The Effects of Brand Name on Consumers' Evaluations of Price Presentation Formats

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Abstract

Though marketing practitioners have begun to acknowledge the utility and effectiveness of a fixed price policy (i.e., prices that are never discounted or reduced), there is limited research and agreement on this issue by marketing theorists. The extant academic literature presents conflicting viewpoints about the effectiveness of fixed price offers with some researchers indicating support for such a strategy and others doubting their success (e.g., see Monroe and Mazumdar, 1988; Nagle and Holden, 1994). Research that has directly compared the effects of a price discount with a fixed price on consumers' perceptions have found that consumers' may evaluate fixed price formats more favorably but only if certain conditions are met. For example, one such condition, motivation to purchase, can explain when fixed price formats may be preferred to price discounts (Suri, Manchanda, and Madan 1999). In this paper, we contend that the strength of the brand, a factor that has previously not been considered in this line of research, could influence consumers' evaluations of these two types of price presentation formats.

Our thesis, which draws upon the price-perceived quality-perceived sacrifice model (Dodds et al. 1991), and research on motivation, suggests that consumers that are considering the purchase of a strong primary brand (e.g., Sony) are in a different frame of mind than consumers who are considering the purchase of a weak brand (e.g., RCA). Consumers purchasing a strong brand are likely to feel assured that the quality of the product will be satisfactory (or more than satisfactory, e.g., Dodds et al. 1991). They are therefore less anxious and uncertain about the brand as the brand name acts as an extrinsic cue, and a strong brand name signals high perceived quality. In evaluating strong brands, consumers will tend to focus more on the perceived sacrifice component of the model and are interested in minimizing the perceived sacrifice as much as possible. In other words, consumers who are evaluating a strong brand are likely to place greater emphasis on the "give" component (perceived sacrifice) than the "get" component (perceived quality), as they are assured of the latter. In this case they will prefer a price discount to a fixed price because the price discount directly reduces the perceived sacrifice and therefore should result in increased perceptions of value (compared to a fixed price). We think of these consumers as "value seeking." Support for this conceptualization can also be drawn from research on motivation that suggests that consumers in low arousal and anxious states tend to seek stimulation and be more risk seeking (Levinson 1990; Saklofske and Eysenck 1983), and a greater proclivity to search for bargains (Mooradian and Oliver 1996). Given that price discounts result in greater uncertainty and riskiness (Suri, Manchanda, and Kohli 2000) and the preceding discussion, consumers purchasing a strong brand are likely to be less anxious and more risk seeking and would evaluate price discounts more favorably.

On the other hand, consumers who are purchasing a weak brand are less assured of the quality of the product. The brand name does not signal good quality. In this case, consumers are more anxious and uncertain about the brand and will tend to focus more on the perceived quality component of the model as they are interested in maximizing their perceived quality as far as possible. This is because consumers who are considering purchasing a weak brand are likely to place greater emphasis on the "get" component than the "give" component, as they are unsure of the former. This will allow them to maximize their value. Support for this conceptualization can also be drawn from research on motivation that suggests that consumers in high arousal and anxious states tend to avoid stimulation, are more risk averse (Levinson 1990; Saklofske and Eysenck 1983), and are disinclined to search for bargains (Mooradian and Oliver 1996). Given that fixed prices result in less uncertainty and riskiness (Suri, Manchanda, and Kohli 2000) and the preceding discussion, consumers purchasing a weak brand are likely to be more anxious and less risk seeking and would therefore evaluate fixed prices more favorably.

Results of a 2 (brand name: strong and weak brand name) by 2 (price presentation format: fixed and discount) between subjects experimental design supported the hypotheses. In addition, cognitive response measures supported the idea of consumers' value seeking and quality seeking frames.