



A Comprehensive Understanding Toward Perceived Price and Willingness to Purchase

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Purpose: Today most firms assume that low price increases the likelihood of purchase. However, is the assumption always right? If the answer is no, when does the negative relationship between perceived price and willingness to purchase not hold true? The purpose of this study is to accurately understand the relationship between perceived price and willingness to purchase, incorporating with three antecedents of perceived price (i.e., symbolic brand benefits, perceived brand globalness, and perceived brand quality) and three moderators (i.e., perceived price fairness, vanity, and consumer sophistication) on the relationship between perceived price and willingness to purchase.

Literature Review and Hypotheses: Built on signaling theory, equity theory, and the theory of the leisure class, this study proposed the research framework with ten hypotheses.

H1: A positive relationship will exist between a) *symbolic brand benefits* and *perceived price*; b) *symbolic brand benefits* and *willingness to purchase*. A brand with symbolic brand benefits creates social signals (i.e., social status) to other consumers. A product that holds social status often generates a high price. Thus, symbolic brand benefits will signal a high price and convey a high willingness to purchase.

H2: A positive relationship will exist between a) *perceived brand globalness* and *perceived price*; b) *perceived brand globalness* and *willingness to purchase*. Brand globalness signals superiority of products, which allows a premium price, so consumers believe that global brands evoke higher quality and social status. Therefore, global brands will signal a higher price and a higher purchase intention.

H3: A positive relationship will exist between a) *perceived brand quality* and *perceived price*; b) *perceived brand quality* and *willingness to purchase*. Credibility and price differences (i.e., quality indicators of the brand and the seller) lead to the superiority of product quality, which links to a high price. So, when consumers perceive high quality in a product, they will perceive the price as high.

H4: A negative relationship will exist between *perceived price* and *willingness to purchase*. The link between price and purchase intention has been confirmed by many previous studies. In the same notion with previous studies, when the perceived price is too high, a consumer's willingness to purchase a product will diminish.

H5: *Perceived price fairness* will moderate the relationship between perceived price and willingness to purchase. If the price is considered to be unfair, the willingness to purchase decreases; however, a high price fairness leads a high purchase intention even though the perceived price is high. Therefore, perceived price fairness will have a moderating effect on the relationship between perceived price and willingness to purchase.

H6: *Vanity* will moderate the relationship between perceived price and willingness to purchase. Vanity is an individual's trait to achieve success and show off social status (Netemeyer, Burton, & Lichtenstein, 1995), so consumers with vanity are very reactive to a premium price to make their social status observable to others. Thus, vanity will moderate the relationship between

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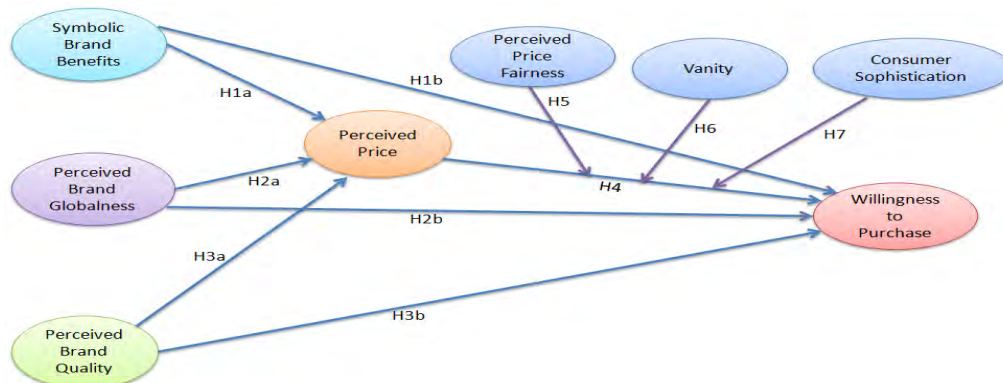


Figure 1. The research framework and proposed hypotheses.

perceived price and willingness to purchase.

H7: *Consumer sophistication* will moderate the relationship between perceived price and willingness to purchase. Consumer sophistication is a consumer's attainment of knowledge about products, experience in purchasing products, and skills to make an appropriate decision (Titus & Bradford, 1996). Since sophisticated consumers know prices and qualities better, they are confident about their decision making. Consumer sophistication, thus, will moderate the relationship between perceived price and willingness to purchase.

Method: A total of 287 usable data sets were collected from college students. All measurement items were developed based on previous studies and measured using a 7-point Likert scale and 5-point semantic differential scale.

Findings: Confirmatory factor analysis (CFA) was utilized to verify the reliability and validity of the eight constructs. This study tested H1 through H4 using LISREL and H5 through H7 using moderated regression analysis. H1b ($\gamma = .15$), H2b ($\gamma = .21$), H3a ($\gamma = .23$), and H4 ($\beta = -.34$) were accepted and the model fit was good ($\chi^2 = 696.54$ ($df = 242$), RMSEA = .081, NNFI = .94, CFI = .95, and SRMR = .062). For H5-H7 testing moderating effects, only H5 ($\beta = .436$; F change = 4.541; p-value = .034) was accepted.

Discussion and Implication: This study found that perceived brand quality is a significant antecedent of perceived price, and symbolic brand benefits and perceived brand globalness lead to willingness to purchase. Perceived brand globalness has stronger influence on willingness to purchase than symbolic brand benefits. The relationship between perceived price and willingness to purchase is negative; however, in case of perceived price fairness, the relationship becomes positive. In other words, if consumers recognize the fairness of perceived price, their willingness to purchase increases even though the perceived price is high. This study suggests that 1) practitioners should focus on perceived brand quality which leads to willingness to purchase. 2) Marketers should utilize symbolic brand benefits and perceived brand globalness to increase willingness to purchase. 3) Price fairness should be emphasized to boost purchase intention.

References

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