

The impact of internal reference pricing on price willingness to pay
across vertical extensions: the moderating effect of self-selected product
options

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Abstract

The goal of this study was to investigate the extent to which a memory-referred price paid for current vehicle (IRP) impacts price willingness to pay for the next vehicle (WTP) as moderated by the effect of self-selected product options across vertical extensions. Based on a survey sample of 2474 participants and latent class regressions analyses, findings show that consumers IRP formed from price information a consumer gained on past purchase significantly impacts how much they are willing to pay (WTP) for their ideal vehicle after self-selecting product options. Thus, inducing consumers to select the product options of their next vehicle triggers an acquisition-utility mechanism after enticing their attention towards IRP and tends to maximize WTP at different relative intensity across vertical line extension segments. Theoretical and managerial implications are provided.

Keywords: *pricing; WTP; extension*

Track: Pricing & Promotions