

THE INFLUENCE OF INVOLVEMENT AND OUTCOME MESSAGES ON CONSUMER REFERENCE PRICES

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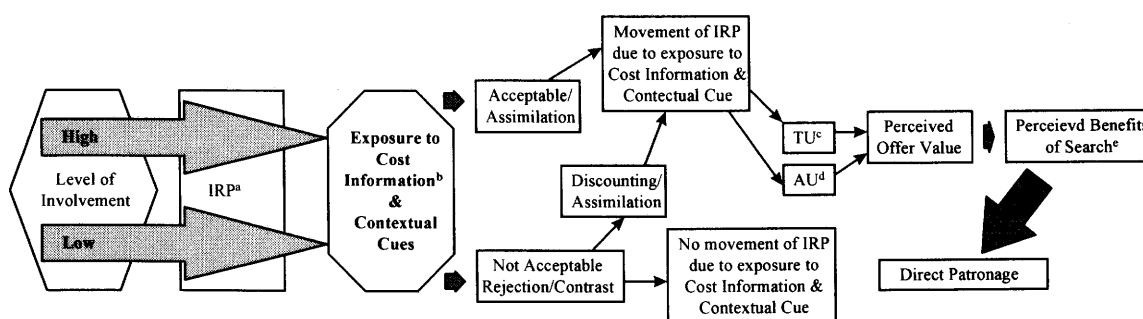
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As public leisure and recreation services become more accountable for their service's fiscal independence, service providers dependence on user fees continues to be a contentious issue. Annually, service managers are required to recommend price changes for services offered the following year in order to maintain

existing service quality. Despite the emergent role of price, reactions of consumers to price changes in publicly funded leisure and recreation services are not well understood.

In marketing literature, the term "reference price" has often been used in research concerned with measuring consumers' reactions to price. Reference price is most commonly operationalized as an internally held standard that consumers use to evaluate new price information, and within the context of this study, is conceptualized as the "expected price" consumers anticipate paying for a product or service (Winer, 1988). Figure A, presents a revised process model, originally developed by Urbany, Beardon, and Weilbaker (1988) concisely illustrating reference price effects within the context of this study. It is important to note that this study is primarily concerned with analyzing consumer behavior to the point where there is a shift (or in fact, no shift) in consumers' internal reference price after the provision of contextual cues and sale price. It is assumed that consumers behavior will continue as the remainder model suggests and as Urbany et al. (1988) research confirms.

Figure 1. Revised process model for reference price effects. Adapted from "The Effect of Plausible and Exaggerated Reference Prices and Consumer Perceptions and Price Search," by J.E. Urbany, W.O. Beardon, and D.C. Weilbaker, 1988, *Journal of Consumer Research*, 15, p.108.



^aIRP = internal reference price.

^bERP = external reference price (Cost information).

^cTU = transaction utility and is based upon a comparison of the sales price and the internal reference price.

^dAU = acquisition utility and is based upon a comparison with the sale price and what the consumer is willing to pay for the utility.

^eBenefits of search based upon a comparison of the sale price to the lowest expected market price.

Little research can be found in marketing literature analyzing the effects of involvement on reference price. In these studies (Biswas, 1992; Herr, 1989) involvement has often been operationalized as brand familiarity, where brand familiarity is defined as "the number of brand-related experiences that have been accumulated by the consumer" (Biswas, 1992, p.253). This definition shares some similarities with Rothschild's (1984) definition of involvement, in that it also implies that consumers express a level of interest or motivation in their product search behavior. It also implies that consumers possess a certain level of "experience", where brand familiar (or highly involved) consumers are more knowledgeable than unfamiliar (or low involved) consumers (Biswas, 1992; Urbany et al., 1988).

In leisure literature, two studies (McCarville, 1991; McCarville, Crompton & Sell, 1993) can be identified that specifically examine involvement as an independent variable and its impact on reference price, the dependent variable. In each of these studies, high-involved subjects expressed greater understanding of the leisure program's content, and responded more favorably in terms of shifting their internal reference price, when additional program information was provided.

Therefore, in terms of the model presented in Figure A, it is assumed that consumers will have some general price expectation which is held with varying degrees of certainty, dependent on level of involvement. Previous research (McCarville, 1991; McCarville et al., 1993) suggests that highly involved subjects will exhibit lower initial price

expectations. Upon exposure to both the sale price and the contextual cues, the consumer will judge the acceptability of the sale price. The research of McCarville et al. (1993), illustrates the importance of providing contextual cues when attempting to alter consumer reference prices. This research examines whether positive or negative prospects resulting from subjects' own actions are likely to influence reference price. As contextual variables change, so to will the level of expectation (i.e., price expectation). There are three possible outcomes concerning consumers' judgments of price acceptability. First, the external reference price (ERP) may be judged acceptable, and therefore assimilated, causing an adaptation (or movement) of the internal reference price (IRP) toward the ERP. This increases perceived transaction and acquisition utility which, in succession, increases the overall perceived offer value, reduces the perceived benefits of search, and increases the likelihood of direct patronage. The other two possible outcomes deal with an ERP judged unacceptable. The second outcome occurs when the ERP may be judged not believable, but may be discounted and assimilated into the range of expected prices, still causing a shift in the IRP. This behavior was observed in Urbany et al. (1988) study, and whilst not guaranteeing direct patronage, there was a shift in individuals' IRP. The third outcome occurs when the external reference price is not judged acceptable and is truly contrasted and rejected (Monroe & Petroshius, 1981). The subsequent effects of this outcome are not favorable for the service provider: no shift in consumers' IRP, no improvement of perceived transaction utility or acquisition utility, and potentially negative attributions about the service provider (Urbany et al., 1988).

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