

5.3.4.1 Manipulation Check

Manipulation check was conducted to establish that the respondents attended to the surcharge information. Subjects were asked to recall whether the price of the DVD player stated in the ad included shipping and handling charges or if the surcharge was provided separately. Sixteen subjects incorrectly recalled the pricing information in the ad. Thirteen subjects who failed the manipulation check belonged to the combined pricing condition and the remaining three subjects belonged to the partitioned pricing condition. These subjects were excluded from further data analysis. The final data set consisted of almost equal number of male (27) and female respondents (33).

5.3.4.2 Hypotheses Tests

H1 and H2 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant

interaction (Wilks' Lambda = .853, $F = 4.635$, $p = .014$) as shown in Table 5.5. No main effect was found for either price or for need for cognition. Univariate results presented in Table 5.5 indicate that the multivariate interaction effect was due to the effects on perception of value of the offer [$F(1, 55) = 9.19$ $p = .004$] as well as on willingness to purchase [$F(1, 55) = 5.30$, $p = .025$].

H1 proposed that perception of value of the offer for partitioned pricing (as compared to combined pricing) would be higher for HNFC individuals than for LNFC individuals. Consistent with the hypothesis, the perception of value of the offer was significantly higher for partitioned pricing (mean = 5.23) as compared to combined pricing (mean = 4.10) for HNFC individuals ($t = 3.411$, $p = .002$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 4.12) and combined pricing (mean = 4.65) for LNFC individuals ($t = -1.234$, $p > .10$) (see Table 5.6 and Figure 5.5). Hence, H1 was supported.

H2 proposed that willingness to purchase the product for partitioned pricing (as compared to combined pricing) will be higher for HNFC individuals than for LNFC individuals. As the results in Table 5.6 and Figure 5.6 show, partitioned pricing resulted in a significantly higher willingness to purchase the product for partitioned price (mean = 5.00) compared to combined pricing (mean = 3.97) for HNFC individuals ($t = 2.287$, $p = .033$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 4.26) and combined pricing (mean = 4.73) for LNFC individuals ($t = -1.014$, $p > .10$). This provides support for hypothesis H2.

Overall, the findings of the first experiment again demonstrate that when shipping and handling charges are considered to be reasonable partitioned pricing resulted in a higher perception of value of the offer and higher willingness to purchase the product than combined pricing for HNFC individuals. For LNFC individuals, no significant effect was found for the two types of pricing strategy on the dependent variables.

Table 5.5 Study 2: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 1)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.972	0.028	0.769	0.469	1	1.552 (.218)*	0.766(.385)
NFC	0.958	0.042	1.171	0.318	1	1.384 (.245)	0.001 (.971)
<i>Interaction Effects</i>							
Price* NFC	0.853	0.147	4.635	0.014	1	9.186 (.004)	5.302 (.025)
Residual					55		

*p-values are provided in parentheses.

Table 5.6 Study 2: Means and t-values (Experiment 1)

Variables	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of Value of the Offer	5.23 (1.09)*	4.10 (0.66)	3.411 ^a	4.12 (1.24)	4.65 (0.76)	-1.234
Willingness to Purchase	5.00 (0.76)	3.97 (1.56)	2.287 ^b	4.26 (1.29)	4.73 (1.03)	-1.014

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a=p<.01; b=p<.05

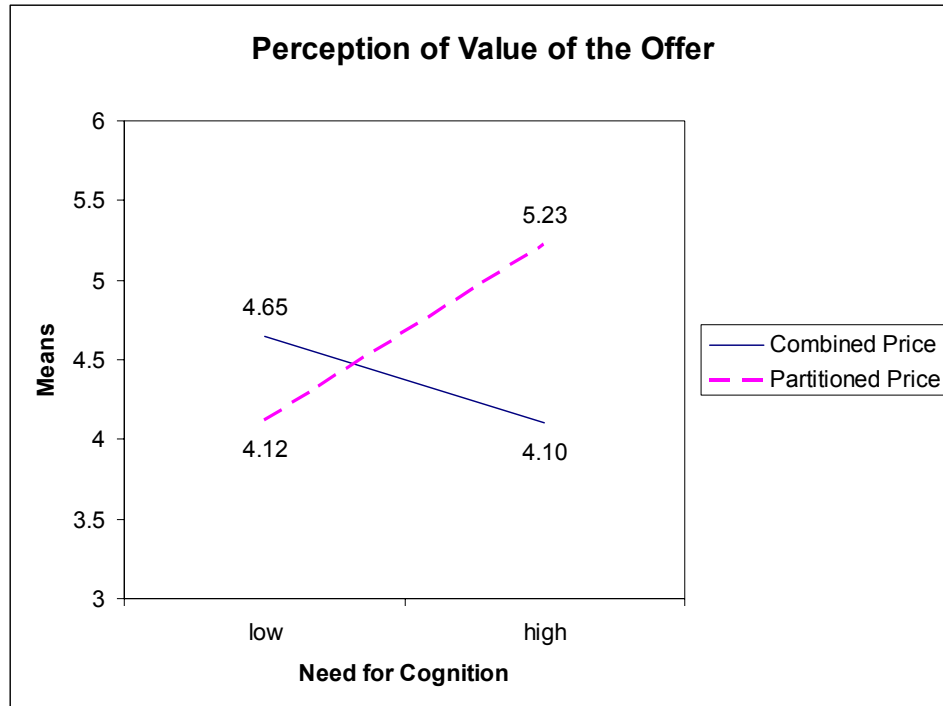


Figure 5.5 Study 2: Experiment 1

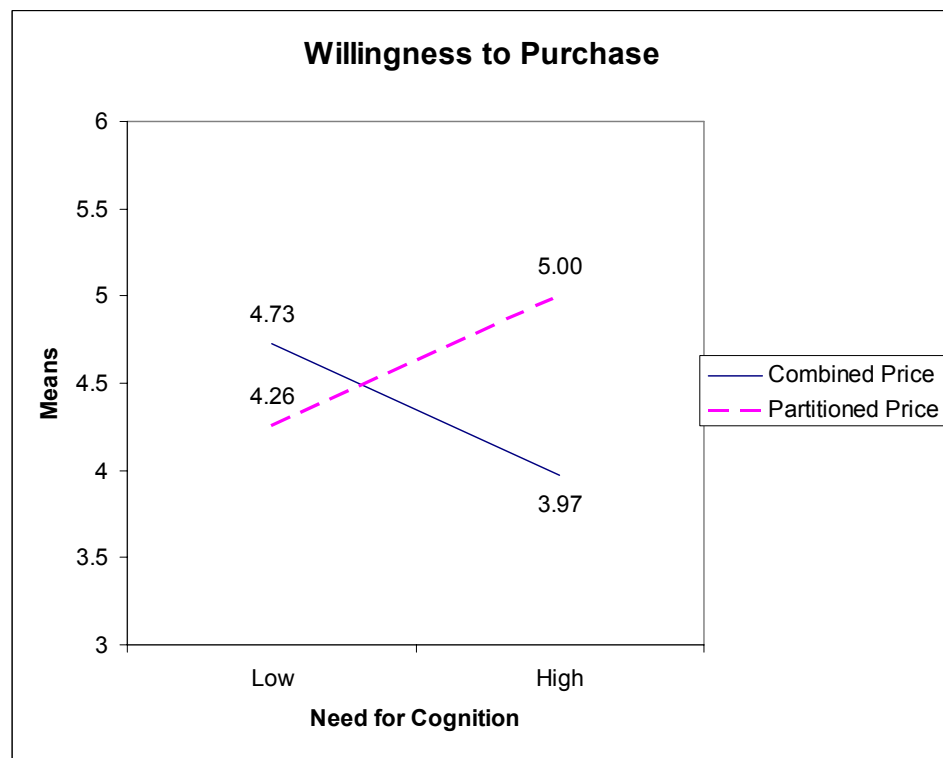


Figure 5.6 Study 2: Experiment 1

5.4 Study 2: Experiment Two

The second experiment in Study 2 examines the effects of partitioned versus combined pricing and need for cognition when shipping and handling charges are perceived as unreasonable. The methodology of this experiment is similar to that of the first experiment. The design and the operationalization of the independent variables and the measurement of the dependent variables remained unchanged. The important difference in the second experiment was the use of a *different product* to make the same shipping and handling charge (\$19.99 as in the first experiment) seem unreasonably high. In this study, subjects were exposed to an advertisement of a 35mm point-and-shoot compact camera. One group of respondents was provided with a combined price of \$169.99 for the camera while the second group was exposed to a base price of \$149.99 for the camera plus shipping and handling charges of \$19.99. As before, information on shipping and handling charges for the second experiment was determined by averaging the shipping rates for twenty different cameras (ranging in price from \$97.00 to \$212.00; average price \$162.32) advertised at twenty randomly selected e-tail sites. The shipping and handling rates for the twenty cameras ranged from \$5.40 to \$14.71 with an average of \$9.01. The unreasonably high shipping and handling charge was set at \$19.99, more than twice the average charge for the type of camera used in this study.

5.4.1 Subjects and Procedure

One hundred and six undergraduate students participated in this experiment. The procedures followed were similar to those of the first experiment of Study 2 with the exception of the product used. Subjects were provided with an advertisement of a camera and the attributes used to describe the camera were similar to those in actual advertisements. The dependent variables perception of value of the offer (coefficient alpha = .93) and willingness to purchase

(correlation = .87, $p = .00$) were measured using the same items as in the first experiment of Study 2.

A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .71 ($p < .01$).

5.4.2 Pretests

Pretests were conducted to assess the unreasonableness of \$19.99 as the shipping & handling charge for the camera. Twelve subjects were provided with an ad similar to the one used in the main study where the base price for the camera was listed as \$149.99 and the shipping and handling charge was \$19.99. The subjects were asked to indicate how reasonable they thought the shipping and handling charge was on a seven-point scale (1 = Not Reasonable at All; 7 = Very Reasonable). The average was 2.33 which was significantly lower than the mid point of the scale ($t = -4.319$, $p < .001$), indicating that \$19.99 was perceived as an unreasonable shipping and handling charge for a small product like a point-and-shoot camera. In a second pretest the subjects were provided with a combined price of \$169.99 and asked to estimate the base price of the product. The subjects indicated an average base price of \$155.24 implying that they expected to pay an average of \$14.75 for shipping and handling for the camera. The results of the two pretests jointly support the selection of \$19.99 as the unreasonable shipping and handling charge for the camera based on marketplace information. Perceived reasonableness of the surcharge measures were also included in the questionnaire of the main study. Perceived reasonableness of the surcharge was measured to assess whether the respondents perceived the surcharge as unreasonable for the camera used in this experiment. The respondents were asked to indicate the degree to which they perceived the shipping and handling charges of \$19.99 for the

point-and-shoot camera to be reasonable on a seven-point scale (1 = Unreasonable; 7 = Reasonable). The average was 2.45 which was significantly lower than the mid point of the scale ($t = -8.403$, $p = .001$), indicating that \$19.99 was perceived as an unreasonable surcharge.

Similar to the first experiment, respondents' were asked for their opinions regarding shipping and handling charges for DVD players vis-à-vis shipping and handling charges for 35 mm compact point-and-shoot cameras. The respondents were asked to indicate the degree to which they agreed or disagreed with two statements on seven-point scales (1 = Strongly disagree; 7 = Strongly agree). The first statement was "Shipping and handling charges for a product purchased depends on the weight or size of the box." The average of the responses was 5.55, which was significantly higher than the mid point of the scale ($t = 6.98$, $p = .001$), indicating strong agreement with the statement. The second statement was "Shipping and handling charges of a regular sized DVD player is likely to be higher than the shipping and handling charges of a regular sized 35mm (point-and-shoot) camera." The average was 5.47, which was significantly higher than the mid point of the scale ($t = 6.668$, $p = .001$), again indicating strong agreement with the statement.

Need for cognition was measured by using the same 18-item scale used in the first study. Coefficient alpha was 0.88. The median NFC score across all subjects was 0.94 ($SD = 1.20$). This was followed by the median split to categorize the respondents into HNFC and LNFC groups. The median NFC score for the HNFC group was 1.58 ($SD = 0.66$) and LNFC group was 0.00 ($SD = 0.82$).

5.4.3 Results: Experiment Two

5.4.3.1 Manipulation Check

Subjects were asked to indicate if the advertised price for the camera included the surcharge or stated separately. Nine subjects failed the manipulation check question by providing incorrect response to this question. Seven subjects were from the combined pricing condition and two subjects were from the partitioned pricing condition. These subjects were excluded from further analyses resulting in 97 respondents almost equally represented by male (49) and female respondents (48).

5.4.3.2 Assumption Check

In H3 and H4 it is posited that HNFC individuals would be more negatively influenced by partitioned pricing as compared to combined pricing when the shipping and handling charges are perceived as unnecessarily high. The assumption underlying this prediction is that partitioned pricing will result in more counterarguments related to price/surcharge by HNFC individuals than by LNFC individuals when shipping and handling charges are perceived to be unreasonably high. This assumption was checked by examining the cognitive responses provided by the participants in the partitioned pricing condition. Consistent with expectations, it was found that the HNFC individuals offered more counterarguments (mean = 0.95) about the price/surcharge than the LNFC individuals (mean = 0.52) ($t = 1.652, p < .05$ (1-tailed)).

5.4.3.3. Hypotheses Tests

H3 and H4 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant interaction (Wilks' Lambda = .918, $F = 3.995, p = .022$) as shown in Table 5.7. Univariate results presented in Table 5.7 indicate that the multivariate interaction effect was due to the

effects on perception of value of the offer [$F(1, 91) = 5.163, p = .025$] as well as willingness to purchase [$F(1, 91) = 7.795, p = .006$]. The multivariate main effect for price was found to be significant (Wilks' Lambda = .932, $F = 3.280, p = .042$). The multivariate main effect was due to the univariate main effects on the perception of value of the offer [$F(1, 91) = 5.331, p = .023$] as well as willingness to purchase [$F(1, 91) = 5.745, p = .019$]. No main effect was found for need for cognition.

Table 5.7 Study 2: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 2)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.932	0.068	3.280	0.042	1	5.331 (.023)*	5.745 (.019)
NFC	0.998	0.002	0.084	0.919	1	0.162 (.688)	0.042 (.838)
<i>Interaction Effects</i>							
Price* NFC	0.918	0.082	3.995	0.022	1	5.163 (.025)	7.795 (.006)
Residual					91		

*p-values are provided in parentheses.

Table 5.8 Study 2: Means and t-values (Experiment 2)

Variables	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of Value of the Offer	3.33 (0.82)*	4.33 (1.12)	-3.451 ^a	3.91 (1.01)	3.92 (1.16)	-0.024
Willingness to Purchase	3.18 (1.37)	4.63 (1.31)	-3.794 ^a	4.02 (1.43)	3.91 (1.07)	0.271

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a= $p < .01$

H3 proposed that perception of value of the offer for partitioned pricing (as compared to combined pricing) would be lower for HNFC individuals than for LNFC individuals. Consistent with the hypothesis, the perception of value of the offer for partitioned pricing was significantly lower (mean = 3.33) than for combined pricing (mean = 4.33) for HNFC individuals ($t = -3.451$, $p = .001$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 3.91) and combined pricing (mean = 3.92) for LNFC individuals ($t = -.024$, $p > .10$) (see Table 5.8 and Figure 5.7). Hence H3 was supported.

H4 proposed that willingness to purchase the product for partitioned pricing (as compared to combined pricing) would be lower for HNFC individuals than for LNFC individuals. As expected, partitioned pricing resulted in a significantly lower willingness to purchase the product (mean = 3.18) compared to that of combined pricing (mean = 4.63) for HNFC individuals ($t = -3.794$, $p = .000$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 4.02) and combined pricing (mean = 3.91) for LNFC individuals ($t = .271$, $p > .10$) (see Table 5.8 and Figure 5.8). The results provide support for hypothesis H4.

In sum, the findings of the second experiment also show that partitioned pricing resulted in a lower perception of value of the offer and lower willingness to purchase the product than combined pricing for HNFC individuals when the surcharge is perceived to be unreasonable. For LNFC individuals, there was no significant difference in the effects of the partitioned versus combined pricing when the surcharge is unreasonable.

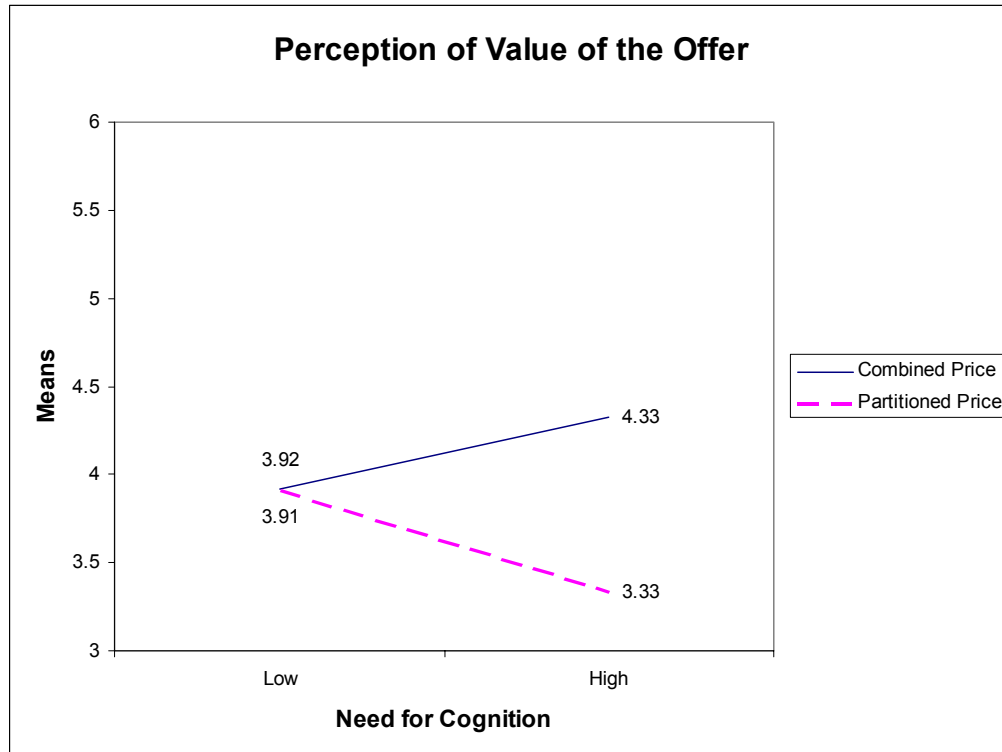


Figure 5.7 Study 2: Experiment 2



Figure 5.8 Study 2: Experiment 2

5.4.3.4 Additional Analyses for Study 2

Additional analyses were conducted to examine if the effectiveness of the *combined pricing* (\$199.99) on perception of value of the offer and willingness to purchase are similar across HNFC and LNFC individuals in both experiments of Study 2. In the first experiment (reasonable surcharge), the combined price for the DVD player resulted in perception of value of the offer for HNFC individuals (mean = 4.10), which was not significantly different from that for LNFC individuals (mean = 4.59) ($t = 1.776, p > .05$). Also, willingness to purchase the product for HNFC individuals (mean = 3.97) and LNFC individuals (mean = 4.73) were not significantly different ($t = 1.491, p > .10$). In the second experiment (unreasonable surcharge), as expected, combined price for the camera resulted in similar perceptions of value of the offer for HNFC individuals (mean = 4.33) and LNFC individuals (mean = 3.92) ($t = 1.169, p > .10$). Similarly, the willingness to purchase the product for HNFC individuals (mean = 4.63) was not significantly different from that for LNFC individuals (mean = 3.91) ($t = -1.909, p > .05$).

Similar analyses were conducted to examine the effectiveness of the *partitioned pricing* on perception of value of the offer and willingness to purchase for HNFC respondents and LNFC respondents in both experiments in Study 2. In the first experiment, as expected, the partitioned price for the DVD player resulted in a significantly higher perception of value of the offer for HNFC individuals (mean = 5.23) than that for LNFC individuals (mean = 4.11) ($t = 2.682, p < .05$). Following the same pattern, willingness to purchase the product for HNFC individuals (mean = 5.00) was also significantly higher than that for LNFC individuals (mean = 4.26) ($t = 2.048, p < .05$). Supportive results were found in the second experiment as well. As expected, partitioned price for the camera resulted in lower perceptions of value of the offer for HNFC individuals (mean = 3.33) than that of LNFC individuals (mean = 3.91) ($t = -2.171, p < .05$).

Similarly, the willingness to purchase the product for HNFC individuals (mean = 3.17) was also significantly lower than that for LNFC individuals (mean = 4.02) ($t = -2.061$, $p < .05$).

The additional analyses results demonstrate that while the effectiveness of combined pricing remain similar for HNFC and LNFC individuals in both the experiments, effectiveness of partitioned pricing on perception of value of the offer and willingness to purchase the product is higher for HNFC individuals than LNFC individuals in the reasonable surcharge experiment and lower for HNFC individuals than LNFC individuals in the unreasonable surcharge experiment.

5.5 Study 3: Experiment One

Similar to the prior two studies a 2(partitioned pricing vs. combined pricing) X 2(low need for cognition vs. high need for cognition) between subjects design was used for analyzing the two experiments in the third study. This study differs from the previous two studies in the reasonableness of surcharge manipulation method. The variation in the delivery time as a method to manipulate reasonableness of the surcharge in this study was based on the assumption that shipping and handling charges are a function of the time of delivery for a product. In the first experiment, i.e. in the reasonable surcharge condition, partitioned pricing was operationalized by providing respondents with a base price and a separate shipping and handling charge, while combined pricing was operationalized by providing respondents with a single price including shipping and handling charge. Need for cognition was assessed by asking subjects to complete the 18-item Need for Cognition Scale (Cacioppo, Petty and Kao, 1984). Coefficient alpha was 0.90. The median NFC score across all subjects was 0.83 (SD = 1.26). A median split was conducted to divide the respondents into HNFC and LNFC groups. The median NFC score for the HNFC group was 1.44 (SD = 0.60) and LNFC group was 0.11 (SD = 0.92).

5.5.1 Subjects and Procedure

One hundred and twelve undergraduate students participated in the experiment. Subjects were assigned at random to one of two experimental groups. Each respondent received a booklet which contained instructions, a single-page print advertisement of a Personal Digital Assistant (PDA), measures for perception of value of the offer and willingness to purchase the product, manipulation check measures, perceived reasonableness of the surcharge measure, evaluation process measures, measures for attitude toward the retailer, and finally, an 18-item need for cognition scale. The subjects were instructed to circle their responses on seven-point scales used for the dependent variables and other measures and on nine-point scales for need for cognition.

5.5.2 Pretests

As the experiments in this study were based on the assumption that shipping and handling charges are a function of the time of delivery for a product, pretests were conducted to ensure the validity of this assumption. Twenty six respondents viewed an advertisement containing a picture of a PDA, its features, and its price. This was followed by measures of their level of agreement or disagreement with statements relating the shipping and handling charges to the delivery time of the PDA in the advertisement. The subjects were asked to indicate the extent to which they agreed or disagreed with the statement that shipping and handling charges for a product depend on the time of delivery (e.g. overnight delivery, 2-3 days delivery, 7-10 days delivery etc.) on a seven point scale (1 = Strongly Disagree; 7 = Strongly Agree). The average of their responses was 5.96 which was significantly higher than the mid point of the scale ($t = 9.347$, $p < .001$), indicating that the respondents strongly believed that shipping and handling charges are a function of delivery time. The second statement asked them if they thought that, in general, higher shipping and handling charges are associated with shorter delivery time. Their

level of agreement/disagreement was measured on a seven-point scale (1 = Strongly Disagree; 7 = Strongly Agree). The average was 6.30 which was significantly greater than the mid point of the scale ($t = 13.082$, $p < .001$) implying a strong agreement regarding the inverse relationship between the delivery time and the shipping and handling charges.

The \$19.99 shipping and handling charge for study 3 was also determined through pretests. The respondents were asked to estimate shipping and handling charges for overnight delivery as well as for 7-10 days delivery. The mean for the one-day shipping and handling charge was \$18.01, while the mean shipping and handling charge for 7-10 days delivery was \$8.14. Based on these averages, a shipping and handling charge of \$19.99 (for a PDA) was deemed appropriate to use as a reasonable surcharge amount for one-day delivery and an unreasonable surcharge amount for 7-10 days delivery in the main study.

Before finalizing \$19.99 as the surcharge amount, a second pretest was conducted. In this pretest, the respondents were given the \$19.99 shipping and handling amount and were requested to indicate how reasonable or unreasonable they thought the surcharge would be for a one-day delivery and for a 7-10 days delivery. The responses were measured on a seven-point scale (1 = Very Unreasonable; 7 = Very Reasonable). The average perception of reasonableness of a shipping and handling charge of \$19.99 for one-day delivery was 5.71 which was significantly greater than the mid point of the scale ($t = 6.183$, $p < .001$), implying that they perceived the surcharge amount as reasonable for a one-day delivery time. When the delivery time was 7-10 days, the mean perception of reasonableness of the shipping and handling amount of \$19.99 was 2.10 which was significantly lower than the midpoint of the scale ($t = -7.684$, $p < .001$). This implied that respondents did not perceive the \$19.99 surcharge amount reasonable for a 7-10

days delivery. Overall, the results of the two pretests were supportive of \$19.99 as the surcharge amount to be used for the two experiments in the main study.

A measure for perceived reasonableness of the \$19.99 shipping and handling charge for a one-day delivery of the PDA was also included in the main study. The respondents were asked to indicate the degree of reasonableness of the surcharge on seven-point scale (1 = Unreasonable; 7 = Reasonable). The mean was 4.58 which was significantly higher than the mid point of the scale ($t = 2.235$, $p < .05$), indicating that \$19.99 was perceived as reasonable shipping and handling charge for one-day delivery.

The price of the PDA was determined from current e-tail sites. PDA prices in the market place may range anywhere from \$120 to more than \$1000. After visiting several current e-tail sites a PDA model that costs \$199.99 was selected to be consistent with the price of the products used in the previous studies.

5.5.3 Dependent Variables

The items used to measure the perception of value of the offer and willingness to purchase are similar to the measures used by Biswas, Pullig, Yagci and Dean (2002).

Perception of value of the offer: A summated four-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: “The PDA offered by the retailer will be”...(A bad buy for the money—An excellent buy for the money); “the advertisement represents”...(A poor offer—An excellent offer); “The price charged by the retailer for the PDA will be”...(An extremely unfair price—An extremely good price); “The PDA offered by the retailer will be”...(Not a good value for money—An extremely good value for the money). The items displayed adequate reliability with coefficient alpha = 0.89.

Willingness to purchase: A summated two-item scale was used to measure this construct. Each item was measured on a seven-point scale. These items were: “If you were considering the purchase of a PDA, how willing would you be to shop from the retailer making this offer?”...(Definitely unwilling to shop—Definitely willing to shop); “What is the probability that you would shop from this retailer, if you were considering the purchase of a PDA?”...(Not probable at all—Very probable). The correlation was 0.68 ($p = .00$).

A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .65 ($p < .01$).

5.5.4 Results: Experiment One

5.5.4.1. Manipulation Check

Manipulation checks were conducted to ensure that the respondents attended to the surcharge information. Subjects were asked to recall whether the price of the PDA stated in the ad included shipping and handling charges or if the surcharge was provided separately. Three subjects incorrectly recalled the pricing information in the ad. One subject who failed the manipulation check belonged to the combined pricing condition and two subjects belonged to the partitioned pricing condition. These subjects were excluded from further data analysis. A second manipulation check was conducted to ensure that respondents also attended to the delivery time mentioned in the advertisement. Four subjects failed to identify the delivery time correctly and were excluded from further analyses. After excluding all manipulation check failures, the final data set consisted of hundred and five subjects (forty male respondents and sixty five female respondents).

5.5.4.2 Assumption Checks

5.5.4.2.1 Assumption Check 1: In this study, process models for HNFC and LNFC respondents were developed. It was assumed that when surcharge is reasonable, the HNFC individuals are likely to focus more on the base price of the product in evaluating the value of the offer because they will treat the reasonable shipping and handling charge as an inherent expense associated with a mail order transaction. To check this assumption we included a measure for the “main focus” of the respondents while they evaluated the offer. The subjects were asked to indicate whether they mainly focused on the price of the PDA excluding the shipping and handling charges or on the price of the product plus the shipping and handling to evaluate the offer. Twenty one out of twenty four HNFC respondents indicated that they focused mainly on the price of the PDA excluding the surcharge, while three HNFC respondents indicated that they focused on the total price of the PDA including the surcharge (i.e., only 12.5 percent of HNFC respondents included the shipping and handling charge in their evaluation of the offer for the product while the rest did not). On the other hand, eleven out of twenty four LNFC respondents indicated that they focused mainly on the price of the PDA (excluding the surcharge) while thirteen respondents indicated that they focused on the total price of the PDA including the surcharge (i.e. 54 percent of LNFC respondents included the shipping and handling charges in their evaluation of the offer for the product) (see Table 5.11).

5.5.4.2.2 Assumption Check 2: Another measure was included in the experiment to examine the evaluation process of the respondents. Respondents were asked to weigh the two price components (the base price of the PDA and the shipping and handling charge) based on the degree to which they used them in the evaluation of the offer for the product. They were asked to divide ten chips between the two price components to reflect the importance of each

component in the decision making of the respondents. Following the statement “To judge the value of the offer I used:”, the respondents were instructed to allocate ten chips to “The price of the PDA (excluding the shipping and handling charge)” and “The shipping and handling charges”. The measure showed that the mean number of chips allocated by HNFC respondents to the base price of the product was 7.79 and it was significantly higher than the mean of LNFC respondent’s allocation of chips to the base price which was 6.71($t = 2.485$, $p = .017$). Consequently, the mean number of chips allocated to the shipping and handling charges by the HNFC respondents was significantly lower (2.21) than the mean number of chips allocation to the surcharge by the LNFC (3.29) ($t = -2.485$, $p = .017$) (see Table 5.12). These results imply that the HNFC individuals gave more weight to the base price of the product than the LNFC individuals and consequently, less weight to the shipping and handling charge than the LNFC individuals while evaluating the offer when shipping and handling charges were perceived as unreasonable.

5.5.4.2.3 Assumption Check 3: When surcharges are reasonable it was also assumed that, counterarguments related to the shipping and handling charges would not differ between HNFC and LNFC respondents. In the previous two studies there was a check for the number of counterarguments about shipping and handling charges only in the unreasonable surcharge condition. In this study, this check was included for the reasonable surcharge condition as well. An open ended question was asked requesting the respondents to indicate what went through their mind when they saw the price of the PDA and the surcharge information. It was expected that when exposed to a reasonable surcharge amount, the HNFC respondents and the LNFC respondents will not differ in their negative reactions (if any) to the surcharge. The information was coded by two individuals and any discrepancy was resolved through discussion. As

expected, it was found that the counterarguments of HNFC (mean = 0.25) and LNFC (0.42) individuals did not show significant difference ($t = 1.218$, $p > 0.10$). Moreover the HNFC respondents, overall, offered six support arguments toward the reasonable shipping and handling charge for one-day delivery and LNFC individuals offered none.

Overall, the assumption check measures show that when surcharges are reasonable, HNFC individuals are likely to assess the two price components (the base price and the surcharge) and give more weight to that component which they find more diagnostic for decision making. The HNFC individuals focused more on the base price of the product than the surcharge to evaluate the offer and they allocated higher weight to the base price than the surcharge as compared to the LNFC individuals. Finally, reasonable surcharges did not result in significantly different amount of counterarguments from HNFC versus LNFC respondents. Interestingly, the HNFC individuals being more deliberative in their thinking noticed the reasonableness of the surcharge and offered support arguments related to it.

5.5.4.3 Hypotheses Tests

H1 and H2 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant interaction (Wilks' Lambda = .911, $F = 4.877$, $p = .010$) as shown in Table 5.9. Main effect for price was significant (Wilks' Lambda = .884, $F = 6.585$, $p = .002$) while no main effect was found for need for cognition. Univariate results presented in Table 5.9 indicate that the multivariate interaction effect was due to the effects on perception of value of the offer [$F(1, 101) = 9.350$, $p = .003$] as well as on willingness to purchase [$F(1, 101) = 5.838$, $p = .017$].

H1 proposed that perception of value of the offer for partitioned pricing will be higher than that for combined pricing and the difference in the effect of the two types of pricing would

be significant for HNFC individuals and not for LNFC individuals. Consistent with the hypothesis, perception of value of the offer was significantly higher for partitioned pricing (mean = 4.98) compared to combined pricing (mean = 3.96) for HNFC individuals ($t = 3.367$, $p = .001$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 4.34) and combined pricing (mean = 4.47) for LNFC individuals ($t = -.555$, $p > 0.10$) (see Table 5.10 and Figure 5.9). Hence, H1 was supported.

H2 proposed that willingness to purchase the product for partitioned pricing, as compared to combined pricing, will be higher for HNFC individuals than for LNFC individuals. As the results in Table 5.10 and Figure 5.10 show, partitioned pricing resulted in a significantly higher willingness to purchase the product (mean = 5.31) compared to combined pricing (mean = 3.86) for HNFC individuals ($t = -4.865$, $p = .00$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 4.60) and combined pricing (mean = 4.31) LNFC individuals ($t = 0.783$, $p > .10$). This provides support for hypothesis H2.

Table 5.9 Study 3: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 1)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.884	0.116	6.585	0.002	1	5.773 (.018)	13.239 (.000)
NFC	0.997	0.003	0.141	0.869	1	0.130 (.719)	0.282 (.597)
<i>Interaction Effects</i>							
Price* NFC	0.911	0.089	4.877	0.010	1	9.350 (.003)	5.838 (.017)
Residual					101		

*p-values are provided in parentheses.

Table 5.10 Study 3: Means and t-values (Experiment 1)

Variables	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of Value of the Offer	4.98 (0.84)*	3.96 (1.25)	3.367 ^a	4.34 (0.80)	4.47 (0.79)	-0.555
Willingness to Purchase	5.31 (1.02)	3.86 (1.12)	4.865 ^a	4.60 (1.30)	4.31 (1.40)	0.783

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a= $p < .01$, b= $p < .05$

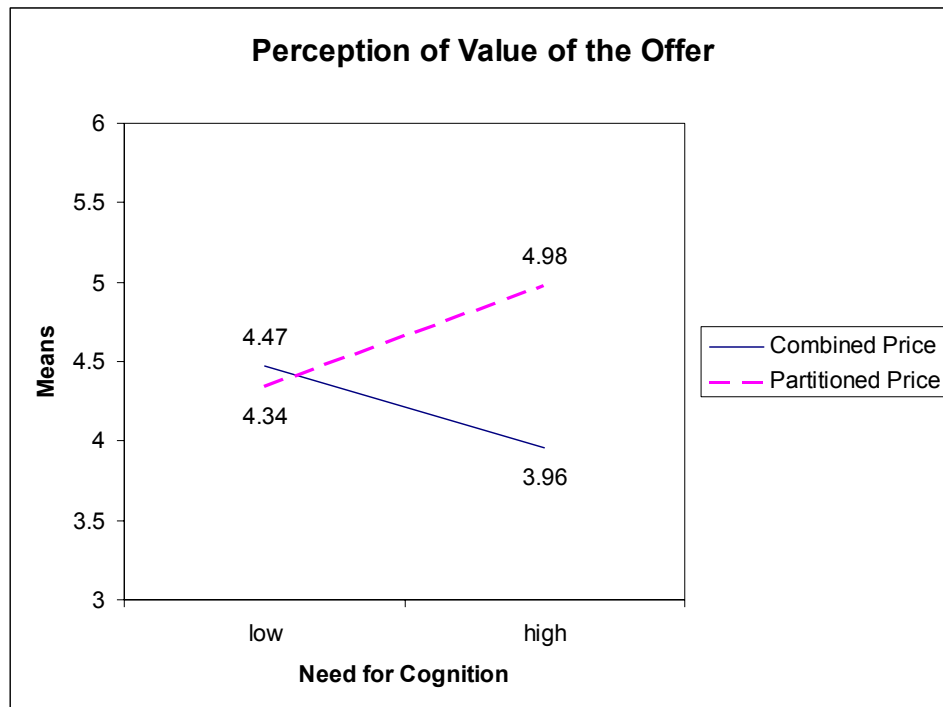


Figure 5.9 Study 3: Experiment 1



Figure 5.10 Study 3: Experiment 1

Overall, the findings of the first experiment again demonstrate that when shipping and handling charges are considered to be reasonable partitioned pricing resulted in a higher perception of value of the offer and higher willingness to purchase the product for HNFC individuals. For LNFC individuals, no significant effect was found for the two types of pricing strategy on the dependent variables.

5.6 Study 3: Experiment Two

The second experiment in Study 3 examines the effects of partitioned versus combined pricing and need for cognition when shipping and handling charges are perceived as unreasonable. The methodology of this experiment is similar to that of the previous experiment. The important difference in the second experiment was the use of a *different delivery time* to make the same shipping and handling charge (\$19.99) as in the first experiment seem

unreasonably high. In this experiment the delivery time of the PDA was changed to 7-10 days instead of one-day used in the previous experiment. The design and the operationalization of the independent variables and the measurement of the dependent variables remained unchanged.

Need for cognition was assessed by the same 18-item Need for Cognition Scale (Cacioppo, Petty and Kao, 1984). Coefficient alpha was 0.85. The median NFC score across all subjects was 1.00 (SD = 1.00). A median split was conducted to divide the respondents into HNFC and LNFC groups. The median NFC score for the HNFC group was 1.67 (SD = 0.53) and LNFC group was 0.33 (SD = 0.64).

5.6.1 Subjects and Procedure

Ninety six undergraduate students participated in the experiment. The procedures followed were similar to those of the first experiment of this study. Subjects were exposed to an advertisement of the same PDA as in the previous experiment. One group of respondents was provided with a combined price of \$ 219.98 for the PDA while the second group was exposed to a base price of \$199.99 for the PDA plus shipping and handling charges of \$19.99. They were provided with a booklet which contained instructions, a single-page print advertisement of a Personal Digital Assistant (PDA), measures for perception of value of the offer and willingness to purchase the product, manipulation check measures, perceived reasonableness of the surcharge measure, evaluation process measures, measures for attitude toward the retailer, and finally, an 18-item need for cognition scale.

Perceived reasonableness of the \$19.99 shipping and handling charges for 7-10 days delivery was measured on a seven-point scale (1 = Unreasonable; 7 = Reasonable). The mean was 2.89 which was significantly lower than the mid point of the scale ($t = -4.786$, $p = .00$), indicating that the respondents perceived the surcharge as unreasonable for a 7-10 days delivery.

The dependent variables, perception of value of the offer (coefficient alpha = .78) and willingness to purchase (correlation = .70, $p = .00$) were also measured using the same items as in the first experiment of Study 3. A confirmatory factor analysis was run to ensure that the items measuring perception of value of the offer and willingness to purchase loaded on two different factors. The results of the analysis were as expected. The correlation between the two dependent variables was .56 ($p < .01$).

5.6.2 Results: Experiment Two

5.6.2.1 Manipulation Check

Subjects were asked to indicate if the advertised price for the PDA included the surcharge or if the surcharge was stated separately. Five subjects failed the manipulation check question by providing incorrect response to this question. Three subjects were from the combined pricing condition and two subjects were from the partitioned pricing condition.

The second manipulation check was designed to ensure that the respondents attended to the time of delivery information provided to them in the advertisement. All subjects indicated the correct delivery time. Therefore, only five subjects who failed the first manipulation check were excluded from further analyses resulting in a sample size of ninety one respondents (forty one males and fifty female respondents).

5.6.2.2 Assumption Checks

5.6.2.2.1 Assumption Check 1: In the second experiment measures were included to ensure that the assumptions regarding the HNFC and LNFC respondents' evaluation process in the unreasonable surcharge condition are valid. It was assumed that the HNFC individuals are more likely to realize the unreasonableness of the high surcharge and focus more on it when judging the value of the offer than when the surcharge is reasonable. The measure for the "main focus" of

Table 5.11 Study 3: Process Measures
(“Main Focus” of HNFC and LNFC consumers when evaluating the offer)

Variables	LNFC			HNFC		
	Focus on price excluding S&H	Focus on price including S&H	% considering S&H in evaluation of offer	Focus on Price xcluding S&H	Focus on Price Including S&H	% considering S&H in evaluation of offer
Main focus to judge value of offer (Reasonable Surcharge)	11	13	54	21	3	12.5
Main focus to judge value of offer (Unreasonable Surcharge)	8	16	66	6	14	70
Chi-square			.784 (.376)*			15.21(.000)*

* p values are provided in parentheses

the respondents when they evaluated the offer showed that fourteen out of twenty HNFC respondents focused mainly on the price of the PDA *including* the surcharge, while six HNFC respondents focused on base price of the PDA *excluding* the surcharge. That is, in the unreasonable surcharge condition, 70 percent of HNFC respondents included the shipping and handling charge in their evaluation of the offer for the product in contrast to 12.5 percent in the reasonable surcharge condition ($\chi^2 = 15.21$, $p = .00$) This implies that, for the HNFC respondents there was a noticeable shift of focus toward the shipping and handling charges in the unreasonable surcharge condition as compared to the reasonable surcharge condition. Additionally, in the unreasonable surcharge condition, sixteen out of twenty four LNFC respondents indicated that they focused on the price of the PDA *including* the surcharge while eight respondents indicated that they focused only on the base price of the PDA *excluding* the surcharge. In other words, 66 percent of LNFC respondents included the shipping and handling charges in their evaluation of the offer for the product in the unreasonable surcharge condition as

compared to 54 percent in the reasonable surcharge condition ($\chi^2 = .784$, $p > .10$)(see Table 5.11). This implies that, while evaluating the offer the focus of LNFC respondents toward the shipping and handling charges remained similar across the reasonable and unreasonable surcharge conditions.

5.6.2.2.2 Assumption Check 2: Another process check measure that asked the respondents to weigh the two price components (the base price of the PDA and the shipping and handling charge) based on the degree to which they used them in the evaluation of the offer for the product was also included in the experiment. Subjects were requested to divide ten chips between the two price components. As expected, in the unreasonable surcharge condition the HNFC respondents allocated significantly higher number of chips to the shipping and handling charges (3.75) as compared to the reasonable surcharge condition (2.21) ($t = 2.898$, $p = .006$). Consequently, the weight on the price of the PDA excluding shipping and handling charge significantly reduced from a mean of 7.79 to 6.25 ($t = -2.898$, $p = .006$). These findings imply that when the shipping and handling charges are unreasonable the HNFC respondents give more weight to the surcharge than when they perceive the surcharge as reasonable. On the other hand, the change in weight allocated to shipping and handling charges versus the price of the PDA excluding shipping and handling charges is not significant for the LNFC respondents in the two different surcharge conditions. The mean allocation of chips to the surcharge by LNFC individuals was 3.29 in the reasonable surcharge condition and 3.33 in the unreasonable surcharge condition ($t = -0.086$, $p > .10$). Consequently, the weight allocation of LNFC respondents to the price of the PDA excluding shipping and handling charge in the reasonable condition was 6.71 and in the unreasonable condition was 6.67 and not significantly different ($t = 0.086$, $p > .10$) (see Table 5.12).

5.6.2.2.3 Assumption Check 3: In H3 and H4 it is posited that HNFC individuals would be more negatively influenced by partitioned pricing than by combined pricing when the shipping and handling charges are perceived as unreasonable. The assumption underlying this prediction is that partitioned pricing will result in more surcharge related counterarguments by HNFC individuals than by LNFC individuals in the unreasonable surcharge condition. This assumption was checked by examining the cognitive responses provided by the participants in the partitioned pricing condition. Consistent with expectations, it was found that the HNFC individuals offered more counterarguments (mean = 1.05) about the surcharge than the LNFC individuals (mean = 0.50) ($t = 2.704, p = 0.01$).

Table 5.12 Study 3: Process Measures
(“Chip Allocation” of HNFC and LNFC consumers to the base price and surcharge)

Variables	LNFC		HNFC	
	Weight on price excluding S&H	Weight on S&H	Weight on price excluding S&H	Weight on S&H
Allocate 10 chips weighing the two price information (Reasonable Surcharge)	6.71	3.29	7.79	2.21
Allocate 10 chips weighing the two price information (Unreasonable Surcharge)	6.67	3.33	6.25	3.75
Change in allocation of chips (p value)	0.932	0.932	0.006	0.006

Overall, the assumption check measures show that when surcharges are unreasonable, the HNFC respondents give more weight to the shipping and handling charges to evaluate the offer as compared to when surcharges are reasonable. On the other hand, the LNFC respondents weigh the base price as well as the surcharge similarly in both the reasonable and unreasonable surcharge conditions. Further more, the unreasonable surcharges trigger more counterarguments

from HNFC respondents than from LNFC respondents leading to a negative affect toward the offer.

5.6.2.3 Hypotheses Tests

H3 and H4 were examined by conducting a 2 (Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) MANOVA. The MANOVA revealed a significant interaction (Wilks' Lambda = .901, $F = 4.725$, $p = .011$), as shown in Table 5.13. Univariate results presented in Table 5.11 indicate that the multivariate interaction effect was due to the effects on perception of value of the offer [$F(1, 87) = 7.940$, $p = .006$] as well as willingness to purchase [$F(1, 87) = 6.438$, $p = .013$]. The multivariate main effect for price was found to be significant (Wilks' Lambda = .887, $F = 5.474$, $p = .006$). The multivariate main effect was due to the univariate main effects on the perception of value of the offer [$F(1, 87) = 11.074$, $p = .001$], while univariate main effect on willingness to purchase was not significant. No main effect was found for need for cognition.

Table 5.13 Study 3: The Effect of Type of Pricing Strategy (2 Types) and Need For Cognition (2 Levels) on Perception of Value of the Offer and Willingness to Purchase (Experiment 2)

Sources	MANOVA				ANOVA		
	Wilks' Lambda	Effect Size	F-value	Sig.	d.f	Perception of Value of the Offer	Willingness to Purchase
<i>Main Effects</i>							
Price	0.887	0.113	5.474	0.006	1	11.074 (.001)*	3.017 (.086)
NFC	0.990	0.010	0.453	0.637	1	0.001 (.970)	0.643 (.425)
<i>Interaction Effects</i>							
Price* NFC	0.901	0.099	4.725	0.011	1	7.940 (.006)	6.438 (.013)
Residual					87		

*p-values are provided in parentheses.

Table 5.14 Study 3: Means and t-values (Experiment 2)

Variables	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Perception of offer Value	4.11 (0.59)*	4.90 (0.81)	-3.775 ^a	4.47 (0.49)	4.53 (0.46)	-0.465
Willingness to Purchase	4.00 (0.86)	4.88 (0.81)	-3.533 ^a	4.69 (1.33)	4.52 (0.79)	0.506

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a= $p < .01$

H3 proposed that perception of value of the offer for partitioned pricing will be lower than that for combined pricing and the difference in the effect of the two types of pricing would be significant for HNFC individuals and not for LNFC individuals. Consistent with the hypothesis, the perception of value of the offer for partitioned pricing was significantly lower (mean = 4.11) than that of combined pricing (mean = 4.90) for HNFC individuals ($t = -3.775$, $p = .00$). In addition, no significant difference was found in perception of value of the offer between partitioned pricing (mean = 4.47) and combined pricing (mean = 4.53) for LNFC individuals ($t = -.465$, $p > .10$) (see Table 5.13 and Figure 5.11). Hence H3 was supported.

H4 proposed that willingness to purchase the product for partitioned pricing, as compared to combined pricing, would be lower for HNFC individuals than for LNFC individuals. As expected, partitioned pricing resulted in a significantly lower willingness to purchase the product (mean = 4.00) than that of combined pricing (mean = 4.88) for HNFC individuals ($t = -3.533$, $p = .001$). Moreover, willingness to purchase did not significantly differ between partitioned pricing (mean = 4.69) and combined pricing (mean = 4.52) for LNFC individuals ($t = .506$, $p > .10$) (see Table 5.14 and Figure 5.12). This provides support for hypothesis H4.

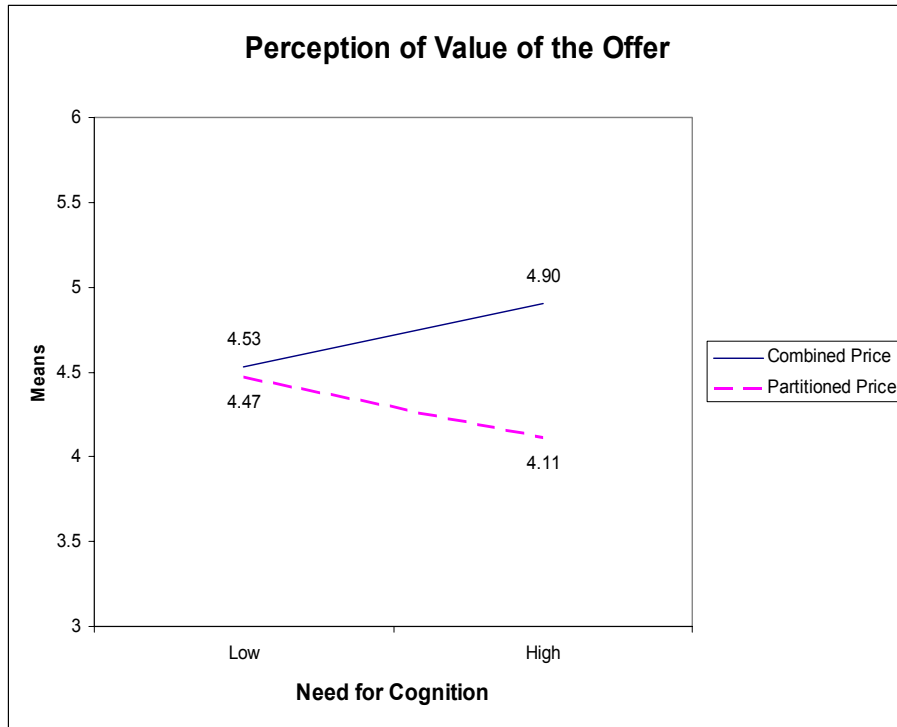


Figure 5.11 Study 3: Experiment 2

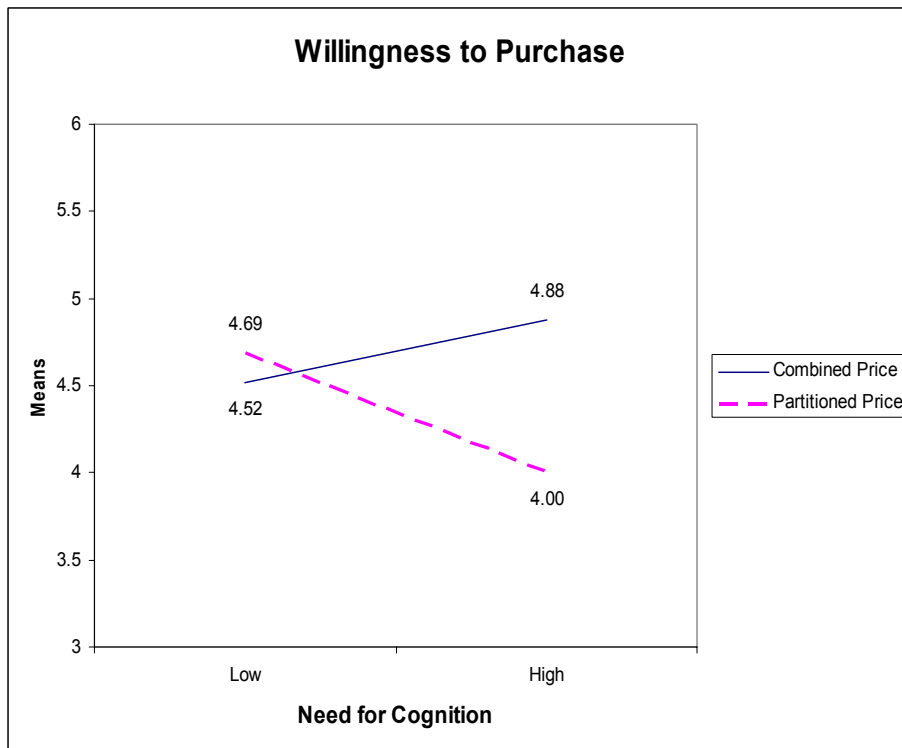


Figure 5.12 Study 3: Experiment 2

In sum, the findings of the second experiment also show that partitioned pricing resulted in a lower perception of value of the offer and lower willingness to purchase the product than combined pricing for HNFC individuals when the surcharge is perceived to be unreasonable. For LNFC individuals, there was no significant difference in the effects of the partitioned versus combined pricing when the surcharge is unreasonable.

5.6.2.4 Additional Analyses for Study 3

As in study 2, additional analyses were conducted to examine if the effectiveness of the *combined pricing* (\$299.98) on perception of value of the offer and willingness to purchase are similar across HNFC respondents and LNFC respondents in both experiments in study 3. In the first experiment (reasonable surcharge), the combined price for one-day delivery resulted in a perception of value of the offer for HNFC individuals (mean = 3.96), which was not significantly different from that for LNFC individuals (mean = 4.47) ($t = 1.797, p > .05$). Similarly, the willingness to purchase the product (mean = 3.86) for HNFC individuals was not significantly different from that for LNFC individuals (mean = 4.31) ($t = 1.349, p > .10$).

In the second experiment (unreasonable surcharge), as expected, combined price for 7-10 days delivery resulted in perception of value of the offer for HNFC individuals (mean = 4.90) similar to that for the LNFC individuals (mean = 4.53) ($t = 1.934, p > .05$). Similarly, willingness to purchase the product for HNFC individuals (mean = 4.88) was not significantly different from that for LNFC individuals (mean = 4.52) ($t = 1.526, p > .10$). These analyses show that the effects of combined price are similar on HNFC and LNFC respondents in each of the two experiments.

Similar analyses were conducted to examine the effectiveness of the *partitioned pricing* on perception of value of the offer and willingness to purchase for HNFC respondents and LNFC respondents in both experiments in Study 3. In the first experiment, as expected, the partitioned

price for the PDA resulted in a significantly higher perception of value of the offer for HNFC individuals (mean = 4.98) than that for LNFC individuals (mean = 4.34) ($t = 2.688, p < .05$). Similarly, willingness to purchase for HNFC individuals (mean = 5.31) was also significantly higher than that for LNFC individuals (mean = 4.60) ($t = 2.098, p < .05$). Supportive results were found in the second experiment as well. As expected, partitioned price for the PDA resulted in lower perceptions of value of the offer for HNFC individuals (mean = 4.11) than that for LNFC individuals (mean = 4.67) ($t = -2.192, p < .05$). Similarly, the willingness to purchase the product for HNFC individuals (mean = 4.00) was also significantly lower than that for LNFC individuals (mean = 4.69) ($t = -1.995, p < .05$).

The additional analyses results demonstrate that while the effectiveness of combined pricing remain similar for HNFC and LNFC individuals in both experiments, effectiveness of partitioned pricing on perception of value of the offer and willingness to purchase the product is higher for HNFC individuals than LNFC individuals in the reasonable surcharge experiment and lower for HNFC individuals than LNFC individuals in the unreasonable surcharge experiment.

5.6.2.5 Attitude Toward the Retailer

In study 3, respondents' attitude toward the retailer in addition to the main dependent variables was also examined. In the reasonable surcharge condition, we assumed that compared to combined pricing, partitioned pricing is likely to result in a more favorable attitude toward the retailer for HNFC than for LNFC individuals. In the partitioned pricing condition, HNFC individuals are likely to appreciate the clear and specific break up of the price information in contrast to the uncertainty of the surcharge amount associated with the combined pricing. On the other hand, in the unreasonable surcharge condition, HNFC individuals will react more negatively than LNFC individuals to the unreasonably high surcharge information provided in

the partitioned pricing condition as compared to the combined pricing condition. Since HNFC individuals are more deliberative in their decision making, they are likely to enter the correction stage, re-evaluate the offer and question the intention or motive of the retailer as opposed to LNFC individuals who are likely to remain in the characterization stage. Therefore, I expected the unreasonableness of the surcharge to affect the attitude of HNFC individuals toward the retailer more negatively than that of LNFC individuals.

Overall, it was expected that the attitude of HNFC and LNFC individuals toward the retailer would be of the same pattern as their responses to partitioned pricing versus combined pricing in the two different surcharge conditions. Specifically, in the reasonable surcharge condition attitude toward the retailer for HNFC individuals will be higher than LNFC individuals for partitioned pricing as compared to combined pricing and in the unreasonable surcharge condition, attitude toward the retailer for HNFC individuals will be lower than LNFC individuals for partitioned pricing as compared to combined pricing.

A 2(Partitioned pricing vs. Combined pricing) X 2 (High vs. Low need for cognition) ANOVA was conducted on attitude toward the retailer. Consistent with the expectations in the reasonable surcharge condition, the ANOVA yielded a significant interaction effect of type of pricing and need for cognition ($F(1, 101) = 7.04, p < .01$). Partitioned pricing resulted in a more favorable attitude toward the retailer for HNFC respondents (mean = 5.08) as compared to combined pricing (mean = 4.36) ($t = 2.38, p < .05$). The LNFC individuals did not show significantly different attitude toward the retailer in the partitioned pricing condition (mean = 4.25) as compared to the combined pricing condition (mean = 4.69) ($t = -1.443, p > .10$) (see Table 5.15 and Figure 5.13)

A similar ANOVA was conducted for the unreasonable surcharge condition. The ANOVA yielded a significant interaction effect of type of pricing and need for cognition ($F = 6.12, p < .05$). Partitioned pricing resulted in a more negative attitude toward the retailer for HNFC individuals (mean = 3.50) as compared to combined pricing (4.88) ($t = -4.57, p = .00$). As expected, attitude toward the retailer did not vary significantly between partitioned pricing (4.21) and combined pricing (4.64) for LNFC individuals ($t = -1.79, p > .05$) (see Table 5.15, Table 5.16, and Figure 5.14).

In sum, the results relating to attitude toward the retailer demonstrate that in the reasonable surcharge condition, the complete and fair price information provided by the retailer in the partitioned pricing condition results in a more favorable attitude of the HNFC respondents toward the retailer as compared to the combined pricing condition. In the unreasonable surcharge condition (where the high shipping and handling charges may lead the HNFC individuals to question the retailer's motive) HNFC individuals exhibited a greater negative attitude in the partitioned pricing condition than in the combined pricing condition. The LNFC respondents did not exhibit any difference in their attitude toward the retailer either in the partitioned pricing condition or in the combined pricing condition.

Additional t-tests show that the combined price in the reasonable surcharge experiment resulted in attitude toward the retailer for HNFC individuals (mean = 4.36) similar to that of LNFC individuals (mean = 4.69) ($t = -.978, p > .10$). Similarly, in the unreasonable surcharge experiment, the combined price resulted in attitude toward the retailer for HNFC individuals (mean = 4.88) that was not significantly different from that of LNFC individuals (mean = 4.64) ($t = .993, p > .10$). These results imply that while the effectiveness of the combined price on attitude toward the retailer is similar across HNFC and LNFC individuals in both experiments, it

is the effectiveness of the partitioned price on attitude toward the retailer that is varying significantly across the two groups of respondents in the reasonable and unreasonable surcharge conditions.

Table 5.15 Study 3: The Effect of Type of Pricing Strategy (2 Types) and Need for Cognition (2 Levels) On Attitude Toward the Retailer (Experiment 1 and Experiment 2)

Sources	ANOVA							
	Experiment 1				Experiment 2			
	Effect Size	F-value	Sig.	d.f	Effect Size	F-value	Sig.	d.f
<i>Main Effects</i>								
Price	0.004	0.425	0.516	1	0.202	22.090	0.000	1
NFC	0.013	1.300	0.257	1	0.016	1.459	0.230	1
<i>Interaction Effects</i>								
Price* NFC	0.065	7.042	0.009	1	0.066	6.124	0.015	1
Residual				101				87

**Table 5.16 Study 3: Attitude Toward the Retailer
Means and t-values (Experiment 1 and Experiment 2)**

	HNFC			LNFC		
	Partitioned Price	Combined Price	t-value	Partitioned Price	Combined Price	t-value
Reasonable Surcharge	5.08 (0.88)*	4.36 (1.25)	2.38 ^b	4.25 (0.90)	4.69 (1.31)	-1.443
Unreasonable Surcharge	3.50 (1.05)	4.88 (.97)	-4.57 ^a	4.21(.93)	4.64(.66)	-1.79

* Standard Deviations are provided in parentheses.

- HNFC: High Need for Cognition
- LNFC: Low Need for Cognition
- a=p<.01
- b=p<.05

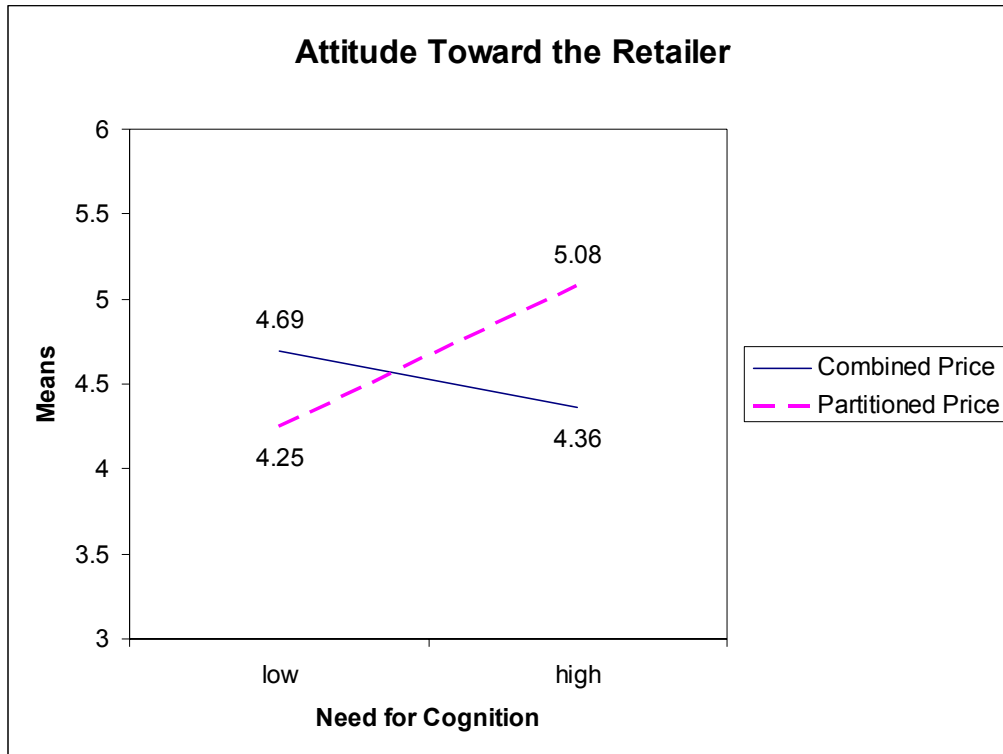


Figure 5.13 Study 3: Experiment 1 (Reasonable Surcharge)

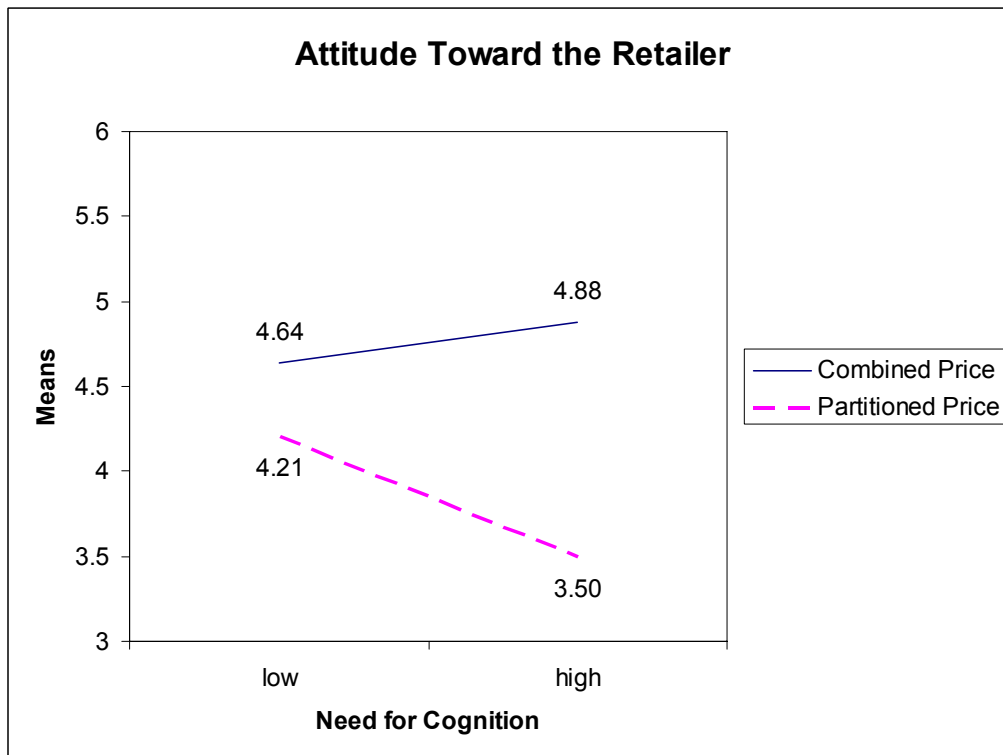


Figure 5.14 Study 3: Experiment 2 (Unreasonable Surcharge)

CHAPTER 6: DISCUSSIONS AND IMPLICATIONS OF THE RESULTS

Research investigating the effectiveness of partitioned pricing strategy is extremely limited. Drawing on prior research by Morwitz, Greenleaf and Johnson (1998), which suggests that partitioned prices decrease consumers' recalled total costs and increase their demand, the research provides insight into the contexts that may generate such favorable consumer responses. It seems logical that when surcharges are stated separately, buyers would be attracted to a lower base price of a product. But, would all buyers react to partitioned price the same way?

It is posited that effectiveness of partitioned pricing versus combined pricing will be a function of perceived reasonableness of the surcharge and need for cognition of the consumers. Specifically when surcharges are reasonable, compared to combined pricing partitioned pricing will have a more positive effect on HNFC individuals than on LNFC individuals. Additionally, the LNFC individuals will respond to both types of pricing strategy similarly.

When surcharges are perceived to be reasonable, HNFC individuals are likely to treat the reasonable surcharge as an inherent expense associated with the purchase and focus more on the base price of the product to judge the value of the offer resulting in a positive influence of partitioned pricing versus combined pricing. On the other hand, in an attempt to avoid elaborate processing, LNFC individuals will not critically evaluate the two price components separately but focus on the 'total' expense. LNFC individuals are likely to arrive at the total expense either by partially or by completely combining the surcharge with the base price. Consequently, the influence of partitioned pricing on LNFC individuals is likely to be similar to that of combined pricing.

When surcharges are perceived to be unreasonable, it is posited that the effectiveness of partitioned pricing vis-à-vis combined pricing will be reversed. The effect of partitioned pricing

in the unreasonable surcharge condition will be less positive compared to combined pricing for HNFC individuals. It is posited that HNFC individuals are likely to enter the ‘correction stage’ of decision making, question the unreasonable surcharge, and react negatively to partitioned pricing. The LNFC individuals are unlikely to enter the ‘correction stage’ and focus on the total expense involved in the transaction. Consequently, the LNFC individuals will respond to both types of pricing strategy similarly. Therefore it is posited that compared to combined pricing, partitioned pricing will be less effective on HNFC individuals than on LNFC individuals. Persuasion knowledge model and characterization-correction model were used to explain the evaluation procedure and negative reaction of HNFC individuals to what was perceived as an unreasonable or unfair surcharge.

Three studies were designed to examine how need for cognition moderates the effect of partitioned pricing versus combined pricing on perception of value of the offer and willingness to purchase the product. Each study consisted of two experiments, one for reasonable surcharge and one for unreasonable surcharge in the partitioned pricing condition. Reasonableness of the surcharge was manipulated in three ways. In the first study, an airline ticket purchase scenario was used and reasonableness of surcharge (processing fee and taxes) was manipulated as a percentage of the base price of the ticket. In the second study, reasonableness of surcharge (shipping and handling) was manipulated based on weight/size of the product. Consequently, two different products were used in the two experiments. In the first experiment a DVD Player was used; and in the second experiment a compact 35 mm point-and-shoot camera was used to make the \$19.99 shipping and handling charge seem reasonable for the DVD Player (a larger size product) and as unreasonable for the camera (a much smaller size product). In the third study, surcharge (shipping and handling) was manipulated as a function of delivery time. In the

reasonable surcharge experiment, one-day delivery for a PDA was used; whereas, and in the unreasonable surcharge experiment a 7-10 days delivery was used for the same PDA. The same amount of shipping and handling (\$19.99) was used in the two delivery time conditions to manipulate reasonableness of surcharge. The third study also evaluated the processing of price information by HNFC and LNFC individuals.

In the next sections, findings of the three studies which support of the hypothesized effects as well as several additional analyses that add robustness to the findings are discussed. The theoretical contribution of this research, followed by managerial and public policy implications are presented after the discussion of the results. Finally, the limitations of the research are identified and suggestions are made for future research in this area of pricing.

6.1 Discussion of Study 1

The first experiment of study 1 examined the effects of partitioned pricing versus combined pricing on buyer's perception of value of the offer and willingness to purchase the advertised product when the surcharge in the partitioned pricing condition is reasonable. An airline ticket purchase scenario was used where the price of the ticket and the reasonable surcharge were determined by averaging actual market ticket prices and surcharges. The surcharge was set at \$39.50 (around 16% of base price). Consistent with the predictions, significant interaction was found between type of pricing and need for cognition. Partitioned pricing resulted in higher perception of value of the offer and higher willingness to purchase than combined pricing for the HNFC individuals. HNFC individuals' evaluation of the offer (based on only the base price) was more positive than that of the LNFC individuals who combined the surcharge with the base price either partially or completely to judge the offer. It seems that when surcharges are perceived as reasonable, HNFC individuals consider the surcharge as an inherent

expense associated with the mail order / online transaction, and hence judge the offer only on the basis of the base price of the product. Further, HNFC individuals probably appreciate the clear and separate presentation of the price components as compared to the uncertainty associated with the combined price. In other words, the specificity of the price information in partitioned pricing may enhance the advertising effectiveness beyond that of combined pricing for the HNFC individuals. The LNFC individuals did not show any difference in their responses to either type of pricing in this experiment.

The objective in the second experiment of study 1 was to assess whether the favorable evaluation of partitioned pricing by HNFC individuals is evident even if surcharges are unreasonable. For this experiment, the surcharge was set at \$79.50 (around 31% of the base price). As expected, the HNFC individuals perceived the surcharge of \$79.50 to be unreasonable and this had a complete reversal of effect on HNFC individuals' judgments of the offer for partitioned vis-à-vis combined pricing, unlike the LNFC individuals who showed no difference in their responses. In other words, for HNFC individuals partitioned pricing had a less positive effect on perception of value of the offer and willingness to purchase than combined pricing when the surcharge was perceived to be unreasonable.

Overall, the two experiments of study 1 provide strong evidence to suggest that all consumers may not react positively to partitioned pricing under all conditions. Specifically, consumer reaction to partitioned vis-à-vis combined pricing is a function of need for cognition and reasonableness of surcharge in the partitioned pricing condition.

6.2 Discussion of Study 2

The objective in the second study was similar to that of the first study, i.e. to assess whether the HNFC consumers react favorably to partitioned pricing only when they perceive the

surcharge to be reasonable. In this study, perceived reasonableness of surcharge was manipulated relative to the weight and size of the product. In the first experiment, the product selected was a DVD player, such that the \$19.99 shipping and handling charge seemed reasonable relative to the weight/size of the package. The reasonable shipping and handling charge was determined by averaging actual market shipping rates of twenty current retail websites as well as from pretests. As expected, significant interaction was found between type of pricing and need for cognition. Partitioned pricing resulted in higher perception of value of the offer and higher willingness to purchase than combined pricing for the HNFC individuals. The LNFC individuals' responses to either type of pricing strategy were again not significantly different.

In the second experiment, the price of the product as well as the shipping and handling charges used were the same as in the first experiment. However, a 35mm compact point-and-shoot camera was used as the advertised product (instead of a DVD player) to make the shipping and handling charges seem unreasonable because of lower/smaller weight/size of the product. As expected, the respondents perceived the \$19.99 surcharge as unreasonably high for the 35mm point-and-shoot camera. Again, Study 2 showed a completely reversal of effect for HNFC individuals' judgments of the offer; whereas, the LNFC individuals did not show any difference in their response to either type of pricing. Overall, consistent with the findings of Study 1 (experiment 2), partitioned pricing (with an unreasonable surcharge) was less effective than combined pricing in influencing perception of value of the offer and willingness to purchase for HNFC individuals. The results are consistent with the theoretical framework which explains the effectiveness of partitioned pricing vis-à-vis combined pricing on HNFC and LNFC individuals.

6.3 Discussion of Study 3

The objectives in the third study were similar to those in the first two studies; but this study also examined the consumers' response processes to partitioned and combined pricing. In this study, perceived reasonableness of surcharge was manipulated on the basis of 'time of delivery.' A PDA was used for the two experiments and the shipping and handling charge was determined from current market surcharges and from pretests. The price of the PDA as well as the shipping and handling charge were kept constant across the two experiments. In the first experiment, a delivery time of one-day was used to make \$19.99 seem like a reasonable shipping and handling charge for the PDA. In the second experiment, a delivery time of 7-10 days for the same product was used to project the same shipping and handling charge as unreasonable.

Consistent with the findings of the previous two studies, it was found that when the HNFC individuals perceived the surcharge as reasonable, partitioned pricing resulted in a higher perception of value of the offer and higher willingness to purchase as compared to combined pricing. The LNFC individuals showed no difference in their response to the two types of pricing. When the respondents perceived the surcharge as unreasonable, there was a completely reversal of effect and HNFC individuals' evaluation of partitioned prices resulted in a lower perception of value of the offer and lower willingness to purchase than combined pricing. LNFC individuals again responded no differently to the two pricing conditions.

In the third study, process models (Figure 3.2 and Figure 3.3) that depict the alternative processing routes adopted by HNFC and LNFC individuals when exposed to partitioned pricing and combined pricing were also tested. According to the process models, combined price processing is rather simple since consumers have only one price to evaluate. In this situation, most consumers are likely to focus on the combined amount provided in the advertisement to

evaluate the offer (68.4 percent used it in experiment one to make judgments of the offer and 70.2 percent of the respondents used the given combined price amount experiment two). The other possible route consumers may follow when exposed to a combined price is to use the combined price as an anchor to estimate a base price for the product. The estimated base price is then likely to be used to evaluate the offer (in experiment one 31.6 percent used this route: 11 HNFC and 7 LNFC individuals; in experiment two 29.8 percent used this route: 10 HNFC and 4 LNFC individuals). Interestingly, these findings also suggest that consistent with their characteristics HNFC individuals are more likely to make the effort to estimate the base price from the combined price than LNFC individuals. However, findings also show that even though several consumers indicated that they estimated a base price, they use the combined price provided in the ad to evaluate the offer (in experiment one only 3 respondents estimated and used the estimated amount to evaluate the offer while only 5 respondents have done so in the experiment two). Overall the findings suggest that most consumers are likely to use the former process (i.e. use the combined price and not the estimated base price) to evaluate the offer, and therefore the responses of HNFC and LNFC individuals are not different in the combined pricing condition.

According to the process models, all consumers (both HNFC and LNFC individuals) scan the base price as well as the surcharge. It was argued that it is not very likely that consumers (including LNFC individuals) fail to notice or overlook the surcharge presented in the advertisement. The number of respondents who failed to correctly identify whether the shipping and handling charge was included in the price of the product or if it was provided separately from the price of the product were tallied. Only three subjects (one HNFC and two LNFC) responded incorrectly in the first experiment where the surcharge was reasonable and five

subjects (two HNFC and three LNFC respondents) responded incorrectly in the second experiment where the surcharge was unreasonable. These findings indicate that failure to notice the surcharge information in an advertisement is highly unlikely regardless of the individual's need for cognition.

It is posited that the evaluation of partitioned price is likely to be different for HNFC and LNFC consumers. The LNFC individuals are likely to combine the two separate expenses (either accurately or heuristically) and use the total amount to evaluate the offer. But the HNFC individuals, being more deliberative in their processing, will evaluate each price component separately. When they perceive the surcharge as reasonable, HNFC individuals are likely to consider the surcharge as an inherent expense associated with the purchase and focus mainly on the base price of the product to evaluate the offer.

Measures of the “*main focus*” of HNFC and LNFC consumers strongly support the above assumption. The results show that only 12.5 percent of HNFC individuals included the reasonable shipping and handling charge in their evaluation of the offer while 54 percent of LNFC individuals included shipping and handling charge in their evaluation. When the shipping and handling charge was unreasonable, it was expected that the HNFC individuals will focus more on it compared when it is reasonable. As expected, in the second experiment where the shipping and handling charge was unreasonable, the measure of the “main focus” showed that 70 percent of HNFC individuals included the surcharge while evaluating the offer. This was significantly higher than the number of HNFC individuals in the first experiment where the shipping and handling charge was reasonable. Results also show that 66 percent of LNFC individuals included the unreasonable shipping and handling charge in their evaluation of the

offer which was not significantly different from the number of LNFC individuals including the shipping and handling charge (54%).

Another measure was included to assess if the *weight of surcharge in the evaluation process* increases when it is perceived as unreasonable as compared to when it is perceived as reasonable. The respondents were asked to weigh the two price components by way of allocation of ten chips to the two price components (the base price and the surcharge). The results showed that the weight placed on shipping and handling charge by the HNFC individuals increased significantly when the shipping and handling charge was unreasonable as compared to when shipping and handling charge was reasonable. The LNFC individuals placed similar amount of weight to the shipping and handling charge for both reasonable and unreasonable shipping and handling charge.

The process model (Figure 3.2) also depicts that when the surcharges are perceived as unreasonable, the *HNFC individuals are more likely to enter the correction stage* than the LNFC individuals. Counterarguments related to the nature of the surcharge were measured for HNFC and LNFC individuals in both reasonable and unreasonable surcharge conditions. In the reasonable surcharge condition it was found that not only were the number of counterarguments similar for both HNFC and LNFC individuals, there were support arguments related to the reasonableness of the surcharge offered only by HNFC individuals demonstrating the detailed evaluation of the price components by HNFC individuals. When the surcharge was unreasonable, HNFC individuals offered a significantly higher number of counterarguments related to the unreasonableness of the surcharge than LNFC individuals as expected. This measure provides support to the belief that HNFC consumers react more negatively to unreasonable surcharges by entering the correction stage, unlike LNFC individuals who remain

in the characterization stage and therefore are less likely to react as negatively as HNFC individuals. Overall, the above measures provide support to the basic premises of the process models.

Finally, in study 3, an additional dependent variable ‘attitude towards the retailer’ was measured. The results relating to the attitude toward the retailer show that while combined pricing has similar affect on both HNFC and LNFC individuals, partitioned pricing results in significant differences in their attitudes toward the retailer depending on the reasonableness of the surcharge. The patterns of the results are similar to those of the main dependent variables - perception of value of the offer and willingness to purchase.

Compared to combined pricing, partitioned pricing resulted in a more favorable attitude toward the retailer for HNFC individuals than for LNFC individuals when the shipping and handling charge was reasonable. On the other hand when the surcharge was unreasonable, compared to combined pricing, partitioned pricing resulted in a lower attitude toward the retailer for HNFC individuals than for LNFC individuals. LNFC individuals did not show significant difference in their attitude toward the retailer regardless of whether the surcharge was reasonable or unreasonable.

Overall, the results related to the attitude toward the retailer help us further understand the difference in the responses of HNFC and LNFC individuals to partitioned pricing. The favorable feelings of HNFC individuals toward the retailer when exposed to partitioned price with a reasonable surcharge and the negative reaction of HNFC individuals when exposed to partitioned price with an unreasonable surcharge adds more strength to the findings related to the hypothesized effects of partitioned pricing vis-à-vis combined pricing on HNFC and LNFC individuals.

6.4 Discussion of Additional Analyses

In all three studies additional analyses were also conducted to offer further support for the hypothesized effects. In each study we examined whether the effectiveness of partitioned pricing on perception of value of the offer and willingness to purchase is significantly higher for the HNFC individuals as compared to the LNFC individuals when surcharges are reasonable and significantly lower for the HNFC individuals as compared to the LNFC individuals when surcharges are unreasonable. Moreover, it was also examined whether the effectiveness of the combined price across the HNFC and the LNFC groups on perception of value of the offer and willingness to purchase remain similar across both experiments in each study.

Expected results were found in all the experiments across the three studies with the exception of the second experiment in the first study. In all three experiments where the surcharge was reasonable (across the three studies), it was found that not only was the effectiveness of partitioned pricing significantly higher than the effectiveness of combined pricing for HNFC individuals as hypothesized, it was also significantly higher than the effectiveness of partitioned pricing for LNFC individuals. Further, the effectiveness of the combined pricing did not differ significantly across the HNFC and LNFC groups.

Two out of three experiments dealing with unreasonable surcharge (across the three studies) showed that not only was the effectiveness of partitioned pricing significantly lower than the effectiveness of combined pricing for HNFC individuals as hypothesized, it was also significantly lower than the effectiveness of partitioned pricing for LNFC individuals. Further, the effectiveness of the combined pricing was similar across the HNFC and LNFC groups.

However, in the second experiment (unreasonable surcharge) of the first study it was found that although the effectiveness of partitioned pricing was significantly lower than the

effectiveness of combined pricing on perception of value of the offer and willingness to purchase for HNFC individuals (as hypothesized), this effectiveness was not significantly lower than the effectiveness of partitioned pricing for LNFC individuals. Also, contrary to expectation, the effectiveness of combined pricing was significantly higher for HNFC individuals than for the LNFC individuals. However, overall findings of the additional analyses suggest that while effectiveness of combined pricing remain similar across HNFC and LNFC groups, the effectiveness of partitioned pricing on perception of value of the offer and willingness to purchase the product is significantly higher for the HNFC group than the LNFC group when surcharges are reasonable and significantly lower for the HNFC group than the LNFC group when surcharges are unreasonable.

Additional analyses were conducted on perceived reasonableness measure to ensure that both HNFC and LNFC respondents separately perceived the surcharges as intended. Of particular concern was LNFC individuals' perception of the unreasonable surcharge. Because the LNFC individuals responded to partitioned pricing (with unreasonable surcharge) and combined pricing in a similar manner, it was important to ensure that the unreasonable surcharge manipulation worked for LNFC individuals. In all six experiments across the three studies it was found that manipulation of reasonableness of surcharge was successful on both HNFC and LNFC groups. For the partitioned pricing conditions, the HNFC and LNFC respondents perceived the surcharge as reasonable/ unreasonable in the respective conditions.

Finally, additional analyses were conducted to ensure that the manipulation in the three studies did not affect respondents' need for cognition. Because need for cognition was measured at the end of the survey there was a concern that although a personality trait, individual's need for cognition may have been affected by the different price treatments. Across the three studies,

appropriate analyses were conducted to examine if need for cognition significantly differed in the two pricing conditions. It was found that need for cognition did not significantly differ between partitioned pricing and combined pricing conditions for all but one experiment. Since five out of six experiments provide favorable results, it may be reasonable to assume that overall need for cognition was not affected by the type of pricing to which the individuals were exposed.

Overall the results of all three studies make the findings robust and provide strong evidence to suggest that partitioned pricing may not always be an effective pricing strategy vis-à-vis combined pricing strategy.

6.5 Conclusion and Contribution

6.5.1 Implication for Marketing Theory

The findings add to the growing literature on behavioral aspects of pricing. The research demonstrates how consumers respond to partitioned versus combined pricing and why they respond in this manner. The major contribution of my research lies in the identification of the boundary conditions for the effectiveness of partitioned versus combined pricing in retail advertising. Although partitioned pricing has been a prevalent strategy adopted by marketers, in this research it is argued that this strategy may not always result in more favorable responses relative to combined pricing. It is posited that price perception related factors such as reasonableness of the surcharge and individual factors such as need for cognition play strong roles in determining the effectiveness of partitioned pricing versus combined pricing. Specifically, it is proposed that compared to LNFC individuals, those with HNFC are more likely to be affected positively by partitioned pricing when surcharges are perceived to be reasonable. However, when surcharges are perceived to be unreasonable, partitioned pricing will not only fail to influence HNFC individuals favorably, but it may be less effective than combined pricing.

Finally, similar effects of partitioned versus combined pricing on LNFC individuals in both surcharge conditions are expected.

The second contribution of the research lies in the understanding of the different processing routes of HNFC and LNFC individuals when exposed to partitioned / combined pricing information. The process models attempt to demonstrate the alternative processes that the two groups of individuals may adopt when evaluating an offer using either of these two pricing strategies. However, there may be other possible routes adopted by consumers that may not have been captured in the models presented in this study.

The third contribution of this research lies in the use of theoretical models such as the persuasion knowledge model (PKM) and characterization-correction model (CCM) and the introduction of cue diagnosticity to explain the effects of partitioned versus combined pricing. The theories used in this research help in understanding how consumers varying in their need for cognition process partitioned price versus combined price information. These theories also are capable of providing explanations for why partitioned prices may not result in a more favorable effect compared to combined prices when consumers' need for cognition is high or when the surcharge is perceived by the consumers as too high.

6.5.2 Implications for Marketing Practice

Previous research suggested that marketers can use partitioned pricing as a strategy to increase demand. The findings demonstrate that implementing partitioned pricing may not be always encouraging. The potentiality of surcharges in determining the evaluation of advertised information is investigated. Given the difference in individual characteristics, it seems that partitioned pricing strategy may not be effective for all consumers and under all circumstances.

Partitioned pricing may be effective when marketers want the consumers to notice the fair and reasonable surcharge. On the other hand, when marketers have valid reasons to charge a high shipping and handling but are uncertain of its perceived reasonableness to the consumers, a combined pricing strategy may be more effective. Also, if the marketers are trying to reinforce quality, and position the product in the category in which price/quality relationship operate, combined pricing is more effective (Morwitz et al., 1988). Setting the surcharge at a desirable level presents marketers with a challenge. Uncertainty about the perceived appropriateness of a high shipping and handling charge may cause partitioned pricing strategy to not only be ineffective but also evoke negative reactions from consumers. On the other hand, when the surcharge is considered fair and acceptable, the HNFC individuals are believed to be highly influenced not only by the specificity of the price information provided in the advertisement but also by the perceived fairness of the separate charges.

The pattern of results related to the attitude toward the retailer make apparent the far reaching impact of reasonableness/unreasonableness of surcharges on consumers. If the consumers perceive the surcharge to be unreasonable, there may be a boomerang effect such that partitioned pricing is not only likely to be less effective than combined pricing, it may prove to be harmful to the retailer in the long term. The findings should encourage retailers to avoid situations which may lead consumers to question their motive and cause a negative attitude. From the managerial perspective, the results strongly imply that not only is it highly important for the retailer to use the appropriate presentation of the price information but also to ensure that the surcharges are perceived as reasonable by the consumers.

6.5.3 Implications for Policy-Makers

The possibility of the combined price being more effective than partitioned price when surcharge is unreasonable has significant public policy implications. From the public policy perspective, this finding may reflect the possibility of consumer deception. While some marketers may not have unethical intentions of deceiving consumers with a high surcharge, it is possible that others may intend to mislead consumers by “hiding” a high surcharge in a combined price. Therefore, there may be a need to monitor partitioned and combined pricing practices by retail/e-tail advertisers.

This research work is believed to effectively extend the limited state of research in the area of partitioned versus combined pricing. Although, more remains to be done, the findings of the study will demonstrate that partitioned pricing may not be the best strategy to be used in retail advertisements for all consumers under all circumstances. Overall, the results of all the three studies are expected to provide a better understanding of the effects of partitioned pricing in retail advertisements and demonstrate that we cannot always divide and prosper.

6.6 Limitations and Future Research

The focus in this research was on the change of effectiveness of partitioned pricing in relation to reasonableness / unreasonableness of the surcharge moderated by need for cognition. Unlike Morwitz et al. (1998), the recalled total costs of the product or service was not measured. This measure would have provided us with the percentage of individuals who perform accurate calculation vis-à-vis use heuristic strategy to combine the surcharge to the base price. Future studies may incorporate these measures for better understanding of consumer processing of partitioned or combined prices.

In the reasonable surcharge conditions, although HNFC individuals' attitude towards the retailer is favorably influenced by partitioned pricing when surcharges are reasonable and evidence of support statements from HNFC individuals regarding the reasonableness of the surcharge were also found, we have not included specific measures of their appreciation of specificity and clarity of the presentation of prices in the partitioned pricing strategy. Precise measures would have added rigor to the findings in the reasonable surcharge experiments.

The process models attempt to capture the alternative processes adopted by HNFC and LNFC individuals when exposed to partitioned pricing or combined pricing information. However, consumers may not strictly follow the routes as demonstrated in the process models. There may be other possibilities that the models fail to capture, i.e., an individual may conduct multiple processing tasks at the same time and not necessarily move ahead a step at a time. For instance, an individual exposed to a combined price may estimate the base price and the surcharge for the product but may decide to use the combined price provided by the retailer to evaluate the offer and not necessarily use the estimated base price in the evaluation. Assimilation of other processing possibilities (including simultaneous/multiple processing tasks) into the process models may make the models more detailed and meticulous.

Finally, there are several important factors to be considered when making the selection of the product categories or services to be used in the research of partitioned pricing. These factors may be the price ranges of the product or services in the market, fluctuation of the prices of the product or services in the market and the fluctuation of prices of products and services charged by the retailer, among others. These factors are likely to influence consumers' evaluation of the offer.

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APPENDIX A
STUDY ONE: EXPERIMENT ONE

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

SURVEY

Imagine that you are traveling to Tampa, Florida from Baton Rouge. You have contacted a local travel agent who has faxed you the itinerary and the **price information** for the round-trip ticket. ***The price quoted is for 21 days advance purchase.*** A copy of the **agent's fax is shown on the next page** (excluding the itinerary). The airline as well as the name of the agent who issued the ticket, has been intentionally blocked out.

Please examine the fax and respond to the questions on the following pages. Please respond to ***all*** questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION



AIRFARE

Departure Date:	Friday May 30th, 2003
Return Date:	Wednesday June 4th, 2003
Departure Airport:	BATON ROUGE - METRO RYAN FIELD
Arrival Airport:	TAMPA INTL
Passenger Name:	_____
Connections:	Maximum of 1 connection each way. (Layovers will be no longer than 3 hours)
Airline:	_____ Airlines
Aircraft:	Jet aircraft
Number of Tickets:	1 round trip coach class ticket
Delivery:	Electronic Ticket
Ticket Cost:	\$249.00 (per ticket)
Applicable Taxes and Processing Fee:	\$ 39.50 (per ticket) (Not included in the ticket cost)

TICKET INFORMATION

<input type="checkbox"/>	Your tickets will be round-trip, coach class tickets issued by _____ Airlines. Tickets issued are eligible for frequent flyer miles.
<input type="checkbox"/>	The tickets are non-transferable. If any part of the ticket is unused it has no value after ticketed departure time.

Please indicate your responses regarding the airfare offered by the agent by circling the most appropriate number.

1. The airfare offered by the agent will be:						
A bad buy for the money						An excellent buy for the money
1	2	3	4	5	6	7
2. The price for the ticket represents:						
A poor offer						An excellent offer
1	2	3	4	5	6	7
3. The price charged by the agent will be:						
An extremely unfair price						An extremely good price
1	2	3	4	5	6	7
4. The airfare offered by the agent will be:						
Not a good value For the money						An extremely good value for the money
1	2	3	4	5	6	7

5. If you were considering the purchase of a round-trip ticket to Tampa, how willing would you be to purchase the ticket from the agent making this offer?						
Definitely unwilling to purchase						Definitely willing to purchase
1	2	3	4	5	6	7
6. If you were thinking about purchasing a round-trip ticket to Tampa, would you call back the agent making this offer?						
Definitely would not call back						Definitely would call back
1	2	3	4	5	6	7
7. What is the probability that you would purchase from this agent, if you were considering the purchase of a round-trip ticket to Tampa?						
Not probable at all						Very probable
1	2	3	4	5	6	7

The following questions should be answered **without** referring to the fax sent by the travel agent

8. The offer price for the airline ticket was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer. In other words, we are interested in what you thought when you saw the **price information**.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

10. The taxes and processing fee are: (check one)

Included in the price of the ticket _____

Charged in addition to the price of the ticket _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement		
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

In this section, please give us your opinion on the ticket price:

The **\$39.50** Applicable Taxes and Processing Fee for the round-trip ticket to Tampa is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: **Male** _____ **Female** _____ **2.** How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

4. Have you flown to Tampa, Florida, from Baton Rouge?

Yes _____ **No** _____

**We greatly appreciate your time and effort.
Thank You.**

SURVEY

Imagine that you are traveling to Tampa, Florida from Baton Rouge. You have contacted a local travel agent who has faxed you the itinerary and the **price information** for the round-trip ticket. **The price quoted is for 21 days advance purchase.** A copy of the **agent's fax is shown on the next page** (excluding the itinerary). The airline as well as the name of the agent who issued the ticket, has been intentionally blocked out.

Please examine the fax and respond to the questions on the following pages. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

AIRFARE

Departure Date:	Friday May 30th, 2003
Return Date:	Wednesday June 4th, 2003
Departure Airport:	BATON ROUGE - METRO RYAN FIELD
Arrival Airport:	TAMPA INTL
Passenger Name:	_____
Connections:	Maximum of 1 connection each way. (Layovers will be no longer than 3 hours)
Airline:	_____ Airlines
Aircraft:	Jet aircraft
Number of Tickets:	1 round trip coach class ticket
Delivery:	Electronic Ticket
Ticket Cost:	\$288.50 per ticket (Including Applicable Taxes and Processing Fee)

TICKET INFORMATION

<input type="checkbox"/>	Your tickets will be round-trip, coach class tickets issued by _____ Airlines. Tickets issued are eligible for frequent flyer miles.
<input type="checkbox"/>	The tickets are non-transferable. If any part of the ticket is unused it has no value after ticketed departure time.

Please indicate your responses regarding the airfare offered by the agent by circling the most appropriate number.

1. The airfare offered by the agent will be:						
A bad buy for the money						An excellent buy for the money
1	2	3	4	5	6	7
2. The price for the ticket represents:						
A poor offer						An excellent offer
1	2	3	4	5	6	7
3. The price charged by the agent will be:						
An extremely unfair price						An extremely good price
1	2	3	4	5	6	7
4. The airfare offered by the agent will be:						
Not a good value For the money						An extremely good value for the money
1	2	3	4	5	6	7

5. If you were considering the purchase of a round-trip ticket to Tampa, how willing would you be to purchase the ticket from the agent making this offer?						
Definitely unwilling to purchase						Definitely willing to purchase
1	2	3	4	5	6	7
6. If you were thinking about purchasing a round-trip ticket to Tampa, would you call back the agent making this offer?						
Definitely would not call back						Definitely would call back
1	2	3	4	5	6	7
7. What is the probability that you would purchase from this agent, if you were considering the purchase of a round-trip ticket to Tampa?						
Not probable at all						Very probable
1	2	3	4	5	6	7

The following questions should be answered **without** referring to the fax sent by the travel agent

8. The offer price for the airline ticket was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer. In other words, we are interested in what you thought when you saw the **price information**.

9. _____

10. _____

11. _____

12. _____

13. _____

14. _____

15. _____

16. _____

10. The taxes and processing fee are: (check one)

Included in the price of the ticket _____

Charged in addition to the price of the ticket _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement			
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

In this section, please give us your opinion on the ticket price:

The **\$288.50** for the round-trip ticket to Tampa is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: **Male** _____ **Female** _____ **2.** How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

4. Have you flown to Tampa, Florida, from Baton Rouge?

Yes _____ **No** _____

**We greatly appreciate your time and effort.
Thank You.**

APPENDIX B
STUDY ONE: EXPERIMENT TWO

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

SURVEY

Imagine that you are traveling to Tampa, Florida from Baton Rouge. You have contacted a local travel agent who has faxed you the itinerary and the **price information** for the round-trip ticket. **The price quoted is for 21 days advance purchase.** A copy of the **agent's fax is shown on the next page** (excluding the itinerary). The airline as well as the name of the agent who issued the ticket, has been intentionally blocked out.

Please examine the fax and respond to the questions on the following pages. Please respond to ***all*** questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION



AIRFARE

Departure Date:	Friday May 30th, 2003
Return Date:	Wednesday June 4th, 2003
Departure Airport:	BATON ROUGE - METRO RYAN FIELD
Arrival Airport:	TAMPA INTL
Passenger Name:	_____
Connections:	Maximum of 1 connection each way. (Layovers will be no longer than 3 hours)
Airline:	_____ Airlines
Aircraft:	Jet aircraft
Number of Tickets:	1 round trip coach class ticket
Delivery:	Electronic Ticket
Ticket Cost:	\$249.00 (per ticket)
Applicable Taxes and Processing Fee:	\$ 79.50 (per ticket) (Not included in the ticket cost)

TICKET INFORMATION

<input type="checkbox"/>	Your tickets will be round-trip, coach class tickets issued by _____ Airlines. Tickets issued are eligible for frequent flyer miles.
<input type="checkbox"/>	The tickets are non-transferable. If any part of the ticket is unused it has no value after ticketed departure time.

Please indicate your responses regarding the airfare offered by the agent by circling the most appropriate number.

1. The airfare offered by the agent will be:						
A bad buy for the money						An excellent buy for the money
1	2	3	4	5	6	7
2. The price for the ticket represents:						
A poor offer						An excellent offer
1	2	3	4	5	6	7
3. The price charged by the agent will be:						
An extremely unfair price						An extremely good price
1	2	3	4	5	6	7
4. The airfare offered by the agent will be:						
Not a good value For the money						An extremely good value for the money
1	2	3	4	5	6	7

5. If you were considering the purchase of a round-trip ticket to Tampa, how willing would you be to purchase the ticket from the agent making this offer?						
Definitely unwilling to purchase						Definitely willing to purchase
1	2	3	4	5	6	7
6. If you were thinking about purchasing a round-trip ticket to Tampa, would you call back the agent making this offer?						
Definitely would not call back						Definitely would call back
1	2	3	4	5	6	7
7. What is the probability that you would purchase from this agent, if you were considering the purchase of a round-trip ticket to Tampa?						
Not probable at all						Very probable
1	2	3	4	5	6	7

The following questions should be answered **without** referring to the fax sent by the travel agent

8. The offer price for the airline ticket was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer. In other words, we are interested in what you thought when you saw the **price information**.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

10. The taxes and processing fee are: (check one)

Included in the price of the ticket _____

Charged in addition to the price of the ticket _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement			
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

In this section, please give us your opinion on the ticket price:

The **\$79.50** Applicable Taxes and Processing Fee for the round-trip ticket to Tampa is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: **Male** _____ **Female** _____ **2.** How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

4. Have you flown to Tampa, Florida, from Baton Rouge?

Yes _____ **No** _____

**We greatly appreciate your time and effort.
Thank You.**

SURVEY

Imagine that you are traveling to Tampa, Florida from Baton Rouge. You have contacted a local travel agent who has faxed you the itinerary and the **price information** for the round-trip ticket. **The price quoted is for 21 days advance purchase.** A copy of the **agent's fax is shown on the next page** (excluding the itinerary). The airline as well as the name of the agent who issued the ticket, has been intentionally blocked out.

Please examine the fax and respond to the questions on the following pages. Please respond to ***all*** questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION



AIRFARE

Departure Date:	Friday May 30th, 2003
Return Date:	Wednesday June 4th, 2003
Departure Airport:	BATON ROUGE - METRO RYAN FIELD
Arrival Airport:	TAMPA INTL
Passenger Name:	_____
Connections:	Maximum of 1 connection each way. (Layovers will be no longer than 3 hours)
Airline:	_____ Airlines
Aircraft:	Jet aircraft
Number of Tickets:	1 round trip coach class ticket
Delivery:	Electronic Ticket
Ticket Cost:	\$328.50 per ticket (Including Applicable Taxes and Processing Fee)

TICKET INFORMATION

<input type="checkbox"/>	tickets will be round-trip, coach class tickets issued by _____ Airlines. Tickets issued are eligible for frequent flyer miles.
<input type="checkbox"/>	The tickets are non-transferable. If any part of the ticket is unused it has no value after ticketed departure time.

Please indicate your responses regarding the airfare offered by the agent by circling the most appropriate number.

1. The airfare offered by the agent will be:						
A bad buy for the money						An excellent buy for the money
1	2	3	4	5	6	7
2. The price for the ticket represents:						
A poor offer						An excellent offer
1	2	3	4	5	6	7
3. The price charged by the agent will be:						
An extremely unfair price						An extremely good price
1	2	3	4	5	6	7
4. The airfare offered by the agent will be:						
Not a good value For the money						An extremely good value for the money
1	2	3	4	5	6	7

5. If you were considering the purchase of a round-trip ticket to Tampa, how willing would you be to purchase the ticket from the agent making this offer?						
Definitely unwilling to purchase						Definitely willing to purchase
1	2	3	4	5	6	7
6. If you were thinking about purchasing a round-trip ticket to Tampa, would you call back the agent making this offer?						
Definitely would not call back						Definitely would call back
1	2	3	4	5	6	7
7. What is the probability that you would purchase from this agent, if you were considering the purchase of a round-trip ticket to Tampa?						
Not probable at all						Very probable
1	2	3	4	5	6	7

The following questions should be answered **without** referring to the fax sent by the travel agent

8. The offer price for the airline ticket was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer. In other words, we are interested in what you thought when you saw the **price information**.

9. _____

10. _____

11. _____

12. _____

13. _____

14. _____

15. _____

16. _____

10. The taxes and processing fee are: (check one)

Included in the price of the ticket _____

Charged in addition to the price of the ticket _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement			
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

In this section, please give us your opinion on the ticket price:

The **\$328.50** for the round-trip ticket to Tampa is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: **Male** _____ **Female** _____ **2.** How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

4. Have you flown to Tampa, Florida, from Baton Rouge?

Yes _____ **No** _____

**We greatly appreciate your time and effort.
Thank You.**

APPENDIX C
PRETESTS: STUDY 2 (EXPERIMENT ONE AND EXPERIMENT TWO)

ADVERTISING SURVEY

A retail advertisement for a DVD player is presented below. In the appropriate space below, please indicate a “**reasonable**” shipping and handling charge for the product.

DISCOVER A NEW WORLD OF VISUAL EXCITEMENT WITH THIS DVD PLAYER !!!!!



- ❖ Incredible surround sound capability
- ❖ Special feature – DVD video recorder
- ❖ Touch operations and easy screen control
- ❖ Forward and reverse scan
- ❖ Includes headphone jack and remote control

Only \$149.99 !

*Plus a total of \$_____ shipping and handling.
Offer expires Oct 31, 2002*

The shipping and handling charge for the DVD Player is:

Not Reasonable at all	1	2	3	4	5	6	7	Very Reasonable
Not Acceptable at all	1	2	3	4	5	6	7	Very Acceptable

1. Are you: Male _____ Female _____

2. How old are you? _____ years

3. What is your classification?

_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate

4. Do you own a DVD Player? Yes _____ No _____ (If no, go to question # 6)

5. If you do not own a DVD Player, are you likely to buy a DVD Player in the near future? Yes _____
No _____

ADVERTISING SURVEY

A retail advertisement for a DVD player is presented below. In the appropriate space below, please indicate indicate a “**reasonable**” shipping and handling charge for the product.

DISCOVER A NEW WORLD OF VISUAL EXCITEMENT WITH THIS DVD PLAYER !!!!!



- ❖ Incredible surround sound capability
- ❖ Special feature – DVD video recorder
- ❖ Touch operations and easy screen control
- ❖ Forward and reverse scan
- ❖ Includes headphone jack and remote control

Only \$169.99 !

*Includes shipping and handling.
Offer expires Oct 31, 2002*

WHAT IS THE PRICE OF THE PRODUCT (EXCLUDING SHIPPING AND HANDLING CHARGE) \$ _____

1. Are you: Male _____ Female _____

2. How old are you? _____ years

3. What is your classification?

_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate

4. Do you own a DVD Player? Yes _____ No _____ (If no, go to question # 6)

5. If you do not own a DVD Player, are you likely to buy a DVD Player in the near future? Yes _____
No _____

ADVERTISING SURVEY

A retail advertisement for a Camera is presented below. In the appropriate space below, please indicate a “**reasonable**” shipping and handling charge for the product.

DISCOVER A NEW WORLD OF WONDERFUL MEMORIES !!!!!

- Stylish Design, simple controls
- Superior images that are sharp, colorful and vibrant
- High-quality all-glass 4.5mm f4 lens
- Very fast shutter release times with virtually no shutter lag time
- Memory backup feature



Only \$149.99 !

*Plus a total of \$19.99 shipping and handling
Offer expires Oct 31, 2002*

The shipping and handling charge for the DVD Player is:

Not Reasonable at all	1	2	3	4	5	6	7	Very Reasonable
Not Acceptable at all	1	2	3	4	5	6	7	Very Acceptable

1. Are you: Male _____ Female _____

2. How old are you? _____ years

3. What is your classification?

_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate

4. Do you own a Camera? Yes _____ No _____ (If no, go to question # 6)

5. If you do not own a Camera, are you likely to buy a Camera in the near future? Yes _____ No _____

ADVERTISING SURVEY

A retail advertisement for a Camera is presented below. In the appropriate space below, please indicate a “**reasonable**” shipping and handling charge for the product.

DISCOVER A NEW WORLD OF WONDERFUL MEMORIES !!!!!

- Stylish Design, simple controls
- Superior images that are sharp, colorful and vibrant
- High-quality all-glass 4.5mm f4 lens
- Very fast shutter release times with virtually no shutter lag time
- Memory backup feature



Only \$169.99 !

*Includes shipping and handling.
Offer expires Oct 31, 2002*

WHAT IS THE PRICE OF THE PRODUCT (EXCLUDING SHIPPING AND HANDLING CHARGE) \$ _____

1. Are you: Male _____ Female _____

2. How old are you? _____ years

3. What is your classification?

_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate

4. Do you own a Camera? Yes _____ No _____ (If no, go to question # 6)

5. If you do not own a Camera, are you likely to buy a Camera in the near future? Yes _____ No _____

SURVEY

In this section, please give us your opinion on the Shipping and Handling Charges for the DVD Player. Please indicate how much you agree or disagree with the following statements related to shipping and handling charges by circling one number for each statement:

	Strongly Disagree						Strongly Agree
1. Shipping and handling charges for a product purchased depends on the weight or size of the box	1	2	3	4	5	6	7
2. The larger the size of the package, the higher the shipping and handling charge	1	2	3	4	5	6	7
3. The heavier the package, the higher the shipping and handling charge	1	2	3	4	5	6	7
4. Shipping and handling charge for a regular sized DVD player is likely to be higher than shipping and handling charge for a regular 35mm compact (point-and-shoot) camera.	1	2	3	4	5	6	7

The following questions are for classification purposes only:

<p>1. Are you: Male _____ Female _____</p> <p>2. How old are you? _____ Years</p> <p>3. What is your classification? _____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate</p>
--

APPENDIX D
STUDY TWO: EXPERIMENT ONE

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

ADVERTISING SURVEY

In this study you will be exposed to a *print advertisement of a DVD player*. The brand name of the DVD player as well as the name of the retailer who advertised the DVD Player has been intentionally blocked out. Additionally, *the mail order form (which includes the toll free number) has not been included in the packet.*

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

*DISCOVER A NEW WORLD OF
VISUAL EXCITEMENT !!!*



- ❖ Incredible surround sound capability
- ❖ Special feature – DVD video recorder
- ❖ Touch operations and easy screen control
- ❖ Forward and reverse scan
- ❖ Includes headphone jack and remote control

Price: \$149.99 !

*Plus a total of \$19.99 shipping and handling.
Offer expires July 31, 2003*

Please indicate your responses on the deal offered in the advertisement by circling the most appropriate number.

1. The DVD player offered by the merchant will be:						
A bad buy for the money			An excellent buy for the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the merchant for the DVD player will be:						
An extremely unfair price			An extremely fair price			
1	2	3	4	5	6	7
4. The DVD player offered by the advertising merchant will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were to purchase a DVD player, how likely is it that you would search other sources (e.g. stores, advertisements) <i>for a lower price</i> than that offered in the ad?						
Very unlikely			Very likely			
1	2	3	4	5	6	7
6. How probable is it that you would shop around looking for a price lower than that offered by the advertiser, if you decided to buy a DVD player?						
Not probable at all			Very probable			
1	2	3	4	5	6	7
7. If you were to buy the advertised DVD player, would you check the prices at other places in search of a price lower than that you find at the merchant making this offer?						
Definitely would not check other places			Definitely would check prices at other places			
1	2	3	4	5	6	7

8. If you were considering the purchase of a DVD player, how willing would you be to shop from the merchant running this advertisement?

Definitely

unwilling to shop

1

2

3

4

5

6

7

Definitely

willing to shop

9. If you were thinking about purchasing a DVD player, would you contact the advertiser making this DVD player offer?

Definitely

would not contact

1

2

3

4

5

6

7

Definitely

would contact

10. What is the probability that you would shop from this merchant, if you were considering the purchase of a DVD player?

Not probable

at all

1

2

3

4

5

6

7

Very

probable

The following questions should be answered *without* referring to the advertisement.

11. The shipping and handling charges are: (check one)

Included in the advertised price of the product

Charged in addition to the advertised price of the product

In this section, please give us your opinion on the Shipping and Handling Charges for the DVD player:

The \$19.99 Shipping and Handling charge for the DVD Player is:

Unreasonable

1

2

3

4

5

6

7

Reasonable

Unacceptable

1

2

3

4

5

6

7

Acceptable

Unfair

1

2

3

4

5

6

7

Fair

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong									
	disagreement							agreement		
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: Male _____ Female _____	2. How old are you? _____ Years
3. What is your classification?	
_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate	
4. Do you own a DVD Player?	
Yes _____	No _____ (go to question # 5)
5. If you do not own a DVD Player, are you likely to buy a DVD Player in the near future?	
Yes _____	No _____

We greatly appreciate your time and effort.
Thank You.

ADVERTISING SURVEY

In this study you will be exposed to a *print advertisement of a DVD player*. The brand name of the DVD player as well as the name of the retailer who advertised the DVD Player has been intentionally blocked out. Additionally, *the mail order form (which includes the toll free number) has not been included in the packet*.

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

*DISCOVER A NEW WORLD OF VISUAL
EXCITEMENT WITH THIS DVD PLAYER!!!!!!*



- ❖ Incredible surround sound capability
- ❖ Special feature – DVD video recorder
- ❖ Touch operations and easy screen control
- ❖ Forward and reverse scan
- ❖ Includes headphone jack and remote control

Only \$169.99 !

*Includes shipping and handling.
Offer expires July 31, 2003*

Please indicate your responses on the deal offered in the advertisement by circling the most appropriate number.

1. The DVD player offered by the merchant will be:						
A bad buy for the money			An excellent buy for the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the merchant for the DVD player will be:						
An extremely unfair price			An extremely fair price			
1	2	3	4	5	6	7
4. The DVD player offered by the advertising merchant will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were to purchase a DVD player, how likely is it that you would search other sources (e.g. stores, advertisements) <i>for a lower price</i> than that offered in the ad?						
Very unlikely			Very likely			
1	2	3	4	5	6	7
6. How probable is it that you would shop around looking for a price lower than that offered by the advertiser, if you decided to buy a DVD player?						
Not probable at all			Very probable			
1	2	3	4	5	6	7
7. If you were to buy the advertised DVD player, would you check the prices at other places in search of a price lower than that you find at the merchant making this offer?						
Definitely would not check other places			Definitely would check prices at other places			
1	2	3	4	5	6	7

8. If you were considering the purchase of a DVD player, how willing would you be to shop from the merchant running this advertisement?

Definitely								Definitely
unwilling to shop								willing to shop
1	2	3	4	5	6		7	

9. If you were thinking about purchasing a DVD player, would you contact the advertiser making this DVD player offer?

Definitely							Definitely
would not contact							would contact
1	2	3	4	5	6		7

10. What is the probability that you would shop from this merchant, if you were considering the purchase of a DVD player?

Not probable							Very
at all							probable
1	2	3	4	5	6		7

The following questions should be answered *without* referring to the advertisement.

11. The shipping and handling charges are: (check one)

Included in the advertised price of the product _____

Charged in addition to the advertised price of the product _____

In this section, please give us your opinion on the Shipping and Handling Charges for the DVD player:

The \$169.99 for the DVD Player is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong									
	disagreement							agreement		
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: Male _____ Female _____	2. How old are you? _____ Years
3. What is your classification?	
_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate	
4. Do you own a DVD Player?	
Yes _____	No _____ (go to question # 5)
5. If you do not own a DVD Player, are you likely to buy a DVD Player in the near future?	
Yes _____	No _____

We greatly appreciate your time and effort.
Thank You.

APPENDIX E
STUDY TWO: EXPERIMENT TWO

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

ADVERTISING SURVEY

In this study you will be exposed to a *print advertisement of a CAMERA*. The brand name of the CAMERA as well as the name of the retailer who advertised the CAMERA has been intentionally blocked out. Additionally, *the mail order form (which includes the toll free number) has not been included in the advertisement.*

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

*DISCOVER A NEW WORLD OF WONDERFUL
MEMORIES !!!!!*



- ❖ Stylish Design, simple controls
- ❖ Superior images that are sharp, colorful and vibrant
- ❖ High-quality all-glass 4.5mm f4 lens
- ❖ Very fast shutter release times with virtually no shutter lag time
- ❖ Memory backup feature

Price: \$149.99 !

*Plus a total of \$19.99 shipping and handling
Offer expires July 31, 2003*

Please indicate your responses on the deal offered in the advertisement by circling the most appropriate number.

1. The Camera offered by the merchant will be:						
A bad buy for the money			An excellent buy for the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the merchant for the Camera will be:						
An extremely unfair price			An extremely fair price			
1	2	3	4	5	6	7
4. The Camera offered by the advertising merchant will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were to purchase a Camera, how likely is it that you would search other sources (e.g. stores, advertisements) <i>for a lower price</i> than that offered in the ad?						
Very unlikely			Very likely			
1	2	3	4	5	6	7
6. How probable is it that you would shop around looking for a price lower than that offered by the advertiser, if you decided to buy a Camera?						
Not probable at all			Very probable			
1	2	3	4	5	6	7
7. If you were to buy the advertised Camera, would you check the prices at other places in search of a price lower than that you find at the merchant making this offer?						
Definitely would not check other places			Definitely would check prices at other places			
1	2	3	4	5	6	7

8. If you were considering the purchase of a Camera, how willing would you be to shop from the merchant running this advertisement?

Definitely

unwilling to shop

1

2

3

4

5

6

7

Definitely

willing to shop

9. If you were thinking about purchasing a Camera, would you contact the advertiser making this Camera offer?

Definitely

would not contact

1

2

3

4

5

6

7

Definitely

would contact

10. What is the probability that you would shop from this merchant, if you were considering the purchase of a Camera?

Not probable

at all

1

2

3

4

5

6

7

Very

probable

The following questions should be answered *without* referring to the advertisement.

11. The shipping and handling charges are: (check one)

Included in the advertised price of the product

Charged in addition to the advertised price of the product

In this section, please give us your opinion on the Shipping and Handling Charges for the Camera:

The \$19.99 Shipping and Handling charge for the Camera is:

Unreasonable

1

2

3

4

5

6

7

Reasonable

Unacceptable

1

2

3

4

5

6

7

Acceptable

Unfair

1

2

3

4

5

6

7

Fair

The following questions should be answered *without* referring to the advertisement.

8. The offer price for the camera in the advertisement was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the advertisement.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement		
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: Male _____ Female _____	2. How old are you? _____ Years
3. What is your classification?	
_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate	
4. Do you own a Camera?	
Yes _____	No _____ (go to question # 5)
5. If you do not own a Camera, are you likely to buy a Camera in the near future?	
Yes _____	No _____

We greatly appreciate your time and effort.
Thank You.

ADVERTISING SURVEY

In this study you will be exposed to a *print advertisement of a CAMERA*. The brand name of the CAMERA as well as the name of the retailer who advertised the CAMERA has been intentionally blocked out. Additionally, *the mail order form (which includes the toll free number) has not been included in the advertisement.*

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

*DISCOVER A NEW WORLD OF WONDERFUL
MEMORIES !!!!!*



- ❖ Stylish Design, simple controls
- ❖ Superior images that are sharp, colorful and vibrant
- ❖ High-quality all-glass 4.5mm f4 lens
- ❖ Very fast shutter release times with virtually no shutter lag time
- ❖ Memory backup feature

Only \$169.99 !

*Includes shipping and handling.
Offer expires July 31, 2003*

Please indicate your responses on the deal offered in the advertisement by circling the most appropriate number.

1. The Camera offered by the merchant will be:						
A bad buy for the money			An excellent buy for the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the merchant for the Camera will be:						
An extremely unfair price			An extremely fair price			
1	2	3	4	5	6	7
4. The Camera offered by the advertising merchant will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were to purchase a Camera, how likely is it that you would search other sources (e.g. stores, advertisements) <i>for a lower price</i> than that offered in the ad?						
Very unlikely			Very likely			
1	2	3	4	5	6	7
6. How probable is it that you would shop around looking for a price lower than that offered by the advertiser, if you decided to buy a Camera?						
Not probable at all			Very probable			
1	2	3	4	5	6	7
7. If you were to buy the advertised Camera, would you check the prices at other places in search of a price lower than that you find at the merchant making this offer?						
Definitely would not check other places			Definitely would check prices at other places			
1	2	3	4	5	6	7

8. If you were considering the purchase of a Camera, how willing would you be to shop from the merchant running this advertisement?

Definitely

unwilling to shop

1

2

3

4

5

6

7

Definitely

willing to shop

9. If you were thinking about purchasing a Camera, would you contact the advertiser making this Camera offer?

Definitely

would not contact

1

2

3

4

5

6

7

Definitely

would contact

10. What is the probability that you would shop from this merchant, if you were considering the purchase of a Camera?

Not probable

at all

1

2

3

4

5

6

7

Very

probable

The following questions should be answered *without* referring to the advertisement.

11. The shipping and handling charges are: (check one)

Included in the advertised price of the product

Charged in addition to the advertised price of the product

In this section, please give us your opinion on the Shipping and Handling Charges for the Camera:

The \$169.99 for the Camera is:

Unreasonable

1

2

3

4

5

6

7

Reasonable

Unacceptable

1

2

3

4

5

6

7

Acceptable

Unfair

1

2

3

4

5

6

7

Fair

The following questions should be answered *without* referring to the advertisement.

8. The offer price for the camera in the advertisement was: \$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the advertisement.

9. _____

10. _____

11. _____

12. _____

13. _____

14. _____

15. _____

16. _____

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement			
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

Please indicate how much you agree or disagree with each of the following statements by circling one number for each statement.

	Strongly Disagree						Strongly Agree
1. I don't like to have to do a lot of thinking....	1	2	3	4	5	6	7
2. I try to avoid situations that require thinking in depth about something.....	1	2	3	4	5	6	7
3. I prefer to do something that challenges my thinking ability rather than something that requires little thought.....	1	2	3	4	5	6	7
4. Thinking hard and for a long time about something gives me little satisfaction.....	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: Male _____ Female _____	2. How old are you? _____ Years
3. What is your classification?	
_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate	
4. Do you own a Camera?	
Yes _____	No _____ (go to question # 5)
5. If you do not own a Camera, are you likely to buy a Camera in the near future?	
Yes _____	No _____

We greatly appreciate your time and effort.
Thank You.

APPENDIX F
PRETESTS: STUDY THREE (EXPERIMENT ONE AND EXPERIMENT TWO)

SURVEY

This survey is about your perceptions of shipping and handling charges that retailer charge us in addition to the price of the product. Please read the following carefully and respond to them to the best of your opinion. Thank you for your time.

		Strongly Disagree					Strongly Agree
For a product (e.g. PDA/Palm Pilot) purchased through mail order or online, shipping and handling charges depend on the delivery (e.g. overnight delivery, 2-3 days delivery, 7-10 days delivery etc.)	1	2	3	4	5	6	7
Generally, the shorter the delivery time the higher the shipping and handling charges	1	2	3	4	5	6	7

Imagine you have decided to purchase a PDA/Palm Pilot online, which is priced at \$199.99:							
For the PDA/Palm Pilot mentioned above, how reasonable do you think is a shipping and handling charge of \$19.99 for:							
		Very Unreasonable				Very Reasonable	
1. A 7-10 days delivery	1	2	3	4	5	6	7
2. One-day delivery	1	2	3	4	5	6	7

The following questions are for classification purposes only:

1. Are you: _____ **Male** _____ **Female**

2. How old are you? _____ years

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior**

_____ **Graduate**

4. Do you make purchases online?

_____ **Yes** _____ **No**

5. Do you own a PDA?

_____ **Yes** _____ **No** (If No, please go to the next question)

6. If you do not own a PDA/Palm Pilot, are you likely to buy one in the future?

_____ **Yes** _____ **No**

SURVEY

Please indicate your level of agreement or disagreement with the following statements:

	Strongly Disagree					Strongly Agree
1. For a product (e.g., PDA/Palm Pilot) purchased through mail order or online, shipping and handling charges depend on the time of delivery (e.g. overnight delivery, 2-3 days delivery, 7-10 days delivery etc.) <div style="text-align: center;">7</div>	1	2	3	4	5	6
2. Generally, the shorter the delivery time the higher the shipping and handling charges	1	2	3	4	5	6

Imagine you have decided to purchase a PDA/Palm Pilot online, which is priced at \$199.99:

For the PDA/Palm Pilot mentioned above, what is a reasonable or fair Shipping and Handling charge for:	
1. Overnight delivery	\$ _____
2. 5 – 7 days delivery	\$ _____

The following questions are for classification purposes only:

1. Are you: Male _____ Female _____	2. How old are you? _____ Years
3. What is your classification?	
_____ Freshman _____ Sophomore _____ Junior _____ Senior _____ Graduate	
4. Do you own a PDA/ Palm Pilot?	
Yes _____ No _____ (if No, go to question # 5)	
5. If you do not own a PDA/Palm Pilot, are you likely to buy one in the future?	
Yes _____ No _____	

APPENDIX G
STUDY THREE: EXPERIMENT ONE

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

SURVEY

In this study you will be exposed to a *print advertisement of a PDA (personal Digital Assistant) offered online*. The brand name of the PDA as well as the retailer who has offered the PDA online has been intentionally blocked out. Additionally, *the website and the toll free number have not been included in the advertisement on the next page*.

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

DISCOVER THE WORLD OF HANDHELDS !



Palm m505 handheld
Color Screen: Yes
Operating System: Palm OS
Memory: 8 MB
Resolution: 160 x 160
Battery: Lithium polymer
Weight 4.9 oz

Only \$ 199.99 !

*Plus \$19.99 shipping and handling charge for one-day delivery
Offer expires Dec 31, 2003*

Please indicate your responses regarding the PDA offered online by the retailer, by circling the most appropriate number.

1. The PDA offered by the retailer will be:						
A bad buy for the money			An excellent buy or the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the retailer for the PDA will be:						
An extremely unfair price			An extremely good price			
1	2	3	4	5	6	7
4. The PDA offered by the retailer will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were considering the purchase of a PDA, how willing would you be to shop from the retailer making this offer?						
Definitely unwilling to shop			Definitely willing to shop			
1	2	3	4	5	6	7
6. If you were thinking about purchasing a PDA, would you go to the website to look at the offer?						
Definitely would not contact			Definitely would contact			
1	2	3	4	5	6	7
7. What is the probability that you would shop from this retailer, if you were considering the purchase of a PDA?						
Not probable at all			Very probable			
1	2	3	4	5	6	7

8. What is the \$ amount you used to determine how good or bad the offer was for the PDA (i.e. you responded to items 1-4 on the previous page (Pg.1)?

\$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the **advertised price and the shipping and handling charges a one-day delivery**.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

10. The shipping and handling charge affected my judgment of how good or bad the offer was PDA (i.e. when you responded to items 1-4 on the previous page (Pg.1)?

Yes _____ **No** _____

In this section, please give us your opinion on the shipping and handling charges for the PDA:

The **\$19.99** shipping and handling charges for the PDA for a one-day delivery is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please check only one of the following two statements:

To judge the value of the offer (items 1-4 on page 1):

Check One

- 1) I focused **mainly** on the price of the PDA (**excluding** the shipping and handling charge) _____
- 2) I focused **mainly** on the total amount (i.e., the price of the PDA **plus** the shipping and handling charge) _____

The following question should be answered without referring to the advertisement.

The **\$199.99** price for the advertised PDA: (Check One)

Includes the shipping and handling charge _____

Does not include the shipping and handling charge _____

Please check any one **without** referring back to the advertisement.

The **\$19.99** shipping and handling for the advertised PDA:

Is charged for a delivery time of one day _____

Is charged for a delivery time of 7-10 days _____

Please indicate your attitude toward the retailer advertising the PDA on the following scale

Bad	1	2	3	4	5	6	7	Good
Unfair	1	2	3	4	5	6	7	Fair
Dislike	1	2	3	4	5	6	7	Like

Overall, I have a favorable attitude toward the retailer advertising the PDA.

Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
--------------------------	----------	----------	----------	----------	----------	----------	----------	-----------------------

Weight the following statements by allocating 10 chips between them:

To judge the value of the offer (items 1-4 on page 1) I used:

1) The price of the PDA (**excluding** the shipping and handling charge) _____

2) The shipping and handling charges _____

Total Chips	10
--------------------	-----------

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement		
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

The following questions are for classification purposes only:

1. Are you:

Male _____ **Female** _____

2. How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

SURVEY

In this study you will be exposed to a *print advertisement of a PDA (personal Digital Assistant) offered online*. The brand name of the PDA as well as the retailer who has offered the PDA online has been intentionally blocked out. Additionally, *the website and the toll free number have not been included in the advertisement on the next page*.

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

DISCOVER THE WORLD OF HANDHELDS !



Palm m505 handheld
Color Screen: Yes
Operating System: Palm OS
Memory: 8 MB
Resolution: 160 x 160
Battery: Lithium polymer
Weight 4.9 oz

Only \$ 219.98 !

*Includes **one-day** shipping and handling charge*

Offer expires Dec 31, 2003

Please indicate your responses regarding the PDA offered online by the retailer, by circling the most appropriate number.

1. The PDA offered by the retailer will be:						
A bad buy for the money			An excellent buy or the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the retailer for the PDA will be:						
An extremely unfair price			An extremely good price			
1	2	3	4	5	6	7
4. The PDA offered by the retailer will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were considering the purchase of a PDA, how willing would you be to shop from the retailer making this offer?						
Definitely unwilling to shop			Definitely willing to shop			
1	2	3	4	5	6	7
6. If you were thinking about purchasing a PDA, would you go to the website to look at the offer?						
Definitely would not contact			Definitely would contact			
1	2	3	4	5	6	7
7. What is the probability that you would shop from this retailer, if you were considering the purchase of a PDA?						
Not probable at all			Very probable			
1	2	3	4	5	6	7

8. When I saw that the price of the PDA in the ad includes shipping and handling charges, I estimated the price of the PDA (excluding shipping and handling charges).

Yes _____

No _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the advertised price (**including shipping and handling charge for a one-day delivery**).

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

10. Usually, the total price of a product includes its base price and applicable shipping and handling charges. What is your estimate of the base price of the advertised PDA?

My estimate of the **base price** is \$ _____

In this section, please give us your opinion on the shipping and handling charges for the PDA:

The **\$219.98** price (which includes one-day delivery charge) for the PDA is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please check only one of the following two statements:

To judge the value of the offer (items 1-4 on page 1):

Check One

1) I focused mainly on the my estimated price
(**excluding** the shipping and handling charge)

2) I focused mainly on the total amount
(price of the PDA **which includes** shipping and
handling charge)

The following question should be answered without referring back to the advertisement.

The **\$219.98** price for the advertised PDA: (Check One)

Includes the shipping and handling charge

Does not include the shipping and handling charge

Please check any one without referring back to the advertisement.

The shipping and handling charge for the advertised PDA:

Is for a one-day delivery _____

Is for a 7-10 days delivery _____

Weight the following statements by allocating 10 chips between them:

To judge the value of the offer (items 1-4 on page 1) I used:

1) My estimated price of the PDA
(excluding the shipping and handling charge) _____

3) My estimated shipping and handling charge _____

Total Chips 10

Please indicate your attitude toward the retailer advertising the PDA on the following scale

Bad 1 2 3 4 5 6 7 Good

Unfair 1 2 3 4 5 6 7 Fair

Dislike 1 2 3 4 5 6 7 Like

Overall, I have a favorable attitude toward the retailer advertising the PDA.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

The following questions are for classification purposes only:

1. Are you:

Male _____ **Female** _____

2. How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

APPENDIX H
STUDY THREE: EXPERIMENT TWO

CONSENT FORM

I, _____, agree to participate in the research regarding product pricing. This research has been approved by the LSU Human Subjects Committee.

I understand that my participation is completely voluntary; that I may withdraw my consent at any time, without penalty; and that identifiable results of my participation will be destroyed.

The following points have been explained to me:

1. The procedure involves filling out a questionnaire.
2. I will not face any significant discomforts or stresses. My participation involves no risk.
3. The results of my participation are confidential and will not be released in any individually identifiable form. All data sheets will be coded by number, preserving anonymity.
4. The investigator will answer any further questions about the research either now or after completion of the experiment.

Signature of Participant

Date

Signature of the Investigator

SURVEY

In this study you will be exposed to a *print advertisement of a PDA (personal Digital Assistant) offered online*. The brand name of the PDA as well as the retailer who has offered the PDA online has been intentionally blocked out. Additionally, *the website and the toll free number have not been included in the advertisement on the next page*.

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

DISCOVER THE WORLD OF HANDHELDS !



Palm m505 handheld
Color Screen: Yes
Operating System: Palm OS
Memory: 8 MB
Resolution: 160 x 160
Battery: Lithium polymer
Weight 4.9 oz

Only \$ 199.99 !

Plus \$19.99 shipping and handling charge for 7-10 days delivery

Offer expires Dec 31, 2003

Please indicate your responses regarding the PDA offered online by the retailer, by circling the most appropriate number.

1. The PDA offered by the retailer will be:							
A bad buy for the money							An excellent buy or the money
1	2	3	4	5	6	7	
2. The advertisement represents:							
A poor offer							An excellent offer
1	2	3	4	5	6	7	
3. The price charged by the retailer for the PDA will be:							
An extremely unfair price							An extremely good price
1	2	3	4	5	6	7	
4. The PDA offered by the retailer will be:							
Not a good value for the money							An extremely good value for the money
1	2	3	4	5	6	7	

5. If you were considering the purchase of a PDA, how willing would you be to shop from the retailer making this offer?							
Definitely unwilling to shop							Definitely willing to shop
1	2	3	4	5	6	7	
6. If you were thinking about purchasing a PDA, would you go to the website to look at the offer?							
Definitely would not contact							Definitely would contact
1	2	3	4	5	6	7	
7. What is the probability that you would shop from this retailer, if you were considering the purchase of a PDA?							
Not probable at all							Very probable
1	2	3	4	5	6	7	

8. What is the \$ amount you used to determine how good or bad the offer was for the PDA (i.e. you responded to items 1-4 on the previous page (Pg.1)?

\$ _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the **advertised price and the shipping and handling charges a one-day delivery**.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

10. The shipping and handling charge affected my judgment of how good or bad the offer was PDA (i.e. when you responded to items 1-4 on the previous page (Pg.1)?

Yes _____

No _____

In this section, please give us your opinion on the shipping and handling charges for the PDA:

The **\$19.99** shipping and handling charges for the PDA for a 7-10 day delivery is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please check only one of the following two statements:

To judge the value of the offer (items 1-4 on page 1):

Check One

- 1) I focused **mainly** on the price of the PDA (**excluding** the shipping and handling charge) _____
- 2) I focused **mainly** on the total amount (i.e., the price of the PDA **plus** the shipping and handling charge) _____

The following question should be answered without referring to the advertisement.

The **\$199.99** price for the advertised PDA: (Check One)

Includes the shipping and handling charge _____

Does not include the shipping and handling charge _____

Please check any one without referring back to the advertisement.

The \$19.99 shipping and handling for the advertised PDA:

Is charged for a delivery time of one day _____

Is charged for a delivery time of 7-10 days _____

Please indicate your attitude toward the retailer advertising the PDA on the following scale

Bad	1	2	3	4	5	6	7	Good
Unfair	1	2	3	4	5	6	7	Fair
Dislike	1	2	3	4	5	6	7	Like

Overall, I have a favorable attitude toward the retailer advertising the PDA.

Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
--------------------------	----------	----------	----------	----------	----------	----------	----------	-----------------------

Weight the following statements by allocating 10 chips between them:

To judge the value of the offer (items 1-4 on page 1) I used:

1) The price of the PDA (**excluding** the shipping and handling charge) _____

2) The shipping and handling charges _____

Total Chips **10**

The following questions measure your attitude towards various types of tasks. Please carefully read each item and answer as appropriately as possible.

	Very strong disagreement						Very strong agreement			
1. I would prefer complex to simple problems.	-4	-3	-2	-1	0	1	2	3	4	
2. I like to have the responsibility of handling a situation that requires a lot of thinking.	-4	-3	-2	-1	0	1	2	3	4	
3. Thinking is not my idea of fun.	-4	-3	-2	-1	0	1	2	3	4	
4. I would rather do something that requires little thought than something that is sure to challenge my thinking abilities.	-4	-3	-2	-1	0	1	2	3	4	
5. I try to anticipate and avoid situations where there is a likely chance that I will have to think in depth about something.	-4	-3	-2	-1	0	1	2	3	4	
6. I find satisfaction in deliberating hard and for long hours.	-4	-3	-2	-1	0	1	2	3	4	
7. I only think as hard as I have to.	-4	-3	-2	-1	0	1	2	3	4	
8. I prefer to think about small daily projects to long-term ones.	-4	-3	-2	-1	0	1	2	3	4	
9. I like tasks that require little thought once I've learned them.	-4	-3	-2	-1	0	1	2	3	4	

	Very strong disagreement						Very strong agreement		
10. The idea of relying on thought to make my way to the top appeals to me.	-4	-3	-2	-1	0	1	2	3	4
11. I really enjoy a task that involves coming up with new solutions to problems.	-4	-3	-2	-1	0	1	2	3	4
12. Learning new ways to think doesn't excite me very much.	-4	-3	-2	-1	0	1	2	3	4
13. I prefer my life to be filled with puzzles that I must solve.	-4	-3	-2	-1	0	1	2	3	4
14. The notion of thinking abstractly is appealing to me.	-4	-3	-2	-1	0	1	2	3	4
15. I would prefer a task that is intellectual, difficult, and important to one that is somewhat important but does not require much thought.	-4	-3	-2	-1	0	1	2	3	4
16. I feel relief rather than satisfaction after completing a task that required a lot of mental effort.	-4	-3	-2	-1	0	1	2	3	4
17. It's enough for me that something gets the job done; I don't care how or why it works.	-4	-3	-2	-1	0	1	2	3	4
18. I usually end up deliberating about issues even when they do not affect me personally.	-4	-3	-2	-1	0	1	2	3	4

The following questions are for classification purposes only:

1. Are you:

Male _____ **Female** _____

2. How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

SURVEY

In this study you will be exposed to a *print advertisement of a PDA (personal Digital Assistant) offered online*. The brand name of the PDA as well as the retailer who has offered the PDA online has been intentionally blocked out. Additionally, *the website and the toll free number have not been included in the advertisement on the next page*.

Please respond to the questions on the following pages while viewing the attached advertisement. Please respond to *all* questions in a manner that best reflects your opinions.

THANK YOU FOR YOUR PARTICIPATION

DISCOVER THE WORLD OF HANDHELDS !



Palm m505 handheld
Color Screen: Yes
Operating System: Palm OS
Memory: 8 MB
Resolution: 160 x 160
Battery: Lithium polymer
Weight 4.9 oz

Only \$ 219.98 !

Includes 7-10 days shipping and handling charge

Offer expires Dec 31, 2003

Please indicate your responses regarding the PDA offered online by the retailer, by circling the most appropriate number.

1. The PDA offered by the retailer will be:						
A bad buy for the money			An excellent buy or the money			
1	2	3	4	5	6	7
2. The advertisement represents:						
A poor offer Offer			An excellent offer			
1	2	3	4	5	6	7
3. The price charged by the retailer for the PDA will be:						
An extremely unfair price			An extremely good price			
1	2	3	4	5	6	7
4. The PDA offered by the retailer will be:						
Not a good value for the money			An extremely good value for the money			
1	2	3	4	5	6	7

5. If you were considering the purchase of a PDA, how willing would you be to shop from the retailer making this offer?						
Definitely unwilling to shop			Definitely willing to shop			
1	2	3	4	5	6	7
6. If you were thinking about purchasing a PDA, would you go to the website to look at the offer?						
Definitely would not contact			Definitely would contact			
1	2	3	4	5	6	7
7. What is the probability that you would shop from this retailer, if you were considering the purchase of a PDA?						
Not probable at all			Very probable			
1	2	3	4	5	6	7

8. When I saw that the price of the PDA in the ad includes shipping and handling charges, I estimated the price of the PDA (excluding shipping and handling charges).

Yes _____

No _____

9. In the space provided below, please indicate what went through your mind while you were evaluating the value of the offer? In other words, we are interested in what you thought when you saw the advertised price (**including shipping and handling charge for a 7-10 day delivery**).

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

10. Usually, the total price of a product includes its base price and applicable shipping and handling charges. What is your estimate of the base price of the advertised PDA?

My estimate of the **base price** is \$ _____

In this section, please give us your opinion on the shipping and handling charges for the PDA:

The **\$219.98** price (which includes 7-10 day delivery charge) for the PDA is:

Unreasonable	1	2	3	4	5	6	7	Reasonable
Unacceptable	1	2	3	4	5	6	7	Acceptable
Unfair	1	2	3	4	5	6	7	Fair

Please check only one of the following two statements:

To judge the value of the offer (items 1-4 on page 1):

Check One

1) I focused mainly on the my estimated price
(**excluding** the shipping and handling charge)

2) I focused mainly on the total amount
(price of the PDA **which includes** shipping and
handling charge)

The following question should be answered without referring back to the advertisement.

The **\$219.98** price for the advertised PDA: (Check One)

Includes the shipping and handling charge _____

Does not include the shipping and handling charge _____

Please check any one without referring back to the advertisement.

The shipping and handling charge for the advertised PDA:

Is for a one-day delivery _____

Is for a 7-10 days delivery _____

Weight the following statements by allocating 10 chips between them:

To judge the value of the offer (items 1-4 on page 1) I used:

1) My estimated price of the PDA
(excluding the shipping and handling charge) _____

3) My estimated shipping and handling charge _____

Total Chips 10

Please indicate your attitude toward the retailer advertising the PDA on the following scale

Bad 1 2 3 4 5 6 7 Good

Unfair 1 2 3 4 5 6 7 Fair

Dislike 1 2 3 4 5 6 7 Like

Overall, I have a favorable attitude toward the retailer advertising the PDA.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

The following questions are for classification purposes only:

1. Are you:

Male _____ **Female** _____

2. How old are you? _____ **Years**

3. What is your classification?

_____ **Freshman** _____ **Sophomore** _____ **Junior** _____ **Senior** _____ **Graduate**

VITA

Bidisha Burman was born on September 30, 1973, in India. Earning her Bachelor of Commerce degree in 1994 and Master of Commerce degree in 1996 from University of Calcutta (India), she continued her graduate education in the United States. She joined the doctoral program in the department of marketing at Louisiana State University in 2000.

During the course of the program Bidisha's research interests included consumer behavior, services marketing as well as business-to-business relationships. She has presented several papers in national marketing conferences. Her submission to American Marketing Association in 2003 was awarded the best student paper in the "Interorganizational Issues" track. She was also a Doctoral Consortium Fellow at the Society of Marketing Advances, 2003 Conference. Her current research interest is in the area of pricing and her dissertation titled "Partitioned Pricing: Can We Always Divide and Prosper?" was selected as a finalist in the 2004 Mary Kay Dissertation Competition of the Academy of Marketing Science.

Bidisha's teaching interests include marketing management, consumer behavior, promotions and marketing research and she has taught principles of marketing and consumer behavior classes at Louisiana State University. She will receive her doctor of philosophy degree in Business Administration (Marketing) in August 2004.