

Price Perception and Repeated Buying: How Psychology Shapes Consumer Loyalty

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This paper uses a literature review to examine the impact of psychological pricing strategies—price anchoring, dynamic pricing, and price bundling—on repeat buying behavior. The data was analyzed through synthesizing findings from empirical studies to identify trends and patterns in the effect of psychological pricing strategies on repeated buying behavior. The findings reveal that price anchoring increases perceived value by 32% through guiding consumers' responses via initial reference points. Additionally, bundling strategies enhance perceived value and satisfaction, with studies revealing a 15% increase in satisfaction scores and a 20% higher perceived value among first-time guests when all-inclusive bundles were offered. Loss aversion, a tendency for consumers to strongly prefer avoiding losses over acquiring gains, drives the effectiveness of these pricing strategies by making potential losses more impactful than equivalent gains. Dynamic pricing showed a more nuanced impact: personalized approaches led to a 25% increase in repeat purchases, while demand-based pricing during peak periods resulted in a 20% drop in repeat purchase intentions due to perceived exploitative practices. Conversely, transparent explanations of dynamic pricing resulted in 72% of shoppers reporting higher trust and a 60% likelihood of making repeat purchases. This data highlights the importance of transparency and strategic framing in pricing strategies to maintain consumer trust and satisfaction. These findings suggest that while short-term revenue gains can be achieved through psychological pricing strategies, long-term consumer loyalty hinges on perceived fairness and value.

Keywords: psychological pricing, price anchoring, dynamic pricing, price bundling, consumer behavior, repeat purchases, perceived value, consumer trust.

Introduction

In today's highly competitive retail landscape, pricing strategies have evolved from simple price tags to sophisticated psychological tactics aimed at influencing consumer behavior. This evolution is fueled by technological advancements, increased market competition, and an improved understanding of consumer psychology¹. Retailers are increasingly adopting psychological pricing strategies to enhance consumer engagement and drive repeated purchases. Three popular strategies are price anchoring, dynamic pricing, and price bundling, which are designed not only to encourage immediate purchases but also to foster long-term consumer loyalty, satisfaction, and trust—key factors that are crucial for achieving competitive advantage in the digital age².

Psychological pricing leverages the way consumers perceive value, using cognitive biases to alter their purchasing decisions³. Price anchoring, for example, introduces consumers to a higher price point first, which subsequently makes a lower price seem like a bargain⁴. Dynamic pricing adjusts prices based on real-time demand, consumer behavior, and market conditions, leveraging cognitive mechanisms such as perceived fairness, scarcity,

and urgency to impact consumer trust⁵. Price bundling offers multiple products at a reduced collective price, creating a perception of enhanced savings⁶. The effectiveness of these pricing strategies is often measured by their ability to drive repeated buying behavior, a critical factor for retail success⁷. Repeated buying behavior indicates a strong customer relationship, higher lifetime value, and increased market share⁸. Moreover, psychological pricing strategies have the potential to enhance consumer satisfaction and perceived value, which are pivotal in encouraging repeat purchases⁹. Studies show that satisfaction and perceived value are significant mediators between pricing strategies and customer loyalty, suggesting that well-executed psychological pricing can result in higher retention rates¹⁰. For example, in a study by Susanti (2019), customer surveys showed that guests who perceived pricing as fair at budget hotels reported higher satisfaction (based on service quality ratings) and were more likely to return or recommend the hotel, demonstrating the impact on loyalty of the satisfaction and perceived fairness generated by pricing strategies¹¹.

This study aims to investigate the combined impact of price anchoring, dynamic pricing, and price bundling on repeated buying behavior in retail environments. Specifically, the research

addresses the following research question: To what extent do three popular psychological pricing strategies—price anchoring, dynamic pricing and price bundling—influence repeated buying in retail environments by fostering trust, perceived value and satisfaction? The hypothesis is that the integration of these strategies positively impact consumer trust and satisfaction, leading to increased repeat buying behavior.

An in-depth review of existing literature reveals a gap in studies examining the combined effects of these strategies on repeat purchases, highlighting the need for this research. While extensive research has been conducted on the individual effects of pricing strategies, such as the role of price anchoring in decision-making or the influence of dynamic pricing on consumer trust, fewer studies have explored their combined impact on repeated buying. This literature review aims to address this gap by investigating the combined impact of these three pricing strategies.

This study integrates theoretical frameworks such as cognitive bias theories, perceived fairness, and loss aversion to underpin the analysis. The research is significant in providing insights into optimizing pricing strategies to enhance consumer loyalty in competitive market landscapes.

The research design employs a literature review approach, synthesizing findings from empirical studies to draw comprehensive insights into the relationship between psychological pricing strategies and consumer behavior.

Methodology

This study employs a systematic literature review approach, adhering to the PRISMA protocol to ensure comprehensive and transparent reporting. The search strategy included databases such as PubMed, Scopus, and Google Scholar, using keywords like “psychological pricing,” “price anchoring,” “dynamic pricing,” “price bundling,” and “repeat purchases.” Filters were applied to include peer-reviewed articles published within the last three decades.

Inclusion criteria comprised empirical studies focusing on the impact of pricing strategies on consumer behavior, while exclusion criteria eliminated studies lacking quantitative data or relevance. A quality assessment was conducted using content analysis and thematic coding to identify patterns and themes. The credibility and reliability of sources were evaluated based on the academic credentials of authors, publication venue, methodology of the study and citation metrics. Methodological limitations, such as publication bias, were mitigated by cross-referencing findings across multiple studies.

Literature Review

Price Anchoring

Price anchoring is a psychological pricing strategy that involves presenting an initial reference price to influence subsequent consumer perceptions and decisions. This reference price, known as the “anchor,” serves as a benchmark that consumers use to evaluate the attractiveness of other prices¹². For example, if a product is initially introduced with a high price point, a later discount or comparison to a lower price may make consumers perceive the offer as more favorable, even if the lower price is still relatively high⁴.

The effectiveness of price anchoring is rooted in cognitive biases, particularly the anchoring effect, where individuals rely too heavily on the first piece of information they encounter when making decisions¹³. This cognitive bias occurs because the anchor creates a reference frame that influences how subsequent information is interpreted¹⁴. When consumers are exposed to an anchor, they tend to adjust their expectations and willingness to pay relative to that anchor, increasing the amount they are willing to pay for a particular product¹⁵. Price anchoring is widely used in retail settings to shape consumer perceptions of value and induce purchasing behavior by prominently displaying a high initial price next to a discounted price; this tactic sets a reference point in the customer’s mind, making the discounted price appear more attractive and valuable and thereby influencing their perception of the offer as a gain and encouraging them to make a purchase. By strategically setting an anchor price, retailers can increase the perceived value of their offerings, enhance customer satisfaction, and potentially drive repeated buying behavior¹⁶.

The impact of price anchoring on purchase behavior has been investigated by Wansink et al. (1998) who examined how different promotional strategies, such as multiple-unit pricing, purchase quantity limits and suggestive selling, serve as anchors that influence the quantity of items consumers decide to buy¹⁷. This study not only explored how price anchoring impacts consumers’ decision to buy but also how much they decide to buy, highlighting the effectiveness of anchor-based decision-making. The study involved both field experiments conducted in actual retail settings and controlled laboratory tests that examined how point-of-purchase anchors like multiple-unit pricing (multiple purchases of the identical product) and purchase quantity limits influence purchasing decisions. The experiments manipulated various types of anchors at the point of purchase to observe the influence on consumer behavior. For instance, in one experiment, introducing multiple-unit pricing (e.g., “3 for \$5”) increased sales by 32% compared to single-unit pricing (e.g., “\$1.67 each”). Another experiment demonstrated that setting a purchase quantity limit (e.g., “limit of 12 per customer”) led to an increase in sales. These findings illustrate how consumers,

when presented with a suggested anchor, tend to adjust their purchase quantities toward the anchor, often resulting in higher overall sales. This selling strategy—even without offering a discount—showed a significant influence on intended purchase quantities, further supporting the impact of the anchoring effect where consumers anchor on the initial promotional cue and adjust insufficiently from it, resulting in biased decision-making. By demonstrating that external anchors can effectively increase purchase quantities, the study highlights the potential for retailers to use such tactics to encourage bulk purchasing, enhance customer loyalty, and drive repeated buying behaviors. The study's use of both field experiments and controlled lab tests is a significant advantage as it yields robust and applicable data. However, its limited sample diversity raises concerns about generalizability, and the ethical implications of influencing consumer behavior without their explicit awareness must be considered. Ultimately, these findings are important in contexts where increased consumption leads to habit formation, fostering a deeper customer relationship and encouraging long-term consumer engagement¹⁷.

This impact has been further investigated by Wu and Cheng (2011) in a study that employed a 2x2 factorial design with internet users as participants who were exposed to various experimental conditions involving different framing (percentage-off vs. dollar-off) and anchoring (high vs. low) of prices¹⁸. Participants were randomly assigned to one of the four conditions and then interacted with an online shopping simulation where they made purchase decisions based on the presented pricing information. The primary measures included purchase likelihood, perceived value of the product, and price sensitivity. The findings revealed that high price anchors, when paired with favorable framing (such as a large percentage discount), significantly increased both the likelihood of purchase and the perceived value of the product. In contrast, low price anchors had a reduced effect, demonstrating that the initial price anchor sets a critical reference point influencing subsequent evaluations. Additionally, the study found that consumers were more responsive to high anchors when framed with a percentage-off rather than a dollar amount discount, highlighting the interplay between anchoring and framing effects. These results illustrate the cognitive mechanisms of both anchoring, where initial price information heavily influences consumer judgments, and framing, which shapes perceptions of value and savings. While the study offers valuable insights, its reliance on an online simulation raises questions about ecological validity, as real-world shopping experiences involve additional sensory inputs and contextual factors not captured in a digital environment. Nonetheless, this research provides insights for retailers, suggesting that strategically manipulating price anchors and framing together can enhance perceived value and drive repeat purchases.

The impact of price anchoring on consumer behavior is also moderated by loss aversion, a cognitive bias wherein losses are

perceived as more significant than equivalent gains, leading to a stronger emotional response to losses than to gains of the same magnitude¹⁹. This response has been investigated by Chandrashekar and Grewal (2006) who examined how advertised reference prices (ARPs) and posted sale prices (SPs) serve as anchors, shaping consumers' internal reference prices (IRPs)²⁰. The study's primary aim was to discern how the anchoring pricing strategy, combined with different formats of savings presentation, influences consumer perception and behavior. The researchers manipulated SP and ARP across different conditions and measured changes in IRPs, examining the impact of different savings presentation formats—such as dollar-off versus percentage-off—on consumer sensitivity to price changes. Their findings revealed that SP significantly impacts IRP, with higher sale prices elevating IRP and lower sale prices reducing it. This effect was modulated by the ARP, which altered consumers' perception of gains and losses. For example, when consumers were shown an 8-pack of AA Duracell batteries with a higher ARP of \$6.19 compared to a lower ARP of \$5.49, their IRP adjusted upward, making the SP of \$4.94 appear more attractive. The savings presentation format further moderated these effects, with dollar-off formats amplifying the impact of the ARP, while percentage-off formats heightened sensitivity to the SP. For example, when the \$1.25 savings on the batteries was presented in a dollar-off format, consumers perceived the discount from the higher ARP as a gain, making the deal seem better and leading them to focus less on the final price. Conversely, when the same savings were framed as a 20% discount (percentage-off format), consumers became more sensitive to the sale price (SP), perceiving potential losses in terms of price fairness and value, leading to greater scrutiny of the deal and decreasing their likelihood of buying the batteries. These findings contrast with the findings of Wu and Cheng (2011), who reported that consumers responded more favorably to percentage-off formats in high-anchor conditions¹⁸. The discrepancy between these findings may stem from the specific nature of the product or the degree of discount—percentage discounts may be more effective for high-price items, where the relative savings feel more substantial, while dollar-off discounts may seem more impactful for lower-priced items, where the absolute value of the savings is clearer. These findings suggest that consumers are more attuned to potential losses (overpaying or receiving less value) compared to perceived gains (a discount), an effect which is influenced by the format in which savings are presented. This effect has important implications for retailers, who can enhance product evaluations and influence repeated purchasing behavior by strategically setting ARPs and selecting the appropriate savings format.

These studies highlight how price anchoring leverages cognitive biases like the anchoring effect and loss aversion to shape consumer perceptions of value. By carefully selecting anchors and framing savings in ways that resonate with consumer psy-

chology, retailers can influence purchase behavior, increase perceived value, and encourage repeat purchases.

However, price anchoring also raises significant ethical and practical concerns. Critics argue that it manipulates consumer perceptions, leading to potentially irrational purchasing decisions based on arbitrary reference points rather than intrinsic value²¹. Such manipulation can be considered deceptive, as consumers may not realize the extent to which their decisions are influenced by artificially set anchors. Furthermore, the effectiveness of price anchoring is moderated by factors such as socio-economic status, cultural background, and market conditions. For instance, consumers from lower socio-economic backgrounds may respond differently to price anchors due to budget constraints, while cultural differences can influence the perceived fairness and acceptability of anchored prices. Market conditions, such as the prevalence of discounting practices in a region, also affect how consumers interpret price anchors²². Reliance on anchoring may also erode consumer trust, especially if anchors are perceived as misleading or exploitative. This can lead to long-term negative impacts on brand loyalty and consumer satisfaction, as consumers may feel exploited once they realize the manipulative nature of such tactics²³. These factors highlight the need for ethical considerations and a balanced approach when employing price anchoring in marketing strategies.

Dynamic Pricing

Dynamic pricing is a flexible pricing strategy where the price of a product or service changes in response to real-time demand, market conditions, consumer behavior, and even competitor prices²⁴. Commonly used in industries like e-commerce, hospitality, and travel, dynamic pricing allows businesses to optimize revenue by adjusting prices to match consumer willingness to pay. For example, during peak demand periods, prices for airline tickets or hotel rooms may increase, while they drop during off-peak times.

The cognitive mechanisms behind dynamic pricing hinge on consumers' perceptions of fairness, value, and urgency. Prospect theory, proposed by Kahneman and Tversky (1979), suggests that consumers evaluate potential gains and losses differently depending on the context, making them more sensitive to price changes that seem unfair¹⁹. When prices rise suddenly due to dynamic pricing, consumers may feel loss aversion, perceiving the higher price as a loss relative to previous lower prices²⁵. However, dynamic pricing can also create a sense of urgency, pushing consumers to act quickly before prices increase further—a phenomenon often seen in "flash sales" or limited-time offers.

Dynamic pricing is particularly effective in digital environments, where data analytics and algorithms allow companies to predict consumer behavior and adjust prices accordingly⁵.

This strategy also plays a critical role in shaping long-term consumer behavior, as perceptions of fairness and satisfaction influence customer trust and loyalty over time²⁶. For example, a study by Kannan and Kopalle (2001) found that 72% of online shoppers who received clear explanations for price changes reported higher trust and were 60% more likely to make repeat purchases²⁷. However, businesses must carefully balance dynamic pricing to avoid alienating customers who may perceive frequent price changes as exploitative.

This impact of dynamic pricing on consumer behavior has also been investigated by Thompson and Wilson (2024)²⁸. The research aimed to understand how different dynamic pricing mechanisms—personalized pricing, demand-based pricing, and time-based pricing—affect consumers' likelihood to repurchase. Using a mixed-methods approach, the researchers collected quantitative data through surveys of 300 United States consumers that was complemented by qualitative insights from 15 in-depth interviews and two focus groups. The study revealed that personalized pricing, where consumers are offered tailored price promotions based on past behavior, led to a 25% increase in repeat purchases. Demand-based pricing, which adjusts prices in response to market conditions and demand fluctuations (e.g., surge pricing), resulted in a 15% increase, while time-based pricing, where prices are adjusted based on time of purchase (e.g., off-peak discounts), showed a 10% improvement in repeat purchases. The cognitive mechanisms at play highlight the importance of perceived fairness and trust. Personalized pricing was seen as fairer and more transparent, fostering trust, especially among high-income and younger consumers. In contrast, demand-based pricing, though effective in boosting short-term revenue, risked alienating consumers when perceived as exploitative, particularly during periods of high demand. For example, when demand-based pricing was applied during peak holiday shopping, prices surged significantly, which led to a 20% drop in repeat purchase intentions among middle-income consumers. These consumers perceived the price increases as unfair and manipulative, feeling that the retailer was taking advantage of the high demand rather than offering value, thereby eroding trust and reducing the likelihood of future purchases. The study concluded that while dynamic pricing can drive repeat purchases, success hinges on maintaining consumer trust and transparency; these findings highlight the necessity for businesses to balance dynamic pricing with clear communication and fairness to build long-term customer relationships. Despite this, the study has several methodological and ethical concerns which warrant attention. Firstly, the sample size of 300 U.S. consumers may not capture the diversity of global markets, limiting the study's applicability. Additionally, the reliance on self-reported data raises concerns about response bias, and the lack of longitudinal analysis restricts understanding of long-term consumer behavior. Nonetheless, the study is important in illustrating the need for transparency and fairness in dynamic pricing strategies.

The impact of consumer perceptions of price fairness on purchase behavior has been further investigated by Lee et al. (2011) who explored how these perceptions are influenced by the illusion of control and advantageous lateral consumer relationships in the context of dynamic pricing environments²⁹. Their study revealed that consumers' perception of control significantly influenced their sense of price fairness, even when actual control was minimal. In the experiment, participants were divided into groups experiencing high and low levels of perceived control. In the high illusion of control condition, participants were led to believe that they could influence the final price in group buying by controlling the timing and magnitude of their bids. For example, participants could see price fluctuations and were told that their bidding behavior directly influenced the group's ability to secure a lower price. In reality, this control was illusory, and the final price was pre-set by the experimenters. Despite this, participants in the high-control condition reported 25% higher perceived fairness compared to those in the low-control condition, where participants were not given any indication that their actions impacted the final price. Additionally, participants in group-buying scenarios who perceived themselves to be in an advantageous lateral consumer relationship—meaning that they believed they paid less than other buyers for the same product—exhibited significantly higher levels of perceived fairness. For instance, when participants were informed that their friend had paid more for the same item in a previous group-buying scenario, they rated the fairness of the price they received as 20% higher than those who were told they had paid more than their friend paid. This higher perceived fairness, in turn, increased their likelihood to repurchase: the study measured purchase intention on a seven-point Likert scale and found that participants in the advantageous position reported a 30% higher purchase intention than those in the disadvantageous position. These results highlight the importance of managing consumer perceptions in dynamic pricing environments. However, the study's reliance on the illusion of control raises ethical concerns, as deception was used and participants were misled about their influence over pricing. Additionally, the experiment's artificial setting may limit the applicability of its findings to real-world scenarios where consumer awareness and skepticism might differ. The study's sample size and demographic limitations further constrain its generalizability. Ultimately, the study suggests that providing consumers with a sense of control or highlighting their price advantage relative to others can significantly enhance perceptions of fairness, trust, and overall satisfaction, all of which are crucial for fostering long-term consumer loyalty.

The mediating effect of trust in the relationship between dynamic pricing and repeated buying behavior has been further investigated by Garbarino and Lee (2003) who examined the effects of dynamic pricing on consumer trust in the context of Internet retail³⁰. The research focused on two key dimensions of trust: benevolence trust—the belief that the company acts in

the customer's best interests—and competence trust—the belief that the company is capable of delivering on its promises. The authors explored how dynamic pricing, particularly when consumers are offered different prices for the same product, impacts these trust dimensions as well as overall trust in the company. The study employed an experimental design where participants were initially asked to rate their trust in an online retailer. They were then exposed to a scenario where they discovered that they had been offered a different price than another customer for the same product. The direction of the price difference was manipulated, meaning some participants were offered a higher price, while others were offered a lower price. The researchers measured changes in trust levels before and after the dynamic pricing event to gauge its impact on the two dimensions of trust. The results revealed that benevolence trust suffered a significant decrease following the dynamic pricing event regardless of whether participants received a higher or lower price, suggesting consumers felt the retailer was not acting in their best interests when price discrepancies were discovered. In contrast, competence trust remained largely unaffected in both conditions, indicating that while consumers questioned the company's motives, they did not doubt its ability to deliver the product. Participants who were offered the higher price also experienced a slightly larger drop in overall trust, but the difference was marginal. The study spotlights the cognitive mechanisms at play, particularly the perception of transparency in online environments where consumers are more aware of price differences. The findings suggest that benevolence trust becomes a more critical factor in shaping overall trust as consumers weigh the retailer's intent more heavily than its competence. The study ultimately concluded that while dynamic pricing might be profitable, it risks eroding customer trust, particularly in the perception that the company cares about its customers' best interests. This erosion of trust could have long-term implications for customer loyalty and repeat purchases. However, the experimental design's artificial nature may limit real-world applicability, as consumers' reactions to price discrepancies in controlled settings might differ from actual shopping experiences. The study's focus on internet retail also narrows its generalizability to other retail contexts.

The combined findings of these studies highlight the significant implications dynamic pricing has for both retailers and consumers. Together, these studies suggest that while dynamic pricing can drive short-term revenue gains, its success is contingent on how fair and transparent the pricing appears to consumers. Retailers must carefully manage the balance between optimizing prices and maintaining consumer trust, as any perceived unfairness can undermine long-term loyalty and reduce the likelihood of repeated buying behavior.

Additionally, dynamic pricing has sparked concerns regarding its impact on consumer perceptions of fairness. When consumers discover they are paying more than others for the same

product, it can erode trust and create feelings of exploitation³¹. This sense of unfairness is exacerbated in markets with low price transparency, where the rationale behind price changes is not clearly communicated²³. Frequent and unpredictable price fluctuations can also lead to confusion and frustration, potentially resulting in decision fatigue and reduced satisfaction with the shopping experience.

Nevertheless, dynamic pricing provides substantial opportunities, particularly with the integration of advanced technology, data analytics, and sophisticated algorithms. The use of big data allows retailers to segment consumers more effectively, optimizing prices based on demand patterns, inventory levels, and competitive market conditions³². This dynamic approach can enhance market efficiency, minimize waste, and ensure better alignment between supply and consumer demand.

Technological innovations further enable real-time implementation of dynamic pricing, giving retailers the agility to respond swiftly to market fluctuations. Industries such as airlines and ride-sharing services have successfully utilized dynamic pricing to manage capacity and meet peak demand, showcasing its potential to maximize revenue while offering consumers flexible pricing options.

In short, while dynamic pricing can pose risks to consumer trust when perceived as unfair, its strategic use of technology and data analytics offers considerable benefits in enhancing operational efficiency and market responsiveness.

Price Bundling

As opposed to multiple-unit pricing, price bundling is a marketing strategy wherein multiple different products or services are offered together for a single, reduced price. This approach is commonly used to increase sales by enhancing the perceived value of the offering, encouraging consumers to buy more items than they might have individually⁶. Price bundling can take two forms: pure bundling—where products are only available as part of a package—and mixed bundling, where consumers have the option to purchase items individually or as a bundle. By combining complementary goods or services, price bundling allows companies to shift consumer attention from the individual cost of each item to the overall value of the package, often resulting in higher sales volumes.

Price bundling reduces cognitive overload by simplifying decision-making, according to the information processing theory, which suggests that bundling reduces the number of decisions consumers need to make³³. Furthermore, self-perception theory³⁴ suggests that consumers may infer their preferences from their behavior, such as assuming that they need or want bundled products because they purchased them together, reinforcing the perception of value. Price bundling can significantly influence consumer purchasing behavior by fostering a sense of savings and value, while also simplifying the decision-making

process. As a result, it is an impactful psychological pricing strategy for driving sales and enhancing customer satisfaction.

This impact has been investigated by Johnson et al. (1999) who explored how bundling component prices into a single, all-inclusive price affects consumer satisfaction, likelihood of recommending the offer, and repurchasing behavior; the authors also examined the effect of separating price discounts, or debundling³⁵. Participants were asked to evaluate automobile offers. These offers varied in how price information was presented—either bundled into a single price or separated into individual component discounts. The study found that bundling price information into a single offer significantly increased offer satisfaction and likelihood of recommending the product. For example, when consumers were presented with a bundled price—even without a discount—their satisfaction scores increased by 15% compared to offers where prices were listed separately. In addition, there was an increase of 10% in repurchase likelihood when reduced prices were debundled into separate discounts (e.g., a discount for each component of a car) compared to a single discount. Interestingly, the study also examined whether consumer experience (being the overall perception and emotions a customer has during their interactions with a brand, from discovery to post-purchase) moderated the effects of price bundling. The inclusion of experience as a covariate showed no significant impact, suggesting that the results were consistent across different levels of consumer expertise. This detailed approach highlights the broad applicability of the findings across various consumer groups. The study's strength lies in its clear manipulation of price framing, which allowed for precise measurement of its effects on consumer satisfaction and behavior. However, the data collection process, focused on self-reported satisfaction and likelihood to recommend, could introduce bias, as participants' responses might differ in actual purchasing contexts. Despite these limitations, the study provides meaningful insights into the cognitive impact of price framing on consumer perception. Overall, the study's results highlight the importance of how price information is framed. Bundling prices can enhance the perceived value of the offer by simplifying decision-making and increasing consumer satisfaction, while separating discounts can further amplify the appeal of price reductions. These findings show that, in circumstances where retailers are not offering discounts, bundling products together can increase their perceived value, but in cases where a discount is being offered, debundling and showcasing how the discount is divided across multiple products can increase transparency as well as perceptions of value.

A study by Naylor and Frank (2001) further examines how price bundling influences consumer perceptions of value, focusing on the effects of offering an all-inclusive price package in the service industry³⁶. The research is particularly relevant to understanding price bundling strategies in contexts where consumers assess value based on both price and non-price factors. The

authors conducted a longitudinal study at an upscale resort/spa to test whether or not bundling a wide range of services into an all-inclusive package enhances consumer value perception. This is important for service providers, where bundling is often used to simplify pricing and create an impression of greater value for money. The study involved collecting pre-visit and post-visit surveys from guests measuring their initial expectations, actual experiences, and overall perceptions of value. The researchers found that first-time guests significantly valued the all-inclusive nature of the pricing package. For instance, first-time guests who received all-inclusive price bundles reported 20% higher perceived value compared to those who encountered hidden or add-on charges during their stay. This was largely attributed to the reduction in psychic costs, such as the mental burden of anticipating additional fees, which increased their satisfaction with the overall experience. A key finding was the importance of meeting consumer expectations regarding the inclusiveness of the bundle. Guests who felt disappointed by incomplete bundles or unexpected additional costs reported a 15% drop in perceived value. The study's use of pre-visit and post-visit surveys allowed for a comprehensive evaluation of consumer perceptions; however, relying on self-reported data may introduce biases, such as the tendency to overstate satisfaction in a controlled research setting. Additionally, the study's focus on an upscale resort/spa limits the generalizability of its findings to other service sectors with different consumer expectations. Despite these constraints, the longitudinal design effectively captured changes in perception over time, highlighting the nuanced impact of bundling on perceived value. The cognitive mechanisms driving this behavior included the concept of hassle savings—consumers preferred the simplicity and transparency of an all-inclusive price, even if the total monetary outlay was the same as a non-bundled offer. This decrease in perceived value was especially true for first-time visitors. The significant difference for first-time visitors suggests that experience level can significantly influence how consumers perceive value in bundling strategies, particularly when expectations are not met. This finding contradicts Johnson et al. (1999)³⁵; the difference between the two studies may be attributable to the specific setting (i.e., product versus service) or industry, making it an interesting area for further exploration. Overall, this study demonstrates that psychological satisfaction and convenience are important drivers of perceived value in price bundling.

The impact of price bundling in different scenarios has been investigated by Khan and Dhar (2010) who examined how price-framing strategies influence consumer behavior when purchasing cross-category product bundles, specifically in combinations of hedonic (pleasure-based) and utilitarian (functional) items³⁷. The primary focus of the study was whether framing a discount on the hedonic component of a bundle would be more effective in increasing purchase likelihood compared to framing the discount on either the utilitarian component or the total bundle.

The study employed two experimental designs to test the hypotheses. In the first study, participants were asked to evaluate bundles containing both hedonic and utilitarian items. The results showed that when the discount was framed as a savings on the hedonic item, participants were 20% more likely to purchase the bundle compared to when the discount was applied to either the utilitarian item or the total bundle. This effect was specific to heterogeneous bundles, as no significant differences were observed in homogeneous bundles (i.e., bundles containing only hedonic or only utilitarian items). The second study explored possible cognitive mechanisms underlying this behavior and found that the increased purchase likelihood was mediated by a reduction in anticipated guilt associated with purchasing hedonic items. By framing the discount on the hedonic component, consumers felt justified in indulging in pleasure-based purchases, thus reducing the guilt typically associated with such decisions. This justification was measured using self-reported guilt scales, where participants who received a hedonic discount reported 15% lower guilt levels than those who received a discount on utilitarian items. Overall, this research demonstrates the crucial role of hedonic-utilitarian distinctions in influencing bundle pricing effectiveness. By discounting the hedonic component, marketers can reduce consumer guilt and increase purchase likelihood. This study offers valuable insights for retailers aiming to enhance the effectiveness of their cross-category bundling strategies. However, the reliance on self-reported measures of guilt introduces potential biases, as participants may not accurately convey their emotional responses. Additionally, the study primarily focuses on short-term purchase intentions, leaving out long-term behavioral impacts such as customer satisfaction and loyalty which should be further explored.

Together, these studies show how price bundling significantly influences consumer behavior by enhancing perceived value and satisfaction. By presenting prices as a single, inclusive offer, bundling reduces the complexity of decision-making and the mental burden associated with additional costs. This approach not only boosts overall satisfaction and repurchase likelihood but also aligns with consumer preferences for transparent and comprehensive pricing. Furthermore, targeted discount strategies, particularly on hedonic components, can effectively increase purchase likelihood by addressing psychological factors such as guilt. These findings highlight the strategic importance of bundling in marketing and how pricing strategies can shape consumer perceptions and drive sales.

However, the effectiveness of price bundling can be influenced by product characteristics such as complementarity and substitutability. For complementary goods—those that are consumed together, like a smartphone and accessories—bundling can increase perceived value, as consumers often prefer purchasing related items together at a discounted rate³⁸. In contrast, for substitutable goods—those that can replace each other, like two different brands of coffee—bundling may not be as effective, as

consumers might prefer the freedom to choose individual items rather than feeling constrained by a pre-set combination³⁹.

While bundling simplifies pricing and can enhance perceived value, it also has drawbacks. Consumers may perceive bundled prices as a strategy to mask the true cost of individual components, potentially leading to distrust. Additionally, bundling can reduce transparency, making it harder for consumers to assess whether they are truly getting a better deal compared to purchasing items separately. This lack of transparency can diminish trust, especially in scenarios where consumers suspect that the bundled price might not represent genuine savings.

The studies together reveal patterns indicating that the context in which bundling is applied plays a crucial role in its effectiveness. For instance, bundling is more successful in scenarios where consumers are less price-sensitive and more focused on convenience or reducing the cognitive load of decision-making. Additionally, the psychological appeal of saving on hedonic items illustrates the importance of understanding consumer motivations and emotional responses in pricing strategies. Thus, it can be concluded that while price bundling can be a powerful tool to enhance consumer satisfaction and increase purchase likelihood, its success largely depends on the nature of the products involved and the transparency of the pricing strategy. Retailers need to carefully consider these factors to maximize the benefits of bundling while mitigating potential drawbacks.

Analysis

The three pricing strategies discussed—price anchoring, price bundling, and dynamic pricing—each have a pertinent impact on consumer buying behavior through different psychological mechanisms. Price anchoring works by influencing how consumers perceive value through the initial price they encounter, which sets a mental benchmark for evaluating subsequent prices. Price bundling simplifies purchasing decisions by presenting multiple products together at a combined price, which reduces cognitive effort and enhances perceived value. Dynamic pricing, meanwhile, adjusts prices in real-time based on demand and consumer behavior, which can both positively and negatively influence consumer trust and perceived fairness.

The research findings on price anchoring reveal the strong influence of an initial reference point (the anchor) on consumer decisions. Whether through product discounts, purchase quantity limits, or framed promotions, consumers were consistently found to rely heavily on the anchor, adjusting their evaluations and purchase behaviors in ways that favor the business. Wansink et al. (1998) and Wu and Cheng (2011) both highlight how consumers anchor on initial price cues, whether quantity limits or high price points, and subsequently make decisions based on these anchors^{17,18}. This reliance on the anchor, whether consciously or subconsciously, leads to predictable patterns in consumer behavior, such as bulk purchasing or increased per-

ceived value. However, the studies also reveal some important differences. Wansink et al.'s study, which focused on promotional tactics like multiple-unit pricing in physical retail settings, offers a different perspective from Wu and Cheng's research, which examined how price anchors framed as percentage-off or dollar-off discounts affected consumer behavior in online environments. While each study explores distinct pricing strategies, they both emphasize the role of context in influencing consumer perceptions. Together, these studies illustrate how varying strategies—whether through promotional tactics or framing—can shape purchasing decisions across different retail settings. Furthermore, the role of cognitive biases such as loss aversion introduces another layer of complexity to price anchoring strategies. Chandrashekar and Grewal (2006) suggest that consumers are highly sensitive to potential losses when prices are perceived as unfair, especially when dollar-off versus percentage-off discount formats are used²⁰. This finding introduces a key link between price anchoring and framing strategies, indicating that while high anchors can drive perceived value, retailers must be cautious in how they present these anchors, as the wrong format could result in a backlash driven by perceived losses. Across these studies, a common link emerges in the cognitive mechanism of anchoring and adjustment, where consumers fixate on the initial price anchor and make insufficient adjustments away from it, regardless of the context or format. However, the interplay between anchoring, framing, and loss aversion means that businesses must strategically manipulate these factors to optimize consumer response without alienating the consumer. For instance, framing a high anchor with percentage discounts can enhance perceived value, but if consumers sense potential losses or price unfairness—such as through frequent price fluctuations or misleading discount framing—this could erode trust and decrease purchase likelihood. To avoid these pitfalls, retailers should maintain transparency in their pricing, ensure discounts are meaningful and clearly communicated, and avoid excessive fluctuations that might lead consumers to question the fairness or consistency of the offers. The implications for businesses are significant. By understanding how cognitive biases like anchoring, loss aversion, and framing shape consumer perceptions, businesses can design pricing strategies that maximize perceived value while encouraging repeat purchases.

The studies on dynamic pricing also have important implications. At its core, dynamic pricing leverages consumers' different reactions to potential losses and gains depending on the context. Consumers tend to perceive sudden price increases as losses, invoking loss aversion. This psychological reaction is especially pronounced when prices surge during high-demand periods. For instance, Thompson and Wilson (2024) found that demand-based pricing, while effective in short-term revenue growth, eroded consumer trust when perceived as exploitative²⁸. This brings to the forefront the ethical concerns of fairness and exploitation in dynamic pricing, especially when consumers are

unaware of the algorithms dictating these price changes. This dynamic mirrors the findings of Kannan and Kopalle (2001), where the majority of online shoppers who received clear explanations of price fluctuations reported higher trust levels²⁷. These similarities indicate that transparency in pricing significantly influences how consumers process price changes, suggesting a shared cognitive response rooted in trust-building mechanisms. However, the perception of fairness is where differences arise. Personalized pricing, as opposed to general demand-based strategies, elicits more positive responses due to its tailored nature: Thompson and Wilson's research found that personalized pricing led to a greater increase in repeat purchases than did demand-based pricing. The cognitive mechanism at play here is self-referential fairness, where consumers feel treated as unique individuals, leading to higher levels of trust and satisfaction. In contrast, demand-based pricing is often viewed as more arbitrary, invoking perceptions of unfairness, especially when consumers feel disadvantaged during high-demand periods. Analyzing these studies suggests that while dynamic pricing can optimize revenue, its application must be carefully managed to avoid eroding consumer trust. Transparency and consumer education about how dynamic pricing works can mitigate some of these concerns. However, the studies often overlook how different consumer demographics might react to these pricing strategies, leaving a gap in understanding the broader societal impact.

Interestingly, perceived control is another cognitive mechanism that shapes consumer behavior in dynamic pricing environments. Lee et al.'s (2011) study demonstrated that the illusion of control could enhance perceptions of fairness, even in scenarios where actual consumer control over prices was minimal²⁹. This finding links back to the importance of transparency and perceived empowerment in shaping trust, a theme consistent across dynamic pricing strategies. A crucial link between these studies is the role of trust in mediating the relationship between dynamic pricing and repeat purchases. Garbarino and Lee's (2003) investigation into the effects of dynamic pricing on trust found that while trust in the company's competence remained largely unaffected, trust in the company's benevolence suffered when consumers discovered price discrepancies³⁰. This finding highlights the vulnerability of consumer trust in dynamic pricing scenarios, particularly when transparency is lacking, and reinforces the cognitive process where consumers evaluate not just the price itself, but the intentions behind it, thus linking back to fairness and control perceptions. These insights are important for businesses because while dynamic pricing can be a powerful tool for revenue optimization, its long-term success depends on maintaining consumer trust and ensuring transparency in pricing strategies. Personalized pricing, for instance, demonstrates the potential to increase repeat purchases by fostering a sense of individual fairness, whereas demand-based pricing risks alienating consumers when perceived as opportunistic. Businesses must balance the short-term gains of dynamic pricing with the

cognitive responses it triggers, such as loss aversion, perceived fairness, and control, all of which influence trust and loyalty.

Across multiple studies, it is shown that price bundling simplifies decision-making by reducing cognitive load, fostering a perception of enhanced value³⁵⁻³⁷. Johnson et al. (1999) adds to this by showing how bundling, even without discounts, led to an increase in satisfaction, suggesting that simplifying price presentations enhances consumer contentment³⁵. Yet, the study also notes that debundling discounts across product components increased transparency, appealing to price-conscious consumers and elevating perceptions of savings. This latter finding highlights that while bundling works well in non-discount scenarios, separating discounts is more effective when price reductions are a selling point. Naylor and Frank's (2001) research on all-inclusive service packages confirms this trend³⁶. Their results highlight how the reduction of "psychic costs," such as the stress of unexpected fees, plays a key role in enhancing consumer satisfaction with all-inclusive bundles. When bundles are simple and transparent, they provide hassle-free experiences that increase perceived value. However, incomplete bundles or hidden fees can undermine this effect, stressing the need for retailers to meet consumer expectations in bundling scenarios to maintain trust and satisfaction. This study also suggests that the level of consumer expertise can impact the effectiveness of pricing strategies in that price bundling was found to have a more significant impact on first-time customers; this finding contradicts that of Johnson et al. who found no effect for customer experience level. As with price anchoring, the specific setting may be an important factor in how cognitive mechanisms interact with pricing strategies, indicating that there may be a mediating effect of setting and industry across pricing strategies. Taking a different angle on price bundling, Khan and Dhar (2010) found that offering discounts on hedonic (pleasure-based) items increased purchase likelihood as it reduced the guilt associated with indulgent purchases³⁷. This reduction in guilt, a key cognitive factor, was shown to mediate the decision-making process, suggesting that targeted bundling strategies can psychologically justify purchases. Together, these studies illustrate how price bundling and discount framing affect consumer satisfaction, decision-making, and purchasing behavior. Businesses can leverage these insights to craft bundling strategies that simplify choices, enhance value perception, and drive sales by addressing both cognitive overload and emotional responses like guilt.

Discussion

The evidence from these studies highlights that cognitive mechanisms like anchoring, loss aversion, and perceived fairness do not operate in isolation; instead, they interact in complex ways to influence the effectiveness of various pricing strategies. Anchoring, for example, establishes a reference point that consumers rely on when evaluating subsequent prices, which is a

key driver in dynamic pricing. In price anchoring, the initial price acts as an anchor, and fluctuations—whether upward or downward—are judged against it. This interacts directly with loss aversion, where consumers view unexpected price increases as losses, heightening their sensitivity to price changes and making discounts or lower prices seem more attractive. In such cases, the fear of overpaying or experiencing a loss strengthens the anchoring effect, reinforcing the importance of initial pricing decisions. Perceived fairness further moderates the consumer's reaction to these strategies. In dynamic pricing, if consumers perceive price adjustments as unfair or arbitrary, the trust in the retailer is eroded, which can diminish the overall effectiveness of the strategy regardless of how strong the anchor or discount might be. On the other hand, when perceived fairness is maintained, especially when the price changes are transparent or seem justified, dynamic pricing can boost customer satisfaction by offering what appear to be fair deals. This principle is also central to price bundling, where transparency and simplification through combining offers create an enhanced perception of value by reducing cognitive load. By consolidating multiple items into a single offer, bundling shifts consumer focus from scrutinizing individual prices to evaluating the overall value of the package, thereby leveraging the same cognitive processes: anchoring on the total cost and loss aversion related to the complexity of purchasing individual items. These mechanisms are deeply intertwined; for instance, the success of bundling often relies on consumers anchoring to the bundle's total price while simultaneously perceiving the convenience and reduction in psychic costs as a gain, thus avoiding the potential loss associated with paying for each item separately. Likewise, dynamic pricing and anchoring together rely on perceived fairness to maintain trust, as higher initial anchors may backfire if they lead to consumer perceptions of exploitation.

In short, cognitive processes interact in ways that can amplify or undermine the effectiveness of pricing strategies, underscoring the need for retailers to understand these interdependencies. When designed with a nuanced understanding of how anchoring, loss aversion, and fairness perceptions interrelate, pricing strategies can significantly enhance consumer satisfaction, drive purchasing behavior, and cultivate long-term loyalty.

Implications

The implications of these findings for business owners are multifaceted. Firstly, understanding the psychological underpinnings of pricing strategies can enhance pricing tactics to increase sales and consumer satisfaction. For instance, employing price anchoring with ethical transparency can guide consumers toward more informed purchasing decisions, thus building long-term trust. Dynamic pricing should be implemented with clear communication and fairness to avoid eroding consumer trust. Price bundling, when executed thoughtfully, can improve perceived

value and customer satisfaction, but businesses must ensure that the individual value of bundled items is evident to avoid potential consumer backlash. Overall, these strategies, when applied ethically and transparently, can foster a loyal customer base and enhance brand reputation.

Limitations

While these studies provide important insights into the effectiveness of pricing strategies, they have various limitations which are evident in the narrow scope of consumer profiles studied. Most studies focus on short-term satisfaction and purchase behaviors, without exploring the long-term impact on consumer loyalty and trust. Additionally, many studies rely heavily on homogeneous samples, often excluding diverse consumer demographics, which limits the generalizability of their findings. Methodologically, the reliance on self-reported data introduces biases, as consumers may not accurately recall or predict their behaviors and preferences. Ethical concerns are also underexplored, particularly in how pricing strategies can obscure individual item prices, potentially misleading consumers about the actual value they receive. This presents an opportunity for future research to explore the ethical implications of these pricing strategies, exploring how different consumer demographics—such as age, socioeconomic status, and cultural background—respond to these tactics. Additionally, there is a need to examine the long-term effectiveness and ethical considerations of these strategies across varied market segments. Understanding the ethical boundaries and the potential for exploitation or manipulation in different contexts will provide more robust guidelines for practitioners. This line of inquiry can help in designing pricing strategies that not only drive revenue but also uphold consumer trust and fairness, ensuring a more equitable market environment.

Conclusion

In conclusion, the impact of psychological pricing strategies on repeat buying behavior is shaped by complex cognitive mechanisms such as anchoring, loss aversion, and perceived fairness. The studies highlight that price anchoring can effectively influence consumer decisions, but the framing and context of these anchors are crucial to avoid potential backlash. Dynamic pricing offers flexibility and responsiveness but requires careful management of consumer trust, emphasizing the importance of transparency to mitigate perceptions of exploitation. Meanwhile, price bundling simplifies decision-making and enhances value perception, but must be executed with clarity to maintain consumer satisfaction, particularly when discounts are involved. In addition, the possible mediating effects of setting and industry across pricing strategies is an area that requires further exploration.

The inter-dependencies among these mechanisms underscore that no pricing strategy operates in isolation: their effectiveness is often amplified or undermined by consumer perceptions of fairness and value. For businesses, this highlights the necessity of understanding and strategically leveraging these psychological responses to optimize pricing tactics. Specifically, companies should implement pricing strategies with clear and consistent communication to maintain consumer trust and avoid perceptions of unfairness. Furthermore, cultural factors influencing cognitive mechanisms, such as anchoring and perceived fairness, warrant further investigation to tailor pricing strategies across diverse consumer segments. By aligning these strategies with consumer expectations and maintaining transparent communication, retailers can enhance satisfaction, foster trust, and drive long-term loyalty. Ultimately, the nuanced application of these pricing approaches can significantly influence purchasing behavior, making them extremely powerful tools in competitive retail environments.

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