The effects of a price tag presentation on the purchase intention of new products

Keywords: Price presentation. Product informational tags. New products.

Price information can be omitted and get inaccessible to consumers by some failures in operational processes, or even because of deliberate decisions from marketers in omitting price information. Considering that price and communication are the most important factors affecting consumer demand (Lu, Gou, Tang, & Zhang, 2016), the absence of price information results in one less element in the purchasing decision process.

Besides price presentation, other elements play a role by informing and influencing consumers' decisions. One of these elements are informational tags which are purposely used by retailers, especially those online, to deliver information about the product (e.g., Amazon's "Best Seller" and "Limited time deal" tags). These tags may also be used to signal a new product, such as a new arrival in the store. Thus, products with a novelty appeal can be presented with a tag delivering this information.

Product labels are a source of business information that attract consumers' attention, and communicate messages and characteristics that can motivate the purchase (Héroux, Laroche, & McGown, 1988). Price is another important characteristic of the product that may encourage consumers' interest and increase purchase intention, depending on how it is presented. Therefore, the main purpose of this study is to investigate the role of price presentation and informational tags on purchase intentions, that is how the presence of a price tag influence the purchase intention for new products.

Consumers use past prices information (e.g., past purchases or simple observation of prices) to create a reference level that affects their perceptions of current prices (Bruno, Che & Dutta, 2012; Kim, Natter & Spann, 2009). These are known as reference prices. However, for innovative or new products, customers do not have information stored in their memories and need to structure their knowledge about these new products (Harmancioglu, Finney & Joseph, 2009). In this sense, consumers will try to fit the new product into one of the characteristics already known by them (Ozanne, Brucks, & Grewal, 1992).

Therefore, we developed a study 2 (Price tag: Present, Absent) x 2 (Informational tag: Present, Absent) with a between-subject design. We recruited 195 US-resident consumers on Figure Eight (n=195, 65.1% female, M_{age}= 39.4 years).

Participants were told to imagine that they visited a convenience store to buy a mug. The mug was chosen because it is a low-involvement-type of product. Participants were randomly assigned to one of the four possible conditions (Figure 1). For the condition where the informational tag was present, the image contained an informational tag with the word "new" written on it. For the conditions with present price tag, we showed participants a price tag of $11.99. The price was defined based on the average price found on websites that sold similar mugs. We asked participants who did not see the price tag how much they believed that the mug costs, and the answers were close to the price we provided (M=10.82).

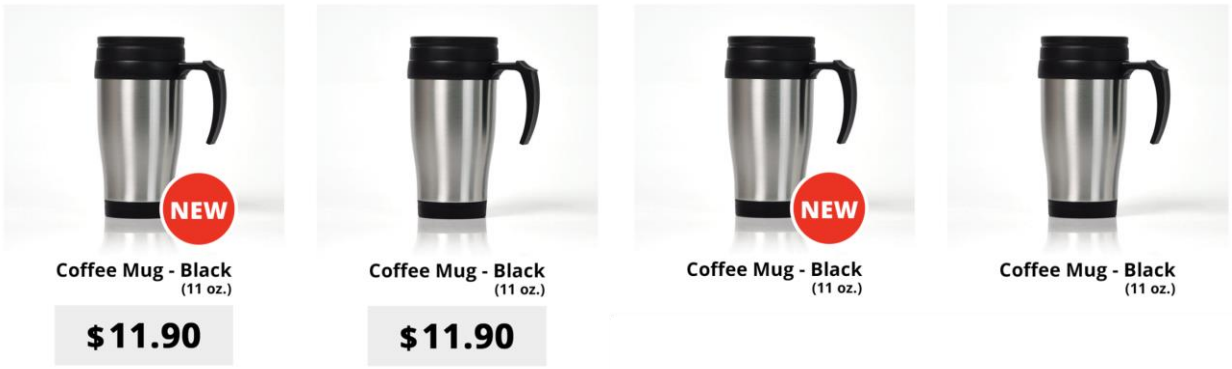


Figure 1. Manipulated pictures

The dependent variable was purchase intention (Kwon, Trail & James, 2007). We asked about demographic information (age, sex, and income) and we controlled how often participants use a mug, and how expensive they believed that the mug they saw on the picture was. We tested the covariates, but none of them had a significant impact on the model ($p>.05$).

Participants on the informational tag-present scenarios noted that the mug represented a new model ($M_{Info\text{-}TAG\text{-}Present}=3.41$), against the informational tag-absent scenarios ($M_{Info\text{-}TAG\text{-}Absent}=2.44$) ($F(1,193)=26.22$, $p<.001$). Participants noted that the informational tag referred to a new model, as they wrote sentences such as "It's a new product from the brand", and "It is a new model", for example.

A two-way ANOVA test shows that the direct effect of the price tag and the informational tag on purchase intention were not significant ($p>.05$). However, the interaction effect between price and informational tag was significant ($F(3,191)=4.8$, $p<.05$). When a price tag was presented, consumers had lower purchase intentions on the product that did not have the informational tag ($M_{WithPriceTAG}=2.69$ vs. $M_{WithoutPriceTAG}=3.18$). On the other hand, when a price tag was presented, consumers had higher purchase intentions on the product that did have the informational tag ($M_{WithPriceTAG}=3.25$ vs. $M_{WithoutPriceTAG}=2.99$), as shown in Figure 2.

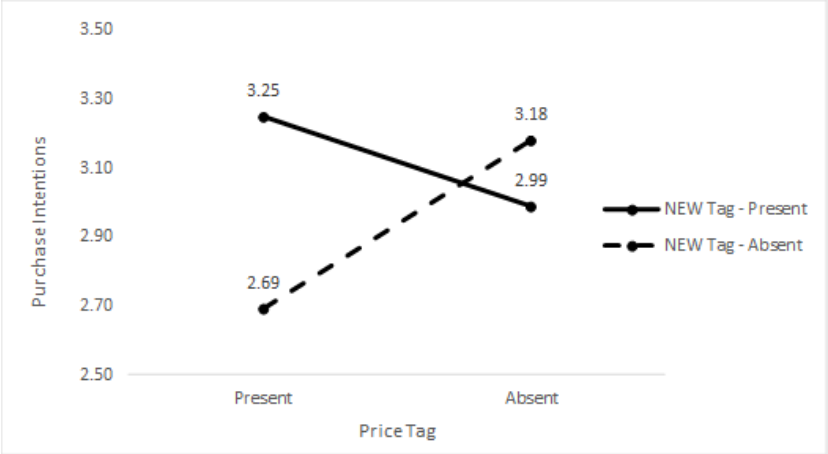


Figure 2. Means of purchase intentions according to the presence (or absence) of a price tag

The results of this study show that the presence or absence of price information affects consumers' purchase intentions, and that the direction of this effect depends on whether the product has a novelty appeal or not. Specifically, for new products, purchase intentions are higher when a price tag is presented. However, purchase intentions are lower when a price tag is presented on products that did not have an informational tag with the novelty appeal.

This provides helpful insights for marketers and managers. Companies may increase purchase intentions for new products by providing price tags. This is aligned with previous studies, that found that the way people use patterns to evaluate products can be influenced by unconscious stimuli, such as the judgment of a product being influenced by the price of other products (Adaval & Monroe, 2002). We speculate that these results may be due to the lack of consumers' internal reference price with a new product/service.

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