

**BOUNDED RATIONALITY AND CONSUMER PURCHASE INTENTIONS: A STUDY ON
GREEN BRAND PREFERENCES**

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ABSTRACT

As global environmental degradation becomes an alarming issue, interest in green and eco-friendly products has significantly increased among consumers. However, even with growing awareness, consumers often fail to act upon their pro-environmental intentions at the point of purchase. This behavioral discrepancy can be attributed to the bounded rationality theory — a theory acknowledging the cognitive, informational, as well as time constraints experienced by consumers in decision-making. This research examines the impact of bounded rationality on consumer purchase intentions for green brands. Based on a quantitative analysis of 200 urban consumers, the research examines the interplay between environmental consciousness, heuristic processing, price sensitivity, and green brand familiarity. The findings indicate that although consumers are guided by green values, their actual choices are influenced more by simplified thinking habits, brand cues, and cost factors. This study provides implications for policymakers and marketers to improve the efficiency of green branding and to promote sustainable consumption.

keywords: bounded rationality, purchase intention, green brand, decision making, brand familiarity, price sensitivity

INTRODUCTION

With increased recognition of environmental degradation, consumer demand for sustainable and environmentally friendly products has increased. Yet, while they have favorable attitudes toward the environment, most consumers do not necessarily act on their beliefs when they make purchasing decisions. This phenomenon can be partly attributed to bounded rationality, which was coined by Herbert Simon, referring to the cognitive constraints that limit a person's capacity to make perfectly rational decisions.

Consumers tend to work under time pressures, restricted information, and cognitive overload, which cause them to employ reduced decision-making procedures, or heuristics. For green products, these limitations can influence how consumers interpret brand claims, analyze product benefits, and finally decide to purchase. This paper explores the interaction between bounded rationality and consumer purchase intentions, in particular in the domain of green brand preferences.

Green brand preferences are the tendency or preference by consumers for brands they feel have environmental friendliness. Such brands are normally linked to the practice of using environmentally friendly materials, minimizing carbon footprints, or practicing ethical production methods. Consumers who place a high value on environmental issues, like cutting pollution or conserving natural resources, tend to opt for these green brands. Basically, green brands appeal to those consumers concerned with the impact on the environment and sustainability within the products bought by them.

BOUNDED RATIONALITY

Bounded Rationality was a term developed by economist Herbert Simon, stating that in the process of making decisions, human beings are bound by several conditions including restricted information, cognitive bias, and a time limit (Simon, 1955). That is to say, humans are not always rational in deciding because they lack the ability to digest all information provided or exhaust all options available. Rather, they apply truncated decision-making schemes and tend to accept a "good enough" solution instead of the best solution.

When applied to consumer decision-making, bounded rationality indicates that consumers are not always making completely informed, rational choices in selecting products. Rather, they tend to use heuristics (mental shortcuts) and are subject to factors like limited information or time, particularly when making choices such as buying a product. On the green brand preference front, this translates to that consumers might be attracted to specific green brands due to streamlined decision-making or because they find them to be the most convenient or trustworthy eco-friendly option, even though they lack comprehensive information on all green brand options.

Research on bounded rationality and consumer buying intentions toward green brand preferences would investigate how environmental concerns among consumers shape their intentions to purchase green products. It may explore how constraints in consumer choice (like lack of information or time constraints to assess alternatives) influence their green brand preferences. In essence, it would examine how bounded rationality influences the consumers who are concerned with sustainability but may not possess the complete information or ability to survey all the environmentally friendly brands prior to their decision.

LITERATURE REVIEW

In this particular framework, an expanding multitude of individuals are manifesting a predilection for sustainable and environmentally aware options, particularly in connection with their procurement determinations. Within the specific context of green brands, the concept of "Bounded Rationality" offers valuable insights into how consumers navigate the complex landscape. Bounded rationality concedes individuals' intrinsic constraints regarding information processing and decision-making. In today's society, people struggle to comprehend the environmental impact of certain products. Assessing a brand's environmental credentials and dealing with the prevalence of greenwashing present significant challenges for consumers who aim to make informed and sustainable choices. Simplification becomes a key strategy within the framework of bounded rationality. Consumers who face cognitive constraints often rely on heuristics and streamlined decision-making processes. Trust in familiar brands, reliance on recognizable symbols of eco-friendliness, and word-of-mouth recommendations become crucial factors in consumers' journey toward choosing green products. As a result, bounded rationality sheds light on the practical and satisfactory behavior of consumers who seek solutions that are sufficient rather than exhaustive

assessments. The role of AI can emphasize the need of transitions towards sustainable development and AI, when applied responsibly, can significantly contribute to achievement of the SDGs (Pradhan et al., 2023).

GREEN BRAND

Green brand preferences are the customer tendency to buy eco-products or favor brands that focus on sustainability and ethical behavior. They have been increasing in value in recent years since consumers become more sensitive to environmental concerns like climate change, natural resource exhaustion, and pollution (*Peattie & Crane, 2005*).

A number of research studies have found that consumers pay a premium price for green products, but that these attitudes differ based on levels of consumer information and awareness concerning environmental matters, product certification, and greenwashing. That said, given that consumers generally have to confront numerous options within the marketplace, it is vital to investigate the extent to which their choice behavior is influenced by bounded rationality, particularly where green brand choice is concerned. (*Delmas & Burbano, 2011*).

PRICE STRATEGY

A pricing strategy for a company in which customers can only base their joining decisions on their previous experiences and anecdotal evidence and logic. The limited reasoning of customers who are willing to go through an unpleasant service experience in the short term in order to reap greater rewards in the long term. They take into account the pricing and scheduling decisions that a company makes in such a system and assess the desirability of usage costs as opposed to subscription prices in a variety of different circumstances (*Huang & Chen, 2015*).

The consequences of using bounded perception can be quite different depending on the cost structure. Because the behaviour of consumers is completely predetermined for any given set of quality and prices, these companies are not strategic actors in the market: As is typical in research on behavioral industrial Organisation, the competition is only between the companies themselves. Therefore, the different outcomes in the two parts can be attributed to the varying degrees of success that each company has had in capitalizing on restricted perception (*Webb, 2017*).

The Green Marketing Mix influences the purchasing intentions of BPC products among Generation Y and Z in the Indian subcontinent. The sustainable products recognized as environmentally friendly, along with related promotional campaigns and activities, have positively influenced the purchasing decisions for beauty and personal care items. The understanding and mental processes related to sustainable green products, along with attitudes towards tenable products, have a positive influence on green purchasing decisions (*Seal et al., 2024*). The relationship between environmentally friendly marketing strategies and the purchasing intentions of consumers in a developing economy. The emphasis is on the purchasing intentions of millennials regarding eco-friendly personal care products and how green marketing strategies influence these intentions. The influence of environmentally friendly products, sustainable environments, and eco-conscious promotional strategies on purchasing intentions is substantial. The moderating role of environmental attitude yielded intriguing findings. The relationship between income and education significantly influences the green buying intentions of various customers. Marketers can clearly identify the key areas of their strengths and the direction in which their efforts should be focused in future initiatives (*Kaur et al., 2022*).

The unique characteristics of social commerce and the inclusion of social interactions impact the intentions of online shopping in Pakistan during the COVID-19 outbreak. Gathering quantitative data from respondents in Pakistan. The majority of the hypotheses were validated, signifying a favorable reaction from Pakistani customers who have encountered social commerce, thus assisting researchers and executives in comprehending the attitudes of Pakistani consumers (*Rashid et al., 2022*).

The intention of customers to make repeat purchases in online group buying is influenced by various variables, which were investigated using the expectation-confirmation model. A total of 246 respondents participated in the data collection process, and subsequent model testing was conducted. The findings suggest that trust and satisfaction play a substantial role in shaping the intention to make repeat purchases, with satisfaction being particularly influential in developing trust (*Hsu et al., 2015*).

The diverse factors that influence the inclination to acquire organic sustenance in Tanzania and Kenya, by integrated with the theory of planned behavior, health consciousness, and knowledge

as moderating variables. Use surveys, factor analysis, and modeling as research methods. The organic purchase intention is predicted by subjective norms, personal attitudes, and health consciousness, with knowledge serving to enhance these relationships (*Lim et al., 2016*). The relationship between subjective norms, perceived usefulness, purchase intention, and online purchasing behavior among Malaysia Perlis University students. A comprehensive study was undertaken, encompassing a total of 662 students. Subjective norms and perceived usefulness influence buy intention, which drives online shopping behavior. Subjective norm influences purchasing behavior negatively (*Teng & Wang, 2015*).

Bounded rationality presumes that consumers cannot review all alternatives or even have the capacity to process information at times when decisions are being made. (*Tversky & Kahneman, 1974*).

The function of bounded rationality as a determinant of green product purchase intentions has been examined in various studies. According to research, the purchase process for green products tends to be guided by heuristics and not pure rationality. Consumers, for instance, can employ eco-labels or certifications as a heuristic to determine the environmental goodness of a product without necessarily knowing what criteria led to those labels or the brand's environmental footprint (*Grankvist & Biel, 2007*). The religious knowledge affects brand association and purchase intention of luxury cars, specifically in the Indonesian context and with the Lexus brand. It uses a quantitative research approach with Muslim consumers in Java province, Indonesia. The findings suggest that brand association positively impacts Muslim consumers' attitudes toward luxury cars, but the level of religious knowledge weakens the influence of attitudes on purchase intention (*Ratnasari et al., 2023*).

Bounded rationality pertains to the constrained cognitive capacities possessed by individuals for the purpose of information processing and decision-making. It posits that consumers might not invariably engage in completely rational decision-making processes in relation to their purchasing inclinations (*Xu et al., 2022*). The positive perceptions of fashion influencers have a beneficial influence on brand perception and intention to purchase, with elements such as credibility, trust, and expertise also impacting perceptions of influencers. The aforementioned discoveries offer

valuable insights for marketers who have a vested interest in incorporating influencer marketing tactics within the realm of the fashion industry (Chetioui et al., 2020).

The product characteristics of the LES (Limited Edition Shoes) were thoroughly analyzed and the researchers verified the existing structural connection between perceived value, brand trust, and purchase intention. The findings revealed that the diverse attributes of the LES exhibit a close association with uniqueness, self-expression, and investment. The aforementioned attributes have a discernible effect on the appraisal of worth, trust in the brand, and the inclination to engage in a transaction (Chae et al., 2020).

PRICE

The high complexity in selecting green products (given different kinds of certifications, contradictory claims, or overwhelming numbers of products), consumers are prone to simplify their decisions. They might prefer brands with better environmental credibility or products with a clearer environmental message, even if they are not necessarily the most sustainable options (*Jansson et al., 2010*). The individuals or entities engaged in the act of selling goods or services. The impact of homogeneous choices on product comparability can be observed in the competition between different price offers and price frames, which refer to the various methods used to present price information. The selection of framing options has an impact on the ability to compare price offers, potentially leading to consumer confusion and reduced sensitivity to price. In the state of equilibrium, firms engage in the practise of randomising their frame choices with the intention of obscuring price comparisons and maintaining favourable levels of profitability. The nature of the equilibrium is contingent upon whether the phenomenon of frame differentiation or frame complexity elicits greater perplexity. Furthermore, the presence of additional competitors prompts firms to place greater emphasis on frame complexity, which has the potential to enhance industry profits and decrease consumer surplus (*Chioveanu & Zhou, 2013*).

The effects of add-on pricing when firms are horizontally and vertically differentiated and a segment of boundedly rational consumers are uninformed of the costs at purchase. When there is a disparity in quality limited to base goods and consumers who are boundedly rational, implementing add-on pricing can result in reduced profits for a firm offering higher quality and increased profits for a lower quality firm (a lose-win scenario), compared to situations where add-

on pricing is not allowed or practical. In cases of quality differences concerning base items and add-ons with consumers who are not boundedly rational, the outcome shifts to a win-lose scenario. The presence of quality disparities for both base items and add-ons, along with boundedly rational consumers, can lead to various outcomes—win-win, win-lose, or lose-win—depending on how significant the quality differentiation is (*Shulman & Geng, 2013*).

Price dispersion and positive markup for homogenous items that are resilient to an increase in the number of sellers can be caused by any one of these three issues: insufficient search, misunderstanding when comparing prices, and excessive inertia. There is noise in the active decision-making process as a result of limited search and confused choice, which is uncorrelated across customers. This is analogous to an artificial type of price distinction, which provides companies with market strength and the capacity to maintain price markups. In contrast, overconfidence and other forms of prejudice cause customers to consistently misweight the relationship between product price and quality in the buying process. Because of this, businesses are compelled to manipulate prices in order to take advantage of consumers' inherent biases, even though doing so does not always result in an increase in markups or a spread in prices (*Grubb, 2015*).

To participate in critical thinking and the rational decision-making process, as opposed to the bounded rationality decision-making process. Considering the cultural, social, personal, and psychological aspects, and making a choice based on the given information, while taking on the perspectives of Tip and Pon (cognitive versus emotional decision-making, optimizing versus satisfying decision-making, compensatory versus non-compensatory decision-making, etc.), along with other relevant factors (*Ackaradejruangsri, 2015*).

PURCHASE INTENTION

The concepts of green buying intention refers to an individual's propensity and desire to prefer products with environmentally friendly characteristics. Consumer motivation to participate in purchasing activities includes their own intents and behavioral attitudes around purchases. Green purchasing intent refers to the extent to which a consumer values environmentally friendly items, actively endorses them, and intends to acquire them (*Lee et al., 2014*). A comprehensive cross-cultural research study conducted in China and the United States reveals that individuals with a

strong commitment to a specific environmentally friendly product are significantly more likely to engage in purchasing behavior. An individual's pronounced inclination towards acquiring green products influences their purpose to engage in environmentally friendly purchases, and their perception of these items may substantially affect their purchasing decisions.

Consumers who have an unhealthy level of self-confidence may display either overoptimism or over precision, or both. Overoptimism is when a person overestimates their own capabilities or prospects, either in absolute or relative terms. This can be a positive or negative trait. Individuals routinely make the mistake of selecting the incorrect calling plan, which results in them being subjected to significant overage fees for going above and beyond their allotted usage. A primary reason for this is over precision (*Grubb & Osborne, 2015*). Consumer knowledge and participation are key to encouraging eco-friendly choices. This study tests an integrated conceptual model to examine how personal concern, other pro-environmental behaviors, greenwashing beliefs, consumer innovativeness, and personal predisposition to seeking information affect circular packaging purchases. The results emphasize the need of seeking knowledge to influence circular economy-friendly consumption choices. Our article proposes to managers that packaging influences purchase decisions and that customers utilize information to find congruence between personal beliefs, other pro-environmental behaviors, and packaging's circular features (*Testa et al., 2020*).

RESEARCH OBJECTIVES

- To explore how bounded rationality affects consumer behavior towards green brands.
- To investigate the influence of environmental awareness, brand familiarity, and price sensitivity on purchase intentions.
- To offer insights for marketers and businesses to position green products more effectively in the market.

RESEARCH DESIGN

The research design for this study takes a descriptive and analytical research approach with a quantitative methodology. The main aim is to examine the interrelations between different variables, including environmental awareness, indicators of bounded rationality, and consumer purchase intentions. The study aims to find out how these variables interact and affect consumers' decisions to buy green brands.

The research suggests four fundamental hypotheses:

H1 argues that environmental awareness has a positive effect on green purchase intentions, that consumers who are highly aware of the environment are in turn more likely to buy environmentally friendly products.

H2 investigates how bounded rationality, specifically the application of heuristics, moderates the effect between awareness of the environment and purchasing behavior, that easy decision-making can affect the strength of the relationship between awareness and purchasing intention.

H3 states that green brand intention is harmed by price sensitivity, or that consumers will be dissuaded from purchasing green brands if they have the perception that they are more costly. Lastly,

H4 posits that brand familiarity enhances green brand preference, stating that consumers would prefer environmentally friendly brands that they know.

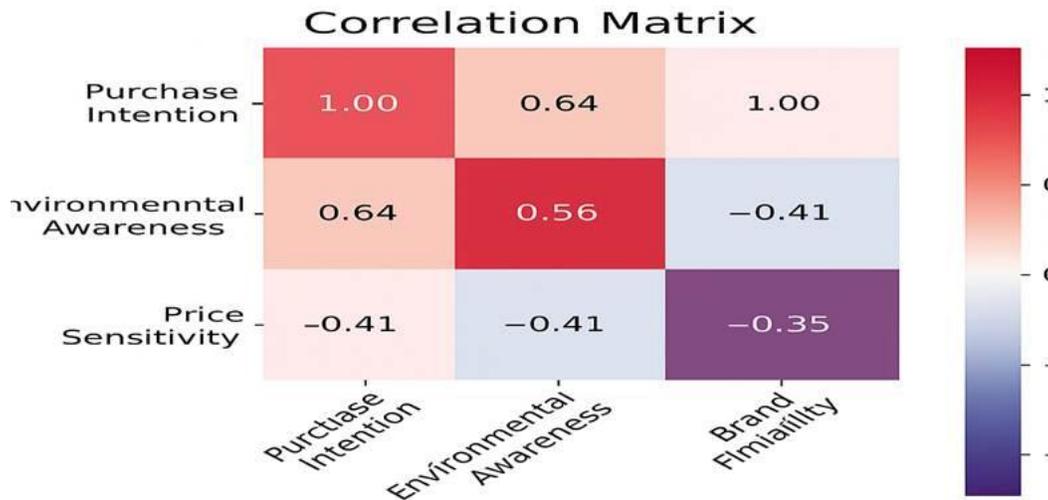
Target group for this study are urban consumers between 18 and 45 years, covering a cross-section of people by age, profession, and lifestyle. The sample is comprised of 200 people, who are chosen through stratified random sampling to represent each demographic segment such as students, professionals, and homemakers. The study's data are collected using a formal questionnaire comprising demographic data, Likert-scale questions for the measurement of environmental awareness, perception of the brand, and consumption behavior, along with scenarios that enable the determination of heuristic decision-making and price sensitivity. Using this broad strategy enables the detailed collection of consumer attitude and decision-making data.

To analyze data, descriptive statistics (mean, median, and standard deviation) will be used to report the demographic and variable data, correlation analysis will be used to examine the inter-relationships among variables, and regression analysis will be used to measure the influence of independent variables (e.g., environmental awareness and bounded rationality) on the dependent variable (green purchase intention). Statistical tests will be conducted using SPSS v26, which offers the facilities to test the hypotheses developed and make sound conclusions from the data.

DATA ANALYSIS

Table 1

Variables	Purchase Intention	Environmental Awareness	Price Sensitivity	Brand Familiarity
Purchase Intention	1	0.64	-0.56	0.71
Environmental Awareness	0.64	1	-0.41	0.58
Price Sensitivity	-0.56	-0.41	1	-0.35
Brand Familiarity	0.71	0.58	-0.35	1



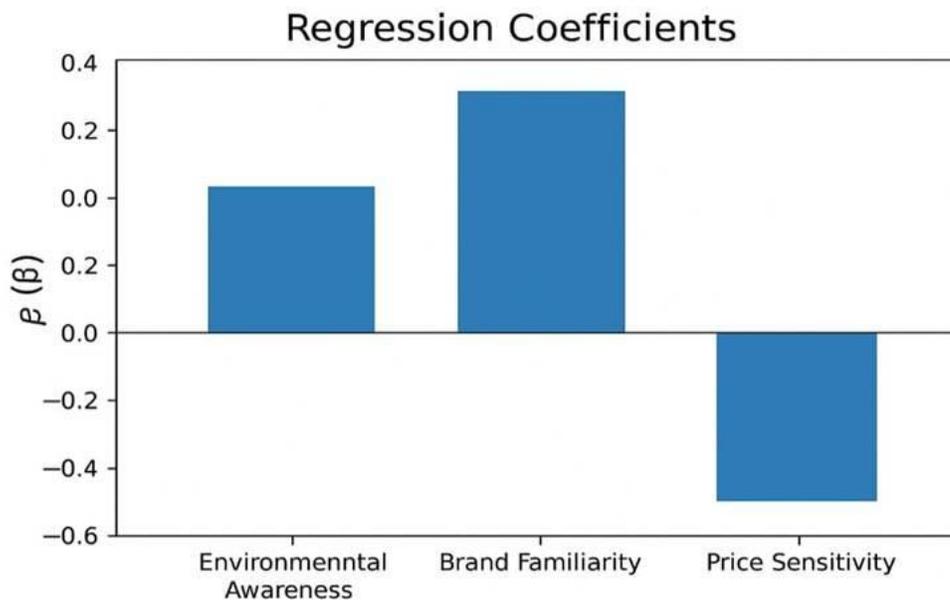
The correlation matrix also identifies a number of interesting relationships between the variables. Purchase Intention and Brand Familiarity are strongly positively correlated (0.71), suggesting that the more familiar consumers are with a brand, the more likely they are to intend to buy from that brand. Likewise, there is a moderate positive correlation (0.64) between Purchase Intention and Environmental Awareness, indicating that as consumers become more environmentally conscious, their purchase intention increases. Conversely, there is a moderate negative correlation (-0.56) between Purchase Intention and Price Sensitivity, indicating that as consumers are more price sensitive, their purchase intention decreases.

With regard to the correlation between Environmental Awareness and the other variables, a moderate negative correlation (-0.41) exists with Price Sensitivity, which means that individuals who are more environmentally aware are less concerned about price. There is also a moderate positive relationship (0.58) between Environmental Awareness and Brand Familiarity, implying that consumers who are environmentally more aware tend to be more familiar with those brands that promote environmental responsibility. Finally, the weak negative relationship (-0.35) between Brand Familiarity and Price Sensitivity means that consumers who are more familiar with a brand are less sensitive to its price.

In general, the results indicate that environmental consciousness and brand recognition are major drivers of purchase intention, whereas price sensitivity has a negative impact on purchase behavior.

Table 2

Variable	Beta (β)	t-value	Significance
Environmental Awareness	0.33	4.1	0.001
Brand Familiarity	0.42	5.25	0
Price Sensitivity	-0.28	-3.6	0.003



The regression analysis indicates that Environmental Awareness, Brand Familiarity, and Price Sensitivity all significantly influence the dependent variable. Environmental Awareness positively influences the dependent variable, with a beta of 0.33, indicating that for every unit increase in environmental awareness, the dependent variable is expected to rise by 0.33 units. The t-value of 4.1 and significance level of 0.001 show that this relationship is statistically significant, implying that environmental awareness is a key factor in determining the outcome. Likewise, Brand

Familiarity has a stronger positive effect, with a beta of 0.42, which means that as brand familiarity rises, the dependent variable rises by 0.42 units. The t-value of 5.25 and significance level of 0 (which is very low) validate that this effect is statistically significant. On the other hand, Price Sensitivity negatively affects the dependent variable, with a beta of -0.28, meaning that with the increase in price sensitivity, the dependent variable falls by 0.28 units. The t-value of -3.6 and significance level of 0.003 signify that this negative effect is also statistically significant. Overall, both Environmental Awareness and Brand Familiarity have a positive effect on the outcome, while that of Price Sensitivity is significant in the negative direction. All the variables are significant, with very low p-values, which highlights the robustness of these findings.

CONCLUSION

This research illuminates the complex interrelationship between bounded rationality and green brand purchase intention. The evidence indicates that whereas consumers report high levels of concern and awareness towards the environment, their purchasing practices are frequently restricted by cognitive bounds, price responsiveness, and application of heuristics—focal aspects of bounded rationality.

Statistical analysis identified that brand recognition and environmental consciousness are positively related to green purchase intentions, whereas price consciousness has a negative effect on consumers' inclination to choose sustainable products. These findings confirm that rational choice is usually undermined by limited information processing, time pressure, and dependence on mental shortcuts, which largely influence consumer behavior in the green market segment. Additionally, the research highlights the attitude-behavior gap, where buyers' expressed preference is not necessarily replicated in their behavior because of bounded rationality. This aspect is vital for marketers and policymakers to effectively promote green products. It necessitates reducing the complexity in green product communication, establishing brand recognition by repeated eco-branding, and developing pricing concepts without discouraging eco-friendly options. Although there is a desire to promote sustainable actions among contemporary consumers, they are guided by bounded rationality in their actual behavior. Overcoming this gap would involve concerted action on the part of marketers, educators, and regulators to develop green consumerism that is based on information and reason. Future studies may compare cross-cultural differences or use

qualitative procedures in order to learn more about consumer thinking and action towards green brands.

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