Putting Your Money Where Your Mouth Is:
The Value of Low Purchase Intention Consumers to Product Pricing
BARBER Nelson, BISHOP Melissa

University of New Hampshire, USA
nelson.barber@unh.edu

Consumers’ willingness to pay (WTP) refers to the maximum price a buyer is willing to pay (Franke, Keinz, and Schreier, 2008; Wertenbroch and Skiera, 2002) or, in economic terms, his or her reservation price. Accurately estimating consumers’ willingness to pay (WTP) is critical when developing new offerings (Anderson, Jain, and Chintagunta., 1993), implementing various pricing tactics (Gu and Yang, 2010), and creating targeted promotions (Shaffer and Zhang, 1995). However, measuring consumers’ actual WTP is a challenging task (Franke and Piller, 2004).

Most research on WTP has focused on comparing different methods in order to determine which leads to the best approximation of expressed WTP (Backhaus, Wilken, Voeth, and Sichtmann, 2005; Dong, Ding, Huber, 2010; Jedidi and Zhang, 2002; Kohli and Mahajan, 1991; Miller, Hofstetter, Krohmer, and Zhang, 2011; Malhotra, Peterson, and Bardi Kleiser, 1999; Voelckner, 2006; Wang, Venkatesh, and Chatterjee, 2007). Malhotra et al. (1999) suggested that the most notable gains in pricing research use experimental price methods and/or an analysis of historical market data. Recently, Miller et al. (2011) examined four different common approaches to assess individuals’ WTP to determine whether there were statistical differences between these methods and, if so, which approach leads to better pricing. In general, they found that approaches requiring consumers to actually purchase a product were most accurate in obtaining a “true” mean WTP.

This research extends the work that has been done on WTP by considering whether there are differences in individuals’ expressed WTP and actual purchase behavior based on individuals’ expressed purchase intentions (PIs). The relationship between PIs and behavior (especially initial purchase behavior) is an important relationship to both contemplate and capture (Zeithaml, 2000). Thus, we investigate whether individuals with lower PIs behave more closely in line with their expressed WTP than individuals with higher PIs (Study 1 and Study 2). Equally important, we examine if all individuals actually pay a similar price to each other when required to purchase a product (Study 1 and Study 2). The secondary purpose is to understand why individuals who express higher PIs may overstate true WTP, with prescriptive normative and social desirability bias taken into consideration (Study 2). Taken together, if 1) there are no differences in actual purchase behavior based on PIs, and 2) individuals with lower PIs act more in line with their expressed WTP, this research underscores the importance of conducting marketing research among lower PI individuals in the product development stage. Conducting research among individuals with low PIs would seem, intuitively, to be unproductive. However, the aim of this research is to show that individuals with low PIs can provide valuable pricing information during the product development stage.

No significant differences existed in actual WTP based on level of PIs (low, moderate or high). The price that low PI consumers were willing to pay through the contingent valuation method (survey) represented closely what they and the rest of the market were actually willing to pay in practice. This is critical, suggesting that market researchers may take their pricing cues from individuals they may not consider in their primary target market.