

**EXPLORING RISK PERCEPTIONS BETWEEN PIONEER  
AND ME-TOO BRANDS OF MP3 PLAYERS**

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## **EXPLORING RISK PERCEPTIONS BETWEEN PIONEER AND ME-TOO BRANDS OF MP3 PLAYERS**

### **ABSTRACT**

The current study examines perceived quality for its differential impacts on the dimensions of perceived risk between the pioneer and me-too brands of MP3 players. To achieve this, a pen and paper survey was administered to students at three Australian universities, since young adults are considered to be lead users of MP3 players. Existing scales were selected for their tested reliability in buying situations and adapted to suit the context of the current study. The constructs demonstrated reliability and convergent and discriminant validity. The perceived equivalent quality of the MP3 players produced significant positive effects on perceived social/physical, financial/performance, time and psychological risks for the pioneer brand and a significant negative effect on perceived financial/performance risk for the me-too brands.

### **INTRODUCTION**

Bauer (1960) introduced the idea that consumer behavior is as an instance of risk-taking and risk-reducing behavior. The purchase of a consumer electronic such as an MP3 player, for instance, is fraught with several risks. Branding is the marketer's response to the risks consumers perceive in the marketplace (Laroche et al., 2004). A pioneer brand is defined as the first entrant into a market (Robinson and Fornell, 1985), creating a significantly new product category in the consumer's mind (Carpenter and Nakamoto, 1989) that is unique, attention-seeking and closely matches the consumer's self-image (Alpert and Kammins, 1995; Alpert et al., 2001). Me-too brands represent challengers to the competitive advantage held by pioneer brands. The success of me-too brands may be attributed to their lower costs, higher quality through improved technology (Bohlmann et al., 2002), innovativeness and their image of not being arrogant and complacent (Centaur Communications Limited, 2007a, 2007b).

### **PROPOSED MODEL: JUSTIFICATION AND HYPOTHESES**

The current study's intention is to explore perceived quality for its differential effects on perceived financial, performance, psychological, social, physical and time risks between the pioneer (Apple iPod) and me-too brands (other brands of MP3 players).

The model for the current study was adapted and extended from research conducted by Mieres et al. (2006).

Perceived risk is defined as a subjective expectation of a potential loss occurring (Dholakia, 2001; Sweeney et al., 1999). Perceived risk arises from six different types of potential loss (Jacoby & Kaplan, 1972; Roselius, 1971). Financial risk is a potential loss of money associated with the purchase. Performance risk refers to a probable loss due to functional failure after purchase. Psychological risk reflects the possible loss of self-image as the result of the purchase. Social risk is the potential loss of esteem from significant others because of the purchase. Physical risk refers to the potential loss of health as a result of using the purchase. Time risk reflects a possible loss of convenience in making the purchase (Murray and Schlacter, 1998).

Perceived quality is an attitude that results from the comparison of consumer expectations with the actual performance (Parasuraman et al., 1985). Consumers' perceptions about a brand's quality are expected to influence the risk they perceive in the brand. It is likely that perceived quality will negatively impact on the perceived risk a brand poses (Snoj et al., 2004; Sweeney et al., 1999). This is expected in situations when consumers perceive that the me-too brands on the market have similar high quality and therefore, associate *lower* risk with these brands. However, since the me-too brands offer similar high quality on the market for a considerably lower price, purchasing a pioneer brand with its premium pricing may pose to be a *higher* risk for the pioneer brand. Consequently:

*H1: As consumers become more acquainted with the equivalent quality of the MP3 players on the market, their perceptions of risk associated with the pioneer brand will increase.*

*H2: As consumers become more acquainted with the equivalent quality of the MP3 players on the market, their perceptions of risk associated with the me-too brands will decrease.*

## METHODOLOGY

Since lead users of MP3 players constitute young adults (Eggemann et al., 2002), the university student market was targeted. This is one of the most coveted consumer segments due to its market size, the trendsetting role of university students, their position as early-adopters, their influence over parental purchasers and the probability of a higher standard of living associated with an university degree (Noble et al., 2007; Wolburg and Pokrywezynski, 2001). Consequently, a self-administered, pen and paper survey was administered to students at three universities in metropolitan Perth in Western Australia.

Existing scales from Laroche et al. (2004) and Mieres et al. (2006) were selected for their reliability in buying situations ( $\alpha \geq 0.83$ ) and adapted. *Perceived risk* for the Apple iPod (pioneer brand) and the other brands of MP3 players (me-too brands) were measured by 20 items respectively. Four statements each measured *perceived social risk* (e.g., I am afraid that an Apple iPod / another brand of MP3 player would negatively affect what others think of me) and *perceived physical risk* (e.g., I am afraid that an Apple iPod / another brand of MP3 player would not be safe for me or my family). Three statements each measured *perceived financial risk* (e.g., If I were to purchase an Apple iPod / another brand of MP3 player for myself within the next 12 months, I would be concerned that the financial investment I would make would not be wise), *perceived performance risk* (e.g., The thought of purchasing an Apple iPod / another brand of MP3 player causes me to be concerned for how really reliable that product will be), *perceived psychological risk* (e.g., The thought of purchasing an Apple iPod / another brand of MP3 player gives me an unwanted feeling of anxiety) and *perceived time risk* (e.g., Purchasing an Apple iPod / another brand of MP3 player could involve an inefficient use of my time). *Perceived quality* between the MP3 players was measured by four items (e.g., There is not much difference in terms of quality between the Apple iPod brand and the other brands).

## RESULTS

Of the 362 surveys, 96 percent (348 surveys) administered were usable. This response rate was considered to be acceptable for a self administered survey of this nature (Pinhey and Brown, 2005). Age and gender characteristics were representative of the general student population in Australia.

Exploratory and confirmatory factor analysis conducted for the Apple iPod (pioneer brand) and the other brands of MP3 players (me-too brands) identified five factors each – perceived quality, perceived social/physical risk, perceived financial/performance risk, perceived time risk and perceived psychological risk. Composite reliabilities for the pioneer and me-too brands were 0.61 for perceived quality; 0.89 and 0.92 for perceived social/physical risk; 0.85 and 0.81 for perceived financial/performance risk; 0.81 and 0.85 for perceived time risk and 0.88 and 0.92 for perceived psychological risk respectively, demonstrating the constructs had some reliability (Hair et al., 2006).

The composite reliabilities and the average variance extracted (AVE) scores suggested that the constructs had good measurement properties (reliability and convergent validity) for the Apple iPod (pioneer brand) and the other brands of MP3 players (me-too brands) (Fornell and Larcker, 1981). Further, an examination of the squared correlations between the various constructs found a maximum value of 0.45 (between perceived time risk and perceived psychological risk for the me-too brands), which was well below the AVE scores for both constructs (0.66 and 0.78). Consequently, discriminant validity for the constructs could also be assumed in all cases (Fornell and Larcker, 1981).

As can be seen in Table 1, independent groups t-tests suggested differences in respondents' risk perceptions between the Apple iPod (pioneer brand) and the other brands of MP3 players (me-too brands). When it involved the me-too brands, respondents held significantly higher perceived social/physical risk ( $p \leq 0.01$ ), perceived financial/performance risk ( $p \leq 0.001$ ) and perceived psychological risk ( $p \leq 0.001$ ) than the Apple iPod. However, perceived time risk ( $p \leq 0.05$ ) was significantly higher for the Apple iPod than the me-too brands.

**Table 1: Descriptive Statistics for the Dimensions of Risk associated with Pioneer and Me-Too brands**

	Apple iPod (pioneer brand)		Other brands of MP3 players (me-too brands)	
	Mean	Std Dev	Mean	Std Dev
Perceived social/physical risk	2.11 <sup>a</sup>	1.20	2.40 <sup>b</sup>	1.41
Perceived financial/performance risk	3.41 <sup>a</sup>	1.45	4.05 <sup>b</sup>	1.40
Perceived time risk	3.23 <sup>a</sup>	1.43	2.98 <sup>b</sup>	1.35
Perceived psychological risk	2.56 <sup>a</sup>	1.30	2.95 <sup>b</sup>	1.48
Sample size	343		343	

*Note: Means denoted by a different subscript letter are significantly different from one another ( $p \leq 0.05$ ) using independent groups t-tests*

Finally, path analysis examined the model's hypotheses. As expected, the perceived equivalent quality of the MP3 players had significant positive effects on perceived social/physical ( $b = 0.83$ ,  $p \leq 0.001$ ), financial/performance ( $b = 0.59$ ,  $p \leq 0.001$ ), time ( $b = 0.76$ ,  $p \leq 0.001$ ) and psychological ( $b = 0.87$ ,  $p \leq 0.001$ ) risks for the Apple iPod (pioneer brand), supporting H1. Respondents appeared to perceive more risks about whether the pioneer brand would meet expectation and social approval for the time and money expended in purchasing it.

Also as predicted, the perceived equivalent quality of the MP3 players had a significant negative effect on perceived financial/performance risk ( $b = -0.31$ ,  $p \leq 0.001$ ) for the other brands of MP3 players (me-too brands), supporting H2. With the number of me-too brands that offer equivalent quality on the market, respondents seemed to find more assurance and perceive less risk in purchasing these brands. No significant effects were observed for the other three dimensions of risk, although there was directional support from each of these risk dimensions.

## **DISCUSSION AND CONCLUSIONS**

The primary aim of the current study was to examine the differential effects perceived quality had on perceived social/physical, financial/performance, time and psychological risks for the Apple iPod (pioneer brand) and the other brands of MP3

players (me-too brands). The constructs demonstrated reliability as well as convergent and discriminant validity and the majority of the hypotheses were supported.

Me-too brands posed significantly higher social/physical, financial/performance and psychological risks for respondents. However, time risk was significantly higher for the pioneer brand. This augurs well for the Apple iPod as it suggests that in spite of the aggressive competition mounted by the me-too brands on the market, consumers are still able to discern the competitive advantage offered by the pioneer brand, although they are taking more time to decide on purchasing it.

As hypothesized, the perceived equivalent quality of the MP3 players produced significant positive effects on perceived social/physical, financial/performance, time and psychological risks for the Apple iPod. Consumers who perceive the equivalent quality of the MP3 players on the market appear to associate more risk with the Apple iPod. Possibly, since the pioneer brand costs more to purchase, consumers may be more concerned that it might not perform nor be endorsed by significant others for the time and effort taken to purchase it. The Apple iPod may need to consider the implications of extending guarantees and warranties to allay such perceived risks.

Also as expected, the perceived equivalent quality of the MP3 players produced a significant negative effect on the perceived financial/performance risk for the other brands of MP3 players. Conceivably, consumers may perceive that the real quality in the me-too brands stems from the value-for-money they offer and the lower risks they pose. Since the key issues of cost and performance appear to be addressed by the equivalent quality of the me-too brands available on the market, the other dimensions of risk may not be applicable to this savvy market segment.



## **LIMITATIONS AND FUTURE LINES OF RESEARCH**

The sample in the current study comprised 348 undergraduate and postgraduate students from three universities in metropolitan Western Australia, which was representative of the university student population in Australia. Thus, the current study's exploratory nature introduced a decision-making framework of the university student market in Australia. However, the sample's size and geographic distribution limited generalizability of the findings. For the model to have general and cross-cultural applicability, it requires replication using different sizes and types of universities across countries and cultures (Noble et al., 2009) to strengthen confidence in the results (Alpert et al., 2001).

From the research, it is apparent consumers hold the pioneer brand in high regard, acknowledging that the brand meets social approval and provides assurance in terms of its high standards of performance and safety for the price it commands. This augurs well for the pioneer brand as it demonstrates it is still able to maintain its competitive edge. However, consumers seem reluctant to take the time to accumulate information about the pioneer brand's attributes, particularly when the financial outlay required by the pioneer brand is high. It may be worthwhile to explore the time/money tradeoff that consumers encounter in such situations. Given their time-poor lifestyles, are consumers willing to sacrifice leisure time by searching for information to reduce their risks (Laroche et al., 2004) or *not* sacrifice leisure time by buying pioneer brands at premium prices for the assurances they give?

In previous studies, females were found to be more risk-avoiding than their male counterparts (Levin et al., 1988; Verma and Sharma, 1990). Yet, it is possible that better education and improved social status may empower more women to be less susceptible to fear and anxiety and to perceive less risk (Carr, 2001). Further research is required to examine the impact gender has on the perceived risk associated with purchasing consumer electronics, which has traditionally been a male-dominated area.

Consumer retrieval of pioneer brands and identification of pioneer status are important issues for which additional sets of product categories should be tested. A number of additional issues remain to be addressed in future research. For instance, what is it about 'The Original' that makes this term more powerful than other terms

that communicate pioneer status (including 'The Pioneer')? Why do consumers misperceive pioneer status? What leads them to misidentify a particular brand as a pioneer? Will cross-cultural replication find differing degrees of enthusiasm for pioneer brands on the basis of differing core cultural values toward change (Alpert and Kamins, 1995)?

Finally, subsequent research could investigate why consumers reject specific pioneer and me-too brands. In some instances, the risk perceptions and motives may be intentional, where consumers make active choices. Active choices in rejecting brands may result from prior experience where a brand has neither met expectations nor shown compatibility with a consumer's image or morals. In other instances, the risk perceptions and motives may be intuitive, where consumers have no choice. Intuitive choices in rejecting brands may result from brands being expensive, unavailable and inaccessible (Lee et al., 2009). Understanding why and how consumers make these choices could provide fresh perspectives into issues of anti-consumption and brand avoidance.

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