

## WHAT PRICE DO YOU ASK FOR THE “EXTRA ONE”?: A SOCIAL VALUE ORIENTATION PERSPECTIVE

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The concept of social value orientation was used to explore individuals' decisions in asking price when they had an “extra one” that someone wanted to buy. Results from an experimental study indicated that competitors' asking price was higher than those of individualists, who in turn asked higher prices than did prosocials. Regardless of the social value orientation, participants charged a significantly lower price for the “extra one” if the buyer was a friend rather than a stranger. In addition, for prosocials, market price was not an important consideration when they decided the asking price, and they exhibited cooperative behavior only under the situation of no loss.

*Keywords:* social value orientation, asking price, reference price, market price, cooperative behavior, loss.

A situation may exist in which you possess a product (an “extra one”) which is sold out on the open market – a limited edition CD, or a ticket for a popular concert or movie, for instance. If you decide to sell the “extra one” and someone wants to buy it, for what price would you be willing to sell? The idea behind this situation is that three prices are available as possible anchors upon which people could base their answer: the price paid by the seller (PP), the price marked on the goods (PM), and the market price (MP). Prior research has identified the

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reference prices consumers used to evaluate the possible deal price (e.g., Thaler, 1985; Winer, 1986). According to Thaler, people would compare some reference prices in order to seek a reasonable transaction utility and make a fair trade for themselves. As Simonson and Drolet (2004) suggested, once sellers decide to sell the extra item, the market price becomes the primary reference price of the minimum asking price. In addition, individual differences in reference price utilization can affect consumers' evaluation and judgment of price information (Chandrashekar, 2001). However, no matter which price the seller utilizes as the reference price, his or her decision affects not only his or her own outcome but also that of the buyer. Therefore, we believe that social value orientation should play an important role in this process because social value orientation is an individual's preference for his/her own outcome and/or the outcome of another person (McClintock, 1972). In addition, previous researchers have suggested that social value orientation could strongly influence how people think and behave in social settings (De Dreu & McCusker, 1997; Olekalns, Smith, & Kibby, 1996). Therefore, the major purpose of this research was to explore the decisions of a group of university students in asking price under the "extra one" situation of various social value orientations.

Social value orientation is a relatively stable personality trait, which is distinct from people's specific and variable preferences for outcome distributions (De Dreu & Boles, 1998). Since the classic work of Messick and McClintock (1968), it has been well established that individuals differ in the ways in which they evaluate outcomes for themselves and others. Although a variety of social value orientations can be distinguished (e.g., McClintock, 1972; Schulz & May, 1989), in this research we focused on empirically established typology that distinguishes among three orientations: individualism, competition and prosocial (e.g., De Dreu & Boles, 1998; Van Lange & Kuhlman, 1994; Van Lange, Otten, DeBruin, & Joireman, 1997b). While individualists tend to maximize their own outcome without considering another's outcome, competitors tend to maximize the difference between outcome for their own advantage and for that of others. On the other hand, prosocials are likely to maximize the outcome both for themselves and others and to minimize the differences between the outcome for themselves and for others.

Social value orientation has been demonstrated to affect the ways individuals behave in the settings of outcomes – settings in which self and others are the confluence of one's own and others' actions (Kelley & Thibaut, 1978). It is evident that the relationship with others determines to a large extent the social value orientation of a person (Poppe & Valkenberg, 2003). If the other person is a close friend or a relative, cooperation or altruism can be expected. However, competition or individualism is more likely to occur if the other is a stranger (McClintock, 1972). Hence Hypothesis 1 proposed in this study was that,

regardless of the social value orientation, individuals would charge a significantly lower price for the “extra one” if the buyer is a friend rather than a stranger.

For the reason that individualists tend to maximize their own outcome with little – or no – regard for others’ outcome, they would consider PP (price the seller paid for the “extra one”) as the basis of the asking price. Also, individualists may be more concerned about themselves, so they may focus on PP without paying particular attention to MP. Therefore, when the buyer is a stranger, the asking prices of individualists are mainly based on PP. As for competitors, De Dreu and Boles (1998) showed that when people prepare for negotiation, competitors would choose and recall more competitive heuristics such as “your gain is my loss” or “the best defense is a good offense”. Accordingly, it is expected that competitors are more likely to use the maximum among PP, PM and MP as the reference price for the asking price. This would cause the difference between the buyer’s gain and seller’s loss to become the largest. Regarding prosocials, they would like to exhibit greater willingness to sacrifice than individualists and competitors in setting outcomes (Olekalns et al., 1996; Van Lange, Agnew, Harinck, & Steemers, 1997a). Hence, whether the PP is higher or lower than MP, they would prefer to charge for the “extra one” at the lesser of PP and MP. As discussed above, Hypothesis 2 proposed in this study was that for each asking price orientation when the buyer is a stranger, competitors’ asking prices would be higher than those of individualists, whose asking prices – in turn – would be higher than those of prosocials.

## METHOD

### PARTICIPANTS AND DESIGN

One hundred and forty female and 120 male university students (aged 19 to 25) participated in this study. The samples collected were analyzed in two stages. At the first stage, we conducted a  $3 \times 2$  factorial design, involving social value orientation (individualists, competitors, prosocials) as a between-participant factor and relationship with buyer (friend, unknown person) as a within-participant variable. The dependent variable was the asking price. At the second stage, we conducted a 3 (social value orientation)  $\times$  6 (six combinations of PP, PM, and MP), the last factor (i.e., six combinations of PP, PM, and MP) within participants, analysis of variance in asking price if the buyer was a stranger.

### PROCEDURE

As the research method utilized in many studies relates to social value orientation, we conducted decomposed games in which participants were given a choice among three options, each corresponding to one of the three social value orientations in this study. Social value orientation was assessed by the decomposed

game measure used by Kuhlman and Marshello (1975) which involves making a choice among combinations of outcomes for oneself and for another person. The measure was introduced by the following instruction: “Below you will see nine decisions in which you have to make a choice. Your choice influences the amount of points you and some other person will get. This other person is someone you do not know and probably will not meet in the future. Consider the points as something that is valuable to you, with high importance. The other person also places great importance on the points.”

Participants were subsequently asked to make a decision in nine so-called decomposed games. In each decomposed game, a participant could choose from different distributions of points for himself or herself and a hypothetical other person. Participants were given a choice among three options, each corresponding to one of the social value orientations considered in this study. Here is an example:

- Option A, 50 points for self and 20 points for the other;
- Option B, 40 points for self and 0 points for the other;
- Option C, 40 points for self and 40 points for the other.

In this example, Option A represents the individualistic choice because the outcome for self is larger (50) than in Option B (40) or Option C (40). Option B represents the competitive choice because it provides a larger difference in outcome between oneself and the other ( $40-0 = 40$ ) than does either Option A ( $50-20 = 30$ ) or Option C ( $40-40 = 0$ ). Finally, Option C represents the prosocial choice because it provides a large joint outcome ( $40+40 = 80$ ) unlike Option A ( $50+20 = 70$ ) and Option B ( $40+0 = 40$ ). In addition, Option C also provides a smaller discrepancy of outcomes between oneself and the other ( $40-40 = 0$ ) than either Option A ( $50-20 = 30$ ) or Option B ( $40-0 = 40$ ).

As in previous research (e.g., De Dreu & Boles, 1998; Van Lange & Kuhlman, 1994; Van Lange et al., 1997b), if participants made at least six of the nine choices consistent with one of the three social value orientations then they were classified in this orientation. Using this criterion, 92 were classified as individualists, 60 as competitors and 76 as prosocials; 32 participants could not be classified.

Subsequently, participants were asked to set the deal price for the “extra one”. As stated above, three prices, PP, PM, and MP, were available as possible anchors upon which participants could base their answers. Several possibilities for the relationships among PP, PM, and MP were established to examine the asking price of each orientation. Based on PM<sup>1</sup>, PP is possibly higher than PM, lower than PM or the same as PM. Similarly, on the basis of PM, MP is probably higher than PM or equal to PM. Because the context of this research was limited to the

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<sup>1</sup> In the scenarios, the PM is the standard price and we assumed it to be \$10. Both PP and MP are presumed to be \$15 if they are higher than PM, and \$0 if they are lower than PM.

situation in which the popular item is sold out and someone wants to buy it, the MP was rarely lower than PM. Therefore, participants were presented with only six scenarios which consisted of PP, PM, MP (see Table 1) and asked to determine the asking price for the “extra one” if the buyer was a friend then a stranger. For example, the scenario that PM is lower and MP is higher is like this:

Imagine that you are going to a sold-out concert, and you have an extra ticket to sell. The price marked on the ticket is \$10 (1 USD = 30.8250 TWD), but the extra ticket was given to you for free by a friend. You arrive at the concert early to make sure you can sell the ticket. An informal survey of people’s behavior in selling tickets indicates that the going market price is \$15. You find someone who wants the ticket, and he takes out his wallet to pay you. He asks how much money you would ask for the ticket. Assume that there is no law against charging a price higher than that marked on the ticket. For what asking price would you be willing to sell it, if

1. he is a friend
2. he is a stranger

The analyses below are based on a total of 210 participants, among them 84 (32.3%) individualists, 55 (21.1%) competitors, and 71 (27.3%) prosocials. Eighteen participants were deleted because of a missing value for the measure of the asking price.

**TABLE 1**  
**SIX SCENARIOS OF POSSIBLE COMBINATIONS OF PP, PM AND MP**

	Conditions	PP	PM	MP
Scenario 1	PP<PM, MP=PM	\$0	\$10	\$10
Scenario 2	PP<PM, MP>PM	\$0	\$10	\$15
Scenario 3	PP=PM, MP=PM	\$10	\$10	\$10
Scenario 4	PP=PM, MP>PM	\$10	\$10	\$15
Scenario 5	PP>PM, MP=PM	\$15	\$10	\$10
Scenario 6	PP>PM, MP>PM	\$15	\$10	\$15

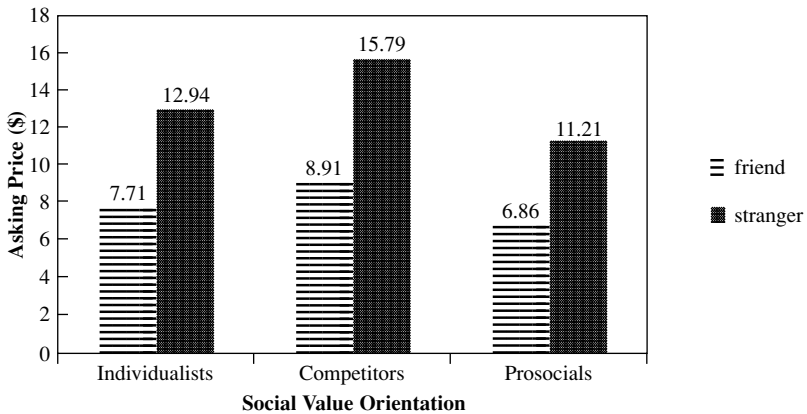
## RESULTS

### FIRST STAGE

A 3 (social value orientation) × 2 (relationship with buyer) ANOVA with the last factor (i.e., relationship with buyer) within participants was conducted. A significant main effect of social value orientation on asking price was observed ( $F(2,207) = 22.30, p < .01$ ), showing that competitors’ asking prices were higher than those of individualists, whose asking prices – in turn – were higher than those of prosocials (marginal  $M_{\text{competitors}} = 12.35, M_{\text{individualists}} = 10.33$  and  $M_{\text{prosocials}} = 9.04$ , respectively). For relationship with buyer, differences were

also noted on asking price ( $F(1,207) = 675.96, p < 0.01$ ), with higher price reported when the buyer was a friend compared to a stranger (marginal  $M_{\text{friend}} = 13.31$  vs.  $M_{\text{stranger}} = 7.83$ ).

A significant interaction was noted between social value orientation and relationship with buyer ( $F(2,207) = 12.17, p < 0.01$ ). Simple effect tests were conducted to examine relationship with buyer within each orientation. As illustrated in Figure 1, the average asking price was significantly lower for the “extra one” if the buyer was a friend rather than a stranger for individualists ( $M_{\text{friend}} = 7.71, M_{\text{stranger}} = 12.94, t = 21.97, p < 0.01$ ), for competitors ( $M_{\text{friend}} = 8.91, M_{\text{stranger}} = 15.79, t = 21.04, p < 0.01$ ), and for prosocials ( $M_{\text{friend}} = 6.86, M_{\text{stranger}} = 11.21, t = 19.41, p < 0.01$ ). The results also revealed that competitors displayed a larger friend/stranger difference ( $M = 6.89$ ) than did individualists ( $M = 5.23$ ) and prosocials ( $M = 4.35$ ). And, a simple effect was observed for relationship with buyer ( $F(1,207) = 675.96, p < 0.01$ ). When the buyer was a stranger, competitors charged higher prices than individualists, whose asking prices – in turn – were higher than those of prosocials ( $M_{\text{competitors}} = 15.79, M_{\text{individualists}} = 12.94, \text{ and } M_{\text{prosocials}} = 11.21, p < 0.01$ ). When the buyer was a friend, a higher price was noted for competitors compared to prosocials ( $M_{\text{competitors}} = 8.91$  vs.  $M_{\text{prosocials}} = 6.86, p < 0.01$ ), while no difference was noted for individualists compared to the two other orientations. These findings suggest that for each orientation the seller’s asking price was affected by his/her relationship with the buyer. Therefore, this analysis supports Hypothesis 1.



**Figure 1:** Mean asking price with different relationship with buyer for each orientation

## SECOND STAGE

We considered that varying combinations of PP, PM, and MP affected the

asking price for the “extra one” among individualist, competitive, and prosocial orientations, and we were interested in the condition when the buyer was a stranger. We conducted a 3 (social value orientation)  $\times$  6 (six combinations of PP, PM, and MP), the last factor (i.e., six combinations of PP, PM, and MP) within-participants, analysis of variance with asking price if buyer was a stranger. We found a main effect for social value orientation on the asking price ( $F(2,207) = 158.81, p < 0.01$ ), indicating that competitors’ asking prices were higher than those of individualists, whose asking prices – in turn – were higher than those of prosocials (marginal  $M_{\text{competitors}} = 15.81, M_{\text{individualists}} = 12.94, \text{ and } M_{\text{prosocials}} = 11.21$ , respectively). There was also a main effect for six combinations on the asking price,  $F(5,1035) = 167.68, p < 0.01$ .

We found a significant interaction between social value orientation and six combinations,  $F(10,1035) = 4.97, p < 0.01$ . The mean asking price of each combination for social value orientation is shown in Figure 2. Competitors charged a higher price on average for the “extra one” than did individualists, who – in turn – on average charged a higher price than did prosocials in each combination. Simple effect tests and a post hoc test, the Scheffé test, were used to determine the social value orientation differences in each combination. As presented in Table 2, competitors charged higher prices for the “extra one” than did individualists, whose mean asking price was significantly higher than that of prosocials in four combinations. In the example of the 0/10/15 combination, for example, competitors ( $M = 15.31$ ) charged higher prices than did individualists ( $M = 12.79$ ), whose asking prices – in turn – were significantly higher than those of prosocials ( $M = 9.82$ ). In the other two combinations, competitors charged significantly higher prices than did individualists and prosocials. In the 0/10/10 combination, for example, the competitors ( $M = 12.08$ ) asked the highest price for the “extra one”, which was significantly higher than that of the individualists ( $M=9.88$ ) and that of the prosocials ( $M = 9.71$ ). These findings were consistent with Hypothesis 2.

**TABLE 2**  
ANALYSIS OF THE INFLUENCE OF SIX COMBINATIONS ON ASKING PRICE FOR EACH ORIENTATION

	0/10/10 <sup>1</sup>	0/10/15	10/10/10	10/10/15	15/10/10	15/10/15
	Mean	Mean	Mean	Mean	Mean	Mean
Individualists	9.88	12.79	10.69	14.56	14.38	15.36
Competitors	12.08	15.31	14.65	17.26	17.01	18.54
Prosocials	9.71	9.82	10.38	10.61	12.93	13.84
<i>F</i> -statistic	37.36**	44.65**	27.87**	37.08**	124.71**	76.48**
Scheffe test	C>I,C>P <sup>2</sup>	C>I>P	C>I,C>P	C>I>P	C>I>P	C>I>P

\*\*  $p < 0.01$

<sup>1</sup> PP/PM/MP

<sup>2</sup> I: individualists; C: competitors; P: prosocials

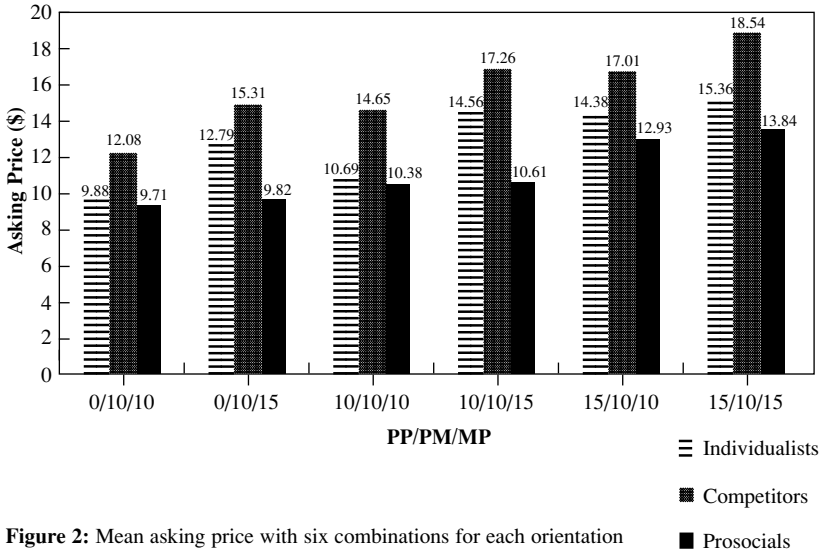


Figure 2: Mean asking price with six combinations for each orientation

## DISCUSSION

The major purpose of this research was to employ the concept of social value orientation to explore individuals’ decisions in asking price. Specifically, we examined the role of three social value orientations in individuals’ decisions under the “extra one” condition. The findings suggested that social value orientation is an essential factor for explaining individuals’ decisions in asking price.

In this paper hypotheses concerning the prices individuals charge other individuals when they want to sell the “extra one” were explored and it was argued that differences in asking prices depend on individuals’ social value orientations. In line with the suggested hypotheses, when considering the asking price for the “extra one”, competitors were motivated to maximize the difference between outcome for self and buyer. Therefore, they would charge the buyer a higher price due to their strong belief that the buyer’s loss was the seller’s gain. Individuals with the prosocial orientation tended to minimize the difference between outcome for self and buyer, which resulted in their asking the lowest price since they were more willing to share an item with a buyer than were those of the other two orientations. Thus, the results indicate that competitors’ asking prices were higher than those of individualists, whose asking prices – in turn – were higher than those of prosocials when the buyer was a stranger. Our results also demonstrate that regardless of the social value orientation,



individuals charged a significantly lower price for the “extra one” if the buyer was a friend rather than a stranger. Thus, sellers’ asking prices were affected by their relationship with the buyer no matter what orientation they had.

In this study we did not explore how individuals choose and recall price information in cognition. Several studies suggest that social value orientation influences cognition in social decision making (i.e., De Dreu & Van Lange, 1995; Olekalns et al., 1996). Future research could extend this study to examine the ways in which individuals of these three orientations process price information in cognition. Answers to such questions could serve as a guide for those who assist people in selling or buying the “extra one”. In addition, in this study participants were asked to estimate at the same time the selling price for a friend and for a stranger (within-subject factor). The main effect of the factor “relationship with the buyer” may be due to a contrast effect as a result of the joint presentation of the two estimate tasks. In other words, participants may have been induced to strengthen differences between the two social categories (friends vs. strangers). For example, it is a more socially desirable as well as accountable response to set a lower selling price for a friend than for a stranger. Therefore, future research could investigate whether the same result is found when the factor “relationship with the buyer” is a between-subject factor.

The Big Five personality traits have been widely employed to explore individuals’ differences in social behavior (e.g., Fernández & Castro, 2003; Ghorbani & Watson, 2004). In contrast with the Big Five, social value orientation is a relatively stable personality trait in social settings. It is more appropriate to account for behavior in social settings since the decision-making process of many people involves distribution outcomes between themselves and others, such as bargaining. Negotiation researchers theorize that individual differences are important factors for bargaining processes and outcomes (Barry & Friedman, 1998). Some prior research used game-theory and the five-factor model to investigate the influences of a wide variety of personality traits on bargaining (for reviews, see Barry & Friedman, 1998; Digman, 1990). However, we believe that through social value orientations it is possible to directly understand the processes and outcomes of negotiation due to the personal characteristics of individual bargainers because social value orientations can explain individual differences in how people evaluate outcomes for themselves and others in interdependent situations. In this study the situation wherein buyers did not accept sellers’ offers, and the consequent bargaining by sellers for the price of the “extra one” was not considered. Therefore, future research could extend the findings derived from this study to explore bargaining behavior for the “extra one” among individualist, competitive, and prosocial orientations.

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