



How does Price and Familiarity of a Smartwatch Brand Affect Consumers' Perception of Quality, Risk, Value for Money, Brand Image and Purchase Intention? A Value-Based View

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Keywords: Smartwatch, value, quality, risk, brand image, purchase intention

Introduction & Purpose: A smartwatch is a wrist-worn device with computational power that, in addition to displaying time, can wirelessly connect to devices such as tablets and smartphones, provide alert notifications, and collect and store biological data such as heart rate (Cecchinato et al., 2015). A plethora of brands both well-known (e.g., Samsung, Fossil etc.) and relatively unknown (e.g., Vtech, Pebble etc.) sell smartwatches, competing for market share. Though some research exists addressing the effect of perceived benefits and risks on value (Yang et al., 2016) and purchase intention (Choi & Kim, 2016) of a smartwatch, there is a gap in understanding how different price points of well-known and unknown smartwatch brands affect consumers' perceptions and purchase intention. To fill this gap, the purpose of this study is to use a value-based approach to test the effect of price and familiarity of brand (known versus unknown) on perceptions of risk, quality, value for money, brand image and purchase intention.

Hypotheses: When the price of a smartwatch is high, consumers' perception of risk of buying that smartwatch is likely to increase (Shimp & Bearden, 1982). This perceived risk is expected to be higher when the consumer is exposed to a well-known than an unknown smartwatch brand. **H1:** *Perceived risk will significantly increase with increase in smartwatch price for both (a) well-known and (b) unknown brands.* **H1c:** *Perceived risk will be significantly higher for an unknown brand than well-known brand at a given price point.* Wathieu and Bertini (2007) found that high priced products significantly increase consumers' perception of quality. This study expects this relationship to be stronger for a well-known than an unknown smartwatch brand. **H2:** *Perceived quality will significantly increase with increase in smartwatch price for both (a) well-known and (b) unknown brands.* **H2c:** *Perceived quality will be significantly higher for a well-known than unknown brand at a given price point.* On the contrary, consumers perceive low value for money when the price is high (Dodds et. al, 1991). When the smartwatch brand is unknown to the consumer, this perception of value for money can further decrease. **H3:** *Value for money will significantly decrease with increase in smartwatch price for both (a) well-known and (b) unknown brands* **H3c:** *Value for money will be significantly higher for a well-known than unknown brand at a given price point.* In addition, consumers' perception of a brand's image is also affected by price such that higher the price, stronger the perceived brand image (Cretu & Brodie, 2007). Such an impact of price on brand image is predicted to be stronger when the consumer considers buying a well-known than an unknown smartwatch brand. **H4:** *Perception of brand image will significant increase with increase in smartwatch price for both (a) well-known and (b) unknown brands.* **H4c:** *Perception of brand image will be significantly higher for a well-known than unknown brand at a given price point.* Finally, **H5:** *Purchase intention will significantly increase with decrease in price smartwatch price for both*

(a) well-known and (b) unknown brands. **H5c:** Purchase intention will be significantly higher for a well-known than unknown brand at a given price point.

Method: Upon identifying a well-known (Apple) and an unknown smartwatch brand (LEMFO) and three price points (low, medium & high) via pre-tests, a survey was conducted online on participants recruited via Amazon's Mechanical Turk, were randomly assigned to one of six groups - Apple-low, Apple-medium, Apple-high, LEMFO-low, LEMFO-medium and LEMFO-high. Participants were shown a description of smartwatches, logo of the assigned brand and the price (low/medium/high) and were asked to respond to a questionnaire consisting of 36-items measuring perceived risk, perceived quality, value for money, brand image and purchase intention on a 5-point Likert scale. The resulting usable sample of 354 responses included 170 males (48%) and 183 females (52%) representing ages 18-74. Exploratory factor analysis (EFA) with Varimax rotation reduced the items to 24 items that loaded onto five variables. Reliabilities of all constructs were acceptable, with Cronbach's α values ranging from .86 - .95.

Findings: Multivariate analyses of variance (MANOVA) were first performed on Apple and LEMFO separately, using the three price points as independent variables and the five constructs as dependent variables. MANOVA for the Apple group was significant [F (10, 332) = 23.702, $p < .001$, Wilk's $\Lambda = 0.34$]. Test of between subjects revealed support for H2a, H3a and H5a but not H1a and H4a. MANOVA for the LEMFO group was also significant [F (10, 348) = 25.608, $p < .001$, Wilk's $\Lambda = 0.33$]. Test of between subjects revealed that only H1b was unsupported whereas H2b-H5b were supported. Finally, three MANOVA tests were performed comparing the effect of three price points on the five dependent variables between Apple and LEMFO ($p < .001$). The findings revealed that, at a low price point, H1c-H5c were supported, at a medium price point, H1c, H2c and H4c were supported and at a high price point, H1c, H2c, H4c and H5c were supported. Tukey HSD post-hoc tests were conducted to aid the discussion.

Discussion & Implications: The results of this study suggest that, for a well-known smartwatch brand, increase in price increases perceived quality and purchase intention while decreasing value for money. Brand image and perceived risk stayed unaffected by price. Interestingly, for an unknown brand, the above effects were true, except, perception of brand image increased from low to medium price point, but remained unchanged at a high price. A comparison of well-known and unknown brands suggests that consumers' perception of quality and brand image is higher for a well-known than an unknown brand while perception of risk is higher for an unknown brand than a well-known brand at all price points. Furthermore, consumers perceive higher value for money for well-known brand than unknown brand at a low price point; however, they remain indifferent at medium and high price points. Finally, consumers' intention to purchase a smartwatch remains higher for a well-known brand at low and high price points while it is no different at a medium price point.

Theoretically, this study extended the value-based approach to smartwatches providing a foundation for future studies in this area. The key managerial implication of this study is that brands that are new or unknown to consumers can compete with well-known brands by pricing their smartwatches in the medium range and avoid low or high price as brand image can weaken.

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