



THE POLISH CONSUMER'S CONCEPT OF PRICE AS A MARKETPLACE CUE

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ABSTRACT

As globalization continues, companies will face both opportunity and risk when participating in foreign markets. Cross-cultural research seeks to inform academics and practitioners about consumer behavior across national markets. The current study examines whether Polish consumers recognize price as a cue in apparel purchasing decisions. Confirmatory factor analysis indicates that Polish consumers (N=355) recognize four dimensions of price including the price/quality schema, prestige sensitivity, price mavenism and sale proneness. Directions for measurement development and future research are offered.

KEYWORDS: Polish consumer, price, marketplace cue, apparel marketing, cross-cultural marketing).

INTRODUCTION

Globalization continues to create both opportunities and obstacles for companies that seek to develop, manufacture and/or sell products and services outside of their home markets. A key question that both practitioners and academics face when formulating internationalization strategy is whether to standardize or adapt current products, services and/or practices for foreign markets. Standardization involves less risk upon market entry but can easily result in failure in misunderstood markets. On the other hand, adaptation is riskier from the beginning but can create great opportunity when it is effectively executed. Therefore, the decision(s) to standardize and/or adapt business policy for a host market is critical to successful internationalization strategy. The adaptation-

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standardization decision is particularly challenging for companies who seek to market and distribute consumer goods and services to target markets that are substantially different from their home market along socio-economic, political and/or cultural dimensions. Over the past 10 to 15 years, the transitional economies of Eastern Europe have become an important context for western marketers (i.e., particularly U.S. and Western European companies) who seek growth beyond home markets. The Polish market has been particularly alluring to U.S. and European companies since privatization began in the early 1990's (Manakkalathil & Chelminski, 1993).

Academics have responded to the international business community's interest in Poland (and other countries in Eastern

Europe) by examining the impact of culture on consumer behavior towards foreign products/companies. This research has focused heavily on the measurement and understanding of consumer behavior concepts including ethnocentrism (Good & Huddleston, 1995; Huddleston, Good & Stoel, 2001; Lindquist, Vida, Plank & Fairhurst, 2001; Vida & Fairhurst, 1999), country of origin effects (Barker & Kaciak, 1992; Han & Terpstra 1988) and patriotism (Han, 1988). Considerable progress has been made in understanding the cultural impact of ethnocentrism on Polish consumer perceptions and decision-making for western brands (i.e., products). However, attention to other important elements of the marketing mix (i.e., price, promotion and place) is comparatively sparse among the research that focuses on the Polish consumer.

The purpose of this research is to expand knowledge of Polish consumer behavior through a focused examination of their perception of the price concept. From a western perspective, price is considered a fundamental element of the marketing mix and has been the focus of a great deal of research among both academics and practitioners, respectively (e.g., Dawar and Parker, 1994; Olson, 1977; Zeithaml, 1988). In a practical sense, understanding how consumers perceive price is extremely *actionable* for companies seeking to standardize or adapt their pricing strategy for the Polish market.

The current study specifically examines whether Polish consumers perceive price as a marketplace cue. The concept of price as a marketplace cue was first advanced by U.S. researchers who sought to understand the manner that consumers use price to simplify purchase decisions. Empirical findings in this area indicate that U.S. consumers indeed use price as both a positive (e.g., Erickson & Johanson, 1988) and negative cue (e.g., Lichtenstein, Ridgway & Netemeyer, 1993) in making purchase decisions. The literature suggests that U.S. consumers recognize six different dimensions of price (i.e., cues)

including: price/ quality schema, prestige sensitivity, price mavenism, value consciousness, price consciousness and sale proneness.

## BACKGROUND & THEORY

Shortly after Poland's economic transition began, Sjolander (1992) performed a comparative study between Swedish and Polish consumers. The study examined the relationship between price and the perception of quality in a free market versus a transitional economy. Outcomes indicated that Polish consumers had no conception of the relationship between price and quality at that time. Sjolander's study dealt with only one of the six dimensions of price (i.e., price/quality schema). This research was also performed early in the country's transition period. Since the Sjolander study, there does not appear to have been further research that considers the Polish consumer and price.

A great deal of cross-cultural consumer research deals with the identification of important concepts and subsequent development of measures for these concepts (i.e., constructs). In many cases, researchers devote considerable effort to developing new scales to measure both previously existing and new concepts among different cultures (e.g. Shimp & Sharma, 1987; Steenkamp and Baumgartner, 1998). Because the current research is a first attempt toward understanding the Polish consumer's conception of price, theoretical direction is taken directly from the supporting research on the U. S. pricing taxonomy. The price taxonomy consists of six dimensions including two positive and four negative cues. The following sections provide definition and supporting research for each of these six dimensions.

### Price as a Positive & Negative Cue

According to Lichtenstein, Ridgway and Netemeyer (1993) price is particularly influential in consumer behavior because it

is present in all purchase situations. Years of research concerned with price have detected both positive and negative signals of price as a marketplace cue. Classical economic theory suggests that price represents the amount of economic outlay that must be sacrificed to engage in purchasing. This thinking supports the concept of price as a negative cue. When consumers perceive price in its negative role, they perceive high prices as an economic sacrifice which negatively impacts purchasing probability.

From a behavioral perspective price can also be viewed as a positive cue in purchase decision making. When price is perceived as a positive cue it usually signals quality, prestige and/or status to the consumer (Lichtenstein, Netemeyer & Burton, 1990; Monroe & Krishnan, 1985). Therefore, in cases that price acts as a positive cue, higher prices signal higher degrees of quality, prestige and/or status and increase purchase probabilities among consumers who seek these attributes.

### **Price/Quality Schema**

Lichtenstein, Ridgway and Netemeyer (1993) define the price/quality schema as a consumer's generalizable belief that price levels are positively related quality levels. The idea that consumers use price to signal product, brand, and retail quality has been the subject of a great deal of consumer research in both the past and the present (e.g., Brucks, Zeithaml and Naylor, 2000; Jacoby, Olson & Haddock 1971; Wollinsky, 1983). In general, researchers seem to agree that consumers often perceive price as a surrogate for quality. However, empirical findings suggest that use of the price/quality schema in purchasing can differ according to the purchase situation (Monroe & Krishnan, 1985) and/or the individual consumer (Peterson & Wilson, 1985).

### **Prestige Sensitivity**

A second positive dimension of price is represented by the prestige sensitivity concept. Prestige sensitivity is defined as a

favorable perception of the price cue based on the prominence and status that expensive products signal to other people about the purchaser (Lichtenstein, Ridgway & Netemeyer, 1993). Closely related to the concept of conspicuous consumption (Leibenstein, 1948), prestige sensitivity is expected to be present in more socially visible purchasing behaviors, such as shopping for a car or apparel products. This assumption is supported in the results of Lichtenstein, Ridgway & Netemeyer's 1995 examination of prestige sensitivity which found that the concept was positively related to presence of vanity.

### **Price Mavenism**

The price mavenism concept is a narrow interpretation of the market mavenism concept. Market mavenism refers to people who desire and maintain a reputation among their peers as a market expert. Price mavenism is basically the same concept, but it is focused only on people who seek pricing information. In both cases, *mavens* are considered an authority on market information by consumers and by that token influence the purchasing behavior of others (Feick & Price, 1987). Lichtenstein, Ridgway, and Netemeyer (1993) define price mavenism as the degree to which an individual is a source of price information for many kinds of products and situations. The price maven is most concerned with low price information which he/she actively shares with other consumers. Further, a consumers' sensitivity to price in its negative role may reflect a desire to be a price maven (i.e., low cost source of information for others). As such, price mavenism reflects a negative dimension of price.

### **Value Consciousness**

Value consciousness represents a second dimension of price in its negative role. In keeping with the traditional economic view of price, value consciousness is defined as a concern for the price paid for a given good/service versus the quality received (Lichtenstein, Ridgway & Netemeyer, 1993).

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Though there has been considerable debate over a clear definition of value, many agree that value is the consumer's general assessment of the utility of a product based on what is received and what is given (Zeithaml, 1988). As consumers demand greater quality for lower prices in competitive retail markets the likelihood that value consciousness may influence purchasing increases (McGowan & Sternquist, 1998).

### Price Consciousness

A third dimension of price in its negative role set forth in the literature is price consciousness. The term *price consciousness* has been used by researchers to refer to a variety of price-related cognitions (Zeithaml, 1984). For the current research, price consciousness is interpreted in a narrower sense. It is simply defined as a concern for the price paid versus the quality received (Lichtenstein, Ridgway & Netemeyer, 1993). Similar to value consciousness, price consciousness is more likely to occur in competitive retail markets. The evolution of price consciousness has been attributed to buyer behavior under the conditions of economic recession (e.g., the U.S. economy in the early 1990's). Many believe that this low price seeking behavior among consumers endures beyond recessionary conditions.

### Sale Proneness

Sale proneness is the fourth dimension of price in its negative role. Lichtenstein, Ridgway & Netemeyer (1993) define sale proneness as an increased propensity to respond to a purchase offer when the price is presented in a *sale* form. Restated, sale proneness is simply the propensity of a customer to buy goods/services when they are on sale. This concept is closely related to the concept of *deal proneness* which is used to describe consumers who strongly respond to different forms of promotion. Deal proneness has received quite a bit of attention among consumer researchers. Of particular interest has been the usefulness of deal proneness in describing general

consumer buying behavior (e.g., Price, Feick & Guskey-Federouch ) versus domain specific buying behavior (e.g., Schneider & Currim). Evidence towards usage of deal proneness in domain specific situations appears to outweigh the likelihood of a consumer's general predisposition towards being deal/sale prone (Lichtenstein, Netemeyer & Burton, 1995).

## METHODOLOGY

To examine whether Polish consumers perceive different dimensions of price as marketplace cues, theoretical and measurement direction are taken from the U. S. literature. In most cases cross-cultural research seeks to test the equivalence of constructs, samples, and measurements across populations in order to insure comparability (Douglas & Craig, 1983). There are generally three types of equivalence that need to be addressed: translation equivalence, calibration equivalence, and metric equivalence (Mullen, 1995). Translation and calibration equivalence address whether a construct can be measured by the same items and whether the units of measure are the same in different countries. In other words, these two types of equivalence ensure that instruments reflect their original meaning following translation. Metric equivalence refers to the correspondence of samples and measurements in cross-cultural research. It is performed to assess the psychometric properties of cross national measures.

Because the current study provides a first step towards understanding the Polish consumer's conception of price cues, it is primarily focused on whether these cues in fact *exist* in Polish consumer decision-making. Therefore, the assessment of construct equivalence through both translation and calibration is addressed. However, psychometric comparability to U.S. scales (i.e., measurement equivalence) is not addressed.

## Sampling Method & Purchasing Context

To capture a homogeneous group of Polish consumers, college students were selected as the general sampling frame. This sample was selected for three major reasons. First, the college student sample provides a degree of homogeneity, which is needed for testing theoretical constructs. This is necessary to control random error introduced into the analysis by heterogeneous subjects. Second, in a foreign population, college students provide an accessible and familiar frame for sampling. Third, because the current college student population represents a new generation of Polish consumers (since privatization) the likelihood of price cue presence in their decision-making is increased. This segment is also likely to represent an important buying group in Poland during the coming decades. Specifically, undergraduate business majors in a nationally recognized University were selected as the sample for data collection. The initial targeted sample size was set at 350 subjects, with a minimum of 300 required for the analysis.

The selection of apparel shopping as the context for questioning arose from exploratory interviews with Polish college students. English speaking Polish interviewers were instructed to ask students which products they regularly bought for themselves. They consistently responded that they were primary the purchaser of apparel products. Because apparel product buying situations reflect characteristics associated with cue usage, such as social consciousness and as value consciousness, they provide a meaningful context for testing these constructs.

## The Instrument & Measures

A self-administered questionnaire was used to collect data from subjects during the Spring of 1998. Prior to administration, the instrument was translated into Polish by a U.S. translator. The instrument was then back-translated into English and modified

by an English speaking Polish native. The questionnaire was reviewed and approved by a Polish Professor of Business as a final step to provide both translation and calibration equivalence.

The questionnaire was designed to capture three types of information. First, a screening question was posed which asked whether subjects had purchased apparel over the past six-months. Next, the price scales were presented. The questionnaire concluded with a brief demographic section which probed age, gender, product information sources.

Measurements for the six dimensions of price were adopted from previously established scales. For five out of the six price measures (i.e., price/quality schema, prestige sensitivity, price mavenism, price consciousness & sale proneness) the Lichtenstein, Ridgway and Netemeyer (1993) scales were used. Value consciousness was measured using the (1990) Lichtenstein, Netemeyer and Burton scale (see Appendix). The original scales for the six price constructs used generic product categories to tap into consumer perceptions. Therefore, the measures were slightly adapted to reflect shopping for apparel products rather than general branded merchandise. All measures were captured using a seven point Lickert-type scale that ranged from very strongly agree to very strongly disagree.

## Analysis

Confirmatory Factor Analysis (CFA) is used to examine the six price dimensions among the Polish sample using AMOS software. Because the scales are well established and the research is focused on detecting distinct dimensions of price in the sample, CFA provides an effective procedure. The CFA follows a traditional disaggregation approach (i.e., each item stands alone as an indicator of a given construct) and all analyses are performed on correlation matrices (Hair, 1998). Scale reliabilities using Cronbach's alpha were run before and after CFA was performed (Tables 1 & 2) to

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ensure consistent measurement across subjects.

## RESULTS

### Sample Characteristics

A total of 356 usable surveys were completed by participants. As expected, the entire sample reported that they were college students. The age of respondents ranges between 21-39 years with an average age of 24 years. The sample is proportionately heavier in females (69%) compared to males (31%). Respondents indicated that they most frequently consult personal sources (i.e., friends) and magazines for apparel related product information.

### Reliability of Measures

Cronbach's alpha was calculated to assess reliability for each of the six price measures. Reliability statistics were calculated before and after the CFA was performed (Tables 1 & 2). According to Nunally's criterion ( $\alpha \geq .70$ ), the initial reliability coefficients indicated reasonable consistency for all scales except price consciousness. Due to the instability of the measure, price consciousness was eliminated prior to CFA. The reliability of the reduced scales was performed following the changes suggested in the initial CFA (Table 2).

**TABLE 1**  
**RELIABILITY OF MEASURES**  
**ORIGINAL SCALES**

N=356		
Construct	Number Of Items	Cronbach's $\alpha$
Sale Proneness	6	.75
Price	6	.87
Mavenism		
Price/Quality Schema	4	.84
Prestige Sensitivity	9	.78
Value		
Consciousness	6	.84
Price		
Consciousness <sup>a</sup>	5	.46

<sup>a</sup> Construct removed from analysis due to lack of reliability.

**TABLE 2**  
**RELIABILITY OF MEASURES**  
**REDUCED SCALES**

N=355		
Construct	Number Of Items	Cronbach's $\alpha$
Sale Proneness	4	.77
Prestige Sensitivity	5	.77
Value		
Consciousness <sup>a</sup>	n/a	n/a
Price		
Consciousness <sup>a</sup>	n/a	n/a

<sup>a</sup> Construct dropped in the CFA.

<sup>b</sup> Construct removed due to lack of reliability.

### Normality

Prior to fitting the confirmatory factor model, multivariate normality was assessed for the data. Of particular interest to structural modeling procedures, is the avoidance of variables that display distributions with kurtosis. A single variable in the prestige sensitivity scale (PS1) was removed due to unacceptable kurtosis [critical ratio (c.r.) = 4.67 > threshold c.r. = 1.96]. In addition, a single outlier was removed from the sample, reducing the total N to 355.

### CFA Model Fit

Several iterations were performed before an acceptable factor model was achieved. Modification indices reflected a propensity among the value consciousness items to load on other constructs including price/quality schema and price mavenism. Because the items associated with value consciousness were interfering with the overall model fit, this construct was also removed from the model. In addition, items were eliminated from the sale proneness construct (SP2) and the prestige sensitivity construct (PS1, PS6, PS8, & PS9) due to poor loadings on these factors.

The final confirmatory factor produced a  $\chi^2 = 290.37$  (146 df). Therefore, the  $\chi^2/df$  ratio < 2 indicated reasonable fit. Additional fit indices also indicated a very good fit: GFI = .92, adjusted AGFI = .89, NFI = .89, and

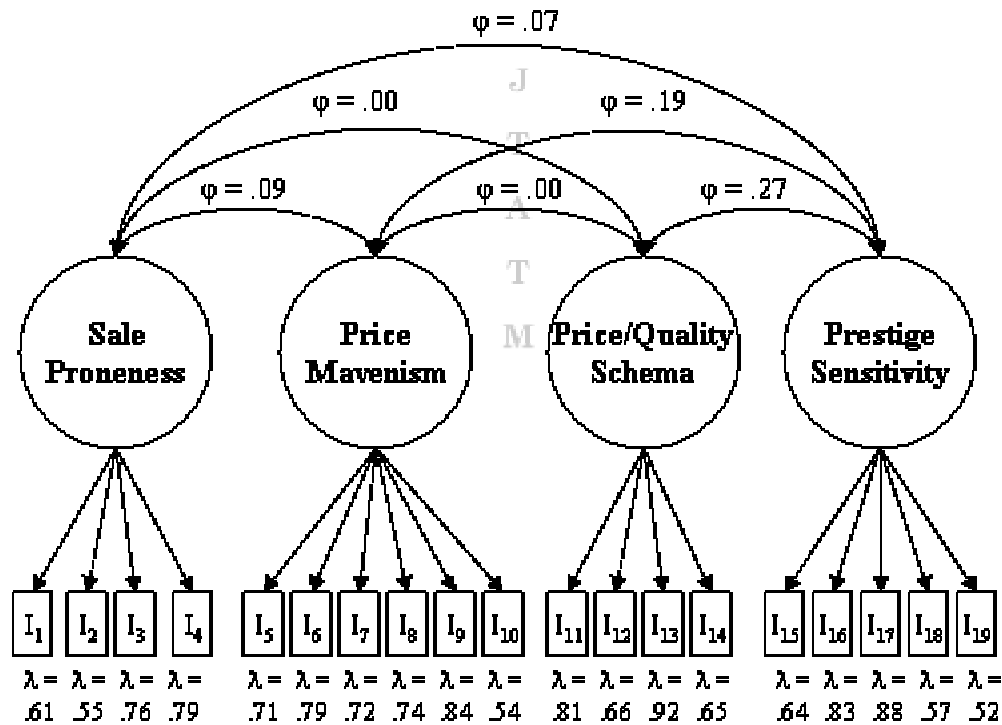
CFI = .943. Further the root mean square error (RMSEA) = .05 meets the error criterion of less than .05 for acceptable fit. The final model presented in the Figure displays the item loadings ( $\lambda$  matrix) and the inter-correlations between constructs ( $\phi$  matrix).

### LIMITATIONS, CONCLUSIONS & FUTURE RESEARCH

The research has a number of limitations that must be acknowledged. Perhaps the

greatest limitation is the fact that the confirmatory model was not tested against a comparable U.S. sample for metric equivalence. Therefore, comparison of the current results with those from U.S. price cue studies must be made with caution. However, considering the factor loadings produced by the CFA, it is highly likely that some degree of metric equivalence exists between Polish and U.S. consumers for four price scales (price/quality schema, prestige sensitivity, price mavenism & sale proneness).

FIGURE  
Confirmatory Factor Model:  
The Four Dimensions of Price among Polish Consumers



Key:

I <sub>1</sub> =SP3	I <sub>4</sub> =SP6	I <sub>7</sub> =PM3	I <sub>10</sub> =PM6	I <sub>13</sub> =PQS3	I <sub>16</sub> =PS3	I <sub>19</sub> =PS7
I <sub>2</sub> =SP4	I <sub>5</sub> =PM1	I <sub>8</sub> =PM4	I <sub>11</sub> =PQS1	I <sub>14</sub> =PQS4	I <sub>17</sub> =PS4	
I <sub>3</sub> =SP5	I <sub>6</sub> =PM2	I <sub>9</sub> =PM5	I <sub>12</sub> =PQS2	I <sub>15</sub> =PS2	I <sub>18</sub> =PS5	

To move forward with price cue research on Polish customers the next step is to confirm metric equivalence of the measurements. If metric equivalence is achieved and these

results are replicated, practitioners can affect pricing strategy for Polish markets with greater confidence.

There are additional limitations associated with the sample. In order to test the model, college students provided an effective sampling frame. However, in the quest for internal validity a degree of external validity was sacrificed. In turn, these results can only be generalized to this population. Accordingly, testing price as a marketplace cue should be extended across different consumer groups in order to be helpful to managers who must deal with a number of segments when marketing their products/services.

The sample was also proportionately heavier in female respondents. The effect of gender and pricing behavior has not been considered in Polish markets. In addition to extending pricing measurements across additional segments, it could also be meaningful to look at the effects of different demographics such as gender, income level, and education level on price cue operation. Knowledge of these effects would also be helpful for companies seeking to sell goods/services in the Polish market.

In conclusion, the analysis indicates that Polish consumers have a concept of positive (price/quality schema, prestige sensitivity) and negative (price mavenism, sale proneness) dimensions of price. In comparison to Soljander's (1992) study, Polish consumers have begun to perceive that price signals both quality and value. This finding indicates promise in extending pricing research across international markets of interest.

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## APPENDIX PRICE CUE SCALES

Construct	Item
Price/Quality Schema	PQS1. Generally speaking, the higher the price of a product, the higher the quality.
	PSQ2. The old saying "you get what you pay for" is generally true.
	PSQ3. The price of a product is a good indicator of its quality.
	PSQ4. You always have to pay a bit more for the best.
Prestige Sensitivity	PS1. People notice when you buy the most expensive brand of a product.
	PS2. Buying a high priced brand makes me feel good about myself.
	PS3. Buying the most expensive brand of a product makes me feel classy.

**APPENDIX (continued)  
PRICE CUE SCALES**

<b>Construct</b>	<b>Item</b>
	<p>PS4. I enjoy the prestige of buying a high priced brand.</p> <p>PS5. It says something to people when you buy the high priced version of a product.</p> <p>PS6. Your friends will think you are cheap if you consistently buy the lowest priced version of a product.</p> <p>PS7. I have purchased the most expensive brand of a product just because I knew other people would notice.</p> <p>PS8. I think others make judgments about me by the kinds of products and brands I buy.</p> <p>PS9. Even for a relatively inexpensive product, I think that buying a costly brand is impressive.</p>
<b>Price Mavenism</b>	<p>PM1. People ask me for information about prices for different kinds of products.</p> <p>PM2. I'm considered somewhat of an expert when it comes to knowing prices of products.</p> <p>PM3. For many types of products, I would be better able than most people to tell someone where to shop to get the best price.</p> <p>PM4. I like helping people by providing them with price information about many types of products.</p> <p>PM5. My friends think of me as a good source of price information.</p> <p>PM6. I enjoy telling people how much they might expect to pay for different kinds of products.</p>
<b>Value Consciousness</b>	<p>VC1. I am very concerned about low prices, but I am equally concerned about product quality.</p> <p>VC2. When clothing shopping, I compare the prices of different brands to be sure I get the best value for the money.</p> <p>VC4. When I buy clothing, I like to be sure that I am getting my money's worth.</p> <p>VC5. I generally shop around for lower prices on products, but they still must meet quality requirements before I buy them.</p> <p>VC6. I always check prices at the retail store to be sure I get the best value for the money I spend.</p>
<b>Price Consciousness</b>	<p>PC1. I am not willing to go to extra effort to find low prices.<sup>1</sup></p> <p>PC2. I will shop for clothing at more than one store to take advantage of low prices.</p> <p>PC3. The money saved by finding low prices is usually not worth the time and effort.<sup>1</sup></p> <p>PC4. I would never shop at more than one store to find low prices.<sup>1</sup></p> <p>PC5. The time it takes to find low prices is usually not worth the effort.<sup>1</sup></p>

<b>Sale Proneness</b>	<p>SP1. If a product is on sale, that can be a reason for me to buy it.</p> <p>SP2. When I buy a brand that's on sale, I feel that I am getting a good deal.</p> <p>SP3. I have favorite brands, but most of the time I buy the brand that's on sale.</p> <p>SP4. One should try to buy the brand that's on sale.</p> <p>SP5. I am more likely to buy brands on sale.</p> <p>SP6. Compared to most people, I am more likely to buy brands that are on special.</p>
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<sup>1</sup>Items are reverse-scored for analysis.

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