

THE EFFECTS OF BUNDLE COMPOSITION, PRICE, FRAMING AND FAMILIARITY ON CONSUMERS' PURCHASE INTENTION

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Abstract

This paper attempts to investigate the effects of bundle composition, price level, price sensitivity, frame and familiarity on consumer's purchase intention. The bundle products under study composed of Pantene shampoo and conditioner, and Pantene shampoo and Parodontax toothpaste. A laboratory experiment was employed. Findings showed that bundle composition, price level, price sensitivity, frame and familiarity influenced purchase intention. The finding also showed that there exists an interaction effect between price levels and frames of bundling.

1. Introduction

Bundling, a sale of two or more separate products in a package (Stremersch and Tellis, 2002), is pervasive in today's market. Firms in a number of industries, such as consumer products, hotels, health clubs, theaters and sport events, have employed such a tactic to increase sales.

The idea of bundling has received attention since 1960s. Economists viewed price bundling as an alternative technique for monopoly to price discrimination. Most researchers (Stigler, 1963; Adam and Yellen, 1976; Guiltinan, 1987; Schmalensee, 1984; McAfee, Mcmillan and Whinston, 1989; Venkatesh and Mahajan, 1993; Dolan and Simon, 1996) emphasized on the optimal bundling strategy to investigate how and when bundling can maximize profit. In the 1990s, when a strong focus was placed on customer relationship, bundling received more attention in the marketing literature. The focus of the studies was on customers' perspective. The studies have explored the processes employed to value overall bundles and items within a bundle (Yadav and Monroe, 1993; Yadav, 1995). These studies suggested that price bundling often can, and should, decrease price sensitivity and increase purchase likelihood.

However, in practice, not all bundles are successful. Many managers view bundling as unprofitable because it cannot attract customers (Ailawadi and Neskin,

1998). Several bundles are not appealing to the customers, especially for those who don't usually buy the products (Schultz, Robinson and Peterson, 1998).

Therefore, in order to investigate and resolve this issue, important questions should be raised on how to successfully adopt bundling strategy: what factors make customers decide to buy or not buy the bundles, what types of products should be bundled together, what price should be charged for the bundle, and, how to attractively present a bundle to customers. Thus, this paper attempts to find answers and explanations to these questions.

The major objective of this paper is to explore factors that have an influence on bundle's purchase intention. Five factors, which consist of bundle composition, price level, price sensitivity, frame and familiarity of the products within a bundle, are hypothesized to have an effect on consumers' purchase intention for bundles.

To achieve the objective, a laboratory experiment was conducted. One hundred and twenty eight students of Assumption University were selected as respondents to fill out a questionnaire and specify their purchase intention on the 10-point scale of two given products bundles: Pantene shampoo and Pantene conditioner, and Pantene shampoo and Parodontax toothpaste. Respondents were divided into three groups. Each group received a questionnaire in different frames. The first