

## **The Role of Income Level on Sensitivity Levels for Similar Product: A Purchasing Behavior Study**

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### **Abstract**

*Products which are similar to each other have three important differences. They are price of product, brand of product and length of warranty for product; because all of them create a perception to consumers. Even if they don't know detailed features of similar products, they focus on three important key concepts which are mentioned. In this study, features of products are omitted; because the study has an assumption which is related with consumption. The assumption is that a consumer firstly defines his/her needs and features for product which is useful. The other stage is to buy a product in accordance with price, brand and warranty. The study has statistical analysis such as reliability of scale, correlation analysis, and Descriptive Statistics. Surveys are applied on totally 441 consumers and it is crucial amount for a study.*

**Keywords:** Price Sensitivity, Brand Sensitivity, Warranty Sensitivity, Purchasing Behavior

### **1. Introduction**

The starting point of a business is to make operation and production; then present them to the market in order to attract attention of consumers; but in that time pricing is the most important factor for business (Omar, 1997). This is because it has a crucial effect to make profit. There can be different pricing methods but well-known methods are cost-based pricing, competition based pricing and customer value based pricing (Hinterhuber, 2008). In our global world, pricing which is based on customer value is perceived as a better method (Hinterhuber, 2008). Even if it is better method, the usage of it is not as easy as the other methods because others have available data to create price of a product (Hinterhuber, 2008). It is obvious that price is the element of marketing mix which generates revenue; on the other hand the other elements create costs for the business (Avlonitis& Indounas, 2006). Therefore determination of price is an important implementation in order to be positioned in customer mind as a first point of view (Albers, 1997). But it is known that similar products have different prices and even if they have different prices, all companies have customers; because consumer perception about a product can be affected by some measurements. In our study, analyzing of White Goods Industry will create more clear separation about similar product pricing for different brands.

As it is known that there are lots of brands for white goods. Therefore alternatives for one brand exist in the market. Some of them have higher prices but even if a group of brand has higher prices than others, some consumers prefer the higher ones. These choices do not seem rational but some factors effect on buying behavior of customers. These effects are searched for the study and will be evaluated after analyzing effects that are related to buying behavior.

## 2. Literature Survey

It is obvious that product- related factors such as price, availability, convenience and time are important for buying behavior; because it creates a first perception for decision- making; therefore consumers need to have true information about product (Grewal, Gotlieb & Marmorstein, 2000). On the other hand comparison between brands for same products which have similar features will be preferred by consumers (Pelsmacker & Janssens, 2007). Product features and price are mostly effective variables among marketers; this is because price provides evaluation of products (Chang& Wildt, 1994). Various studies link between use of price information and product choice (Dickson and Sawyer, 1986) and consumers use price information in order to evaluate product's quality (Suri, Kohli & Monroe, 2007).

Perception effects on buying choices. So there can be two types of perception: one of them is pre-perception and other one is post perception. In general, these perceptions are linked with price and quality in positive way (Scitovszky, 1945; Leavitt, 1954). Especially Tull et al. (1964) have over 50 empirical studies on price and quality perceptions which have positive linkage among them. Even if product and price are positioned as quality tools, there are six dimensions of quality for durable goods. They are ease of use, versatility, durability, serviceability, performance and prestige ( Brucks, Zeithaml & Naylor, 2000). If consumers believe positive price and quality relation, it provides trust to products and these effects on buying behavior of consumers.

### 2.1. Brand Positioning and Purchasing Behavior

According to the American Marketing Association, a “brand” is as “*a name, term, sign, symbol or design or combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them those of competitors*”. This definition is not suitable for today because brand isn't just a name, term, sign or combination of them. Especially most of companies notice that brand does not only provide a distinction from other companies with regard to definition of American Marketing Association; because brand encompasses different dimension inside of its own concept (Anana and Nique 2010). A figure which is indicated below will make clear for brand meaning.

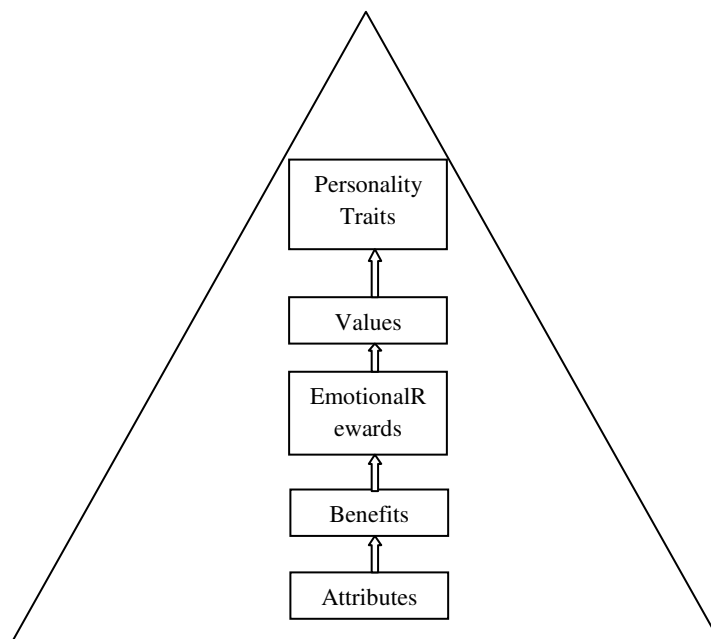


Figure 1: The Brand Pyramid (Anana and Nique 2010,p.8)

Brand is an important tool for marketing therefore lots of studies pay attention to brand management and brand positioning concepts. Goal of brand positioning is to provide consumer awareness for a specific product (Kotler and Bliemel 1995, p.489). There are some strategies in order to achieve this goal such as imitation, niche policy and market exhaustion (Hofer and Ladner 2006, p. 438). In this study, details about strategies won't be mentioned because of the scope of research. Brand positioning can be made through brand management (BM).

BM can be defined as “a complex set of activities that involve managing relationship with customers and other stakeholders, while accounting for a firm’s own past actions and reputation and competitors’ actions, in an effort to build a strong image that wins consumers’ commitment to a product or a line of products” (Eisingerich and Rubera 2010, p.65).

Brand image or brand personality is another important key concept for brand management; because it enhances product’s competitive positioning, then this provides positive quality perception (Lett, 2011). It is obvious that this perception effects on purchasing behavior of consumers.

## 2.2. Warranty and Quality Perception

The purchase decision of a product is needed to compare characteristics of comparable models of competing brands. If there are identical competing brands, it is too difficult in order to choose a product of brand; therefore most of criteria are thought by consumers with regard to product related characteristics such as price, special features, perceived product quality and reliability. These are first section to choose a product; on the other hand post sales factors such as warranty, service and maintenance are important and especially warranty is a crucial factor to prefer a product; because it provides reliability (Murty, 2006).

Warranty is a kind of contractual agreement between buyer and manufacturer with regard to sale or service of product. The purpose of a warranty is to establish liability between two parties (manufacturer and buyer) in the event that an item fails (Murty, 2006; Kelley, 1988). An item is said to fail when it is unable to perform satisfactorily its intended function when properly used. The contract specifies both the performance that is to be expected and the redress available to the buyer if a failure occurs (Murty and Djamaludin, 2002).

The effect of warranties on consumers is a popular topic for both researchers and marketers. Warranties are important tool in order to attract attention of risk averse consumers because it decreases risks for a product; therefore length of warranty is another important factor to create a positive positioning on consumers (Bearden and Shimp, 1982). So warranties are kinds of signals of quality when consumers are uncertain about product’s quality. It means that warranty creates a signal for quality perception (Srivastava and Mitra, 1998); because warranties can be determined as insurance policy for products; so longer warranty coverage and as a result of this coverage, strong firm reputation enhances quality perceptions for products (Lassar, Grewal and Marmorstein, 1999).

In this study, survey was prepared to measure price sensitivity, brand sensitivity and warranty sensitivity on consumers

## 3. Methodology

In this study, survey was prepared to measure price sensitivity, brand sensitivity and warranty sensitivity on consumers of white good industry. The survey was consisted of three sub-sections. Items of the first section were related to personal information (age, gender, education level, in-come, marital status). Second section was related to the types of white goods used. Third section of the survey was consisted of nine 5-point Likert scale items (1=strongly disagree, 5= strongly agree). This scale was related to the price sensitivity (3 items), brand sensitivity (3 items) and warranty sensitivity (3 items) on consumers of white good industry. The survey was applied on 470 consumers in Usak that is a city in Turkey, but 424 of them were assessed for this study. Evaluation of consumers with regard to their income level was occurred. Data was examined with SPSS 18.0 program.

Cronbach's alpha coefficient were calculated as an evidence of the internal consistency of the price sensitivity (3 items), brand sensitivity (3 items) and warranty sensitivity (3 items) scale items and were found to be .72, .75, .80.

### 3.1. Sensitivity Level: Based On Income Level

There are no control variables in order to indicate correlation between variables which are listed above. In this study, correlation between income level and price, brand and warranty sensitivities are crucial to determine factors for similar products. As it is seen in Table 1, there are a positive correlation between income level and others (price, brand and warranty sensitive). There is a strongly correlation between income level and brand sensitive and warranty sensitive.

**Table 1:Correlations**

	Control Variables	Price Sensitive	Brand Sensitive	Warranty Sensitive	Income level
<b>-none<sup>a</sup></b>	Price Sensitive Significance (2-tailed)	1,000	,452	,279	,121
	Brand Sensitive Significance (2-tailed)	,452	1,000	,182	,620
	Warranty Sensitive Significance (2-tailed)	,279	,182	1,000	,708
	Income Level Significance (2-tailed)	,121	,620	,708	1,000
		0,084	0,006	0,012	

Descriptive statistics is used for analysis of each sensitivity level with regard to income level. Table 2 indicates that 3000 TL and more income groups always have higher scores than other groups. 0-999 TL is the lowest one in all groups. 1000-1999 TL and 2000- 2999 TL are middle groups as it is understood by the results of descriptive statistics.

**Table 2: Descriptive Statistics**

		N	Mean
<b>PriceSensitivity</b>	0-999 TL	189	3,2857
	1000-1999 TL	131	3,3511
	2000-2999 TL	70	3,4095
	3000 TL and more	33	3,5859
	Total	423	3,3499
<b>Brandsensitivity</b>	0-999 TL	185	3,8252
	1000-1999 TL	130	3,8154
	2000-2999 TL	69	4,0483
	3000 TL and more	33	4,2424
	Total	417	3,8921
<b>LengthofWarranty</b>	0-999 TL	195	3,3521
	1000-1999 TL	135	3,3531
	2000-2999 TL	70	3,5095
	3000 TL and more	33	3,6465
	Total	433	3,4003

#### 4. Conclusion

**Price Sensitivity:** When income level is high, it means that price sensitivity of consumers is low. This is because higher income level consumers prefer to buy product which is higher price. The reason of that situation is related with consumer perception. They think that higher price means higher quality. However, lower income level consumers think same like higher income level consumers. They choose lower price for product because of limited income and it means that they have higher price sensitive than higher income level consumers.

**Brand Sensitivity:** High income level provides the highest brand sensitivity for a product; because the highest income level consumers ( 3000 and more TL) have a chance to buy any product which has good brand image. But it is not same for income groups between 0- 999 TL and 1000- 1999 TL. Even if they have brand sensitivity, income level is a restricted factor for being brand sensitive.

**Length of Warranty (Warranty Sensitivity):** It is important for all income level groups; actually similar products generally have similar length of warranty. But consumers who have higher income level are ready to pay extra amount to increase length of warranty. It is not seen for lower income group level because they prefer to pay fewer amounts for a product.

As a result of this study, the importance of these three factors which are related with income level are proved. Income level has an important effect on purchasing behavior with regard to price, brand and warranty. Actually all consumers have all sensitivity dimensions but this behavior can be presented in accordance with power of income level.

It is obvious that provinces have different types of stores which begin with smaller one to larger one; therefore big stores attract attention of consumers in easy way; because they have an attraction power on them and they try to provide customer satisfaction. In this study, it is easily seen that income level and other sensitivities are related with each other; on the other hand small stores don't have any chance to compete with big ones. Therefore government should improve some strategies in order to protect small stores; otherwise they will have worse position day by day.

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