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The role of enduring involvement in the relationship between reference price and price acceptance in the context of multichannel choice¹

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Abstract

Understanding online price acceptance and its determining factors can be essential if the companies try to manage different type of channels. The paper aimed to reveal the role of enduring involvement in price acceptance in a multichannel (online and offline) context. The study revealed that the hedonic value of shopping can increase the negative intention of price acceptance in the online channel, but also explored that for the segment without shopping motivations a similar price level can be applied both in the online and in the offline environment.

Keywords: online price acceptance, online channel, multichannel, involvement, reference price

1. Introduction

Although online retailing has only limited market share globally, in certain countries it has reached a significant proportion. Understanding online price acceptance and its determining factors can be essential to companies to be able to avoid mistakes which were made by a lot of firms in the early days of e-business when they worked out their online corporate and pricing strategy to do business in the virtual space (Nagle and Holden, 2002).

The extent of price acceptance can also be influenced by numerous, non price related factors, concepts and mediating variables, which have been researched, for example brand credibility (Erdem, Swait and Louviere, 2002), store environment (Grewal and Baker, 1994), consumer demographic (Kim, Srinivasan and Wilcox, 1999). In this research paper we aimed to reveal the role of enduring involvement in price acceptance in a multichannel (online and offline) context.

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2. Literature review and conceptualization

2.1. Involvement

Involvement itself is a concept in marketing literature which although has been widely used but a uniform definition has not been agreed on by researchers. According to Festinger, (1957) involvement is defined as a mental engagement, care with a given object. Involvement is identified as relevance or simply importance by many researchers (Howard and Shet, 1969; Zaichowsky, 1985; Mittal, 1995). In marketing, according to the object of involvement mostly product(category) involvement (PCI) and purchase involvement (PDI) and shopping involvement are distinguished. Houston and Rothschild (1978), who differentiated enduring, situational and response involvement. Enduring involvement is relatively constant, independent on situations, while situational involvement is for short term, and it is an arousal induced by the given purchase situation. Response involvement is defined by the authors as the result of the previous two ones but others use the expression of the consequences of involvement as a synonym for it.

2.2. Reference prices

Generally, the reference price is defined as the base of comparison of the actual price (Rajendran and Tellis, 1994). Two types of reference prices can be differentiated as internal and external (Briesch et al., 1997). Prices which are directly available to evaluate the actual price are called external reference prices. It is sometimes substituted with the term of advertised reference price (Urbany et al., 1988). The internal reference price (IRP) is the expectation of consumers concerning the actual price of a product or service (Urbany et al., 1988). That is the price to which the customers compare the actual price.

2.3. Price acceptance

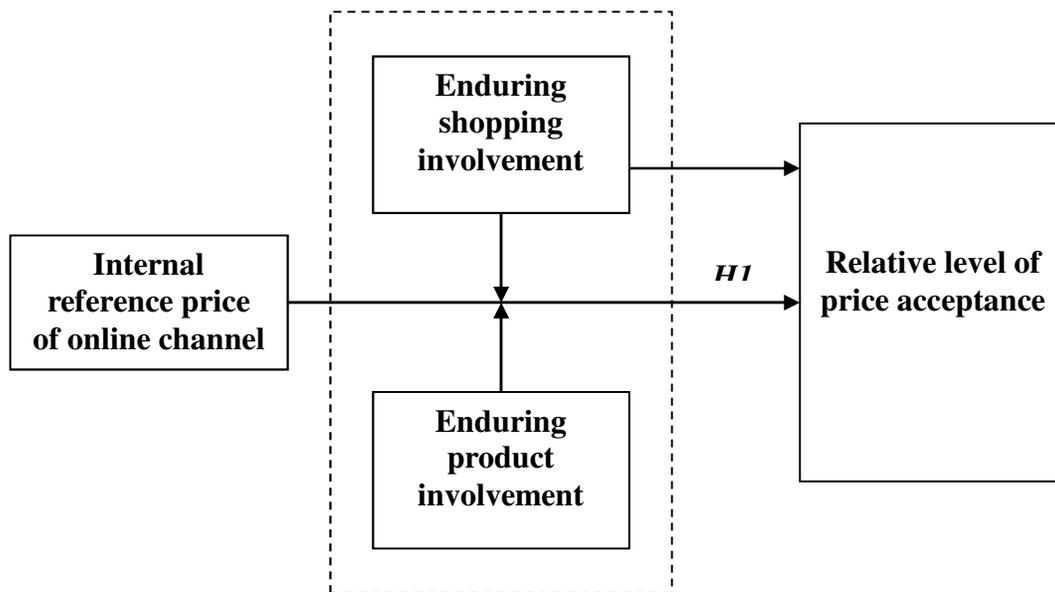
In the literature the concept of price acceptance's definition is close to one that the theorists name as reservation price in microeconomics, which refers to the maximum price that a buyer is ready to pay for the given product or service (Martín-Consuegra et al., 2007). We can explain price acceptance as consumers' intention in the function of price (Huber, et al., 2001). Contrary to economists, marketing academics emphasize that not only an upper price threshold exists but a lower price threshold can be determined as well (Ofir, 2004), and the two price points comprise the range that is acceptable for the consumers and by which they are willing to buy.

2.4. Model and hypotheses

Price researches found that reference prices have significant influence on brand choice (Kalayanaram and Winer, 1995) but relative few study investigated the role of internal IRP in the frame of channel choice. Maxwell, S., and N. Maxwell (2001) examined consumers' reference prices against the Internet as a distribution channel and they found that because of services using extreme price strategy (e.g. Napster), reference prices against the Internet have drastically decreased. The perception of the lower cost of the Internet as a distribution channel strengthens this effect, too. According to them we postulate that the lower internal reference price against the online channel can lead lower prices accepted via Internet.

H1: The internal reference price according to the online channel has a positive effect on the relative level price acceptance in online environment.

Figure 1 Model of involvement effect on price acceptance



According to Zaichowsky's (1988) paper, consumers with lower enduring product involvement will prefer to use price as an external source of information to evaluate products, because this piece of information is easier to obtain and requires less effort to gather. On the contrary to some extent, Lichtenstein et al. (1990) found positive relationship between value consciousness and the enduring and situational types of involvement. Lockshin et al. (2001) revealed that consumers with higher enduring product involvement would make purchase at higher price during wine shopping. Based on the researches investigating enduring involvement, we assume that among the consumer with higher enduring product involvement the price is not taken into account independently the channel, and the consumers with lower enduring product involvement are not willing to pay higher price for the product even if they have higher internal reference price against the given channel.

H2: The level of the enduring product involvement moderates the effect of internal reference price against the online channel on the relative level price acceptance.

The effect of enduring shopping involvement on acceptance of price in different types of channels is rarely investigated, so to form our hypothesis we can lean on the research stream on the perceived value regarding the online and offline channels. Previous studies came to the conclusion that online shoppers prefer to follow target oriented behavior (Wolfenbarger and Gilly,

2001) as they want to put the minimal possible time and effort into shopping (Hoffman and Novák, 1996). Based on the train of thought above we generate the following hypothesis:

H3: Consumers with higher shopping involvement will accept higher prices in case of the offline channel than in case of the online channel.

The consumers with lower enduring shopping involvement do not evaluate the hedonic aspects of shopping, so they can accept similar prices in online channel despite of perceiving that it is not fair. Based on this relationship we set the following hypothesis:

H4: The enduring shopping involvement moderates the effect of internal reference price against the online channel on the relative level price acceptance.

3. Methodology

3.1. Data collection

Due to certain financial limitations, data collection was a part of an omnibus research, where different topics were investigated on the same sample. The paper-and-pencil questionnaire survey was implemented as a drop off-pick up technique, where interviewers hand out and collect questionnaires personally, which are filled in by selected respondents individually. The sampling frame includes permanent or temporary residents in Budapest who have Internet access which they use at least once a week. The respondents were selected by a combination of random walking and next birthday techniques. The total number of respondents was 209.

3.2. Measurement of the constructs

3.2.1. Enduring product involvement

According to Mittal and Lee (1989) the CIP scale developed by Laurent and Kapferer (1985) measures involvement only in one dimension (importance) while the other three (sign value, hedonic value and perceived risk) are only antecedents of the previous. They suggested that only the three statements of the first dimension should be used and they proposed to use three further similar statements for measuring enduring product involvement:

I attach great importance to wines
For me wines do not matter
I am really very interested in wines

3.2.2. Enduring shopping involvement

The shopping involvement to be measured refers to the hedonic pleasure of the shopping activity but the scales developed for this construct usually contain other dimensions (Bergadaá et al., 2001). As argued above the lack of exact distinction between the concepts of involvement and motivation can lead to overlapping dimensions of their measurements. As an example both the scale of hedonic shopping motivation developed by Arnold and Reynolds (2003) and of shopping

involvement by Bergadáa et al. contain a social dimension, and the leisure and gratification dimensions are similar to each other as well. For the current research, however, the focus is not on the detailed dimensions of the shopping involvement but the overall concept. For this reason only general scale was developed, measuring the concept with three statements to be evaluated on a five-point rating scale:

I like shopping

I enjoy shopping even if I don't buy anything

I wouldn't miss shopping in my life

3.2.3. Internal reference price

There are only few examples for measuring the internal reference price in the literature. Many experiments examine only the effects of the reference price which are mostly stimulated for different experiment groups. Despite the definition of the internal reference price we forced the respondents to give an exact price point relative to an offline price stimulus. So the question we asked them to answer was the following:

If we take the price of a product in the traditional, offline shops as 100%, how much would you expect for the same item in an Internet shop?

3.2.4. Relative level of price acceptance

In our study we investigate the relative price level the respondents accept. This measure is derived from the ratio of the same price thresholds in the offline and online channel (e.g. $\left| \frac{P_{\text{Upper offline threshold}} - P_{\text{Upper online threshold}}}{P_{\text{Upper offline threshold}}} \right|$). In the frame of the procedure the respondents were exposed to the picture of a bottle of wine. The respondents could also read the information on the label, and they were asked the following questions:

What is the maximum price above which you would not buy the product on the Internet?

What is the minimum price below which you would not buy the product on the Internet?

What is the maximum price above which you would not buy the product in an offline shop?

What is the minimum price below which you would not buy the product in an, offline shop?

4. Results

On the ground of the model introduced in figure 1. we investigate the relative level of price acceptance in frame of the current study, which has two items according to the upper and lower price thresholds. In average the consumers accept lower online price regarding the upper price threshold and higher online price in case of the lower price threshold. This result can be originated to the perceived risk of online channel.

As postulated by H1, the result of simple correlation provides evidence of the effect of internal reference price on the relative level of price acceptance in case of the upper price threshold ($r(209) = 0,19, p < 0,05$) and the lower price threshold as well ($r(209) = 0,17, p < 0,05$).

To test the H2 hypothesis and to investigate the role of the enduring product involvement the sample was divided into two parts based on the factor scores. In this way respondents with positive values represent the consumers with higher product involvement. The effect of the internal reference price on the relative price acceptance became lower than one calculated on the whole sample. This moderation could be observed by both the upper ($r(105) = 0,13$) and lower price threshold ($r(105) = 0,11$).

Table 1 Means and standard deviations

	<i>Mean</i>	<i>Standard deviation</i>
Internal reference price level of online channel (relative to offline channel, %)	72,3	25,8
Level of price acceptance in case of upper price threshold (relative to offline channel, %)	81,4	16,5
Level of price acceptance in case of lower price threshold (relative to offline channel, %)	108,2	23,1

As we predicted by H3, the enduring shopping involvement has a negative effect on the relative online price acceptance in case of the upper price threshold ($r(209) = -0,16$, $p < 0,05$) but this relationship was not approved to be significant in case of the lower one ($r(209) = -0,04$).

Similarly to the enduring product involvement we investigated the role of the enduring shopping involvement and the sample was also divided into two parts based on the factor scores. Respondents with positive values represented the consumer with higher shopping involvement. Among them the strength of the original reference price - price acceptance relationship became higher in case of both the upper price threshold ($r(105) = 0,24$, $p < 0,05$) and the lower price threshold ($r(105) = 0,27$, $p < 0,05$). On the other hand, among the respondents with lower enduring shopping involvement this relationship became lower and insignificant in case of both the upper price threshold ($r(104) = 0,09$) and the lower price threshold ($r(104) = 0,10$). These results supported the H4 hypothesis.

5. Discussion and limitation

In this paper we wanted to demonstrate the role of enduring involvement in the relationship between the reference price and the price acceptance in the context of multichannel choice. The first analysis mostly supported our hypothesis. On average the consumers expect lower prices in the online channels than in the offline ones. These expectations can be originated to the initial price strategy companies followed especially in the early years of online operations and sometimes nowadays as well. On the other hand, the general considerations of consumers that a channel without brick-and-mortar selling points can significantly reduce its costs contribute to

this attitude towards online prices. The study revealed that the hedonic value of shopping can increase the negative intention of price acceptance in the online channel, but also explored that for the segment without shopping motivations a similar price level can be applied both in the online and in the offline environment. For online companies it can be useful that the enduring product involvement can also eliminate the negative price expectations in the frame of offline channels. From this point it is the responsibility of the websites and the communication experts to increase the involvement in the given product category.

A limitation of the external validity of the survey is that we managed to do the empirical testing of the model only in one product category. The relationships within the model can change in case of measuring different products or services. Other studies supported the hypotheses that perceived risk plays a central role in buying intention in the online environment. In our model the mediating role of this phenomenon provides further opportunity to be investigated as it can change the strength of the relationship measured. To explore the role of fair pricing in a multichannel context can also refine our model. And finally, further statistical analyses can increase the validity of the results.

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