Making ‘Cents’ of Behavioral Price Research: An Appraisal

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ABSTRACT

How do buyers judge prices? How do they know whether a product or service is priced reasonably, is a good deal or is too expensive? Do buyers perceive all price increases and all price promotions? Do price promotions and price increases necessarily change buyer behavior? How do buyers process the plethora of price information they encounter each day? Economists contend that price primarily represents the monetary sacrifice to obtain a product or service. Behavioral price researchers argue that more complex phenomena are involved. Buyers have individual, internal norms against which they judge prices. There are threshold points above or below which buyers do not perceive price changes. There are also distinct ranges of prices buyers find acceptable for a particular product in a specific market. Despite over four decades of behavioral price research, we know little about the root causes of these buyer responses to price information. In this presentation, we examine the core concepts of behavioral price research. Our objective is to clarify conceptual definitions, examine empirical developments and raise future research questions for this field of research.