CONSUMER PERCEPTIONS OF QUALITY, RISK, AND VALUE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

Consumer purchase intention has attracted so much attention by marketing scientists and marketing managers because of its importance in consumer behavior. In marketing literature, two streams of research regarding value assessment and perceived risk have been trying to understand the process of consumer purchase intention. The first research stream of value assessment was initiated by Monroe's (1979) conceptualization of perceived value in which value is defined as a trade off between perceived quality and monetary sacrifice and also characterized as an antecedent of consumers' willingness to buy. After he introduced the model, his model has been extended by adding different quality cues which are the antecendents of quality and sacrifice (Doods et al. 1991). The second research stream of perceived risk is initiated by Bauer, claiming that the issue of risk taking is readily seen as an integral part of many familiar phenomena of consumer behavior (1967, p.30). In particular, Bearden and Shimp (1982) conceptualized a model in which different extrinsic product cues impact product value assessment through perceived risk. The two research streams were first integrated by Wood and Scheer (1996), who proposed that purchase intention is mediated by overall evaluation of the deal in which product benefit, product costs, and perceived risk are the antecedents. However, Sweeney, Soutar and Johnson (1999) proposed that perceived value is not directly influenced by perceived quality but rather perceived risk mediates the relationship between them. The authors used the financial and performance risks to define the overall perceived risk in their study. Agarwal and Teas (2001) extended their study by proposing that financial risk is the primary mediator of the relationship between monetary sacrifice and perceived value, whereas performance risk is the primary mediator of the relationship between perceived quality and perceived value. The authors used four extrinsic product cues in which brand name, store name, and country name impact the perceived quality, and price impacts both perceived quality and monetary sacrifice.This study extends the Agarwal and Teas's (2001) conceptual model in four ways. Firstly, in marketing literature there are a number of intrinsic and extrinsic product cues that impact the concepts of perceived quality and perceived risk such as manufacturer reputation, retailer reputation, packaging, and warranty. In this study, warranty will replace the country name while other extrinsic cues will remain the same. Secondly, in perceived risk-perceived value literature only financial risk and performance risk have been examined. In what is unique to this study, it is proposed that financial and performance risks are mediated by psychological risk. Thirdly, this study posits that monetary sacrifice and perceived quality have both direct effect and indirect effect through psychological risk on perceived value. Finally, this study posits the possibility that financial risk and performance risk do not completely mediate the relationship between monetary sacrifice, perceived quality, and psychological risk. Thus, there can be direct linkages between monetary sacrifice and psychological risk, and also between perceived quality and psychological risk. An experiment is proposed to test the hypotheses developed in the study. The study design will be a 3x2x2x2 factorial between subject experiment.

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