Toward the Deeper Understanding of Price and Purchase Intention Relationship: The Role of Price Fairness, Consumer Vanity, and Consumer Brand Familiarity Level

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Purpose: Most marketing practices assume that consumers will buy when price is low. However, this negative relationship may not hold true all the time. Incorporating equity theory and Veblen's theory of the leisure class, the purposes of this study are 1) to confirm whether or not the perceived price-willingness to purchase relationship is negative, 2) to investigate the effects of two moderators (i.e., perceived price fairness and consumer vanity) on the relationship between perceived price and willingness to purchase, and 3) to compare how the moderating effects differ by high and low brand familiarity contexts.

Literature Review and Hypotheses: Built on equity theory, which mainly explains the perceived fairness of an exchange relationship, and the theory of the leisure class, which primarily concerns the reasons for consumers' symbolic purchases, this study proposed a research framework with five hypotheses (Figure 1). In Figure 1, H1 tests the negative relationship between perceived price and willingness to purchase. H2 and H3 further test whether H1 changes when two moderators exist. H4 and H5 examine if and how the moderating effects vary by the consumers' brand familiarity level (high versus low).

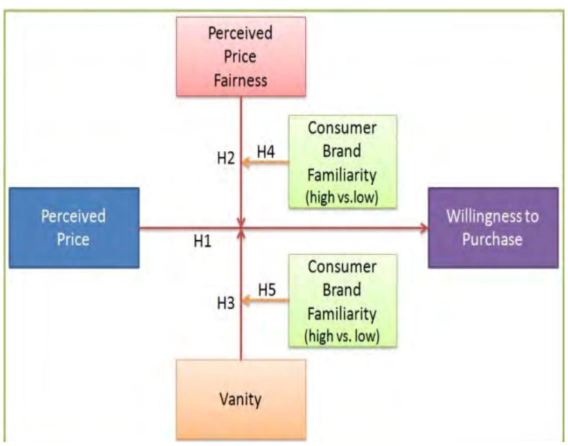

Figure 1. The proposed research framework.

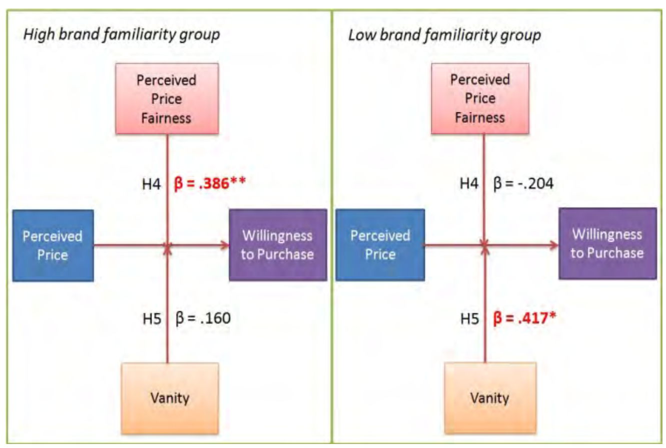

Figure 2. The summary of H4 and H5 testing results.

The link between price and purchase intention has been confirmed by many studies. As in the previous studies, when price is perceived as high, purchase intention will decrease. Thus, H1: A negative relationship will exist between *perceived price* and *willingness to purchase*.

If the price is unfair, willingness to purchase will diminish; however, if consumers perceive the high price as fair, consumers' purchase intention will increase even though the price is perceived as high. Thus, H2: *Perceived price fairness* will moderate the relationship between perceived price and willingness to purchase.

Vanity is one's trait to achieve success and present social status and position (Netemeyer, Burton, & Lichtenstein, 1995). Therefore, consumers with a high level of vanity are very reactive to pricy products to show off their status to others. Thus, H3*: Vanity* will moderate the relationship between perceived price and willingness to purchase.

Consumers with high brand familiarity already have ideas about fair price. Thus, they are willing to buy even though the price is high if the price is perceived as fair. Based on this, H4: The moderating effect of *perceived price fairness* on the relationship between perceived price and willingness to purchase will differ by *the consumer brand familiarity level*, such that a *stronger relationship* will exist among consumers with a *high level of brand familiarity* than their counterparts.

Consumers with less brand familiarity rely heavily on price (Biswas, 1992), so they may be easily influenced by the vanity trait. If consumers with less brand familiarity have a high level of vanity, purchase intention of high-priced products increases. Thus, H5: The moderating effect of *vanity* on the relationship between perceived price and willingness to purchase will differ by *the consumer brand familiarity level*, such that a *stronger relationship* will exist among consumers with a *low level of brand familiarity* than their counterparts.

Method: A total of 287 usable data sets ($N_{(\text{high band familiarity group})} = 191$; $N_{(\text{low brand familiarity group})} = 96$) were collected from college students in a southeastern region of the U.S. All measurement items were developed based on previous studies and measured using a categorical scale, 7-point Likert scale, and 5-point semantic differential scale.

Findings: After verifying the reliability and validity of the five constructs utilizing confirmatory factor analysis (CFA), the five proposed hypotheses were tested using linear regression and the moderated regression analysis. H2, H4, and H5 were accepted. A further examination revealed that perceived price fairness moderates the perceived price-purchase intention relationship (β=.271) (H2), the moderating effect of perceived price fairness was found to be significant only in the high brand familiarity group (β=.386) (H4), and the moderating effect of vanity, only in the low brand familiarity group (β=.417) (H5). Figure 2 summarizes the H4 and H5 results above.

Discussion and Implication: This study provides meaningful academic implications. This study introduces two moderators (price fairness and consumer vanity) based on existing theories to accurately explain the price-purchase intention relationship and adds empirical evidence regarding the role of the two moderators on the relationship. Furthermore, this study proved that depending on consumers' brand familiarity level, the moderating effect varies. This finding suggests that practitioners should develop tailored marketing strategies for two groups. For high brand familiarity consumers, the effect of price fairness was found to be stronger on price-purchase intention relationship than their counterparts. Given this, marketers should consider developing and promoting fair price with public campaigns and advertisements. In contrast, among the low brand familiarity group, the vanity effect was found to be stronger, indicating that consumers with the high vanity trait are willing to buy high-priced products. Therefore, promoting and emphasizing a high price with images of luxury, self-enhancement, and success might be helpful.

Biswas, A. (1992). The moderating role of brand familiarity in reference price perceptions. *Journal of Business Research, 15*(3), 251-262.

Netemeyer, R. G., Burton, S., & Lichtenstein, D. R. (1995). Trait aspects of vanity: Measurement and relevance to consumer behavior. *Journal of Consumer Research,21*(4), 612-626.