

The Role of Price in the Behavior and Purchase Decisions of Compulsive Buyers

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Abstract

The present research examines the relationship between consumers' tendencies to buy compulsively and their response to price based on a survey of customers of an Internet clothing retailer. The research findings suggest that compulsive buyers possess greater knowledge of store prices and are more brand conscious and prestige sensitive in comparison with non-compulsive buyers. Moreover, compulsive buyers derive greater transaction value from price promotions and are more price conscious and sale prone than non-compulsive buyers.

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Compulsive buying has been of interest to consumer researchers and public policy advocates in the U.S. and other developed countries for over two decades (Hirschman 1992; Koran et al. 2006; Müller and de Zwaan 2004; Neuner, Raab, and Reisch 2005; O'Guinn and Faber 1989). Compulsive buying is defined as a consumer's tendency to be preoccupied with buying that is revealed through repetitive buying and a lack of impulse control over buying (Ridgway, Kukar-Kinney, and Monroe 2008). This definition is based on an emerging theoretical foundation called obsessive-compulsive spectrum disorder which considers compulsive buying as exhibiting elements of both obsessive-compulsive and impulse-control disorders (Hollander and Allen 2006; Hollander and Dell'Osso 2005; McElroy, Phillips, and Keck 1994). The rationale for classifying compulsive buying as an obsessive-compulsive spectrum disorder is that, like obsessive-compulsive disorder, the consumers' thoughts are preoccupied with buying and repetitive buying behavior is performed to reduce anxiety (McElroy, Phillips, and Keck 1994). Moreover, like impulse-control disorder, these consumers lack control over the urge to buy.

Drawing on previous research on compulsive buying, we first outline some of the broad characteristics of compulsive buyers. First, the behavior is more likely to affect women than men since it has been estimated that 80–92 percent of compulsive buyers are women (Black 1996; Faber et al. 1995; Faber and O'Guinn 1989). Second, although there is some historical evidence of compulsive buying occurring in the early 1900s, the documentation of this phenomenon appears to be more recent (Faber 1992). Some researchers believe this recent appearance of compulsive buying may be related to an increased emphasis on and availability of material possessions in our consumer culture (Richins and Dawson 1992; Hirschman 1992). Third, consumer behavior researchers believe that products are used by people to define "who we are" (Belk 1988; Krueger 1988; Hirschman 1995). Thus, an addiction to buying products may be a search for one's self much more than other compulsive behaviors, such as gambling, drinking, under- or over-eating, or drug abuse (Belk 1988; Friese 2000).

Previous research has found a consistent relationship between compulsive buying and other factors, such as low self-esteem, materialism, impulsiveness, loneliness, and obsessive-compulsive disorder (Faber and O'Guinn 1992). Also, compulsive buyers are more likely to spend more than they can afford and experience credit card difficulties (Roberts and Jones 2002). Finally, compulsive buyers are more likely than other buyers to experience shame or guilt associated with their purchases, hide their purchase and shopping activities from others (Ridgway, Kukar-Kinney, and Monroe 2008), and return

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recently purchased products back to stores (Hassay and Smith 1996).

There remain several gaps in the compulsive buying research literature. Although buying necessarily involves paying a price, no research to date has examined the role of price in the purchase decisions and behaviors of these heavy spenders. For example, are compulsive buyers knowledgeable of store prices due to their frequent shopping and buying? Are they more likely to infer quality on the basis of price or brand name? Or, are they more price conscious? Also, are they more likely to respond to sale and price promotions relative to non-compulsive buyers? While the role of price in influencing consumer behavior has been studied in multiple ways, nevertheless, how it influences a segment of buyers who buy compulsively has not been studied.

Understanding how compulsive buyers process price information and respond to prices is important, because these consumers are vulnerable to shopping triggers and are heavily dependent on their buying activities. Their out-of-control buying may lead them to experience financial difficulties, even bankruptcy, as well as severe negative emotions and extensive family arguments (Ridgway, Kukar-Kinney, and Monroe 2008). If our findings indicate that compulsive buyers do not focus much on price when buying, this may be an area of concern, since non-attention to price could result in these consumers spending even more than necessary on their purchases. Similarly, if sale signs spur buying sprees by these consumers, this would also be of concern as these consumers may suffer financial harm due to the additional spending.

The goal of the present research is to determine how compulsive buyers perceive and react to prices and price promotions, and compare their responses to reactions of non-compulsive buyers. Based on prior behavioral pricing research, several important price-related constructs are identified. Our research findings suggest that compulsive buyers possess greater knowledge of store prices and are more brand conscious and prestige sensitive in comparison with non-compulsive buyers. Moreover, compulsive buyers derive greater transaction value from price promotions and are more price conscious and sale prone.

Next, we describe the conceptual framework and develop the hypotheses about differences in consumer responses to price between compulsive and non-compulsive buyers. We then describe how we tested the hypotheses. Finally, we present the findings and discuss the contributions and implications of this research.

Conceptual framework

One important result of research on the role of price in influencing consumers' perceptions and purchase behaviors is the recognition that price plays a dual role in the way it influences consumer behavior (Lichtenstein, Ridgway, and Netemeyer 1993; Monroe 2003). In the traditional economic sense, price indicates the amount of money that buyers must *give up* to acquire the specific product or service. If it serves as an indicator of monetary sacrifice, price is playing a *negative* role. However, some buyers consider a higher price to be positive when they believe that they are gaining something by paying a

higher price. For example, when buyers are uncertain as to the quality or benefits they might receive from the acquisition of the product or service, price may also be used to infer what they will *gain* when purchasing the higher priced product or service. In this context, price plays a positive role. We use the conceptualization of price in either negative or positive roles to develop the hypotheses of how price may influence the shopping and buying behaviors of consumers with a tendency to buy compulsively relative to non-compulsive buyers.

The negative role of price

As indicated above, price serves as an indicator of what buyers must give up to acquire a product. Consequently, the higher the price of a product, *ceteris paribus*, the less likely would a consumer purchase the product. In this sense there is a negative relationship between price and willingness to buy.

Two underlying premises of the economic perspective of price are that buyers seek to minimize the price paid (what they give up) and that they are knowledgeable about prices and where to locate the lowest prices. *Price consciousness* refers to the extent that buyers focus on searching for and paying a low price for the product or service (Lichtenstein, Bloch, and Black 1988; Lichtenstein, Ridgway, and Netemeyer 1993). For price conscious consumers, obtaining a low price for the chosen product is more important than for non-price conscious consumers. They also tend to engage in higher levels of price comparisons than less price conscious consumers (Alford and Biswas 2002).

Compulsive buyers have been found to experience negative feelings, such as guilt, shame or remorse after buying (Christenson et al. 1994; Faber and O'Guinn 1992). Their over-buying also often leads to negative financial consequences, such as high credit card debt (Faber and O'Guinn 1992). Because of financial as well as social implications of their buying behavior, compulsive buyers feel the need to alleviate their feelings of guilt and regret and make themselves feel better about their frequent buying. By focusing on paying a low price for a specific product, they may be able to rationalize their purchase behavior to themselves and to others (e.g., "I bought this at the lowest price available." Or, "I got this on deal."). Low prices may also further enable them to experience greater hedonic benefits of shopping (Jin, Sternquist, and Koh 2003). Hence, we propose that compulsive buyers will focus on paying low prices for their selected purchases to a greater extent than non-compulsive buyers, and consequently will be more likely to exhibit a higher level of price consciousness.

H1. Compulsive buyers are more likely to be price conscious than non-compulsive buyers.

We define *store price knowledge* as consumers' subjective estimates of their awareness of the level of store prices across different stores. Previous research is unclear about how much buyers, in general, are aware and knowledgeable of prices in the stores and across stores (Monroe 2003; Vanhuele and Dreze 2002). Similarly as product experience (such as ownership, usage and information search) affects product knowledge, it has been suggested that the more consumers are exposed to prices,

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