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**It's a matter of reference points: introducing a new  
comparative pricing format in the context of online luxury  
fashion retailing**

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## INTRODUCTION

The luxury market has been at the center of massive growth over the past 20 years, starting at €116 billion in 2000 and reaching €281 billion in 2019 (Statista, 2021). Due to the pandemic, however, this value began to decrease dramatically reaching a value of €217 billion in 2020. Nevertheless, another increasingly important component has expanded exponentially over the past two years: online retailing. According to Bain & Company (2021a), in 2020 alone, in the luxury market, online sales made up €49 billion, and the share of purchases made online nearly doubled from 12% in 2019 to 23% in 2020. Among the various online sales channels, multi-brand e-commerce platforms are undoubtedly one of the main touchpoints between luxury fashion brands and their consumers. Taking the Spanish market as an example, according to Statista, in 2020, 61.77% of surveyed consumers used multi-brand stores as their main source for online fashion shopping.

Online retailing offers many advantages and opportunities for brands (Wood *et al.*, 2021) allowing consumers to make informed decisions thanks to an array of information such as reviews and price visibility (Grewal *et al.*, 2017), or giving brands the ability to display and offer an extensive range of products (Brynjolfsson *et al.*, 2013) and expand the business globally (Reynolds, 2002). However, online fashion and luxury retailers are facing some challenges when it comes to attracting consumers (Park *et al.*, 2009) and new marketing strategies and business models are required (Heine and Berghaus 2014). According to Wood *et al.* (2021), the area that offers the most potential is retail pricing. In their study, Kaushik *et al.* (2020) classified and ranked all the different online fashion retailing aspects and found out that price is the second most important attribute to focus on when building a successful online strategy.

Nowadays, as stated by Sinha *et al.* (2020), modern marketing practices heavily rely on using sales promotion tools. Retail price promotion represents a major component of the marketing strategy for retail firms (Friedmann and Haynes, 1990; Biswas *et al.*, 1999). Often these promotions include a reference price claim or some type of price comparison (Biswas *et al.*, 1999). Reference prices are “standards against which the purchase price of a product is judged” (Monroe 1973). The retailer, using this kind of promotion, is faced with two main problems: determining how much to lower the price and how to communicate this reduction. This study aims at focusing exactly on this second aspect: the format online luxury fashion retailers should use and rely upon in order to communicate the reduction in price when some promotions on the merchandise are in place.

There are several strategies for communicating price promotions online. According to Ahmetoglu *et al.* (2014), retailers advertise their merchandise at a “special offer” that is usually compared with a higher previous price, a rival seller’s price, or a manufacturer’s price. Focusing on the strategies

adopted by multi-brand luxury fashion retailers, there is one strategy that is most widely adopted: the former price comparison in which the price of the product being promoted is compared with the price originally charged. Consumers, though, are already accustomed to these strategies having been exposed to them repeatedly. However, there is one strategy that is little talked about and on which research has not yet focused on: the comparable value comparison format (Bitta *et al.*, 1981). This specific type of comparative pricing strategy relies on the comparison between the discounted price currently charged for the good and the price of an alternative brand's product.

From a theoretical perspective, research has yet to analyze the role of comparative pricing and reference pricing in the context of luxury fashion brands. Moreover, previous studies have never explored this aspect in an online context. This study aims to investigate the effect of reference pricing on eWOM and purchase intention, specifically analyzing the effect of two main formats, the former price comparison, and the comparable value comparison. Moreover, the role of atypicality and consumers' perceived value in this relationship wants to be uncovered. The objective is therefore to understand and delve into the practice of comparative pricing in a key context such as online luxury fashion retailing and determine which are the best practices fashion luxury marketers should apply and adopt for a successful online retail strategy.

In the present study, we propose that the comparable value comparison reference pricing format may be perceived as more atypical, with respect to the former price format. Specifically, this characteristic serves as a cue that leads to a higher consumers' perceived value of the product offered under sales promotion. As a result, the atypicality of the format combined with the perceived value will motivate consumers to spread a more positive eWOM and will impact their purchase intention for the luxury fashion product. Therefore, we argue that the comparable value comparison format (vs. former price) may have a positive and significant impact on consumers' behavioral intentions.

To attain so, two main studies are conducted. The first one aims at understanding the effect the new comparative pricing format, namely the comparable value comparison (vs. former price comparison), may have on consumers' perceived value and in turn on eWOM. The second study, instead, focuses on the effect on purchase intention and eWOM and the role atypicality may have in this context.

## CHAPTER I

### Literature Review and Hypotheses

#### 1.1 Literature Review

##### 1.1.1 Reference and comparative prices

Reference prices are defined as standards against which the purchase price of a product is judged and compared (Monroe 1973; Mazumdar *et al.*, 2005). All those prices that are below the reference price are perceived as “low”. This mechanism leads to the development of short-term demand and allows retailers to run price promotions in order to increase short-term profits (Pompeo and Wu, 2007). Reference prices reflect an adaptation to external reference prices (ERP), for example, the prices displayed in retail advertisements, or prices recalled from memory, the internal reference prices (IRP; Parguel *et al.*, 2016).

An IRP is a representation of a person's memories of previous shopping experiences (Briesch *et al.*, 1997; Choi and Matilla, 2018; Biswas *et al.*, 1993). The IRP is formed, indeed, by the previously experienced prices that can be found in memory (Monroe, 1973). The pricing judgment is thought to be memory-based when customers use previously encountered prices as a reference (Briesch *et al.*, 1997; Choi and Matilla, 2018). Mazumdar *et al.* (2005) state that prior prices are the strongest predictors of the development of IRPs and that current shopping situations, compared to distant ones, have a bigger impact on updating them.

Internal reference prices may serve to assess external reference pricing or savings claims (Biswas *et al.*, 1993). An external reference price is one that exists in the environment and is utilized by consumers to determine the value of a product or good (Biswas *et al.*, 1993). The ERP is, therefore, assumed to be stimulus-based (Choi and Matilla, 2018). In pricing research, the notion of ERP has been well established, and scholars agree that it has a substantial impact on consumer buying decisions (Kumar *et al.*, 1998; Mayhew and Winer 1992).

A particular case of an external reference pricing strategy is comparative prices. The retailers using this practice, compare the sale price, usually a “special offer” or “sale”, with a higher reference price. The objective of this tactic is to make the price look appealing, and attractive to consumers (Compeau *et al.*, 1998; Biswas *et al.*, 1993). Comparative prices are composed of two main elements (Compeau *et al.*, 1998):

- the advertised reference price (ARP) which assumes that a discount is being given; and

- the selling price (SP) which is the amount customers would have paid or would pay if buying from another retailer or manufacturer.

The ARP is usually lower than the SP.

The consumer's perception of comparative prices is based on his interpretation of price differences as well as the wording used to convey the reduced price (Bitta *et al.*, 1981). Consumers do not evaluate prices on their own, but rather compare them to standards that can be objective or subjective (Monroe 1973). A comparative price advertising, which includes the SP and the ARP, is an attempt to impose a reference or standard price on the consumer (Bitta *et al.*, 1981).

According to Thaler (1985), the value of a price is determined by two distinct comparisons. The first one implies a comparison between what the consumer gets relative to what he is giving up (Grewal *et al.*, 1998). For the second one, the value of the deal referred to as the transaction value involves a comparison between the reference price and the selling price. If the deal is considered acceptable then the purchase will be realized. Otherwise, research for an alternative option will take place (Grewal *et al.*, 1998; Urbany *et al.*, 1988).

In line with Ahmetoglu *et al.* (2014), there are three main types of external reference pricing techniques:

1. comparing the selling price to a price formerly charged for the product;
2. comparing the selling price to a price charged by other retailers or competitors;
3. comparing the selling price to a manufacturer's suggested retail price.

Bitta *et al.* (1981), additionally to these three formats, suggest another kind of ERP retailers may use: the comparable value comparison format. Here the seller compares the price of the product with the one of a similar good, either sold in the store or by other retailers. Through this association, the retailer is actually assuming and implying a similar quality between the goods.

Current literature on price research did not focus on this specific comparative pricing format. Moreover, research on the application of this practice in the context of luxury online retailers is currently lacking. Given the rising importance of e-commerce and all online touchpoints in the luxury sector, it becomes crucial for marketers to understand which is the best strategy to use when promotions are in place. Specifically, given the nature of the format under study, the aim is to understand the effectiveness of this strategy for multi-brand online retailers.

### *1.1.2 Atypicality*

The degree to which something conforms to consumer expectations is known as typicality (Noseworthy *et al.*, 2011). Typical objects are often considered to be emblematic of a category

(Veryzer and Hutchinson 1998) due to their perceived good fit with other items in the same category (Amatulli *et al.*, 2021).

Atypicality, on the other hand, is the notion that something is significantly different from what is typical, common, expected, and assumed (Schnurr, 2017). An item can be typical or atypical on a perceptual or conceptual level. On a perceptual level, typicality relates to how closely a product's visual design, and thus its size, shape, and color, for instance, match buyers' expectations (Schnurr, 2017). Conversely, on a conceptual level, typicality refers to the level at which the semantic meaning of a product matches consumers' expectations (Noseworthy *et al.*, 2011).

Previous research has focused on the analysis of atypicality in the domains of brand and product management as well as in product design.

In the context of brand management, research has primarily focused on the analysis of atypicality in the domain of brand extensions. Aaker and Keller (1990) state that the success of a brand's extension relies on the perceived fit between the brand and the new product category. This perception of fit depends both on concrete and abstract associations. Abstract associations, specifically, are easier to extend and inherently broader therefore they can fit more product categories (Batra *et al.*, 2010). Hence, atypicality has been defined as the extent to which a brand possesses broad and abstract associations and imagery rather than closely related to its original product category (Amatulli *et al.*, 2021). The greater the level of atypicality of associations, the greater the level of brand abstractness can be and the greater the ability to extend to other categories (Batra *et al.*, 2010).

In the context of product management, according to Loken and Ward (1990), consumers may remember a product both because it is typical and atypical. In the first circumstance, this happens because of the frequent encounter with it. In the second case, instead, atypical products grab the attention of consumers because of their salience compared to other products. Nevertheless, products that are perceived to be atypical are more likely to attract the attention of consumers (Engel *et al.*, 1995). Moreover, atypicality in some cases may increase product preference (Amatutti *et al.*, 2021; van Ooijec *et al.*, 2016) because consumers tend to associate these particular products with exclusiveness, and expensiveness and therefore with high quality (Creusen and Schoorma, 2005). In this context, the literature on product management has looked into atypicality in the form of unusual packaging and design aspects. In the domain of product design, an atypical product design is defined as a type of design that is not representative of the product category (Veryzer and Hutchinson, 1998). According to Brunner *et al.* (2016), using a symbolic product design that is atypical with respect to the product category improves the customers' impressions of the brand's symbolic nature. Furthermore, an atypical product design, which is incongruent with consumers' expectations, arouses

consumers' attention and makes the brand more exciting because consumers perceive the product to be more interesting (Schnurr, 2017).

So far, research on atypicality has neglected to investigate the role atypicality may play in the context of online pricing strategies and even fewer studies have been conducted in the context of online luxury fashion retailing. This study aims therefore to fill this gap by advancing the idea that consumers perceive as atypical the use of the comparable value comparison reference pricing format when observing online sales promotions. Indeed, when looking at the online methods used by multi-brand fashion luxury retailers, they use a specific strategy to promote a deal on their websites: the former price comparison. Multi-brand retailers concentrate on the comparison of the former original price and the present discounted price. Thus, seeing an unusual reference pricing format may be perceived as an atypical strategy by consumers.

### *1.1.3 Consumers' Perceived Value*

Consumers' perceived value is defined as the evaluation of the utility of a product or service, based on the consumer's perception of what is received and given (Zeithaml, 1988). Simply stated, it is a trade-off between the benefits acquired by the consumer and the perceived costs (Christopher *et al.*, 2015). If the benefits outweigh the costs, then the customer will perceive a positive value of the item (Sinha and Verma, 2020). According to Dodds *et al.* (1991), value is an appraisal of what consumers get for the price of what they give up.

Customer perceived value is considered the most critical predictor and determinant of customer's purchase intention and repeated purchases (Cronin *et al.*, 2000; Hsin Chang and Wang, 2011; Chen and Tsai, 2008; Grewal *et al.*, 1998; Monroe, 1973). Indeed, if an item has a higher perceived value, the consumer will have a stronger purchase intention (Monroe, 1973). Consumers evaluate the value of a product or service based on the product's informational signals (Dodds, 2002; Lim *et al.*, 2014). Sales promotions are a significant cue used for cognitive evaluations that encourage customers to buy a product (Park *et al.*, 2009). The advantages of sales promotions help to create a favorable impression of the product, which leads to a favorable purchase intention (Sinha and Verma, 2020). The availability of a sales promotion offer impacts the product's perceived price, quality, and value (Zeithaml, 1988). A promotion is a short-term economic incentive to buy a good (Honea and Dahl, 2005; Oliver and Shor, 2003). Moreover, it is important to inform customers about a product's availability, raise awareness about a retailer's marketing operations, stimulate customers to revisit, and increase customer loyalty (Bagozzi and Yi, 1998).



Many are the dimensions associated with the consumer's perceived value. Monroe (2003) states that perceived value is the result of the price and quality of the product or service. Grewal *et al.* (1998), instead, report that it is formed by the perceived acquisition value, so the gains associated with the purchase of the product, and by the perceived transaction value that is related to pleasure and satisfaction. Additionally, consumer perceived value has been associated with self-oriented/other-oriented, active/reactive, and extrinsic/intrinsic aspects (Holbrook, 1999), to the utilitarian and hedonic dimensions (Young *et al.*, 2012) or again to functional, emotional, and social dimensions. For the purpose of this study, the three dimensions defined by Zeithaml (1988) will be considered and analyzed: perceived price, quality, and value. Indeed, the online fashion luxury retailing context should be taken into consideration. For what concerns perceived price, most customers' primary priorities, based on rational shopping demand, are pricing and product function (Peng *et al.*, 2019). Consumers are willing to try a product if the price of it is low, therefore making price a purchase-decision factor (Neslin *et al.*, 2016; Peng *et al.*, 2019). Perceived quality, on the other hand, refers to a consumer evaluating the overall excellence of a brand based on intrinsic and extrinsic cues (Asshidin *et al.*, 2016). Park *et al.* (2021) state that in a luxury context, quality is composed of the judgment of materials, components, physical performance, workmanship, and durability. Moreover, researchers suggest that the perceived value of products and services is significantly influenced by perceived quality as it provides consumers a reason to buy (Park *et al.*, 2021).

Another important component for the evaluation of the product characteristics and information for online shoppers is the electronic word of mouth (eWOM; Roy *et al.*, 2017). The dynamics around online reviews and their effects on online sales are slowly gaining research interest together with the importance of eWOM as a reliable communication tool for online shoppers (Roy *et al.*, 2017). Moreover, eWOM has been found to have a significant effect on customers' online behavior, purchase intention, and sales (Anaza and Rutherford, 2014; Chevalier and Mayzlin, 2006; Kim and Gupta, 2012). If, on one hand, researchers have delved into the effect customers' perceived value has on purchase intention, nevertheless, limited authors have focused on the role it may have on eWOM, especially in the context of online fashion retailing.

<b>Construct</b>	<b>Definition</b>
Reference prices	Standards against which the purchase price of a product is judged and compared (Monroe 1973)
Comparable value comparison	The seller compares the price of the product with the one of a similar good, either sold in the store or by other retailers (Bitta <i>et al.</i> , 1981)

Atypicality	The perception that something deviates significantly from what is typical, common, expected and taken for granted (Schnurr, 2017)
Consumers' perceived value	The evaluation of the utility of a product or service, based on the consumer's perception of what is received and given (Zeithaml, 1988)

**Table 1:** Definitions of key constructs investigated in this study

## 1.2 Hypotheses Development

### 1.2.1 The impact of reference price on consumer's perceived value and eWOM

In the online context, shoppers may encounter some difficulties in evaluating a product because of the inability to examine them directly and physically (Park *et al.*, 2005). Due to this issue, consumers tend to exploit recognizable cues to evaluate the value of a product (Huang *et al.*, 2004; Park and Stoel, 2005). Among these cues, price and promotions may be a source of information for the assessment of products (Raghubir, 2004). Indeed, promotions may facilitate customers' purchase decisions and their satisfaction with them (Darke and Dahl, 2003). Moreover, researchers found out that price promotions tend to positively influence the perceived value of the price and are considered an important tool for e-retailers in order to influence consumer's purchase behavior (Park *et al.*, 2009; Hsu and Liu, 1998; Oliver and Shor, 2003). Online promotions are an important tool when it comes to informing consumers of the regular and discounted price of a product (Park *et al.*, 2009) The display of both prices may lead to an increase in perceived savings and generate positive perceptions of deal value (Darke and Dahl, 2003; Hsu and Liu, 1998; Grewal *et al.*, 1998; Gupta and Cooper, 1992).

Current research supports the conclusion that advertised reference prices have a positive and significant influence on consumers' perception of the value of the deal (Compeau *et al.*, 2002). Consumers will make overall judgments based on both the ARP and the selling price, according to Thaler's (1985) transaction utility theory. The higher the ARP in relation to the SP, the higher the perceived value (Compeau *et al.*, 2002). Additionally, the comparative price information helps consumers attach a value to the offer and could result in substantial savings in money, time, and effort (Compeau and Grewal, 1998).

Focusing on the context under study, the online luxury fashion retailing, it is essential to consider the importance of cues for evaluating product characteristics. Therefore, in this study, we expect that providing customers with an alternative additional source to evaluate the product will boost the effect of the reference price on the consumer's perceived value. This suggests that using comparable value

pricing along with the original price charged may be a more powerful strategy for convincing consumers of the value of the product. Moreover, taking Zalando, Farfetch, and MyTheresa as examples of multi-brand online stores, it is noticeable that they sell a variety of brands that vary in price, brand value, and quality. The purpose of this study is to compare fashion luxury brands versus mass-market fashion brands.

WOM is defined as “a person-to-person communication tool, between a communicator and a receiver, who perceives the information received about a brand, product, or service as non-commercial” (Heute-Alcocer, 2017). eWOM, on the other hand, consists of all informal communication via the Internet directed to consumers and linked to the characteristics and usage of products and services (Litvin *et al.*, 2008). Consumers that are satisfied with the value received from the retailer are more inclined to recommend the product or service to other people (Dick and Basu, 1994). As a matter of fact, it has been argued that perceived value has an influence on customers’ behavioral intentions and WOM (Hartline and Jones, 1996). One reason behind this argument is that consumers that receive a high value tend to become more committed to the brand and seek to recommend others to become loyal to the same brand (de Matos and Rossi, 2008; McKee *et al.*, 2006). Previous research (Hartline and Jones, 1996; de Matos and Rossi, 2008; Gruen *et al.*, 2006; McKee *et al.*, 2006) has hypothesized and demonstrated that perceived value significantly influences WOM engagement. Nevertheless, the analyses were not conducted in a luxury context and just a few of them focused on electronic word of mouth. To date, luxury studies rarely explored the relationship between consumers’ perceived value and WOM (Park *et al.*, 2021). To contribute to the enhancement of the literature in this field, this study suggests that consumers’ perceived value may have a positive effect on eWOM. Indeed, when it comes to luxury brands, customers typically seek out the value that meets their needs, wants or quality that gives concrete and intangible benefits (Park *et al.*, 2021). They calculate the perceived value based on the advantages they gain from using the goods and services that fulfill their needs and requirements (Johnston and Kong, 2011). When this happens, customers feel compelled to tell others in their social circles about the value they have received (McKee *et al.*, 2006). As a result, consumers are expected to interact on the Internet and provide WOM recommendations depending on the value they receive (Park *et al.*, 2021). Therefore:

**H1:** The use of a comparable value comparison as a reference (vs former price comparison) positively influences the consumer’s perceived value of the product in sales promotion which in turn increases the eWOM.

### *1.2.2 Atypicality and consumers' perceived value as mediators of the relationship between the reference price, eWOM, and purchase intention*

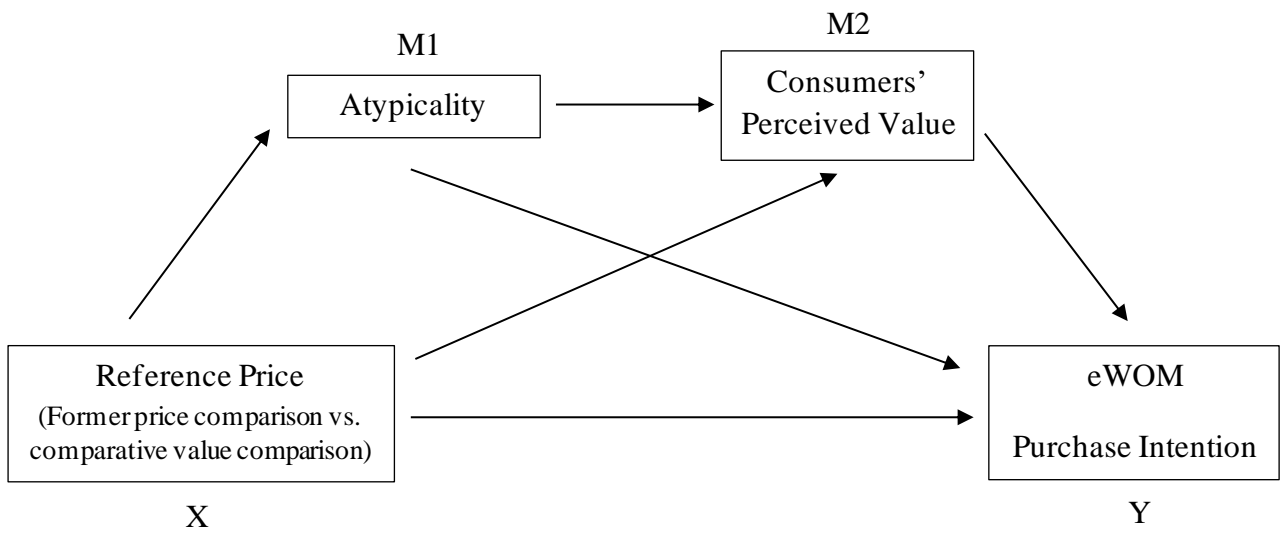
Previous research has concentrated on product designs and how consumers create visual prototypes of a given typical product. When consumers are exposed to a product with an atypical design, this visual prototype is used as a standard to determine what a product of a particular category should look like (Hung and Chen, 2012). Moreover, as theorized by Schnurr (2017), an atypical product design attracts consumers' attention, and the product is perceived as more interesting making the brand more exciting.

In this study, we propose that similarly to what happens with product design, an uncommon pricing strategy may be perceived as atypical. Indeed, consumers are repeatedly exposed to the same pricing strategies in online retailing settings. Especially in the luxury fashion retailing context, online retailers usually adopt, as cited before, one main strategy when presenting sales promotions: the former price reference pricing format. By having a look specifically at multi-brand retailers' e-commerce, like YOOX, Zalando, and Farfetch, it is possible to observe a common and unique strategy adopted for sales promotions: comparing the new discounted price with the price formerly charged for the product. Consumers are accustomed to seeing this price information as they are being exposed to it regularly. A new and unusual kind of reference pricing format may therefore be perceived as atypical with respect to what users are familiarized with when buying online.

On the other hand, according to Creusen and Schoorma (2005), an atypical appearance is suggested for products for which prestige or novelty are essential because they tend to be associated with expensiveness, exclusivity, and therefore high quality. Indeed, perceived quality, as stated by Asshidin *et al.* (2016), may help evaluate the excellence of a brand and consequently its perceived value (Park *et al.*, 2021). Thus, in this study, we hypothesize that atypicality may positively influence consumers' perceived value and, together with it, the two variables may serially mediate the relationship between the reference price and the eWOM. Moreover, the effect on purchase intention is aimed to be unveiled for the sake of completeness. As a matter of fact, extensive research has demonstrated that perceived value has a positive effect on consumers' purchase intention (Dodds *et al.*, 1991; Monroe, 1973; Peng *et al.*, 2019). Conversely, none has instead analyzed the effect of atypicality on purchase intention. Accordingly, the study further suggests a serial mediation of atypicality and consumers' purchase intention on the relationship between the reference price and purchase intention.

**H2a:** Atypicality and consumers' perceived value serially mediate the relationship between the reference price and eWOM

**H2b:** Atypicality and consumers' perceived value serially mediate the relationship between the reference price and purchase intention.



*Image 1: Conceptual Framework*

## CHAPTER II

### Study

#### 2.1 Study 1

To test the first hypothesis, H1, a study consisting of an online experiment was conducted. The goal was to examine whether two different types of comparative pricing formats could have an impact on electronic word-of-mouth through the mediating role of consumers' perceived value. Moreover, the study aimed at demonstrating the possibility to leverage the comparative value comparison kind of reference in the online retailing context when referring to luxury products.

Respondents were shown two different scenarios in which the reference price was manipulated (former price comparison vs. comparative value comparison) and then were asked to complete the survey by answering some questions.

#### 2.1.1 Methodology

##### 2.1.1.1 Participants

A non-probability sampling technique was adopted for the study. In particular, a convenience sample design was employed. Subjects were recruited through Amazon MTurk in exchange for a nominal payment. They were randomly assigned to one of the two different versions of the survey, and it took them about 5 minutes to complete it. Data was collected between February 15<sup>th</sup> and 22<sup>nd</sup> 2022. A total of 239 responses were registered at the end of the period. Of these, 150 ( $M_{age} = 35.37$ ;  $SD = 9.561$ ; 38% female) data points were analyzed after the elimination of incomplete responses. In addition, only those questionnaires that answered correctly to a manipulation check were retained. Table 2 summarizes the demographic characteristics of the sample under study.

Variable	Content	Frequency	%
Gender	Male	93	62
	Female	57	38
Age	19-29	53	35.3
	30-39	49	32.7
	40-49	32	21.3
	50-59	15	10
	60-69	1	0.7

Nationality	American	55	36.7
	Brazilian	5	3.3
	UK	2	1.3
	Canada	1	0.7
	Indian	39	26
	Italian	4	2.7
	USA	44	29.3

**Table 2:** Sample's demographic characteristics study 1

### 2.1.1.2 Procedure

A between-subjects experimental design was implemented to perform the current study. Participants were randomly assigned to one of the two different versions of the questionnaire utilized for the manipulation of the independent variable. As a matter of fact, two text-based stimuli were elaborated in order to manipulate the reference price variable. Participants were presented with a fictitious luxury brand and were told that on an e-commerce website there was an ongoing sales promotion on a pair of sneakers of this brand. In the first scenario, participants were presented with a basic type of retail reference pricing practice, namely comparing the new discounted price to the initial price formerly charged by the retailer (Ahmetoglu *et al.* 2014). Specifically, participants read the following:

Imagine you are on the Internet and are looking for a new pair of sneakers to buy. You land on an e-commerce site and you see a pair of shoes from a brand called Zeta.

Zeta is a luxury fashion company specializing in the production of shoes. The products produced by this brand are characterized by the high quality of the materials used. At a premium price, Zeta conveys elegance and contemporaneity thanks to its timeless design that helps customers feel special and unique.

The sneakers you see are the most sold model of the brand. Exceptionally, they are discounted by 50%: from 300\$ they are now sold at 150\$!

The motive behind the decision to choose a 50% discount relies on the findings of the study realized by Bitta *et al.* (1981). Indeed, they demonstrate that the differences in the magnitude of price discounts have a positive and significant effect on consumers' perceived value as the percentage discount from regular price increases. Moreover, this relationship affects the intent to search and the interest in the product. Specifically, in their experiment, the 50% discount is proved to be more effective in triggering this effect.

In the second scenario, instead, subjects were presented with the same data as in the first one but, in this case, additional information was given: another brand's shoes are sold at the same price as the

luxury shoes. The alternative brand, in this case as well, was an invented mass-market producer and the sneakers were sold at the full price. Participants read the following:

Imagine you are on the Internet and are looking for a new pair of sneakers to buy. You land on an e-commerce site and you see a pair of shoes from a brand called Zeta.

Zeta is a luxury fashion company specializing in the production of shoes. The products produced by this brand are characterized by the high quality of the materials used. At a premium price, Zeta conveys elegance and contemporaneity thanks to its timeless design that helps customers feel special and unique.

The sneakers you see are the most sold model of the brand. Exceptionally, they are discounted by 50%: from 300\$ they are now sold at 150\$!

At the same price of 150\$ are also sold the sneakers of the brand Liko.

Liko is a mass-market retailer and shoe producer. The products of the brand are mainly sports shoes and sneakers. The brand is characterized by intensive production of medium-quality shoes of different colors and designs. At an affordable price, Liko aims to accompany customers during their athletic and everyday journey delivering trendy products.

After reading the experimental scenarios, respondents were asked to answer a series of questions aimed at measuring the consumer's perceived value of the luxury brand shoes and the eWOM. Lastly, they responded to some demographic questions.

### *2.1.1.3 Data acquisition*

To evaluate the constructs under study and in order to perform an accurate analysis, two pre-validated scales were utilized. To assess customers' perceived value, Zeithaml's (1988) three-item questionnaire with a seven-point Likert Scale (from 1= Strongly Disagree to 7= Strongly Agree) was used (Cronbach's  $\alpha$  0.631;  $M_{PV}$ = 5.602;  $SD$ = 0.732). In order to measure the electronic Word-of-mouth, instead, an adapted version of the three-item questionnaire from Park *et al.* (2021) was employed (Cronbach's  $\alpha$  0.705;  $M_{WOM}$ = 5.478;  $SD$ = 0.884). Items were rated on a seven-point Likert Scale from "Strongly Disagree" to "Strongly Agree".

### *2.1.1.4 Manipulation check*

As a manipulation check, a question has been included in the questionnaire in order to measure the level of attention of the respondents. Specifically, it was asked whether the brand Zeta was a luxury or a mass-market brand. Only the responses of all those participants that have answered correctly to the question have been retained. All other surveys have been excluded from the analysis.



### 2.1.2 Results Study 1

The results of a one-way ANOVA revealed that respondents in the comparable value comparison condition did not have a higher eWOM than those in the former price condition ( $M_{\text{Former Price}} = 5.405$ ,  $SD = 0.865$  vs.  $M_{\text{Comparable Value}} = 5.559$ ,  $SD = 0.905$ ,  $F(1,148) = 1.129$ ,  $p = .29$ ). These preliminary results demonstrated that the comparable value comparison format does not directly lead to an increase in eWOM.

To test the hypothesis under study, PROCESS MACRO model 4 was employed (Hayes, 2017). Reference price (0= former price comparison; 1= comparative value comparison) served as the independent variable, eWOM as the dependent variable, and customers' perceived value as the mediator.

The results of the regression analysis showed that the effect of the reference price on customers' perceived value is positive and statistically significant ( $M_{\text{Former Price}} = 5.468$ ,  $SD = 0.709$  vs.  $M_{\text{Comparable Value}} = 5.751$ ,  $SD = 0.734$ ,  $b = 0.28$ ,  $t(148) = 2.40$ ,  $p = 0.0177$ ) suggesting that the comparative value comparison format led to a higher perception of value than the former price comparison format. Consumers' perceived value, in turn, positively affected the eWOM ( $b = 0.74$ ,  $t(147) = 9.11$ ,  $p = 0.000$ ), implying that a higher perceived value increases the eWOM intention. The statistical significance of both relationships provided initial evidence of the mediating role of customers' perceived value in the relationship between the reference price and eWOM. The effect of the independent variable on eWOM when considering the customer's perceived value was negative and was not statistically significant ( $b = -0.05$ ,  $t(147) = -0.46$ ,  $p = 0.64$ ). Similarly, the total and main effect of reference price on eWOM was positive but not significant ( $b = 0.15$ ,  $t(148) = 1.06$ ,  $p = 0.30$ ,  $95\% \text{ CI} = -0.13, 0.44$ ). On the bright side, the indirect effect of reference price on eWOM via customer's perceived value was positive and statistically significant ( $b = 0.21$ ,  $95\% \text{ CI} = 0.04, 0.37$ ) suggesting that customer's perceived value mediates and therefore explains the relationship between the reference price and the electronic word-of-mouth. Additionally, since the coefficient of the total effect was not significant, consumers' perceived value fully mediated the relationship between independent and dependent variables supporting H1.

### 2.2 Study 2

To test the second hypothesis, H2a, and H2b, a second study consisting of an online experiment was conducted. The objective was to evaluate and establish whether atypicality could mediate the

relationship between the reference price and consumers' perceived value analyzed in the first study. Moreover, the effect of this variable and the effect of the double mediation on eWOM and purchase intention were analyzed.

As in the previous study, respondents were shown two different scenarios in which the reference price was manipulated (former price comparison vs. comparative value comparison) and then were asked to complete the survey by answering some questions.

In order to better understand the outcomes uncovered, the analysis of the results of the second study was split in two: study 2a focused on the results associated with the dependent variable eWOM, whereas study 2b concentrated on the analysis of the dependent variable purchase intention.

## 2.2.1 Methodology

### 2.2.1.1 Participants

For the purposes of the study a non-probability sampling technique was employed. Specifically, a convenience sample design was adopted, and respondents were recruited through Prolific in exchange for a nominal payment. They were randomly assigned to one of the two different versions of the survey, and it took them about 3 minutes to complete it. A total of 177 responses were collected on May 26<sup>th</sup>, 2022. Of these, 162 ( $M_{age} = 41.26$ ;  $SD = 13.49$ ; 59.9% female) data points were analyzed after the elimination of incomplete responses. Additionally, only those questionnaires that answered correctly to a manipulation check were retained. Table 3 summarizes the demographic characteristics of the sample under study.

Variable	Content	Frequency	%
Gender	Male	62	38.3
	Female	97	59.9
	Prefer not to say	3	1.9
Age	19-29	35	21.6
	30-39	48	29.6
	40-49	35	21.6
	50-59	24	14.9
	60-69	18	11.1
	70-79	2	1.2
Nationality	Australian	7	4.3
	Irish	6	3.7
	Italian	3	1.9

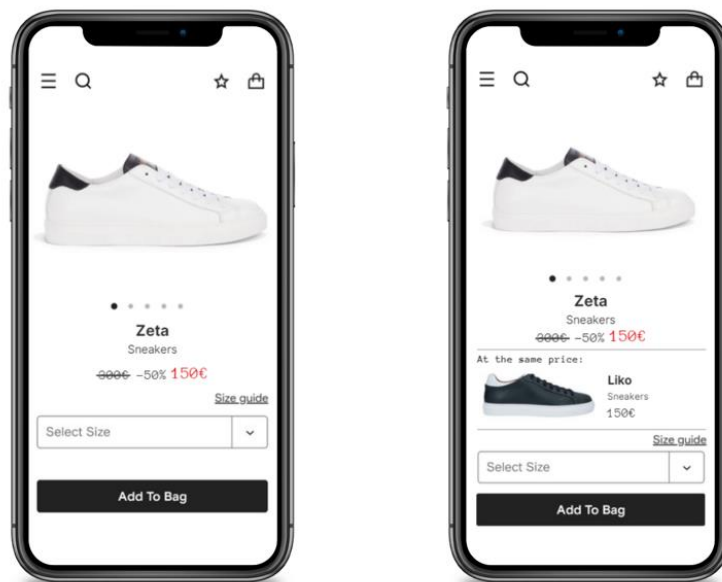
UK	112	69.1
USA	23	14.2
Other	11	6.6

**Table 3:** Sample's demographic characteristics study 2

### 2.2.1.2 Procedure

A between-subjects design was used to conduct this second study. Respondents were faced with two different manipulations of the independent variable, the reference price. Participants were randomly assigned to one of the two textual stimuli as in the first study. However, for this study, in an attempt to add an ecological value to the analysis performed, two images representing the manipulations were realized (Image 2).

Respondents were asked to answer a series of questions after reading the experimental scenarios in order to determine the atypicality of the promotion, the consumer's perceived value of the luxury brand shoes, the eWOM, and the purchase intention. Finally, they answered a few demographic questions.



**Image 2:** Stimuli used for Study 2 - former price comparison vs comparative value comparison

### 2.2.1.3 Data acquisition

Four pre-validated scales were employed to conduct this study. To measure atypicality, Batra *et al.*'s three-item bipolar scale (2010) was employed (Cronbach's  $\alpha$  0.926;  $M_{AT}$ = 3.742;  $SD$ = 1.592). To

evaluate customers' perceived value, Zeithaml's (1988) three-item questionnaire was used (Cronbach's  $\alpha$  0.920;  $M_{PV}$ = 4.749;  $SD$ = 1.537). In order to assess the eWOM, instead, the three-item questionnaire from Park *et al.* (2021) was employed (Cronbach's  $\alpha$  0.890;  $M_{WOM}$ = 3.187;  $SD$ = 1.658). Lastly, to rate the purchase intention, Sweeney *et al.* (1999) scale was utilized (Cronbach's  $\alpha$  0.977;  $M_{PI}$ = 3.734;  $SD$ = 1.973). Table 3 shows the scales used to measure each construct.

Construct	Items	Source
Atypicality	It is the same as the others vs It is new and different It is ordinary vs It is special It is non-original vs It is original	Batra <i>et al.</i> (2010); Amatulli <i>et al.</i> (2021)
Consumer's Perceived Value	I perceive it worthwhile for the price to be paid to purchase Zeta's sneakers that have sales promotion I perceive that Zeta's sneakers, available with sales promotion, have a good quality I perceive that purchasing Zeta's sneakers that have sales promotion offer is smart shopping	
eWOM	I'm likely to post status/photos/comments about Zeta's sneakers sales promotion in my social network I would recommend Zeta's sneakers to my friends and relatives If my friends were looking for a new item, I would tell them to try Zeta's sneakers	Park <i>et al.</i> (2021)
Purchase Intention	I would purchase this product I would consider buying this product at this price There is a strong likelihood that I would buy this product at this price	Sweeney <i>et al.</i> (1999)

**Table 4: Measurement Scales**

#### 2.2.1.4 Manipulation check

As a manipulation check, respondents were asked whether the brand Zeta was a luxury or a mass-market brand. Only the responses of those who answered the question properly have been kept. All others were ruled out of the analysis.

#### 2.2.2 Results Study 2a

The results of the one-way ANOVA revealed that respondents in the comparable value comparison condition had a higher eWOM than those in the former price condition ( $M_{\text{Former Price}} = 2.769$ ,  $SD = 1.346$  vs.  $M_{\text{Comparable Value}} = 3.605$ ,  $SD = 1.836$ ,  $F(1,160) = 10.907$ ,  $p = .001$ ). These preliminary results

demonstrated that the comparable value comparison format may directly lead to an increase in eWOM.

To test H2a, PROCESS MACRO model 6 was employed (Hayes, 2017). The study assessed the serial mediation with atypicality and consumers' perceived value, mediating the relationship between the reference price (0= former price; 1= comparative value comparison) and eWOM.

The regression analysis demonstrated that the comparative value comparison format led to a higher atypicality than the former price comparison format ( $M_{\text{Former Price}} = 3.366$ ,  $SD = 1.452$  vs.  $M_{\text{Comparable Value}} = 4.119$ ,  $SD = 1.646$ ,  $b = 0.75$ ,  $t(160) = 3.08$ ,  $p = 0.0024$ ). When analyzing the impact on consumers' perceived value, atypicality positively affected the perceived value ( $b = 0.58$ ,  $t(159) = 9.90$ ,  $p = 0.0000$ ), while the reference price, similarly to what obtained in Study 1, had a positive effect on the it ( $b = 0.52$ ,  $t(159) = 2.80$ ,  $p = 0.0056$ ). These results implied, therefore, that a more atypical promotion increases the customer's perceived value of the product. Afterward, we regressed eWOM on consumers' perceived value, atypicality, and the reference price. The results revealed that, as anticipated, the impact of consumers' perceived value on eWOM was positive and significant ( $b = 0.65$ ,  $t(158) = 8.911$ ,  $p = 0.000$ ). Likewise, atypicality positively affected eWOM ( $b = 0.22$ ,  $t(158) = 3.25$ ,  $p = 0.0014$ ). Thus, a higher atypicality and a higher perceived value increase the consumer's eWOM intention. Conversely, the effect of the independent variable on eWOM was not significant ( $b = 0.03$ ,  $t(158) = 0.19$ ,  $p = 0.84 > 0.05$ ). Lastly, the analysis shows a positive and significant indirect effect of the reference price on eWOM through atypicality and consumers' perceived value ( $b = .288$ , 95% CI: .105, .507) suggesting a full serial mediation. These results partially replicate and confirm the ones obtained in Study 1 while proving a full serial mediation of atypicality and consumers' perceived value on the relationship between the reference price and eWOM confirming H2a.

### 2.2.3 Results Study 2b

Study 2b focused on the analysis of the results associated with the dependent variable purchase intention, which show similar results as the one obtained in Study 2a.

The results of the one-way ANOVA revealed that respondents in the comparable value comparison condition had a higher purchase intention than those in the former price condition ( $M_{\text{Former Price}} = 3.062$ ,  $SD = 1.707$  vs.  $M_{\text{Comparable Value}} = 4.407$ ,  $SD = 2.000$ ,  $F(1,160) = 21.206$ ,  $p = .000$ ). These preliminary results demonstrated that the comparable value comparison format may directly lead to an increase in purchase intention.

Similarly, PROCESS MACRO Model 6 was used (Hayes, 2017) to analyze hypothesis 2b. The results showed a significant positive effect of reference price on the first mediator, atypicality ( $M_{\text{Former Price}} = 3.366$ ,  $SD = 1.452$  vs.  $M_{\text{Comparable Value}} = 4.119$ ,  $SD = 1.646$ ,  $b = 0.75$ ,  $t(160) = 3.08$ ,  $p = 0.0024$ ), suggesting that the comparable value comparison format is perceived as more atypical compared to the former price format. Both the independent variable ( $b = 0.52$ ,  $t(159) = 2.81$ ,  $p = 0.0056$ ) and atypicality ( $b = 0.58$ ,  $t(159) = 9.90$ ,  $p = 0.0000$ ) significantly influenced the second mediator, consumers' perceived value. Analyzing the effect on the dependent variable just the consumers' perceived value had a positive and significant effect on purchase intention ( $b = 0.92$ ,  $t(158) = 11.77$ ,  $p = 0.0000$ ). By contrast, atypicality did not influence directly the DV ( $b = 0.12$ ,  $t(158) = 1.59$ ,  $p = 0.1126$ ) and there was no direct effect of the independent variable on the purchase intention ( $b = 0.37$ ,  $t(158) = 1.94$ ,  $p = 0.054$ ). On the bright side, the study unveiled a significant indirect effect of the reference price on purchase intention through the mediators ( $b = .405$ , 95% CI: .146, .685), supporting H2b. Additionally, since the direct effect of the reference price on purchase intention did not prove to be significant, a full serial mediation of atypicality and consumers' perceived value on the relationship between the independent variable and purchase intention is demonstrated. The mediation summary is presented in Table 5.

Total Effect	Direct Effect	Relationship	Indirect Effect	Confidence Interval		t-statistics	Conclusion
				Lower Bound	Upper Bound		
0.153 (p= .2897)	-0.055 (p= .6445)	H1	0.208	0.034	0.372	2.453	Full Mediation
0.835 (p= .0012)	0.034 (p= .8464)	H2a	0.288	0.105	0.507	2.817	Full Mediation
1.346 (p= .0000)	0.367 (p= .0543)	H2b	0.405	0.146	0.685	2.918	Full Mediation

*Table 5: Mediation Summary*

## CHAPTER III

### Discussion and Conclusions

#### 3.1 Discussion

This study explored customers' perceived value, atypicality, and behavioral responses, namely eWOM and purchase intention, to two different reference pricing formats (former price comparison vs. price of a comparable value) in the context of online luxury fashion brand promotions. We started from the premise that consumers are accustomed to seeing a specific type of comparative pricing when on the internet and specifically when buying on multi-brand e-commerce sites: the former price comparison format. We tested therefore a new format never used in this context when promoting an online sale and we leveraged this atypicality to predict an interesting outcome: online consumers show a higher eWOM and a higher purchase intention for the discounted luxury fashion product after being exposed to the perceived atypical reference pricing technique, the price of a comparable value. Two experimental studies have proved to support the hypotheses formulated. Specifically, studies 1 and 2a support H1 demonstrating the positive and significant mediating role of consumers' perceived value on the relationship between the reference price and the eWOM. Furthermore, both studies unveil a more positive effect of the comparable value format on consumers' perceived value with respect to the former price format alone. This shows initial evidence of the potential effect this new strategy may have on eWOM in the context of online luxury fashion retailing. Study 2a and 2b support H2a and H2b by showing that atypicality and consumers' perceived value serially and fully mediate the relationship between the reference price and the two dependent variables, eWOM, and purchase intention. Hence, our results show that the comparable value format is perceived as a more atypical promotion type which in turn positively influences consumers' perceived value. Our findings contribute to the understanding of the potential different reference pricing formats may have on consumers' behavioral responses in the online luxury fashion retailing context which may help marketers implement a more effective pricing strategy when promotions are in place. Likewise, the results raise novel research opportunities about reference pricing in online retailing settings.

#### 3.2 Theoretical Contributions

Overall, this study presents compelling theoretical contributions. First and foremost, the research contributes to the literature on pricing strategy by introducing a new theoretical framework based on atypicality and consumers' perceived value, to help understand the impact reference price may have

on consumers' decision to purchase a luxury good and to spread eWOM. This framework sheds light on a new and understudied reference pricing format that may be applied in the online retailing context in order to increase the consumers' purchase intention and eWOM. Indeed, our results supply empirical evidence for the concept that, when promotions are in place, the customers that are exposed to the comparable value comparison pricing format (vs. former price comparison) associate a more positive value to the product and are consequently more likely to suggest and talk about the promotion to others. These results appear to be in part explained by the perceived atypicality of this format. Consumers are used to always seeing the same pricing strategies when it comes particularly to multi-brand online retailers. This study appears to be among the first ones to analyze both the role of atypicality (Amatulli *et al.*, 2021) and the impact of two different reference pricing formats in the context of luxury consumption. Hence, this study contributes to the literature on atypicality by unveiling the effect on consumers' perceived value and the direct effect it might have on eWOM (Study 2a). Besides, it contributes by advancing the current knowledge on the impact the reference price, and the consumers' perceived value have on eWOM and purchase intention. This study appears to be, indeed, the first to deepen the relationship between comparative pricing formats and the two independent variables in the context of online retailing.

### **3.3 Managerial Contributions**

This study offers some interesting recommendations for marketers and online retailers as well. According to Bain & Company (2020) by 2025 one-third of all personal luxury purchases will be made digitally, generating \$136 billion in revenues. Indeed, as stated by Bain & Company (2021b), online will become the single largest channel for personal luxury goods in the coming year, accounting for 28%-30% of the worldwide market in 2025. Considering these statistics, it becomes essential for online retailers and marketers to understand which is the best strategy they can leverage in order to have successful results. First of all, our findings suggest that online luxury fashion retailers could pry on a specific type of reference pricing format, the comparable value comparison one. Indeed, this research has demonstrated that consumers, when exposed to the price of an alternative brand's product as a form of reference may have a more positive response showing an increased eWOM and purchase intention toward the product in promotion. Thus, as shown by the study, online retailers may innovate their pricing strategy when sales promotions are in sale for luxury fashion products and exploit, indeed, the comparable value comparison format. Marketers may, additionally, boost the consumers' perceived value of the product through this format having in turn an increase in purchase intention and eWOM. Therefore, comparing the discounted price with the price of an alternative product may represent an effective tactic when sales are in place. This effect is indeed



obtained thanks to the perceived atypicality of the promotion, as demonstrated in studies 2a and 2b. Consumers are, as a matter of fact, accustomed to the former price format as they are usually exposed to it on websites. Thus, the second implication to be considered is that marketers and online retailers should bet on an atypical strategy that makes the promotion unusual and out of the ordinary. While consumers' perceived value in the context of luxury consumption typically stems from quality and price, the current study suggests that it can also arise from the perception of atypicality generated by the comparable value comparison reference pricing format. Therefore, retailers should rely on a different kind of communication that, as demonstrated by the research, helps leverage the consumers' perceived value of the product.

### **3.4 Limitations and Future Research**

The current research has uncovered interesting results that advance prior research in pricing strategy, it nonetheless features some limitations that can inspire future studies.

First, for what concerns consumers' perceived value, Zeitham's definition has been taken into consideration for the analysis. Future studies may try to deepen the alternative perceived value dimensions that have been uncovered such as the self-oriented/other-oriented, active/reactive, and extrinsic/intrinsic dimensions (Holbrook, 1999) or the utilitarian and hedonic ones (Young *et al.*, 2012).

Second, our study did not deepen the consumers' motivations that may explain luxury consumption. Indeed, luxury research has extensively demonstrated that consumers may approach this type of consumption with different motivations which can be generally categorized as external and internal (Amatulli *et al.*, 2018; Eastman and Eastman, 2015). In the first case, consumers buy luxury goods to show status, they have a social goal (Zhang *et al.*, 2019). This kind of consumption may result in more public consumption of status products and/or more conspicuous-style consumption, as stated by Eastman and Eastman (2015). The second case, conversely, is more linked to the idea of rewarding oneself with luxury items that become an expression of personal taste and style (Zhang *et al.*, 2019; Amatulli *et al.*, 2018). Future research may address this issue by understanding whether the results change depending on the approach consumers have to luxury consumption. Similarly, other studies could test if consumers' status consumption orientation plays a moderating effect in the model under study.

Third, moderators such as deal proneness and price sensitivity of the users may be analyzed in order to better understand the potential impact they may have on these types of formats under study.

Additionally, the research has mainly focused on the comparison between luxury and mass-market products. Future studies may analyze whether these results change when comparing two mass-market products or, as well, two luxury products.

Lastly, other types of contexts may be taken into consideration in order to understand whether the comparable value comparison format may be applied in other settings.

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## SUMMARY

### INTRODUCTION

The luxury market has been at the center of massive growth over the past 20 years, starting at €116 billion in 2000 and reaching €281 billion in 2019 (Statista, 2021). Due to the pandemic, however, this value began to decrease dramatically reaching a value of €217 billion in 2020. Nevertheless, another increasingly important component has expanded exponentially over the past two years: online retailing. According to Bain & Company (2021a), in 2020 alone, in the luxury market, online sales made up €49 billion, and the share of purchases made online nearly doubled from 12% in 2019 to 23% in 2020. Among the various online sales channels, multi-brand e-commerce platforms are undoubtedly one of the main touchpoints between luxury fashion brands and their consumers.

Online retailing offers many advantages and opportunities for brands (Wood *et al.*, 2021). However, online fashion and luxury retailers are facing some challenges when it comes to attracting consumers (Park *et al.*, 2009) and new marketing strategies and business models are required (Heine and Berghaus 2014). According to Wood *et al.* (2021), the area that offers the most potential is retail pricing.

Nowadays, as stated by Sinha *et al.* (2020), modern marketing practices heavily rely on using sales promotion tools. Retail price promotion represents a major component of the marketing strategy for retail firms (Friedmann and Haynes, 1990; Biswas *et al.*, 1999). Often these promotions include a reference price claim or some type of price comparison (Biswas *et al.*, 1999). Reference prices are “standards against which the purchase price of a product is judged” (Monroe 1973). The retailer, using this kind of promotion, is faced with two main problems: determining how much to lower the price and how to communicate this reduction. This study aims at focusing exactly on this second aspect: the format online luxury fashion retailers should use and leverage in order to communicate the reduction in price when some promotions on the merchandise are in place.

There are several strategies for communicating price promotions online. According to Ahmetoglu *et al.* (2014), retailers advertise their merchandise at a “special offer” that is usually compared with a higher previous price, a rival seller’s price, or a manufacturer’s price. Focusing on the strategies adopted by multi-brand luxury fashion retailers, there is one strategy that is most widely adopted: the former price comparison in which the price of the product being promoted is compared with the price originally charged. Consumers, though, are already accustomed to these strategies having been exposed to them repeatedly. However, there is one strategy that is little talked about and on which research has not yet focused: the comparable value comparison format (Bitta *et al.*, 1981). This



specific type of comparative pricing strategy leverages the comparison between the discounted price currently charged for the good and the price of an alternative brand's product.

From a theoretical perspective, research has yet to analyze the role of comparative pricing and reference pricing in the context of luxury fashion brands. Moreover, previous studies have never explored this aspect in an online context. Hence, this study aims to investigate the effect of reference pricing on eWOM and purchase intention, specifically analyzing the effect of two main formats, the former price comparison, and the comparative value comparison. Moreover, the role of atypicality and consumers' perceived value in this relationship wants to be deepened. The objective is therefore to understand and delve into the practice of comparative pricing in a key context such as online luxury fashion retailing and determine which are the best practices fashion luxury marketers should apply and adopt for a successful online retail strategy.

In the present study, we propose that the comparable value comparison reference pricing format may be perceived as more atypical, with respect to the former price format. Specifically, this characteristic serves as a cue that leads to a higher consumers' perceived value of the product offered under sales promotion. As a result, the atypicality of the format combined with the perceived value will motivate consumers to spread a more positive eWOM and will impact their purchase intention for the luxury fashion product. Therefore, we argue that the comparable value comparison format (vs. former price) may have a positive and significant impact on consumers' behavioral intentions.

To attain so, two main studies are conducted. The first one aims at understanding the effect the new comparative pricing format, namely the comparable value comparison (vs former price comparison), may have on consumers' perceived value and in turn on eWOM. The second study, instead, focuses on the effect on purchase intention and eWOM and the role atypicality may have in this context.

## **LITERATURE REVIEW**

### **The impact of reference price on consumer's perceived value and eWOM**

In the online context, shoppers may encounter some difficulties in evaluating a product because of the inability to examine them directly and physically (Park *et al.*, 2005). Due to this issue, consumers tend to exploit recognizable cues to evaluate the value of a product (Huang *et al.*, 2004; Park and Stoel, 2005). Among these cues, price and promotions may be a source of information for the assessment of products (Raghubir, 2004). Indeed, promotions may facilitate customers' purchase decisions and their satisfaction with them (Darke and Dahl, 2003). Moreover, researchers found out that price promotions tend to positively influence the perceived value of the price and are considered

an important tool for e-retailers in order to influence consumer's purchase behavior (Park *et al.*, 2009; Hsu and Liu, 1998; Oliver and Shor, 2003). Online promotions are an important tool when it comes to informing consumers of the regular and discounted price of a product (Park *et al.*, 2009) The display of both prices may lead to an increase in perceived savings and generate positive perceptions of deal value (Darke and Dahl, 2003; Hsu and Liu, 1998; Grewal *et al.*, 1998; Gupta and Cooper, 1992).

Current research supports the conclusion that advertised reference prices have a positive and significant influence on consumers' perception of the value of the deal (Compeau *et al.*, 2002). Consumers will make overall judgments based on both the ARP and the selling price, according to Thaler's (1985) transaction utility theory. The higher the ARP in relation to the SP, the higher the perceived value (Compeau *et al.*, 2002). Additionally, the comparative price information helps consumers attach a value to the offer and could result in substantial savings in money, time, and effort (Compeau and Grewal, 1998).

Focusing on the context under study, the online luxury fashion retailing, it is essential to consider the importance of cues for evaluating product characteristics. Therefore, in this study, we expect that providing customers with an alternative additional source to evaluate the product will boost the effect of the reference price on the consumer's perceived value. This suggests that using comparable value pricing along with the original price charged may be a more powerful strategy for convincing consumers of the value of the product. Moreover, taking Zalando, Farfetch, and MyTheresa as examples of multi-brand online stores, it is noticeable that they sell a variety of brands that vary in price, brand value, and quality. The purpose of this study is to compare fashion luxury brands versus mass-market fashion brands.

WOM is defined as "a person-to-person communication tool, between a communicator and a receiver, who perceives the information received about a brand, product, or service as non-commercial" (Heute-Alcocer, 2017). eWOM, on the other hand, consists of all informal communication via the Internet directed to consumers and linked to the characteristics and usage of products and services (Litvin *et al.*, 2008). Consumers that are satisfied with the value received from the retailer are more inclined to recommend the product or service to other people (Dick and Basu, 1994). As a matter of fact, it has been argued that perceived value has an influence on customers' behavioral intentions and WOM (Hartline and Jones, 1996). One reason behind this argument is that consumers that receive a high value tend to become more committed to the brand and seek to recommend others to become loyal to the same brand (de Matos and Rossi, 2008; McKee *et al.*, 2006). Previous research (Hartline and Jones, 1996; de Matos and Rossi, 2008; Gruen *et al.*, 2006; McKee *et al.*, 2006) has hypothesized and demonstrated that perceived value significantly influences WOM engagement. Nevertheless, the

analyses were not conducted in a luxury context and just a few of them focused on electronic word of mouth. To date, luxury studies rarely explored the relationship between consumers' perceived value and WOM (Park *et al.*, 2021). To contribute to the enhancement of the literature in this field, this study suggests that consumers' perceived value may have a positive effect on eWOM. Indeed, when it comes to luxury brands, customers typically seek out the value that meets their needs, wants or quality that gives concrete and intangible benefits (Park *et al.*, 2021). They calculate the perceived value based on the advantages they gain from using the goods and services that fulfill their needs and requirements (Johnston and Kong, 2011). When this happens, customers feel compelled to tell others in their social circles about the value they have received (McKee *et al.*, 2006). As a result, consumers are expected to interact on the Internet and provide WOM recommendations depending on the value they receive (Park *et al.*, 2021). Therefore:

**H1:** The use of a comparable value comparison as a reference (vs former price comparison) positively influences the consumer's perceived value of the product in sales promotion which in turn increases the eWOM.

### **Atypicality and consumers' perceived value as mediators of the relationship between the reference price and the eWOM and between the reference price and the purchase intention**

Previous research has concentrated on product designs and how consumers create visual prototypes of a given typical product. When consumers are exposed to a product with an atypical design, this visual prototype is used as a standard to determine what a product of a particular category should look like (Hung and Chen, 2012). Moreover, as theorized by Schnurr (2017), an atypical product design attracts consumers' attention, and the product is perceived as more interesting making the brand more exciting.

In this study, we propose that similarly to what happens with product design, an uncommon pricing strategy may be perceived as atypical. Indeed, consumers are repeatedly exposed to the same pricing strategies in online retailing settings. Especially in the luxury fashion retailing context, online retailers usually adopt, as cited before, one main strategy when presenting sales promotions: the former price reference pricing format. By having a look specifically at multi-brand retailers' e-commerce, like YOOX, Zalando, and Farfetch, it is possible to observe a common and unique strategy adopted for sales promotions: comparing the new discounted price with the price formerly charged for the product. Consumers are accustomed to seeing this price information as they are being exposed to it

regularly. A new and unusual kind of reference pricing format may therefore be perceived as atypical with respect to what users are familiarized with when buying online.

On the other hand, according to Creusen and Schoorma (2005), an atypical appearance is suggested for products for which prestige or novelty are essential because they tend to be associated with expensiveness, exclusivity, and therefore high quality. Indeed, perceived quality, as stated by Asshidin *et al.* (2016), may help evaluate the excellence of a brand and consequently its perceived value (Park *et al.*, 2021). Thus, in this study, we hypothesize that atypicality may positively influence consumers' perceived value and, together with it, the two variables may serially mediate the relationship between the reference price and the eWOM. Moreover, the effect on purchase intention is aimed to be unveiled for the sake of completeness. As a matter of fact, extensive research has demonstrated that perceived value has a positive effect on consumers' purchase intention (Dodds *et al.*, 1991; Monroe, 1973; Peng *et al.*, 2019). Conversely, none has instead analyzed the effect of atypicality on purchase intention. Accordingly, the study further suggests a serial mediation of atypicality and consumers' purchase intention on the relationship between the reference price and purchase intention.

**H2a:** Atypicality and consumers' perceived value serially mediate the relationship between the reference price and eWOM

**H2b:** Atypicality and consumers' perceived value serially mediate the relationship between the reference price and purchase intention.

## STUDY

### Study 1

To test the first hypothesis, H1, a study consisting of an online experiment was conducted. The goal was to examine whether two different types of comparative pricing formats could have an impact on electronic word-of-mouth through the mediating role of consumers' perceived value. Moreover, the study aimed at demonstrating the possibility to leverage the comparative value comparison kind of reference in the online retailing context when referring to luxury products.

Respondents were shown two different scenarios in which the reference price was manipulated (former price comparison vs comparative value comparison price) and then were asked to complete the survey by answering some questions.

## *Methodology*

A non-probability sampling technique was adopted for the study. In particular, a convenience sample design was employed. Subjects were recruited through Amazon MTurk in exchange for a nominal payment. They were randomly assigned to one of the two different versions of the survey, and it took them about 5 minutes to complete it. Data was collected between February 15<sup>th</sup> and 22<sup>nd</sup> 2022. A total of 239 responses were registered at the end of the period. Of these, 150 ( $M_{\text{age}} = 35.37$ ;  $SD = 9.561$ ; 38% female) data points were analyzed after the elimination of incomplete responses. In addition, only those questionnaires that answered correctly to a manipulation check were retained.

A between-subjects experimental design was implemented to perform the current study. Participants were randomly assigned to one of the two different versions of the questionnaire utilized for the manipulation of the independent variable. As a matter of fact, two text-based stimuli were elaborated in order to manipulate the reference price variable. Participants were presented with a fictitious luxury brand and were told that on an e-commerce website there was an ongoing sales promotion on a pair of sneakers of this brand. In the first scenario, participants were presented with a basic type of retail reference pricing practice, namely comparing the new discounted price to the initial price formerly charged by the retailer (Ahmetoglu *et al.* 2014). In the second scenario, instead, subjects were presented with the same data as in the first one but, in this case, additional information was given: another brand's shoes are sold at the same price as the luxury shoes. The alternative brand, in this case as well, was an invented mass-market producer and the sneakers were sold at the full price.

To evaluate the constructs under study and in order to perform an accurate analysis, two pre-validated scales were utilized. To assess customers' perceived value, Zeithaml's (1988) three-item questionnaire with a seven-point Likert Scale (from 1= Strongly Disagree to 7= Strongly Agree) was used (Cronbach's  $\alpha$  0.631;  $M_{\text{PV}} = 5.602$ ;  $SD = 0.732$ ). In order to measure the electronic Word-of-mouth, instead, an adapted version of the three-item questionnaire from Park *et al.* (2021) was employed (Cronbach's  $\alpha$  0.705;  $M_{\text{WOM}} = 5.478$ ;  $SD = 0.884$ ). Items were rated on a seven-point Likert Scale from "Strongly Disagree" to "Strongly Agree".

## *Results Study 1*

The results of a one-way ANOVA revealed that respondents in the comparable value comparison condition did not have a higher eWOM than those in the former price condition ( $M_{\text{Former Price}} = 5.405$ ,  $SD = 0.865$  vs.  $M_{\text{Comparable Value}} = 5.559$ ,  $SD = 0.905$ ,  $F(1,148) = 1.129$ ,  $p = .29$ ). These preliminary

results demonstrated that the comparable value comparison format does not directly lead to an increase in eWOM.

To test H1, PROCESS MACRO model 4 was employed. Reference price (0= former price; 1= comparative value price) served as the independent variable, eWOM as the dependent variable, and customers' perceived value as the mediator. The results of the regression analysis showed that the comparative value comparison format led to a higher perception of value than the former price comparison format ( $M_{\text{Former Price}} = 5.468$ ,  $SD = 0.709$  vs.  $M_{\text{Comparable Value}} = 5.751$ ,  $SD = 0.734$ ,  $b = 0.28$ ,  $t(148) = 2.40$ ,  $p = 0.0177$ ). Consumers' perceived value, in turn, positively affected the eWOM ( $b = 0.74$ ,  $t(147) = 9.11$ ,  $p = 0.000$ ). The effect of the independent variable on eWOM when considering the customer's perceived value was not statistically significant ( $b = -0.05$ ,  $t(147) = -0.46$ ,  $p = 0.64$ ). On the bright side, the indirect effect of reference price on eWOM via customer's perceived value was positive and statistically significant ( $b = 0.21$ , 95 % CI = 0.04, 0.37). These results confirmed that the consumers' perceived value fully mediates the relationship between independent and dependent variables, supporting H1.

## **Study 2**

To test the second hypothesis, H2a, and H2b, a second study consisting of an online experiment was conducted. The objective was to evaluate and establish whether atypicality could mediate the relationship between the reference price and consumers' perceived value analyzed in the first study. Moreover, the effect of this variable and the effect of the double mediation on eWOM and purchase intention were analyzed.

As in the previous study, respondents were shown two different scenarios in which the reference price was manipulated (former price comparison vs comparative value comparison price) and then were asked to complete the survey by answering some questions.

In order to better understand the outcomes uncovered, the analysis of the results of the second study was split in two: study 2a focused on the results associated with the dependent variable eWOM, whereas study 2b concentrated on the analysis of the dependent variable purchase intention.

### *Methodology*

For the purposes of the study, a non-probability sampling technique was employed. Specifically, a convenience sample design was adopted, and respondents were recruited through Prolific in exchange

for a nominal payment. They were randomly assigned to one of the two different versions of the survey, and it took them about 3 minutes to complete it. A total of 177 responses were collected on May 26<sup>th</sup>, 2022. Of these, 162 ( $M_{\text{age}} = 41.26$ ;  $SD = 13.49$ ; 59.9% female) data points were analyzed after the elimination of incomplete responses. Additionally, only those questionnaires that answered correctly to a manipulation check were retained.

A between-subjects design was used to conduct this second study. Respondents were subjected to two different manipulations of the independent variable, the reference price. As in the first study, participants were randomly assigned to one of the two textual stimuli. However, for this study, in an attempt to add an ecological value to the analysis performed, two images representing the manipulations were realized.

Respondents were asked to answer a series of questions after reading the experimental scenarios in order to determine the atypicality of the promotion, the consumer's perceived value of the luxury brand shoes, the eWOM, and the purchase intention. Finally, they answered a few demographic questions.

Four pre-validated scales were employed to conduct this study. To measure atypicality, Batra *et al.*'s three-item bipolar scale (2010) was employed (Cronbach's  $\alpha = 0.926$ ;  $M_{\text{AT}} = 3.742$ ;  $SD = 1.592$ ). To evaluate customers' perceived value, Zeithaml's (1988) three-item questionnaire was used (Cronbach's  $\alpha = 0.920$ ;  $M_{\text{PV}} = 4.749$ ;  $SD = 1.537$ ). In order to assess the eWOM, instead, the three-item questionnaire from Park *et al.* (2021) was employed (Cronbach's  $\alpha = 0.890$ ;  $M_{\text{WOM}} = 3.187$ ;  $SD = 1.658$ ). Lastly, to rate the purchase intention, Sweeney *et al.* (1999) scale was utilized (Cronbach's  $\alpha = 0.977$ ;  $M_{\text{PI}} = 3.734$ ;  $SD = 1.973$ ). Table 3 shows the scales used to measure each construct.

### *Results Study 2a*

The results of the one-way ANOVA revealed that respondents in the comparable value comparison condition had a higher eWOM than those in the former price condition ( $M_{\text{Former Price}} = 2.769$ ,  $SD = 1.346$  vs.  $M_{\text{Comparable Value}} = 3.605$ ,  $SD = 1.836$ ,  $F(1,160) = 10.907$ ,  $p = .001$ ). These preliminary results demonstrate that the comparable value comparison format may directly lead to an increase in eWOM. To test H2a, PROCESS MACRO model 6 was employed. The study assessed the serial mediation with atypicality and consumers' perceived value, mediating the relationship between the reference price (0= former price; 1= comparative value price) and eWOM. The regression analysis demonstrated that the comparative value comparison format led to a higher atypicality than the former price comparison format ( $M_{\text{Former Price}} = 3.366$ ,  $SD = 1.452$  vs.  $M_{\text{Comparable Value}} = 4.119$ ,  $SD = 1.646$ ,  $b = 0.75$ ,  $t(160) = 3.08$ ,  $p = 0.0024$ ). When analyzing the impact on consumers' perceived value,

atypicality positively affected the perceived value ( $b = 0.58$ ,  $t(159) = 9.90$ ,  $p = 0.0000$ ), while the reference price, similarly to what obtained in Study 1, had a positive effect on the it ( $b = 0.52$ ,  $t(159) = 2.80$ ,  $p = 0.0056$ ). Afterward, we regressed eWOM on consumers' perceived value, atypicality, and the reference price. The results revealed that, as anticipated, the impact of consumers' perceived value on eWOM was positive and significant ( $b = 0.65$ ,  $t(158) = 8.911$ ,  $p = 0.000$ ). Likewise, atypicality positively affected eWOM ( $b = 0.22$ ,  $t(158) = 3.25$ ,  $p = 0.0014$ ). Conversely, the effect of the independent variable on eWOM was not significant ( $b = 0.03$ ,  $t(158) = 0.19$ ,  $p = 0.84 > 0,05$ ). Lastly, the analysis shows a positive and significant indirect effect of the reference price on eWOM through atypicality and consumers' perceived value ( $b = .288$ , 95% CI: .105, .507) suggesting a full serial mediation. These results furtherly replicate and confirm the ones obtained in Study 1.

### *Results Study 2b*

The results of the one-way ANOVA revealed that respondents in the comparable value comparison condition had a higher purchase intention than those in the former price condition ( $M_{\text{Former Price}} = 3.062$ ,  $SD = 1.707$  vs.  $M_{\text{Comparable Value}} = 4.407$ ,  $SD = 2.000$ ,  $F(1,160) = 21.206$ ,  $p = .000$ ). These preliminary results demonstrated that the comparable value comparison format may directly lead to an increase in purchase intention.

PROCESS MACRO Model 6 was used (Hayes, 2017) to analyze hypothesis 2b. The results showed a significant positive effect of reference price on the first mediator, atypicality ( $M_{\text{Former Price}} = 3.366$ ,  $SD = 1.452$  vs.  $M_{\text{Comparable Value}} = 4.119$ ,  $SD = 1.646$ ,  $b = 0.75$ ,  $t(160) = 3.08$ ,  $p = 0.0024$ ), suggesting that the comparable value comparison format is perceived as more atypical compared to the former price format. Both the independent variable ( $b = 0.52$ ,  $t(159) = 2.81$ ,  $p = 0.0056$ ) and atypicality ( $b = 0.58$ ,  $t(159) = 9.90$ ,  $p = 0.0000$ ) significantly influenced the second mediator, consumers' perceived value. Analyzing the effect on the dependent variable just the consumers' perceived value had a positive and significant effect on purchase intention ( $b = 0.92$ ,  $t(158) = 11.77$ ,  $p = 0.0000$ ). By contrast, atypicality did not influence directly the DV ( $b = 0.12$ ,  $t(158) = 1.59$ ,  $p = 0.1126$ ) and there is no direct effect of the independent variable on the purchase intention ( $b = 0.37$ ,  $t(158) = 1.94$ ,  $p = 0.054$ ). On the bright side, the study unveiled a significant indirect effect of the reference price on purchase intention through the mediators ( $b = .405$ , 95% CI: .146, .685), supporting H2b.

## **DISCUSSION AND CONCLUSIONS**



## **Discussion**

This study explored customers' perceived value, atypicality, and behavioral responses, namely eWOM and purchase intention, to two different reference pricing formats (former price vs. price of a comparable value) in the context of online luxury fashion brands promotions. We started from the premise that consumers are accustomed to seeing a specific type of comparative pricing when on the internet and specifically when buying on multi-brand e-commerce sites: the former price format. We tested therefore a new format never used in this context when promoting an online sale and we leveraged this atypicality to predict an interesting outcome: online consumers show a higher eWOM and a higher purchase intention for the luxury fashion product on sale after being exposed to the perceived atypical reference pricing technique, the price of a comparable value.

Two experimental studies have proved to support the hypotheses formulated. Specifically, studies 1 and 2a support H1 demonstrating the positive and significant mediating role of consumers' perceived value on the relationship between the reference price and the eWOM. Furthermore, both studies unveil a more positive effect of the comparable value format on consumers' perceived value with respect to the former price format alone. This shows initial evidence of the potential effect this new strategy may have on eWOM in the context of online luxury fashion retailing. Study 2a and 2b support H2a and H2b by showing that atypicality and consumers' perceived value serially and fully mediate the relationship between the reference price and the two dependent variables, eWOM, and purchase intention. Hence, our results show that the comparable value format is perceived as a more atypical promotion type which in turn positively influences consumers' perceived value. Our findings contribute to the understanding of the potential different reference pricing formats may have on consumers' behavioral responses in the online luxury fashion retailing context which may help marketers implement a more effective pricing strategy when promotions are in place. Likewise, the results raise novel research opportunities about reference pricing in online retailing settings.

## **Theoretical Contributions**

Overall, this study presents intriguing theoretical contributions. First and foremost, the research contributes to the literature on pricing strategy by introducing a new theoretical framework, based on atypicality and consumers' perceived value, to help understand the impact reference price may have on consumers' decision to purchase a luxury good and to spread eWOM. This framework sheds light on a new and understudied reference pricing format that may be applied in the online retailing context in order to increase the consumers' purchase intention and eWOM. Notably and additionally, the

study helps to advance the pricing literature in the context of online retailing and specifically contributes to the enhancement of the literature on luxury consumption. Indeed, this study appears as the first one to empirically analyze two different reference pricing formats (former price comparison vs. comparable value comparison) applied in the context of online luxury fashion retailing and to focus on the impact they may have on eWOM. Lastly, this work contributes to the literature on atypicality by concentrating on the relationship with perceived value, and the effect on eWOM and purchase intention.

### **Managerial Contributions**

This study offers some interesting recommendations for marketers and online retailers as well. According to Bain & Company (2020) by 2025 one-third of all personal luxury purchases will be made digitally, generating \$136 billion in revenues. Indeed, as stated by Bain & Company (2021b), online will become the single largest channel for personal luxury goods in the coming year, accounting for 28%-30% of the worldwide market in 2025. Considering these statistics, it becomes essential for online retailers and marketers to understand which is the best strategy they can leverage in order to have successful results.

First of all, our findings suggest that online luxury fashion retailers could leverage a specific type of reference pricing format, the comparable value comparison one. Indeed, the research has demonstrated that consumers, when exposed to the price of an alternative brand's product as a form of reference may have a more positive response showing an increased eWOM and purchase intention toward the product in promotion. Thus, as shown by the study, online retailers may innovate their pricing strategy when sales promotions are in sale for luxury fashion products and leverage, indeed, on the comparable value comparison format. Marketers may additionally boost the consumers' perceived value of the product through this format having in turn an increase in purchase intention and eWOM. Therefore, comparing the discounted price with the price of an alternative product may represent an effective tactic when sales are in place. This effect is indeed obtained thanks to the perceived atypicality of the promotion, as demonstrated in studies 2a and 2b. Consumers are, as a matter of fact, accustomed to the former price format as they are usually exposed to it on websites. Thus, the second implication to be considered is that marketers and online retailers should bet on an atypical strategy that makes the promotion unusual and out of the ordinary. While consumers' perceived value in the context of luxury consumption typically stems from quality and price, the current study suggests that it can also arise from the perception of atypicality generated by the comparable value comparison reference pricing format. Therefore, retailers should rely on a different

kind of communication which, as demonstrated by the research, helps leverage the consumers' perceived value of the product.

### **Limitations and Future Research**

The current research has uncovered interesting results that advance prior research in pricing strategy, it nonetheless features some limitations that can inspire future studies.

First, for what concerns consumers' perceived value, Zeitham's definition has been taken into consideration for the analysis. Future studies may try to deepen the alternative perceived value dimensions that have been uncovered such as the self-oriented/other-oriented, active/reactive, and extrinsic/intrinsic dimensions (Holbrook, 1999) or the utilitarian and hedonic ones (Young *et al.*, 2012).

Second, our study did not deepen the consumers' motivations that may explain luxury consumption. Indeed, luxury research has extensively demonstrated that consumers may approach this type of consumption with different motivations which can be generally categorized as external and internal (Amatulli *et al.*, 2018; Eastman and Eastman, 2015). Future research may address this issue by understanding whether the results change depending on the approach consumers have to luxury consumption. Similarly, other studies could test if consumers' status consumption orientation plays a moderating effect in the model under study.

Third, moderators such as deal proneness and price sensitivity of the users may be analyzed in order to better understand the potential impact they may have on these kinds of formats under study.

Additionally, the research has mainly focused on the comparison between luxury and mass-market products. Future studies may analyze whether these results change when comparing two mass-market products or, as well, two luxury products.

Lastly, other types of contexts may be taken into consideration in order to understand whether the comparable value comparison format may be applied in other settings.