

## **Is that Deal Worth My Time?**

### **The Interactive Effect of Relative and Referent Thinking on Willingness to Seek a Bargain**

Ritesh Saini  
Raghunath Singh Rao  
Ashwani Monga\*

\* Authors are listed in reverse-alphabetical order; all contributed equally to this article. Ritesh Saini is Assistant Professor of Marketing at the College of Business, University of Texas at Arlington, 701 S. West Street, Arlington, TX 76019 (email: [saini@uta.edu](mailto:saini@uta.edu); phone: 817-272-2876 ; fax : 817-272-2854). Raghunath Singh Rao is Assistant Professor of Marketing at the McCombs School of Business, University of Texas at Austin, 1 University Station, Austin, TX 78712 (email: [raghunath.rao@mcombs.utexas.edu](mailto:raghunath.rao@mcombs.utexas.edu); phone: 512-232-3748; fax: 512-471-1034). Ashwani Monga is Assistant Professor of Marketing at the Moore School of Business, University of South Carolina, 1705 College Street, Columbia, SC 29208 (email: [ashwani@moore.sc.edu](mailto:ashwani@moore.sc.edu); phone: 803-777-5918; fax: 803-777-6876). For valuable feedback on previous versions of this article, the authors would like to thank Haipeng (Allan) Chen, Ty Henderson, and seminar participants at the University of Texas at San Antonio, and at George Mason University. Thanks are also due to Sunaina Chugani, Morgan Ward, and Robin Soster for their assistance in data collection.

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Prior research on relative thinking suggests that the willingness to seek a bargain depends not only on the absolute value of the bargain, but also on the price of the product. For example, a discount of \$10 seems *more* appealing on a product whose regular price is \$20 rather than \$60. By invoking the interactive role of consumers' reference prices, the authors delineate the specific conditions under which the same \$10 discount can seem *less* appealing when the price is \$20 rather than \$60. They present a formal model that simultaneously incorporates the effects of relative and referent thinking and yields novel predictions, which are supported in four laboratory experiments. Their results reveal that deviation from the reference price determines when relative thinking holds, and when it gets reversed. Specifically, the relative-thinking effect holds when the actual price is the same as expected, it reverses when the actual price deviates from the expected price, but emerges yet again when deviation from the expected price becomes extreme. The authors conclude with the theoretical and managerial implications of their findings for marketing activities such as the allocation of sales-promotion budgets.

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