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Differences in Perceived Financial Risk according to Price Discounts and Product Types of Consumers in Korea and Thailand

Eun-Hee Kim*

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Abstract

Purpose – The objective of this study is to investigate the differences and interaction effects on the perceived financial risk between Korean and Thai consumers according to the types of product (utilitarian and hedonic) and price discount (bundle and 50% off).

Research design, Data and Methodology – This paper sets up 6 research subjects. Data collection was carried out in Korea and Thailand. Data was made of 154 Korean and 147 Thai consumers. As for the independent variables for this study, consumer types are composed of Korean and Thai consumers, price discount types were bundle (1+1) and 50% off price, and product types consist of utilitarian and hedonic product. The dependent variable is perceived as a financial risk. Each question is measured as a Likert-type five-point scale.

Results – According to the price discount and product type, perceived financial risk of Thai consumers is confirmed to be a larger one than that of Korean consumers. Also, there are interaction effects in the perceived financial risk.

Conclusion – Our findings can be used as useful information for global retail markets as marketing strategies in future Korean enterprise through a comparative study on Korean and Thai consumers.

Keywords: Perceived Financial Risk, Price Discount Type, Product Type, Consumer Type.

JEL Classifications: L81, M16, M31.

1. introduction

The globalization of groceries and household items-oriented distributors are bringing changes in the retail environment of many countries to pursue similar strategies.

Bundle and 50% discount is widespread in today's markets.

Bundle is the sale of two or more separate products in a package. Bundling and tying may be based on synergies to the seller in the joint sale of the products as a bundle in packaging, marketing, or alleviation of information and search costs through the sale of 'matching' components in a bundle. Tying and bundling can also be motivated by strategic reasons and can be used as instruments for price discrimination or to impair rival competitiveness (Adams & Yellen, 1976; Schmalensee, 1984; McAfee, McMillan, & Whinston, 1989; Elhauge, 2009b).

The first to study bundling was Cournot (1838), who showed how it solves a double mark up problem for complementary products. Bundling may increase efficiency more directly by improving quality and reducing cost (Evans & Salinger, 2005). The early bundling literature debated whether it was used to leverage market power or price discriminate. This debate was stimulated by a series of cases in which the courts viewed bundling (tying) as anti-competitive.

Director & Levi's (1956) and Stigler's (1963) influential Chicago School argument claimed that a monopolist cannot gain by leveraging its power from one market to another. In the late 1970s, prominent Chicago School antitrust scholars (Posner, Easterbrook, & Bork) proposed instead that tying should be presumptively per se legal, allowing antitrust liability only in exceptional circumstances (Posner, 1976; Bork, 1978; Posner & Easterbrook, 1981). They argued that a monopolist in good A has no reason to tie product B except when there are cost savings or other efficiencies in the joint production or distribution of A and B, because a monopolist in A had already appropriated all consumer surplus. However, their conclusion is incorrect when, without tying, the monopolist cannot extract all consumer surplus from each consumer through perfect price discrimination, which is almost always the case (Economides, 2012). It is also incorrect when the tie forecloses a substantial share of the tied market in a way that increases the degree of market power in the tying market or gives the tying firm market power in the tied market that it can exploit against other buyers (Elhauge, 2009b).

Tying of two products (or services) occurs when a seller sells one goods (tying goods) on the condition that the buyer buys the other goods (tied goods) from that seller or imposes on the buyer the requirement that s/he will not purchase the other

* Author, Dept. of Advertising & Public Relations & Journalism, Mokwon university, Daejeon, Korea. E-mail: eunhee0103@mokwon.ac.kr

goods from another seller. Bundling is a general term describing selling collections of goods (A, B, C,...) as a package. Such collections may vary in their composition and in the conditions that apply to the availability of special pricing for the collections. In pure bundling, the individual goods are not sold separately but only in combination, so it is essentially equivalent to tying. In mixed bundling, the individual goods, as well as the package, are available (Economides, 2015).

Stremersch & Tellis (2002) classified bundle of three forms: pure, mixed and unbundling (Adams & Yellen, 1976). Unbundling is a strategy in which a firm sells only the products separately, but not the bundle. Typically, because this strategy is a base strategy for most firms, the strategy is called unbundling only when contrasting it with a bundling strategy. Pure bundling is a strategy in which a firm sells only the bundle and not (all) the products separately. Pure bundling is sometimes called "tying" in the economics and legal literature. A tying product is a separate product that is bundled with other separate products. Tie-ins are secondary products that are bundled with the primary product. Mixed bundling is a strategy in which a firm sells both the bundle and all the separate products in the bundle separately.

Bundle(1+1) and price(50%) discount are the sales that are created and controlled by retailers. In addition to changing economic and social environmental conditions, diversifying consumer attitudes and behaviors, nationally and internationally increased competition among retailers. In Korea, bundle and 50% discounts sales could be generalized and diversified with the growth of the discount markets. At super market of department store in Thailand, 50% off and 1+1 bundle price could see easily. This paper is to verify that the differences and interaction effects on perceived financial risk between Korean and Thai consumers according to utilitarian and hedonic product and bundle(1+1) and discount(50%) price.

Therefore, the results of this study can be used as useful information on the marketing strategies of retailers looking to enter the Southeast market.

2. Literature Review

2.1. Concept of Bundle and Prior Literature

In the past decade, bundling has received growing attention in the marketing literature. However, the published studies are fuzzy about some basic terms and principles, do not discuss the legality of bundling, and do not provide a comprehensive framework on the economic optimality of bundling. As a result, marketing researchers may not appreciate the full meaning of bundling and the variety of strategies encompassed by the term. Marketing managers may not appreciate the hazards involved in this strategy and fully exploit the advantages of bundling in various markets (Stremersch & Tellis, 2002).

Prior marketing literature on bundling has examined the optimality of bundling (Bakos & Brynjolfsson, 1999, 2000; Eppen, Hanson, & Martin 1991), consumer evaluation of

bundles (Johnson, Herrmann, & Bauer 1999; Soman & Gourville 2001), and firms' pricing and promoting of bundles (Ansari, Siddarth, & Weinberg, 1996; Ben-Akiva & Gershensfeld, 1998; Venkatesh & Mahajan, 1993). Economists have focused mainly on the optimality of bundling for monopolists (Carbajo, De Meza, & Seidman, 1990; Pierce and Winter, 1996; Whinston, 1990), equilibrium theories of bundling (Chen, 1997; Matutes & Regibeau, 1992), and the welfare implications of bundling (Martin, 1999; Salinger, 1995; Whinston, 1990).

Stremersch & Tellis (2002) emphasized that researchers use the terms product bundling and price bundling interchangeably without clearly distinguishing. They defined price bundling as the sale of two or more separate products in a package at a discount, without any integration of the products. Because the products are not integrated, the reservation price for the price bundle is, by definition, equal to the sum of the conditional reservation prices of the separate products. In other words, bundling itself does not create added value to consumers, and thus a discount must be offered to motivate at least some consumers to buy the bundle. Product bundling as the integration and sale of two or more separate products or services at any price. Product bundling is important because it entails different strategic choices with different consequences for companies. Whereas price bundling is a pricing and promotional tool, product bundling is more strategic in that it creates added value.

Also they explained that the distinction between price and product bundling before use price bundling easily, at short notice, and for a short duration, whereas product bundling is more of a long-term differentiation strategy.

Review of research on the bundles in Korea, Park, So-Jin (2011) investigated the main effect of price discount framing ('buy one get one' and '50% discount on purchase of 2') on consumers' perceived quality and package transaction value and the interaction effect of price discount framing and consumers' product involvement (high vs. low). It found that a significant main effect of price discount framing and the interaction effect of price discount framing and consumers' product involvement on consumers' perceived quality. Consumers' perceived quality of the teeth whitening product is higher in '50% discount on purchase of 2' bundle rather than 'buy one get one' bundle. The interaction effect is more pronounced in the low level of product involvement group than high level of group, and a significant main effect of price discount framing on consumers' perceived package transaction value. Consumers' perceived transaction value of the bundle is also higher in '50% discount on purchase of 2' bundle rather than 'buy one get one' bundle.

Kang & Kim (2012) found out effective ways of presenting discounted price when it comes to bundle product. It assumed when the focal product is presented as a reference, discounting tie-in product was more effect and when the tie-in product is presented as a reference, focal product discounting is more effective. It showed significant interaction between the reference point and the presentation of discounted price. It also shows significant interaction effect of the reference point and the

discounted price presentation.

Another side of related literature is bundling effect on licensing behavior, Jae-Hyun Gwon(2015) examines a bundling effect on production and distribution in a patent-protected industry. It build a simplified model consisting of three stages, bundling decision, licensing agreement, and competition. A single-patent holder with superior technology grants its own license to the multiple-patent firm, thereby leaving the market. Anticipating the single right holder's licensing strategy, the multiple-patent firm offers a bundle, making the single-right holder's bargaining position weaker. Bundling is an effective business strategy, resulting in multiple products for a firm as it faces other firms with single-product lines in each market.

2.2. Perceived Financial Risk

Perceived risk has a rich history in the consumer behavior literature (Bauer, 1960; Cox, 1967; Bettman, 1973; Chaudhuri, 1997) and has been shown to influence the purchase decision-making process (Cunningham et al., 2005; Laurent & Kapferer, 1985; Mitchell, 1999). A purchase decision involves risk when the outcome is uncertain and undesirable consequences may occur (MacCrimmon & Wehrung, 1986). Cunningham et al. (2005) assert that though there have been many proposed refinements to the definition of risk (Cunningham, 1967; Hauser & Urban, 1979), the conception of perceived risk remains essentially unchanged.

It has been suggested that perceived risk is ameliorated during the early stages of the consumer purchasing process (Zeithaml & Bitner, 2003; Cox, 1967; Dowling & Staelin, 1994). Described in terms of five distinct stages—need recognition, information search, alternative evaluation, purchase, and post-purchase—there is an assumption that perceptions of risk are addressed during the first three stages of the consumer purchasing process. To use popular marketing terminology, it is assumed to be unlikely that a risky alternative would progress from the consumer's consideration set to his or her evoked set of possible options for trial. The perception of risk is also thought to vary in different settings. For instance, the influence of perceived risk is believed to be greater for services (Murray 1991; Murray & Schlater, 1990). Services are generally intangible, non-standardized, sold without guarantees, and need to be experienced before they can be assessed (Cunningham et al., 2005). Although retail services themselves have tangible components (e.g., products, people, and stores), the service component is variable and intangible. While consumers may anticipate a certain degree of service quality because of prior experience, personal information sources, or research conducted during the pre-purchase stages (Murray 1991; Murray & Schlater, 1990), each new shopping experience varies and carries some degree of uncertainty and risk. Perceived risk can be explained as consumers' doubt on the results of their buying decisions. The degree of consumers' risk perception is one of the important factors influencing buying decision(Schiffman & Kanuk, 2010). By Keating et. al.(2009) study, perceptions of financial risk were to negatively associated with service quality.

In particular, a well-designed and attractive Web site was to mitigate perceptions of financial risk during early trial-buy purchasing. The recognized types of perceived risks are financial risk, social risk, physical risk, functional risk, psychological risk(Beneke et al., 2012). The possibility of a monetary loss from a poor purchase choice or losing money by purchasing an inadequate product. Financial risk also includes the risk that the product's quality does not match its price or that it is overpriced and available at a cheaper price elsewhere. Also, it is expected that the more expensive a product is, the bigger financial risk is. This study adds to an enhanced understanding of how risk perceptions influence assessment of discount price. While the drivers of bundle(1+1) and discount(50%)price have been examined extensively in the retail setting, a surprising lack of research investigates the role of risk perceptions in the early stage, buy-trial purchasing behavior. This research provide valuable normative guidance to researchers interested in the affects of perceived risk (particularly financial risk) on various distributors.

3. Research Methodology

This study is to verify whether if there is differences in perceived financial risk of Korea and Thailand consumers according to price discount type and product type. This paper set up the following research subjects.

- Research subject 1. Whether if there will be a difference in the perceived financial risk according to consumer type.
- Research subject 2. Whether if there will be a difference in the perceived financial risk according to product type.
- Research subject 3. Whether if there will be a difference in the perceived financial risk according to price type.
- Research subject 4. Whether if there will be an interaction effect in the perceived financial risk according to consumer type and product type.
- Research subject 5. Whether if there will be an interaction effect in the perceived financial risk according to consumer type and price type.
- Research subject 6. Whether if there will be an interaction effect in the perceived financial risk according to price type and product type.

To verify this, respondents consist of 154(51%) Korean consumers and 147(49%) Thai consumers, vocation of respondents, Korea consumers-housewives 40(26%), office workers 35(23%), university students 79(51%) are composed. Thailand consumers are composed of housewives 31(21%), office workers 50(34%), university students 67(45%).

Independent variable for this study was largely consists of three. First, consumer type consists of Korea consumers and Thailand consumers. Second, As the main factors influencing the product purchase decisions price discount type consists of price discount(50%) and tying the two products to sell as a product price bundle(1 + 1). Third, product type consists of two, highlighting the function and benefits of the product is utilitarian product, and the pursuit of pleasure and emotional value through the senses of consumers hedonic product. Hedonic product and utilitarian product was chosen by university students FGI conducted result. Hedonic product is perfume and utilitarian product is chicken

The dependent variable for this study is perceived financial risk. Perceived financial risk is caused by a problem with the purchased product or service would result in a risk of financial loss to the consumer perception. In this study, in order to measure this, Mitchell & Greatorex (1989), Spawton (1991) used in the study are arrangement according to this study, which was measured by the three questions. Each questions for measuring the perceived financial risk is measured as 5 Strongly agree Not at one point or points in a Likert-type five-point scale.

4. Results

4.1. Consumer type, Product type and Price discount type in accordance with perceived Financial risk

To verify difference of perceived financial risk according to Consumer type, product type and price discount, variance analysis is carried out. In other words, consumer type are Korea consumers and Thailand consumers, product types are utilitarian product and hedonic product, discount Type is to sell as a 50% off and 1 + 1 bundle sales of the product price in one price, the price discount is verified that perceived financial risks, the main effects and interaction effects for consumers. Analysis Results are shown in <Table 1> and <Table 2>.

4.1.1. Perceived financial risk in accordance with consumer type

To verify at the differences in perceived financial risk in accordance with consumer type, Korea consumers and Thailand consumers, the results are shown in <Table 1> and <Table 2>. Perceived financial risk is Korea consumers(M=2.48, SD=.64) higher than Thailand consumers(M=2.96, SD=.87). Thus, the main effect is verified.

<Table 1> Mean and Standard deviation of perceived financial risk in accordance with Consumer type, Product type and Price discount type

	50% off product		1+1bundle product	
	utilitarian product	hedonic product	utilitarian product	hedonic product
	M(SD)	M(SD)	M(SD)	M(SD)
Korea consumers	2.40(.61)	2.35(.63)	2.48(.68)	2.67(.61)
Thailand consumers	2.05(.59)	3.21(.73)	3.29(.66)	3.21(.73)

<Table 2> ANOVA of perceived financial risk in accordance with consumer type, product type and price discount type

Source	3th type mean scare total	Degree of freedom	Mean Scare	F	P-value
consumer type	17.898	1	17.898	40.207	.000
product type	7.968	1	7.968	17.900	.000
price discount type	13.769	1	13.769	30.931	.000
consumer type * product type	5.033	1	5.033	11.307	.001
consumer type * price discount type	4.035	1	4.035	9.064	.003
product type *price discount type	3.890	1	3.890	8.738	.003
consumer type * product type *price discount type	9.046	1	9.046	20.323	.000
Error	130.870	294	.445		
Total	2423.667	302			

4.1.2. Perceived financial risk in accordance with product type

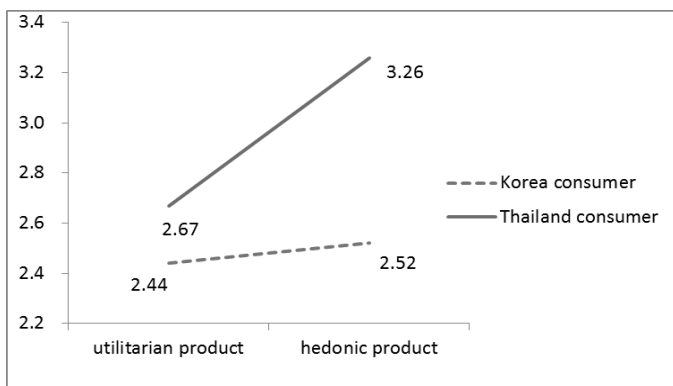
The perceived financial risk by product type was verified that difference. The results are shown in <Table 1> and <Table 2>. Perceived financial risk by product type is hedonic product (M=2.87, SD=.79) higher than utilitarian product(M=2.56, SD=.76). Thus, Perceived financial risk in accordance with product type was verified the main effect.

4.1.3. Perceived financial risk in accordance with price discount type

The perceived financial risk by price discount type was verified that difference. The results are shown in <Table 1> and <Table 2>. Specifically, look at a 50% off products (M = 2.56, SD = .76) than the 1+1 bundle of products (M = 2.93, SD = .77) showed that the perceived financial risk is higher

4.1.4. Perceived financial risk in accordance with consumer type and product type

Consumer type are Korea consumers and Thailand consumers, product type are utilitarian product and hedonic product, type of product was confirmed that there is a difference perceived financial risk in accordance with the hedonic product. The results are shown in <Table 1> and <Table 2>. Korea consumers may have perceived financial risk in accordance with the utilitarian product (M = 2.44, SD = .64) and hedonic product (M = 2.52, SD = .64) is found to have no significant difference. However, Thailand consumers are found when the hedonic product (M = 3.26, SD = .77), than the utilitarian product (M = 2.67, SD = .88) perceived financial risk is greater(<Figure 1>). Therefore, according to consumer type and the product type perceived financial risk is found that the interaction effect.

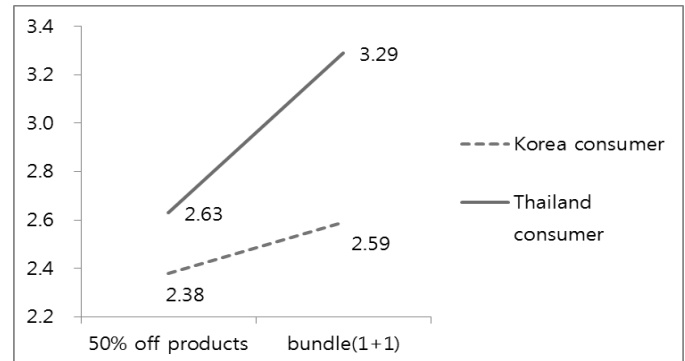


<Figure 1> Interaction effect of Perceived financial risk in accordance with consumer type and product type

4.1.5. Perceived financial risk in accordance with consumer type and price discount type

Korea consumers and Thailand consumers, verify that there is a difference perceived financial risk in accordance with the 50% off products and 1+1 bundle product. The results are shown in

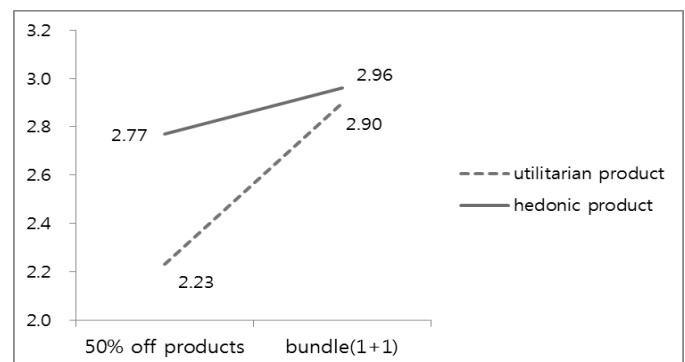
<Table 1> and <Table 2>. Korea consumers are perceived financial risks associated with a 50% off products (M = 2.38, SD = .62), and 1 + 1 bundle product (M = 2.59, SD = .64) is found to have no significant difference. However, Thailand consumers are the 1+1 bundle product (M = 3.29, SD = .74) than 50% off products (M = 2.63, SD = .88)perceived financial risk is found in the large(<Figure 2>). Therefore, consumer type and product discounts according to the type of perceived financial risk is found that there are interaction effects.



<Figure 2> Interaction effect of perceived financial risk in accordance with consumer type and price discount type

4.1.6. Perceived financial risk in accordance with product type and price discount type

Hedonic product and a utilitarian product, and it is verified that the difference in perceived financial risk in accordance with the 50% off products and 1 + 1 bundle product. The results are shown in <Table 1> and <Table 2>. Utilitarian product, 1+1 bundle product(M=2.90, SD=.78)is more than 50% off products (M = 2.23, SD = .62) perceived financial risk is found to be greater in. Also, in the hedonic product, 1+1 bundle product (M = 2.96, SD = .77) perceived financial risk more than 50% off products (M = 2.77, SD = .80) are found to be a difference, is not greater (Figure 3). In this result, perceived financial risk in accordance with product type and discount type is found that there are interaction effects.



<Figure 3> Interaction effects of perceived financial risk in accordance with product type and price discount type

5. Conclusion

Recently, Thailand has predicted a virtuous circle economic effects of public and private investment given the positive effect the investment is to increase consumption. The purpose of this study is to investigate the perception of the price of the Korea consumers and Thailand consumers in order to build a marketing strategy for the Thailand market and the growth of major production companies and distributors in Korea. For this purpose, consumer types are Korea consumers and Thailand consumers, product types are utilitarian product and hedonic product, price discount type are 50% off products and 1+1 bundle products tried to verify the perceived financial risk. According to consumer type, product type and price discount type findings regarding difference of the perceived financial risk are as follows:

First, Thailand consumers are monetary damages would be a more general products when purchasing 50% off products and 1+1 bundle product, delivery, exchange, return would result in additional costs, perceived financial risk is confirmed to be larger than Korea consumers

Second, Thailand consumers purchase a 50% off products and 1+1 bundle products are utilitarian product features and emphasizes the benefits of the product was found to perceived financial risk it is greater than the hedonic product to seek pleasure and emotional value through the senses of consumers.

Third, bundle product than the 50% off product was found to have a greater than perceived financial risk.

Fourth, Korea consumers were found to perceived financial risks in accordance with product type is not large there is a difference. However, Thailand consumers when purchasing a hedonic product is found to recognize the monetary damages. They think that product is more expensive, when the return and cancellation citing the additional costs

Fifth, perceived financial risk according to consumer type and price discount type was found to be greater 1+1 bundle price than 50% off price both Korean and Thai consumers. This difference was also confirmed that Korean consumers are bigger than Thai consumers.

Sixth, utilitarian products and hedonic products is confirmed that all of the perceived financial risk from the bundle price is larger than 50% off. These results are expected to be the basis for a case of Korea company that is meaningful to the pricing strategy for the product it sells to Thai consumers.

Therefore, Our findings support the marketing strategies of global corporations is a case of price discount strategies in practical aspects suggests that the regional differentiation strategy is more effective than standardized strategy.

Limitations and suggestions in this paper is as follows. First, this study has the limitation that it does not take into account the difference in the perceived financial risk based on the individual's psychological characteristics when purchasing the product. Second, according to the distributor selling the products perceived financial risk that there may be different on 50% off and 1 + 1 bundle price, it did not consider of the study has a

limitation. Later, distributors to sell the product, taking into account the psychological characteristics of consumers purchasing such products, consumer type, product type, price discount type a case of proposal is done extensive research in the perceived financial risk.

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