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Intelligence

Product knowledge activates price consciousness for seafood consumers

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Perceived risk and perceived value are significant drivers of purchase intentions



Marketing messages tailored to high-knowledge consumers benefit from containing information that impedes inference making and offers clear representations of price level.

The price consumers pay for a food product can be perceived in different ways. For example, when price is solely seen as a cost element, it is usually judged from a negative point of view and considered purely as a sacrifice. On the contrary, when price operates as a quality indicator, it may be seen with more positive eyes and as a diagnostic piece of product information.

However, how consumers evaluate and use price information when purchasing necessity products like food largely depends on how the individuals perceive and react to price information in general. One psychological phenomenon that significantly influences consumer reactions to price information is price consciousness – an individual trait that differentiates consumers based on the weight they give to price when evaluating or purchasing products. Stated differently, this trait is the degree to which consumers focus solely on paying low prices.

If the information consumers receive about a product enables them to make inferences about price levels, price consciousness can affect purchase intentions even though consumers have no clear picture of the actual price. Information about product attributes (short versus long warranties, cognac versus brandy), country of origin (Japanese versus German cars) and brand profile (cheap versus luxurious) can instigate price consciousness.

However, there is reason to believe this depends on the level of product category knowledge held by the consumer, since this kind of knowledge enables the consumer to make price inferences based on other attributes than price.

For a French or Belgian consumer not very familiar with fish in general, and imported fish in particular, a fresh loin of Norwegian Atlantic salmon may be perceived just as luxurious and expensive as a loin from a Norwegian Sterling white halibut. However, consumers more experienced in purchasing imported fish know these two products are in different areas of the price scale.

Product considerations

Anecdotal evidence suggests that consumers often reject a new food product because they believe it is more expensive than it really is. Or they employ a reversed price-quality judgment to make inferences about price: “This is obviously a quality cognac, so it must be expensive.”

As previously mentioned, such inferences can not be made without a minimum level of product knowledge. However, as most consumers face food-related product decisions on a daily basis, product category knowledge for food may generally be higher across consumers than similar knowledge of other product groups, like gas stoves or outboard engines.

Consumer study

In a study, the authors examined how price consciousness affects consumer purchase intentions when the price for a newly introduced food product is unknown, and how this effect is moderated by product category knowledge.

Respondents were asked to answer a number of questions unrelated to this study, but with product category knowledge and price consciousness items placed in the midst of them. Next, participants read a story about a new fish product expected to hit the market in the near future. The story was presented as a magazine article that contained an objective description of frozen *Pangasius* fillets. At the time, frozen *Pangasius* had just recently been introduced in the largest supermarkets and was not a product known to the majority of consumers.

The sample consisted of randomly recruited individuals who were initially screened with regards to their knowledge of *Pangasius*. Those familiar with the product were dismissed, leaving a net sample of 186 respondents. After reading the cover story, respondents were asked to complete a new survey covering the remaining variables under study.

Control variables

Basic marketing and consumer behavior literature suggest that both perceived risk and perceived value play important roles when a consumer evaluates new products. First, the basic assumption is that adoption rates decrease as risk levels increase.

While consumers' perceptions of risk can take many forms and influence consumers in different ways, economic, physical, social and functional aspects are the ones consumers usually find risky in relation to new products. Hence, the premise on which the study was based was that consumers' positivity toward new food products depends on the level of risk they associate with them. More specifically, purchase intentions were expected to be negatively affected by risk perceptions.

Second, contemporary marketing is all about delivering value to customers, and customer-perceived value is widely accepted as an important feature when customers choose among products and services. The value of a product is commonly referred to as the total sum of benefits received by the customer divided by the resources sacrificed to acquire them.

As economic transactions like buying food are inevitably based on some cost-benefit evaluations of varying complexity, the assumption as to the effect of perceived value was that purchase intentions increase with increased value levels. Hence, perceived risk and perceived value are included as control variables.

The direct effects of price consciousness, perceived risk and perceived value on purchase intentions were tested within a multiple regression. To test the moderating effect of product category knowledge, the authors employed a standard two-group procedure.

Findings, implications

The major findings of the study were that when the price for a newly introduced food product is unknown to consumers, price consciousness has an effect on purchase intentions, but this effect only occurs among consumers with high levels of product category knowledge. In addition, both perceived risk and perceived value are significant drivers of purchase intentions.

Perceptions of low risk and high value increase purchase intentions. However, for high-knowledge consumers, price consciousness has a negative effect on purchase intentions when price for a new product is unknown.

This suggests that high-knowledge consumers make price inferences based on the information they receive on other product attributes, and these attributes serve as secondary sources of price-related information. Low-knowledge consumers do not have the necessary memory-based information to arrive at such inference-based judgments, and thus price consciousness has no effect.

Even when the message content marketers send to their target segments does not contain information on specific price or other attributes, consumers often make inferences – often incorrect – about a product based on the information they actually receive.

Hence, a practical implication would be to target high- and low-knowledge consumers in different ways, addressing high-knowledge consumers with more information that accounts for the effect of price consciousness. Stated differently, messages tailored to high-knowledge sub-segments would benefit from containing information that impedes inference making and offers clear representations of the product's price level.

Following from this, another implication for practitioners applies to segmentation strategies. While most firms have reasonably good pictures of their customers in terms of demographic and geographic aspects, such picture are more infrequently held when it comes to psychographics.

Segmentation based on traits like psychological differences is more demanding, but study results suggested that to increase consumer purchase intentions for new food products, marketers should strive to acquire psychological profiles of the target segments, thereby making more fine-tuned and tailored marketing messages possible.

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