

Incidental influence of new purchase price on perception of trade-in offer

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Abstract

Consumers often engage in purchase and replacement decisions involving trade-in of their old product. When trade in a used product, rational consumers should evaluate a trade-in offer based on original price of the old product and depreciation in value of the product. Our studies show that price for a new purchase, which is not related to value of the old product, influences consumers' perception of a trade-in offer, and the perception influences evaluation of overall transactions when consumers trade in a used product and purchase a new product in the same category. More importantly, because category structure is flexible, the influence of price for a new purchase on perception of a trade-in offer depends on individual differences in category structure or firms' representation of product categories.

Keywords: *trade-in; category; pricing*

Track: Pricing & Promotions