Module - 6

CONSUMER BEHAVIOR

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LESSON – 26

CONSUMER IMAGERY AND RISK, CONSUMER PERCEPTION AND IMPLICATIONS FOR MARKETERS

Instructional Objectives:

After completion of this lesson, the student shall know about:

6.4.6 Consumer Imagery

6.4.7 Perceived Risk

6.4.8 Consumer Perception and Implications for Marketers

6.4.6CONSUMER IMAGERY:

Consumers formulate images of the marketing stimuli that they are faced with; this is referred to as imagery. The perceived images that get formed may relate to the product/service offerings and the marketing mix.

1. Product and service offering and Imagery:

The product and its image has an important bearing in today's' era, when the market is competitive and not much differences exist within brands. While making purchase decisions, consumers are faced with numerous alternatives, and purchase decisions is often made on the basis of the image that the product/service offering or the brand holds.

Through positioning, the marketer creates an image of the product/service offering and/or the brand in the mind of a consumer. This positioning may be on points of parity, stressing how he is better than the competitor or it may be on points of difference, stressing upon the USP or the unique selling proposition. It is noteworthy that a marketer can position the same product or service offering differently or different segments, especially if it is targeted to more than one segment. The product/service offering may require a repositioning with change in the market like, entry of competitor brands, changing customer preferences etc. which is an expensive exercise both in terms of time and money.

The marketer also creates an image and personality of the product/brand in congruence with the self image and the personality of the target segment. The consumer tries and relates the product/brand to himself, his need and motivation, his self-concept and personality. He assesses the offering on the basis of the image and desires, for or against the purchase of such an offering. Those product offerings that match the personality are selected and bought; the rest are ignored. In other words, consumers buy such product that they believe are in congruence with their self image and their personality. The purchase of such offerings helps them preserve or enhance their self-images.

2. Perceived price and Imagery:

The manner in which a marketer prices a product and creates an image also has an impact on consumer decision making. The manner in which a consumer perceives a product to be i) fair/unfair; or ii) high priced, medium priced (fairly priced) or low priced, has an influence on his purchase intention, action as well as satisfaction/dissatisfaction. Price and the related issues are detailed as follows:

a) Fairness of price:

Consumers consciously or sub-consciously, give a lot of importance to fairness of price. A consumer always compares the price that he pays for an offering to that which is paid by other. Differential pricing strategies used by marketers (in case of economically poor people, or senior citizens etc) are looked upon by other customers as unfair practices. Perceived fairness of price leads to customer contentment and subsequent satisfaction. Any kind of unfairness leads to discontinuation of the brand usage and a switch over to other brands.

b) Reference price: Perception of price as high, medium (fair priced) or low:

The reference price is defined as a base price that a consumer uses to compare against another price. Reference prices may be internal and external. Internal reference prices are prices that are internal to the consumer, stored in his memory and retrieved from the memory bank, when required. For example, a lady bought sugar in July at the rate of Rs. 30 per kg. When she goes to buy sugar again after two months in the month of September, the shopkeeper asks her for Rs. 36 per kg. Her immediate reaction would be to comment that sugar has become expensive; this comment that she makes would be based on information retrieved from her memory bank and would be referred to as the internal reference price. External reference prices are used by the advertiser who communicates with the customer by mentioning that the product is sold elsewhere at a much higher price, than what it is being by this product brand or by this store brand. In other words, it is denoted as being sold at a higher rate in other places (like for example, “sold at other places as…..,we sell much lower at 20% discount). This communication is persuasive in nature to influence the consumer that the offer is a good buy and that the deal is a good one.

Prices are also perceived as high, medium or low. When studied in terms of internal and external, as well as high, medium or low, price is defined as plausible low, plausible high, and implausible high. When prices fall well within the range of market prices, they are referred to as plausibly low; when prices are such that are near the outer limits of the range, but within reasonable limits, within believability, they are referred to as plausibly high; and when, prices are such that they lie much above the realm of reasonableness, and the consumer's perceived range of acceptability, they are referred to as implausibly high. As long as the marketer’s advertised price falls within a consumer’s acceptable range, i.e. it is plausibly low or plausibly high, it would be assimilated; else, it would be contrasted and negated and would not qualify as a reference point.

c) Various *kinds of slogans* in various formats can be used by a marketer to his/her advantage, for example:

i) 20% off at Store ABC. Sold elsewhere at Rs. 500.

-Such slogans tend to communicate “value” to the customer, through perceptions of increased savings and low price. The consumer then decides to patronize Store ABC.

ii) The wording and the semantics used to denote price or any information related to prices can also affect a consumer’s perception about price.

- Objective versus tensile price cues:

Objective price claims are indicative of a single discount (eg. save 40%), generally for a specific product or service offering.

Tensile price claims are spread over across a range (e.g., "save 30 to 40%," "save up to 40%," "save 40% or more"); Such claims are generally spread over a wide assortment (an entire product line or various product lines) or even across a store. They have a greater impact on the consumer psyche than objective price claims, and help build store traffic, and subsequently larger sales and revenue.

d) Discount levels:

Advertisements indicating discount levels can be framed variously, and their effectiveness varies across formats;

Where advertisements are framed as stating the minimum discount level (like, Save 5% or more), consumer's shopping intentions are less favorable than advertisements that state the maximum discount *level* (Save up to 30%).

The effectiveness of advertisements that specify the maximum discount level (Save up to 30%)., either equals or exceeds the effectiveness of ads stating a tensile discount *range* (save 5 to 30%.)

Further, when across a product line, says soaps, varying levels of savings are advertised, (5% off on Lux, 10% off on Liril, and 15% off on Dove), the maximum discount level would be the most effective as a store traffic builder as it would influence the consumers' perceptions of savings.

e) Bundle pricing:

When a marketer sells together two or more product and or service offerings as a single pack at a special discounted price, it is known as bundle pricing.

Bundle pricing has a positive effect on the consumers' perception. The consumer feels happy with regard to the increased savings that he would be able to get out of buying the products together, rather than buying them individually at a higher price. Bundle pricing enhances the value of the offerings through decreased prices and increased savings.

3. Perceived quality and Imagery:

Consumers judge the quality of the product offering on the basis of *internal and external cues*; *internal* cues refer to the physical characteristics internal to the product or service, like size, color, etc. while extrinsic cues refer to cues that are external to the product or service, like price of the product, brand image, retail store image, or the country of origin. Such cues provide us with information about the product or service quality.

For some product offerings, the quality can be assessed using intrinsic cues or physical characteristics:

- flavor, aroma etc.: bakery products, ice creams etc.
- color: mouthwash, detergent soaps etc.

For other product offerings, the quality cannot be wholly and accurately assessed using such intrinsic cues or by experience alone; the consumer depends on extrinsic cues to assess quality:

- price: the higher the price, the better the quality: Dell, Sony
- brand image: Samsung
- manufacturer's image: BMW, Merc
- retail store image: Spencer, Shopper's Stop
- country of origin: Electronics: Japan; Rubies: Myanmar; Gold: Dubai

It is difficult to judge quality in the case of services, due to the characteristics that differentiate services from products, viz., intangibility, heterogeneity, perishability, inseparability of production and consumption, irreversible or irrevocable action etc. Comparisons are made between expectation (before) and perception (after), so as to determine the gaps and assess quality.

However with respect to consumer perception of quality of services and imagery, consumers rely on extrinsic cues like surrogate cues to evaluate quality. For example, while evaluating a hotel's service, they look at the various star ratings and the accreditations; or while evaluating a doctor's service or at an architect's services, they look at the various certificates framed in his room and the honors that he has received. Consumers also pay attention to the general atmosphere and the ambience.

Unlike products, the quality of services may be inconsistent, and vary across the day or across months. For example, during peak hours or during certain months of the year, quality may be affected, due to excess demand. Thus they provide off season discounts and rebates and also run promotion schemes in non-peak demand periods so as to streamline and distribute consumer traffic.

4. Price/Quality Relationship and Imagery:

Consumers relate price with quality and price is seen as an indicator of quality. The higher the price, the better is the quality, as has been perceived by researchers, academicians and the general public.

Marketers often try and justify the increased price by stating how this is related to better quality of the product and service offering. They also relate the increased price to the product/service attributes, features and the overall benefits that the offering provides. Over and above this, they try and link price and quality with the reputed brand name and the brand image, and very often, even the store image. It is noteworthy that when a consumer has prior experience with the brand or is familiar with the brand name and the brand image, price would become a less important factor in the assessment of quality. Also while price of the product/service offering has a positive effect on perceived quality, price has a negative effect on perceived value and respondents' willingness to buy.

This perception of an increased price and quality relationship may counteract for a marketer who sells higher end as well as lower end products. In such a case, while the high price would imply a superior quality, the lower price may imply a poor or inferior quality and may harm the sales of the lower end products. That is why it is advisable to brand the product individually rather than as a family. For example, Unilever has practiced this successfully; while Lakme is a high end range, Elle is an economy range. They are meant for two different segments, positioned and priced accordingly.

5. Retail Store and Image:

Just as product and service offerings are positioned and clearly indicate the segment(s) for which they are aimed, similarly retail stores are also positioned. Not only are they indicative of the products/service offerings that they sell, but the layout, design, ambience and the price of the offerings clearly demonstrate the segment(s), for whom they exist. In fact the mannequins that they keep reflect the store's image. As mentioned above, consumers tend to shop in stores that have images consistent with their own self-images. Thus retail stores create images for their self, which illustrate the kind of and the quality of products they stock and carry. They also position themselves in a manner that is indicative to the consumers if they should shop there or elsewhere.

a) Layout and ambience: They layout, design and ambience of a retail store reflects the kind of product lines it carries. The store could be a specialty store catering to clothing and apparel, or a departmental store catering to edibles, clothing, and even durables. The design and ambience would vary considerably across the two kinds of stores. Compared to layout, ambience has a grater impact on consumer perception.

b) Labelling: Private label: Retail stores undergo this exercise to create an identity for themselves. The effects of the store image translate to the products as well and vice versa. Consumers relate the well-known retail name with the assortment that it carries. They perceive high quality and value in goods that bears a well-known retail name. Retail stores like Westside or Pantaloons go in for putting their own labels on creations of others. Big Bazaar packs and labels its edibles and staple food grains as Food Bazaar.

c) Pricing: The retail store and its image is greatly impacted by the price of the offerings and the discounts that it offers. Specialty and super-specialty stores price their offerings high and offer hardly any discounts, except during festive seasons or clearance sales. On the other hand, department stores and general stores offer discounts; such stores could offer a small discount on a large number of items or larger discounts on a smaller number of products. While the former provides frequency of price advantage, the latter provides magnitude of price advantage; Stores that offer a small discount on a large number of items are perceived to be having lower prices overall than stores that offer large discounts on a smaller number of products.

6. Manufacturer name and Image:

Consumers are more receptive to product and service offerings that emanate from a respectable, credible and reputed manufacturer, rather than one who is less favorable, or neutral, or totally unknown. Not only do they prefer buying from such sources, but they also patronize offerings from respectable manufacturing houses. Consumers prefer old traditional business houses; they also prefer pioneer brands.

6. Brand Image:

Consumers tend to form images of a brand; brand image is defined as the manner in which a consumer forms perception about a brand. It denotes the set of associations related to the brand, that a consumer retains in his memory.

Marketers aim at creating and maintaining a positive image about their brands. Such an image gets created by product features, attributes, quality as well as the satisfaction. The marketer also goes in for advertising and other promotional activities for creation of a brand image. The cumulative effect of a positive image results in brand recall and brand loyalty. However, if dissatisfied with the offering, the marketer could face a negative brand image.

While marketers often go in for price promotions like discounts, rebates etc, they should be careful. Frequent adoption of such schemes could harm the “premium” or “value” image created by the brand and develop a “discount” image instead. It is noteworthy that with time as they receive more information, consumers could modify or completely change their perceptions about a brand.

6.4.7PERCEIVED RISK:

While making a purchase decision and immediately after having made a purchase, consumers experience a state of uneasiness and tension. The purchase process results in a state of anxiety and tension with respect to the negative consequences that could result from product usage. This state known as "perceived risk"; it refers to a feeling of uncertainty that arises within an individual when he fails to predict the consequences of product choice, usage and resultant experience. This feeling arises because the consumer cannot judge with certainty the consequences of their purchase decision. The circumstance that led to such a state is lack of information, newness of the product/service offering, complexity of the offering, high price, etc.

Types of Perceived Risk:

Perceived risk is of various types. Given below are the various types of risks with marketing examples:

1. Functional Risk: this refers to the risk which a consumer perceives when he is uncertain about the product's attributes, features and overall benefit; His doubt is whether the product will perform as it is expected to perform?

Example: Will the microwave oven function well once I take it home?

2. Physical Risk: this kind of a risk is perceived when a consumer doubts about his and his family's safety with respect to the usage of a product? It refers to the dangers that the product usage could bring with itself.

Example: Will cooking in the microwave oven emit harmful radiation and kill food nutrients, or will consumption of food cooked in a microwave lead to cancer?

Or. Will it lead to shocks and short circuit in times of voltage fluctuation?

3. Financial Risk: this kind of a risk is perceived when a consumer doubts as to whether the product is worth its cost? In other words, the consumer assesses the benefit versus cost of the product?

Example: Is the microwave at Rs. 20000, worth its cost (keeping in mind the benefits)? Will it serve me for 5 years?

4. Social Risk: this is the kind of risk that a consumer faces when he doubts the product purchase and usage to sanctions and approval by the social group or class to which he belongs.

Example: Will my old mother approve of such a product and at this high price (would she consider it worthy)?

5. Psychological Risk: this kind of a risk is perceived when a consumer fears social embarrassment.

Example: Is the microwave aesthetically appealing enough not to cause ridicule?

6. Time Risk: the consumer is uncertain and doubts whether his time has been wasted by making a wrong choice or that he would have to spend time again if the product does not perform as expected.

Example: Will the microwave oven function well or would I have to replace it soon?

Perception of Risk Varies:

Perceived risk is subjective in nature and it varies across people, product and situation. In other words, the degree and intensity of perceived risk would be different for different people, it would be different for different products; and, it would also change with situation. It is noteworthy that consumers' perception of risk is affected by personal characteristics. Also, risk per se is irrelevant for a marketer as it does not affect consumer behavior. What is of importance is the risk that the consumer perceives, in the form of what we know as "perceived risk".

Risk varies across people:

Some consumers perceive high degrees of risk while others perceive low levels of risk. The former, i.e. high-risk perceivers are referred to as narrow categorizers of risk. They are conservative in their approach, and approach the old and familiar brands rather than the new and unfamiliar. They restrict their product choices to a few alternatives, and prefer excluding the new and unfamiliar alternatives to the old and familiar ones (as they fear making a wrong decision). The latter on the other hand, i.e. low-risk perceivers are referred to as broad categorizers of risk. They are risk takers and approach the new and unfamiliar with ease. They make choices out of a wider range of alternatives (lest they make a wrong decision).

Risk varies across products:

Perception of risk also varies across product categories. For high involvement products, like premium products or specialty products, the perceived risk is much higher than low involvement products like convenience goods or shopping goods. Also the cumulative effect of the types of risk (physical, functional, social etc) would vary across product categories.

Risk varies across situation:

Risk also varies across situation. It varies across the channels of selling (i.e. direct or indirect marketing); it also varies with time available for shopping.

How can Perceived Risk be handled:

Perceive risk can be lessened or even ignored, thereby ending the state of tension and anxiety. Some risk-reduction measures that can be taken by the consumer and by the marketer are as follows:

1. **Information:** Consumers can reduce the degree of perceived risk by acquiring more information. They can communicate informally with his family, friends and peers, or an opinion leader, or with experienced users; this word-of-mouth communication helps to reduce the level of risk considerably. The marketer can also play an important role by providing formal communication, through his salespeople, his channel members (dealers) as well as through print and audio visual media. Information should be provided by the marketer so as to reassure the buyers that they have made the right choice with respect to the product or service offering. The more information that a consumer has about a product offering, the more confident he would about the offering, and lower would be the perceived risk.

2. **Brand loyalty:** Consumers often decide to be brand loyal so as to escape feelings of uncertainty. They are well informed about the brand and so have tried and tested it before. Purchasing the same brand reduces or even eliminates any kind of negative consequences. So such consumers decide to restrict themselves to well-tested brand(s) rather than to venture out into buying the new.

3. **Store loyalty:** Similar to brand loyalty, some consumers try to be loyal to the store. They believe in going to stores where they have been before and have built successful relationships with the dealers or the retailers and the salespeople. Buying from such stores reduces their cognitive dissonance and related fears, as they can rely on after sales service, return privileges, warranty as well as other adjustments in cases of any dissatisfaction.

4. **Brand image:** Consumers may also decide to go by the brand image and make choices based on product reputation of quality, credibility and dependability. They may decide to go in for a trusted and well-known brand, rather than going in for lesser known or unknown brands.

5. **Store image:** Consumers often decide to go by the store image and make choices based on store reputation of credibility and dependability. This is particularly seen when consumers have no information or less information about the product or service offering. They go by the store image and adhere to the product or service choice recommended by the salesperson from the reputable store. A reputed store also provides the customer with a reassurance that any complaints that arise would be addressed to and adjustments made if the purchase results in any dissatisfaction.

6. **Price:** Sometimes consumer use price as a cue and decide to buy the most expensive model or variant as they feel that the most expensive offering would probably be the best in quality. A high price is seen as an indicator of good quality.

6.4.8 CONSUMER PERCEPTION AND IMPLICATIONS FOR MARKETERS:

Consumer perception has implications for a marketer. Marketer should understand that people perceive things differently because of the perceptual mechanism that differs between people. Every person is unique in himself with unique backgrounds, experiences, expectations, etc, and so the resultant perceptions are also unique.

I Perceptual selectivity:

- The marketer should manage the sensory and perceptual factors to influence consumers.

- Human beings are simultaneously exposed to various stimuli in his/her environment. The choice of the stimuli that they select would depend on what they feel is relevant for them and or appropriate for them. In the field of marketing, stimuli could include the product, the brand name, the features and attributes, the packaging, the advertisement, etc.

-The marketer should give attention to factors external and related to the stimuli, as well as to factors, internal and related to the perceiver. External stimuli could take the form of size, intensity, contrast, motion, repetition, familiarity, novelty etc. The stimuli should possess one or more of such characteristics to get selected. Internal stimuli refer to factors that are related to an individual viz., factors like motivation, learning, personality and self-image, etc. Perceptual selectivity of a person would depend upon what he considers relevant and appropriate as per these psychological variables.

-Keeping perceptual selectivity in mind, marketers, should offer different products for different segments and position them accordingly.

-In order to get noticed, the marketer should understand that the absolute threshold for a stimulus should be kept high; for example, when making decisions on packaging of potato wafers, the font size should be big, the colors flashy and attractive etc.

-The marketer should understand that while making changes in his 4Ps, he should keep the differential threshold in mind. For certain changes like decrease in price or discounts, he could keep the j.n.d. high so that it is noticeable, and consumers are attracted towards the discounted price; and in case of price increase, he should keep the j.n.d. low and increase the price gradually, so that it does not get noticed by the consumer. In a nutshell, the j.n.d. should be used in a manner that while positive changes (eg. reduced price, discounts, "extra" quantity, product improvement etc) should be noticeable to the consumers, negative changes (eg. increased price, reduced quantity etc.) should not be apparent.

- Marketers should understand that consumers are selective in their exposure to the various stimuli that they are exposed to, and often block themselves from unpleasant and undesirable stimuli (Selective exposure). The marketer must try and present a pleasant stimuli.

- Of the many stimuli that people are exposed to, people are attracted to those stimuli that they consider to be relevant in terms of a match with their needs (Selective attention).

- Sometimes people may select stimuli which they later find as psychologically threatening and uncomfortable. In such cases, they have a tendency to filter out that stimulus, although initial exposure has taken place (Perceptual defense). The marketer must try and present a pleasant stimuli.

- When exposed to a large number of stimuli simultaneously, people may often block the various stimuli, as they get stressed out (Perceptual blocking). So a marketer must not clutter the media with too much of stimuli.

II Perceptual Organization:

Similar to perceptual selectivity, during perceptual organization, the marketer should give attention to factors external and related to the stimuli, as well as to factors, internal and related to the perceiver. The external factors refer to the external and observable characteristics of the stimulus, i.e. of the person, object, thing or situation; in marketing terms it refers to the characteristics of the product, brand, packaging, advertisement etc. Such factors would include size, intensity, motion, repetition, familiarity and novelty, color and contrast, position, and isolation. The individual factors refer to factors internal to and related to the perceiver; in marketing terms it refers to the characteristics of the consumer. For example, motivation, learning, personality and self-image etc. The marketer should aim at making the principles of the Gestalt philosophy work in the product's favor.

Drawing from principles of perceptual organization, tmarketers hould keep the following in mind:

- Figure and ground:

While placing their brands in a store, the packaging should be such that the brand stands out against the many others which should recede to the background. Thus, the packaging design should be chosen very carefully.

While designing advertisements, it is essential that footage is given to the product and or brand rather than the spokesperson (model, celebrity, expert etc.). The marketing stimulus (for example, the product and its image as well as the message), must be seen as the figure and not the ground. The advertisements should not be so entertaining visually or emotionally that such elements become the figure and the product recedes to the background. The target audience should be able to differentiate the product image and the message as the figure, clearly distinct from the scenery or the model, which will be the ground. The product should stand out as the figure and the spokesperson should recede into the ground.

- Grouping:

Consumers perceive that products that are similar to each other in appearance and use, are related to each other. That is why the marketers of “me-too” products try and copy the packaging of original brands.

When marketer launch new brands, they should try and brand it as the blanket family name or go for a corporate name combined with individual product names, and have the brand logo. Consumers perceive the new brand to be related to the old one, in terms of the fact that they share the same logo. The benefits associated with the original product get translated to the newer product as well.

Marketers should design their promotion messages in a manner that uses cues and stimuli in close proximity with the product. The result is that the positive feelings generated by one or few stimuli can be translated to the rest in totality, so as to generate a positive outcome.

Consumers relate the various stimuli that lie in proximity to each other. A product is perceived in the same way as the other stimuli are perceived in the proximate surroundings. If the mood generated by the surrounding stimuli is regal and royal, the product tends to get related to sophistication and style. So the marketer must be careful in using stimuli that blend perfectly with the product.

-Closure:

The principle of closure can be applied by a marketer to encourage audience participation, which increases the chance people will attend to the message. Teaser elements may be used in advertisements, and the consumers may be asked to fill up the gaps. This generates consumer attention and involvement, interest and excitement.

-Simplification:

The marketer should avoid a clutter of information. The information that he needs to provide should be short, crisp and precise.

The important inputs that the marketer wants to provide to the consumers must be highlighted in size, font and colour.

iii) Perceptual Interpretation:

Similar to selection and organization, perceptual interpretation is also influenced by the forces external and related to the stimuli, as well as forces internal and related to the perceiver. It is also affected by the situation under which perception takes place.

- People have a tendency to perceive things which they feel are relevant for them (Selective perception). Marketers should relate the product and service offerings through a need-benefit association, and could also go for need-benefit segmentation. They must work within the consumer's needs to categorize products.

- People often judge others (or the stimuli) on the basis of physical appearance and looks (Physical appearance). Marketers should design their product and service offerings aesthetically. They must take advantage of physical appearance as an influencing factor to their advantage. They should also use attractive models as their spokesperson, who are more persuasive than average looking models.

-People judge another person (or the stimuli) on the basis of the characteristics of the group to which he belongs (Stereotypes). Thus, marketers launch a product/service under the blanket family name, so that the image that a time tested successful enjoys can be transferred to the new offering as well. The marketer should be careful that in this case, the offering is not disappointing for the customer, lest the image of the family brand could be tarnished.

-People make interpretations on the basis of irrelevant and unmeaningful stimuli; So products should be positioned accordingly. Aesthetics and looks have a big role to play.

-People often make judgments on the basis of the first impression. A new product should never be introduced in the market before it has been market tested. In case it is not tested and launched, and subsequently fails, it could be disastrous for the company. All subsequent attempts to satisfy the customer would fail as first impression is long lasting.

iv) Product and service offering and Imagery:

- While making purchase decisions, consumers are faced with numerous alternatives, and purchase decisions is often made on the basis of the image that the product/service offering or the brand holds.

v) Perceived price and Imagery:

-The manner in which a marketer prices a product and creates an image also has an impact on consumer decision making. Marketers must identify appropriate reference prices (from a consumer's perspective), and estimate those levels (higher/lower) that are regarded as uncomfortable and unacceptable by consumers. They must price their offerings accordingly.

- Consumers consciously or sub-consciously, give a lot of importance to fairness of price.

- Various kinds of slogans in various formats can be used by a marketer to his/her advantage; Slogans tend to communicate "value" to the customer, through perceptions of increased savings and low price. The wording and the semantics used to denote price or any information related to prices can also affect a consumer's perception about price.

-Tensile price claims are spread over across a range have a greater impact on consumer psyche than objective price claims that are indicative of a single discount. Tensile price claims help build store traffic, and subsequently larger sales and revenue.

- Bundle pricing has a positive effect on the consumers' perception. The consumer feels happy with regard to the increased savings that he would be able to get out of buying the products together, rather than buying them individually at a higher price.

vi) Perceived quality and Imagery:

- Marketers must communicate product or service features in a manner that develops perceptions of product or service quality. Consumers judge the quality of the product offering on the basis of internal and external cues; internal cues refer to the physical characteristics internal to the product or service, like size, color, etc. while extrinsic cues refer to cues that are external to the product or service, like price of the product, brand image, retail store image, or the country of origin.

vi) Price/Quality Relationship and Imagery:

-Consumers relate price with quality and price is seen as an indicator of quality. Consumers also relate the increased price to the product/service attributes, features and the overall benefits that the offering provides. However, when a consumer has prior experience with the brand or is familiar with the brand name and the brand image, price would become a less important factor in the assessment of quality.

vii) Retail Store and Image:

Just as product and service offerings are positioned and clearly indicate the segment(s) for which they are aimed, similarly retail stores are also positioned. Not only are they indicative of the products/service offerings that they sell, but the layout, design, ambience and the price of the offerings clearly demonstrate the segment(s), for whom they exist. Consumers tend to shop in stores that have images consistent with their own self-images. Thus retail stores create images for their self, which illustrate the kind of and the quality of products they stock and carry.

- They layout, design and ambience of a retail store reflects the kind of product lines it carries.

-Consumers relate the well-known retail name with the assortment that it carries. They perceive high quality and value in goods that bears a well-known retail name. The effects of the store image translate to the products as well and vice versa.

- The retail store and its image is greatly impacted by the price of the offerings and the discounts that it offers. Stores that offer a small discount on a large number of items are perceived to be having lower prices overall than stores that offer large discounts on a smaller number of products.

viii) Manufacturer name and Image:

Consumers are more receptive to product and service offerings that emanate from a respectable, credible and reputed manufacturer, rather than one who is less favorable, or neutral, or totally unknown.

ix) Brand Image:

Consumers tend to form images of a brand; brand image is defined as the manner in which a consumer forms perception about a brand. Marketers should aim at creating and maintaining a positive image about their brands. Such an image gets created by product features, attributes, quality as well as the satisfaction.

x) Perceived risk:

The purchase process results in a state of anxiety and tension with respect to the negative consequences that could result from product usage. This state known as “perceived risk”; it refers to a feeling of uncertainty that arises within an individual when he fails to predict the consequences of product choice, usage and resultant experience.

Perceive risk can be lessened or even ignored, thereby ending the state of tension and anxiety. Marketers must identify consumer's perception of risk and help reduce the perception of risk through risk reduction strategies. Some risk-reduction measures that can be taken by the marketer are as follows: i) providing information; ii) building and maintaining brand loyalty and/or Store loyalty; iii)creating a favorable brand image and/or Store image.

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FAQS (FREQUENTLY ASKED QUESTIONS):

Ques 1 What is Imagery? Explain what all could be the basis of Imagery in the pricing context?

Ans 1 Consumers formulate images of the marketing stimuli that they are faced with; this is referred to as imagery. The perceived images that get formed may relate to the product/service offerings and the marketing mix. Perceived imagery with respect to price is explained as follows:

Perceived price and Imagery:

The manner in which a marketer prices a product and creates an image also has an impact on consumer decision making. The manner in which a consumer perceives a product to be i) fair/unfair; or ii) high priced, medium priced (fairly priced) or low priced, has an influence on his purchase intention, action as well as satisfaction/dissatisfaction. Price and the related issues are detailed as follows:

a) Fairness of price:

Consumers consciously or sub-consciously, give a lot of importance to fairness of price. A consumer always compares the price that he pays for an offering to that which is paid by other. Differential pricing strategies used by marketers (in case of economically poor people, or senior citizens etc) are looked upon by other customers as unfair practices. Perceived fairness of price leads to customer contentment and subsequent satisfaction. Any kind of unfairness leads to discontinuation of the brand usage and a switch over to other brands.

b) Reference price: Perception of price as high, medium (fair priced) or low:

The reference price is defined as a base price that a consumer uses to compare against another price. Reference prices may be internal and external. Internal reference prices are prices that are internal to the consumer, stored in his memory and retrieved from the memory bank, when required. For example, a lady bought sugar in July at the rate of Rs. 30 per kg. When she goes to buy sugar again after two months in the month of September, the shopkeeper asks her for Rs. 36 per kg. Her immediate reaction would be to comment that sugar has become expensive; this comment that she makes would be based on information retrieved from her memory bank and would be referred to as the internal reference price. External reference prices are used by the advertiser who communicates with the customer by mentioning that the product is sold elsewhere at a much higher price, than what it is being by this product brand or by this store brand. In other words, it is denoted as being sold at a higher rate in other places (like for example, “sold at other places as…..,we sell much lower at 20% discount). This communication is persuasive in nature to influence the consumer that the offer is a good buy and that the deal is a good one.

Prices are also perceived as high, medium or low. When studied in terms of internal and external, as well as high, medium or low, price is defined as plausible low, plausible high, and implausible high. When prices fall well within the range of market prices, they are referred to as plausibly low; when prices are such that are near the outer limits of the range, but within reasonable limits, within believability, they are referred to as plausibly high; and when, prices are such that they lie much above the realm of reasonableness, and the consumer's perceived range of acceptability, they are referred to as implausibly high. As long as the marketer’s advertised price falls within a consumer’s acceptable range, i.e. it is plausibly low or plausibly high, it would be assimilated; else, it would be contrasted and negated and would not qualify as a reference point.

c) Various kinds of slogans in various formats can be used by a marketer to his/her advantage, for example:

i) 20% off at Store ABC. Sold elsewhere at Rs. 500.

-Such slogans tend to communicate “value” to the customer, through perceptions of increased savings and low price. The consumer then decides to patronize Store ABC.

ii) The wording and the semantics used to denote price or any information related to prices can also affect a consumer’s perception about price.

- Objective versus tensile price cues:

Objective price claims are indicative of a single discount (eg. save 40%), generally for a specific product or service offering.

Tensile price claims are spread over across a range (e.g., "save 30 to 40%," "save up to 40%," "save 40% or more"); Such claims are generally spread over a wide assortment (an entire product line or various product lines) or even across a store. They have a greater impact on the consumer psyche than objective price claims, and help build store traffic, and subsequently larger sales and revenue.

d) Discount levels:

Advertisements indicating discount levels can be framed variously, and their effectiveness varies across formats;

Where advertisements are framed as stating the minimum discount level (like, Save 5% or more), consumer's shopping intentions are less favorable than advertisements that state the maximum discount level (Save up to 30%).

The effectiveness of advertisements that specify the maximum discount level (Save up to 30%)., either equals or exceeds the effectiveness of ads stating a tensile discount range (save 5 to 30%.)

Further, when across a product line, says soaps, varying levels of savings are advertised, (5% off on Lux, 10% off on Liril, and 15% off on Dove), the maximum discount level would be the most effective as a store traffic builder as it would influence the consumers' perceptions of savings.

e) Bundle pricing:

When a marketer sells together two or more product and or service offerings as a single pack at a special discounted price, it is known as bundle pricing.

Bundle pricing has a positive effect on the consumers' perception. The consumer feels happy with regard to the increased savings that he would be able to get out of buying the products together, rather than buying them individually at a higher price. Bundle pricing enhances the value of the offerings through decreased prices and increased savings.

Ques 2 **What are the various types of risks? How can risk be handled?**

Ans 2 While making a purchase decision and immediately after having made a purchase, consumers experience a state of uneasiness and tension. The purchase process results in a state of anxiety and tension with respect to the negative consequences that could result from product usage. This state known as "perceived risk"; it refers to a feeling of *uncertainty* that arises within an individual when he fails to predict the *consequences* of product choice, usage and resultant experience. This feeling arises because the consumer cannot judge with certainty the consequences of their purchase decision. The circumstance that led to such a state is lack of information, newness of the product/service offering, complexity of the offering, high price, etc.

Types of Perceived Risk:

Perceived risk is of various types. Given below are the various types of risks with marketing examples:

1. Functional Risk: this refers to the risk which a consumer perceives when he is uncertain about the product's attributes, features and overall benefit; His doubt is whether the product will perform as it is expected to perform?

Example: Will the microwave oven function well once I take it home?

2. Physical Risk: this kind of a risk is perceived when a consumer doubts about his and his family's safety with respect to the usage of a product? It refers to the dangers that the product usage could bring with itself.

Example: Will cooking in the microwave oven emit harmful radiation and kill food nutrients, or will consumption of food cooked in a microwave lead to cancer?

Or. Will it lead to shocks and short circuit in times of voltage fluctuation?

3. Financial Risk: this kind of a risk is perceived when a consumer doubts as to whether the product is worth its cost? In other words, the consumer assesses the benefit versus cost of the product?

Example: Is the microwave at Rs. 20000, worth its cost (keeping in mind the benefits)? Will it serve me for 5 years?

4. Social Risk: this is the kind of risk that a consumer faces when he doubts the product purchase and usage to sanctions and approval by the social group or class to which he belongs.

Example: Will my old mother approve of such a product and at this high price (would she consider it worthy)?

5. Psychological Risk: this kind of a risk is perceived when a consumer fears social embarrassment.

Example: Is the microwave aesthetically appealing enough not to cause ridicule?

6. Time Risk: the consumer is uncertain and doubts whether his time has been wasted by making a wrong choice or that he would have to spend time again if the product does not perform as expected.

Example: Will the microwave oven function well or would I have to replace it soon?

How can Perceived Risk be handled:

Perceive risk can be lessened or even ignored, thereby ending the state of tension and anxiety. Some risk-reduction measures that can be taken by the consumer and by the marketer are as follows:

1. Information: Consumers can reduce the degree of perceived risk by acquiring more information. They can communicate informally with his family, friends and peers, or an opinion leader, or with experienced users; this word-of-mouth communication helps to reduce the level of risk considerably. The marketer can also play an important role by providing formal communication, through his salespeople, his channel members (dealers) as well as through print and audio visual media. Information should be provided by the marketer so as to reassure the buyers that they have made the right choice with respect to the product or service offering. The more information that a consumer has about a product offering, the more confident he would about the offering, and lower would be the perceived risk.

2. **Brand loyalty:** Consumers often decide to be brand loyal so as to escape feelings of uncertainty. They are well informed about the brand and so have tried and tested it before. Purchasing the same brand reduces or even eliminates any kind of negative consequences. So such consumers decide to restrict themselves to well-tested brand(s) rather than to venture out into buying the new.

3. **Store loyalty:** Similar to brand loyalty, some consumers try to be loyal to the store. They believe in going to stores where they have been before and have built successful relationships with the dealers or the retailers and the salespeople. Buying from such stores reduces their cognitive dissonance and related fears, as they can rely on after sales service, return privileges, warranty as well as other adjustments in cases of any dissatisfaction.

4. **Brand image:** Consumers may also decide to go by the brand image and make choices based on product reputation of quality, credibility and dependability. They may decide to go in for a trusted and well-known brand, rather than going in for lesser known or unknown brands.

5. **Store image:** Consumers often decide to go by the store image and make choices based on store reputation of credibility and dependability. This is particularly seen when consumers have no information or less information about the product or service offering. They go by the store image and adhere to the product or service choice recommended by the salesperson from the reputable store. A reputed store also provides the customer with a reassurance that any complaints that arise would be addressed to and adjustments made if the purchase results in any dissatisfaction.

6. **Price:** Sometimes consumer use price as a cue and decide to buy the most expensive model or variant as they feel that the most expensive offering would probably be the best in quality. A high price is seen as an indicator of good quality.

SELF EVALUATION TESTS/QUIZZES:

Section A True/false:

1. As long as the marketer's advertised price falls within a consumer's acceptable range, i.e. it is plausibly low or plausibly high, it would be assimilated.
2. Tensile price claims are spread over across a range.
3. Consumers rely on extrinsic cues like surrogate cues to evaluate quality of services.
4. A small discount is offered on a large number of items. This provides magnitude of price advantage.
5. Stores that offer a small discount on a large number of items are perceived to be having lower prices overall than stores that offer small discounts on a smaller number of products.
6. Perceived risk is subjective in nature.
7. Low-risk perceivers are risk takers and approach the new and unfamiliar with ease.

Section B Fill up the blanks:

1. Consumers formulate images of the marketing stimuli that they are faced with; this is known as ______________.
2. ______________reference prices are prices that are internal to the consumer, stored in his memory and retrieved from the memory bank, when required.
3. When prices fall well within the range of market prices, they are referred to as ________________.
4. _____________price claims have a greater impact on the consumer psyche than objective price claims.
5. The purchase process results in a state of anxiety and tension with respect to the negative consequences that could result from product usage. This state known as ________________

Section C Multiple choice questions:

1. The risk which a consumer perceives when he is uncertain about the product's attributes, features and overall benefit, is called ___________ risk

a) Value

b) Physical

c) Product

d) Functional

2. The kind of risk that is perceived when a consumer fears social embarrassment is:

a) Product

b) Social

c) Psychological

d) None of the above

3. High-risk perceivers are referred to as __________ categorizers of risk.

a) Narrow

b) Broad

c) Wide

d) None of the above

Section D Short answers:

1. What is bundle pricing?
2. How can price discount slogans in various formats be used by a marketer to his/her advantage?
3. Write a short note on perceived quality of products and imagery?
4. Mention the various kinds of risk.

KEY

Section A True/false:

1.	True	2.	True	3.	True	4.	False
5.	False	6.	True	7.	True		

Section B Fill up the blanks:

1.	Imagery	2.	Internal	3.	Plausibly low	4.	Tensile
5.	Perceived risk						

Section C Multiple choice questions:

1.	d	2.	c	3.	a

Section D Short Answers:

1. When a marketer sells together two or more product and or service offerings as a single pack at a special discounted price, it is known as *bundle pricing*.

2. Various kinds of slogans in various formats can be used by a marketer to his/her advantage, for example:

i) 20% off at Store ABC. Sold elsewhere at Rs. 500.

-Such slogans tend to communicate “value” to the customer, through perceptions of increased savings and low price. The consumer then decides to patronize Store ABC.

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3. Consumers judge the quality of the product offering on the basis of *internal and external cues*; *internal* cues refer to the physical characteristics internal to the product or service, like size, color, etc. while extrinsic cues refer to cues that are external to the product or service, like price of the product, brand image, retail store image, or the country of origin. Such cues provide us with information about the product or service quality.

For some product offerings, the quality can be assessed using intrinsic cues or physical characteristics:

- flavor, aroma etc.: bakery products, ice creams etc.
- color: mouthwash, detergent soaps etc.

For other product offerings, the quality cannot be wholly and accurately assessed using such intrinsic cues or by experience alone; the consumer depends on extrinsic cues to assess quality:

- price: the higher the price, the better the quality: Dell, Sony
- brand image: Samsung
- manufacturer's image: BMW, Merc
- retail store image: Spencer, Shopper's Stop
- country of origin: Electronics: Japan; Rubies: Myanmar; Gold: Dubai

4. Functional Risk, Physical Risk, Financial Risk, Social Risk, Psychological Risk, Time Risk

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