

Unit Pricing Increases Price Sensitivity Even When Products are of Identical Size

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Abstract

That displaying unit prices leads consumers to choose lower unit priced product options is well established. However, whether this effect occurs persistently across purchase conditions is unclear, and if so, why? This paper proposes that the presence of unit prices increases the salience of price in decision making, making consumers more price-sensitive, which in turn activates a greater motivation to select cheaper products. Findings from three experiments show that this motivational effect persists even when unit prices offer little cognitive benefit, such as when product options have identical sizes. Results also show that the motivational effect of unit pricing operates independently of the cognitive effect, and that an individual's price consciousness moderates the motivational effect. The paper demonstrates that unit pricing increases consumer price sensitivity in the context of price discounts, extending the generalizability of the unit pricing effect.

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Introduction

Unit pricing is the displaying of the price per unit of measure, such as the price per ounce or per 100 grams, on an item's price tag. When US retailers introduced unit pricing in the early 1970s, the practice was generally seen as an advancement for consumerism (Lamont, Rothe, and Slater 1972). Indeed, decades of research provide evidence that in a grocery shopping context, the presence (versus absence) of unit price information for pre-packaged products effectively shifts consumer choices toward lower unit priced products (e.g., Miyazaki, Sprott, and Manning 2000; Russo, Krieser, and Miyashita 1975), resulting in consumer saving on expenditures for groceries (Isakson and Maurizi 1973; Walker and Cude 1983). However, understanding is still limited with regard to why the unit pricing effect occurs and how robust it is.

Especially unclear is whether and why the effect would occur where competing products are packaged in identical quantities, which is a setting that holds particular relevance for both theory

and practice. Retailers and policy makers tend to believe that when package sizes are equal, consumers will find unit prices irrelevant because they can directly compare retail prices. For example, in the UK, debate persists over whether consumers more fully recognize the value of their purchases when provided with unit pricing or only when encountering prescribed quantities (Mitchell, Lennard, and McGoldrick 2003). Under the stipulation of prescribed quantities, product packaging must be in standard sizes such that within the same size class the various alternatives have identical sizes. The assumption is that identical sizing makes the price and value-for-money positions of competing alternatives easy to determine from the retail prices. Unit prices would therefore be redundant and of little benefit to consumers in such conditions. However, we expect that even in a condition of equal sizes, the presence of a unit price influences consumers' perceptions and behaviors.

We propose that consumers have two psychological responses to unit pricing, which together account for its behavioral effects. First, unit pricing makes processing less difficult. It facilitates consumer cognitive effort by making cheaper products easier to find. Second, unit pricing elevates the salience of price information, in turn activating a greater desire, or motivation, to select cheaper products. While the ease-of-processing effect is well known and has been the rationale for

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providing unit pricing, the motivation activation effect has not been described in the literature and is not well understood for the present context. Establishing whether this effect exists is important, because its presence will signify that unit prices influence consumer decisions even when unit price information seems unnecessary, such as when products have identical sizes.

To examine the motivational effect of unit pricing we present a series of grocery shopping experiments. Study 1 shows that unit pricing leads consumers to choose lower priced products, even in a context where package sizes are identical. Results also establish the mediating roles of shopping motivation and cognitive ease in the effect of unit pricing on purchase decisions. Study 2 controls for the cognitive effect by using pairwise choice tasks. It shows that the motivational effect operates independently of the cognitive effect and is moderated by the individual's price consciousness. Study 3 investigates how unit pricing affects consumer price sensitivity in the context of the evaluation of price discounts.

In what follows, we first review the literature on unit pricing related to our research questions. We then elaborate the conceptual background from which we derive our hypotheses, and we subsequently describe the empirical work and findings. We conclude with a statement of theoretical contributions and implications for marketers and policy makers, as well as a description of limitations and suggestions for future research.

Unit Pricing Research

In line with the distinction between “pricing” and “price” (Cheng and Monroe 2013), unit pricing refers to the *act* of displaying unit costs on price tags of pre-packaged groceries. Since the initiation of in-store unit pricing by US retailers in the early 1970s, a substantial body of literature has emerged describing consumer benefits of unit pricing and its effects on consumer behavior. Research on unit pricing falls into two streams. One stream attempts to specify the behavioral outcomes that unit pricing elicits, subject to situational factors and personal or demographic characteristics, while the other stream examines various visual representations of unit price information that might facilitate or distort the behavioral effects of unit pricing.

Academic interest in behavioral effects of unit pricing was especially high in the 1970s and 1980s. Early research suggested that in the context of grocery shopping, unit price information leads consumers to purchase lower unit priced products (Gatewood and Perloff 1973; Houston 1972; McGoldrick and Marks 1985), which in turn helps them save considerably on their grocery expenditures (Isakson and Maurizi 1973; Russo 1977; Walker and Cude 1983). However, other studies found no such shift (Kilbourne 1974; McCullough and Padberg 1971). Similar contradictions existed regarding store switching owing to unit pricing (Lamont, Rothe, and Slater 1972; Monroe and LaPlaca 1972). Subsequent research, particularly regarding intra-brand decisions, showed greater consumer benefits of unit pricing when consumers encountered more complicated price–quantity combinations, such as being able to avoid quantity surcharges (i.e., a larger package has a higher unit cost than a small package of the same brand) (Manning, Sprott, and Miyazaki 1998;

Manning, Sprott, and Miyazaki 2003), recognizing package shrinkage (Kachersky 2011), and being able to differentiate between bonus packs and price discounts (Chen et al. 2012). Most recently, researchers have found that in inferring the quality of products, consumers use unit prices as a diagnostic cue superior to retail price (Yan, Sengupta, and Wyer 2014). Studies focusing on the visual representation of unit price relied on information processing theory to indicate that a behavioral effect of unit pricing can occur when unit price information is easy to detect and compare, as for example when unit prices appear prominently on price labels (Miyazaki, Sprott, and Manning 2000) or when all unit prices within a product category are organized as a list (Russo, Krieser, and Miyashita 1975).

Despite early discrepancies in findings of the behavioral effect of unit pricing, broad recognition exists that unit pricing is beneficial to consumers and makes them more inclined to purchase lower unit priced products. An exception is when package sizes are equal. Prior literature suggests that unit pricing effectively reduces consumers' confusion in the face of numerous combinations of prices and sizes of homogenous products (Lamont, Rothe, and Slater 1972; McGoldrick and Marks 1985; Mitchell, Lennard, and McGoldrick 2003). However, it remains unclear what effect the unit price will have when consumers compare and choose from various branded products on a shelf and package sizes are identical, and hence unit prices are proportional to the retail price. Retail prices will enable consumers to readily differentiate price positions and identify the value-for-money of competing products, so the behavioral effect of unit pricing will plausibly be minimal. Indeed, if the unit price predominantly facilitates cognitive ease of information processing, then in a setting where package sizes are equal the unit price would seem to offer no additional consumer benefit. In that situation the unit price may even have the disadvantage of increasing the consumer's information load owing to the display of extra information on the price label. However, the presence of unit price information could influence the salience of price and thus separately influence a consumer's purchase behavior in favor of selecting products that represent the better value-for-money.

No previous study has identified and tested these possible psychological effects of unit pricing. Neither has any study tested the robustness of the perceptual and behavioral effects of unit pricing in a competitive, inter-brand context where brands' packaging is in identical volumes or weights. In light of this gap in the literature, the present paper addresses two research questions: How will unit pricing affect consumer purchase decisions in an inter-brand identical-size context? What psychological factors drive this effect?

Conceptual Background

Unit Pricing Facilitates Cognitive Processing

As noted, the literature has typically adopted an information processing perspective to explain how unit pricing influences purchase decisions. This line of reasoning suggests that unit pricing facilitates the cognitive processing of the available product information. People rely on a range of heuristics to simplify the

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