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## The presence of emotional factors: An empirical exploration of bundle purchasing process



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### ABSTRACT

While the telecommunications industry is in the process of introducing bundles that cover pricing, services, and content, several risks remain to be clarified and avoided. In this paper, we reviewed the literature on the motives behind the consumer's decision to purchase a bundle and found that holistic frameworks of purchasing factors, especially in bundle purchasing, are rare. To reach a more comprehensive framework, we examined the bundle purchasing process through an empirical study that incorporates old and new elements in the purchasing of bundled services. Starting with the customer's concerns in the purchasing process, we widened the scope to include considerations of usage convenience and life-cycle costs related to bundles, and we covered various other potential open question specific to bundling. By means of exploratory factor analysis, following the *K-1* rule, we extracted eight factors and gave them preliminary names. Moreover, we conducted a linear regression analysis on how these eight factors influence the customer's willingness to buy a bundle service. Therefore, these factors can serve as a framework for further studies on the bundle purchasing process.

In this paper, we also discussed newly discovered emotional factors affecting the purchasing process. In particular, usage convenience and self-image seem to be self-standing factors affecting the willingness to buy. This paper also contains an acknowledgment of the study's limitations to ascertain the reliability and validity of the study and of the factors extracted. Finally, we discussed the results and their contribution to theory building in bundle-specific marketing research and to practicing telecommunications managers, and we offered suggestions for future research.

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## 1. Introduction

Recent developments in the telecommunications industry include the introduction of bundles that accommodate pricing, service, and content. Subscribers tend to choose bundled offerings when the latter are available (OECD Report, 2011). Many authors consequently expect the market to move increasingly in the direction of integrated services (Bill & Peitz, 2008; Janssen & Mendys-Kamphorst, 2008; Mikkonen, 2011). Currently, the same operators have different bundling strategies in the different countries in which they have operations (OECD Report, 2011). Integrating services into product bundles may improve customer satisfaction because of the potential frustration deriving from excessive choice or variety (Agarwal &

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Chatterjee, 2003; Andrews, Benedicktus, & Brady, 2010; Guiltinan, 1987; Harris, 1997; Harris & Blair, 2006a; Tellis & Stremersch, 2002). As more services migrate to an integrated Internet provider platform, multi-play services will become more common (Pedersen et al. 2007).

However, as different technological developments enable the existence of new value drivers, and as the complexity of a product bundle still makes purchasing risky for customers, many different aspects of the purchasing process should be re-examined. This is the main objective of this paper. To that end, and to shed more light on customer motives in the bundle purchasing process, we synthesized the existing research before designing a survey for customers of an integrated telecommunications operator. As a result, we used statistical methods to build a conceptual research model for bundle purchasing.

Before making a purchase, consumers form preferences and compare bundles to separate product alternatives and competing bundle offers. Afterward, when they use the bundle, they make a post-purchase evaluation that results in feelings of (dis)satisfaction (Knutsson, 2011). With bundling, however, we argued that customers reflect on the post-purchase effects early in the purchasing process, asking themselves, for example, “Am I really better off after using this bundle for three months?” In relation to these types of reflections, they probably also assess the risk associated with fluent usage and functional compatibility before making the purchase (Harris & Blair, 2006a; Wilson, Weiss, & John, 1990). These factors make it necessary to understand the customer’s life-cycle perspective on product bundling in the creation of bundling strategies, purchasing processes, and related marketing communication.

The literature review conducted in this study covers some of the motives for purchasing a bundle, and it discusses the diverse existing studies on the topic. It seems that the purchase situation, the consumer, the bundle, the presentation of the bundle structure, the usage, and the bundle price, all have an effect on preference formation and bundle evaluation.

In a specific survey for customers of an integrated telecommunications operator, we collected a large set of empirical data ( $N=2755$ ), which we subjected to exploratory factor analysis (EFA). We then statistically extracted eight factors and attempted to clarify their qualitative significance to the purchasing process. In particular, the new factors discovered shed light on the customer-specific issues that need to be managed, communicated, developed, and further researched in the context of bundling. Finally, we conducted a linear regression analysis on how these eight factors influence the customer’s willingness to buy a bundle service.

Immediately following this introduction, Section 2 reviews the literature on bundling and prepares the reader for the empirical study. Section 3 explains the method of this empirical study, including the setting and the design for the exploratory framework. Section 4 gives the study results and covers issues of reliability and validity. Finally, Section 5 presents the findings and limitations of this study, and it concludes with suggested implications for theory, practice, and the needs for further research.

## 2. Theoretical background

This section focuses on the relevant bundle literature in order to find relevant topics for exploring the structure of the bundle purchasing framework in the empirical part of the paper.

### 2.1. Why companies sell bundles

An increasing tendency among marketers who seek to differentiate their offers from others on the market is to bundle products and/or services together. Bundling has thus become a well-known concept, even though there is no established definition of bundling. It is often described simply as selling goods in packages (Adams & Yellen, 1976) or marketing two or more products/services in a single package (Tellis & Stremersch, 2002). In much of the research, the concept is restricted to price bundling, which includes discounts or a special price (e.g., Guiltinan, 1987; Venkatesh & Mahajan, 1993; Yadav & Monroe, 1993; Johnson, Herrmann, & Bauer 1999). From the start, a division has occurred between pure bundles and mixed bundles: mixed bundling commonly refers to bundled products that can also be bought separately; pure bundles occur when the products are not available separately (Adams & Yellen, 1976).

Researchers have proven that bundling in its pure and mixed forms increases sales and/or profit (Richards, 2006; Schmalensee, 1984; Sharpe & Staelin, 2010; Telser, 1979). Researchers have also used bundling as a price-discrimination tool, allowing vendors to segment the market based on consumers’ reservation prices (Adams & Yellen, 1976; Chung & Rao, 2003; Tellis, 1986). Bundling can also serve as an entry-barrier tool (Lawless, 1991) and as a way of introducing new products (Lee & Colarelli O’Connor, 2003; Sarin, Sego, & Chanvarasuth, 2003; Simonin & Ruth, 1995; Yadav, 1994) or increasing sales (see e.g., Johnson et al., 1999; Tanford, Erdem, & Baloglu, 2011; Yadav & Monroe, 1993).

Early studies on bundling, especially in the economics literature, focus mainly on issues such as the vendor’s incentives to bundle, consumer welfare, and the effect of competition (Adams & Yellen, 1976; Dansby & Conrad, 1984; Schmalensee, 1984; Stigler, 1961). For a long time, researchers have also focused on optimality in bundling, especially from a monetary perspective. Guiltinan (1987), for example, presented a price bundling framework to help vendors who form bundles to attract customers, specifically with regard to finding optimal combinations in monetary terms. Guiltinan’s work has inspired many later studies, much of which are oriented toward bundle pricing from a company’s perspective (see e.g., Bakos & Brynjolfsson, 2000; Yadav, 1994, 1995). However, researchers have largely ignored consumer behavior and decision-making,

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