Full Length Research Paper

Examining Intervening Function of Perceived Risk and Product Class Involvement in Information Search and Loyalty Behaviour

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This study determines that when the consumers perceive purchase transaction risky, they are involved with the product category also. Further the relationship of perceived risk and product class involvement has been explored with information search behaviour and loyalty. The data has been collected with the help of a survey for FMCG product namely toothpaste. Regression and logit models are used to analyse the data.

Keywords: loyalty, consumers, perceived risk, product class involvement, information search activities.

INTRODUCTION

As and when a consumer decides to buy a product/service, he/she starts making information search to determine how many alternatives are available for that product/service so as to find out the best option. The task of information search becomes more important when the consumer views the purchase transaction as risky one. The greater the level of risk more will be the requirement for information (Newmann and Lockeman, 1975). Further Information search behaviour becomes more complex when the consumer is found to be involved with the product category for which he/she is making information search. Zaichkowsky (1985) indicated a direct relationship between the two that is, high involvement with the product encourages more search for information. Further it becomes interesting to determine that when the purchase transaction is risky and the consumer has also involvement with the product category, will it have some effect on loyalty behaviour of the consumers.

Thus it becomes important to find out how much a risk aversive consumer develop involvement with the product, and how perceived risk and product class involvement influence information search activity and further what is the relationship of these two constructs (perceived risk and product class involvement) with the loyalty behaviour. This article is designed to determine the relationship of perceived risk and product class involvement with information search activities and loyalty behaviour of the consumers for fast moving consumer goods (FMCG).

RESEARCH METHODOLOGY

In order to observe the information search and loyalty behaviour, a convenience sample of 300 respondents from India was approached through a field survey. The survey was conducted in northern part of India covering Amritsar (24%), Jalandhar (20%), Ludhiana (22%), Chandigarh (18%) and Delhi (16%).

Product category selected was of FMCG group namely toothpaste. Out of the total respondents, 48% were male and 52% were females. The percentage of married respondents was 55% and unmarried was 45%. About 30% and 49% of the respondents were of 18-24 years and 25-35 years of age group respectively whereas 21% were above 35 years. Only 10% of the respondents were under graduate, 30% were graduate and 60% were postgraduate/professionally qualified. Out of the total respondents, 32% were self employed, 11% were student, 8% were housewives, 33% were salaried person and 6% were retired personnel. Fifteen percent of the respondents were earning up to Rs.15000/-, 31% were having Rs.15001/- to Rs.25000/-, 28% were falling between Rs.25001/- to Rs.35000/- income group and 26% were earning above Rs.35001/-.

Measures of Variables

Repeat purchase (loyalty):

Kahn et al., (1986) and Ehrenberg et al., (1990) believe that repeat purchasing captures the loyalty of a consumer towards the brand of interest. Hence loyalty behaviour of consumers is defined in terms of repeat purchase. Repeat purchase was measured with the help of following two questions: First, 'Which brand are you using presently for toothpaste?' Respondents were to give the name of the brand they were using. Second, 'Which brand do you intend buying next time for toothpaste?' It took the value 'one' when a particular consumer specified the same brand for the current purchase as well as for the next time purchase and 'zero' otherwise.

Information search efforts:

The importance of information search is elaborated by numerous models of consumer choice process explained by Howard and Sheth (19
69), Engel et al., (1973). In these models, this stage is identified as an indispensable part of consumer decision-making. Ratchford and Srinivasan (1993) add that information search leads to the selection of a better product, a lower price for a given product and possibly can confer utility in itself through enjoyment of the process or satisfaction at getting a good deal. McColl-Kennedy and Fetter (2001) suggest that information search is a primary means of increasing knowledge, reducing perception of risk and uncertainty and increasing post purchase satisfaction.
In this study, information search efforts was measured with the help of four statements derived from McColl-Kennedy and Fetter (2001), 'I usually talk with other people before deciding what to buy.' 'I usually seek advice from other people while making a decision upon which brand to buy.' 'I usually take many factors into account before buying.' 'I usually spend a lot of time while choosing.' Cronbach α for this construct was calculated as 0.87. The mean score value for this variable was used for the purpose of analysis.

Perceived risk:

Dholakia (2001) provide that perceived risk is viewed as arising from unanticipated and uncertain consequences of an unpleasant nature resulting from the product purchase. It is actually a belief of the consumer with regard to the wrong purchase of brand. In actual, the risk may or may not exist. Perceived risk was analysed with the help of two statements as stated by Knox and Walker (2001), 'It is very annoying to buy such brand of toothpaste that is not right.' 'A bad purchase of toothpaste could bring you trouble.' Cronbach α

amounted to 0.69 for perceived risk. The mean score value for this variable was used for the purpose of analysis.

Product class involvement:

Zaichkowsky (1985) defines involvement as, "a person's perceived relevance of the object based on inherent needs, values and interests". Dholakia (2001) defines product involvement as, "an internal state variable that indicates the amount of arousal, interest or drive evoked by a product class". In general, when a person feels involvement with a thing, he/she develops an interest for that thing and likes to do that thing. In this study, product class involvement is measured with the help of five statements as specified by Zaichkowsky (1985) and these are 'I always wanted to know more about toothpastes and enjoy it when people teach me about it.' 'Toothpaste is important as well as essential.' 'I am interested in reading information about what the toothpaste is made of.' 'I am interested in reading the consumer reports articles about toothpaste' 'I have interest in toothpaste and I am fascinated with it.' Cronbach α for product class involvement was 0.84. By deleting statement 2 (Toothpaste is important as well as essential), the value of cronbach α amounted to 0.88. Hence this statement was deleted for further analysis. The mean score value for this variable was used for the purpose of analysis.

Model development

In order to examine the divergent behaviour of the consumers, various models were run to obtain the results.
First of all, a regression equation was estimated with the help of ordinary least square estimators (OLS) to examine the influence of perceived risk on product class involvement. The equation is stated as under:
Product class involvement $(Y) = \alpha + \beta_{perceived\ risk}X_{perceived\ risk} + \mu_i$ \qquad (1)
In the second instance, perceived risk and product class involvement were taken as independent variables and information search efforts was taken as dependent variable to determine how information search efforts are affected by perceived risk and product class involvement. Again a regression analysis was done.
Information search efforts $(Y) = \alpha + \beta_{perceived\ risk}X_{perceived\ risk} + \beta_{product\ class\ involvement}X_{product\ class\ involvemetnt} + \mu_i$ \qquad (2)
Further, a logit model was run in order to determine the relationship of perceived risk and product class involvement with that of repeat purchase behaviour.
$\text{Log}[P_i/1 - P_i] = \alpha + \beta_{perceived\ risk}X_{perceived\ risk} + \beta_{product\ class\ involvement}X_{product\ class\ involvemetnt} + \mu_i$ ....(3)

Table 1: Regression and Logit Results

Dependent → Independent ↓	Product class involvement	Information search efforts	Repeat purchase (Loyalty)
Constant	2.768 (7.31)*	3.537 (5.79)*	3.53 (3.52)* *78%*
Perceived risk	1.394 (5.98)*	0.677 (2.65)**	-0.496 (-3.09)* *-11%*
Product class involvement	-	2.228 (2.64)**	0.125 (2.65)** *3%*
R^2	0.107	0.112	-
Goodness of fit	-	-	72%

Note: *,** represents highly significant and significant at 1% respectively. T-ratio is shown in parenthesis. In the column of repeat purchase, value in italics shows marginal effects.

Log $[P_i/1 - P_i]$ is log-odds ratio, that is, the natural logarithm of the odds that a repeat purchase will be made by a particular individual. The method of maximum likelihood has been used.

In all the above stated equations, α is constant; β is the vector of coefficients of X. μ_i refers to the error term which reflects a number of different aspects that cannot be observed by a researcher such as measurement errors, omitted variables, etc. All the above stated variables are with regard to a specific individual i for the brand j that he/she has chosen presently.

RESULTS

All the above stated models were tested for respondents through EViews. The results are specified in Table 1.

Results specify a positive and significant relationship between perceived risk and product class involvement (1.394), which means consumers are found to be more involved with the product when they perceive more risk with the product. It can be said that comparatively less sort of involvement can be observed for FMCG type of products because a very nominal share of income is used for these products. But actually these are such type of products whose wrong purchase could result into serious problems. For example, a wrong purchase of toothpaste could result into serious dental problems. Hence unless and until consumer is not having risk perception in his/her mind for the product, he/she cannot be made involved with the product. Dholakia (2001) found that involvement and risk perception are closely related. Thus he suggested that in case of low or moderate involvement product classes, in which consumers rarely process brand related information in detail, marketers can increase the involvement by an alternative advertising strategy that is, through fear appeals.

Dowling and Staelin (1994) depict that information search increases with the increase in perceived risk. Moorthy et al. (1997) has shown that risk aversive consumers are more information seekers. Dholakia (2001) found positive association between perceived

risk and amount of information search. Thus it means that a consumer does not want to take the risk of buying a wrong brand. Thus as the perceived risk in the brand increases, he/she starts making more searches for information as shown by positive relationship between perceived risk and information search efforts (0.677) in Table 1. In order to attract the consumers towards newly launched brands, marketing managers are required to show the harmful consequences of purchasing wrong brand so that they can increase their information search activity to buy the right brand. As and when consumers start their information search activities, marketing managers must attract the consumers towards their product by satisfying their information search needs.

Further Table 1 shows that the consumers who perceive more risk tend to be less loyal (-0.496). While analyzing repeat purchase behaviour, it was extracted that probability of repeat purchase falls by 11%, when consumers perceive purchase transaction risky. It could be asserted that risk aversive consumers make an extensive search for prevailing brands in the market. Thus they come to know about various competing brands. As a result they may switch to other brands which ultimately results in disloyalty.

While analyzing product class involvement behaviour, Table 1 shows that information search efforts increase as the involvement with the product increases (2.228). Quester and Lim (2003) depicted that product class involvement is created because of the interest in the product category. Beatty and Smith (1987), Moorthy et al. (1997), Lee et al. (1999), Dholakia (2001), and Lin and Chen (2006) show that more the consumers involved with the product category, more they search for information. Involvement with the product class induces the consumers to search for the best alternative which ultimately may results into a satisfactory purchase. And when the consumers are satisfied, they make repeat purchase (Selnes,1998; Skogland and Siguaw, 2004; Taylor et al., 2004 and Delgado-Ballester and Munuera-Aleman, 2005). Thus one can say that highly involved consumers when satisfied become more loyal and also indulge in more repeat purchase. Probability of making repeat purchase

increases by 3% for highly involved consumers (0.125). Beatty et al. (1988) suggest that to achieve high degree of commitment (loyalty), there is a need to influence involvement among consumers. Thus it means to create loyal customers base, involvement of the consumers with the product is very necessary.

CONCLUSION

There are strong managerial implications inherent in this statistical modelling approach. Generally, marketer manager is aimed at increasing the customers' loyalty and attracting competitors' customers towards own business. But however it is often said that acquiring new customers is expensive as compared to the serving of existing customers (Rosenberg and Czepiel, 1992; Storbacka et al., 1994). Hence in order to create a loyal customer base, marketing manger needs to study the divergent behaviour of its customers so as to determine the needs of the consumers and thus designing and communicating the brands accordingly. Marketing managers can use the knowledge gained to develop such marketing strategy by which the consumer plans his/her purchase decision without shifting loyalties.

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