To Bargain Or Not to Bargain? Determinants of Consumer Intention to Bargain in the Retail Market

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This study investigates the potential determinants of consumer intention to bargain in the retail market context. The findings reveal that consumer attitude toward bargaining strongly influences their intention to engage in bargaining during a purchase. Building on information search and bargaining literature, it is found that both consumers’ bargaining attitude and intention are positively influenced by perceived overprice and budget constraint, but negatively influenced by unavailability of time. Perceived loss of face in bargaining, however, only has direct negative effect on bargaining attitude, but not on bargaining intention.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/14757/volumes/ap08/AP-08

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EXTENDED ABSTRACT
In many parts of the world, especially in Asian countries, bargaining is still a very common practice in the purchase of various consumer products (Lee 2000). While some consumers bargain hard during the purchase, others may prefer not to engage in bargaining. As consumer bargaining behavior is likely to affect the profit margin of the sellers, the understanding of this particular consumer behavior and its determinants will definitely improve the way marketers can make deals with consumers.

Despite the prevalence of bargaining in the marketing field, there are only limited number of studies that have been done to gain deeper insight of such behavior in the consumer market (Buchan, Croson, and Johnson 2004; Srivastava and Oza 2006). This study thus is intended to fill the gap by examining some potential determinants of consumer intention to bargain. First, based on the well-established theory of reasoned action (TRA; Ajzen and Fishbein 1980; Fishbein and Ajzen 1975), we examined the relationship between consumers’ bargaining attitude and their intention to engage in bargaining. It is not our purpose, however, to examine the full model of TRA. Next, we want to contribute to the existing literature by examining several factors that might influence consumers’ bargaining attitude and intention. Some of these factors (i.e., perceived budget and time constraints) were taken from the literature of consumer information search. We believe that bargaining behavior and information search might share some underlying factors, as both of them can be used by customers to achieve similar goal (i.e., to get a lower price or better purchase deal). Other factors (i.e., perceived overprice and perceived loss of face) were proposed based on the bargaining literature that, to the best of our knowledge, haven’t been empirically tested or well investigated in the existing studies.

According to the TRA, when consumers have a favorable attitude toward a certain behavior, they will have a higher intention to engage in it. Based on this theory, we propose that consumers’ attitude toward bargaining will positively influence their intention to bargain. In the commonly negotiated purchase situation, consumers typically make their perception of the seller’s trustworthiness and fairness (Morris, Larick, and Su 1999; Thompson 1990). We propose that when consumers perceive that sellers overprice the product offered, they will have a stronger bargaining attitude and intention to bargain. Next, it is argued that consumers who feel the purchase price is very significant to their budget will have greater incentives to search for a lower price, as the potential saving is more valuable to them (Stigler 1961; Zimmermann and Geistfeld 1984). Based on this argument, we propose that perceived budget constraint will be positively related to bargaining attitude and intention. Getting embarrassed or losing face is likely to happen when someone engages in bargaining (Lee 2000). To avoid such psychological cost, consumers might prefer not bargain during a purchase, and thus we propose that perceived loss of face is negatively related to bargaining attitude and intention. Finally, since the bargaining process typically involves a considerable amount of time (Bruck and Schurr 1990) and may become costly for some consumers (Zwick and Weg 2000), we propose that a perceived time constraint will reduce consumers’ attitude toward bargaining and intention to bargain.

New cellular telephone (cellphone) purchases in the Indonesian retail market were chosen to test the hypotheses as this product category is commonly traded for a negotiated price in most stores, and the market is growing rapidly in Indonesia. Due to the popularity of cellphones among young people and their potential as the main market for such products, students from a large state university in Indonesia were chosen as the participants in this study. A questionnaire was given to participants with the scenario that they are going to purchase a new cellphone in the coming week. The survey resulted in a total of 226 usable responses, consisting of 95 males (42%) and 131 females (58%). All of the participants were required to have the experience of buying a cellphone to ensure that they understood the typical purchase situation.

When available, the measurement items were adopted from previous studies (e.g., Srinivasan and Ratchford 1991; Urbany, Dickson, and Kalapurakal 1996), while other items were constructed based on in-depth interviews with cellphone consumers and a relevant literature review. Back-translation procedure was performed to ensure that the items were consistent between the original English and Indonesian versions. Before being used to test the hypotheses, the measures underwent preliminary screening, such as exploratory factor analysis, reliability analysis, and confirmatory factor analysis. The final measures show acceptable goodness-of-fit indicators. The hypotheses were tested simultaneously by using structural equation modeling (SEM).

The results show that consumers’ attitude toward bargaining has a strong positive influence on intention to bargain, providing further support to the applicability of TRA in a bargaining context. Next, this study found that perceived overprice and perceived budget constraint have significant positive effects on both bargaining attitude and intention. A high level of perceived overprice was found in this study, which indicates that consumers believe that sellers generally inflate the initial price. Thus, when consumers perceive that sellers offer the price more than it should be, they have a higher tendency to bargain. Perceived loss of face was found to directly influence bargaining attitude, but not bargaining intention. This may suggest that perceived loss of face would influence consumers’ intention to bargain indirectly by affecting their attitude toward bargaining. Finally, the results show that perceived time constraint significantly reduces bargaining intention but only weakly affects bargaining attitude. The last finding may indicate that bargaining is considered as a time consuming activity, and is quite costly for consumers with a limited amount of time.

REFERENCES
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