The Effect of Market and Merchant Comparisons on Customer Satisfaction: the Moderating Role of Information Uncertainty and Price Negotiation

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Abstract
We examine whether consumers are influenced by comparisons to other consumers and to the merchant. Past studies have estimated the impact that each type of comparison has on customer satisfaction separately, but have not examined the relative impact of each comparison simultaneously. We also examine the moderating effects of information uncertainty and price negotiation on the relationship between comparison information and customer satisfaction. Results show that unfavorable market comparisons impact customer satisfaction significantly more strongly than unfavorable merchant comparisons. However, no such difference is found for favorable comparisons. Information uncertainty and price negotiation decrease the impact of unfavorable market and merchant comparisons.

Introduction
Past studies have shown that comparative information has an effect on consumer purchase evaluations. For instance, some studies focused on comparisons to other consumers while others looked at comparisons to the merchant. Past research has found that both market and merchant comparisons influence consumer evaluations of a purchase experience.

This research has two contributions. First, we examine the relative impact that comparisons to the market and comparisons to the merchant have on consumer evaluations of their purchase experience. Second, we examine the moderating effects of information uncertainty and price negotiation on the relationship between market/merchant comparisons and customer satisfaction.

Hypotheses
Since earlier studies examined only one type of comparison at a time, there is no evidence which type of comparison may have a stronger impact on customer satisfaction. However, people are likely to pay attention to information to the extent that it is relevant to their decision. For example, paying more than the market price implies that the consumer would probably pay less for the same item if s/he went to another merchant. On the other hand, getting more or less than the merchant typically has little direct impact on the consumer’s wallet. Thus, we expect:

Hypothesis 1: (a) Favorable comparisons to the market affect satisfaction more strongly than favorable comparisons to the merchant; and (b) unfavorable comparisons to the market affect satisfaction more strongly than unfavorable comparisons to the merchant.

The more ambiguous and uncertain a piece of information is believed to be, the less likely people are to attribute value to it and incorporate it into their decisions. Consumer certainty in the market price and the merchant’s net outcome (output–input) varies with the consumer’s familiarity with the product category, the market, and the merchant. For instance, whereas consumers typically can only speculate about the merchant’s net outcome from a sale, consumers familiar with the merchant’s business or the industry (such as market analysts specializing in the industry) may have a fairly accurate idea of the merchant’s outcomes. Thus, we propose:

Hypothesis 2: Information uncertainty decreases the impact of (a) comparisons to the market and (b) comparisons to the merchant on customer satisfaction.

Price negotiations are common in farmers’ markets, garage sales and flea markets, the real estate market, and in markets for used products such as automobiles. Consumers at such marketplaces are likely to view initial comparison information as less relevant because the outcome of the transaction can potentially be changed through negotiation. Thus, we can expect that:

Hypothesis 3: Price negotiation decreases the impact of (a) comparisons to the market and (b) comparisons to the merchant on customer satisfaction.

Method
Two studies were conducted. In both studies, participants were asked to evaluate 25 hypothetical transactions with a local light fixture store. Participants were asked to imagine considering a table lamp for purchase. The retail price of the table lamp was $50 in all 25 transactions. Two variables—the market comparative outcome and the merchant comparative outcome—were systematically varied in the hypothetical transactions. The market comparative outcome had five levels. At the midpoint level, the retail price was the same as the market price. There were two levels where the retail price was above the market price and two levels where the retail price was below the market price. Similarly, the merchant comparative outcome also had five levels: the midpoint level where both the consumer and the merchant benefited equally; two levels where the merchant benefited more; and two levels where the consumer benefited more. For instance, in one condition the transaction was described as follows: “The market price is $50. You save $10 from the market price. You benefit $10 less than the store from the transaction.”
Manipulation of Information Uncertainty and Price Negotiation. The market comparison information and the merchant comparison information were administered either as an exact number (low uncertainty) or as a range (high uncertainty). In the “no price negotiation” condition, participants were told that prices in the store were final and consumers could not negotiate prices at the store. In the “price negotiation” condition, participants were told that it was fairly common to negotiate prices at the store and were specifically instructed that the 25 scenarios showed transaction outcomes before any price negotiations had taken place.

Measures. Participants were asked to rate their satisfaction with each of the 25 hypothetical transactions on an eleven-point Likert scale anchored between “do not like at all” and “like very much.” Participants also completed manipulation checks.

The main difference between study 1 and study 2 was that, in study 1, participants saw the difference between the item’s retail price and the market price (the market comparison information), and the difference between their outcome from the transaction and the merchant’s outcome from the transaction (the merchant comparison information). In study 2, participants saw the market price, the product’s price, and the merchant’s total product cost and were left to infer the differences in outcomes.

Results
Preliminary results indicate some interesting relationships. More specifically, unfavorable market comparisons had a significantly stronger impact on customer satisfaction than unfavorable merchant comparisons in all conditions in both studies. In contrast, in all conditions in both studies, favorable market comparisons were not more impactful than favorable merchant comparisons. Thus, hypothesis 1b received full support, but hypothesis 1a was consistently disconfirmed.

In addition, information uncertainty significantly decreased the impact of comparison information on customer satisfaction for unfavorable merchant comparisons (when the market comparison was favorable) in study 1, and for unfavorable market comparisons in study 2. Hypothesis 2 was not supported for unfavorable market comparisons in study 1 or for any favorable comparison (market or merchant) in either study.

Finally, price negotiation had exactly the same pattern of effects as information uncertainty. Thus, hypothesis 3 was supported for unfavorable merchant comparisons (when the comparison to the market was favorable) in study 1, and for unfavorable market comparisons in study 2.

Do I Belong? Clothing, Group Membership, and Identity During the College Transition
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Clothing has always been “a rich source of signification” for teenagers (Danesi, 1994, p. 76). Fashion has also been described as “salient markers in [individuals’] narratives of personal history” and as “a repository for dreams of an envisioned good life” (Thompson & Haytko, 1997, p. 35). Unlike individuals’ personal possessions, which can be either private or public markers of identity, clothing by definition is a public marker of identity. That is, in a consumer culture clothing reflects various aspects of individuals’ identity to others, including group identity. Consequently when individuals experience identity uncertainty as they transition from one peer culture to another it is likely that they will actively reevaluate the communicative aspects of their wardrobe and adjust it accordingly in an attempt to create and communicate a socially acceptable identity to members of the new peer culture. Moreover, clothing aids in individuals’ attempts to maintain a coherent self-narrative during this period of identity uncertainty.

This paper, therefore, attempts to investigate what role clothing plays in helping individuals negotiate their changing identity during the high school to college transition. The paper begins by discussing how college freshmen engage in anticipatory consumption and pack clothing they believe is appropriate to communicate a college identity. The paper then examines the process by which informants learn to decipher the college fashion-meta code and adapt their fashion to conform to their perceptions of the group norm. Finally, the influence of the college peer culture on students’ fashion for special occasions, especially when they “go out,” is discussed.

Method
Overview and Rationale
The current study answers the call by Corsaro and Eder (1990) to employ longitudinal research to “chart children’s transitions from one peer culture to another” (p. 216). Longitudinal interviews were conducted with college freshmen at the beginning and end of their first semester to examine fashions’ role in the maintenance and creation of identity over time. A longitudinal approach is superior to cross-sectional (e.g., Karp et al., 1998; Mehta & Belk, 1991) and cohort (e.g., Silver, 1996) analyses because it allows the researcher to observe informants’ use of fashion as it changes in relation to both time and make-up of students’ self-concept and social networks. Previous research confirms qualitative methods such as depth interviews are the preferred means of measurement for this phenomenon for their ability to provide detailed descriptions of informants’ lived experiences (e.g., Hill & Somin, 1996; Mehta & Belk, 1991; Silver, 1996). Thus, the current study employed a semi-structured interview format because it provided informants some structure and direction during the interview while allowing them to discuss any additional topics they viewed as relevant. Further, this approach allowed informants to discuss their experiences in their own terms, accounting for the complexities of their lived experiences.

Informant Recruitment
Informants from a large Midwestern university were recruited via flyers posted in heavily trafficked areas around campus and via announcements made in entry-level English, Sociology, and Journalism courses. This approach resulted in 21 inquiries and 19 students (16 female, 3 male) agreeing to participate in the interview process. As compensation for their participation, informants’ names were entered into two random drawings for $50. One drawing occurred at the completion of each round of interviews. This sample, although limited, is consistent with sample sizes of other studies in this field (e.g., Karp et al., 1998; Silver, 1996) and the goals of qualitative investigation, which values depth of description over breadth and generalizability.
Interview Schedule
Initial interviews were conducted during the first four weeks of the school year (September 9-24, 2004). Initial interviews ranged from 35-60 minutes. Second interviews were conducted between November 30, 2004 and December 9, 2004. Of the 19 informants who participated in the first interview, 14 (74%) participated in the second interview. Interviews during this round ranged from 26-54 minutes. Interviews were conducted either in a location of the informant’s choosing (e.g., their dorm lobby) or in the lead author’s office. All interviews were recorded using a digital voice recorder for future transcription.

Interview Structure
Interviews began with “broad stroke” questions (Thompson, Locander, & Pollio, 1989), such as “tell me a little about yourself and your family,” that were intended to put the informants at ease and make them feel comfortable sharing intimate details of their lives with the interviewer. Follow-up questions covered a wide breadth of topics, with the emphasis placed on the role of fashion in the transition process. The first interviews began with a discussion of informants’ high school experience and their preparation for attending college. The interview then transitioned to students’ initial experiences and impressions of college peer culture as well as descriptions of their daily lives. The second interview focused specifically on how students viewed themselves fitting into the college peer culture and whether their life had changed since high school and the beginning of the academic year. At the completion of the interview protocol, 33 individual interviews had been conducted, resulting in just over 26 hours of discussion. Interviews were then transcribed, resulting in a total of 308 single-spaced pages of text. Interviews were printed out and bound and this text served as data for the analysis.

Data Analysis
Data were analyzed when all interviews were completed following the hermeneutic method (Thompson, 1997). First, the researchers began with an impressionistic reading and the identification of recurring themes within each individual interview. This initial reading sought to identify instances where informants explicitly discussed the role of media in their lives. Differences in informants’ descriptions of media use across the two interviews were also noted so as to gain a better understanding of how the role of media evolved over time. A second analysis of the data involved cross-informant analysis, the goal of which was to identify “global themes” that emerged from informants’ descriptions of their experiences. Because any qualitative analysis is an iterative process, a third reading of the transcripts sought to identify any emergent themes not previously identified. Emergent themes were analyzed based on their prevalence, their impact on the students’ transition, and whether or not they contradicted any previously identified themes.

Summary
In response to the primary research question explored by this paper, what role do clothes play in the negotiation of identity, it appears that students change their personal style to reinforce and communicate changes in their self-concept, both to themselves and to their new peers. Adjusting their wardrobe allows individuals to express their changing internal identity to others. That is, by wearing certain peer culture approved clothes, students believe that they can communicate to their peers, individuals who possess and use a great deal of consumption stereotypes (Belk et al., 1982), and ultimately themselves, that they belong to the peer culture. This belief allows students to bolster their internal conceptions of self while dealing with the uncertainty associated with this period of transition.

Prior to their arrival on campus, students pack the “identity suitcase” with clothing they perceive as representative of college style in anticipation of their new identity. Once on campus, however, students must decipher the meanings communicated through others’ clothing and decide whether to emulate that style, reject it, or use it to reinforce their previous consumption behaviors (Hirschman & Thompson, 1997). Students appear to most often emulate the style they see on campus in an effort to communicate an appropriate college identity. At this point it is interesting to note that male informants were less likely to adjust their wardrobes drastically to fit in to the college peer culture in comparison to the more pronounced changes female informants discussed. Whereas women felt a desire to dress in a more casual fashion and consume different brands than they did in high school, it appears male informants did not feel a similar desire. Rather, the casual preppy style males adhered to during high school appears to remain socially accepted within the new peer culture, allowing informants to express various, and often contradictory, social identities to others and to themselves as they negotiate their new college identity. At this point it is interesting to note that male informants were less likely to adjust their wardrobes drastically to fit in to the college peer culture in comparison to the more pronounced changes female informants discussed. Whereas women felt a desire to dress in a more casual fashion and consume different brands than they did in high school, it appears male informants did not feel a similar desire. Rather, the casual preppy style males adhered to during high school appears to remain socially accepted within the new peer culture, potentially making the transition to college less stressful, at least in regard to the expression of a college fashion identity.

Overall, informants’ descriptions of the high school and college fashion meta-code are extremely similar. Three possible reasons arise as to why this similarity exists: 1) both high school and college students appear to consume similar media and, therefore, become socialized to and emulate the ideal images the media presents depicting youth culture; 2) high school students emulate college fashion in a process that Goffman (1959) calls “anticipatory socialization” where individuals have already been well versed in the “reality” that is just becoming a reality for them; and/or 3) college students simply carry over their fashion from high school and adjust it slightly to distinguish their current identities from their high school identities by incorporating specific items and brands they perceive as being distinct to the college peer culture into their wardrobes. Future research should explore these possible reasons for the similarities between the two peer cultures in more detail. Regardless, clothing and the negotiation of identity during periods of transition seem to be intertwined. As the informants in this sample moved from the high school peer culture to the college peer culture, they purchased and brought clothing with them that they felt best reflected their identity at that point in time. However, as they slowly incorporated their college identity into their self-concept, specifically for female informants, they also adjusted their style to mirror the dominant peer culture, even taking some articles of clothing home with them. Thus, as they gain greater confidence in their ability to use clothing to enact the college identity, informants...