Dollar Smart and Penny Foolish? How Culture Affects Price Cognition: An Abstract

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Abstract Previous research assumes a universal left-digit effect on price cognition, that is, people tend to perceive nine-ending prices smaller than a price one cent higher. We argue against the universality of this effect based on cultural differences. Furthermore, we propose that thinking styles (i.e., analytic vs. holistic) underlie the cultural effect on consumers' perception of price magnitude.

We test our hypotheses with two studies. First, we conduct a study with native Chinese speakers and measure the level of holistic thinking. Our results indicate that the nine-ending effect does not replicate in a Chinese sample and that the level of holistic thinking, as measured, moderates the effect. In our second study, we conduct a more direct test of the theoretical explanation. We utilize a Western sample and find support that thinking style moderates the universality of the nine-ending price effect.

Our research is the first to examine the nine-ending price effect, routinely accepted in Western cultures as universal, in a cross-cultural setting. The implications for marketing practice and academic research are far reaching. Specifically, cultural aspects may play a role in price cognition for the nine-ending effect and other pricing tactics that are commonly accepted in theory and practice.

References Available Upon Request

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