

## Retail Sale Advertising: Effects of Reference Price on Perception of Apparel Quality

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The purpose of this study is to identify the effect of reference price on the perception of apparel quality when price reduction rationale was presented as a contextual cue in retail sale advertisement. We also examine how the effect of reference price varied with level of price-quality schema of consumer. This study used a 2 (reference price) x 3 (price rationale) x 2 (price-quality schema) between subjects experiment. The experimental material developed for this study was a set of stimulus and response sheet. The stimuli were print advertisements for a tailor jacket of a national brand which were selected for this study. The six stimuli that offered a sale price of ₩120,000, representing a 20% discount from reference price (regular price) of product, differed in terms of: 1) The reference price (either no reference price or a ₩150,000 reference price) and 2) The rationale that was given for the selling price (no rationale; the "stock disposal" rationale; or the "sales promotion" rationale). Subjects were college female students. A total of 371 usable questionnaires were obtained. Subjects were classified into two groups of low and high levels based on their score of price-quality schema. Each subject was exposed to one of six versions of a retail price advertisement. After ad exposure, subjects reported their perceptions of the apparel quality. Subject's perception of the apparel quality was measured

by 6 statements and subject's price-quality schema was measured by three statements using a 7-point Likert-type scale. Data were analyzed by three-way ANOVA and t-test.

A significant three-way interaction was found among reference price, price rationales and price-quality schema on perception of apparel quality. Among subjects of low price-quality schema exposed to the rationales, the use of reference price did not have a significant impact. The impact of reference price was significant in no rationale ads. That is, perception of apparel quality was higher in ads presenting both regular price and sale price than in ads presenting only sale price when subjects of low price-quality schema exposed to the no rationale ads. However, in case of subject group of high price-quality schema, the impact of reference price was significant in advertisements including stock disposal rationale but was not significant in advertisements including sales promotion rationale or no rationale advertisements. That is, perceived quality of apparel was higher in ad including a regular price as a reference price with sale price than in ads including only sale price without reference price when subjects of high-price quality schema exposed to the stock disposal rationale. Therefore, effect of reference price on perception of apparel quality varied depending on use or types of rationale and levels of price-quality schema.