

Price as a quality indicator marketing essay



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\n[[toc title="Table of Contents"](#)]\n

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1. [ABSTRACT](#) \n \t
2. [INTRODUCTION:](#) \n \t
3. [CONCEPTUAL DOMAIN OF PRICE PERCEPTION:](#) \n \t
4. [ADAPTION LEVEL and ASSIMILLATIONS:](#) \n \t
5. [JUDGING PRICE BELIEVABILITY:](#) \n

\n[/toc]\n \n

ABSTRACT

Research shows that consumers tend to believe price as a quality indicator, Even though there is very little correlation between price and quality (PQ). Moreover consumers have been observed to be poorly calibrated in their knowledge about the PQ association. But the changes occurring in the consumer market, awareness about products and its information is readily available on the internet and other means. Precisely, it seeks to determine if changes in marketplace have affected the PQ relations and calibrations.

Consumer today:

continue to perceive a modest positive relationship between PQ

have now modestly calibrated for durable products.

Consumers have now flipped from non-durables to durables. The potential explanations for this result includes

- 1) Internet providing critics for quality ratings of durables.

2) Risk level of durable goods purchases.

3) Durables exhibiting a positive correlation between actual quality and price.

4) Rising level of private labels, rendering PQ perceptions for non-durables.

The results of some researches show that customers can be clustered into 4 different groups or clusters according to price perception. Clusters can be used for:

Segmentation

Different Cultures

Different Demographics

on the basis of which, price perception differences might be caused.

The research can create useful insides in this regard. The four different segments help managers to optimize their business and marketing plans and their execution. The characteristics of these clusters also help a lot improve the marketing strategies and tactics.

Few points like domestic-national sensitivity in price perception and validity and reliability tested scales can be used shows that the price perception based segmentation can be done.

INTRODUCTION:

Price perception is one of the leading variables when it comes to consumers buying process. Economists, market researchers have already undergone

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researches and predict that in buying decision price are the driving forces. Several studies explain and determine and explain the same fact thereby concluding the fact with decision making. The determinants of price perception can be both rational and psychological factors. The other factors may become psychological factors and prestige. The key variable to explore and explain consumers' price perception is the degree of understanding the psychological process of consumers' price perception.

When a firm has seasonal demand, the discrepancies are observed between the supply and demand. Generally the firm has excess supply at the time of low demand and scarcity when there is high demand. If the firm commercializes goods and faces seasonal demands, it can minimize the effect through good management of production and storage. The problem becomes more difficult in several sectors such as tourist services. The prices being fixed by these companies and firms drives the price perception in different aspects which can differ according to the individual characteristics. The pricing fixed by the firm by undifferentiated strategies, under price discounts may lead the consumers/individuals to perceive as low quality products being offered. So the price discount strategy becomes ineffective in this case.

CONCEPTUAL DOMAIN OF PRICE PERCEPTION:

The key dimensions of price perceptions are listed below:

Price-quality relationship.

Price consciousness.

Value consciousness.

Price mavenism.

Sale proneness.

Prestige sensitivity.

Domestic-foreign product sensitivity.

Price-Quality Relationship:

The impressive research done in pricing is about the consumer's quality perception and their quality of products. Consumers perceive price as the prime indicator to presume the quality of the product. Many consumers believe that high priced products attribute better quality and lasts longer. Thus, price signals the quality. The point is very vastly mentioned in the marketing literature. If, prices are marked lower than the level of consumers paying capacity they conclude it to be of low quality. Improvements in quality of products can trigger the mind for the first time and can convert the consumer into a loyal consumer as well. The consumer psychology is also affected and at the end will also affect the market share. The price-quality relationships have not been found in the western societies.

Price – Consciousness:

It is defined as consumers' degree of focusing for paying less in buying. The high price conscious consumers tend to do a lot of research work before buying that particular product. The economic theories have also indicated that price has the significant roles in buyers' preferences. The buyers

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generally try to maximize their benefits while purchasing and price plays a influential role in their buying process.

Value – Consciousness:

This concept follows the price quality evaluation of the consumer. It comprises of what a consumer get on behalf of what they have paid for the products or services. If consumer thinks that quality is less then what they have paid, they tend to get dissatisfied and henceforth stops purchasing that product. The vice-versa of the situation leads to turning them into regular or may be loyal consumer. Consumers who are capable of making this sort of evaluations are called “ Value Conscious Consumers” They generally don’t mind paying higher prices if the quality of product justifies it.

Price Mavenism:

This could be defined as the consumers being experts about the lowest priced stores and starts sharing the information by informing them. These consumers evaluate different aspects of product to justify it with the price bracket into which they are offered and compare it with other stores to get the best benefits out of it. The consumer’s socio-economic character, previous experiences and learning processes play an important role. The price information collected is shaped by rational and emotional motives of consumers. These types of consumers are experts in the product information’s and thus may be called as ‘ advisors’ by other consumers.

Sale Proneness:

Sales influence consumers' price perceptions significantly. The consumers generally evaluate their last purchases with the current ones. Sales, price discounts aim to increase the total sales and also create positive purchases evaluation. The best price evaluations can be made during the sales or discount prices. Another research has also indicated that young consumers tend to be lesser influenced by the sales as compared to those of the older generations.

Prestige Sensitivity:

It is a psychological dimension. Consumers can perceive high price as positive and even as a negative. The high pricing of the product can be perceived as a way of losing the money. Consumers buying these sorts of products generally consider it as a part of their status. They tend to purchase on their emotional moves. A prestigious product is considered to be a symbol of wealth and living above standards. Prestige sensitivity is the factor behind the same and can happen because of difference of socio-economic characteristics of consumers. This concept can be used in developing high quality and distinct product image.

Domestic-Foreign Product Sensitivity:

The product sensitivity amongst domestic-foreign product also plays an important role in price perceptions. The place of product manufacturing also influences the the buying behavior and hence leading to think upon the pricing being perceived by consumers as well. Thus this dimension is also necessary to be included into the consumers' experience of judging the price. Brand recognition, effects the quality and price perceptions. Origin of <https://assignbuster.com/price-as-a-quality-indicator-marketing-essay/>

country is also not untouched by it and influences the consumer. The products from developed country are generally regarded as the high quality and costly. The domestic and foreign products are also viewed emotionally and symbolically. This dimension is unique to evaluate and hence included in describing price perceptions.

ADAPTION LEVEL and ASSIMILLATIONS:

Consumers carry with them an adaptation level (AL) price for a given product category against which current market prices is compared. Current prices will be judged high, low, or neutral against the AL price. The latitude of acceptance, together with the AL price, provides the “anchoring” stimuli for consumers’ judgments of current market prices. Further, the reference price and the sale price probably are judged against one another when both are present. The

Consumers either assimilate or contrast reference and sale prices in advertisements.

JUDGING PRICE BELIEVABILITY:

Studies show that consumers judge an advertised reference price by comparing it to internal expected price range and to the sale price that accompany the product. The expected price range is also known as to the range of prices in which consumers are expecting the product sale price. One can also define the expected price as the range under which bracket the consumers are expecting the product to be available. The acceptable price range is bound at the upper end by the highest price the consumer is willing

to pay for a product, and the expected price range is bound by the highest price the consumer reasonably expects to observe in the marketplace.

There are various behavioral effects of plausible and exaggerated reference prices on the following variables:

- (1) Estimates of the advertiser's regular price.
- (2) Estimates of the average market price.
- (3) The perceived value of the advertiser's offer.
- (4) The perceived benefits of search.
- (5) Search behavior.