

EFFECTS OF RISK SALIENCE AND BUYER UNCERTAINTY ON CONSUMER PREFERENCE FOR PRODUCT BUNDLES

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ABSTRACT

Marketers commonly bundle two or more products or services into a single offering as a way to influence consumer choice (Guiltinan 1987); however, little research has empirically examined ways that marketers can increase consumer preference for bundled items. This is an important issue not only because of the frequency with which marketers offer bundles, but also because consumers who buy a bundle often spend more than consumers who select individual items (Guiltinan 1987; Drumwright 1992), and are often easier to service (Guiltinan 1987).

In this paper, we assess the effectiveness of one action that might be taken in order to increase the relative attractiveness of a bundle. Specifically, we examine the extent to which increasing the *salience of functional risk* increases bundle preference.

We tested the hypotheses that risk priming would increase preference for a bundle, and that this effect would be stronger for subjects with higher buyer uncertainty, using a 2 (presence or absence of a risk prime) X 2 (high or low knowledge uncertainty) between-subjects experiment. Ninety undergraduate students were asked to choose a stereo receiver and speakers out of a "catalog" of stereo equipment containing two home theater packages of a receiver and speakers, five individual receivers, and six individual sets of speakers. The dependent variable was choice of a bundle (a home theater package) versus the choice of an individual receiver and speakers.

The presence or absence of a risk prime was manipulated by having each subject look through one of two versions of a consumer magazine containing stereo equipment information prior to the choice task. One version of

the magazine was designed to heighten the salience of functional risk by describing potential problems that might occur when combining separate stereo components. The second control version did not describe these problems. A pretest indicated that the manipulation was successful at heightening fears of functional risk. Buyer uncertainty about the stereo equipment was measured using six questions adapted from Urbany, Dickson and Wilkie (1989) designed to assess buyers' uncertainty regarding information about alternatives and uncertainty about which alternatives to choose.

As predicted, choice of a bundle was higher for subjects in the risk manipulation condition than in the no risk condition (48% versus 15%), and higher in the high uncertainty condition than in the low uncertainty condition (40% versus 21%). A logistic regression indicated significant differences among the groups ($\chi^2 = 4.25$, $p < .04$), and follow up analyses within conditions indicated that the risk prime resulted in significantly higher choice than the no risk prime condition when uncertainty was high ($\chi^2 = 8.96$, $p < .01$; 64% versus 19%) but not when uncertainty was low ($\chi^2 = 2.69$, $p > .10$; 32% versus 10%). In addition, there was a significant difference between the high and low uncertainty groups in the risk prime conditions ($\chi^2 = 4.30$, $p < .04$) but not in the no risk prime conditions ($\chi^2 = 0.72$, n.s.). These results indicate that although both the risk manipulation and higher buyer uncertainty increase preference for the bundle, the risk manipulation is significant only among high uncertainty consumers. The main implication of the findings is that consumers' choice of a bundle can be increased by increasing the salience of functional risk, at least among consumers who are relatively uncertain about compatibility issues.

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