Effects of Construal Level Theory on Price Sensitivity and Perceived Value of Branded Products

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Price is undoubtedly one of the most important product signals, or cues, of the product. The perception of price is constantly influential due to its omnipresence in the marketplace (Lichtenstein, Ridgway, & Netemeyer, 1993). There are traditionally two ways that it can be viewed; price can be seen as a constraint (Lancaster 1971) or as a product attribute (Erickson & Johansson, 1985). In order to make that determination, it is assumed that a consumer must first be significantly price sensitive (Gabor & Granger, 1979). A more recent addition, and at times a precursor, to the list of determinants for price sensitivity and perceived value is construal level and psychological distance.

Construal level theory (CLT) proposes that individuals construe, or interpret, events at different levels according to their psychological distance. The further the event is removed from direct experience, the further the psychological distance (Trope & Liberman, 2010) and therefore higher level construal. Higher level construal constitutes abstract mental processes while lower level construal denotes concrete thoughts. The level of distance affects prediction, evaluation, and action towards the event, when those determinations are the product of construal (Trope & Liberman, 2010).

Bornemann and Homburg’s findings (2011) verify psychological distance, high/abstract construal, as an additional determinant of perceived value. They found that the greater (lesser) the psychological distance the greater the value (sacrifice) for the consumer. Therefore, the following adopted hypothesis could be confirmed:

H1: Consumer’s perceived value for a relatively high product price compared to a relatively low product price will be lessened when the purchase is psychologically distant than when it is psychologically near.

In that research, and others (Kim, Zhang and Li, 2008; Goodman & Malkoc, 2012), all other extrinsic cues (brand name, store name, country of origin) of the product in question were purposely held constant, though it is suggested that other extrinsic cues of the product help determine the viewpoint of price (Teas & Agrawal, 2000).

It is important to include the brand of the product as the brand amplifies the influence that price has on perception (Dodds & Monroe 1985). Price can be a strong indicator when it is the only cue available, but the brand performance has been found to have a stronger effect when both are present—especially for brands with strong positive images (Jacoby, Olson & Haddock, 1971).

As such, the following hypotheses are put forth:

H2: Consumer’s price sensitivity for a relatively high product price compared to a relatively low product price will be lessened when the purchase is psychologically distant than when it is psychologically near for a brand with strong performance compared to a brand with weak performance.

H3: Consumer’s perceived value for a relatively high product price compared to a relatively low product price will be heightened when the purchase is psychologically distant than when it is psychologically near for a brand with strong performance compared to a brand with weak performance.

This study will use a web-based questionnaire to gather the opinions of sport consumers on their consumption of branded products. An online questionnaire link message will be sent out to a pilot sample of approximately 100 undergraduate students and an adult sample of approximately 250 will be surveyed on November 12th and 19th, respectively.

The participants will be asked to consider scenarios in which they are analyzing the following in the sport context: pricing of branded products and the performance of the brand. Each participant will be randomly assigned to varying levels of psychological distance—social and temporal, utilizing the methods of Bornemann and Homburg (2011). For social distance, the scenarios would describe a purchase for themselves or for another person. For
temporal distance, the purchase is being made tomorrow or next season. After being placed in the contexts of psychological distances, they will respond to questions from 7-point Likert scales that measure the following: price sensitivity (Wakefield & Inman, 2003), perceived value (Wakefield & Barnes, 1996), and brand equity (Pullig, Simmons & Netemeyer, 2006). The brands of the products in the questions will be hypothetical and have performance evidence to support their low/high brand equity.

The data will be examined to find differences between groups utilizing multiple analyses of variance. A randomized 2x2x2 factorial design will be implemented; the independent variables being social distance (high/low), temporal distance (high/low) and brand performance (high/low).

We expect to find the hypotheses confirmed which will give sport marketers a better grasp of how their organization’s product offerings will be received by consumers, therefore altering their marketing strategies. The findings will also be important for researchers who are interested in future investigations of recent psychological theories and their relationship to price sensitivity, perceived value and brand equity.

References


