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**Lebanese American University**

**School of Business**

**The Use of Product Specific Variables  
as Quality Guidelines by Lebanese Student Shoppers:  
An Exploratory Investigation**

**Thesis prepared as Partial Fulfillment  
Of Requirements  
For the Degree  
Master of Business Administration**

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**Dedication:**

**To my entire Family,**

**Mokhtar**

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## **Chapter 1**

### **General Purpose and Introduction to the Field of Study**

#### **1.1 Purpose and Outline**

This study is designed to shed light on Lebanese consumers and their views regarding product quality associations. While extensive research has been conducted in this field with subjects from other regions and cultures, an extensive review of the literature revealed no such investigations in regard to Lebanese consumers. As a result, the primary goal of this empirical investigation is reveal the extent to which these customers are affected by different marketing strategies designed to influence quality perceptions.

This study is divided into the following six chapters:

Chapter 1 focuses on the theoretical foundations of marketing and consumer behavior and contains definitions to the key terms used in the study.

Chapter 2 defines the goals of this research project along with its anticipated contributions to the body of knowledge in this field as well as its limitations

Chapter 3 consists of a detailed review of the pertinent literature in the area of quality determinations.

Chapter 4 details the research methodology employed in this study.

Chapter 5 contains the statistical analysis of the data gathered during this inquiry.

Chapter 6 is dedicated to the implications of key findings and suggestions for future areas of investigation.

#### **1.2 Theoretical Foundations and Definitions of Key Terms**

All economic processes are based on information. Information adds to one's knowledge, thus, giving them power. Marketers have come to recognize the importance of information and the way in which it is processed. As it is used in this study, processing of information refers to "the process through which consumers are exposed to information, attend it, comprehend it, place it in memory, and retrieve for later use" (Peter & Olson, 2002). While consumers are at

least vaguely aware of much of the information to which they are exposed, the mind permits only a small portion to filter into one's conscious awareness. This information primarily consists of determining either what the consumer finds interesting or they can identify with. Based on this understanding of consumer behavior, marketing managers seek to isolate the buying motives that are most important to the customer. There are five techniques that companies employ when marketing their products (Kotler, 2003). These include advertising, sales promotion, publicity, personal selling, and direct marketing. The incidence of repeat buying behavior encourages providers to view the market as a value-building process (Hawkins, Best & Coney, 2000). This primary goal of the approach is to provide customers with the benefits they are seeking. This not only makes the offering attractive to new buyers, it helps insure that brand loyal consumers will not shift to other brands.

Marketing managers use a variety of strategies in order to influence customers to adopt their products. Some of these are designed to build stronger customer relationships based on brand-quality associations (Hennessey, 2001). Since consumers also rely on store image name as a benchmark for product quality, marketers attempt to build strong associations between brands and outlets (Kotler, 2003). When price is an important factor, as in the case of homogeneous shopping goods and staples, both producers and retailers may focus on this variable to stimulate consumption (Peter & Olson, 2002). Most strategies do not simply rely on product attributes but also employ the remaining elements of the marketing mix (price, place and promotion) to support the firm's offering. The product variable is not only a function of physical attributes, it is also concerned with packaging, brand name, warranties and service (Kotler, 2003). The place variable is also complex and includes store name, location, distribution, logistics, store service and a variety of other characteristics (Terpestra & Sarathy, 2000). Promotion goals are also extremely complex and may be designed to

communicate brand image, product features, build customer relationships, or simply communicate price and availability (Kotler, 2003). Finally, the price variable describes the exchange relationship and is a function of economic value and complex psychological associations. (Solomon, 1996)

### **1.3 Marketing Theory**

According to the American Marketing Association, "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals." (Belch & Belch, 2003) A firm's ultimate success depends primarily on how well it performs in the marketplace. This requires gaining market knowledge. This task begins with the study of the benefits that prospective buyers seek in order to satisfy their needs, wants, and desires. Once this information is accumulated, the firm can begin to develop the requisite product attributes that will lead to consumer satisfaction (Terpestra & Sarathy, 2000). A third step is price setting and includes both the economic factors associated with profitability, but also psychological associations between price and quality. The fourth task is distributing the products in a cost-efficient manner so that they are available in the locations where buyers expect to find them and when they are most likely to be sought. Finally, the provider must use various forms of promotion to attract the attention of prospective consumers and arouse their interest by educate them on the key product attributes designed to provide customer satisfaction (Terpestra & Sarathy, 2000).

This definition clearly identifies marketing's true goals as attempting to capture new customers while at the same time maintaining their existing consumer base. Both goals require changing, or reinforcing, consumer behavior. Marketing is about getting prospects to change their behavior to buy the firm's products instead of a competitor. There are many

marketing strategies available to entice customers to buy the product. To change a customer's buying behavior, a firm needs to change their perception of the company's products. A change in perception may, in turn, lead to a permanent change in behavior.

In the American market of the 1950s, the term "Made in Japan" came to symbolize products that were inferior in terms of quality and performance (Hennessey, 2001). Slowly, Japanese producers were able to improve the quality of their products while keeping the prices affordable. The low prices encouraged consumers to purchase the products and once they experienced the improved quality and performance, their perceptions of what "Made of Japan" meant began to change as well. In response to the perceptual changes, the Japanese manufacturers were able to gradually raise their prices to levels more in line with their quality. Today, Japan is the acknowledged quality leader in premium-priced cameras, electronics, automobiles, and many other product categories (Hennessey, 2001)

#### **1.4 Quality Perception**

Quality is defined by ISO 8402 as "The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs." A common definition of perception refers to this "a process of becoming aware of something via senses or the process of conceiving something".

Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world (Schiffman & Kanuk, 1997). A stimulus is any unit of input to any of the senses, provided by products, packaging, brand name, price, and promotional appeals. Sensory receptors are the human organs (i.e., the eyes, ears, nose, mouth, and skin) that receive sensory inputs. It is these innate functions that are

called into play either singly or in combination during the evaluation and use of most consumer products (Solomon, 2004).

From these definitions of quality and perception it can be inferred that quality perception is the act of viewing different product attributes based on the information with which they are provided. As a result, an informed customers' perception should, at least in theory, differ from that of an uninformed customer. Viewed in this way, quality perception can be seen as a sub-conscious set of beliefs regarding specific product or brands (Peter & Olson, 2002).

Consumers often judge the quality on the basis of a variety of product-specific informational cues. Some of the cues are intrinsic, and others are extrinsic. Perceived product value has been described as a trade-off between the product's perceived benefits (or quality) and the perceived sacrifice, both monetary and non-monetary, required to acquire it. (Dodds, Monroe, & Grewel, 1991). Other studies suggest that consumers using a price/quality relationship are actually relying on a well-known (and hence more expensive) brand name as an indicator of quality, without actually relying directly on price. (Liechtenstein, Ridgway, & Nitemeyer, 1993).

### **1.5 Brand Name**

Brand names are the primary means by which companies differentiate their products and services from those of its competitors (Kotler, 2003). A variety of prior studies have shown that many consumers are willing to pay a substantial price premium for what they perceive to be "good brand" and may develop varying degrees of brand loyalty (Peter & Olson, 2002).

It is important to distinguish between corporate identity, brand identity, and brand image. Corporate identity is concerned with the visual aspects of a company's presence (Kotler, 2003). When a firm makes changes in its corporate identity, common techniques include modernizing their corporate name, logo, or product label (Etzel, Walker & Stanton, 2000). Since such efforts do not normally entail a change in key brand attributes, they generally do not alter brand image. A simple change in artwork alone cannot be expected to produce changes in consumer perceptions of quality, service, and the intangible associations that come to the forefront when the brand name is seen or heard (Kotler, 2003).

In most cases, it is important that brands maintain a modern look. Although firms have experienced some success with nostalgia marketing, it is generally accepted that the firm's visual identity should change over time. Changing the brand visuals can give rise to consumer concerns about changes of ownership, changes in brand values, or even unjustified extravagance and must be introduced carefully. If there is a strong brand personality to which consumers are attracted, then substantial changes may alter the emotional attachments that loyal consumers have with the brand. People do not expect or like wild swings in the personality behavior of other people, and they are just as concerned when the brands to which they have grown used exhibit similar changes (Hoch et al., 1995).

Brand image is defined as the set of associations linked to the brand that consumers hold in memory (Keller, 1993). Positive brand image is associated with consumer loyalty, consumer beliefs about positive brand value, and a willingness to search for the brand. A positive brand image increases the likelihood that the consumer will be favorably inclined toward future brand promotions and more resistant to competitors' marketing activities.

Advertising plays an important role in establishing a favorable brand image. According to Kirmani (Kirmani, 1990), in the absence of other information about a new brand, people sometimes use the volume of advertising as a signal of brand quality. Furthermore, Kirmani adds that products that are not new but are heavily advertised often are perceived as higher in quality than non-advertised brands. Consumer satisfaction or dissatisfaction with price-oriented sales promotions such as coupons two-for one deals, and introductory discounts can influence brand image. Short-term price promotion decisions may affect the brand's long-term future image if temporary price discounts produce a permanent price image. As a result, brand managers, who wish to establish a "value" image for their brands, must be careful to avoid price promotion strategies that instead create a discount image for the brand (Hunt, Keaveney, 1994).

Brands make it easier for consumers to identify goods or services. Brands also help consumers by ensuring that they will get consistent quality when they re-order, in which it can be referred to as brand equity. Brand equity has different definitions with common factors such as monetary value, intangibility, and perceptions of quality (Gummesson, 2002).

According to Gummesson, *these terms carry the following meanings. Monetary Value* is the amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product. The price differential is the monetary value of the brand name. *Intangibility* is the intangible value associated with a product that cannot be accounted for by price or features. Buyers are willing to pay extremely high price premiums over lesser-known brands, which may offer the same, or better, product quality or features (Gummesson, 2002). *Perceived Quality* is the overall perceptions of quality and image attributed to a product, independent of its physical features. For example, Mercedes and BMW have established their brand names as synonymous with high-quality, luxurious



automobiles. Years of marketing, image building, brand nurturing and quality manufacturing have led consumers to assume a high level of quality in every thing they produce.

The overall description of brand equity incorporates the ability to provide added value to the company's products and services. This added value can be used to the company's advantage to charge price premiums, lower marketing costs and offer greater opportunities for customer purchase (Kotler, 2003).

### **1.6 Price Determination**

Price is the amount of money and/or other items with utility needed to acquire a product (Etzel, Walker & Stanton, 2000). Since price is significant in the economy and in the mind of consumers, it is of critical importance to individual firms. Price is a basic regulator of the economic system because it influences the allocation of the factors of production: labor, land, capital and entrepreneurship (Samuelson & Nordhaus, 2003). As a means of allocating resources, price determines supply. That is, what will be produced and in what quantities. Furthermore, it also influences demand since it will determine who will be able to obtain these goods and services and the image that they will be associated with specific brands (Samuelson & Nordhaus, 2003).

Research at the retail level has revealed that a small segment of shoppers is interested primarily in low prices while a similarly-sized segment is indifferent to price in making purchases (Bates, 1990). According to a study of sales data for 18 product categories in a chain of 83 supermarkets, consumer's relative interest in price varies across demographic groups. Consumers with one or more of the following attributes are likely to be price sensitive: low income level; small house; large family; and member of a minority group

(Hoch et al., 1995). Other authors (Peter and Olson, 2002) suggest that consumers rely on an “internal reference price”, usually in terms of a price range, to help them determine if the asking price is consistent with the items being offered and the level of quality the promoter is suggesting.

From the perspective of individual firms, a product’s price is a major determinant of its market demand. Price affects a firm’s competitive position and its market share. As a result, price has a considerable bearing on a company’s revenues and net profits. Some businesses use higher prices to convey an image of superior quality. This method makes sense only when consumers believe that there is a strong relationship between price and quality. There are a variety of factors that limit the degree of impact that price has on a company’s overall marketing effort. Differentiated product features, a favorite brand, high quality, convenience, or some combination of these and other factors may be more important to consumers than price (Kotler, 2003).

In actual business situations, price setting is influenced by market conditions. Hence, marginal analysis, which takes into account both demand and costs to determine a suitable price for the product, is a useful price-determination method. Optimization models suggest that output level should be set at the point where marginal cost equals marginal revenue and priced so that the inventory can be cleared (Samuelson and Nordhaus, 2003). For many products, price setting is relatively easy because management simply sets the price at the level of competition. This is particularly true in the case of commodities or when products reach the maturity stage (Kotler, 2003).

## **1.8 Retail Image**

Many large retailers and some large wholesales stock popular producers' brands and also have their own brands. Middlemen may find it advantageous to market their own brands, in place or in addition to producers' brands, because it increases their control over their target markets. A retailer's brand or the store name can differentiate its products. If customers prefer a given store name, they can get it only from that retailer or store (Etzel, Walker & Stanton, 2000).

Retail stores have their own images considerations that serve to influence the perceived quality of products they carry and the decisions of consumers as to where to shop. In order to create a distinctive identity, many retailers put their own labels on the clothes of popular designers (Kotler, 2003). A study of retail store image based on comparative pricing strategies found that consumers tend to perceive stores that offer a small discount on a large number of items (i.e., frequency of price advantage) as having lower prices overall than competing stores which offer larger discounts on a smaller number of products (i.e., magnitude of price advantage) (Alba et al., 1994). This finding has important implications for retailers' positioning strategies in this era of value pricing. Alba also noted that frequent advertising that presents large numbers of price specials reinforces consumer beliefs about the competitiveness of a store's prices. The downside of constant advertising of sale prices can be unwanted change in store image.

The type of product the consumer wishes to buy may influence their selection of a retail outlet. Conversely, the consumer's evaluation of a product often is influenced by the knowledge of where it was bought (Schiffman & Kanuk, 1997). A study that examined the effects of specific store environmental factors on quality inferences, found that consumer

perceptions were more heavily influenced by ambient factors (i.e., the people within the store's environment: the number, type, and behavior of other customers and sales personnel) than by store design features (Baker, Grewel, & Parasuraman, 1994). A similar investigation found that both the store environment, and perceptions of merchandise and service quality, are actually antecedents of store image, rather than components of store image (Baker, Grewel, & Parasuraman, 1995).

Most studies of the effects of extrinsic cues on perceived product quality have focused on just one variable – either price or store image. However, when a second extrinsic cue is available (i.e., price and store image), perceived quality is sometimes a function of the interaction of both cues on the consumer (Schiffman & Kanuk, 1997). A 1984 study by Jacoby and Mazursk found that when brand and retailer images become associated, the less favorable image becomes enhanced at the expense of the more favorable image. Thus, when a low-priced store carries a brand with a high-priced image, the image of the store will improve, while the image of the brand will be adversely affected. (Jacoby & Mazursk, 1984).

## Chapter 2: Justification for the Study

### 2.1 Need for a Price-Quality Investigation

Despite the economic situation in the Lebanese market in particular and the region in general, product availability is increasing and consumers are facing an increasing choice of brand in a variety of products. These range from the most exclusive global brands to those whose names may not be readily recognizable. As a direct result, prices range from minimal levels to extremely expensive. In addition, there is another dimension, often overlooked, and this is the problem of copyright infringement. In many cases, the “knock-off” products are virtually indiscernible from the originals. This increases the possibility that Lebanese consumers may be relying more on price than those who are not exposed to “copy products”.

Improvements in the Lebanese economic sector are being felt in many sectors, especially at the industrial level (Banque de Liban, 2002). The economy improvements were due to the prevailing monetary stability along with the progress in the area of public finance (debt reduction). The inflation rate has been contained and the exchange rate of the Lebanese Pound, which is essentially “pegged” to the U.S. Dollar, has been relatively constant in recent years.

The economic development in Lebanon, along with the increasing variety of products available in the market, both locally produced and imported, make a study of this type particularly relevant. Since price is one of the two key factors in determining revenue, selecting the “correct” price, both the dual perspectives of cost recovery and demand creation is critical to a firm’s economic success. Finally, a thorough review of the literature has shown no evidence that price-quality studies have been conducted with Lebanese consumers as the population of interest.

## **2.2 Research Goals**

Specifically this study attempts to provide answers to three critical questions what impact the success of marketing efforts.

1. What are the individual effects of brand name, store name, and price on perceptions of quality among Lebanese shoppers regarding a specific product?
2. What are the individual effects of brand name, store name, and price on Lebanese consumers' perception of an appropriate price for a specific product?
3. What are the individual effects of brand name, store name, and price on the willingness of Lebanese subjects to purchase a specific product?

## **2.3 Contributions of the Research**

Most of the previously cited studies were conducted in foreign markets, primarily Europe and the United States. Due to the fact that there has been virtually no published research regarding the Lebanese market, this study provides the opportunity to make a significant contribution to local marketing efforts. The Lebanese economy is market-based and provides widely differentiated products from both global and local manufacturers. For centuries, Lebanon has served as a "bridge" between the middle-eastern and the western economies. As a result, Lebanese consumers have a relatively high degree of knowledge regarding brand quality and availability. As with most well informed consumers, Lebanese shoppers evaluate products on a variety of product attributes and dimensions. In terms of fashion merchandising in particular, the Lebanese market has historically been viewed as one of the fashion centers in this region. As a result, Lebanese consumers can be expected to have a heightened level of awareness regarding brands, prices and retail availability of fashion apparel.

By identifying the relative degree of influence which brand name, store image and price having on quality determinations, this study has the potential to make a major contribution to retailing efforts in Lebanon. By better understanding the key elements of consumer

perception, Lebanese producers and retailers can make more effective decisions regarding strategic initiatives in the areas of branding, pricing, and distribution.

#### **2.4 Limitations of the Research**

As with most exploratory studies, this inquiry has certain limitations. During the process of information gathering, certain difficulties were encountered that bear noting. While these are not severe enough to bring either the validity or reliability of the data into question, they should be addressed in future studies.

1. The original goal of the study was to achieve matched cell sizes of 35 students each. Since a convenience sample of students was utilized, the number of participants varied from this number since involvement was limited to those who attended class on the day that the data were collected. This could be addressed in future studies by conducting the study in a laboratory environment with paid participants.
2. A second problem that was encountered with the data collection technique concerned the time frame. Since it was pre-determined that communication within treatment groups could invalidate the results, the study was taken over a two-day period in classes where dual enrollment by the participants could not occur. While the author feels comfortable that the impact of any communication, to the extent that it existed, was minimal, this could be better controlled in a laboratory setting.

## Chapter 3: Literature Review

### 3.1 Initial Inquiries

Consumers usually evaluate quality of products depending on selected product attributes. In addition to the physical dimensions, they are also influenced by price, brand name and channel selection. The use of price as a proxy for quality is a concept that has been with us for a very long time. The term "caveat emptor" has been extant in our lexicon for untold centuries. Whether one phrases it as "you get what you pay for" or in some other fashion, we are dealing with a belief system that has become deeply imbedded in buyer behavior. Since we are now only into our second full century of "branded" products, this reliance on price as an indicator of quality is not surprising. Previously, this was all that consumers had to go by. The initial empirical investigation into the existence of an association between price and quality can be traced to Alfred Oxenfeldt (1950) who undertook the first limited comparison of product ratings with list prices. Following his initial work, price-quality studies began to use two distinctive forms of data, product ratings and physical examinations. The former has allowed researchers to correlate independent product ratings with published prices while the latter, allows for investigations of the price-quality relationship using actual human subjects. Examples of both forms of research were investigated in preparation for this study.

### 3.2 Use of Product Rating Data:

Following Oxenfeldt's initial work, a number of other authors began to make more detailed investigations into the existence of a generalized price-quality association using product rating data from a variety of sources. Eitan Gerstner (1985) used information from *Buying Guide* (1980-1982). This listing is published by the Consumers Union and the ratings are based on laboratory tests, controlled-use tests, expert judgment of purchased samples, and user opinion surveys. The *Buying Guide* rankings were used to measure relative quality, and the reported



prices were viewed as the signals of brand quality. The findings indicated that for many products the relation between quality and price is weak, and higher prices appear to be poor signals of higher quality.

From one point of view, findings such as this are not entirely surprising. Many of the brands tested were "store brands" and these are often manufactured, by contractual arrangement, by the same national firms with whose brands they are being compared. Since retailers such as Sears, which has sold tires manufactured by Michelin and washers and dryers manufactured by Maytag, spend far less money building "brand equity", it is logical that they would be able to offer products of virtually identical quality at lower prices.

David J. Curry and Peter C. Riesz (1988), undertook a much more comprehensive study of the price-quality relationship using data from *Consumer Reports*, the monthly publication of the primary U.S. independent product rating service. Their database contained price and quality information for approximately 4000 individual brands in 62 product categories of which 41 contained longitudinal data for 10 years or more. The authors, calculated mean price over time, price variation over time, and the rank correlation between price and quality for each specific product class. The results of this study revealed a reduced correlation between price and quality ratings over time. This suggests that as pricing flexibility declines, competition may occur in the form of promotional expenditures rather than relative quality improvements.

Dodds (1991), discussed a conceptual model of consumers' product evaluations, in order to broaden marketers' understanding of price setting. In his study, consumers' acceptable value range was incorporated into a model that examined the influence of price and store name information on quality, monetary sacrifice, value, and willingness to buy. The conceptual

framework provided the basis for (1) determining how perceptions of quality and sacrifice influence value perceptions, purchase intentions, and product choice, (2) isolating reasons for when buyers' using price and store as indicators of value, (3) understanding how consumers perceive these extrinsic cues, (4) showing how interpretation of the extrinsic cues influence non-monetary risk and, (5) analyzing the relationship between perceptions of store information and price.

In the international venue, Finlay and Hackmann (1997) undertook a study of independent product ratings from the German publication *Stiftung Warentest*. Their study, which reviewed various product classes ranging from consumer durable goods to consumables over a ten-year period, indicated that the price-quality relationship was extremely weak in consumer durable goods and virtually non-existent in the other categories. These findings were consistent with those which they had previously reported (1996) relying on product rating data from the British publication *Which*.

At the same year, Yoon and Kijewski (1997) examined the relationship between a product's features, the consumer's quality evaluation, and the marketer's pricing in the context of a dynamic product/market environment. Their study created a simultaneous system model using two-stage, least-square regression on data drawn from *Consumer Reports*. The authors selected three high-technology consumer durables, which shared common product/market characteristics but reached different levels of household ownership in the late 1980s. The results of pair-wise correlation and regression analysis revealed that the associations between prices and quality evaluations were insignificant. Furthermore, the associations between product features and prices, as well as between product features and quality evaluations, varied across the three product categories at their different levels of market penetration. The

empirical results, however, suggested no relationship between the marketer's pricing of a product and the overall quality evaluations of each product shown in *Consumer Reports*.

### **3.3 Use of data from Physical Examinations:**

Two of the first studies using human subjects were conducted by the British research team of Gabor and Granger (1961, 1966). The authors asked their subjects to specify high (ceiling) and low (floor) prices in a number of frequently purchased product categories. While no actual products examinations were undertaken, their results did show the existence of a strong correlation between perceived quality and product ratings.

The form of inquiry quickly evolved into an alternative form of price-quality investigation involving the use of data from "sensory" comparisons conducted by the experimental subjects. The alternative form of price-quality investigation involves the use of data from "sensory" comparisons conducted by the experimental subjects. These may include physical/ocular/aural examinations (touching, feeling, seeing) or oral/nasal (taste, smell). The first comprehensive "taste-test" study, can be traced to J. Douglass McConnell (1967, 1968). In his research, McConnell studied product ratings, reported on a seven-point Likert-type scale, over a period of 24 trials using identical bottles of beer as the product. The 60 subjects were exposed to price information, in the form of coins taped to the top of each of the 3 fictional brands (M, L, P). The results of this study revealed that the subjects provided significantly higher mean ratings for the higher priced brand.

After McConnell's research, the issue of a relation between price and quality began to be researched by an increasing number of authors. James E. Stafford and Ben M. Enis (1969), studying product quality ratings, reported on a five-scale interval scale using identical

swatches of household carpets as the product. Their 178 subjects, all but three of whom were females, were exposed to price and store information regarding four samples of the product. The results of this study revealed confusion regarding a high priced product in a low image (inexpensive) store, and a low priced product in an expensive store. Their key finding showed that the inclusion of store information seemed to significantly confound the traditional relationships between price and quality.

In 1970, Robert A. Peterson reported his research regarding product-quality perceptions for a new un-marketed soft drink concentrate. His data, which were reported on a seven-point Likert-type scale, was drawn from 235 subjects who were randomly divided into eight experimental groups ranging in size from 26 to 34. Seven of the groups were given identical information about product name, producing firm, available flavors, number of servings per can along with price information, which varied from 29 cents to 89 cents in ten-cent intervals. The eighth group, which served as a control, was given no price information but was asked to estimate the price of the product. The mean group estimate was 51.3 cents. The results of this study suggested the existence of a nonlinear price-quality relationship, with price being only one of several factors contributing to the perceived quality.

David M. Gardner (1971) studied the degree to which the price-quality relationship can be generalized to various products with varying prices and consumer purchasing patterns. In his research, Gardner studied product quality, willingness to buy, and consumer attitudes toward three different products (tooth paste, man's dress shirt, and a suit). The first two were measured on nine-point scales from extremely high to low quality and willingness to buy. Attitude was defined and measured by 23 semantic differential scales. His findings showed that eleven ratings loading highly on the evaluative dimension, seven scales on potency, and

five on activity. His study, which used a 3x6x2 factorial design, collected data from 120 exposures. His respondents were divided into groups of 10 subjects in each of the 36 conditions. Each product was investigated at six price levels and two brand levels. The results of this study cast serious doubt on the possibility of a generalized price-quality relationship.

In his research, Nassim Hanna (1978), conducted two experiments to study another dimension of price and quality based on dissonance theory and contrast theory. In his first experiment, a group of forty-two women participated in a fund-raising activity, and donated a piece of jewelry that worth \$5 to \$10. When the donations were independently evaluated, 35 percent of the jewelry was worth between \$5 and \$10, 30 percent worth \$15 to \$40, 20 percent from \$45 to \$60 and 15 percent a value over \$65. The results of this experiment showed that wealth, desire to support the fund raising project, and spirit or mood at the time of giving were responsible for the differences in value. In his second experiment, Hanna studied thirty subjects who were invited to two dinner-dance events so that they can get mixed socially. The first occurred on the 25<sup>th</sup> of the month while the second was at the beginning of a month after they got paid. The two events were identical in all respects, except for the issue of timing (i.e. before or after receiving their paychecks). During the first dinner-dance on the 25<sup>th</sup> of the month, nine individuals paid in cash, three by check, and four asked to mail the check later after they were paid, the rest did not attend the dinner. At the next meeting, twenty-three individuals paid either cash or by check dated on the same day. Taking into consideration that the two events had no special significance other than mixing socially and all other things are identical, the same amount of effort expended to obtain the ticket, must have seemed smaller the second time compared with the first. From his results, the author concluded that a high-price policy is not necessarily the only means of achieving a high product evaluation.

Most of the research, prior to the early 1980's regarding physical product evaluations had used identical products samples (i.e. carpet, beer, soft drink mix). In a divergence from this approach Finlay and Huston (1985) undertook an investigation of products where the actual quality level was allowed to vary. Their subjects, approximately 200 student respondents, were asked to give pre-test and post-test ratings of two different informationally-disguised brands of cassette players and blue jeans. In both cases, the products chosen had readily discernable differences in quality, which had been previously confirmed in the pre-test ratings. During the post-test, the subjects were divided into groups and provided information regarding either price or brand name. The authors utilized an originally devised non-parametric analysis of variance (1985) to analyze the change scores (post-test minus pre-test ratings). The data revealed two rather surprising findings. First, that brand name information was able to override the initial product ratings in both classes with the lower quality product being rated higher when associated with a "high image" brand name, and the higher quality product being rated lower when it was identified with the "low image" brand. Secondly, price only attained significance when combined with brand name through the use of MANOVA. Akshay R. Rao and Kent B. Monroe (1989) applied multiple regression analysis to the weighted price-perceived quality effect based on integrated previous research studies in the price-quality area. These studies tested factors such as price, brand name, and/or store name on buyers' evaluations of product quality. The results of this study revealed that the positive effect of store name on perceived quality is both small and statistically insignificant.

Donald R. Lichtenstein and Scot Burton (1989), studied price and objective quality in a four-part study. In the first two studies, 15 product categories were used, eight of which were durable and seven where non-durable products. Four of the durable categories had a positive correlation between price and objective quality while three of the non-durable products had a

positive price-objective quality correlations. In the first study, their 220 student subjects each provided five evaluations, measured on a seven Likert-type scale, resulting in 75 responses from each subject. In the second replicated study (1989), the same products were used. In this investigation, the sample was non-student consumers, who were asked to complete a questionnaire and return in a postage-paid envelope. Of the 600 subjects, 167 actually returned the questionnaire. Two additional studies followed, each being conducted with the same process, but instead of using 15 product categories 18 were investigated. From their data, the authors drew several conclusions. First, that there was a positive, although weak, correlation between perceived and objective quality. Second, perception accuracy appeared to be moderated by product type. Finally, there appeared to be up to four distinct clusters of consumers based on price-quality perceptions.

In their paper "Measuring Brand Perceptions: Testing Quantity and Quality", (Romaniuk & Sharp, 2003) tested empirically three hypotheses about the relationship between brand perceptions and loyalty. Their first hypothesis was that some attributes are more strongly related to consumer brand loyalty than others. The second hypothesis was that there are specific bunches of attributes that are related to higher loyalty to the brand. Finally, they ended up with testing, using ANOVA, whether there is a positive relationship between the number of image attributes the brand is associated with and loyalty to that brand. They found that there was little evidence that any particular attributes are more related to customer loyalty than any others, nor that there were specific brand positions that were uniquely associated with higher loyalty. However, they did find that the more attributes associated with a brand, the more loyal to customer. Finally, they recommended that marketers should see brand building from a short and long-term perspective. In the short term, they should shed the light on precise attributes. Though, in the long term, marketers should work towards building the

number of links between the brand and attributes in the market place, i.e. building the brand's salience and share of mind. Although the results obtained were significant, but there is a limitation in the study that it is taking into consideration only one aspect, which is loyalty.



## **Chapter 4: Research Methodology**

### **4.1 Research Objectives and Hypothesis Development:**

The primary objective of this study was to measure the effect of different product specific information on quality perceptions. As was previously noted, selected studies have revealed a direct relationship between price and quality perception while others have identified different relations between different product specifications and quality perception. This has been the case when no actual differences existed between the product alternatives being compared. Based upon these prior studies most notably (McConnell, 1967; Stafford & Enis, 1969; Gardner, 1971), it was determined that sufficient quality attributes could be identified to provide an overall quality assessment.

Based on the review of the literature, the author determined that when variances in quality ratings had been noted, they were typically associated with price, brand name, and store image (Peterson, 1970; Akshay & Monroe, 1989). Therefore, it seems logical that significant differences should exist between consumers' perception of product quality when these characteristics were allowed to vary. As result, the author further assumed that a significant difference in terms of willingness to purchase would exist among the different experimental groups. Given these assumptions, the following research hypotheses were developed for testing product quality perception and willingness to buy.

H1: Treatment exposure will produce a significant difference in the mean value of durability ratings among the groups.

H2: Treatment exposure will produce a significant difference in the mean value of style ratings among the groups.

H3: Treatment exposure will produce a significant difference in the mean value of texture of material ratings among the groups.

H4: Treatment exposure will produce a significant difference in the mean value of construction ratings among the groups.

H5: Treatment exposure will produce a significant difference in the mean value of overall quality ratings among the groups.

H6: Treatment exposure will produce a significant difference in the likelihood of purchase among the groups

In terms of price perception, the subjects were asked to select an appropriate price with one of four different categories. Since categorical data cannot be tested using analysis of variance or regression analysis, the author used cross tabulation chi-square analysis on this variable to test the remaining three hypotheses.

H7: A significant difference will exist between the price treatment groups in terms of the perceived appropriate price.

H8: A significant difference will exist between the brand name treatment groups in terms of the perceived appropriate price.

H9: A significant difference will exist between store name treatment groups in terms of the perceived appropriate price.

#### **4.2 Research Design:**

Research design is a master plan specifying the methods and procedures for action (Zigmund, 2000). There are four basic techniques for descriptive and causal research: Surveys, experiments, secondary data and observation. Surveying is a research technique in which information is gathered from a sample of people by use of a questionnaire (Zigmund, 2000). Experiments, which exchange realism for a greater degree of control over extraneous variables, hold the greatest potential for establishing cause-and-effect relationships.

Secondary data include those sources that were previously collected and could be used in any kind of exploratory, descriptive and causal studies. Observational methods are often non-reactive because data are collected without a respondent's direct participation (Zigmund, 2000). In order to test the hypotheses regarding the impact of differing product specifications on consumer quality perceptions, a scientific approach is necessary since secondary data is not sufficient.

To obtain the requisite primary data for hypothesis testing, the author employed the after-only method of treatment application and data collection. That is, the subjects will receive only one exposure to the product at which time they will receive certain "treatment" information. This method was selected since the alternative, a repeated measurement experimental design in which the subjects are exposed to the product twice. It was felt that the before after design could compromise the validity of the data since the subjects might come into with contact information not intended for their specific group.

The product that will be used in the research is a man's leisure shirt of average quality that was selected by the author. This garment was obtained at Rectangle Jaune, a well-known retailer in Beirut, Lebanon, at a price of 45,000 L.L. The presence of an information base, based on accumulated product knowledge from prior shopping behavior, enhances the consumer decision-making process (Peter & Olson, 2002). The motivation for selecting this particular item was that it constitutes a product with which both male and female student subjects would be familiar. Three identical garments were selected and these were pre-tested for perceived similarity with a separate group of 22 student subjects. In addition to insuring that the three garments are not perceived as different in any meaningful way, this group was also asked to rate a number of retailers and product brands on a variety of essential dimensions. The results from these ratings were then used to select the retailers and brands for the "high image" and "low image" treatments. Finally, the pre-test subjects were asked, in the manner employed by Gabor and Granger (1961, 1966), to indicate a "floor" and a "ceiling" price for the garments. For the purpose of comparability, all of the subjects selected were in their second year of academic study and were currently enrolled in the introductory marketing course. Using this convenience sample as a base, the author was able to select a total of eight mutually exclusive groups, in approximately the age and income range.

Following the initial testing, the remaining seven groups were then exposed to one of the pre-tested garments. The information in Table 1 shows that six of these were randomly assigned an information treatment, regarding either price, brand name or store name. The remaining group, which was used as the control, received no product specific information at the time the garment is examined.

**Table 1**  
**Respondent Groups**  
**For Price-Quality Study**

<b>Group</b>	<b>Price</b>	<b>Retailer Image</b>	<b>Brand Image</b>
1 (control)	None	None	None
2	<b>High</b>	None	None
3	<b>Low</b>	None	None
4	None	<b>High</b>	None
5	None	<b>Low</b>	None
6	None	None	<b>High</b>
7	None	None	<b>Low</b>

### **4.3 Questionnaire Design and Administration**

The data collection instrument used in this study was designed to test perceptual differences between the treatment groups. The instrument, which is provided in Appendix 1, consisted of three primary questions regarding quality and price dimensions followed by demographic questions relating to gender, age, family income, individual income of shopping expenses, and marital status.

Prior to being presented with the instrument, the participants were encouraged to perform a careful physical examination of the garment. In order not to bias their responses by drawing attention to the specific information provided, it was presented the same way that a consumer would encounter it during a normal shopping experience. For the price treatments, a price tag was placed on the front of each shirt in a position that would be easily seen. For the brand

name treatments, a label was sewn in the back of each garment. Finally, the store name treatment was administered by placing the shirt in a shopping bag from the appropriate retail outlet.

#### **4.4 Sample Size and Data Analysis Considerations**

There are different methods to choose the sample size for a research. Sampling is the procedure by which a subset is used to make conclusions regarding the population from which it was drawn. The first step is to decide on how large the sample should be and what additional considerations, such as stratification, are important. In regard to sample size, the number of subjects is dependent upon the level of precision desired. Employing the simple formula provide in virtually all marketing research texts, shows that a sample of 400 will provide the following level of precision (+/- 5% at a 95% CI) (Tull & Hawkins, 1993). There are two techniques for choosing a sample, *probability sampling* and *non-probability sampling* (Zigmund, 2000). Probability sampling means that every single member of the population has a known, non-zero probability of selection, while if sample units are selected on the basis of personal judgment; the sample is a non-probability sample. Also these are the main two techniques for sampling, there is a wide range of sampling methods such as, simple random samples, stratified samples, and quota samples (Zigmund, 2000).

Since this study was exploratory in nature and the author did not intend to make projections to the Lebanese population as a whole, a convenience sample was employed. The participants selected for both the pretest and treatment application were randomly selected, based on class enrollment, from the study body at the Lebanese American University in Beirut. The use of convenience samples in general and student subjects in particular is consistent with that

employed by a variety of previous authors who have conducted research in the field (Lichtenstein & Burton, 1989; Gardner, 1971).

The pre-test group, consisting of 22 students, was drawn from students enrolled in a course in International Marketing. This class was specifically selected since it has a pre-requisite of Marketing 211, which is the Introductory Marketing course from which the test subjects were to be drawn. Since concurrent enrollment in the two courses is not allowed, this minimized the possibility of dual exposure.

The experiment was conducted with seven different groups of subjects totaling 204 participants who were currently enrolled in the Introductory Marketing course. This course was selected for two reasons. First, they shared similar academic background and had not yet been exposed to the full gamut of marketing theories. The author felt that this would increase the likelihood that they would rely on their own buying experiences rather than being influenced by theoretical considerations. Secondly, the seven sections constituted a census of all students at LAU who were currently enrolled in Marketing 211. Since enrollment in a particular section is likely to be random, it increased the likelihood that all of the groups would share similar demographic characteristics. While the groups varied in size (27, 30, 27, 32, 36, 23, and 29 students), it was not felt that the variation would impact the validity of the results particularly since the largest class was used as the control group (Peterson, 1970).

While some authors have employed a before-after format, the after-only model employed in this study is also considered to be a legitimate means of investigation since it guards against the possibility of cross-cell communication between the treatment groups.

The subjects were asked to rate the garment on a variety of product dimensions including durability, style, texture of material and construction. The ratings were provided on a 9 point modified semantic differential scale using bipolar adjectives at the end points. Data such as these have consistently been found to conform to metric standards (Gardner, 1971) and as a result, the author used ANOVA as the analytical tool to test the significance of mean differences among the groups. The use of this technique is consistent with that employed by a variety of other researchers (McConnell, 1967; Peterson, 1970; Gardner, 1971). Since the data regarding price perceptions was collected in a categorical format, it could not be subjected to the same statistical tool and was analyzed using a cross-tabulation analysis and the Chi-square statistic (Tollenaar & Mooijaart, 2003).

## Chapter Five: Data Analysis and Results

### 5.1 Analysis of Data from the Pre-test Group:

**5.1.1 Descriptive Statistics.** Descriptive statistics are used to summarize large quantities of data, in a way that highlights their numerical differences. The methods of presentation include a measure of central tendency, measures of dispersion, measures of position, and measures of association. They also include a description of the way in which observations are distributed. The research group contained 22 individuals of which 63.6% were males and 36.4% were females. Over 95% of the subjects were single with 86.4% reporting that they earned half or less of the money they used for clothing expenditures. In terms of family income, 50% reported family incomes in excess of \$30,000 per annum with the remainder being below that level.

**5.1.2 Selection of Values for the Treatment Variables.** The goal of the pre-test was to isolate the specific product variables, in terms of brand name, store name and price, to employed with the research sample. The subjects were asked to rank actual brand names and store names on a six points ranking scale as the data in Table 2 reveal, the highest mean value was for the *Emporio Armani* brand name, while the lowest average mean was for *Rectangle Jaune*. Since these means were found to be statistically different at the .000 level they were selected as the manufacturer's brands to which the brand information treatment groups would be exposed.

**Table 2**  
**Mean Rankings of Brand Names**

<b>Brand Name</b>	<b>Overall Quality</b>	<b>Style</b>	<b>Price</b>	<b>Brand Image</b>	<b>Average Mean</b>
<b>Boss</b>	<b>5.09</b>	<b>4.45</b>	<b>4.72</b>	<b>4.68</b>	<b>4.73</b>
<b>Derby</b>	<b>2.65</b>	<b>2.65</b>	<b>2.55</b>	<b>2.60</b>	<b>2.61</b>
<b>Emporio Armani</b>	<b>5.77</b>	<b>5.59</b>	<b>5.77</b>	<b>5.91</b>	<b>5.76</b>
<b>Van Basten</b>	<b>2.25</b>	<b>2.15</b>	<b>2.90</b>	<b>2.15</b>	<b>2.36</b>
<b>Rectangle Jaune</b>	<b>2.15</b>	<b>2.40</b>	<b>2.60</b>	<b>2.10</b>	<b>2.31</b>
<b>Zara</b>	<b>3.41</b>	<b>3.95</b>	<b>2.68</b>	<b>3.68</b>	<b>3.43</b>



A similar methodology was employed to test retailer image. The subjects were exposed to retailer names listed in Table 3 and asked to rate them in terms of overall quality of merchandise, price and store image.

**Table 3**  
**Mean Rankings of Retailer Names**

<b>Retailer</b>	<b>Overall Quality of Merchandise</b>	<b>Price</b>	<b>Store Image</b>	<b>Mean Average</b>
<b>Aishti</b>	<b>5.86</b>	<b>5.95</b>	<b>5.63</b>	<b>5.81</b>
<b>Akil Bros</b>	<b>1.81</b>	<b>2.09</b>	<b>1.81</b>	<b>1.90</b>
<b>Big Sale</b>	<b>1.54</b>	<b>1.31</b>	<b>1.45</b>	<b>1.43</b>
<b>BHV</b>	<b>3.36</b>	<b>3.40</b>	<b>3.31</b>	<b>3.35</b>
<b>Joseph Eid</b>	<b>4.72</b>	<b>4.72</b>	<b>4.72</b>	<b>4.72</b>
<b>Zara</b>	<b>3.72</b>	<b>3.54</b>	<b>4.09</b>	<b>3.78</b>

The summed values of these evaluations were then compared with *Aishti* having the highest rating and *Big Sale* having the lowest. Again these means were compared statistically and were found to differ at the .000 level and these were selected as the treatment variables for store image.

Prior to the pre-test the author had conducted a market scan of shirts prices in ten outlets and found that prices ranged from L.L. 10,000 to L.L. 250,000. Since the desire was to have a price in the upper and lower segments of this range, the author arbitrarily selected L.L. 15,000 and L.L. 150,000 as the price for the treatment groups.

Another reason for conducting the pre-test group study was to test for the similarity of the three garments that would be used in the main study. The respondents were asked to examine the shirts and then rate their similarity on a 9-point scale. In terms of overall quality, the data in Table 4 reveal that over 70% of the subjects agreed that the three shirts were identical opening. This presented the possibility that some degree of research bias might exist since the three shirts were obviously the same.

**Table 4**  
**Levels of Agreement Regarding**  
**Consistency of Garment Quality**

<b>Rating</b>	<b>Frequency</b>	<b>Percentage</b>
<b>0 SD</b>	<b>1</b>	<b>4.5</b>
<b>1</b>	<b>1</b>	<b>4.5</b>
<b>3</b>	<b>2</b>	<b>9.1</b>
<b>4</b>	<b>3</b>	<b>13.6</b>
<b>5</b>	<b>1</b>	<b>4.5</b>
<b>6</b>	<b>2</b>	<b>9.1</b>
<b>7</b>	<b>2</b>	<b>9.1</b>
<b>8 SA</b>	<b>10</b>	<b>45.5</b>
<b>Total</b>	<b>22</b>	<b>100</b>

This was not entirely surprising since the simple instruction “examine the three shirts and evaluate them according to the following scales” carries the suggestion that they must, in some way, be different. However, since the research subjects were only going to be exposed to one garment at a time, this possible inconsistency in ratings was not considered to present a problem.

## **5.2 Analysis of Data from Treatment Groups:**

**5.2.1 Demographic Analysis.** The first step in analysis was to insure that the participants in pre-test group did not differ significantly from those in the treatment group. This was considered to be critical since demographic variables often have a direct impact on buying behavior, particularly in terms of disposable income. The 204 subjects who participated in the treatment segment of this research project were asked to respond to a group of socio-economic questions identical to those requested of the pre-test group. Based on their responses, it was determined that 63.7% were males and 36.3% were females. Over 97% of the subjects reported being single with 87.7% indicating that they earned half or less of the money they used for clothing expenditures. In terms of family income, 48% reported family incomes in excess of \$30,000 per annum with the remainder being below that level. These

results were compared statistically with the demographic information obtained from the pre-test group. Since the variances that were noted were found to be insignificant, the author was confident that the pre-test subjects and the treatment subjects represented the same population

**5.2.2 Statistical Applications.** Since the data regarding quality evaluations conform metric scale requirements, computations of means for the seven groups was deemed to be appropriate. When the means of more than two groups are to be compared, a common statistical tool is the one-way analysis of variance (ANOVA). The term "one-way" refers to the fact that this test focuses on a single independent variable (Zigmond, 2000). In ANOVA, the basic F-test is employed to identify the total variance (Cooper & Emory, 1995). This technique is capable of isolating two forms of variation: (1) variation of scores due to random error or within group variations and (2) systematic variation of scores between the groups normally attributed to the manipulation of an independent variable (Zigmond, 2000). The larger the ratio of variance between groups to variance within groups, the greater the value and the higher the degree of significance (Cooper & Emory, 1995).

### **5.3 Hypotheses Testing:**

**5.3.1 Product Quality Ratings:** One of the goals of this study was to determine the impact of brand name, store image, and price on product quality evaluations. To obtain empirical data to test the hypotheses that had been previously drawn, the subjects were asked to rate a garment on a variety of quality-based factors. These ratings were obtained on a 9-point scale, ranging from extremely low to extremely high. While the term quality is esoteric at best, the author was able to gain guidance from previous empirical studies (McConnell, 1967; Peterson, 1970) to extract five compatible quality characteristics. The dimensions selected were durability, style, texture of material, construction and overall quality. With these ratings

in mind, five research hypotheses were developed regarding product quality ratings. In order to test these hypotheses, a two-step procedure was employed.

**5.3.1.1 Overall Associations.** The first goal was to isolate the individual rating characteristics where significant variations could be detected. To accomplish this task, the author tested the overall mean ratings with the ANOVA option in SPSS 9.0 producing the results that are summarized in Table 5. For variations in a single quality rating to attain a significance (95% CI), it was necessary that an F-value greater than 2.2 be attained.

**Table 5**  
**Overall ANOVA Results**

<b>Variable</b>	<b>F-value</b>	<b>Significance</b>
Durability	1.790	0.103
Style	0.575	0.750
Texture of material	0.1557	0.162
Construction	2.262	0.039
Overall quality	2.590	0.019
Likelihood to buy the shirt	3.037	0.007

The data clearly show that the ratings for durability, style, and texture of material all failed to attain the necessary threshold for significance. It appears that the introduction of information regarding price, brand name and store image was not sufficiently powerful enough to override the consistency in quality in the garments selected. As a result, the author immediately rejected hypotheses H1, H2, and H3, as being unsupported by the data.

For the remaining two quality variables, construction and overall quality, the data suggest the possibility one or more of the treatment variables may be having a significant degree of impact on these evaluations. Since the standard ANOVA does not identify the source of variation, only their overall existence, this information was not sufficient to allow the author to immediately accept research hypotheses H4 and H5. As a result, the second stage of analysis

was undertaken in which the means of the individual treatment groups were compared using the independent samples T test.

**5.3.1.2 Treatment Testing: Construction Ratings.** The one-way ANOVA ratings for product construction revealed a significance level of .039. In order to determine the source of the variation that led to this result, the means for each treatment type (i.e. brand, price, store image) were compared using the independent samples T-test. The data in Table 6 reveal that in each case, the groups that received high image treatments provided higher product construction ratings than those who received the low image rating. However, when these means were compared statistically only those relating to retail image attained an acceptable level of significance. Based upon this evidence and that previously noted regarding the ANOVA results, the author concluded that a significant difference did exist between the group mean ratings that could be clearly attributed to retailer image. As a result, it was further concluded that hypothesis H4 (*Treatment exposure will produce a significant difference in the mean value of construction ratings among the groups*) was supported by the data.

**Table 6**  
**Comparison of Treatment Means**  
**Product Construction**

<b>Treatment Variables Compared</b>	<b>Mean</b>	<b>Sig.</b>
High Brand	5.5652	.065
Low Brand	4.8621	
High Price	5.2333	.077
Low Price	4.2593	
High Retailer Image	5.3333	.036
Low Retailer Image	4.3125	

**5.3.1.3 Treatment Testing: Overall Quality Ratings.** As was previously noted, when the mean ratings for overall quality were compared between the treatment groups, the ANOVA test revealed a significance level of .019. To isolate the source of that variation, the means for

each treatment type (i.e. brand, price, and store image) were again compared using the independent samples T-test. The results of this test are provided in Table 7, along with the corresponding mean ratings, and they reveal a rather inconsistent impact of high image and a marginal level of significance. Not only was brand name insignificant in this analysis, the lower image brand was actually rated higher in terms of product quality. While the subject groups that were exposed to high price image and high retailer image did provide higher overall quality ratings than those who received the low image treatment, only in the case of price that was this significant and then only marginally (.054). While this evidence is by no means overwhelming, the fact that differences do exist is important. Based upon these findings, coupled with those previously noted with ANOVA, the author concluded that a significant difference does exist between the group mean ratings with this primarily attributable to price information. Therefore, it was determined that hypothesis H5 (*Treatment exposure will produce a significant difference in the mean value of overall quality ratings among the groups*) was supported by the data.

**Table 7**  
**Comparison of Treatment Means**  
**Product Overall Quality**

<b>Treatment Variables Compared</b>	<b>Mean</b>	<b>Sig.</b>
High Brand	5.1739	.673
Low Brand	5.3793	
High Price	4.8667	.054
Low Price	3.8889	
High Retailer Image	4.6296	.219
Low Retailer Image	4.0313	

**5.3.2 Likelihood of Purchase.** To assess the purchase potential of each group, the subjects were asked to indicate their willingness to purchase the item in question. To obtain these responses, a 9-point scale was again employed ranging from highly unlikely to highly likely.

**5.3.2.1 Overall Association.** As the data in Table 5 previously revealed, a highly significant variation (.007) was noted on the standard ANOVA test. While this suggests that one or more of the treatments is having an impact on purchase intent, it does not isolate the source of this variance nor does it provide sufficient justification to allow the author to immediately accept the research hypothesis H6. As a result, the means of the individual treatment groups were compared using the independent samples T-test.

**5.3.2.2 Treatment Testing: Likelihood to Purchase.** In order to determine the source of the variation that led to the significant ANOVA results, the means for each treatment type (i.e. brand, price, and store image) were compared using the independent samples T-test. Table 8 provides the mean ratings for each treatment type with respect to the likelihood to purchase the product. These data reveal that in each case, the groups that received high image treatments provided higher indication of purchase likelihood than those who received the low image treatment. Furthermore, the mean comparisons for brand name and retailer image both attained an acceptable level of significance. Based on this information and that previously noted regarding the ANOVA results, the author determined that a significant difference did exist between the group mean ratings that could be clearly attributed to brand image and retailer image. As a result, it was further concluded that hypothesis 6 (*Treatment exposure will produce a significant difference in the likelihood of purchase among the groups*) is supported by the data.

**Table 8**  
**Comparison of Treatment Means**  
**Product Likelihood to Purchase**

<b>Treatment Variables Compared</b>	<b>Mean</b>	<b>Sig.</b>
High Brand	5.2174	.043
Low Brand	4.1724	
High Price	3.9333	.374
Low Price	3.4815	
High Retailer Image	4.4815	.039
Low Retailer Image	3.4688	

**5.3.3 Price Valuations.** The subjects were asked to indicate the appropriate price for the garment in a categorical format. Initially, the responses were obtained in four categories. However, due to the fact that very few subjects selected the high price point, these were later collapsed into three different price levels in L.L. (<50K, 50K-100K, >100K) for the purpose of statistical analysis. The fact that the subjects did not give the garment the highest possible price rating was not unexpected since it had been obtained at a local retailer, other than the two being tested, at a price of 45,000 L.L.

**5.3.3.1 Statistical Analysis of Price Valuations.** Since the data were categorical, a mean for the groups could not be computed. As a result, the author was forced to rely on cross-tabulation, which is considered to be a more simplistic method to determine significance (Zigmund, 2000). A cross-tabulation or contingency table is a joint frequency distribution of observations based on two or more sets of variables with expected cell frequencies being compared to those observed (Cooper & Emory, 1995). Once this calculation has been completed, the cell results are compared using the Chi-square statistic ( $X^2$ ) to test the “goodness of fit” of the observed distribution with the expected distribution (Zigmund, 2000).



The results of the cross-tabulations for the research groups, along with their corresponding chi-square values, are provided in Table 9.

**Table 9**  
**Cross Tabulations of**  
**Treatment Groups by Price**

		Price Selection			Partial* X <sup>2</sup>	Sig. Level
		Low	Medium	High		
Control Group	Count	16	20	0	14.203	.001
	Expected	17.8	12.0	6.2		
	%	44.4%	55.6%	0%		
Low Price	Count	26	1	0	36.404	.000
	Expected	13.4	9.0	4.6		
	%	96.3%	3.7%	0%		
High Price	Count	5	16	9	13.995	.001
	Expected	14.9	10.0	5.1		
	%	16.7%	53.3%	30.0%		
Low Brand	Count	17	10	2	35.540	.000
	Expected	14.4	9.7	5.0		
	%	58.6%	34.5%	6.9%		
High Brand	Count	4	8	11	35.540	.000
	Expected	11.4	7.7	3.9		
	%	17.4%	34.8%	47.8%		
Low Store	Count	29	3	0	35.540	.000
	Expected	15.8	10.7	5.5		
	%	90.6%	9.4%	.0%		
High Store	Count	4	10	13	35.540	.000
	Expected	13.4	9.0	4.6		
	%	14.8%	37.0%	48.1%		

Overall Pearson Chi-Square, 111.808, two-tailed significance level, .000

(\*Note: The partial X<sup>2</sup> values for the treatment groups were based on 2-way comparisons while the value for the control group was determined by comparing it to the remaining cells. Therefore, the partial X<sup>2</sup> values do not sum to 111.808.)

Although four of the cells in the above table had an expected count less of than 5, this did not present a problem since it was less than the 20% maximum required for validity (Cooper & Emory, 1995). The overall Chi-square results were highly significant and a visual inspection of the cells, clearly showed high price selection occurred with those subjects who received high price, price brand, and high store image treatments. In order to determine whether these variations were significant, a second analysis was undertaken using partial Chi-square values.

This process involved a second Chi-square computation for each of the treatment groups (price, brand name, store name) using high and low treatment values in a 2x3 matrix.

In terms of the cells that received price treatments, 30% of those in the high price treatment cell rated the garment at a price in excess of 150,000 L.L. while none of those receiving the low price treatment indicated the high value. This produced a Chi-square value of 36.404, which is significant at the .000 level. These findings led the author to conclude that H7 (*A significant difference will exist between the price treatment groups in terms of the perceived appropriate price*) is supported the variances in the data.

When the brand name treatments were compared, a similar variation was noted with 47.8% of the high brand group selecting the highest price as compared to only 6.9% of the low brand group. Well over half of the low brand group selected a price of less than 55,000 L.L., which is in line with the actual price of the garment. The Chi-square value for this comparison was 13.995 with a level of significance of .001. This highly significant variance in ratings suggests that H8 (*A significant difference will exist between the brand name treatment groups in terms of the perceived appropriate price*) is also supported.

Finally, a comparison involving the store image treatments revealed the most pronounced differences with the group that received the low store image treatment rejecting the high price treatment entirely. In fact, over 90% of those subjects who were subjected to the *Big Sale* treatment selected the lowest price category. The Chi-square value for this comparison was 35.540 at a level of significance of .000. This information provides further support for the existence of relationship between image and price selection and led the author to conclude that H9 (*A significant difference will exist between store name treatment groups in terms of*

*the perceived appropriate price being the only ones to select the high price for the garment*) should be accepted.

The strength of image, whether that is connected with a high price, high brand, or high store image treatment, is clearly supported by these findings. When viewed in their totality, of the 124 subjects who were either in the control group or one of the low-image treatment groups, only 2 selected a price for the garment. Not only did internal comparison of the treatment groups reveal a rejection of the high price alternative by the low image groups that was highly significant (.001 level or higher) they clearly selected a price that was in conformity with the actual retail price for the garment. Furthermore, the treatment groups also differed from the control group at similar level and the fact that none of the subjects in the control selected the high price category is further confirmation of the impact that the high-level treatment information had the subject's price selection.

## Chapter 6: Conclusions and Suggestions for Further Research

### 6.1 Conclusions and Implications:

This study was intended to test the impact of selected product specific information on product quality ratings, likelihood of purchase, and price acceptability. The student subjects, in this experimental investigation were divided into random groups then exposed to information regarding high and low price, high and low brand image, and high and low retail store image preceding their evaluation of a man's leisure shirt.

An analysis of the data revealed that the subjects did not respond to the treatment variables when making assessment of durability, style and texture of material. However, significant differences in the group ratings were noted for construction and overall quality that were associated with high image treatments in price, brand name, and store name with the high image treatments producing higher mean ratings. For the construction variable, variation was highest when the store image was information provided leading the author to conclude that the product specification influenced the subjects' perceptions of the garment construction. For overall quality, the price treatment had the greatest influence on product ratings again leading the author to conclude that the overall quality ratings were influenced by the treatment information.

As was previously noted, there is a certain degree of inconsistency in the previous price quality studies in regard to the existence of a price-quality relationship. The possible existence of a positive relationship between price and quality is consistent with the results reported by those authors (Gabor and Granger, 1961; McConnell, 1967; Stafford and Enis, 1969) whose studies pointed to the existence of a strong correlation between perceived quality and product

ratings. Since this study was exploratory in nature, the convenience sample precludes the author from making assumptions regarding all Lebanese consumers. However, the fact that the existing enquiry does suggest that a positive relationship between price and quality may be extant within the mindset of Lebanese consumers is deserving of more detailed empirical research.

Although quality ratings are important, consumer indications of likelihood of purchase are an even more important indicator of the success of a firm's marketing efforts. The previously cited study by Gardner (1971), while casting doubt on a generalized relationship between price and intent to purchase, did suggest the importance of this association in limited circumstances. The current investigation revealed a positive relationship between high image information regarding brand name and store image and purchase intent thus leading the author to accept the research hypotheses for these associations.

A positive relationship between brand and store image and intent to purchase has obvious ramifications for retailing in the Lebanon. It would suggest that Lebanese consumers are highly sensitive to established high-image product brands and to the offerings of high-end retailers. Since the sample for this study was never intended to be representative of all Lebanese consumers, the author is not suggesting that these findings can be generalized to the population as a whole. However, the obvious implications of such a relationship, even when encountered in an experimental environment, definitely warrants intense study to determine the extent to which brand name and store name do influence consumer purchase patterns.

Product quality ratings provide a measure of the "value" consumers associate with a particular product offering and purchase likelihood measures their buying intent, it is price that plays the

most important role in the corporate "bottom line". The price that consumers are willing to pay, often referred to as the "reference" price, directly determines what retailers can charge and, when combined with units sold, the net profit that will be earned. The importance of price is supported by a variety of studies suggesting that price perception can override quality perceptions.

The implication of a positive relationship between the levels of the treatment variables and an "appropriate price" are obvious. If a positive relationship exists, the mere presence of a high price, high image brand name, or high image store name would allow the retailer to charge a higher price, even if this was not warranted by the quality of the item.

It is just such a relationship that the author may have uncovered in this investigation. The garment in question was only of average quality and was purchased for 45,000 L.L. However, the subjects who were exposed to the high price, high brand image, and high store image names assessed the shirt at an "appropriate" or more than twice that value. In fact, it was only when the low image treatments were applied that a "correct" price assessment of less than 50,000 L.L. was obtained. This led the author to conclude that, when taken individually, price, brand name, and store name all had a significant influence on price determinations. Such a relationship is further supported by previous finds such as those reported by Gabor and Granger, 1961 and McConnell, 1967. While the previously stated limitations apply to these data, the potential impact of the author's findings on retail profitability in Lebanon underscores for a broad-based study of this issue

## **6.2 Suggestions for Further Research**

Although a number of significant relationships were noted in this study, the lack of a random sample precludes the results from being used for decision-making purposes in terms of retailing in the Lebanese market. Future inquiries could confirm these results, and if based on a representative sample of consumers, allow retailers to better focus their strategic use of the price variable.

With that in mind, the author also proposes that future investigations allow the respondents to provide a specific price rather than make a selection within a range. While the categorical approach was employed in this study in order to reduce the range of potential responses, having a larger sample would allow a researcher to discard "outlier" values while providing metric information that could be analyzed with more robust statistical tools.

An additional consideration relates to the type of product being evaluated. The results would be far more useful to clothing retailers if a wider variety of garments were tested, including those of interest to both males and females. In fact, broadening this investigation outside of the clothing area would open the door to even broader applications. Not only would it allow other types of retailers to benefit from this information, it would allow for other types of product information to be included.

The last recommendation for further studies is to test the effect of multiple product specifications rather than using repeated measurements. If the data are collected in the correct format, future researchers would be able to apply multivariate techniques, such as MANOVA, which would allow between group variations to be tested in terms of their combined effect on product evaluations, price perceptions, and purchase intent.

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## Appendix I

### Consumer Buying Survey

*You are being requested to participate in a buying survey concerning men's clothing. Please following the instructions carefully and do not discuss your ideas within anyone else in your class. Your participation is strictly voluntary and is greatly appreciated.*

*I would like to assure you that all the information you will provide us today, will be treated confidentially and your data will never be revealed to anybody at all on an individual basis, but your opinions will be pooled with those of other members and will be aggregated collectively to become an essential part of our analysis.*

*Now that you have examined the shirt, please answer the following questions. Since we are interested in the personal opinion of each individual, please do not discuss your thoughts or responses with the other members of the class. Your cooperation is greatly appreciated.*

1. Please rate the shirt on each of the following dimensions by placing an (x) in the appropriate box.

Criteria	Very Low								Very High
Durability									
Style									
Texture of material									
Construction									
Overall quality									

2. In my opinion, the appropriate price for this shirt should be

- At least 150,000 LL
- 100,000 But Less Than 150,000 LL
- 50,000 But Less Than 100,000 LL
- Less than 50,000 LL

3. If you were shopping for a shirt of this type, either for yourself or as a gift, please indicate your likelihood to purchase the garment that you have just examined.

<i>Highly Unlikely</i>							<i>Highly Likely</i>

*The following demographic information is needed for comparison purposes, again I would like to assure you that all the information you will provide will be treated confidentially and your data will never be revealed to anybody at all on an individual basis.*

**Demographics**

**1. Gender**

- a. Male
- b. Female

**2. I was born in \_\_\_\_\_ (year)**

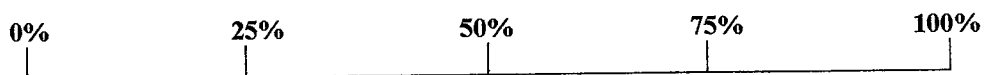
**3. Family income per year**

- a. Less than \$12,000
- b. \$12,000 - \$30,000
- c. More than \$30,000

**4. Marital Status**

- a. Single
- b. Married

**5. What percentage of your shopping expenses do you earn yourself?**



## Appendix II

### Pre-test Questionnaire

*You are being requested to participate in a buying survey concerning men's clothing. Please following the instructions carefully and do not discuss your ideas within anyone else in your class. Your participation is strictly voluntary and is greatly appreciated.*

*Please rate the following brands of men's shirts in terms of the quality dimensions listed to the right. (Give a rank of 6 to the brand with the highest quality, 5 to the one with the next highest, and so on. The lowest quality should have rank of 1. Do not use any number more than once)*

Brand Name	Overall Quality	Style	Price	Brand Image
Boss				
Derby				
Emporio Armani				
Index				
Rectangle Jaune				
Zara				

**Please rate the following retail clothing stores in terms of the quality dimensions listed to the right. (Give a rank of 6 to the brand with the highest quality, 5 to the one with the next highest, and so on. The lowest quality should have rank of 1. Do not use any number more than once)**

Retailer	Overall Quality of Merchandise	Price	Store Image
Aishti			
Akil Bros			
Big Sale			
BHV			
Joseph Eid			
Zara			

**Please examine the three men's shirts carefully. Do not discuss your opinions with your classmates, each person's personal opinion is very important to us. After you have examined each shirt, please indicate your level of agreement with the following statement.**

**These shirts are identical in terms of overall quality.**

<i>Strongly Agree</i>							<i>Strongly Disagree</i>

*The following demographic information is needed for comparison purposes, again I would like to assure you that all the information you will provide will be treated confidentially and your data will never be revealed to anybody at all on an individual basis.*

**Demographics**

**6. Gender**

- a. Male
- b. Female

**7. I was born in \_\_\_\_\_ (year)**

**8. Family income per year**

- a. Less than \$12,000
- b. \$12,000 - \$30,000
- c. More than \$30,000

**9. Marital Status**

- a. Single
- b. Married

**10. What percentage of your shopping expenses do you earn yourself?**

