Web Appendix: Mediated Moderation Result in Study 3 (Section 5.2.3)

The moderation hypothesis: Following the terminology suggested by Muller, Judd and Yzerbyt (2005), the moderation hypothesis in this study is that the effect of price precision on willingness to pay (WTP) will depend on participants’ prior experience with precise numbers (that was manipulated in a priming task). Specifically, we hypothesize that participants will pay more for a precise list price than for a comparable round price when they are primed to expect smaller magnitudes for precise numbers.

The mediation hypothesis: The mediation hypothesis is that this interactive effect of list price precision and prior experience on WTP will be mediated by buyers' judgment of the magnitude of the precise list price.

The mediated-moderation model: To test this mediated moderation model, following Muller et al (2005), we estimated the following three regression models:

\[ WTP_i = \alpha_0 + \alpha_1 \text{Precision} + \alpha_2 \text{PriorExperience} + \alpha_3 \text{Precision} \times \text{PriorExperience} + \epsilon_i \]  

\[ \text{Perceived \_LP}_i = \beta_0 + \beta_1 \text{Precision} + \beta_2 \text{PriorExperience} + \beta_3 \text{Precision} \times \text{PriorExperience} + \epsilon_2 \]  

\[ WTP_i = \gamma_0 + \gamma_1 \text{Precision} + \gamma_2 \text{PriorExperience} + \gamma_3 \text{Precision} \times \text{PriorExperience} + \gamma_4 \text{Perceived \_LP}_i + \epsilon_3 \]

where \(\text{Precision} = 1\) if list price is precise, 0 otherwise. \(\text{PriorExperience} = 1\) when the priming task creates the expectation that precise numbers are smaller, 0 when larger. \(WTP\) is willingness to pay and \(\text{Perceived \_LP}\) is the perceived magnitude of the list price. The subscript \(i\) is for participant \(i\). \(\epsilon\) is the error term. These equations correspond to equations 4, 5 and 6 respectively in the Muller et al. paper (p. 855; also see the discussion on p. 856).

The estimates are as follows:

<table>
<thead>
<tr>
<th>Explanatory variable</th>
<th>(1) WTP</th>
<th>(2) Perceived _LP</th>
<th>(3) WTP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precision</td>
<td>-10757</td>
<td>0.12</td>
<td>-9056</td>
</tr>
<tr>
<td>PriorExperience</td>
<td>-18357</td>
<td>0.79</td>
<td>-7367</td>
</tr>
<tr>
<td>Precision*PriorExperience</td>
<td>33823*</td>
<td>-1.58*</td>
<td>11928</td>
</tr>
<tr>
<td>Perceived _LP</td>
<td></td>
<td></td>
<td>-13823*</td>
</tr>
</tbody>
</table>

*= significant at \(p < .05\)

We discuss these results below.

Moderation: Overall effect of list price precision and prior experience on WTP

Equation 1 tests the moderation hypothesis. This equation shows that the effect of precision on WTP is moderated by participants’ prior experience with precise numbers.
Only the interaction between precision and prior experience is statistically significant in this model. The positive sign on the interaction term coefficient suggests that when the priming task created the expectation that precise numbers are smaller, precision exerted a more positive effect on participants’ WTPs.

**Mediated Moderation: Direct and indirect effects of list price precision and prior experience on WTP**

Equations 2 and 3 are useful for testing the mediated moderation hypothesis. Using these equations we can delineate the direct and the mediated effects of the list price precision by prior experience interaction on WTP.

Equation 2 suggests that prior experience (induced by the priming task) moderates the effect of list price precision on perceived magnitude of the list price. As before, only the interaction between precision and prior experience is statistically significant in this model. The negative sign on the coefficient ($\beta = -1.58, p < .01$) suggests that when the priming task created the expectation that precise numbers are smaller than round ones, precision exerted a more negative effect on participants’ judgments of list price magnitude.

Equation 3 indicates that when we control for the perceived magnitude of the list price, the direct effect of the interaction of list price precision and prior experience is not statistically significant ($\beta = 11928, p = .302$). However the effect of the perceived list price magnitude is statistically significant ($\beta = -13823, p < .05$). The negative coefficient suggests that those participants who judged the list price to be lower were willing to pay more for the house, consistent with the mechanism postulated in H2, H3a and H3b.