Putting Your Money Where Your Mouth Is: The Value of Low Purchase Intention Consumers

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Introduction

Two accepted methods of assessing Purchase intention and WTP: Consumers’ willingness to pay (WTP) refers to the –

- minimum price a buyer is willing to pay for a product: this is referred to as his or her reservation price.

Accurately estimating consumers’ (WTP) is critical when developing:

- new offerings,
- creating sales forecasts,
- implementing various pricing tactics, and
- creating targeted promotions.

However, measuring consumers’ acted WTP is a challenging task.

This Study

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 (PI).

The relationship between PI and behavior is an important relationship to both contemplate and capture in the new product development (NPD) process.

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).

Study 1 - Recruitment of Participants

Customers of a local winery, retail store, and a restaurant were recruited to participate in this two-part study.

The individuals selected had to meet the following criteria: they (1) must be 21 years of age or older, (2) must be a wine drinker, and (3) must be involved in their household wine purchases.

A total of 120 individuals agreed to participate in both phases of this study.

Study 1 - Survey Design

Measurement items (7-point Likert) –

- Purchase intention ($\alpha = .89$)
- Agreement
  - I plan on buying this product.
  - I intend to try this product.
  - I would consider purchasing this product.
  - I am interested in tasting this product.

- Prescriptive normative pressure for EF products ($\alpha = .90$)
- Agreement
  - I should purchase environmentally friendly products.
  - People in general should purchase environmentally-friendly produced products.

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- Purchase intention
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- Prescriptive normative pressure for EF products
  - I should purchase environmentally friendly products.
  - People in general should purchase environmentally-friendly produced products.
Several reminder emails were sent to participants about part two of the study, along with instructions on where to meet and how long they would be expected to attend the auction.

General Information.

Measurement items – Cont’d

- 46% percent of the respondents were male and 54% were female.
- The average income of respondents was US$54,000, with 49% percent reporting incomes between US$50,000 and US$75,000, while 50% reported annual household incomes between US$25,000 and US$50,000.
- The average number of years respondents reported consuming wine was 22.
- Respondents had high levels of education with 90% of the sample having earned a college degree.
- The average age of respondents was 43 years.
- The average number of bottles (750 ml) purchased per respondent was 13 per month, with $14.90 per bottle the average amount spent on these bottles of wine.

Conjoint analysis.

Study 1 - Results

Purchase Intentions. Following previous research, a new variable for PI was created. Barber et al. (2010), following Zaichkowsky (1985), suggested that by using the overall disutility as a guide to classification, comparisons are possible between subjects. Individuals were categorized into three groups, as those with high PIs, moderate PIs or low PIs. The “high” category was those that scored equal to or higher than the mean plus one standard deviation (M = 2.0).

Table II: Conjoint Analysis of Prescriptive Normative Pressure by PI Category.

Regarding prescriptive normative pressure, individuals with high PIs indicated the greatest agreement (5 strongly agree; 1 strongly disagree) that they and people in general should buy EF products (M = 4.45), followed by the moderate PI group (M = 3.2), and least of all by the low PI group (M = 1.7).

The means between these groups differed significantly (F(2,118) = 8.61, p < .05). Individuals with high and moderate PIs hypothetically expressed they would be more strongly in line with their stated intentions much more strongly than individuals with moderate and high stated PIs.

Study 1 Discussion

Study 1 demonstrates that individuals with low PIs act in line with their stated intentions much more strongly than individuals with moderate and high stated PIs.

Individuals with high and moderate PIs hypothetically expressed they would be willing to pay more than they actually were willing to pay when placed within actual purchase situations. Regarding these individuals with higher expressed PIs, this is not surprising, as hypothetical responses often constitute the instantiation of what people (in general) express they would pay in a hypothetical situation and what they would actually pay in a nonhypothetical one.

Another extremely key finding from this study is that no significant differences existed between real WTP for the three PI groups.
BUT WHY IS THE GAP HIGHER FOR SOME THAN OTHERS?

STUDY 2 WILL TRY TO FIND OUT....

IT MAYBE NORMATIVE PRESSURE OR SOCIAL DESIRABILITY BIAS

Study 2 - Recruitment of Participants

Customers of a local winery, retail store, and a restaurant were recruited.

None of the same participants from Study 1 took part in Study 2.

A total of 98 individuals participated in both phases of this study.

Study 2 - Survey Design

Measurement items - Study 2 followed the same measurement and assessment as in study 1, with the exception of:

Social desirability bias - Study 2. People respond in socially acceptable terms to gain others approval.

Over-report desirable behavior; Under-report undesirable behavior.
We developed this benchmark using the average price consumers actually paid was perhaps due to decreased prescriptive normative pressure. We developed this benchmark using the average price consumers actually paid for conventional wine as reported in studies by Barber et al. (2010) and Dodd et al. (2019). For conventional wine as reported in studies by Barber et al. (2010) and Dodd et al. (2019), the overstatement of WTP for the higher and moderate PI groups was not as great for the conventional wine as for the EF wine, suggesting that the diminishment to the nature of the product tested, though not solely. The overstatement of WTP may be attributed to the groups’ differences in SDB, while those with low PIs reported the lowest SDB scores. Therefore, low PI group showed low levels of SDB, indicating that they did not feel the same pressure to please or gain the approval of others. This may free them to answer in more accurate ways concerning the match between their expressed and actual WTP.

In our research, participants specified how much in dollars they would be willing to pay for an EF wine. WTP Survey. Individuals expressed how much in dollars (the benchmark price plus the amount over this price) they would be willing to pay for an EF wine. We developed this benchmark using the average price consumers actually paid for conventional wine as reported in studies by Barber et al. (2010) and Dodd et al. (2019).

Individuals stated the price they currently pay on average for a 750ml bottle of wine. This information provides a point of reference. Stated WTP in survey is given here for ease of reference. Following previous research, a new variable for PIs created in Study 1, the “high” category comprises those that scored a moderate level of SDB, while those with low PIs reported the lowest SDB scores. Therefore, low PI group showed low levels of SDB, indicating that they did not feel the same pressure to please or gain the approval of others. This may free them to answer in more accurate ways concerning the match between their expressed and actual WTP.

Study 2 Discussion

Regarding the replication, the results of Study 2 are similar to those of Study 1, with low PI consumers willing to pay much more than what they had expressed to pay in the survey for the environmentally-friendly wine. The moderate and high PI groups again overstated in the survey the amount they were willing to pay when it comes down to making a real economic commitment.

Finally, there were no significant differences between the three PI groups in terms of what they were actually willing to pay as measured by bid prices for the EF wine.

Study 2 Discussion – Cont’d

In sum, this is a beginning attempt to understand why some consumers over-report WTP while others do not. It is acknowledged that this is a limited discussion and treatment of this question, as it is not the primary focus of this paper. Although many researchers tend to agree that most WTP estimates (and purchase intentions in general) are overstated, there is not much speculation as to why.

Further, there is really no study (except Taylor et al. 1975) that points out that low PI intentions in general) are overstated, there is not much speculation as to why.