Pricing for Online-Retailing: Exploring the influence of Price Dispersion and Price Distribution on Internal Reference Price (IRP) and Price-Attractiveness

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ABSTRACT

A typical online retailer simultaneously offers a number of somewhat similar product choices with different prices at one place. Exposure to different prices at one place results in the occurrences of price dispersion and price distribution. We found little research related to price dispersion and price distribution in the marketing discipline. This paper is an attempt to enhance our understanding of influences of price dispersion and price distribution on buyers’ perceived overall price-attractiveness of a portfolio of somewhat similar product-choices. This study draws from reference dependent model of loss aversion to develop its theoretical framework. It also suggests that statistical mean of price distribution can provide better understanding of reference price in comparison to simple arithmetic mean and range, especially in the context of online retailing where great deal of price information is easily available at one place.