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Measuring Price Consciousness among Management Graduates in Kerala

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ABSTRACT: Price of a product is perceived to be one of the most important factors in influencing the buying behaviour of consumers. This notion is often disapproved by our youth today. This research paper attempts to measure the price consciousness among management graduates in Kerala, and thereby bring about the factors that influence their buying behaviour which include elements like price quality, prestige sensitivity, value consciousness, price consciousness and sale proneness. The findings show that, contrast to the common notions about Indian traditionalism, Indian young consumers perceive a weaker price-quality relationship, and they are more prestige sensitive, less price conscious, and less coupon prone, but they are highly value conscious.

KEYWORDS: price consciousness, value consciousness, price quality, prestige sensitivity, management students, kerala

1. INTRODUCTION

With its substantial population and fast growing economy, India has become one of the most fascinating markets to Western companies. However, due to its high-context culture, different regional languages and different political system, India is also confusing and frustrating to foreigners (Tse, Belk, and Zhou 1989). Unfortunately, academic research on Indian market and consumers is still limited particularly the young consumers in the age group of 15-35. It's seen and felt that the demands of the young consumers have changed drastically over a couple of decades. Price of a product which used to play a pivotal role in deciding a consumer's buying decision, is now often not given due importance. The current study intends to shed some light on these issues by comparing price perceptions among young consumers (aged from 15 to 35). Price perceptions, which emphasize on consumers' negative perceptions of price (e.g., economic sacrifice) as well as the positive perceptions of price such as perceived quality and prestige (Zeithaml 1988), are found to have a strong predictive validity of consumers' marketplace responses and behaviors (Lichtenstein, Ridgway and Netemeyer 1993). The reasons why the young are especially studied are (1) young consumers are recognized as a specialized global market segment for a variety of goods and services (Moschis and Moore 1979). (2) In India, compared to the older, the younger have more appetites for and consuming experience with Western products, and are more likely to be the potential consumers for Western companies (Anderson and He 1998).

II. LITERATURE REVIEW

The role price plays in a consumer's evaluation of product alternatives is not a uni dimensional one. To begin with, the price consumers pay for a product results in a reduction of their wealth. This role represents the "price as a constraint" view common in economics (Lancaster 1971). But price may also convey information to the consumer about product quality, a role substantiated in several behavioural studies (e.g., Olson 1974; Wheatley and Chiu 1977). This gives price the character of a product "attribute." But the role of price can extend even further if we are dealing with subjective beliefs about price levels because these beliefs are likely intertwined with other attribute beliefs.

Price is perceived as a multidimensional stimulus to consumers (Dodds, Monroe and Grewal 1991). On one hand, a higher price increases the perceived economic sacrifice and thus decreases the consumer's willingness to buy. On the other hand, a higher price may lead to a higher perceived quality or prestige and consequently increase one's intention to buy (Zeithaml 1988).

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In order to investigate the "positive role" and "negative role" of price, Lichtenstein, Ridgway and Netemeyer (1993) put forward five constructs to conceptualize price perceptions. Two of them, price-quality schema and prestige sensitivity, are believed to impact consumers' willingness to buy positively. The other three, value consciousness, price consciousness, and sale proneness are viewed to play a negative role in affecting consumers' purchase intentions.

Price-quality schema refers to the generalized belief that the price cue is related positively to the quality level of the product. Prestige sensitivity means the favourable perceptions of the price sign based on purchaser's feelings of prominence and status brought by higher prices. Value consciousness emphasizes the consumers' concern about the ratio of quality received to price paid in a transaction. In other words, value conscious consumers are trying to maximize the product quality from the money they spend. Price consciousness focuses on the degree to which the consumer focuses exclusively on paying low prices. Coupon/sale proneness refers to consumers' propensity to respond to a purchase offer because the coupon/sale promotion positively affects their purchase evaluations.

Level of economic development is undoubtedly a very important factor that influences price perceptions (Tse, Belk, and Zhou 1989). Rostow (1952) suggests that in a less developed economy, consumers pay more attention to the basic necessities such as food and shelter. As the economy develops, consumers will express higher and social needs such as prestige and self-actualization (Maslow 1954). According to this logic, it is natural to predict consumers in a less developed economy (India) are more likely to have negative price perceptions, and consumers in a more developed economy (the US) tend to perceive price positively.

However, the Maslow's hierarchical needs, as a theory developed in Western society, may not apply in Asian cultures (Tse, Belk, and Zhou 1989). As described by Belk (1988), Asian consumers are acquiring the higher needs of consumption values such as social status and prestige in a different way and much more rapidly than Western consumers. In an international context, cultures and marketing environments are the important factors in shaping price perceptions (Belk 1988; Hofstede 1980; Triandis 1995).

2.1 INDIVIDUALISTIC AND COLLECTIVISTIC CULTURE

Western culture is characterized as highly individualistic, while Indian culture is a typical collectivistic one (Triandis 1995). The basic difference between individualistic and collectivistic cultures is that, an individualistic culture emphasizes "I-identity" and personal self-esteem enhancement, but a collectivistic one pays more attention to "We-identity" and social group-esteem maintenance (Hofstede and Bond 1984). More specifically, Indian consumers differ from American consumers in their face consideration (Ho 1976; Ting-Toomey and Kurogi 1998) and risk aversion (Hofstede and Bond 1984; Gao 1998).

On the contrary, in an individualistic culture like the US, an individual is an independent entity with free will, emotions and personalities (Markus & Kitayama 1991). Decisions are encouraged to be made individually (Reykowski 1994). Therefore, the consumption of American young is more likely to reflect their own wills.

Risk aversion is defined as "the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid these." (Hofstede and Bond 1984, p. 419). Partly because of face effects, i.e., people are afraid of losing face in public, and also because of other factors such as the influence of the long history of an agriculture-dominated economy, Asians particularly Chinese and Indians are highly risk averse (Gao 1998).

2.2 MARKET ENVIRONMENTS

Compared with the US, the marketing environments in India are deficient in terms of market regulation and market competition (Fan and Xiao 1998; Nee 1992). In the US, extensive regulations and ready access to litigation prevent fake products from entering the market. American companies also tend to use various sale and promotion campaigns in order to attract consumers (Mela, Gupta, and Lehmann 1997). The intense competition makes abundant and comparable goods available to every consumer. As a result, American consumers become used to comparing various brands and stores when they purchase a product (Lal and Rao 1997).

As a summary, these two societies differ widely with respects to cultural and market environments. American young consumers are more self-concerned and adventurous in a more refined market, and Indian young are more face-

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concerned and risk-averse in a developing market. These differences form the base for why and how American and Indian consumers differ in their price perceptions.

2.2.1 PRICE-QUALITY

As we discussed before, the market in India is far from the refined market in the US. Less intensive competition and incomplete regulation lead to a less fair pricing system in India. Some name brand products are overpriced, yet some general products are under-priced due to the poor marketing administration (Fan and Xiao 1998). In addition, weak regulation allows large numbers of fake products to enter the market. Fake products charge consumers much more than their own values, and sometimes are unsafe and even fatal to use (e.g., food and electronic products) (Ho and Sin 1988). But in the US, the intense market competition and strong regulation make price a relatively good indicator of product quality.

2.2.2 PRESTIGE SENSITIVITY

A traditional Indian virtue is saving money, while American consumers are used to consuming in advance. Further, the income level of India is much lower than that of the US. Thus, it sounds reasonable to expect that American consumers might be more prestige sensitive than Indian consumers. However, face consideration makes Indian young consumers pay much attention to the social functions of a product. The purchase or use of a prestigious product becomes a symbol for people to show their face (Belk 1988). In the US, though the consumption behaviors of American youth are also influenced by others, the extent of the influence is not as strong as that in such a face-considerate culture like India (Tse 1996). Moreover, in India, group interest is the priority over individual interest. It leads to face loss if one does not conform within a group or distinguish from other groups (Gao 1998). While in the US, individual interest ranks first. One will lose nothing and can maintain his/her prestige without conformity (Ting-Toomey and Kurogi 1998). Since losing something is much more painful than not gaining something (Heath, Chatterjee, and France 1995), Asian consumers' particularly Indian and Chinese consumers sometimes have to be prestige sensitive.

2.2.3 VALUE CONSCIOUSNESS AND PRICE CONSCIOUSNESS

In a less refined market, Indian young are more concerned about quality rather than price. In order to get the authentic or high-quality product, they are willing to pay a higher price. On the contrary, the intense competition and strict regulation make American young accustomed to comparing various brands and stores even for a specific product, and consequently, becoming more and more price sensitive (Lal and Rao 1997; Mela, Gupta, and Lehmann 1997). Highly risk-averse consumers tend to pay more for a product as a means of reducing the risk of purchasing one of inferior quality (Rao and Bergen 1992). This might imply that Indian consumers may be less value conscious than American young. On the other hand, in such an immature market, Indian youth must carefully judge the benefits in relation to price in purchase decision makings because they are highly risk-averse. As such, we may imply that Indian young are more value conscious than their American counterparts.

2.2.4 SALE PRONENESS AND COUPON PRONENESS

In America, sale and coupon promotions are two of the most widely used marketing strategies (Lal and Rao 1997). According to acquisition-transaction utility theory (Thaler 1985), purchase with a coupon or a price discount represents a "good deal" by increasing consumers' transaction utility through decreasing the purchasing price (Zeithaml 1988). Therefore, it is natural for American young to purchase a product on sale or with a coupon. However, the situation in India is quite different. First, the poor regulation of the market and deceptive advertising make consumers doubt the credibility of a sale or coupon. In addition, in a high-context culture, people think more for what is not being said than what is being said, such as "is there anything wrong with the product" (Anderson and He 1998, p. 154). For example, an ad like "\$19.95, was \$29.95", which is normal in America, will be easily interpreted as "was \$16.95, now labelled \$19.95" by Indian consumers. Thus, Indian consumers tend to perceive sale or coupon promotions as efforts to get rid of inventory that is below average in quality. Being highly risk-averse Indian consumers are not likely to be sale-prone or coupon-prone.

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III. METHODOLOGY

A survey study was constructed to collect data regarding young consumer’s price perceptions in India (Kerala). A sample of 100 management students was collected from CUSAT campus on a purely random basis. The majority of the respondents (86%) belonged to the age group of 20-25, and (14%) belonged to the age group of 26- 30 years, of which 39 were males and 61 females. The survey was conducted using a self-completion questionnaire method, whereby questionnaires are handed out to respondents for self-completion and returned to the researcher immediately. A 20 item schedule adapted by Lachenstein, Ridgway and Netemeyer 1993 was used to assess the price consciousness among young consumers in Kerala. The scale measured aspects of price quality, prestige sensitivity, value consciousness, price consciousness and sale proneness. The Likert scale was used whereby the respondents were asked to rate a particular issue on a scale that ranged from strongly disagrees to strongly agree.

3.1 VARIABLES

In order to assess the price consciousness among the young consumers, the followings variables were operationalised which were adapted from Lachenstein, Ridgway and Netemeyer 1993 scale.

- Price quality
- Prestige sensitivity
- Value consciousness
- Price consciousness
- Sale proneness

To explore these variables, 4 questions each were asked relating to the variables which were scaled and whose values were assigned as strongly agree, agree, neither agree nor disagree, disagree and strongly disagree. In the analyses, the values were reverse-coded for price quality and prestige sensitivity for convenience of reading the findings.

3.3 DATA ANALYSIS

The SPSS 17.0 package was used to analyse the various aspects of the study, Necessary tools for analysis where used to test the data collected. The table below shows the descriptive statistics of the population.

Table 1
Descriptive statistics of the population

Demographic Variables	Frequency	Percent
Age of Respondents • 20-25years • 26-30 years	86	86
	14	14
Gender of Respondents • Male • Female	39	39
	61	61
Community • Hindu • Muslim	52	52
	28	28

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<ul style="list-style-type: none"> • Christian 	20	20
Parents source of income	27	27
<ul style="list-style-type: none"> • Business • Salaried 	73	73
Monthly household income	13	13
<ul style="list-style-type: none"> • Less than Rs 10,000 • Rs 10,000- Rs 20,000 • Rs 20,000- Rs 30,000 • Rs 30,000- Rs 40,000 • Above Rs 40,000 	43	43
	20	20
	16	16
	8	8

IV. COMPUTATION OF PRICE CONSCIOUSNESS

In order to compute the price consciousness of respondents the scores of the five variables i.e, Price quality, prestige sensitivity, value consciousness, price consciousness and sale proneness were added up. The mean and SD of price consciousness was determined as 63.84 and 4.9 respectively. Based on the mean and SD derived, the respondents were categorised as those having:

- Low price consciousness (scores < or between 53-57)
- Moderate price consciousness (scores between 58-67)
- High price consciousness (scores between 68-73)

Table 2
Frequency of price consciousness

		Frequency	Percent
Valid	High price consciousness	20	20.0
	Low price consciousness	12	12.0
	Moderate price consciousness	68	68.0
	Total	100	100.0

Table 2 shows the price consciousness scores and the number of respondents falling under each of the score grades. It can be seen from the table that majority of the respondents (68) 68% fall under the category of those having moderate price consciousness, followed by (20) 20 % having high price consciousness scores, (12) 12% reported to have low price consciousness.

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4.1 COMPONENTS OF PRICE CONSCIOUSNESS

The price consciousness scale adapted from Lachenstein, Ridgway, and Netemeyer measured the price consciousness and its components. The five variables operationalised, consisted of price quality, prestige sensitivity, value consciousness, price consciousness and sale proneness. Of these five variables, price quality emerged as the most significant variable influencing the price consciousness of respondents with a regression beta value of (.678), followed by price consciousness (.671) and prestige sensitivity and value consciousness (.601) each. The table below shows the regression coefficient of price consciousness variable.

Table 3

Co efficient values of price consciousness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.455E-14	.000		.000	1.000
	Price quality	1.000	.000	.687	4.007E8	.000
	Prestige sensitivity	1.000	.000	.601	2.776E8	.000
	Value consciousness	1.000	.000	.601	3.135E8	.000
	Price consciousness	1.000	.000	.671	4.337E8	.000
	Sale proneness	1.000	.000	.557	3.132E8	.000

a. Dependent Variable: priceconsciousnessvariable

Table 4

Elements of price consciousness and respondents score categorised

Elements	High	Moderate	Low	Frequency	Percent
Price quality	8	72	20	100	100
Prestige sensitivity	24	52	24	100	100
Value consciousness	24	72	4	100	100
Price consciousness	12	60	28	100	100
Sale proneness	8	76	16	100	100

Table 4 shows the five elements of price consciousness and the responses of the respondents on each of these variables. It is clearly understood from this table, that the variable which scores the highest in relation to price consciousness is prestige sensitivity (24%) and value consciousness (24%).

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Table 5

Price consciousness and its relation with demographic variables

Pearson Chi- Square	Value	Df	Asymp.Sig.(2-sided)
Gender	51.840	1	.000
Age	4.840	1	.028
Community	32.76	1.02	.070
Parents source of income	12.67	5.9	.000
Household income	52.7	2.8	.001

The Table 5 above shows the Chi square values of the various demographic variables used in the study. The results indicate that Gender, Age, Parents source of income, and Household income, of respondent are directly related to the price consciousness of a an individual with “p” value less than .05, while his/her community is not a significant variables in relation to price consciousness.

V. DISCUSSIONS

Our findings show that, Indian young consumers behave quite differently from the common notions about their traditionalism and their price perceptions may seem strange to foreigners. Constrained by immature market system, and motivated by face consideration, Indian young consumers perceive a weaker price-quality relationship, and are more prestige sensitive, less price conscious, and less coupon prone. But they are as value conscious as Western young consumers.

Our study can also guide companies toward effective advertising and promotion. High product quality and distinguished product social status should be emphasized and sale or coupon promotion may be improper. Maintaining a steady price or even raising the price may be perceived as signalling more prestige for Indian young consumers. This paper also provides important implications for future research. First, face is such an important factor in Indian society (Gao 1998) that its conceptualization and operationalization will greatly help us better understand Indian consumers and predict their consuming behaviours. Then, the predictive power of face consideration could be investigated within a model which links face consideration to price perceptions, and price perceptions to shopping behaviours in an international context.

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