

The Effect of Brand Image and Product Knowledge on Purchase Intention Moderated by Price Discount

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ABSTRACT

Most of previous studies either take product knowledge as a moderator, or involve varying degree of product knowledge on the consumers' perceived evaluation as an influential factor. It is rare to come across research that discusses how both brand image and product knowledge affect purchase intention. Thus, this research has chosen both an intrinsic and an extrinsic product cue—brand image and product knowledge—as independent variables while using price discount as a moderator and conducted research on purchase intention.

Keywords: Brand Image, Product Knowledge, Purchase Intention, Price Discount

INTRODUCTION

Brand management has become increasingly important, given the rapid change of the global market and elevation of competition. Effective brand management creates clear product differentiation, consumer preference and loyalty, resulting in broadening market share. Aaker (1991) believes brand establishment and management should be not only one of the operating focuses for major industries but viewed as a source of competitiveness. For consumers, a brand provides a certain degree of product guarantee. Shopping around can be time- and energy-consuming, and consumers do not always possess enough product knowledge to ensure the best buy. Under such circumstances, consumers usually go by well-known brands, which may result in higher costs but requires less research efforts. Thus, brand image not only affects how consumers view a product but has the benefit of lowering purchase risks (Loudon and Bitta, 1988).

Consumers usually go through confirmation of need, research prior to purchase, and product evaluation to make a purchase decision, and the last is a particularly important factor. Due to the fact that there are always risks within any purchase decision, consumers rely on product information or cues to lower the risks. Olson and Jacoby (1972) categorize product characteristics into intrinsic and extrinsic product cues. The former is related to the composition of a product, including product knowledge like design and features. The latter is product-related components yet do not belong to the product itself, like price and brand. Zeithaml (1988) agree that intrinsic (product knowledge) and extrinsic (brand image) cues are the most important factors consumers consider when evaluating a product before purchasing. Since intrinsic product cues, e.g. function or quality, are often not obtainable right away, extrinsic product cues like brand image then become the sole premises consumers rely on.

Previous studies mostly focused on product origin as a single cue to consumer behavior, which may be effective (Lim, Darley, and Summers, 1994) but may not truly reflect reality. Some researches reveal that most researchers either take product knowledge as a moderating variable, or involve varying degree

product knowledge on the consumers' perceived evaluation as an influencing factor. It is rare to come across research that discusses how both brand image and product knowledge affect purchase intention. Thus, we have chosen both intrinsic and extrinsic product cues—brand image and product knowledge—as independent variables while using price discount as a moderator, and conducted research on the effect of brand image and product knowledge on purchase intention moderated by price discount. The purposes of this research are as follows: 1. Discuss the effect of brand image on purchase intention. 2. Discuss the effect of product knowledge on purchase intention. 3. Discuss whether price discount could moderate the effect of brand image on purchase intention. 4. Discuss whether price discount could moderate the effect of product knowledge on purchase intention.

LITERATURE REVIEW

Brand Image

How much is a brand worth? How does a brand represent the product? Kotler (2000) contends that brand is a name, term, symbol, design or all the above, and is used to distinguish one's products and services from competitors. For example, Nike adopts a check mark as its brand image, which creates a positive effect indicating approval. Keller (1993) defines a brand image as an association or perception consumers make based on their memory toward a product. Thus, brand image does not exist in the technology, features or the actual product itself, but is something brought out by promotions, advertisements, or users.

Through brand image, consumers are able to recognize a product, evaluate the quality, lower purchase risks, and obtain certain experience and satisfaction out of product differentiation. When it comes to experiential product evaluation, a positive brand image may make up for an inferior image of the origin country and raise the possibility of the product being selected (Thakor and Katsanis, 1997). According to Grewal, Krishnan, Baker, and Borin (1998), the better a brand image is, the more recognition consumers give to its product quality.

Consumers are usually limited in regards to the amount of time and product knowledge to make an informed purchase decision when facing similar products to choose from. As a result, brand image is often used as an extrinsic cue to make a purchase decision (Richardson, Dick and Jain, 1994). Akaah and Korgaonkar (1988) conclude that consumers are more likely to purchase well-known brand products with positive brand image as a way to lower purchase risks. This argument is also supported by Rao and Monroe (1988) that a brand with a more positive image does have the effect of lowering consumers' product perception risks and increasing positive feedback from consumers. Therefore, consumers generally believe they can make a satisfying purchase by choosing well-known brands and also lower any purchase risks by doing so.

Product Knowledge

When making a purchase, consumers often rely on personal memory or experience to make a decision. Beatty and Smith (1987) define product knowledge as a perception consumers have towards certain products, including previous experience of using the product. Brucks (1985) comes up with three ways to measure product knowledge based on previous studies: 1) Subjective Knowledge or Perceived Knowledge: the degree of consumers' understanding of the product, the so-called self-assessed knowledge (Park et al., 1992). 2) Objective knowledge: the degree and type of product knowledge

actually stored in consumers' memory, the so-called actual knowledge (Park et al. 1992). 3) Experience-Based Knowledge: previous experience of purchasing or using the product.

Consumers develop various product knowledge structure based on various degrees of familiarity toward a product (Park and Lessig, 1981). The degree of product knowledge also affects consumers' purchase intention. In general, consumers with higher product knowledge have better memory, recognition, analysis and logic abilities than those with lower product knowledge. As a result, those who think they have higher product knowledge tend to rely on intrinsic cues instead of stereotype to make a judgment on product quality because they are aware of the importance of product information. On the other hand, those with lower product knowledge are inclined to use extrinsic cues, like price or brand, to evaluate a produce since they do not know how to judge a product. To sum up, product knowledge indeed affects what kind of cues consumers use when making a purchase decision.

Depending on what kind of product knowledge they possess, consumers can be divided into experts or novices, and each has different ways of receiving or processing information. Experts do not need to do much product research since they already possess deep understanding on various brands and product knowledge. They can process information effectively and distinguish various brands and determine their qualities (Anderson, Engledow, and Becker, 1980). Novices, however, tend to seek advice from others about product knowledge due to a lack of presorted knowledge (Brucks, 1985).

Price Discount

To counter fierce competition, businesses often use promotions to stimulate purchase intention and increase sales. Kotler (2000) considers that promotion is a combination of various incentives to stimulate consumers or retailers to stir up immediate purchasing reaction toward a product or service within a short period of time. McCarthy and Perreault (1984) think promotion is different from advertisement or public report and eventually can stir up interest or intention among (potential) buyers to make a purchase. Thus, promotion aims to create product exposure, stimulate desires, maintain consumer loyalty and raise sales volume (Pride and Ferrell, 2000).

Consumers respond to the incentive of saving when they see products are being sold at a lower price, and increase their purchase intention. Since consumers usually make an immediate purchase, when being seduced by economic incentives, the greater the promotion is, the more response it generates. Dodson, Tybout, and Sternthal (1978) have proven that when facing various brand products with similar functions and qualities, promotional items usually end up selling better and even attract loyal consumers of other brands. This indicates promotion has great incentive values. When consumers are presented with great incentives, they are likely to choose promotional items.

Price discount may attract consumers to try out different brands; however, after the promotion is over price discount may also lower the purchase intention as a result of associating price discount with lower quality. To sum up, price discounts may attract consumers with economic incentives, but may expose them to inferior products with lower quality, which in the end will write off the benefit of the sales increase (Raghubir and Corfman, 1999).

Purchase Intention

Prior to purchasing, consumers begin by collecting product information based on personal experience and external environment. When the amount of information reaches a certain level, consumers start the assessment and evaluation process, and make a purchase decision after comparison and judgment.

Therefore, purchase intention is often used to analyze consumer behavior in related studies. The so-called purchase intention means a subjective inclination consumers have towards a certain product, and has been proven to be a key factor to predict consumer behavior (Fishbein and Ajzen, 1975).

The EKB model, developed by Engel, Kollat and Blackwell (1984), is a process used to evaluate consumers' decision making. The model stresses that consumer behavior is a continuing process, including recognition of a problem, information gathering, solution evaluation, and decision making. The process is also affected by both internal and external factors like information input, information process, general motives, environment, etc. Among these factors, information gathering and environmental stimulation are two crucial influential factors in the final decision making.

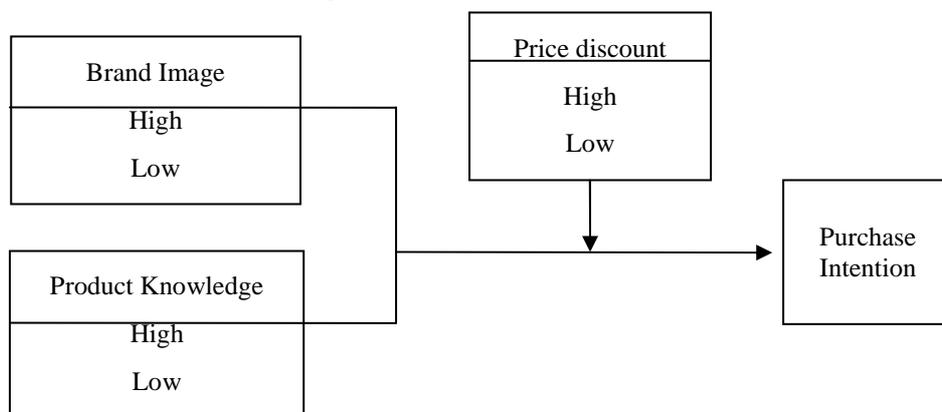
According to Kotler (2000), consumer behavior occurs when consumers are stimulated by external factors and come to a purchase decision based on their personal characteristics and decision making process. These factors include choosing a product, brand, a retailer, timing, and quantity. This means consumers' purchasing behavior is affected by their choice of product and brand. Thus, we can examine the following factors that may affect purchase intention: 1. Price discount (Alford and Biswas, 2002). 2. Consumers' increase of product familiarity (Johnson and Russo, 1984). 3. Product characteristics are related to product knowledge (Sultan, 1999).

RESEARCH METHODOLOGY

Research Framework

This research is conducted in 2 (high and low brand image) × 2 (high and low product knowledge) × 2 (high and low price discount) factorial designs. The research framework is shown in Figure 1:

Figure 1: Research Framework.



Research Hypothesis

Effect of Brand Image on Purchase Intention

Brand image is established when consumers develop ideas, feelings and expectations towards certain brands as they learn, memorize and become accustomed to them (Keller, 1993). When consumers are considering purchasing a product, their purchase intention will be determined based on the perception of its value given by its brand. When consumers have a higher opinion on the quality of a certain brand

product, they are likely to have higher perception of value (Monroe, 1990). Additionally, when consumers benefit more from purchasing the brand product than the price paid, they are more likely to make the purchase (Dickson and Sawyer, 1990). Aaker and Keller's (1990) research discovers that a brand with positive image improves consumer loyalty and trust and strengthens consumers' purchase intention. Brand image no doubt remains an important cue during the process of consumers' purchase decision making. Thus, the hypothesis H₁ is proposed:

H₁: The higher a brand image is, the more purchase intention there is.

Effect of Product Knowledge on Purchase Intention

Consumers usually adopt various methods to evaluate products. Those with higher product knowledge tend not to use preconceived idea to judge product quality since they are aware of the importance of product information. Wang and Hwang (2001) conclude that consumers with high product knowledge will evaluate a product based on its quality because they are self-confident with their product knowledge. Thus, they are likely to become aware of the value of the product and consequently develop purchase intention. On the other hand, those with low product knowledge are more likely to become influenced by environmental cues, e.g. a salesman's persuasion, and change how they accept product information. Therefore, the hypothesis H₂ is introduced.

H₂: The higher product knowledge consumers possess, the more purchase intention there is.

Effect of Brand Image and Product Knowledge on Purchase Intention Moderated by Price Discount

Price discounting is a common tool used to provide short-term sales increase by giving consumers the incentive of savings. Since consumers can directly experience a real bargain, the larger the price discount is, the more chances there are to consume (Bell, Ho, and Tang, 1998). Price discounting, however, could signal negative product quality sometimes, and consequently affects consumers' product evaluation and purchase intention. Since consumers are drawn to purchase a product by economic incentives instead of product quality, price discounting can only create temporary brand name shift. Would price discounting interfere and lower consumers' evaluation and purchase intention toward a product? There have not been much conclusive study results to be able to answer this question. Yet, most researchers seem to agree that price discounting has more positive than negative impact on purchase intention. Della Bitta, Monroe and McGinnis (1981) proves that well-known brands help control and stabilize consumers' perception of product quality, and more purchase intention was increased, along with the higher discount rates.

According to Raghubir and Corfman (1999), consumers usually do not lower their opinion on certain product when it is on sale due to the consistency and distinctiveness of promotions, meaning as long as the price discounting falls within the industry norm, consumers would not question the legitimacy of it or start to question the quality of the product. In addition, Hung's research (2001) concludes that product evaluation can effectively predict purchase intention - the higher the opinion consumers hold towards a product, the more purchase intention there is.

Consumers with higher product knowledge tend to rely on product quality to make a purchase evaluation, and are less influenced by pricing or price discounting. Their opinion are also less easily influenced by price discounting because they are considering the product itself, with or without a price discount. Those with lower product knowledge usually have lower understanding and confidence in product quality. Consequently, they will rely on pricing to make a purchase decision, which may cause them to have a negative reaction toward price discounting.

In addition, Pan's research (2004) also confirms that product evaluation can effectively predict purchase intention—the higher the opinion consumers hold towards a product, the more purchase intention there is. Thus, this research is proposing the following hypotheses, H₃, H_{3a}, and H_{3b}:

H₃: Price discounts will affect consumers' purchase intention in relation to their degree of brand image and product knowledge.

H_{3a}: Higher price discounting has greater influence on how brand image affects purchase intention than lower price discounting does.

H_{3b}: Higher price discounting has greater influence on how product knowledge affects purchase intention than lower price discount does.

Research Design

The factorial design is used to measure two or more variables and to evaluate the main effect of each individual variable and the interaction effect between them. As for experimental units, since students share much more in common, and females are usually the primary users of cosmetic products, this research targets female students at a private university in the metropolitan Taipei area as the experiment unit.

Wearing make-up has become a social courtesy. According to statistics, women with the ability to consumption spend about NT\$10,000 purchasing cosmetic products each year, and beauty products take up almost half of the sales volume. The annual cosmetic sales also increase overall sales volume of retailers. Thus, cosmetic beauty products have been chosen as the experimental product in the research to see if brand image and product knowledge affect purchase intention and if price discount creates any moderating effect.

This research includes two pre-tests and one formal test. Pre-test 1: Cosmetic beauty products can be divided into three main parts: beauty products, cosmetics and perfume. Pre-test 1 aimed to determine which type of product is the most commonly purchased and the overall impression consumers have towards cosmetic beauty product brand image. Thirty questionnaire were sent out to female students majored in business administration at the university. The results showed that Christian Dior received the highest average score of 5.60, while Avon received the lowest score. The average score for the others was 4.30. Since there are significant paired test differences ($t=5.281$, $p=0.000$) between the highest and lowest brand images, the two cosmetic beauty brand names, Christian Dior and Avon, were selected as two experiential targets.

Pre-test 2: The focus of this part was to determine the high and low points of price discounting. The results showed ten people chose 10% while 9 chose 60% as their highest and lowest price discount range. In real business practice, price discounting of cosmetic beauty product rarely goes down to 70%, therefore, this research has selected 10%-70% as the price discount range. Likewise, thirty female students from the same major were chosen to be the survey target. Out of these thirty individuals, ten people selected the lowest price discount (10%) while nine picked out the highest price discount (60%). Since there are significant paired test differences ($t=16.182$, $p=0.000$) between the highest and lowest price discounts, this research adopted 60%-10% as the range for price discounting.

The subject of this research covered female students from various departments at the private university. Most of these university students have known for their strong self-image, sense of fashion, and pursue of modern life. Under the influence of the media, this generation is widely informed. Therefore, this research was not exclusive to students from certain academic background when it came to choosing survey targets. There were four experimental settings in the beginning. However, the product knowledge category was divided after the questionnaires were returned, resulting in 8 experiment settings.

DATA ANALYSIS AND DISCUSSION

Reliability and Validity of Questionnaire

There were 400 questionnaires distributed and 395 remained valid while 5 were left blank to be invalid. All three variables – brand image, product knowledge and purchase intention – receive a Cronbach's α value of 0.8963, 0.9109, and 0.9697, respectively, meaning that the questionnaire has a good reliability. Moreover, the questionnaire was examined on its content and construct validity. Content validity represents the appropriateness of the content of the scale. This research is based on previous literature and works as well as further validated by experts, thus it can be deemed to have an acceptable level of content validity.

This research adopted the Pearson product-moment correlation to examine construct validity: convergent and discriminant. For the three constructs, all of the p values between items attributed to same construct are less than the significance level of 0.05, indicating the scale with high convergent validity. Likewise, all of the p values between items attributed to different construct are large than the significance level of 0.05, representing the scale with high discriminant validity.

Homogeneity of Variance Analysis

Analysis of variance (ANOVA) needs to be based on an assumption that homogeneity of variance can be assured on each group sample. This research conducted Levene's test, and the result, $P = 0.308 (> 0.05)$, supports the null hypothesis of homogeneity of variance.

Hypothesis Test

The goal of this section is to examine the individual main effect and interactive effect of the independent variables (product knowledge and brand image) and the moderating variable (price discount).

1. The effects of brand image, product knowledge and price discount on purchase intention: The results of three-way analysis of variance can be reflected in Table 1:

- a. There is no significant interaction among product knowledge, brand image and price discount ($F=0.001, P=0.971 > 0.05$).
- b. There is no significant interaction among brand image and product knowledge ($F=0.210, P=0.647 > 0.05$); there is significant interaction between brand image and price discount ($F=3.985, P=0.047 < 0.05$), and it needs to be examined on its main effect test. There is no significant interaction between product knowledge and price discount ($F=0.625, P=0.430 > 0.05$).
- c. In terms of two variance interaction, there is significant interaction between brand image and price discount. As price discount is a moderator, the main effect of brand image on high and low of price discount is conducted.

Table 1. Three-way ANOVA Interaction Test

| Source of Variation | Type III Sum of Squares | df | Mean Square | F | Sig. |
|-------------------------|-------------------------|----|-------------|----------|-------|
| Corrected Model | 251.870 | 7 | 35.981 | 19.881 | .000* |
| Intercept | 6093.942 | 1 | 6093.942 | 3367.067 | .000* |
| Brand Image (A) | 13.268 | 1 | 13.268 | 7.331 | .007* |
| Product Knowledge (B) | 47.432 | 1 | 47.432 | 26.207 | .000* |
| Price Discount (C) | 180.443 | 1 | 180.443 | 99.700 | .000* |

| | | | | | |
|-----------------|----------|-----|----------|-------|-------|
| A × B | .379 | 1 | .379 | .210 | .647 |
| A × C | 7.212 | 1 | 7.212 | 3.985 | .047* |
| B × C | 1.130 | 1 | 1.130 | .625 | .430 |
| A × B × C | 2427E-03 | 1 | 2427E-03 | .001 | .971 |
| Error | 700.418 | 387 | 1.810 | | |
| Total | 7066.000 | 395 | | | |
| Corrected Total | 952.289 | 394 | | | |

*p-value < 0.05

2. The effect of brand image on purchase intention :

There is a significant difference in terms of the effects of brand image on purchase intention (F=7.331, P=0.007 < 0.05). On Table 2, consumers respond better with purchase intention toward a higher brand image. Therefore, hypothesis 1 is supported: the higher the brand image is, the more purchase intention there is.

Table 2. Effect of Brand Image on Purchase Intention

| Brand Image | Mean | Std. Deviation |
|-------------|------|----------------|
| High | 4.12 | 1.63 |
| Low | 3.74 | 1.46 |

3. The effect of product knowledge on purchase intention:

There is significant difference on the effect of high and low product knowledge on purchase intention (F=26.207, P=0.000 < 0.05). On Table 3, consumers with higher product knowledge have higher purchase intention than those with lower product knowledge. Thus, hypothesis 2 is supported: the more product knowledge consumers have, the more purchase intention they have.

Table 3. Effect of Product Knowledge on Purchase Intention

| Product Knowledge | Mean | Std. Deviation |
|-------------------|------|----------------|
| High | 4.28 | 1.46 |
| Low | 3.58 | 1.57 |

4. The effect of price discount as moderating variable on brand image and purchase intention :

Based on the variance analysis, there is significant interaction between price discount and brand image on purchase intention (F=3.985252, P=0.047 < 0.05), so the main effect is examined.

- a. On Table 4 and 5, high brand image has a significant influence on purchase intention moderated by higher price discount.
- b. According to Table 6 and 7, lower image with higher price discount has significant impact on purchase intention.
- c. This supports for hypothesis 3: Higher price discount has significant moderating effect on purchase intention based on brand image.

Table 4. High Brand Image vs. Price Discount

| Price Discount | Mean | Std. Deviation |
|----------------|------|----------------|
| High | 4.93 | 1.37 |
| Low | 3.3 | 1.45 |

Table 5. The Effect of High Brand Image on Purchase Intention Moderated by Price Discount

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|--------|-------|
| Between People | 131.686 | 1 | 131.686 | 66.277 | .000* |
| Within People | 391.419 | 197 | 1.987 | | |
| Total | 523.106 | 198 | 1.45 | | |

*p-value < 0.05

Table 6. Low Brand Image vs. Price Discount

| Price Discount | Mean | Std. Deviation |
|----------------|------|----------------|
| High | 4.29 | 1.42 |
| Low | 3.20 | 1.29 |

Table 7. The Effect of Low Brand Image on Purchase Intention Moderated by Price Discount

| | Sum of Squares | df | Mean Square | F | Sig. |
|----------------|----------------|-----|-------------|--------|-------|
| Between People | 5 | 1 | 57.327 | 31.072 | .000* |
| Within People | 357.918 | 194 | 1.845 | | |
| Total | 415.245 | 195 | | | |

*p-value < 0.05

5. Effect of price discount on purchase discount based on product knowledge:

The variance analysis has proved no significant interaction between price discount and purchase intention based on product knowledge ($F=0.625$, $P=0.430 > 0.05$), which means that there is no significant moderating effect of price discounting on product knowledge and purchase intention. Therefore, the previously stated hypothesis that higher price discounting creates more purchase intention based on product knowledge does not stand.

CONCLUSIONS AND SUGGESTIONS

Some conclusions have been drawn from the statistical outputs:

1. There are significant differences within correlations between brand image and purchase intention.

This conclusion indicates that consumers' purchase intention does get influenced by brand image. The higher the status of the brand image, the more purchase intention there is. Thakor and Katsanis (1997) believe brand image is one of the cues in product quality evaluation, particularly when it comes to experiential brand concept-image. Consumers tend to have higher perceived value, resulting in higher purchase intention when facing a preferred brand. This result coincides with previous similar studies.

2. There are significant differences within correlations between product knowledge and purchase intention.

Obviously, consumers' purchase intentions are influenced by the amount of product knowledge—the higher the product knowledge consumers possess, the more purchase intention there is. Park and Lessig (1981) believe consumers possess various degrees of product knowledge based on their similarity toward the product, resulting in different degree of purchase intention. This belief concurs with our research conclusion.

3. With price discount as a moderator, there are significant differences between brand image and purchase intention.

Statistical results prove that price discount creates interference in the correlations between brand image and purchase intention. When purchasing cosmetics, consumers respond better toward a higher

price discount and have a higher purchase intention towards a high brand image product. Moore and Olshavsky's research in 1989 exhibits that well-known brands get selected more often with an increase of price discount while less well-known brands may experience an increase then decrease. Products with lower brand image trigger more purchase intention with higher price discount.

4. Price discounts contribute no interference to the correlation between product knowledge and purchase intention.

This may be due to the fact that cosmetics are experiential products, and therefore the degree of product knowledge does affect purchase intention, regardless of whether there is a price discount or not. To those with higher product knowledge, there are more factors to consider other than price discount, resulting in lower purchase intention than those with lower product knowledge. On the other hand, despite being easily influenced by price discount as a result of having insufficient product knowledge to make a judgment, consumers with lower product knowledge may still have lower purchase intention because of doubt towards the motives behind price discount.

Managerial Implications

This research has discovered, through experiments, that a successful marketing strategy can detect the pulse of the market. Here are some marketing suggestions for the industry:

1. Brand image indeed increases consumers' purchase intention.

Therefore, we suggest that businesses, particularly cosmetic beauty companies, devote efforts to elevating and maintaining their brand images, not only to increase sales volume but to improve company image. Once a positive image is established, a business may utilize the added values, such as brand, for product line expansion or save some promotional costs when entering a new market.

2. Consumers with various degrees of product knowledge will use different methods to evaluate a product.

Consumers with higher product knowledge have better product understanding and are confident with what they know. Businesses should provide such types of consumers with complete product information. Those with lower product knowledge rely on pricing as the main deciding factor. Thus, businesses can target this type of consumers with attractive prices and sales representatives to improve consumers' product knowledge and perception, resulting in higher purchase intention.

3. Price discount poses interference between the correlations between brand image and purchase intention.

When it comes to cosmetics, higher price discounts can indeed inspire more purchase intention than lower price discount, provided that the brand image is also high. Price discounting attracts consumption in the short-term; however, it also changes how consumers view the brand image, and may thus cause negative impact caused by anticipation of higher price discounts in a long run. Therefore, businesses should approach price discounting with a more thorough and cautious attitude, e.g. setting reasonable pricing and appropriate price discount range to cope with market needs.

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