Effect of Price Perception and Brand familiarity on Brand Preference with respect to Cosmetic Products :

A study with reference to users of Nail Polish in Ernakulam (Cochin) district

Hari Sundar.G*
Dr. D. Sudharani Ravindran**

ABSTRACT

The consumer buying behavior has changed drastically. Earlier the majority of people had a unique mindset of going for cheap products. But now the scenario has changed. As the standard of living increased people became status conscious. They are more inclined tectation of customer.

It would be idealowards branded products. Companies must remember that when they are bringing out a new product it should match the exp to determine to what extent price affects a product and to what extent brand matters when it comes to the purchase of nail polish. As a result the companies can make a detailed study on consumer buying behavior. They can understand the various factors affecting consumer buying behavior and how these factors influence in buying decision process. This will help companies to decide how best to price their products so as to meet the needs and expectations of customers. Moreover this will give a clear cut idea on how much importance people give to price and brand in the case of nail polish.

This study deals with the effect of price perception and brand familiarity on brand preference. Brand preference is taken as dependent variable and price perception & brand familiarity is taken as independent variables.

Brand preference is the degree of brand loyalty in which a customer prefers one brand over competitive offerings.Price perception is about how customers see a products price, as high, low or fair. It refers to the reasonableness of price; reasonableness reflects the way price is perceived relative to that of the competitors. Brand familiarity is an extent to which a brand or brand name is recognized by potential buyers and correctly associated with the particular product in question. It is the act of creating public awareness of a specific brand in order to maximize its recognition.

In short, the study deals mainly with the importance of price perception and brand familiarity on brand preference and how both these factors significantly affects brand preference.

Introduction

The customers prefer higher priced products on the basis of these details namely when the price details are the only information available, when there is a belief that quality of available brands differ significantly, the price difference between choices are large etc.

Initially customers give more importance to price. With the due course of time brand name became important than price perception. People started looking for branded products. Brand became a symbol of status and quality. However customers also compare price differences while purchasing various products.

The study takes into consideration price perception and brand familiarity as the independent factors and its impact on the brand preference in the case of cosmetic products specifically in the case of nail polish. Here price perception is taken as two broad areas for the research study: one is price sensitivity case and other is non- price sensitive case.

Problem Statement

There are various factors which affect consumer buying behavior. While making any purchase price plays very dominant role. People think twice before buying. But the scenario is changing. With the increase in the standards of living people are becoming status

* Faculty, Berchmans Institute of Management Studies, St. Berchmans College, Changanasseri, Kerala email sundarsmm@gmail.com
** Assistant Professor, PSG Institute of Management, Coimbatore

conscious and as a result they prefer branded products. Most of the people go for products that are more familiar to them. People rarely try new products. It therefore becomes important to find out the effect of price perception and brand familiarity on brand preference.

Objectives of the study

Primary objective

To find out the effect of price perception and brand familiarity on brand preference

Other objectives

1. To study brand preference

2. To study price perception

3. To study brand Familiarity

4. To study the effect of price perception and brand familiarity on brand preference

Hypothesis

H1: Price perception affects brand preference

H2: Brand familiarity affects brand preference

H3: There is a significant effect of price perception and brand familiarity on brand preference

Research Design & Methodology

Research design

The study was descriptive. The study was done among the users of Nail polish in Cochin. Main target was ladies who use nail polish. Primary data Collected with the help of questionnaires & based on that Analysis & findings were given.

Sampling Design

Sample size taken was 150

Sampling design is Random sampling.

Sampling unit is all who use nail polish.

Data source

Primary data was collected with the help of questionnaire. All the research process is done with help of the parent study "The influence of price difference & Brand familiarity on Brand preference" and another study "The variability of prices on Brand choices". A lot of other articles were used as reference.

Data collection method

Data was collected by means of questionnaire and also with the help of face to face talks. The data is mainly collected among ladies who use nail polish. In order to have accuracy in analysis; ladies in different age groups were considered.

Literature Review

In the study "The influence of price difference and brand familiarity on brand preference by Kent B Monroe" (2007 May), he talks about the significant effect of price perception & brand familiarity on brand preference. Customers preferred higher priced products only when

?   Price was the only information available

?   When there was a belief that quality of available brands differed significantly

?   Price difference between choices were large

Initially customers gave more importance to price. With the due course of time brand name became important than price perception. People started looking for branded products. Brand became a symbol of status and quality. However customers also compare price differences while purchasing various products.

The main purpose of this research is to isolate specific price and cognitive effects on brand preference and to analyze the effect of price difference and brand familiarity on brand preference. Any way this depends on the products that we buy. Price perception is considered in two extremes here: one is price sensitive case and other one is non-price sensitive case. When we consider cosmetic products people are not price sensitive to a great extent. They look upon the brand name rather than price. But this is different with respect to other products.

Major result of the research was brand familiarity will play a dominant role than price in the case of brand preference when we cosmetic products. People are not much concerned about price in the case of cosmetic products. People go for branded products rather than cheaper products. So brand familiarity greatly affects brand preference rather than price perception.

The study "Price perceptions and Consumer shopping behavior by Donald R Lichtenstein, Nancy M Ridgeway & Richard G Netemeyer" (2008 April

)talks about seven price constructs- five consistent with the perception of price in its "negative role" and two consistent with price perception in "positive role" are used as independent variables to predict market place responses/ behaviors in five domains: price search, generic product purchases, price recall, sales responsiveness & coupon redemption. The price related constructs explain a significant amount of variance in five domains, providing evidence of predictive validity. Results of higher order factor analysis designed to assess the validity of positive-negative price perception of price taxonomy are also reported.

Here the various factors influencing consumer behavior and the effect of these factors on consumer buying process is discussed. Here they talk about the importance of price and its significant effect on consumer shopping. This varies from products to products and hence all positive-negative aspects of price perception are taken here. The study talks that shoppers are very heterogeneous in terms of their attention towards price & price promotions. It explains some of this heterogeneity by offering further delineations of the perception of price in its positive & negative roles. Some will be price sensitive where as some people wont be. So this study talks about the entire aspects from the extreme price sensitive case to extreme non- price sensitive case.

The study "Measuring the determinants of Brand Preference by Denford Chimboza & Edward Mutangwa" (2007 December) talks about the important determinants affecting brand preference in the case of dairy product market. The study says that brand awareness, price of the brand, product quality and packaging as the important factors affecting brand preference. Awareness about the brand makes the brand more familiar. Here they talk about promotion aspects in order to make the brand more familiar. The study also talks about the importance of branding and pricing products. The products must meet to the expectations of customers. So pricing and promotion policies must focus on that. Quality is also important factor to consider. The study mainly concentrated on ARDA dairy products in Zimbabwe.

Price & product quality are the dominant factors affecting brand preference. Then after comes brand familiarity here. In the case of diary products people are more concerned on product quality & price. Brand familiarity is only a third choice.

The article "A Generic approach of perception and price sensitivity by Isabella Muratore" (2008 June) talks about how do consumers perceive prices? Why are consumers price sensitive. The objective is to understand the price perception and sensitivity genesis. This article examines the relevance of existing theories of price information processing genesis. this research tries to contribute towards the understanding of the cognitive mechanisms which lead consumer to take into consideration the product price not only from a structural angle of the information processing but also from a developmental angle suggested by genetic psychology. Perception can be viewed in different angles. Price sensitivity can high, medium & low. This even depends on the products. For certain products customers can be more price sensitive. For certain products they cant be so price sensitive. Various extremes of price sensitiveness depend on the products.

The study "The effect of variability in price on consumer brand choice by B P S Murthi & Ernan Haruvy" (2008 July) talks about how the changes in prices affects brand choice and purchase decision of a brand. The analysis shows that the price insensitive segment's sensitivity to price is not much affected by frequent price changes whereas the price sensitive segment becomes less responsive to price as a result. Therefore, frequent price promotions over time will lessen the impact of any given promotion on price sensitive shoppers. Even though behavioral literature suggests that price variability affects consumers' decisions, most brand choice models have not focused on the consumers' response to such variability.

This study attempts to remedy this omission and examine the effect of price variability on consumer brand choice. We use scanner data to show that price variability affects consumer's price sensitivity. We also find that accounting for the effects of price variability in brand choice models improves the model fit over conventional benchmark models.

The study "A relational study on consumer promotion, price perception, product quality perception and brand loyalty in the context of detergent markets by Mohammed Mashfiq Huq" (2008 August) talks about exploring the relationship between consumer promotion, price perception, product quality perceptions and brand loyalty in the detergent market of Bangladesh. Overall when it comes to consumer promotions, general views of people about consumer promotion and price

perceptions have a great impact on product quality perceptions. Price perception shows a positive correlation to brand loyalty. This depends on how we perceive price. Some perceive price as price sensitive and vice versa.

When it comes to brand loyalty of a promotional brand, perceived quality play an important role in addition to general views on consumer promotion and price perception. So all such factors or elements that could have an impact on the consumer promotion, price perception and quality perception should be considered very important.

In the article "Brand preference monitoring debated by Radosevich & Lynda" (2008 August), Brand preference is clearly defined and certain antecedents & consequents are defined.

Brand preference is a measure of whether someone prefers one brand over another. Brand preference research aims to uncover both the rational and emotional factors that lead to a purchase decision over a competitor. Some of the antecedents can be quality, price, brand awareness, brand favoritism, brand popularity, brand reputation etc and consequents are brand loyalty, purchase decision, product preference etc.

From the above literature reviews presented; there exists a deep relationship between price perception, brand familiarity and brand preference. Any differs from products to products.

Analysis & Findings

With the help of questionnaires, data that was collected from among the users of nail polish was analysed with the help of SPSS package. In order to find out the relationship between price perception, brand familiarity & brand preference correlation and regression was found out.

Hypothesis was
H1: Price perception affects brand preference
H2: Brand familiarity affects brand preference
H3: There is a significant affect of price perception and brand familiarity on brand preference

Dependent Variable: Brand Preference
Independent Variables: Price perception, Brand familiarity

Hypothesis H1 analysis

That is Price perception affects brand preference

From the SPSS; correlation and regression values which are obtained are given below:

	BP	PP
BP Pearson Correlation	1	.393
Sig (2 tailed)		.002
N	150	150
PP Pearson Correlation	.393	
Sig (2 tailed)	.002	
N	150	

11	R square
.393	0.154

The correlation value obtained is 0.393 and R square is 0.154 which shows a positive correlation between Price perception and Brand preference. This shows that people are not much price sensitive as far as a particular brand is concerned since the correlation value is less than 0.5. People are no much concerned about price to a great extent when they go for a brand. Any way since positive correlation exists between price perception & Brand preference, we can say price affects Brand preference not to a great extent but to a certain extent.

Consider the case of Lakme

	BP	PP
BP Pearson Correlation	1	.256
Sig (2 tailed)		.012
N	70	70
PP Pearson Correlation	.256	
Sig (2 tailed)	.012	
N	70	

R	R square
.256	0.06

Lakme is considered to be a premium brand. Here also there exists a positive correlation between price perception & Brand preference since the correlation value is 0.256. Here people are not concerned about price to a great extent. Since Lakme is a premium brand meant for high society people they won't be concerned about price that much.

Consider the case of Elle 18

	BP	PP
BP Pearson Correlation	1	.324
Sig (2 tailed)		.002
N	45	45
PP Pearson Correlation	.324	
Sig (2 tailed)	.002	
N	45	

R	R square
.324	0.105

Elle18 is not a premium brand as compared to Lakme. Here there exists a better positive correlation between price perception and brand preference when compared

to Lakme. Here the people are more concerned about price when compared to Lakme.

There exists a positive correlation between Price perception and Brand preference. But the correlation value is less than 0.5, we can say that the hypothesis Price perception affects Brand preference is true to only a certain extent. It depends on the brands that we use.

Lakme mainly targets upper class people and Elle 18 targets middle class people. Most probably that can be the reason for the difference in the R and R squared values.

In effect the hypothesis is true to certain extent and not to a great extent. R square explains moderately good fit of the model.

Hypothesis H2

That is Brand Familiarity affects Brand preference

From the SPSS; correlation and regression values which are obtained are given below

	BP	PP
BP Pearson Correlation	1	.545
Sig (2 tailed)		.000
N	150	150
PP Pearson Correlation	.545	
Sig (2 tailed)	.000	
N	150	

R	R square
.545	0.297

Here the correlation value obtained is 0.545 and R square value is 0.297 which a positive and a good correlation between Brand familiarity & Brand preference. Ie if a brand is more familiar; people go for that brand or prefer that brand.

Consider the case of Lakme

	BP	PP
BP Pearson Correlation	1	.59
Sig (2 tailed)		.000
N	70	70
PP Pearson Correlation	.59	
Sig (2 tailed)	.000	
N	70	

R	R square
.59	0.34

Here the correlation value obtained is 0.59 and R square value is 0.34 which a positive and a good correlation between Brand familiarity & Brand preference. Since Lakme is more familiar to us a premium brand; people go for that brand or prefer that brand. Here people give importance to brand rather than price since Lakme targets upper segments of people.

Consider the case of Elle18

	BP	PP
BP Pearson Correlation	1	.5675
Sig (2 tailed)		.002
N	45	45
PP Pearson Correlation	.5675	
Sig (2 tailed)	.002	
N	45	

R	R square
.5675	0.32

Here the correlation value obtained is 0.5675 and R square value is 0.32 which a positive and a good correlation between Brand familiarity & Brand preference. Since Elle18 is more familiar to us; people go for that brand or prefer that brand.

In effect there exists a good positive correlation between Brand preference & Brand familiarity. So the hypothesis Brand familiarity affects Brand preference is completely true. R square explains good fit of the model.

Hypothesis H3

That is there is a significant affect of Price perception and Brand familiarity on Brand preference.

Consider the value obtained from SPSS;

R	R square
.469	0.219

Here the correlation value obtained is 0.469 and R square value is 0.219 which a positive and a good correlation to certain extent. The decrease in the correlation value can be due to the effect of Price perception. In short Price perception and Brand familiarity has significant effect on Brand Preference.

Consider the case of Lakme

R	R square
.42	0.179

Here the correlation value obtained is 0.42 and R square value is 0.179 which a positive and a good correlation to certain extent. The decrease in the correlation value can be due to the effect of Price perception. In short Price perception and Brand familiarity has significant effect on Brand Preference. For premium brands; people consider brand more important than price.

Consider the case of Elle18

R	R square
.444	0.1975

Here the correlation value obtained is 0.444 and R square value is 0.1975 which a positive and a good correlation to certain extent. The decrease in the correlation value can be due to the effect of Price perception.

In effect the hypothesis is true. Any way Brand familiarity has a great affect on Brand preference, But Price perception affect Brand preference to a certain extent. R square explains good fit of the model.

In the case of Price perception it has 2 parts either the people would be price sensitive or people wont be price sensitive. When people prefer a brand there are less chances of price sensitiveness. That is why the correlation value of Price perception & Brand preference is less. This depends on the brands. The correlation value will be less if they prefer premium brands, but it will be slightly high if people prefer cheaper brand. This is what we saw in the case of Lakme & Elle18.

But Brand familiarity will have a greater effect on Brand preference. We got the correlation value positive & high in all cases. Even it is a premium or cheaper brand people prefer the brand if it is more familiar.

Results

1. Hypothesis H1 is true to a certain extent only. That is Price perception affects Brand preference to a certain extent. R-Square value explains moderately good fit of the model.

2. Hypothesis H2 is true completely. That is Brand familiarity affects Brand Preference. If a Brand is familiar people prefer that brand. R-Square value explains good fit of the model.

3. Hypothesis H3 is also true. There is a significant affect of price perception and Brand familiarity on Brand preference. Here Brand familiarity has a significant affect on Brand preference but Price perception doesn't have significant effect greatly. R-Square value explains good fit of the model.

Suggestions

? As studies highlights that brand preference is very much influenced by brand familiarity in the case of cosmetic products especially nail polish, companies must try to focus on the issues of brand building more. Customers are not at all price conscious in this case. Rather they are more concerned about the brand.

? If the brand is more familiar to a customer, he will go for that brand. For that proper promotional strategies should be adopted by the companies. Companies must focus more on lower & middle segments and proper promotional strategies must be adopted so that people will automatically recognize the brand & hence will prefer more

? This field should be explored by the marketers more specifically. For that this study can be used as a frame work. The earlier concept of buying process has drastically changed. People are becoming more status conscious and hence prefer branded products more in their day to day. Another reason can be they are more status conscious. They are ready to pay more for better quality products. Hence companies should also try to portray this aspect.

Conclusion

The main purpose of this research was to isolate specific price and cognitive effects on brand preference and to analyze the effect of price difference and levels of brand familiarity on brand preference. That is mainly to analyze whether Brand preference is getting affected by price perception or by Brand familiarity.

It is found that price perception has a less significant effect on brand preference especially in the field of cosmetic industry. When people prefer a brand there are less chances of price sensitiveness. That is why the correlation value of Price perception & Brand preference is less. The correlation value will be less if they prefer premium brands, but it will be slightly high if people prefer cheaper brand. This is what we saw in the case of Lakme & Elle18. This depends on brands people prefer.

But Brand familiarity will have a greater effect on Brand preference. We got the correlation value positive & high in all cases. Even if it is a premium or cheaper brand people prefer the brand if it is more familiar.

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