

QUALITATIVE RESEARCH OF PLACEBO EFFECT ON MARKETING TOWARD PRODUCT PRICING

by:

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ABSTRACT

Placebo effect recently gain much attention from the side of marketing researcher strive to deepen their knowledge about the influence of various psychological concept on consumer behavior. It is well know that manipulating with various marketing variable (e.g. price change, packaging, distribution channels) can significantly influence the customer believe and expectation and hence change their perceptions of a product. This research is designed to have a clearer image and deeper understanding about the the placebo effect on price among the consumer. The method used in this research is the qualitative research methodology with case study research approach which will provide a descriptive insight about the placebo effect. The data for this research were gathered from observation, interviews and documents, which the sample is random people with different occupation to get an impulsive idea about the placebo effect. In the findings, there are several perspective about the placebo effect on price but the main point is placebo effect is the fundamental to determine the quality of the product. Never underestimate the power of mind over matter. Payment might change level of abilities and skills. True or not, pay customers what it is worth, not the lowest that can get away with, because it's the right thing to do.

Keywords: *placebo effect, product, price*

INTRODUCTION

Research Background

Beliefs and expectations, shaped by experiences in their daily lives, often influence their judgments of products and services. For example, consumers often believe and, therefore, judge lower-priced items to be of lower quality. Placebo effect recently gain much attention from the side of marketing researcher strive to deepen their knowledge about the influence of various psychological concept on consumer behavior. It is well know that manipulating with various marketing variable (e.g. price change, packaging, distribution channels) can significantly influence the customer believe and expectation and hence change their perceptions of a product, their consumption experience and even purchase behavior (Shiv, Carmon & Ariely 2005).

Placebo effect in marketing has not been studied through yet and hence there are a lot of directions of research that could be developed. One of possible directions that I'm going to develop is the product pricing and its influence to placebo effect products. Broad question that address in this research is, does price on product can be lead t placebo effect? for example buying product with higher price will determine if that product have higher quality as well.

There are two section on this research to occur the question, first using qualitative research with narrative descriptive approach in order to get the big picture of placebo effect. the second is trough observation in several point in order to get deeper records to support the question. The observation it self take place in Manado north Sulawesi, Manado has large number of people based on statistic Indonesia for Manado 2012, Manado has 204.502 men and 210.612 women, with monthly expenditure per capita by food product and non-food product is 568,399 per month. Furthermore it has larger number of activities going around it especially on

retail traditional market and modern market such as shopping center, the objective of observation is to compare the consumer behavior in both of the market to distinguish the placebo behavior.

Research Objectives

There are specific objective for this research, which is to know and understand. Why placebo effect can be cause by product pricing?.

THEORITICAL REVIEW

Theories

Marketing

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy the perceived needs, wants and objectives of individuals and organizations. (Arens, Schaefer, Weigold. 2013). Kotler (2011:7) define marketing is social process by which individuals and group obtains what they needs and what through creating offering and freely exchanging product and service of value with others.

Marketing Mix

Marketing mix is tools of marketing, or in other word, marketing mix is a part of marketing. Marketing mix is the combination of 4 P's that blend together to support the sales and create value to the consumer. Marketing Mix as the set of controllable tactical marketing tools; products, price, place and promotion that the firm blends to produce the response it wants in the target market, Kotler (2011:29)

Price

Shiplely and Jobber (2001) have mentioned that pricing is the only element of the marketing mix that produces income for the firm, while all the others are related to costs. Diamantopoulos (1991) has also argued that price is the most flexible element of marketing strategy in that pricing decisions can be implemented relatively quickly in comparison with the other elements of marketing strategy.

Placebo Effect

The term placebo is Latin for "I shall please", and was adopted into medical terminology to refer to a medicine given more to please than to benefit the patient. By the mid-1950s the medical profession's view of placebos had changed following a series of studies which demonstrated placebo interventions to have similar effects to active interventions. This led to a more contemporary definition of a placebo as "any therapeutic procedure (or that component of any therapeutic procedure) which is given deliberately to have an effect, or unknowingly has an effect, on a patient, symptom, syndrome, or disease, but which is objectively without specific activity for the condition being treated".

Previous Research

Irmak, Block & Fitzsimons (2005) found Results compelling evidence that marketing activities can lead to substantial placebo effects. As in SCA's research, the placebo effect that we observed led to changes in the participants' experience with the efficacy of the product. Notably these placebo effects were only observed for highly motivated participants. Berns (2005) state Striatum activity should track the price that people pay for the beverage, being lower than baseline in the reduced price condition, at baseline in the full-price condition, and above baseline in the above-price condition. Rao (2005) comments on the research of Shiv, Carmon, and Ariely (2005) and develops the concept of placebo effect in marketing by focusing on the price quality relationship. Stewart (2004) gives an overview of four concepts that are hypothesized to contribute to placebo effect: expectancy theory, emotional change theory, classical conditioning, and the biological approach

RESEARCH METHOD

Type of Research

Qualitative research builds its premises on inductive, rather than deductive reasoning. It is from the observational elements that pose questions that the researcher attempts to explain. The strong correlation between the observer and the data is a marked difference from quantitative research, where the researcher is strictly outside of the phenomena being investigated Williams (2007). Czarniawska (2004:17) define narrative is understood as a spoken or written text giving an account of an event/action or series of events/actions, chronologically connected. Kvale (1996) defined the qualitative research interview seeks to describe and the meanings of central themes in the life world of the subjects.

Place and Time of Research

The present research will be conducted in Manado area (North Sulawesi, Indonesia) and The present research is expected to be on process within 3 months, period of July to September 2014.

Social Situation

In qualitative research there is no "population" term but only social situation. Spradley in Sugiyono (2007:49) stated the social situation separated into three elements: place, actors and activity that interact in a synergic way. This research will focus on the placebo effect toward product pricing.

Data Collection Method

This research used primary data which is obtained from individual interviews and through non-participant direct observation and also secondary data which is obtained from the internet and several types of document like books and journals.

Research Procedures and Data Analyzing Process

Chenail (2011) explained there are ten steps to conduct a qualitative research and Thomas (2006) inductive analysis process for qualitative data.

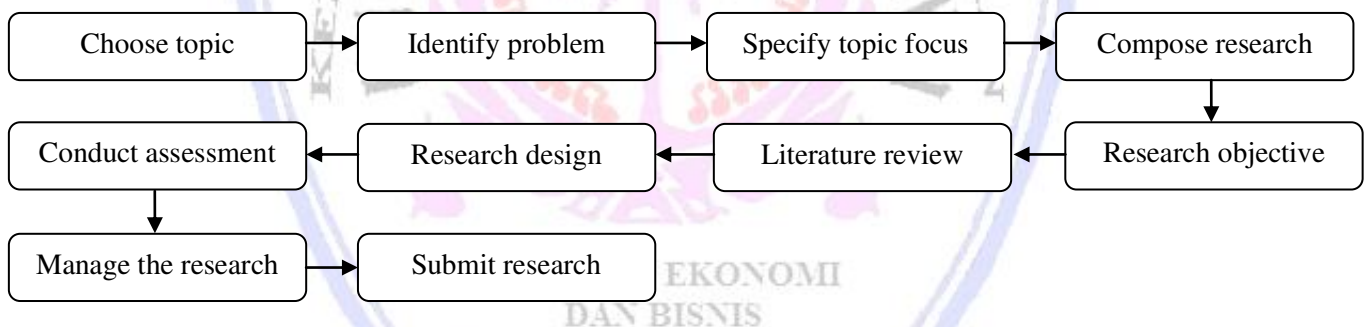


Figure 1. Ten Steps to Conduct Qualitative Research Source: Chenail (2011:1715-1721)

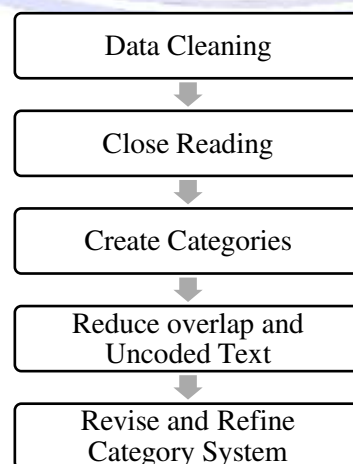


Figure 2. Inductive Analysis Process Source: Thomas (2006, 241-242)

Validity and Reliability

Creswell (2007:206-207) stated that in attempt to assess accuracy of the research findings, the qualitative research needs a validation. Validation should be processed in the field with an extensive amount of time, really detailed description of the situation, and the close relation between the researcher and the informants concerning the research give more value to the accuracy of the research. In Sugiyono (2007:117-118), the qualitative research is more specific to credibility (internal validity), transferability (external validity), dependability (reliability) and conformability (objectivity).

RESULT AND DISCUSSION

Results

The interview conducted using semi-structured interview with the help of ten (10) participants around the researcher reach. The participants are people with different occupation. The result Most Participant agree with the statement higher price equal to higher quality because they put their need of product in high level that even price does not come really matter, but some of them believe price on placebo effect on price is a one of the factor to determine the quality of the product, there are view factor that they mention such as physical evidence, packaging, experience, expectation and the brand of the product it self. From observations there are several points that can be found. Trend that happening on the community can be lead to placebo effect behavior and also the social lifestyle that consumer willing to pursue

Discussion

In 2005 Shiv and his fellow researcher conduct the experimental research on placebo effect on price, they to prove the influence of marketing actions (in particular, price promotions) on the actual efficacy of products. Moreover the he focuses on the role of expectations in mediating placebo effect (higher expectancy level lead to greater placebo effect) One of the main findings is that non-conscious expectations about the price-quality relation can influence consumers and encourage placebo effect. There are view factor that influence to placebo effect on price, packaging, people expectation and also social life can direct to placebo effect. People put into different perspective to placebo effect based on their social environment, it shape their knowledge and mind set, young people lean to placebo effect because their social life like buying specific brand to boost their social anxiety. Other person sees placebo effect on price as quality control to determine whether the product has a good quality or not. With high price product on market people would expect something better with it

CONCLUSION AND RECOMMENDATION

Conclusion

Placebo effect on price are shape with different kind of perspective packaging, people expectation and social life with price as their shortcut to determine the quality of the product. Higher price equal to higher quality are assume as their fundamental to make purchasing.

Recommendation

Consumer should never underestimate the power of mind over matter. Brain creates most of peoples reality in ways not always consciously aware of. Conversely, don't overestimate the power of reasoning or logic. By keeping a realistic view of own mind's capabilities, Consumers be able to make smarter decisions.

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