Consumer Preference Between Price and Feature Changes

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[to cite]:

[url]:
http://www.acrwebsite.org/volumes/13096/volumes/v33/NA-33

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Over time, a firm may be required to either cut features or raise price in order to maintain profitability. Conversely, a firm may decide to deliver additional value to customers and will have to choose between increasing features and reducing the price. In this paper, we explore these trade-offs across multiple product categories to better understand consumer preferences. We expect to find that consumers prefer feature changes to price changes due to loss aversion. We also expect to find that consumers prefer non-alignable gains and alignable losses. We are currently conducting experiments to test our predictions.

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Today It’s New! Great! And Tomorrow?
Perceived Product Newness and Product Liking with a Time Perspective
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With today’s companies innovating at the speed of light, it’s no wonder that consumers’ response to new products has aroused a great deal of interest in the past years. But are consumers as fast? Most prior research has addressed the issue of product newness or innovativeness from a firm perspective (e.g. Garcia and Calantone, 2002) but the psychological approach of newness from a consumer point of view has received little attention in the marketing and consumer behavior literature. In this research, we propose that, from the consumer’s perspective, newness can be seen as lying along two dimensions with distinct effects on product liking: (1) mere perception (perceptual newness) and (2) an epistemic dimension linked to the difficulty of understanding a new product. Besides, if a large number of studies focused on exposure effects on new stimuli evaluation (e.g. Bornstein, 1989), product newness perception over time has been relatively poorly addressed. This paper examines the effect of time and exposure on product newness evaluation and product liking separately, as well as on the relationship between these two variables; it also examines the effect of product trial on perceived product newness.

Building on Berlyne’s (1960) theory of ‘collative’ variables (i.e. variables of comparison), we conceptualize newness as a two-dimensional construct, but how do we expect these two dimensions to evolve over time? As newness involves a comparison in time between a previous and a current status, we expect newness perception to decrease over time. Yet, previous research suggests that repeated exposure results in perceptual fluency when encoding is based on perceptual information, but also conceptual fluency with meaning-based representation (Shapiro, 1999; Janiszewski and Meyvis, 2001). Consequently, we argue reaching a better understanding of the new product (conceptual fluency) with repeated exposure, actually leads to a temporary increase in perceptual newness.

With respect to liking, Mandler’s theory (1982) and empirical findings in the consumer behavior context (e.g. Meyers-Levy and Tybout, 1989; Moreau et al., 2001), suggest liking increases with newness as long as newness remains cognitively manageable; otherwise the effect is reversed. As a result, the type of newness considered should greatly influence product liking. More precisely, product liking is expected to increase with perceptual newness, whereas it is expected to drop when epistemic newness increases (i.e. makes the problem-solving task more difficult for consumers). Over time and with repeated exposure there is reason to believe that although the differential effect of perceptual and epistemic newness on product liking will remain, consumers should also develop new criteria to form their judgment over the new product (e.g. resulting from their experience). Hence the explanatory power of newness for liking is expected to decrease over time and with exposure.

In the first study, we examine the evolution of newness perception and its relationship with product liking in product usage conditions. With the collaboration of a market research agency, 420 Dutch consumers were randomly assigned one of five new products (in the fabric care category) and data were collected throughout the 2.5 months of the experiment at t0 (start of the experiment), t1 (after 3 weeks), t2 (after 6 weeks) and t3 (after 9 weeks). After confirming the two dimensions of product newness in a consumer’s perspective, we find opposite effects of these two dimensions of product liking. Namely, a positive effect of mere perception versus a negative effect of the epistemic dimension. We also find that the mere perception of product newness increases in the short run (3 weeks), as consumers simultaneously become more able to make sense of the product. Finally, we find that, in the longer run (12 weeks), newness remains persistent despite daily product usage and exposure, yet, its explanatory power for product liking decreases.

In a second study, we examine the particular impact of product trial on the evolution pattern of perceived product newness and liking. In a test-retest context, we ask 160 consumers to rate perceived product newness and liking before and after trial for three new food products. Similar to the first study, we find that mere newness perception is higher after product trial compared to before trial. We also find that consumers become more able to make sense of the product after product trial.