Chapter VI

Emerging Trends in Organized Retailing - Indian Scenario

Investigating Young Consumer and their Retail Store Brand Relationships and Switching Behavior with the Family and Peer Influence

Context Motivation

Our country comprises of substantial percentage of young and empowered consumers. They are exposed to media and frame their preferences towards retail store brands. In this process they also get influenced by what their family suggests and also by shared experiences with the peers. This influence makes them try out other retail store brands and thus giving a context to retailer to woo these young consumers with greater footfalls in the retail stores.

Review of Literature:

Brand relationships and switching behavior

Individuals get involved in owning material possessions from childhood; involvement with material possessions decreases with the age but remains significant throughout life as these are used to express oneself and seek happiness, remember experiences, accomplishments, connect to people and even to create a sense of immortality after death (Belk, 1988). Fournier (1998) suggests that consumers form relationships with highly used brands and that the relationships remain strong and durable over time. These positive feelings towards the brands consumers’ know and use were validated as:

- Brand Partner Quality: brand is taken as a reliable and a trustworthy partner, the sense of being respected and looked up to in the presence of the brand.
• Love and passion: are the affect based feelings related to brand indicating the warmth, affection and passion, possessiveness towards the brand, the feeling of uniqueness and a biased positive feeling towards the brand.

• Self-connection: is the extent to which the brand becomes the focus of the consumer’s life. The past, present and the future (expected) selves ranging across the time horizon. It also comprises of the encouragement of the tolerance in face of the adverse circumstances.

• Interdependence: is the day-to-day routine interaction with the brands and making consumption as an important ceremony to be celebrated.

• Commitment: shows the longevity of the brand relationship and stability to be maintained by a consumer.

• Intimacy: represents strong beliefs about the superior performance of the product. It includes the brand relationship memory of personal associations and experiences within which the brand plays an important role.

**Brand Partner Quality**

Consumers see products as an extension of themselves (Belk, 1988) and it becomes a consideration while making a purchase to ensure that product carries some elements of being a partner. There are certain aspects of human personality that brands carry with them (Aaker, 1997) and there is a good possibility that consumers lookup to those dimensions in the brands they use.

**Love & passion**

Consumers tend to develop powerful emotional bonds with the brands which get connected to their heart. This appears to be a lot like love (Roberts, 2005). Previous research has shown that dimensions of love, passion, warmth and affection as well romanticism (Bem, 1974; Hook et al, 2003; Krinng and Gordon, 1998; Holbrook and Olney, 1995).
**Self-connection**

Owning material possessions is a phenomenon that an individual gets involved from childhood; involvement with material possessions tends to decrease with the age but remains significant throughout life as these are used to express oneself and seek happiness, remember experiences, accomplishments, connect to people and even to create a sense of immortality after death (Belk, 1988). Brands are used by the individuals to express themselves to others thus, resulting in the self-brand connections; brands that match with the concept of self-become the part of consumer’s self-brand connection set (Chaplin and John, 2005).

It was also seen that consumers build stories based on their experiences and object and people around them. These narratives build and enhance the self-brand connections (Escalas, 2004). Women in general are more inclined to connect themselves with their world through the stories and their experiences as compared to men (Cross and Madson, 1997 review??).

Reed II (2002) has drawn a connection between the society and self-connection that consumers build towards the products. People see themselves with the eyes of others and form self-concept based on that.

**Interdependence**

Interdependence can be defined as; when two people in a relationship depend upon each other and have an impact on one another. This shapes up when there is a high degree and frequency of interface between the partners. As Fournier (1998) said interdependence involves frequent brand interactions and heightened intensity of individual interaction events. Three women interviewed by Fournier mentioned that the consumption ritual emerged as a central process through which interdependence was fostered and celebrated.

As defined by Rook (1985) a ritual is “a type of expressive, symbolic activity constructed of multiple behaviors that occur in a fixed, episodic sequence, and that tend to be repeated over time. Ritual behavior is dramatically scripted and acted out and is performed with formality, seriousness, and inner intensity”.

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It was found in a study that generally people hold few unique associations about brands they use and prefer (Romaniuk and Gillard, 2007). Everyday hair grooming exercise was found to be more like a ritual for the respondents. The sample consisting of both males and females said that they actually practice hair grooming as a ritual almost on a daily basis (Rook, 1985).

**Commitment**

Commitment defines longevity of a relationship even in the adverse conditions. So far, brand relationships are concerned it posit that even in case a brand betrays the consumer at one or more incidences the consumer would continue its relationship with the brand by repurchasing the same in the future (Fournier, 1998).

The continuity of the relationship is an outcome of the satisfaction which is derived out of the product performance. Satisfaction with the functionality of the product decides repurchase for men (in context of automobiles) as compared to women (Homburg and Geiring, 2001). Male consumers maximize their overall level of satisfaction by staying loyal to the brand (Moutinho and Goode, 1995). In another study it was seen that usage of the grocery store loyalty card was higher in males as compared to females (Harmon and Hill, 2003).

Longevity of a brand relationship is also subject to the consumer’s impulsive behavior. It is seen that women indulge more in affect based impulsive purchase and unplanned purchases as compared to men (Coley and Burgess, 2003; Lin and Lin, 2005).

**Intimacy**

As defined by Fournier (1998), intimacy represents strong beliefs about the superior performance of the product and knowledge structures relating to the product and brand. It includes the brand relationship memory of personal associations and experiences within which the brand plays an important role. In a relationship intimate behavior is judged by the actions of both the partners. Similar is the case with the brands; the behavior or the actions of users towards the brands and the functions or the benefits that the brand is able to provide to the user decides the intimacy of the relationship (Monga 2002). Knowledge structures that develop around the strongly held brands also define intimacy (Fournier, 1998).
Family Influence

Young consumers tend to get influenced by the reference groups for a large number of a product classes as compared to others, say housewives (Park & Lessig, 1977). Role models hold a strong position in influencing a young consumer’s behavior, but the studies have also shown that the parents still play a dominant role in influencing a young consumer’s lifestyles and consumption patterns (Martin & Bush, 2000). It is observed that young consumers adopt rational consumption skills from their parents; this influence varies across the situations, product categories and the stages in consumer decision making process (Moschis, 1985). A study done on the university students revealed that with the passage of time, the influence of family starts decreasing and that influential position is transferred to the peers (Feltham, 1998). A main finding suggests that peer influence operates most strongly in situations with weak family communication and unstable family environment (Roedder, 1999). The socialization process contributes to the social pressure to conform to the group expectations (Marie et al, 2003). Drawing from this research, we incorporate the influence of peers and family in the context of brand relationships dimensions and switching intentions.

Existing literature, therefore, has not empirically established the importance of different dimensions of brand relationships, that brand relationships are likely to be important in the context of young consumers in emerging markets and that along with peer and family influence, brand relationships influence brand switching intentions. This study seeks to fill this lacuna in the literature.

Previous research indicates that peer and family influences both brand partner quality and brand switching (Sahay and Sharma 2009). Given the importance of brand relationships in general, it may not be unreasonable to assume that the influence of family and peers on brand switching is mediated by the level of brand partner quality.

In the Indian context, young consumers were found to be high on the dimension of love and passion in brand relationships (Sahay and Sharma 2008) and some of this is influenced by peer and family. When consumers develop strong relationships with brands, we may expect them to be less inclined to switch brands. A family plays an important role in affecting the emotional expressiveness of both males and females (Krinng and Gordon, 1998).
It has been studied that consumers as a children and adolescents develop deeper self-brand connections (Chaplin and John, 2005). And they tend to have positive brand connections when they are being perceived to be fit by a member group using the same brand (Esclas and Bettmen, 2003).

Those individuals who do not have independent self construal depend upon family and friends (Cours et al, 2008). This is supported by the social identity theory, which states that self-concept is derived from the group memberships and the meaning and importance that individuals place on those group memberships.

It has been studied by Rook (1985) that ritual behavior in consumers stems up through the group learning comprising of social groups and family. This is true for all the individuals who have come across a social group. With respect to viewing arts Gainer (1995), found out that reproduction of consumption related rituals is influenced a lot by relatives, friends and acquaintances.

As children both males and females in their experiences get the origin of commitment from their families. In a study by Weigel et al (2003) it was seen that when asked about the origin of commitment both men and women related it to their experiences as kids in their family.

Young consumers’ view family as a close and reliable source of seeking information about brands (Rafael et al, 2007). The associations that young consumers’ develop towards the brand are linked to the positive brand information provided by the family (Bravo et al, 2007).
Peer Influence

While a relationship is rooted from within the individual (Fournier, 1998); it may also be possible to develop an affinity for a brand and a relationship with a brand due to peer influence. Peers influence the purchase decision but the relationship building with a brand is also dependent upon the user and on the usage of the brand. As young consumers move to establishing independent identities, they depend on peers to obtain ideas, information, and viewpoints. Peers influence the boundaries of information search and acquisition and, on many occasions, the use of a brand (Singh, Kwon and Periera 2003). Simultaneously, brands also provide inputs and consumers form relationships with brands along different dimensions (Escalas 2004). To the extent that peer influence results in brand choice, it will influence the relationship with the brand. The role that peers play is nonetheless important but as far as getting involved with a brand is concerned, it is very individual-specific; what they do with the brands to add meaning to their life cannot be derived from what peers suggest. However, as young consumers move out of the orbit of parental influence, peer influence tends to rise (Feltham 1998). An increase in peer influence should weaken brand relationships as the opinions of peers would take precedence over any brand relationships that the young consumer may be forming. We, therefore, propose:

In case if the consumer is not sure about the brand he or she is purchasing, then there is a high chance of peer influence in making the decision whether to continue with or to change the brand (Feltham, 1998). Sometimes the influence of family is so high that certain brands become a part of the consumer recall as the only brand existing in the market due the high visibility and exposure to that brand at home (Rafael et al, 2007). Research has shown that younger consumers’ attitude towards purchase and their consumption pattern is often influenced by family communication (Moschis 1985). Research, therefore suggests that peer

Brand loyalty decreases brand switching intentions (Keller 1993) and strong positive affect toward a brand is likely to result in greater loyalty (e.g., Johnson, Herrmann and Huber 2006; Thomson, MacInnis and Park 2005). It seems reasonable to assume that high levels of intimacy as a brand relationship dimension would decrease brand switching intentions and that family and peer influence would impact brand switching intentions also through the strength of the brand relationship.
Price change and brand switching intention

Many studies find that consumers' switch brand either due to the extrinsic motives (price, coupons) or intrinsic motives (desire to try out a new brand) (Mazursky et al, 1987). Extrinsic motives to switch are more prevalent amongst the experienced consumers' as compared to the consumers' with limited purchase experience (Mazursky et al, 1987). Even with the level of satisfaction the consumers' may change their repurchase decision in presence of the high switching barriers like interpersonal relationships, switching cost and competitor's attractiveness (Jones et al, 2000). There is also research that shows that young consumers may change their loyalties towards a particular brand depending on the situation and the role they play. When they are independent they also like to experiment with the new brands whereas, more serious and responsible roles may make them switch over to the brand used by their parents (Rafael et al, 2007). However, brand relationship dimensions and their impact on brand switching intentions have not been examined in this stream of the literature.

It is a fact that consumers tend to be committed with a self-congruent brand with which they have developed emotional attachment (Kim et al, 2005). In a study by Park and Lee (2005) it is seen that, the congruence between brand personality and self-image increases consumer satisfaction and consumer brand relationship. East et. al. (1995) show that brand loyal consumers tend to be less concerned about price.

Recent findings suggest that an increase in price will lead to an increase in negative price affect and a decrease in positive price affect; which in turn will account to lower willingness to spread positive word of mouth and lower purchase intention (Peine et al, 2009).

Consumer's responds favorably toward a brand that helps them achieve their self-identity goals. They are more favourable towards the brands that are connected to a consumer's sense of self should than less meaningful brands.

Consumers with Self brand connections behave more consistently; there exists a positive relationship between the self brand connection and consumer's likelihood of trial, purchase, higher willingness to pay, or all of these. (Escalas, 2004).
When a brand becomes a part of an individual’s focus in life in terms of, increased brand interactions and activities; it would then require a lot of hard work to look out for a new brand or it is quite possible that the individual might not even feel the need for another brand. This is because the higher frequency of usage determines the higher satisfaction with the product (Ram and Jung, 1991).

Brand commitment is seen as a true indicator of the brand loyalty (Kim et al, 2008). Also, to be noted that the level of brand commitment (weak vs strong) differs on price sensitivity (Warrington and Shim, 2000).

It has been seen that brand loyalty is a result of brand specific knowledge (Ratchford, 2001, p-406). There is a significant “start-up” cost for switching from familiar to unfamiliar product, associated with the acquisition of even simple product relates skills (Alba and Hutchinson, 1987, p-413). A decision maker at a high level of familiarity feels confident in relying on the non-functional dimensions of price and brand name (Park and Lessig, 1987)

It has been seen that higher brand awareness and associations results in higher loyalty (Bravo et al, 2007). Automatic brand detection processes affect the consideration set most strongly when other factors, such as involvement or information load, inhibit the detection of other (nonautomatized) brands. (Alba and Hutchinson, 1987, p-413).

Consumers display varying levels of price elasticity (Tellis 1986) and response to price changes are a function of the level of knowledge of prices and the level of loyalty engendered by the brand (Mazursky, LaBarbera and Aiello 1987, p. 24; Jensen and Drozdenko 2008, p.117). Therefore, a price increase may be expected to moderate the relationship between the strength of brand relationship – intimacy and the brand switching intention.
Research Gap

There has been a vast research done in the organized retailing in the West but India is still at a nascent stage where finding in the direction of consumers’ preference towards retail store format and the effect of the retail store brand (for instance, Bigbazaar versus Westside). Based on the brand relationship literature we can state that consumers’ will also develop relationship with the retail store brands. This study has not yet been undertaken and it will surely give a direction to the retailer to formulate their strategies for growth.

Research Objective

In context of retail stores where consumers are getting to choose from making purchases at a \textit{kirana} store to a multi-brand or an exclusive retail store; can retailers woo the consumers enough to form brand relationships with their retail store brand.

Question:

a. Do consumers’ develop brand relationships with the large retail stores
b. Does the retail store formats have any impact on consumer brand relationships.
c. How do family and peers influence these brand relationships
Research Framework

Constructs

- Consumer brand relationship
- Influence of peer group: The role that the peer group has on the purchase and switching decision of the young consumer
- Influence of family: The role that family plays on the purchase and switching decision of the young consumer
- Switching intention

Limitations

Although the present study contributes to the understanding of the emerging issues in organized retailing in India, it has certain limitations. The sample was mostly taken from the cosmopolitan cities with the highest retail revolution, like, Ahmedabad, Pune, New Delhi and Bangalore Due to the resource and time constraints we could not delve well into the smaller cities. Similar studies in other geographies could be interesting to explore. Based on the highest contribution we chose to study the apparels as a category. This study might as well be undertaken in other categories and contexts like online retailing.

The study is primarily from the consumer’s perspective. Similar questions can be posited to the retailers as well. The retailer’s interview for understanding their strategies for wooing young consumers and the process for developing the brand relationship with the retail stores. The sales promotions which retailers offer for attracting the young consumers.

There are other environmental factors which might have their impact if we would have considered those as a part of the study. Factors related to state laws, tax implications, regional culture and income disparity, etc. may have shown their effects if considered as set of variables. Infrastructure development and its impact on social-economic growth coupled with
other environmental factors will obviously have its bearing on growth and expansion of the organized retail stores.

**Hypothesis**

Based on the literature review above, we hypothesize the following:

**H-** Trends in the organized retailing are driven by the young consumers –

1. Who are aspiring for large retail formats:
   
   * Consumers develop brand relationships with the organized retail store brands compared to the unorganized retail stores.

2. Who are influenced by family first and later by peers:
   
   * The higher the family influence the lesser would be the intent to visit other retail store brands.
   
   * The higher the peer influence the higher would be the intent to visit other retail store brands.

3. Who are driven by the promotional discounts offered by these organized retail stores.
Research Methodology

We conducted an interview with the respondents on retail store brand they prefer and more frequently visit. We conducted twenty semi-structured interviews with respondents in the SEC A and B groups about their most preferred retail store brand.

These interviews were conducted in the age groups of 18-25 years in order to assess the preferences of young consumers towards the retail store brands. Data were collected from SEC A and SEC B, which are the top two socio-economic classes and affluent to visit and make purchases at the retail stores.

SEC A and SEC B are more familiar with and use branded stores more than other socio-economic classes — SEC A and SEC B are more likely to have greater discretionary income by definition since they are at the top end of the income scale.

The interviews were unstructured, although the researcher had the cues to guide the interviews. Each interview lasted for about 40 minutes on an average. The interviews were recorded and later the transcripts were prepared in order to extract the findings.

In her study Fournier (1998) described that discovery-oriented project goals dedicated the use of phenomenological interviewing over more structured approaches to inquiry. Interviews were designed to yield two complementary types of information: 1) a first-person description of the informant’s brand usage history and 2) contextual details concerning the informant’s life world. Understanding brand relationships at the level of felt experience required two types of interpretation of the verbatim transcripts, both following general procedure of grounded theory. The brand stories narrated by the respondents helped us understand the relationships they have developed with the retail store brands.
Findings and Discussion

H1 – Consumers develop brand relationships with the organized retail store brands compared to the unorganized retail stores.

Based on the interviews we could sum up that young consumers do prefer organized retail stores over the unorganized stores. In response to any memories associated with the mall or the first time visit to the mall. A female respondent 13 years old said:

"We just went to that mall- it was like newly build or opened so we just went there and we just went to Maxx then I got my one t-shirt and I like the quote written on it - like there was written electronic heart. So I bought that thing and I wore it that day and I quite liked it then I wore it on my birthday too and then school."

"...Maxx was previously in those Middle East areas like Dubai and Abu-dabhi, Qatar and all and so then it came to India. So Mumbai is quite big and Delhi is quite big so they didn’t know....but it was quite happening in Ahmedabad – it was a mall opened after a long time in Ahmedabad. So I knew quite a lot about it – they used to write all things like below Rs 699 – I used to tell them go and tell them “ its all below 699 – we’ll go there, we’ll buy.”

Most of our respondents believed that brands are important part of their lives and they would require these brands importantly. In response to their understanding of brands, some of our respondent believed that:

A male respondent of 16 years said:

"I think it is an important part of my life beocz right now if you wanna stay in trend – you got to use good brands...and not just that if you want to have performance you need to have like...it does apply a lot in my life..."

A female respondent of 14 years said:

"...brands may be – they may be national or international...it depends- like in today’s young generation – it is internationals one which are more popular and all...because people feel its
quality and all are better, but I feel even national ones are better...like international is okay but national ones we should give some priority though...

The respondents helped us conclude that young consumers prefer organized retail store brands over unorganized retail stores and they believe in brands. These brands are woven in their lives and have become an important part. They displayed the consumer brand relationship dimensions in their responses towards the organized retail store brands.

The results suggest that young consumers connect with the retail store brand in terms of associating their personality with the brand. They also tend to connect with the brand with respect to the past incidences and the role played by the brand during that time; they show dependency on the brand. The interdependency is capturing greater usage of the brand in the day-to-day life of these young consumers; also, this usage of the brand in their routine lives provides a feeling of being special. Commitment towards the brand captures the loyalty that these consumers have towards their present brand and the intention to continue using the brand in the near future. Both the groups intend to be loyal towards their present brand and continue the usage.
H2 – The higher the family influence the lesser would be the intent to visit other retail store brands.

On asking their shopping patterns with family, we realized that till a certain age family does play and important role in deciding which retail store to visit. And they often accompanied by their mother while making purchases. It is generally seen that family does not experiment much with various formats of the retail stores. If they like a particular retail store brand they prefer visiting that again and thus limiting the consumers’ exploration of other retail store brands.

In response to describing her first mall visit, a female respondent of 13 years old said:

"Actually the first time I went to maxx, one of my – sorry my mother’s friend had come – so you know she comes rarely so she buys gifts for us or something like that or we just go shopping with her. So that time we went to maxx – we were just going to go for the dinner so for the time-pass we just went there. I wanted to visit becoz it was a new mall and I had never gone there. So we went there- we just bought one t-shirt for my sister and one for me and then I wore it that night. And then in 5th grade it was my birthday and we can go to school it’s a free day. So I wore that. It suited – like I wore a t-shirt and a skirt."

A Male respondent of 16 years said that for his T-shirt purchases he is accompanied by his mother,

"Like whenever I go there, I’ll just – me and my mother normally go for the shopping. I’ll check some section, she will check some section. I like those plain t-shirts becoz normally if I go for my sports also – I just take plain t-shirts which are loose and nice which I can wear with my friends if I go somewhere out. So I normally check out t-shirts and balck or some unusual colour or some regular colour, colour which I don’t have that’s also."

In response to a question as where your mother like to shop more, a females respondent of 16 years said,

"She varies like she liked this one, she likes this one...for mumma we go to ethnicity or W or something like that. Or if I want to buy my ethnic wear I...normally we design it myself or my mother designs it or someone designs it."
Describing her first usage of a brand a female respondent of 18 years of age said,

"My mom had gone so she had got me stuff from Delhi, so she bought sweat shirt and all. So that time she bought this huge bulky JJ sweat shirt and I kinda liked it. I used to stay in Bombay so over there in the phoenix – it’s a mall – recently open – so then I just went there and I tried on their clothes and I really liked the stuff – like the clothes they make and all and then I started on with it.

Our respondents seemed to have a greater family influence in deciding which retail store brand to visit and shop from. Anecdotal evidence suggests that young Indians stay with the family till the age of 18 to 21 years; during these years, they are exposed to the brands which are used in the family and this long-term exposure to these brands builds very strong brand awareness amongst them. Even when they move out of the family and possibly share their living space with others, they tend to refer back to their family (Bravo, Fraj and Martinez 2007). It is, perhaps, due to this reason that family influence is more than peer influence on the brand switching intention of the young consumers. Family influence is also the outcome of the cultural factor prevailing in the Indian society. The nature of the Indian society is more about affiliation and family and less about individualism (Bijapurkar, 2008). Indian youth are very family-centric; their cultural codes are about kinship of an extended family, about family obligation, and the home is a shared space. On the other side, they also look out for freedom while keeping themselves within the parameters of social boundaries. This could be significantly different from the behaviour of young affluent consumers in developed markets (Bijapurkar, 2008)
H3 – The higher the peer influence the higher would be the intent to visit other retail store brands.

These young consumers like to discuss about their experience with their peers and are much influenced by what they share in terms of experiences, stories of visit and purchase. They in general like to discuss about brands with their peers.

When asked about any retail store brand her friends suggested, a female respondent of 17 years said

“Normally I wear – like I go to tennis I wear a t-shirt or slacks or something like that. If I am going out like – some of my friends recommend Chemistry, we go to Pantaloons, United colours of Benetton or something like that.”

A female respondent of 13 years said while sharing the instances of her making recommendations about which retail store to visit to her friend.

“One of my friends you know she shifted in 7th grade to Ahmedabad from Baroda and she asked whether you know any shop where I can shop from. So I told her Maxx. She you know she likes some little dressy clothes. So she didn’t like it becoz they simple and casual wear and for her younger sister she could get something like little-little she liked and disliked.”

In yet another description a female respondent of 13 years narrated the incidence of sharing her retail store preference with her peers.

“When I was in 5th – my school is in Bopal and we used to cross gallops mall. At that time, so when I used to go to school that time it may come, may not come and when I come back it surely used to come and I used to read what – there is some sale and like I just put it see I like this store to my friends in bus.”

In order to understand the influence of the peers the respondents were asked to describe a usual day in their lives. And as hypothesized they tend to spend a lot of time with their peers.
and thus the influence comes into the play. A usual routine of a 15 year old female respondent.

"Morning I get up at 6, I get ready – now a days I get late for my bus I rush to my bus stop and I catch the bus and go to school. I then return and between that we get all those ad campaigns like – what clothes did you buy, what clothes did you buy, - 4 so they are like ad campaigns. We come back at 3 then I get ready I wear my loose t-shirt and my slacks – I go to my math tuition and from there me and my friend go to tennis, I come back have dinner – I have home-work – I just study or I’ll just do it in the school only. And sleep."

Young people tend to develop strong bonds with peers. They try to be associated with peers and use specific brands to uphold that association (Auty and Elliot 2001). They would, thus, be more likely to stick to a particular brand that is acceptable by peers. Thus, the degree of peer influence decided whether a young consumer would switch his or her brand or stay longer with the same brand so as to be a part of the peer group.
H4 – The greater the promotional discounts the higher would be the switching intention towards other retail store brands.

It can be interpreted from the results that price change would influence the relationship between brand relationship and brand switching intentions. It is interesting finding that although young consumers develop brand relationship with a particular retail store brand when they frequent it quite often. But they are also ready to consider other retail stores given a good deal to catch.

A female respondent of 21 years responded to consider other brands given a promotional discount.

“Yes, I will. I will give it a chance. Because I get the same type of denim in other brand for about 1200-1500 so I don’t feel like spending 800-1000-1500 more.”

A male respondent of 18 years gave a similar response to the question posited above.

“I might consider it. Ill definitely weigh both the options like pros and cons of. So if they are giving me a good offer then probably I would consider this.”

Some of our younger respondents were well aware of the priced offered by a particular retailer despite being accompanied by their parents who would be making the purchase for them. The young consumer was observant and sensitized about the prices being offered.
Organized Retail offering Luxury Brands and the Impact Social Media has on Young Consumers

We further probed our respondents to figure out new trends and w.r.t. understanding their perceptions about the changing retail formats and influx of luxury brands in the Indian market. Also, this is complemented by the social media habits of the respondents.

The content of luxury brands results in brand preference. As opposed to some beliefs that social media is destroying the exclusivity of luxury brands and thus not be used for marketing them, the respondents revealed that it’s not just the presence of luxury brands that affect the customer’s buying behaviour but it is the content of social media activities that actually has effect. This is probably because India is at a stage where consumers are required to be educated a lot about the luxury brands present in the retail stores.

Thus managers of luxury brands should come up with more and more engaging content which includes contests, fashion show tickets, discount coupons etc. The biggest example of luxury brands using social media effectively is Burberry. It has generated more than 16 million likes on Facebook and is coming up with the most innovative content on their social media platform. Recently Burberry has collaborated with Google to come up with a digital innovation- Burberry Kisses. It is a visually immersive and interactive experience that allows users to send letters sealed with a virtual kiss to their friends anywhere in the world. The findings also support that luxury brands need to come up with innovative content on their social media platforms if they want their brands to live in the highly digitized world.

One cannot just measure the positive effect by the buying behaviour. In fashion, people rely a lot on what their friends and experts have to say about the trends. So the second hypothesis of the research proves that the exposure to the content of luxury brands on social media results in more than just buying the brand. It helps spread the word of mouth. The survey results showed that people talk to their friends and family on the social media content of the luxury brands. Managers can use blogs very effectively for this. People can discuss about the brand, get opinions, ask opinions which they would later pass on to other people. This would help bring the brand much more closely to the customers. Luxury brand managers should realise that for the future of their brand they need to connect to the customers. They need to give the customers something new luxurious at frequent intervals if they want to survive in the highly
competitive luxury market. Talking about India, more and more luxury brands are trying to lure the newly wealthy population. If they can tap this market, they have chances of making huge profits. So, the marketers need to adopt every possible way of marketing their brand. Social media is one of the best tools that we have now.

The use of social media has benefited luxury brands and has opened new horizons of marketing in that area. The survey also indicated that people are getting information about their favourite luxury brands from social media and they too find it much easier than the magazines. Many studies have been done on social media and luxury brands before too and they all indicate that this media driver is very helpful for the brands.
Purchase Intention for Complementary Bundles with varying Discounts and Brand Strength

Context Motivation

It is a very common scenario at the retail stores that consumers flood-in during the end of season sales and make most of their purchases during that time. The promotional offers by the retailer flood the malls across all the cities empowering the customer to own brands they thought are out of their reach. An interesting promotional tool widely seen used by the retailers not just during the end of season sale but throughout the year is the bundles of two or more products coupled together in an offer. This phenomenon of bundling can be witnessed across the retail stores and product categories.

The goals of creating bundles may differ, for instance, at times it could be to encourage trial of a new product, cross-selling other brands, clearing the stock, so on and so forth. It is interesting to note that a similar style and quality of brand is marked at different discount rates when bundled with another product and yet another set of same stock is marked as fresh arrivals. It is also seen by the researchers that clothing is considered as a perishable as the shelf life depends on the fashion which keeps on changing. Thus, applying demand based pricing can be profitable for the retailers (Sahay 2007). On the other hand, discounts give rise to the negative price quality inference when consumers have more doubt on the quality of the product especially those which are initially expensive (Drake and Chung 2005). Thus, retailer can use bundles as the sales promotion tool. There could be particular "product bundles" which are more likely to sell. Retailers have to discover and develop such bundles which are highly likely to encourage consumers' purchase intention.

India is at a stage where more and more consumers' are becoming brand conscious, they are ready to spend money because of increasing disposable income and are aspirational for high quality brands. Thus, a retailer has to work around the promotions keeping in mind how the brand perception, loyalty and strength will be impacting while evaluating a promotional bundle offered. Discounts offered on the bundle would surely entice a consumer to consider purchasing that bundle. But alongside, the brands inside the bundle would also influence the
purchase intention. The role play of discount and the brands offered in the bundle would change the purchase intention of the consumer.

Review of Literature:

The review of literature for this study entails summarizing key research areas in retailing strategies focusing upon pricing and sales promotions, evolving a suitable research framework for studying bundled promotions used by the retailers, understating how bundles are created, the consumers’ evaluation of the bundles, the effect of different discount levels and brands on consumers’ purchase intention. The review of the literature is categorized under various headings which will help in generating the research model. The various heads are: sales promotion, bundles and discounts, framing and consumer evaluations of bundles.

Sales promotion

Sales promotions are widely used by retailers to boost sales. There are varied numbers of sales promotion tools for specific goals that a retailer wishes to achieve. A study (Mittal and Sethi, 2011) undertaken in the Indian context to ascertain the effectiveness of the various sales promotion tools for inducing brand switching, stock piling and purchase acceleration. There were 364 responses collected from across the income groups and occupations like business professionals, salaried persons and students. The study concluded that in India the premium offers (extra quantity) are the most effective sales tools followed by bonus packs and price discounts. Whereas, coupons and scratch cards are not as effective as other promotional tools.

Wakefield and Barnes (2011) studied the sales promotion took used by the leisure retail operators. They developed a model where the three categories of consumers and their patronage intentions were seen moderated by the sales promotional tools. The sales promotional tools were highly effective for the variety seeking customer compared to the loyalist. And finally the value seeking customer were to be enticed more with better facilities than sales promotion in order to have them patronize the services. The future research in the paper is directed towards exploring price-cut promotions.
The study on the effects of price promotions on variety seeking and reinforcement behavior (Kahn and Raju, 1991) states that minor brand price discounts have a relatively larger effect for the reinforcement segment than for the variety-seeking segment. Whereas, for the major brand, price discounts have a relatively larger effect for the variety-seeking consumers than for the reinforcement consumers. The paper further states to investigate more predictive price promotions in future.

Another study on effect of brand loyalty on advertising and trade promotions by Agarwal (1996) where the author develops a model of the two manufacturers who sell their brands through retailer. The consumers keep buying their preferred brand unless retailers provides a larger price differential in their promotions so as to switch the loyal consumer towards another brand. In this paper the empirical investigation was done by considering 38 national brands across seven product categories to estimate brand loyalties, loyal segment sizes, retail promotion frequencies, retail average price discounts and brand advertising expenditures. Of all the results I would highlight the ones on brand loyalty and discounts. The paper suggests that retailer should promote the stronger loyalty brand more often but provide a smaller price discount compared to weaker loyalty brand. The paper further suggests considering consumer promotions in the same model.

With help of two experiments Zelenberg and Putten (2005) explains after missing a larger discount on their regular brand, consumers show a tendency for a brand switching. Whereas, after missing a small brand this tendency is not seen and consumers remain loyal to their regular brand. This is a third cause of post promotional dip after stock piling and forward buying. The study further suggests investigating the above in light of rational inferences drawn by the consumer after missing a discount for a subsequent discount.

In their study Chandan and Morwitz (2006) present in the finding that free promotions are being less susceptible than monetary discounts to negative contextual information on quality which can potentially lower the purchase intentions. They conducted a series of three experiments in order to confirm that consumers are indifferent towards free promotions whereas, they process negative information when presented with discounts. The paper further suggests to investigate bundled offerings as different promotions can be valued differently.
Chaterjee (2010) investigates the impact of surcharge on deal value perceptions of online promotions and purchase intentions. The study proceeded with a data set of 331 undergraduate respondents who were exposed to a controlled experiment. The study indicates that retailers facing problems of high shipping costs for high priced products should use reduced shipping promotions to reduce the impact of shipping charges. The paper suggests further investigate the results with monetary promotions of moderate and high levels.

Balachandran et al (2010) in their study state that bundle discounts are profitable alternative to price promotions. The results reveal that firms that sell products in multiple categories can benefit from taking a cross-category perspective, using bundle discounts to counter an intense promotional environment. The increased profit from bundle discounts is also accompanied by better coverage of customers prone to switching, implying that bundle discounts can be an effective defensive marketing tool.

The above studies do reinforce the wide acceptance of sales promotion tools by retailers to enhance sales, induce trials, influence switching or other goals as defined by the marketer. It is seen that price discounts are most widely used tool across the studies, however, there are other promotional tools which could be utilized based on the goal set or based on the segment (variety seeking or loyalist) targeted. Some studies also talk about the perception that discounts have on the consumers mind in relation to quality, where consumer starts judging the quality of the product based on the discounts. Promotions also have after effects like stock piling, forward buying and most importantly brand switching. The impact of free shipping in online retailing is also studies where consumers expect free shipping with the products they buy online which in turn raises the base price of high priced products making it very competitive for the online retailer. Researcher have studied effect of promotions on the brand switching behavior but most of the studies point towards investigating different forms of promotional tools (for eg., product bundles) and the impact of brand on consumer’s purchase intention.
Product Bundles

Bundling is a widespread practice in many product and service industries (Guiltinan 1987). Multi-item bundles are available for home electronics, apparel, fast food meals, automobiles, telecommunication products and services, cable television and others. For instance, a shirt and trouser brand could be bundled together by the store for during some promotional activity. Most behavioral research, with a few exceptions (e.g., Yadav 1995; Sheng, Parker and Nakamoto 2007), has been limited to how consumers evaluate the bundle as a whole. Some research does consider evaluation of bundle components (e.g., Janiszewksi and Cunha 2004; Yadav 1995). However, research findings on how consumers evaluate bundles are mixed. One stream of research suggests that consumers evaluate bundle pricing in a weighted additive way (e.g., Yadav and Monroe 1993; Yadav 1995), while another suggests that consumers use the referent dependent model of evaluation when examining price bundles (e.g., Janiszewski and DaCunha 2004). There are other studies that simultaneously suggest that both are operating at the same time (Gaeth et. al. 1990).

The weighted additive model as studied by Yadav (1995), states that consumer assigns different weights to the items in the bundle when evaluating the overall bundle. The preference for a particular bundle will be higher if the discount offered is on the most important item in the bundle is higher. Another bundle evaluation technique is referent dependent model where consumer assign reference price to the items in the products and judges the bundle based on the higher value function thus, making the less valued product enhancing the overall evaluation of the bundle (Janiszewksi and Cunha 2004).

Consumers prefer bundles because of inferred bundle savings rather than loss aggregation (Nguyen, Heeler and Buff 2009). It is seen that consumers do not use reference prices and instead follow a simple economic choice model and when the prices of items in a bundle are itemized, some consumers are more likely to compare prices separately to their reference prices to evaluate the attractiveness of the deal, but this actually reduces the probability of purchasing the bundle (Gilbride, Guiltinan and Urbany 2008).

*The mixed bundles evaluation in the study (Gilbride, Guiltinan and Urbany 2008) states that consumers are more likely to evaluate the bundle with the integrated prices than separated or*
leaders price frames. This could be due to the exposure of different price set to the same set of respondents resulting in the change in their reference prices over time. In our study, the evaluation of the bundle looks at the complementary of the products and interaction of brand strength and leader in the bundle.

Harlem et al (1995) found that complementary bundles have higher purchase intentions and found that the purchase intention due to bundle price increase will be larger than changes in purchase intention due to bundle price decrease of equal amounts relative to consumer reservation prices for the product components of the bundle. However, the study do not attribute for any interaction effects when the discount offered is on the price leader/follower in the bundle. Their research further suggests avenues for future study in terms of complementarity and different brands (Page 64) in the product bundle.

In a study it was seen that the discount given on the hedonic item in the similar priced bundle results in higher purchase intention as compared to the discount on utilitarian item in the bundle (Khan and Dhar 2010). This study further provides the opportunities for the future research to examine whether differences in the value, attractiveness, and centrality of the bundled items interact with their hedonic versus utilitarian nature and discount framing (Page 1095) which is addressed in our work through the interaction of band strength and leader in the bundle.

Sheng (2006) found that a bundle with a single discounted total price (mixed-joint price bundle) might be more likely to increase sales than a bundle in which one product is listed at the regular price. However, there is lacuna wherein, the non-price information (brand information) was not considered while evaluating the bundles, which if included might register higher evaluation of mixed-leader bundles (page 135).

Balachander; Ghosh and Stock (2010) state importance of competing with the bundle discounts as compared to price promotions for individual products in the intense competitive environment the cross category bundling is effective way of reducing the switching. When companies frame bundles for the consumers they look at the optimal bundle considering
competitor's offering and the attractiveness of the bundle to consumer w.r.t. the price. (Bitran and Ferrer, 2007).

A study (Thanassoulis 2007) explores how mixed-bundles affect firms' pricing and consumers. The paper reveals that the structure of the buyers' tastes is key to determining whether mixed bundling is a prisoners' dilemma for firms and whether or not it acts against consumer surplus. The economies of scope manifest themselves as a lack of hybrid bundle purchases, as is perhaps the case in the market for pay TV where typically one platform is contracted with, or in the case of supermarket groceries where consumers conduct the majority of their shopping at one outlet. The reverse profit and consumer surplus results hold when buyers see product differentiation as key (so taste costs are incurred for every product bought) and greater than any shopping costs or economy of scope in purchases: an example is perhaps the retail market for electrical appliances.

In context of online e-reverse bundling pricing (Ha 2006), the study revealed that price perceptions have a stronger influence on customer value perceptions than quality; and (price perceptions, when measured on a comparative basis, have a significant direct effect on customer behavioural intentions. Also, an increased number of product choices provide considerable help toward improving brand value perceptions. In light of these result among many, the managerial implications suggested were - that price reductions offered to encourage customer-based customized bundles improve perceptions of savings not only of the items but also of the bundle offer. And, while savings offered on an e-reverse bundle may create an incentive primarily for that market segment interested in purchasing the bundle, readjusted savings offered on each item may simultaneously attract two types of buyers: (a) those interested in purchasing only the individual items, and (b) those wishing to purchase the complete e-bundle. The study suggests exploring this areas context of other categories than high involvement products.

Harris and Blair (2012) in there paper on consumers processing of bundled prices and when does discount matter to consumers found that responsiveness to bundle discounts (and the likelihood of piecemeal price processing) is, in general, enhanced when item information is more salient and when the purchase situation is unfamiliar. They suggested that a sizeable
price discount on a bundle is only effective or necessary in situations where consumers are motivated and able to engage in piecemeal processing of item price information. The future study could be exploring the role of familiarity and complexity in determining response to bundled offerings, as well as the role of partially analytic processes.

To explore the shoppers' response on bundled promotions on packaged goods Foubert and Gijsbrechts (2007) found that bundling is effective in stimulating switching behavior but less apt in increasing category sales, meaning it is not effective in converting light users to heavy users rather is attracts already heavy users of other brands. These results help retailer in increasing the unit sales of a particular item sales. Although, it is suggested to explore the variety-seeking shoppers’ response to bundled promotions.

In their study, Sharpe and Staelin (2010) found out that bundling has different effects—namely, the bundle “transfers” some of a consumer’s surplus utility associated with one item in a bundle to another item that has negative surplus utility. These effects include (1) a positive fixed effect associated with reducing the costs of ordering for the consumer, (2) an increase in utility associated with the firm featuring the bundled items, and (3) an increase in price sensitivity due to bundles being viewed as a price promotion.

It is observed that enhancing the bundle promotion requires proper selection of the bundle range and the quantity requirement. First, if the quantity requirement is set too high, too many consumers are excluded. Second, the appropriate bundle range depends on the marketer’s objective. If the focus is on sales of the whole brand line, the company should include all brand items in the bundle. It was seen in the study that a bundle range of three to four items was most effective with shallow discounts (Foubert and Gijsbrechts, 2007)

*Complementary bundles*

When bundle of complementary products is offered to the consumer, her search cost is reduced and the consumer might perceive that the bundle is providing higher value by saving both cost and time (Sharpe and Staelin 2010; Harris and Blair 2006). Another study in
context of travel packages states that all-inclusive bundles providing higher psychic or hassle value outweighs monetary benefit for the consumer (Naylor and Frank 2001).

In case of highly complementary product bundles consumers evaluate bundles comprehensively by looking at the discount in comparison of overall product bundle (Sheng, Parker and Nakamoto 2007). A consumer may also prefer individual items over bundled items if those are not complementary when consumers have a proper knowledge structure and preference for the product (Arora 2011).

When they buy bundles consumers generally save about 8 per cent while buying bundles of complementary products but sometime they are even hit by the offer where they could have saved by buying those products individually (Estelami 1999). The same study also states that if the value is added through the bundles in case of complementary bundles the consumer is willing to pay a higher price for the same.
Framing

Consumer’s react differently to the same amount of discount if it is framed differently (Krishna et al., 2002). The literature states that frame of discount might impact perceived savings, the product quality, the accuracy with which savings are calculated and the expected price distribution in the marketplace (see e.g. Inman et al., 1990; Grewal et al., 1998; Sinha & Smith, 2000; Darke & Chung, 2005; Kim & Kramer, 2006).

In their study Gilbride et al. (2006) took 118 responses from the participants who were exposed to different scenarios w.r.t. the luggage purchase. The results reveal that in a mixed price bundle, the ‘joint integrated’ price of the bundle has higher proportion choice considering that respondents are less likely to use reference price and calculate transaction value.

A study (Khan and Dhar 2010) conducted through three experiments states that the purchase of a cross-category bundle is more likely when the discount is framed as savings on the relatively hedonic component rather than as savings on the utilitarian component or on the total bundle. It states that discount provides a justification for the hedonic purchase but not for the utilitarian consumption. The paper further suggest that studies could explore situations where consumers have high preference for a hedonic option in the bundle; in such a scenario consumers are motivated to justify the purchase by reframing discount on total purchase as saving on hedonic items.

Gendall et al. (2006) found out that the framing of a price discount had a little or no effect when the bundle comprised of low priced items (like potato chips and cola drinks) vis-à-vis high priced items (like stereos and computers) in a bundle. They also found that for fast moving consumer goods the framing of discounts was dependent on whether the item can be used for stockpiling. The future study suggested to explore the framing required using different products and different discount levels.

A study (Arora 2008) price bundling and framing strategies for complementary products reveals that when marketers use individual pricing then negative framing would not give good results. The positive framing is effective with both individual as well as bundle
strategies. The author suggests that future studies may explore the framing and bundling strategies.

In their study Chen et al (1998) found that framing promotion information affects subjects' perceptions of price promotions as well as their purchase intentions. It is seen that retailers of high priced items present price reductions in dollar amounts, while retailer of low priced items present in percentage amounts. The study states that further research could be carried out in the areas to explore the effect of framing messages on when and how much to purchase.

A study (DelVecchio et al, 2007) exploring the effect of framing on price expectations and choice revealed that future price expectations (post promotion choice) can be protected when offering deep discounts by framing the discount in percentage terms. These deep and less frequent promotions also help in protecting the brand in terms of the training mechanism for consumers. The paper suggests to additional research on processing pricing information (e.g., promotion intensity and the number of brand in the category) to better specify models of the effects of price expectations.

A study indicates that, when buying routinely purchased packaged goods, consumers display three patterns. First, they tend to buy larger quantities of a brand when its price is below its average price (i.e., intra-brand elasticity). Second, they tend to buy smaller quantities of brands that offer higher utilitarian benefits (i.e., utilitarian inter-brand elasticity). And third, they tend to buy smaller quantities of brands that offer higher informational benefits (i.e., informational inter-brand elasticity). When buying routinely purchased packaged goods, consumers are more responsive to price promotions than to utilitarian benefits, and more responsive to utilitarian benefits than to informational benefits (Oliveira-Castro, 2005).

The above mentioned studies show that how a retailer presents a promotion to consumers does affect their perceptions about the offer. Whether the discount has to be presented in terms of percentage off or dollar off is determined by various factors like the types of items (low priced or high priced), consumption motivation (hedonic versus utilitarian) or whether the bundle is of mixed items or complementary items to name a few. Most of the studies do
suggest exploring effects of framing in various situations like frequency, intensity of promotions, different brands used in the promotions. This will help retailers to come up with the right presentation in order to influence the purchase intention of the consumer.
**Consumer Evaluations of Bundles**

Neo-classical economic driven utility approach will make the assumption that consumer surplus (e.g., savings) on one item on a bundle will readily transfer to other items in the bundle. Therefore, as long as the bundle savings remains constant, it should not matter which item actually provides the savings. (e.g., Guiltinan 1987).

The actual consumer behavior suggests that the “value” of the same amount of “money” will differ according to context. For instance, loan for car with a simultaneous saving for housing at a lower interest; spending money on a gift because it is a lottery win (Thaler 1985) these two will have different value due to the difference in the context.

It is seen in the studies that consumers have different mental accounts. People perceive outcomes as gains or losses relative to a point of reference (Knowliss and Simonson 1992; Darke and Chung 2005)

Figure

Kahneman and Tversky: Prospect Theory
Since consumers use different mental accounts, they make use of either Topical mental accounting or Comprehensive mental accounting depending on nature of product bundle pricing. This is consistent with the weighted additive model within the boundary of mental accounting.

- A minimal mental account includes only the differences between the two options, disregarding their common features. With a minimal mental account, the presentation of the decision problem discussed above would be regarded as a choice between “saving $5 versus saving 20 minutes of driving.”

- A topical mental account is constrained to a specific decision situation. In this case, the relevant topic is the purchase of the calculator, and the benefit of the trip is therefore framed as a reduction of the price either from $15 to $10 or from $125 to $120. The price of the jacket is not included in the topical account.

- A comprehensive mental account incorporates all decision-related factors, including current wealth, future earnings, possible outcomes of other probabilistic holdings, and so on. With a comprehensive mental account, the price of the jacket would also be considered. In other words, in both experimental conditions, respondents would compare the $5 discount to the total regular price of $140, the sum of the jacket price and the calculator price. Following this analysis, the preference reversal reported in Tversky and Kahneman (1981) would only appear when a topical mental account is employed.

Alternatively, consumers make use of the Referent Dependent Model, because the loss portion of the value function is steeper than the gain portion, assigning the discount to the less valued part of the bundle should result in a greater increase in utility than assigning it to the more valued part of the bundle. This is consistent with the referent dependent approach.

In case of segmented gain presentation - when buyers perceive a gain on each bundle component, they prefer a presentation format that highlights the gain on each component (Kaicker and Bearden 1993; Chakravarthi et. al. 1993). As discussed in framing – the Post-
promotion choice is higher when high depth promotions are framed in percentage-off than cents-off terms (DeVecchio, Krishnan, & Smith 2007).

The Bundle Price Perceptions as studied by Yadav (1994): Consumers “anchor” on one item in the bundle and bundle evaluation is tilted in direction of anchor evaluation. Consumers’ tendency to evaluate bundle upward is less when the anchor is poor and the add-on items were moderate. Yadav (1995) in this study explain that in two bundles, where the items in bundle appeal to different segments, where total savings is same, the preference would be given to the one which has greater saving on the item that is most preferred by the buyer.

Another study by Janiszewski and Cunha (2004) states that when a less valued product is located on a steeper portion of the value function than its more valued counterpart, a discount on the less valued product will result in a greater change in the attractiveness of the bundle offer. In their study they found out that in this bundle A $7.99 pizza + $3.99 chicken wings gets more preference than a bundle of $7.99 chicken wings and $3.99 pizza

Sheng, Parker and Nakamoto (2007) in their research explored that in product bundles, greater the complementarity, and greater the bundle price discount, weaker is the impact on the consumer perception of regular price of discounted product and the impact on perceived quality.

The gap that we investigate in this study is consumer preference for relative discounts on complementary bundle components which have brands of different strengths (in branded products, the brand can have a high importance weight). Also, exploring the competing explanations of usage of weighted additive model versus referent dependent model.
Research Gap

The bundle promotions have been studied extensively in the literature, but these are either studied in context of weighted additive model or referent dependent model. The studies explore the bundles either from mixed-items or complementary items. The bundles are also examined w.r.t. discounts offered on the items (focal or anchor), certain product categories and in a few cases with single brand.

Importantly, research on bundling has not considered the impact of (a) the relative levels of discounts of different bundle components when a price leader is present in a bundle and when it is not present, - the alternative bundle discounts (Yadav 1995) (b) the brand strength. Importantly, it is not clear why consumers appear to be using a weighted additive model sometimes and a referent dependent model at other times. This study seeks to answer these questions.

We draw on the literature from reference price, attribution theory and mental accounting to develop hypotheses about the effects of differential price discounts on the consumer evaluation of the bundle and the discounted product to explain the difference in the findings in the literature. Our contribution is two-fold. First, we include the impact of brand strength on the evaluation of the bundle pricing. Second, through the inclusion of brand strength, we are able to come up with an explanation of when consumers are likely to use the weighted additive model or the referent dependent model of bundle price evaluation.
Research Objectives

Retailers in their promotional strategy offer a similar style and quality of brand is marked at different discount rates (40% and 20%) and yet another set of similar products are marked as fresh arrivals. A customer a shirt and trouser marked at different discount rates, comprising of different brands which could be perceived higher than the other in the bundle.

Question:

d. Which mix of discounts in a bundle will lead to a greater purchase intention

e. To understand the effect of brand strength on the purchase intention of a complementary bundle.
Research Framework

The focus of this research is to conceptualize the consumer led complementary product bundle. These product bundles with varying discounts levels are either evaluated through weighted additive model or referent dependent model. We would investigate the usage of the two models when the bundle has complementary items where one is being the focal product and other the anchor. Further this bundle will have varying levels of discounts and different brand strengths of the items, with one being strong and other being weak.

Definition of Constructs

Complementary Product Bundle – As explained by Shibin, Parker and Nakamoto (2007) Complementarity of bundle components, reflecting functional relatedness and dependence between bundle components, represents one such linkage. Complementary bundles are those in which individual components function as a system or complementarily (e.g., a computer and a printer; a TV and a VCR; airfare, lodging, and a rental car; a razor and a blade). Non-complementary bundles are those in which bundle components are not functionally related (e.g., a TV and an MP3 player; a ski suit and a fishing rod).

Focal Product – As explained by Janiszewski and Cunha (2004) the focal product in their experiment was created to promote comparability of the hypotheses, two-product bundles in which the relative importance and relative value of the products in the bundle were positively correlated. One of the products (referred to as the focal product) was the more important and more valued product, and the other product.

Tie-in Product - As explained by Janiszewski and Cunha (2004) the focal product in their experiment was created to promote comparability of the hypotheses, two-product bundles in which the relative importance and relative value of the products in the bundle were positively correlated. One of the products (referred to as the tie-in product) was the more important and less valued product, and the other product.

Brand Strength – As conceptualized by Lassar, Mittal and Sharma (1995) customer based brand equity comprises of brand strength and brand value. Brand strength high constitutes the brand associations held by the brand’s customers. Some researchers view brand equity as perceived brand quality of both the brand’s tangible and intangible components (Kamakura
and Russell, 1991). The authors define it as “the relative strength of a consumer’s positive feelings toward the brand”. Brand strength constitutes the brand associations held by customers.

**Purchase Intention** – Grewal et al (1998) Purchase intentions have been widely used in the literature as a predictor of subsequent purchase. A number of studies have supported the notion that store image is an important component of store patronage (Nevin and Houston, 1980). More specifically, Buckley (1991) found a link between store image and intention to purchase a product. Past research has found that purchase intention is also positively associated with perceived value (Dodds, Monroe, and Grewal, 1991; Grewal, Monroe, and Krishnan, 1998).
Relationship between Constructs (Hypotheses)

This section would detail the hypothesized relationships between different variables and the process of developing these hypotheses with relevant literature support.

Complementarity in the product bundle and price discount evaluation

When consumers see a strong anchor in the complementary bundle with moderate add-ons they tend to evaluate the bundle downward (Yadav 1994). The two item bundles for this study comprised of a) computer and printer; b) bed and chest. Where computer and bed were seen as the anchor items and evaluated first followed by the add-ons.

In case of non-complementary bundles where entertainment magazine was bundled with sports magazine at different price levels with clear price leader in the bundle targeted at different segments. The evaluation in such case calculated by looking at the greater savings on their most preferred item in the bundle (Yadav 1995).

The experiments conducted by Yadav (1994, 1995) were based on the weighted additive model where the utility of each item in bundle was considered while evaluating the bundle and where the consumer decides the weights for each item depending upon the importance of the item in the bundle and also these experiments assumed that there is a constant utility function across the items irrespective of the importance assigned by the consumer to the item in the bundle.

In order to assess the value consumers use the reference price of each product in the bundle to the overall price of the offer (Janiszewski and Cunha 2004) where the bundle comprised of pizza and chicken wings having a clear price leader. The referent dependent model was applied giving more discounts on less valued items in the bundle in order to enhance the overall evaluation of the bundle.

A weighted additive model predicts that assigning the discount to the more important product in the bundle should enhance the evaluation of the bundle more (Yadav 1995). However, this result was in the context of non-complementary bundle. The reference-dependent model...
predicts that assigning the discount to the product valued on a steeper portion of the value function, in most cases the less valued product, should enhance the evaluation of the bundle more (Janiszewski and Cunha 2004). However, this result was in the context of moderate levels of complementarity, low levels of involvements and a single brand. Where there are two distinct brands in a complementary bundle with high levels of involvement the results might well be different. According to Yadav (1993) whose findings are in the contexts of high involvement complementary bundles buyer evaluations are anchored to the evaluation of the price leader in the bundle with insufficient adjustment.

Wathieu, Muthukrishnan and Bronnenberg (2004, pg 656) advocates the price salience as an underlying mechanism of brand evaluation. Dodson, Tybout, and Sternthal (1978), based on self-perception theory (Bern 1972), asserted that consumers who buy on discount would attribute their purchase behavior to the offered discount rather than to an intrinsic liking for the brand. In addition we know that anticipation of gains correlates with self-reported positive arousal (Knutson et al 2001). Studies from neuro-science will also tell us that the brain will look for ‘dopamine’ shots and prefers to make decisions which enhance dopamine levels in the brain (eg. Knutson et al 2007). In the presence of the product bundle (and in the absence of any other external cues) the human brain will seek an anchor in the bundle and a higher dopamine spike is more likely to come from a gain related to the more important part of the bundle. This (more important part of the bundle (anchor) is likely to be determined by the salience of the component of the bundle and will form the “frame” for evaluation by the consumer. Deppe et al (2005) found significant intra individual variations in the context of magazines biases reflecting a strong influence of framing. They found that the cerebral activity increased consistently and was related to the frame used by the brain. Since the brain decision reflects an anticipatory combination of preference and price consideration (Knutson 2007) it would be logical to suggest that these consideration would be directed towards the portion of the bundle that provides higher anticipated or losses.

Taken together these studies seems to suggest that in a product bundle context the evaluation of discount will be influenced by whether the discount is on the more salient/less salient component (anchor item) in the bundle.
Hence, it is proposed:

**H1: In a complementary product bundle, when there is a clear price leader in the bundle, purchase intention for the bundle will be higher when discount is given on the focal product.**

**Complementarity in the product bundle and effect of brand strength on evaluation**

**Discount on focal product**

Consumer having greater familiarity with a product show a higher change in the purchase intention when the bundle price is decreased as compared to the consumer who is not familiar with the product (Harlam et al 1995).

Consumers’ prefer higher discount on the tie-in product as compared to the focal product but this preference for the bundle decreases as the discount increases stating the importance or weightage of the focal product (Jenisezowski and Cunha 2004).

Sheng (2006) in his study suggested that a strong brand image of bundle components might eliminate the effects of negative product attributions caused by a mixed-leader bundle.

The reference-dependent model provides an alternative explanation of why people prefer a bundle that assigns the price discount to one or another product in the bundle. Assume that a bundle offer consists of two products, each having a market price of 800. Also assume that the consumer integrates the attributes of each product to establish a price referent of 800 for product A and 400 for product B. In this case, the offer to sell product A at 800 would have a value of zero because the market price of 800 matches the consumer's price referent of 800, whereas the offer to sell product B at 800 would have a negative value (e.g., v[-400]) because the market price of 800 exceeds the consumer's price referent of 400. If the two products are bundled and the price of the bundle is set to 1200, the reference-dependent model predicts that the evaluation of the bundle will be higher when the discount is assigned to the product
with a price referent below the market price (i.e., product B discounted from 800 to 400). The loss portion of the value function is steeper than the gain portion of the value function, thus assigning the discount to the less valued product in the bundle (i.e., shifting the value of product B from \( v[-400] \) to \( v[0] \)) should result in a greater increase in utility than assigning the discount to the more valued product in the bundle (i.e., shifting the value of product A from \( v[0] \) to \( v[400] \)).

Sheng, Parker and Nakamoto (2007) suggest that brands may influence the interplay of effects price levels of products in a bundle and therefore, the evaluation of the bundle. Lassar, Mittal and Sharma (1995) find that products may have equivalent levels of brand equity even though they may have different price levels.

Dodds, Monroe and Gerewal (1991) stated in their study the effect on the value perception of the product being strong when the brand information is given along with the price of the product. Consumers may use the stronger brand in the bundle as a credibility bond for the weaker brand in the bundle (Chung and Rao 2003). A study showed that strong brand like Coca-cola sway the impact of message price framing and in a category like computers the consumers not only respond to the price but also the brand (Gendall et al 2006) suggesting that the relative strength of the brand of the products in a bundle may influence the consumer evaluation beyond that suggested by the referent dependence model.

When brand strength of the tie-in complementary product in a bundle is relatively higher than that of the focal product then the loss portion of the less valued tie-in complementary becomes less steep because (1) the referent dependent price for the tie in complementary product increases and (2) as a consequence, “gain” to the consumer becomes less, say from a previous -400 to 0 to -200 to 0. The reduction in the “gain” on the steeper loss portion of the value curve may lead the consumer to consider the gains on the “gain” portion of the curve (refer Figure).
In effect, we propose that a high brand strength of the tie in complementary product relative to that of the focal product changes how the consumer evaluates the bundle in the direction of looking at the greater discount on the focal product as the key driver of the evaluation, i.e., more in line with the weighted additive model. This "shift" happens because the relative value gain/loss function changes because of the introduction of brands of differing strengths.

In their study Wathieu, Muthukrishana and Bronnenberg (2004), found that temporary discounts tend to diminish a consumer's preference for higher quality, higher price brands,
and discounts posted by higher price brands tend to reinforce a consumer's initial preference for lower quality, lower price brands. A discount posted by a lower quality brand does not have a significant impact on consumers who would pick such a brand in the first place.

It is also seen that the choice of a familiar brand will be greater at a "normal" level than at a very small level also because of the higher judged value at the normal level. Unlike the predictions for unfamiliar brands, it is expected that the proportion of choices in favor of a familiar brand will increase as the size of the price discount increases. (Moore and Olshavky, 1989).

Thus we conclude:

**H2 (a):** In a complementary product bundle, with a clear price leader (focal product) in the bundle and high brand strength of the focal product relative to the tie in product,

- a higher discount (lower) on the focal product will lead to a relatively lower (higher) purchase intention of the bundle

**H2 (b):** In a complementary product bundle, with a clear price leader (focal product) in the bundle and low brand strength of the focal product relative to the tie in product,

- a higher discount (lower) on the focal product will lead to a relatively higher (lower) purchase intention of the bundle
Research Methodology

The study requires a randomly selected student’s sample of 457 of which 452 responses were considered for the study four product bundles comprising of four scenarios each. It was a randomly selected sample in the age-group of 18 to 35 years. There was series of pre-tests which were undertaken before finalizing the questionnaire for responses towards bundle purchase intention.

1. Come up with a list of complementary bundles and check whether respondents think that it is complementary. A three item scale used by Sheng, Parker and Nakamoto (2007) was used to identify the right complementary bundle. Following bundles were presented before arriving at the right one.

- Laptop and external hard drive
- Laptop and backpack
- Laptop and games
- Laptop and 3G connection
- PC and printer
- Mobile phone and Bluetooth
- Refrigerator and hand blender
- Television and DTH service
- Air ticket and cab service
- Hotel and cab service
- Book and music CD
- Trouser and shirt
- Jeans and t-shirt

Based on the past studies, market behaviour and bundles featured on some online shopping sites, the above options were presented to a set of 35 respondents to give their preference for the bundle they think is highly complementary. Three items were placed on a seven point likert scale where one stood for strongly agree and seven for strongly disagree.
From above on the reliability test Laptop and backpack and Jeans and T-shirt came out to be significant. The average response for Jeans and T-shirt was 1.7, we decided to choose this for our study purpose as apparel forms the highest proportion in the organized retail sales and also it is something which young consumers could relate very well.

2. Once products are selected in step 1, then put together a list of brands (6-8) in each of the categories (i.e., product A and B in the bundle) and then ask the respondents to rank the brands by liking, strength, etc. (Park, Yun and Shocker 1996). Choose the strongest as the high brand strength and weakest as the low brand strength for both product A and B. Brand strength items were placed under social image, attachment, performance and trustworthiness.

In order to derive 14 brands of Jeans and T-shirt we did a small random survey to find out the brands with highest recall in the above category they feel are strong and weak. We came up with the following brands:


T-Shirt Brands – Adidas, Allen Solly, Bare Denim, Gas, Lee, Levis, Nike, Nomadics, Numero Uno, Pepe, Puma, Reebok, Spykar, Tommy Hilfiger, UCB and Wrangler.

These brands were asked to be rated as strong and weak based on the respondent’s perception. 49 respondents gave their views and we came up with top three strong and weak as:

Strong Jeans Brands – Lee, Levis, Pepe

Weak Jeans Brands – Nomadics, Numero Uno, Wrangler

Strong T-shirt Brands – Nike, Reebok, Tommy Hilfiger
Weak T-shirt Brands – Nomadic, Numero Uno, Spykar

We further tested these brands by placing 10 items on a seven-point likert scale for a reliability check and it came out to be significant with cronbach alpha value of 0.7 for Levis Jeans and Nike T-shirt as strong brands.

3. We also check which one the consumer thinks is focal and which one is the tie in product. As predicted Jeans was considered as a focal item whereas t-shirt was a tie-in item in the bundle.

4. We confirmed the price levels based on the market prices for the Jeans and T-shirt. We tested this by placing three items on a seven-point likert scale asking if the price is right, bargain or overpriced. The right prices were Rs. 2500 for a pair of Jeans and Rs. 1250 for T-shirt.

5. Further check what consumers consider as high and low discounts on the given price levels that have been obtained in step 4. For Jeans 40% and 20% high and low discounts were offered and for T-shirt 80% and 40% discounts were offered.

6. We also made a final check on the involvement levels of respondents for the chosen product category with eight items being placed on a seven point likert scale.

After which the final questionnaire was prepared and presented offering four different product bundles with high brand strength and low brand strength of jeans and t-shirt. Each of these four bundles had four different scenarios where discounts were offered on either jeans or t-shirt. Respondents for each scenario were different and unique and were asked to share their purchase intention for the bundle at the market price then when the discount was offered.
Findings and Discussion

H1: In a complementary product bundle, when there is a clear price leader in the bundle, purchase intention for the bundle will be higher when discount is given on the focal product.

In our result through an Independent sample one tailed t-test we confirms that the purchase intention is higher (p=.01) when the discount is given on the tie-in product instead of the focal product. This is consistent with Janiszewski and Cunha (2004) and explains the result as a consequence of there being a clear price leader in the bundle.

Purchase intention was high for the following bundles in this hypothesis:

High brand strength Jeans + High brand strength T-shirt, when the discount is given on jeans at 40% and on T-shirt at 80%

High brand strength Jeans + High brand strength T-shirt, when the discount is given on t-shirt at 20% and on T-shirt at 80%

Between the two scenarios, consumers preferred the second bundle where the discount was higher on the tie-in product.

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Discounts on the focal product

H2 (a): In a complementary product bundle, with a clear price leader (focal product) in the bundle and a high brand strength of the focal product relative to the tie-in product, a higher discount (lower) on the focal product will lead to a relatively lower (higher) evaluation and purchase of the bundle.

A univariate analysis was run on the purchase intention of the two bundles where one was with the low brand strength of tie-in product and other with the high brand strength of the tie-in product. The result was significant with a p<0.10. The purchase intention was lower for the first bundle where the bundle comprised of higher discount on the low brand strength of the tie-in product.

High brand strength jeans + Low brand strength t-shirt at 40% discount on jeans
High brand strength jeans + High brand strength t-shirt at 20% discount on jeans

Descriptive Statistics

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Tests of Between-Subjects Effects

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a. R Squared = .227 (Adjusted R Squared = .149)
H2 (b): In a complementary product bundle, with a clear price leader (focal product) in the bundle and low brand strength of the focal product relative to the tie in product, 

- a higher discount (lower) on the focal product will lead to a relatively higher (lower) purchase intention of the bundle

A univariate analysis was run on the purchase intention of the two bundles where one was with the focal product with low brand strength compared to tie-in product. The discounts on the focal products were different – higher in first bundles compared to second bundle. The result was significant with a p<0.10. The purchase intention was lower for the first bundle where the bundle comprised of higher discount on the low brand strength of the tie-in product.

Low brand strength jeans + High brand strength t-shirt at 40% discount on jeans
Low brand strength jeans + High brand strength t-shirt at 20% discount on jeans

Descriptive Statistics

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Type III Sum of Squares

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a. R Squared = .138 (Adjusted R Squared = .060)
The study will help the marketers to prepare product bundles using high or low brand strength with the clear price leader enhancing the consumer evaluation of the bundle.

In complementary product bundles, when there is a clear price leader in the bundle, topical mental accounting will be used, i.e. perceived gains will be higher or lower depending on where the higher discount is put – there will be reference dependence i.e. complementarity is subordinate to "anchor" in bundle – there is reference dependence.

In complementary product bundles with a price leader, a focal product with a strong brand will confirm to the referent dependent model; a focal product with a weak brand will confirm to the weighted additive model.

It can be seen that high brand strength of the focal product does not entice the consumers to have a purchase intention for the bundle even if the discount given on the focal product is higher. Consumers prefer the bundle where the discount is even higher on the tie-in product. It given retailers an opportunity to prepare bundles where a low brand strength tie-in product with a higher discount can be bundled together with a base price of the focal product in order to have a preference for that bundle.

If the bundle comprised of high brand strength of the focal product relative to the tie-in product and the discount offered on the focal product is higher than the purchase intention for that bundle will be low. Thus, the retailer can bundle the high brand strength focal product with the tie-in product and need not give higher discount, a low discount will also entice the consumer to have a purchase intention towards the bundle.

In other case where the bundle comprised of low brand strength of the focal product in such a scenario if there is a high discount given on the focal product, consumers would prefer that bundle even if the accompanied tie-in product is being marked at a base price.