

EFFECTIVENESS OF CUSTOMER INFORMATION SOURCES ON PRICE SIGNALING OF QUALITY PERCEPTION

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—Abstract—

Although, incoming role of price have led to more researchers attention than other factors of mix marketing, price has also other roles in marketing context. Price signals the quality of goods. As one approach, higher price shows higher quality perception. Nevertheless, many factors such as brand, advertisement, country of origin, story name and etc affect on this relationship. Beside of these factors, information level of customers influences on the relationships of price and quality perception too. Some researches show that informed customers, less rely on price. Many researches has been worked on this area but none of them has adverted to the customer information sources.

In this article is shown the effectiveness of customer information sources: 1. B2C relationships 2. C2C relationships. This article has been examined on Iranian Cell-Phone Market with 350 surveys and analyzed by SPSS. This model helps marketers being aware about effectiveness of each references and so allocate their resources more efficiency in order to proving their qualities and additionally reduce the effectiveness of price on quality perception.

Key Words: *Price signalling, Customer Information Source, Quality Perception*
JEL Classification: L11, L15

1. INTRODUCTION

1.1. Price Signalling of Quality

one of the most important concerns of marketers is pricing. Pricing is one of the elements of mix marketing. Its special effect on making income leads to pay most attention to this factor. But price has different roles in markets.

2 main role of pricing are (Gabor & Granger, 1996:45):

1. Resource allocation role
2. Signaling role

In the middle of 20th century, signaling absorbed a great attention. Information asymmetry in markets is the price signaling main cause, which shows that buyers do not have enough information about the products, while sellers in mostly have more information about product's features. Information asymmetry affects the buyer's decision making process. Therefore, buyers gain their required information from many different sources, such as advertisement, Country of origin, Price, Brand or also other customers.

Researches show that there are positive connection between price and perceived quality (Schitovsky, 1945:101). Although the classical demand curve shows, increasing the price leads to demand decreasing, but it is not universal. It means that in many cases high price of goods can tempt buyers to purchase more (Leavitt, 1954:206).

although the firm reputation, brand, terms and condition affect the quality perception, while price is the most powerful signal of quality (Gabor & Granger, 1966:44). In following of these researches, are confirmed that other signals of quality affect the price-perceived quality (Stafford & Enis, 1969:457). the price could be a powerful signal, when there are no other signals of quality (Gardner, 1971:242).

however, next researches didn't declaim the effect of other signals of quality, and show that price is a powerful signal even other signals of quality. And also, when buyers are not aware of the product's quality, producers intend to less qualified products. Besides increasing the buyers knowledge, the product's quality will increase, too exist (Shapiro, 1973:287).

repeated shapiro's examination in new situation showed that: 1. Price can signal quality of products, 2. Price signaling its not manageable. It means that high quality products has high produce costs, and in return, high costs lead to high prices. Therefore, if products has high quality, absolutely they gain high prices (Wolinsky, 1983:648).

after several examination did about power of signaling quality, unlike of past researchers has been showed that the relationship between price and perceived quality, for many products, is very weak. And also this weak relationship between different kind of products are distinct. As durable goods are allocated more prices, buyers pay more attention to them and try to gain more information about their features so they are more sensitive about quality signals of this kind of products and less rely on price as powerful signal. It is diverse for nondurable goods (Gerstner, 1985:210).

end of discussion about existence or inexistence of price- perceived quality relationship was offered by "Validity Network Schema" model that test it and at the end confirmed that price signaling affect buyers quality perception (Monroe & Dodds, 1988:122).

Price is a signal for quality and the strength of this relationship is based on the products. Despite of the Gerstner claims, this relationship for nondurable products is more powerful than durables (Lichtenstein & Burton, 1989:430).

2 years later economical model which could measure the price signaling effectiveness on price-perceived quality relationship was offered. (Begwell & Riordan, 1991:227)

personal features on perceived price as a signal of quality was another special area in this realm which explained that when people are not aware of the products quality or they doubt their perceived quality ability, rely on price more strongly (Schiffman & Kanuk, 1996:446).

positive relationship between the level of quality that firms choose for their products and information costs which buyers will to pay. It means, if customers pay more for acquiring information, producers investigation for quality will increase (Fishman & Simhon, 2000:328).

in two cases the price can be a strong signal of quality; first when purchase repetitions are not influential, second, when the products quality level varieties are eminent (Fluet & Garrella, 2002:908)

when the strength of price signaling in a situation which many signals exist at the same time was examined, showed that when all signals are aligned they support

each other but when, even one of them is non-aligned the power of negative signal is more powerful than the others Miyazaki, (Grewal & Goodstein, 2005:147) the experts rely on price signaling less than the others (Gergaud and Livat, 2007). 6 features for durable quality goods are: 1. The ease of use 2. Versatility 3. Durability 4. Ability to repair 5. Performance 6. Prestige. Additionally, price and brand are 2 signals of quality that buyers use for perceived quality (Brucks, Zeithaml & Naylor, 2007:360).

when there is not compressed competition in the market, price can be strong signaling of quality. In contrary, when there is a high competition, price cannot play the role of signaling very well. Consequently, high quality sellers will be omitted from this market (Adriani & Deidda, 2010:413).

despite of the economic theory, buyers will not buy cheaper products among same groups (Rao & MinDing, 2010:70). in online markets for both high and low quality sellers, price can be useful signal of quality (Mitra & Fay, 2010:185).

2. consumer information sources

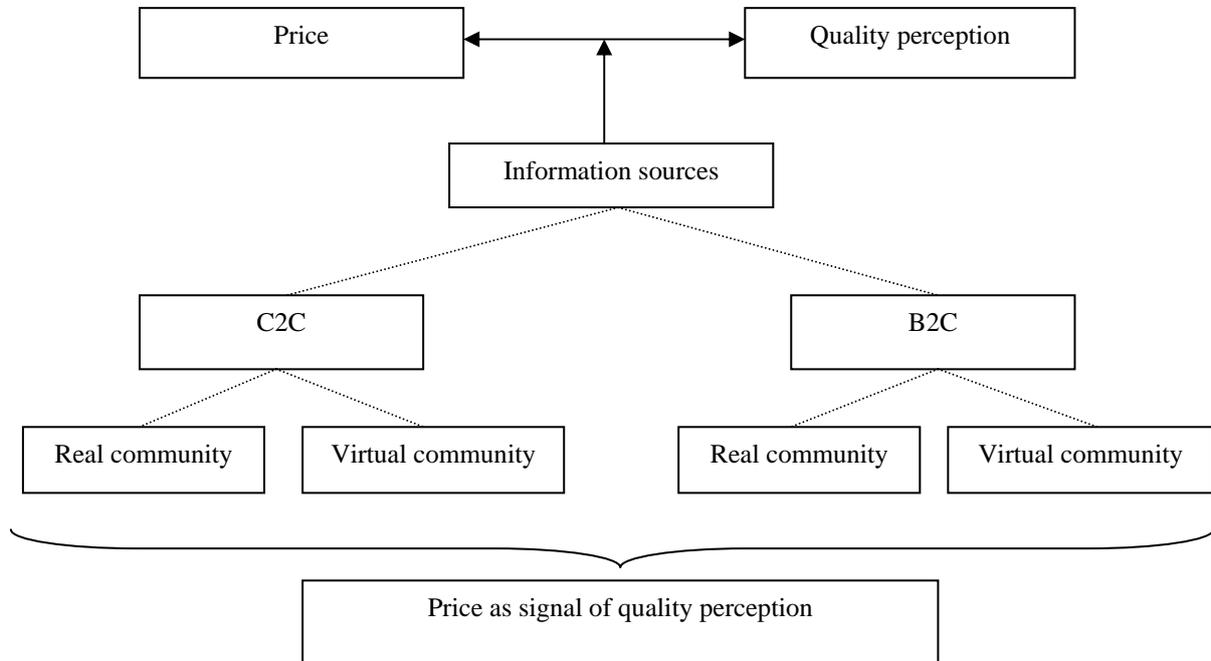
buyers doubt about information that firms release, because they believe that, sellers try to tempt them to buy their products. So when they ask buyers to evaluate the value of B2C information, they will find that its level is very low than their real one. So buyers search to find new source of information (Maute & Forrester, 1991:644).

people are more attracted to products which the other customers recommend (Bisckart & Schindler, 2001:31). also any increase in the use of C2C relationship level, leads to decrease in information that buyers gain from other sources (Galeotti, 2010:1160).

3. CONCLUSION

People try to learn much more about the quality of products before making decision about purchasing. There are 2 main information sources which let them find enough information. One of them is the data packet which the firms prepare them which include of some signals such as advertisement, warranty & guaranty, brand and etc. On the other hand, there are other customers that release their

experiences about the goods in real or virtual communities and with this way they affect the decision making process. In this article, researchers try to find out the effect of these kinds of information sources on price-perceived quality relationship. We assumed that, by acquiring the information from the C2C relationships, price reliance will be decreased.



Therefore, after reviewing literature of this subject, for testing this assumption, 350 questioners were distributed among business school students of university of Tehran. After they explained how got their information (from C2C or B2C relationships? From virtual or real community consumption?), At first they were asked to sort external signals' priorities and then specified each quality has expected for each range of prices. Totally 350 questionnaires has been filled that 58% was men and 42% was women.

The results strongly shows that, the effect of price as signal of quality, decrease when people get information from C2C virtual or real relationships. This study also shows that when people receive such information from virtual community

consumption, the effect of price signaling will decrease. Further, when they receive information only from B2C relationships price reliance rises sharply. This study helps marketers to be aware of the consumption's community effects on consumers' decision making process. More to the point, managing such customer information sources, decrease customers' price reliance and show the product's quality.

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