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Order of price effects on consumer confidence levels

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This study examines the effect of retailers offering similar products at different prices and the consumer's ability to recall and select the best value. By analyzing product attributes and alternatives as measures of information, studies show there are finite limits to a person's attentional resources based on the effects of information load on decision making. However, few studies assess price as a measure of information. This study hypothesizes that different prices by different merchants for the same product will eventually lead to information overload creating consumer confusion by adding to the finite amount of information that a consumer can process. After a certain point, the consumer is unable to recall which seller is offering the best value; thus, the probability of his/her making a utility maximizing purchase decision follows a parabolic curve. The study also assesses (1) if the consumer encounters the lowest price early in the search, the consumer is unlikely to purchase due to a lack of confidence whereas if the lowest prices are encountered mid to late in their search, consumers accept it as a good deal and make the purchase; and, (2) when multiple prices encountered by consumers are close to their internal reference prices with low deviations, consumers stop searching earlier and accept the price they see without too much searching. Based on theory related to consumer confusion, the effects of information overload due to overchoice are proposed to reduce confidence in the purchase which lead to increased confusion and decreased satisfaction from the purchase.