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Consumers and increasing price sensibility

Abstract

There is a traditional way of conceptualizing the Status Consumption Scale – SCS (Eastman, Goldsmith, Flynn, 1999). On the one hand, the concept embraces the rigidity of the price, on the other hand, the competitive advantages of quality (involvement, innovativeness, and brand loyalty). The factors at the latter extreme minimize price sensitivity and in most cases are linked to higher prices. Price-based competitive advantage works the other way, raising price sensitivity and almost always coincides with lower prices. Over the last decade, a set of new factors has come into play, changing the traditional concept of price sensitivity, leading most consumers towards a new relationship, namely: pricing for value (De Jaime Escala, 2007). This new paradigm means a new ordering of criteria in consumers' minds when they buy something, such that quality-linked factors (involvement, innovativeness and brand loyalty) and price-linked factors (low prices) break the old rules, spreading the paradigm throughput the Status Consumption Scale and giving rise to hybrid consumers. The consumer evaluates the price he is willing to pay for perceived value, right across the board from the dearest products to the cheapest.

There is currently strong demand for low prices – something that was spurred on by the 2008 economic crisis. The aims of this paper are: (1) to discover the factors impinging on the new consumption scenario; (2) use these factors in subsequent analysis to discover the types of consumers emerging as a result. To make the analysis, the authors isolated the internal and external factors affecting the new scenario. Using these factors allowed to identify groups of hybrid consumers whose decisions are based on pricing-for-value. There are also consumer groups that stick closely to either the value or to the price criterion. However, these groups are much less clearly-defined than hitherto, given that they have been 'contaminated' by the new scenario. As a result, there are now two main groups of consumers – Rational Shoppers and Hybrid Shoppers – who mix attributes linked to value and price across a continuum.

The results shed light on the new relationship between pricing and value. They also put brands in the spotlight, helping new brand strategies to be drawn up, providing scope for new interpretations of brand strategies for both manufacturers and distributors facing hard times and pressure to cheapen their products.

Keywords: price sensitivity, pricing for value, low cost, hybrid consumer, pricing and branding.

Introduction

Classic price msensitivity – the state of the question. Price sensitivity or overall reaction to premium prices can be seen as how a consumer feels about paying a given price for a product (Goldsmith and Newell, 1997). This feeling boils down to a propensity to buy a product and the greater or lesser satisfaction with the purchase. The concept is closely linked to perceived value, that is, the functional, social, emotional, epistemic and conditional benefits (Sweeney and Soutar, 2001) obtained in exchange for the sacrifice implied by purchase (Monroe, 1990). The greater the perceived benefit, the greater the willingness to pay more. However, price sensitivity is also "(…) the level of the consumer's response when faced with price increases by the service provider" (Tien Hsieh and Ting Chang, 2004, p. 289). These authors stress changes in purchasing behaviour when there is a price increase stemming from a change in value. De Jaime Eslava distinguishes between three kinds of price sensitivity. The first kind arises from a benchmark price, where consumers are less willing to buy a given product the dearer it is compared with the alternatives. In this case, consumers must know about other products and product categories in the market and about competing brands. The second kind arises from the perceived cost of purchase. The third kind stems from sensitivity to differentiation-based value (where differentiation is based on factors such as prestige, exclusiveness or brand) (De Jaime Eslava, 2007).

The status consumption scale, SCS, is "the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others" (Eastman, Goldsmith, Flynn, 1999). On the one hand, SCS embraces those consumers who are swayed by three key factors: involvement, innovativeness and brand loyalty (Goldsmith, Flynn and Kim, 2010), and covers the highest prices. On the other hand, there are consumers who are swayed by the lowest prices. Price sensitivity is measured over this spectrum and is rendered as the varying willingness of each customer – ranging from maximum to minimum – to pay more or less for each product category. We analyze three SCS factors:

1. **Involvement.** This is a psychological state of interest, enthusiasm and excitement regarding the product category. Involvement has to do

with preparation for the purchase, with the building of relations based on brand communication before and after the purchase, and post-sale exchange of information (Kellogg, Youngdahl and Browen, 1997). The consumer's knowledge of the product features is inextricably bound to involvement (Goldsmith, Flynn and Eastman, 1996) and is linked to high prices. A negative association regarding price sensitivity on the one hand and preparation, building relations and exchange of information on the other was observed when product prices were raised by 10% (Tien Hsieh and Ting Chang, 2004).
2. **Innovativeness.** This is linked to the new and creative, the search for new, pioneering products. Price sensitivity will be less in the first stages of a product's life cycle than in the following ones. Innovativeness is reflected in the internal processes used for fostering such creativity: product ideas; product selection; product development; and marketing (Booz & Co, 2010).
3. **Brand loyalty.** This is the trust placed in a brand to confer status on the consumer, leaving the influence of price aside. The customer perceives the brand's product to differ from those offered by competitors and is thus willing to pay more for it (Light, 1997 factor in the purchasing decision (Dielh, Kornish, Lynch, 2003). The greater the credibility of the brand attributes, the lower price sensitivity (Erdem, Swait, Louviere, 2002). Brand loyalty puts a premium on a firm's products compared with competitors with similar prices. It also constitutes a defence against low-price competitors (Wernerfelt, 1991). However, the link between loyalty and price sensitivity is an extremely complex one, which may be sundered for may reasons. Even so, the rate at which price sensitivity lessens falls as brand loyalty rises (Krishnamurthi, Papatla, 2003).

The new concept of price sensitivity. Airline deregulation in Europe in 1997, like similar deregulation in the U.S. from 1978 onwards, led to a long-running price war, which in Europe lasted throughout the first decade of the 21st century. This kind of price war extended to other sectors in the tourism industry. The whole 'low cost' phenomenon arose from cost-cutting throughout the value chain, where savings were passed on to consumers in the form of lower prices. Over the decade, consumers demanded lower prices across the board. Here, consumers abandoned the traditional price-quality relationship on which SCS is based – more involvement, innovativeness and brand loyalty; lower price – reflected in pricing for value. That is to say, the three criteria are not always found at one extreme of the SCS, as under the traditional scheme. Customers seek to satisfy their criteria in the SCS, depending on the moment, the purchase and the channel. Involvement, innovativeness and brand loyalty, on the one hand, and price on the other are not antagonistic. Rather, customers and firms mix them freely to come up with a given value proposition.

Hitherto, price was an important attribute in making a purchase (whether or not one could afford it). Henceforth, it will play a new role, becoming the trigger for purchasing behavior and the origin of the purchasing decision. It is the customer who indicates the product composition, the price he is willing to pay and the channel (Kotler, Jain, Maesincee, 2002). Price severs the umbilical cord linking what were – up to now – two highly-significant aspects: (1) a single price throughout the sales period (with structural costs determining elasticity), which each firm then took as a signal regarding what the customer was willing to pay at a given moment and for a given function and channel; (2) the value components, given that each firm can offer its own mix based on any level within the SCS. Thus the competitive advantages of involvement, innovativeness and brand loyalty will not only respond to high prices as hitherto but also be identified with low and middle prices. The pricing for value revolution "forces marketing to reflect anew in order to identify the value (price) the consumer assigns the product at a given moment" (Valls, 2010, p. 53).

From the company's standpoint, pricing for value "consists of determining the most profitable prices for capturing more value without necessarily achieving more sales" (De Jaime Eslava, 2007, p. 28). Pricing thus becomes a balancing act between value and costs, linking business decisions in the fields of marketing and finances. There are three aims: to cover production costs; to put the firm's resources (production capacity, turnover, resources) to profitable use; offer the prices sought by consumers at any given moment. Applying this new pricing for value approach, companies adopt new strategies based on re-inventing the business model. This re-invention entails constant innovation regarding: product concept; making profits; corporate processes. The commonest innovations for cutting cost cuts and passing these on in the form of lower prices include: (a) making basic products, removing all the frills that customers set no store by; (b) setting of dynamic prices based on yield or revenue management techniques, based on capturing customer/price momentum; (c) adopting e-commerce as a cheaper business model; (d) use of a discount channel or outlets to sell to those customers who will only 'bite' at lower prices (Valls, 2010). "Price has a great impact on the consumer's purchasing attitude and hence on company sales and profits. It is no surprise that price promotion is becoming an increasingly large share of marketing budgets and a factor that pervades almost every aspect of consumers' choice" (Hans, Gupta, Lehman, 2001, p. 436).

"A consumer perceives the product's value and the price at which it is offered. If they dovetail, he buys the product, if they do not, he chooses another. Customers settle on the value and, in times of high price sensitivity, they want everything cheaper. This is the hunting ground of smart shoppers, who manage their budgets in a rational fashion and combine manufacturers' and white brands depending on the moment and the channel. The hybrid consumer, whether he goes for the cheapest brand or the most luxurious one, is the fruit of this new consumer mentality" (Valls, 2010, p. 16). This changes the setting for brands and their products. In this shadowy new world, paradigmatic elements sink into the shadows. In the fashion industry, for example, the logos of the leading brands are not measured by their size or showiness but by how well consumers recognize them. Indeed, it has got to the stage where some firms are hiding their brands so that only their customers will recognise them (Klein, 2000). Meanwhile, the cheapest brands are linking their products to well-known brands that used to be associated with the dearest end of the SCS spectrum. Consumers judge a product in terms of its real value and not the value that companies try to put over. "Consumers who had learned to trade up when times were flush are now learning to trade down. They realize they were wasting money on higher-priced goods and services when less expensive alternatives were available with little real trade-off in quality or satisfaction. Indeed, many consumers regret what they used to spend; they are finding a new sense of well-being in becoming more discerning shoppers. There will be more of a premium placed on seeking value. People will realize that's being smart."(Hoch, 2009, p. 1)

The massive shift of consumers to lower-priced goods was spurred on by the 2008 credit crunch. However the trend has not been linear in all product categories. There are still consumers who stick with the high end of the SCS through traditional ties of involvement, innovativeness and brand loyalty. The Price Shoppers have not changed their consumption patterns either. However, in addition to these two groups (wedded to value and price, respectively), other more erratic, hybrid groups are emerging and which price-value criteria vary greatly from the consumers portrayed by traditional schemes. This fascinating research has great scope for analyzing price/value relationships and brands. To this end, one first needs to describe the new factors affecting the price/value relationship in the new setting. There are both internal and external factors that have to be borne in mind when establishing the SCS.

The internal factors are:

- The consumer's need to obtain satisfaction when making his purchase, and the product category involved. Whether their needs be basic or advanced (in psychological and social terms), consumers will show lesser or greater price sensitivity. When the situation is unsatisfactory, the greatest psychological needs are repressed. By contrast, when consumers cannot experience social participation, the financial power of consumer participation may come to the fore (Tien Hsieh, Ting Chang, 2004).
- The consumer's structure of values. Depending on this, customers adopt one or other general codes of purchasing behavior. For example, a pattern that is guided by prestige as the benchmark value (Braun and Wicklund, 1989) will differ from a pattern that takes the opposite approach (Lichtenstein, Ridway, Netemeyer, 1993).
- The consumer's income. Bearing in mind high degree of consumer hybridization between dear and cheap products, income generally influences purchases. Those with the highest incomes will tend to buy more expensive products than those who have less to live on. This aspect remains relevant when one studies an individual's overall purchasing behavior.

External factors:

- The state of the economy. This plays an important role. The present grave crisis, which began with the 2008 credit crunch, not only affects those at the bottom of the heap but also the rest of the population too, making everyone feel less secure. Price sensitivity soars among all social classes.
- The rivalry between competitors. Here, the greater the rivalry "(…) the more the value of the market is undermined (…) (given that) price-setting is a game but fighting competitors imposes costs on players in which the loser never benefits from having made the first move" (De Jaime Eslava, 2007, p. 147). Rivalry between competitors is measured by taking into account the competitive position in the industry, elasticity in reacting to competitors' prices; price elasticity over profit margin; the measures taken when competitors change their prices; the long-term price strategy based on competitive advantages and differentiation (innovation, complementary services); cost efficiency (economies of scale, experience, integration, location) and cost-

value combinations (low prices and a strong focus on quality) (De Jaime Eslava, 2007).

- How price is presented. Four price-fixing patterns steadily gained from the mid-2000s as the decade wore on. Even so, one still needs to bear in mind the traditional classification (Santesmases, 2011). The four new, predominant patterns are: (1) Open, facilitated by a market place that directly links suppliers to customers, who decide the price either through negotiation or an auction; (2) By separating the basic product from complements. This changes consumers' perceptions of the product's overall price. The purchase may seem cheaper, depending on the nature of the components and price compartmentalization. Where the base price is stressed, as is the case in times of recession, consumers – who tend not to read the fine print – usually recall the lowest prices. Even so, the clear price breakdown encourages consumers to evaluate the extent to which each component enhances the value of the base product (Hamilton, Srivastava, 2008). Unfortunately, there are few studies comparing fractioned and non-fractioned prices (Janiszewski, Cunha, 2004). Elasticity of demand measures the consumer's price sensitivity to each of the items that most influence the purchasing decision (De Jaime Eslava, 2007); (3) Discount. A given percentage is slashed off the price during periodic sales campaigns. The discounts may be given through: periodic sales campaigns; coupons; loyalty cards. This factor is one that has gained the greatest impact among the four given here. Consumers tend to react more positively to a cut price. For some strange reason, consumers find a price of '€25 with 20% off' more alluring than one marked '€100', even though they come to exactly the same; (4) With a free gift or as a way of facilitating cross-sales.
- The channels. Each sales channel may adopt a different price. In fact, consumers shift from one to another looking for the sought-after price-value relationship – a behavior pattern that applies both to physical shops and e-commerce. In the latter case, the technological effort put into the channel provides little in the way of transparency, hence the proliferation of online tools for comparing prices. These tools, plus consumers' own price discrimination, do the rest. Offline distribution follows part of the traditional rationale but with one noteworthy change: it speeds up price dynamics outside the usual sales periods. There is also the approach taken by 'outlet villages', whose shops offer permanent discounts. These outlet centres have waxed greatly in Europe, accounting for just 2% of the sector in 2000 but close on 10% at the beginning of 2011. In the process, they have eaten away at the market share enjoyed by multi-brand and single-brand shops in 'category killer' classes on the one hand, and department stores and hypermarkets on the other. Among the online channels, we distinguish between: (1) Direct channels – webs 1.0 and company portals, and webs 2.0 and social networks; (2) Indirect intermediaries, in which a commission is presumably added to the supplier's price. Paradoxically, in many cases the prices are lower than those found through direct channels; (3) Indirect transactions, in which the price offered is the result of direct negotiation with the supplier. These prices involve discounts, coupons, or e-commerce sites that put the supplier into direct contact with consumers; (4) Virtual outlets, as an online discount channel in premium-brand products are offered at a discount.

1. Objective and methodology

While SCS' traditional, rigid linear scheme is disappearing (under which quality – involvement, innovativeness and brand loyalty – lay at one extreme; and price at the other), the problem is to identify price sensitivity under the new scenario and pin down the resulting consumer types arising from the price/value relationship. For this purpose, we have taken both the internal and external factors identified earlier and compared these with the four consumer types put forward by De Jaime Eslava (De Jaime Eslava, 2007). The first type is Value Shoppers, who seek exclusiveness, prestige, brands and are willing to hunt for and compare products until 'the price is right' for the value sought. The second is Relationship Shoppers, who are loyal to brands on which they build an absolute trust. The third is Price Shoppers, who will a penny more for added value and seek products that meet their basic criteria. They habitually buy basic products and ones in the 'all included' category. The fourth is Convenience Shoppers, who seek physical or virtual proximity in their suppliers and spend very little time on shopping.

We drew up a questionnaire that took into account the factors affecting the new scenario (detailed in the previous section), namely: the need to be satisfied, the value structure, income, the economy, competitors' rivalry, price presentation, the sales channel. The sample of 418 individuals in the Barcelona Metropolitan Area was based on these requirements. The sample was stratified by gender, age (18 or over), education level, income. A closed questionnaire was administered over the Internet and complemented with telephone interviews to correct for those age bands where Internet use is under-represented. The questions asked were intended to measure consumers' attitudes to brands and prices. An initial scale was refined to produce the one finally used.

Table 1. Sample structure

Age	Aged 18-24	63	15.1 %
	Aged 25-34	114	27.3 %
	Aged 35-44	123	29.4 %
	Aged 45-54	77	18.4 %
	Aged 55 or over	41	9.8 %
Employment status	Self-employed	63	15.1 %
	Salaried	206	49.3 %
	Retired / pensioner	18	4.3 %
	Unemployed	66	15.8 %
	Household chores / caring for own children	34	8.1 %
	Student	Ą1	7.4 %
Type of household	Single households (one person living alone)	32	7.7 %
	Households with one adult and children	52	12.4 %
	Households with a childless couple	100	23.9 %
	Households with a couple with and children	191	45.7 %
	Other kinds of households	43	10.3 %
	Total	418	100.0 %
Level of education	No qualifications	6	1.4 %
	Primary school	50	12.0 %
	Secondary school	188	45.0 %
	CFGS / University degree (short cycle)	82	19.6 %
	University degree (long cycle) or similar	81	19.4 %
	Post-graduate studies (Master's degree, Ph.D.)	11	2.6 %
Household net income	Under €1,000 per month	67	16.0 %
	Between €1,000 and €1,500 per month	100	23.9 %
	Between €1,500 and €2,000 per month	105	25.1 %
	Between €2,000 and €3,000 per month	93	22.2 %
	Between €3,000 and €4,000 per month	31	7.4 %
	Between €4,000 and €5,000 per month	12	2.9 %
	Over €5,000 a month	10	2.4 %
Gender	Man	197	47.1 %
	Woman	221	52.9 %

Given that there was no previous model that we could validate and evaluate, an exploratory analysis of the data was conducted (Principal Component Analysis – PCA), that allowed three dimensions to be identified and which explained 63.2% of the total variance. The structure of these dimensions is detailed in Table 2.

Table 2. Matrix of rotated components

	Dimensions		
	Value	Price	Rationality
When I buy a product or service, I look at the brand – the price does not matter to me.	.845		
I do not mind paying more for a brand with a good reputation.	.808		
If I want something, I buy it without worrying about the price.	.682		
I am willing to buy a cheaper product instead of the one I want or even wait to buy it later.		.784	
Every time I buy something, I compare prices until I find the lowest one.		.759	.306
I always seek discounts, special offers or sales.		.714	
I like buying products or services that provide good value for money.			.818
When I buy a product or service, I study its features in detail and then look for a reasonable price.		.307	.687
Every time I want to buy something, I give priority to those brands I have had good experience of.	.478		.630

There are three clear dimensions, covering the criteria used in the purchasing process and the relationship with price: (1) where the resulting value is of key importance; (2) where price plays a decisive role; (3) where less one-dimensional criteria combine and the value for money relationship is decisive. We therefore find ourselves in a situation where the consumer employs three visions when making a purchasing decision. Given that consumers make various purchasing decisions over time with regard to products in different categories (different levels of importance, involvement, differentiation and so on), it seems illogical to expect consumers to use solely one of these criteria when they shop for things. However, it does make sense to think that consumers would use these criteria in different ways, depending on the product category, what is on offer, the purchasing situation, the use the consumer hopes to make of the product, the level of involvement and so forth. We think a rational approach is to come up with a consumer typology that reflects all three dimensions in consumer decision-making. To meet this need, we have used these dimensions to classify the consumers in our sample. One should note that while the original items in the sample were measured using Likert 5-point scales, the dimensions obtained are measured on standardized scales.

2. Results obtained in terms of consumer typologies

To obtain this classification, we applied Ward's hierarchical classification algorithm to the dimensions of decision-making. Various typologies were explored and we concluded that the most stable and easy-to-interpret and validate solution was one with four groups. To correct for the limitations of hierarchical algorithms, we used a moving average algorithm, taking the previous result as our starting point.

This process led to identification of four groups of purchasers (Table 3). As can be seen from the table, the first group – Price Shoppers – bases its purchasing decisions on price. This group is far-removed from the value dimension. We have termed the second group 'Rational Shoppers', whose purchasing decisions set little store by price. The third group comprises 'Hybrid Shoppers', whose decisions are sometimes based on price, sometimes on brand or on reason. The fourth group – Value Shoppers – stresses value above all else, in particular above rational considerations.

The sizes of the groups are almost identical (see Table 4), although Hybrid Shoppers form a slightly bigger group than the others.

Table 3. The four groups identified

Dimension	Group				
	Price Shoppers	Rational Shoppers	Hybrids Shoppers	Value Shoppers	Total
Brand	-.65890	-.05831	1.02727	.63022	-1.19571
Price	.65944	-1.20576	.72830	-.19304	-.08782
Rationality	.52443	.80636	.43355	-.97096	-1.03813

Table 4. Group sizes

	Frequency	Percentage
Price Shoppers	102	24,4
Rational Shoppers	100	23,9
Hybrids Shoppers	111	26,6
Value Shoppers	105	25,1
Total	418	100,0

2.1. Description and validation of typologies. Once consumers had been grouped by their decision-making patterns, clear differences between the groups emerged. However, we first needed to fully grasp the significance of these groups and to validate the solution by analyzing groups in the light of other variables. We first verified whether there were socio-economic differences between the groups, bearing in mind the socio-demographic variables incorporated in the survey. The only statistically significant differences ($p < 0{,}05$) were found in relation to income:

- ♦ In the Value Shoppers group, higher-income segments were more strongly represented than in the other groups.
- ♦ In the Hybrid Shoppers group, lower-income groups were more strongly represented than in the other groups.
- ♦ In the Rational Shoppers group, medium-incomes were more strongly represented than in the other groups.

The remaining socio-demographic variables – gender, age, occupation and household type – did not throw up any significant differences. This indicates that the differences between groups are of an attitudinal nature rather than of a socio-demographic one.

Each of the purchasing attitudes embodied by one or other of the four groups was linked to a particular kind of purchase. Price Shoppers sought special offers, the cheapest products and – to a lesser extent – common brands. Rational Shoppers and Hybrid Shoppers went for: the usual brand (particularly the latter); special offers (especially the former) and also took into account the cheapest products. Value Shoppers stuck to the usual brands. They also were attracted by special offers, albeit slightly less than the other groups. They did not disdain cheaper products. It is worth noting that four groups were sensitive to advertising, especially Value Shoppers. The differences were statistically significant ($p = 0{,}000$) (Table 5).

Table 5. Attitudes to purchase

	Price Shoppers	Rational Shoppers	Hybrid Shoppers	Value Shoppers	Total
The first I come across	2.4%	2.90%	2.4%	5.7%	3.20%
My usual brand	23.2%	37.7%	36.1%	36.3%	33.5%
The dearest	0.0%	1.7%	1.9%	0.6%	1.1%
The cheapest	25.6%	13.7%	13.9%	15.3%	16.9%
One on offer	38.7%	27.4%	33.7%	24.2%	31.2%
One I have seen advertised	3.6%	6.9%	8.7%	10.8%	7.5%
Others	6.5%	9.7%	3.4%	7.0%	6.5%

The groups showed statistically significant (p = 0,000) differences regarding factors that might induce them to switch brands. The Price Shoppers group was aligned with the quality-price relationship, lower prices and special offers. Rational Shoppers are more open to the quality-price relationship than the others, they are the most willing to try new products and brands and the ones who set least store by special offers. Hybrid Shoppers stress value for money and are willing to find new brands but are strongly aware of special offers and lower prices. Value Shoppers stress value to a greater extent than the other groups, are open to new brands in their quest for greater value, seek the lowest price for the brands of their choice and distrust special offers (Table 6). There are also marked differences between the groups regarding willingness to pay more for a new product. While 5.1% of Value Shoppers were willing to do so, in the case of Hybrid Shoppers, this rose to 13.6% (see top two boxes). This compared with under 1% of Price Shoppers and Rational Shoppers who were willing to shell out more (in all cases, grouping those who marked 'always' and 'most of the time' on their questionnaires).

Table 6. Switching brands

	Groups				
	Price Shoppers	Rational Shoppers	Hybrid Shoppers	Value Shoppers	Total
Lowest price	17.1%	9.9%	15.1%	17.7%	14.7%
Find a brand with greater benefits	11.7%	15.3%	17.1%	16.3%	15.1%
Price-Quality relationship	23.4%	27.1%	22.7%	28.6%	25.1%
Better brand	2.0%	2.9%	6.7%	2.5%	3.8%
Discounts and special offers	19.4%	15.0%	16.0%	15.8%	16.5%
I lost trust in my old brand	10.4%	13.1%	10.1%	6.9%	10.4%

Analysis of the use made of each of the various distribution channels (Table 7) yielded significantly different behavior patterns among the groups:

- Price Shoppers are the ones who tend to make most use of the Internet, followed by Rational Shoppers and Hybrid Shoppers. Value Shoppers use it least, although it still ranks sixth among the nine channels for this group.
- Price Shoppers are the ones who make most of their purchases at shopping centres; hypermarkets are their second choice.
- Rational Shoppers are the ones who most use specialized shops; as with the previous group, their second choice is hypermarkets.
- Hybrid Shoppers use specialized shops and hypermarkets in almost equal measure. This group is the one that uses local shops least.
- Value Shoppers prefer supermarkets and shopping centres. This group is the one that purchases most in 24-hour shops.

Another aspect worth highlighting is the different purchasing behavior among the four groups. This emerged when we asked about impulse buying versus planned purchases. Once again, there were major differences between Price Shoppers – the ones that plan their purchases most (*ttb* = 7.9%), followed by Rational Shoppers and Hybrid Shoppers (*ttb* = 12 and 17.1%, respectively); by contrast, Value Shoppers are more prone to impulse buying (*ttb* = 26.7%).

Table 7. Distribution channels

	Price Shoppers	Rational Shoppers	Hybrid Shoppers	Value Shoppers	Total
Local shop	33.3%	37.0%	26.1%	26.7%	30.6%
Specialised shop	75.5%	87.0%	68.5%	58.1%	72.0%

Table 7 (cont.). Distribution channels

	Price Shoppers	Rational Shoppers	Hybrid Shoppers	Value Shoppers	Total
24-hour shop	2.0%	0.0%	5.4%	11.4%	4.8%
Supermarket	41.2%	45.0%	42.3%	61.0%	47.4%
Hypermarkets, large retail outlets	57.8%	56.0%	65.8%	49.5%	57.4%
Shopping centres	63.7%	48.0%	52.3%	53.3%	54.3%
Department stores	10.8%	14.0%	13.5%	13.3%	12.9%
Macro	2.9%	2.0%	0.9%	0.0%	1.4%
Internet	24.5%	24.0%	22.5%	12.4%	20.8%

When respondents were asked to identify the kinds of brands they went for, the similarities between groups were greater than the differences (see Table 8). Broadly, all four groups put manufacturers' brands first (roughly 78% ± 3%) and distributors brands second (roughly 21% ± 3%). The results clearly indicated the dissolution of the old price-value relationship across the board.

Table 8. The value of brands

		Price	Rational	Hybrid	Value	Total
Brands	Distributor	24.0%	20.0%	24.3%	17.2%	21.5%
	Manufacturer	76.0%	80.0%	75.7%	82.8%	78.5%

When respondents were asked what point they chose on the price-value scale (price = 1, value = 5) in their planned purchases, there were significant variations in the answers given by the groups. Rational Shoppers tended more towards the value end (with a score of 3.2, slightly above the scale's mid-point) as did Price Shoppers. For the statement "If I want something, I buy it without worrying about the price", the Hybrid Shoppers and the Value Shoppers agreed most and Price Shoppers the least. For the statement "I look for what I need in the closest channel or shop, even though I know I can find it cheaper elsewhere", Hybrid Shoppers and Price Shoppers agreed most and Price Shoppers least. In relation to the statement "I prefer not to maintain long-term contracts with my brands because I constantly seek the best alternatives", Hybrid Shoppers and Price Shoppers agreed most, while Value Shoppers agreed least. Responding to the statement "Some of the products and services that I buy most often have highest prices and some the lowest prices", Value Shoppers and Hybrid Shoppers agreed most whereas Price Shoppers disagreed. This means that Price Shoppers plan their purchases much more than either Value Shoppers or Hybrid Shoppers.

In Figures 1 and 2 (see Appendix), one can see marked differences between the representation of the socio-demographic variables – income, age, education, household type, occupation – and representation of the sample spread. In Table 9, the four groups of purchasers are tightly clustered. By contrast, in Table 10 (which charts attitudes), the groups are far apart. This is because in crossing the three dimensions analyzed (brand, price, rationality), each group is given its own space, equidistant from the others. Once again, this reveals that socio-demographic factors exercise little influence on consumers' behavior whereas attitudinal criteria drive major differences.

2.2. Typology summary. Synthesising the foregoing results, the shopper profiles are as follows.

2.2.1. Price Shoppers (24.4 %). Group with below-average income (€1,907 per month). The average for the sample was €2,003 per month.

This group is characterized by decision-making processes that generally focus on finding the cheapest products. This is the key to their purchasing decisions. Consumers in this group have below-average incomes. They tend to buy products on special offer. Their main reason for switching brands is that the new one is cheaper.

These consumers are less likely than others to fall under advertising's spell, they show little brand loyalty and innovation leaves them cold if it means paying more. These shoppers are the ones that use the Internet most. They prefer to make their purchases at specialized shops and shopping centres. They are the first to plan their purchases and price means much more to them than product benefits.

2.2.2. Rational Shoppers (23.9 %). Group with an above-average income (€2,175). These shoppers try new brands and switch if they like the new ones more. Price and special offers cut little ice with them. They are relatively loyal to their usual brands and show little propensity to pay more for a new product. Consumers in this group often make their purchases at specialized shops and on the Internet. Their purchases are split fairly evenly between impulse buying and planned acquisitions.

In relation to price/benefit, this group sets much greater store by benefit than price. This attitude puts them among those who are not bothered about price if they want something (i.e. benefits). Access to products and convenience are not factors driving them to pay a higher price.

3.2.3. Hybrid Shoppers (26.6 %). The group with the lowest income (€1,814). If they find a better brand offering greater customer satisfaction, they switch immediately. They are therefore slightly willing to pay more for a new product. This does not preclude them from being loyal to their usual brands, even though they are more influenced by special offers and advertising. They often shop at hypermarkets and similar retail outlets.

With regard to price/benefit, Hybrid Shoppers are closer to the benefit end of the SCS than the price end. As a result, they find it easy to buy something they want without worrying about price.

They set convenience against price. This group prizes brands least, preferring a systematic search for alternatives. This leads them to accept changes in price without a murmur.

2.2.4. Value Shoppers (25.1 %). Group with the highest average income (€2,269 per month). For this group, brands play a key role in the decision-making process. These shoppers show little propensity to change brand and when they do so, the main reason is to obtain better value for money. This group is more sensitive to advertising than the others. Value Shoppers are strongly loyal to brands. They are also much more willing to pay more for a new (innovative) product.

They make little use of the Internet but buy a lot at supermarkets. This is the group that least plans its purchases and is thus most likely to succumb to impulse buying.

In general, price is not an important factor in their purchasing decisions and these shoppers set convenience against price. Last but not least, it is the group that places greatest value on brands versus a systematic search for alternatives.

Conclusions

The results of the study enabled us to identify the change factors defining the low-price era. These factors are: the quest for satisfaction, the structure of values, income, the economy, the intensity of competition, price presentation, the sales channel. We found that these factors clearly affected purchasing decisions.

From our analysis and taking the new factors into account, one can say that the old SCS scheme, with its linear rigidity in which quality (involvement, innovativeness and brand loyalty) lay at one extreme and price at the other is now a thing of the past. The purchasing decisions analyzed in the study reflect a mixture of three dimensions – brand, price and rationality – across the SCS. We have shown that consumers are grouped in accordance with the pricing-for-value paradigm, sometimes adopting some dimensions, sometimes others. Their choice of dimensions is influenced by socio-demographic variables (gender, age, occupation, household type). Accordingly, the differences between the four groups are of an attitudinal nature, not of a socio-demographic one. This is shown in their attitudes to different kinds of purchases, their willingness or otherwise to switch to new brands, their choice of sales channel and the extent to which they plan their purchases. One can also make deductions from the groups' attitudes to manufacturers' and distributors' brands. Taken as a whole, all four groups show a marked preference for manufacturers' brands (78.5%) over distributors' brands (21.5%).

We were unable to verify the existence of two groups of shoppers posited by our research hypotheses, namely Relation-based Shoppers and Convenience Shoppers. Instead, Rational Shoppers and Hybrid Shoppers emerged, subsuming the consumption patterns in the two 'missing' groups. By contrast, we confirmed the existence of Price Shoppers and Value Shoppers, whose purchasing criteria were very similar to those posited in our hypotheses.

The boundaries of all four groups are somewhat blurred, with Price Shoppers and Value Shoppers being the most clearly-defined. This fuzziness leads to heterogeneous purchasing behavior by all groups and varying hybridization in their dimensions. Positioning on a scale is not always linear yet more in-depth examination of the crosses among the three dimensions and four groups did not yield any sharper definition.

Recapping, the groups' salient features are:

- Price Shoppers make up 24.4% of the sample, their average income (€1,907 a month) is below the average for the sample as a whole. The seek cheap products, which is why they are attracted by special offers. If a new, cheaper brand appears on the scene, they switch without a second thought. Most of their purchases are made through the Internet, specialized shops and shopping centres and they carefully plan what they spend their money on.
- Rational Shoppers make up 23.9% of the sample and their average income (€2,175 a month) is above the average for the sample as a whole. They are little-influenced by low prices and special offers. They tend to be loyal to their usual brands but are also try others, which they switch to if they like them more. However, they are not willing to pay more for a new product. They buy in specialized shops and through the Internet. Their purchases are fairly evenly split between impulse buying and planned purchases.
- Hybrid Shoppers make up 26.6% of the sample. Their average income (€1,814 a month) is below the sample average. They shop through value-linked chains and through price-linked ones. They are loyal to their brands but they seek other brands too and switch if they like a new one

better. Hybrid Shoppers are influenced by special offers and advertising. They show little propensity to pay more for a new product. They mainly do their shopping at hypermarkets and other large retail outlets.

- ♦ Value Shoppers make up 25.1% of the sample. They have the highest average income of all the groups (€2,269 a month). They prize brands above all else. Once they have chosen a brand, they stick to it unless they find another offering greater quality for the price. They are sensitive to advertising and are clearly willing to pay more for a new product. They use the Internet little and – paradoxically – do much of their shopping at supermarkets. Those in this group do not plan their purchases and are prone to impulse buying.

These findings open the path to subsequent studies on the relationship between prices and brands, go beyond current trade-off measurements and gain deeper insights into pricing-for-value and consumer attitudes driving purchasing decisions.

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Appendix

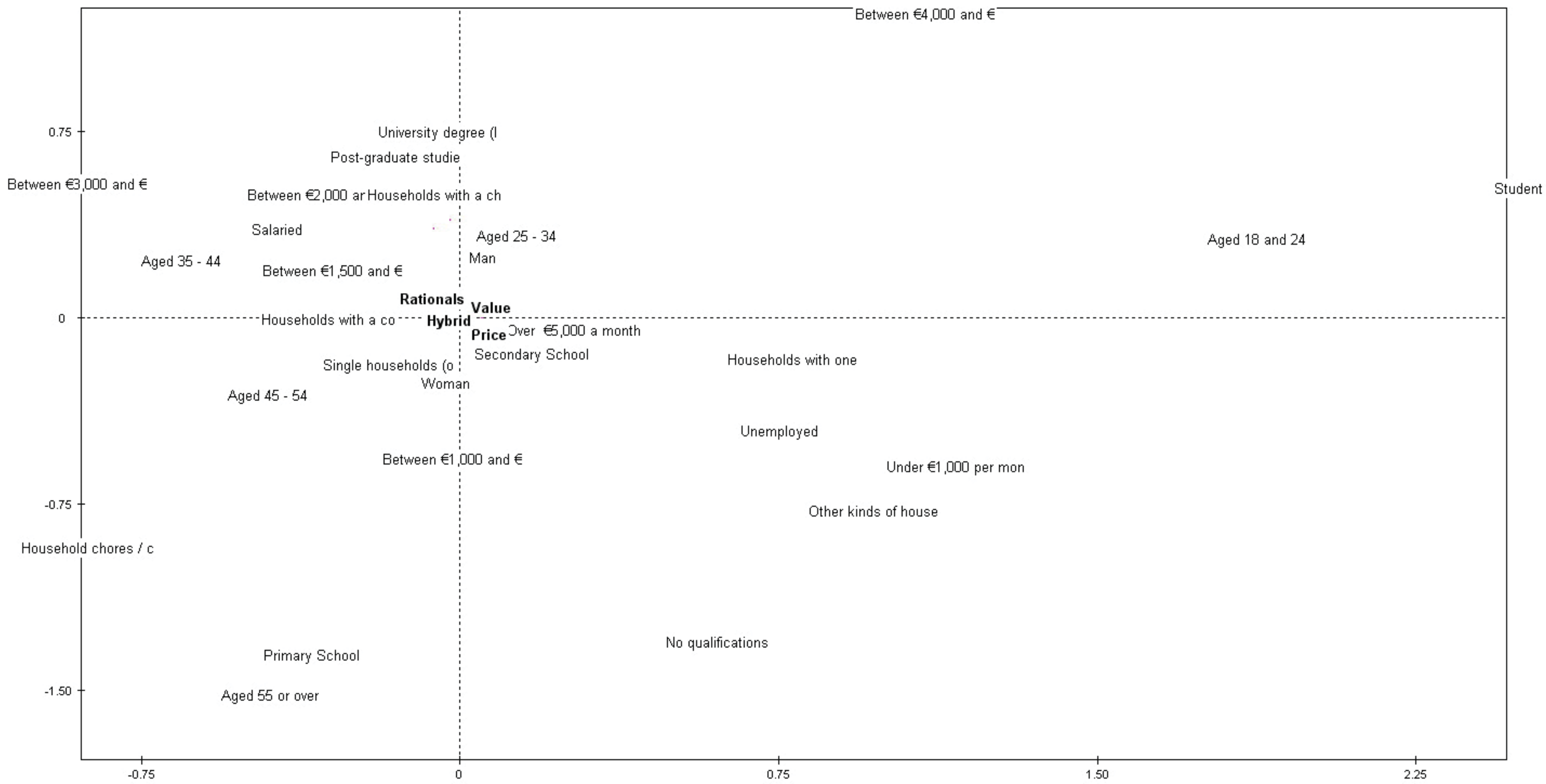

Fig. 1. Socio-demografic variables representation

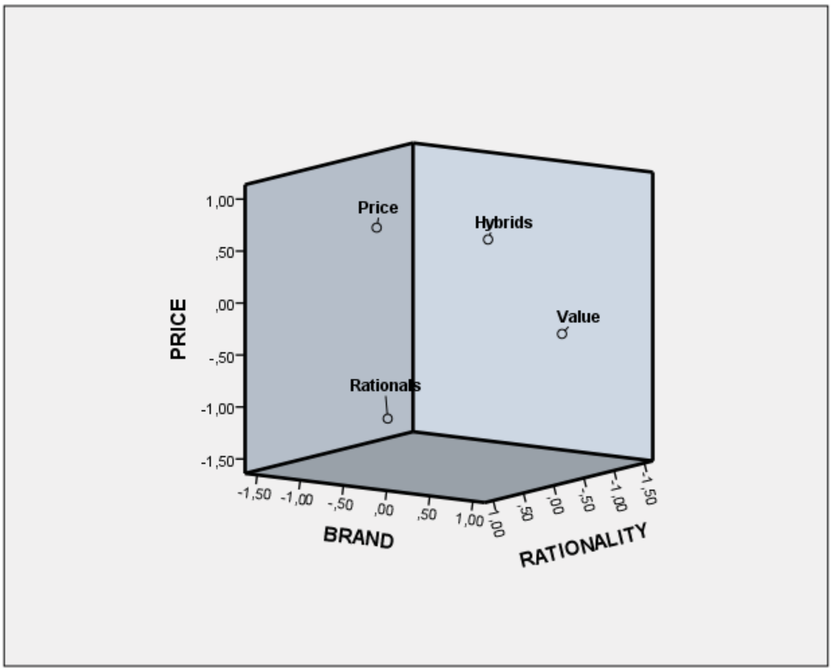

Fig. 2. Attitudinal variables representation