

COPENHAGEN BUSINESS SCHOOL

Price Sensitive Consumers' Reactions to Upscale Technology

By

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A Master's Thesis in MSc. in Business Administration and Information
Systems

Student nr: 51943, Pages: 62, Characters: 131,286

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September 17, 2018

Abstract

The aim of this study is to understand how price sensitive consumers react towards upscale technology products and its prices. Furthermore, how such insights can be used for effective pricing strategies.

In order to make the research more focused the upscale technology brand Apple and their products, in particular the iPhone X, are used as a case example.

To meet the aim for this study, the research method consist of 12 semi-structured interviews with a sample frame concerning university students in Denmark who are considered to be a sensitive consumer target group. The conducted interviews reflect and draw on the framework; the emotional side of price by O'Neill & Lambert (2001) and are concerning the following propositions; P1: price affect will be associated with product involvement, P2: Price affect will be associated with price consciousness, P3: Price affect will be associated with internal reference price, P4: Price affect will be associated with price-quality inferences. To identify key meanings and opinions from the interview, an analysing process of summarizing is used and a theory driven thematic analysis is made.

The findings from the theory driven thematic analysis showed that products and pricing generates multiple affections. The key findings regarding the propositions, first product involvement (P1), showed that the interview participants were highly involved with Apple and their products. Though, in regards to the interviewees' high price consciousness (P2) towards the price of the iPhone X, the interviewees' high product involvement (P1) was not enough to make them buy the upscale technology product. This is because the interviewees' internal reference price (P3) was crossed and when a price exceeds a consumer's internal reference the consumer will often develop negative price affects and most likely turn away from a purchase. Furthermore the high price of the product made the interviewees question the price-quality relationship (P4), which they found unrealistic. These findings could be critical for Apple's sales, therefore acknowledgments, and recommendations in regards to price sensitivity measurement, pricing objectives, and pricing strategies such as bundling pricing and dynamic pricing are suggested

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1. Introduction

The technology industry is growing and new competitors are constantly trying to enter the market in an exploding pace. This is because of the rise of the World Wide Web in 1989 and the great possibilities of data gathering and information sharing that it has brought the technology industry (Officer, 2016). This constant development puts a pressure on the competition and the means used to stay in the market (Reiff, 2018). These means often consists of elements from the marketing mix, emphasizing: the *Product* and its qualities, the *Price*, the *Promotion* of the products, and the *Placement* of the products (Cleverism, 2014). A very crucial element to look further into is product pricing. This is because prices are the companies' proposition for income and profit, which also enhances and have impact on which activities the companies can do and which possibilities they have in the future (Cleverism, 2014).

Traditionally, companies have either been under pressure to initiate a price war in order to position themselves as cost leaders against their competitors, or to differentiate themselves by offering upscale technology products at a premium price, letting the perception of high quality speak for the price, using a differentiation strategy (Porter, 1980). The question is now if companies acknowledge or know the affects i.e. emotions and reactions that pricing can have on their consumers' mind both on a short and a long-term basis. Furthermore if the companies acknowledge that it might no longer be enough to compete as either cost leaders or using a differentiation strategy, because the parameter of price affects and perception has become crucial. In relation to this Heda, et al. (2017) emphasize that it has become a critical matter for companies to manage price perception in order to make pricing as effective as possible and states that; "how customers perceive a price is as important as the price itself"(Heda, et al., 2017). Because of the great market competition, the modern consumer has the possibility to choose between various products and prices in the same product range (Frory, 2016). This fact has given the consumers great power to demand what they want and to shift to another product or service if they are not pleased (Frory, 2016). Consumer emotions and reactions have therefore become an interesting matter, in order to understand its influence on buying decisions (Murray, 2013).

The concept of price perception; which indicate how consumers think and feel about a price in relation to a buying process and the concept of price affects; which considers the emotional and physical reactions towards price in relation to consumer behaviour, do not trace far back, as classical economics dominated the research before 1980 (O'Neill & Lambert, 2001) (Francis, 2017). Classical economics looked at consumers as rational beings, choosing the best choice of action, taking into account all available information and potential cost and benefits in order to maximize advantage and minimize losses (Cummins, E., 2018). Then in 1982, some of the earliest researchers in this area emphasized that knowledge in price affects i.e. emotions and reactions could give a deeper understanding of purchase decisions and that emotions and reactions upon these could be the primary motivator for consumer behaviour (Holbrook & Hirschman, 1982). Later on the acceptance and research grew further as affects had seem to have influence on various marketing phenomena. Furthermore in relation to price affects, it was found in a study that consumers' perceptions of price was evaluated through the concept of fairness, which would be developed through emotional affects and cause an effect in consumer behaviour as well (Zeithaml, 1984).

At the same time in the 1980's, studies and research on consumer price sensitivity were conducted as well. This, in order to understand how companies could make efficient pricing strategies based on knowledge about consumers' sensitivity (Lewis & Shoemaker, 1997). The price-sensitivity measurement should seek to understand the highest and the lowest amount of money that consumers would pay for a given product. This should help companies determine upper and lower limits for their pricing strategies in different target groups (Lewis & Shoemaker, 1997). Later on the price-sensitivity measurement was further developed on by Peter H. Van Westendorp, a German economist, who created a price sensitivity meter that should help to determine the psychologically acceptable price for a product in a particular target group (Lewis & Shoemaker, 1997). These tools, which looked into price sensitivity, made it possible for companies to make efficient pricing strategies based on knowledge of consumer sensitivity and price perception (Lewis & Shoemaker, 1997).

Practical examples of companies in various markets who have failed to understand how their pricing strategies are perceived, as well as examples of how some have succeed can

be found. To give an indication of how consumers' buying decisions can be affected by price perceptions and emotions, the example of the Danish telecommunication company Oister is presented. In 2017 Oister chose to raise their subscription price by approximately 10 DKK, this was done even though they had marketed the promise of keeping the price for a subscription the same forever. Even though the raise in price does not seem like a lot, customers felt like they were treated unfair, which made them develop negative affects toward the company and their services. This resulted in decreasing sales as consumers chose to turn away from buying decisions and resulted in Oister being hit by a shit storm of complaining and furious consumers (Andersen, A. 2017).

From the Oister case and their negative experience with consumers' sensitivity and price affects, to a huge company that have accomplished to succeed in taking its customers sensitivity and price perception into account is Taco Bell. Taco Bell decided to make use of a price-sensitivity measurement to help them create a value-price menu. From this measurement on great amounts of research data, they found that their product should be sold in bundles as their consumers perceived great value for the money when the price were including more products (Lewis & Shoemaker, 1997). As Taco Bell took the consumers sensitivity into account before presenting their offer, they were already prepared on how the consumers would react to the price, as it would align with what the consumers found fair.

The theories and the examples above, illustrates that there is a market problem. Therefore this study will enlighten and draw attention to how consumers' emotions and price sensitivity can affect price perception. This is because companies need to acknowledge that the consumers' perception, sensitivity, and reactions to price can determine a company's success or failure.

In order to investigate and understand how consumers is affected and react to prices, a framework considering the emotional side of price by O'Neill & Lambert, (2001) is applied. The framework emphasize that price affects i.e. emotions is associated with product involvement, price consciousness, internal reference price, and price-quality inferences. This framework is based on the earlier research emphasizing that emotions and reactions can give a deeper understanding of purchase decisions and that emotions and reactions upon these could be the primary motivator for consumer behaviour (Holbrook &

Hirschman, 1982). Furthermore the concept of price fairness perception is looked into to understand how different consumers or target groups evaluate price (Dooley, 2011)(Kuester, 2015) (Bolton et al., 2003).

As price sensitive consumers are likely to be affected by factors regarding pricing, it is especially this target group who companies need to put focus on. This is because these consumers can easily be affected to turn away from a purchase. In extension to this it is important to understand and explore how price sensitivity can be measured, in order for companies to prepare and make pricing strategies that align with their consumers' perceptions and expectations. The concepts of price sensitivity and elasticity of demand will be discussed as possibilities for companies to make efficient pricing strategies (Investopedia, 2018). The findings and insights of this research and study will further be used to look into effective pricing strategies (Cleverism, 2014). First looking into the various pricing objectives and then how a pricing strategy can be developed (The Economic Times, 2018).

The competitive technology market and the problem in the market of not having enough focus on price perception, consumer reactions, and price sensitivity in relation to their pricing strategies, builds the ground for the following problem statement; How do price sensitive consumers react to upscale technology? How can such insights be used for effective pricing strategies?

To respond to the research questions, this study will be based on an Apple case. This particular Apple case is interesting because it exemplifies which consequences upscale technology and its prices can have on sensitive consumers and their affective reactions towards purchasing.

In 2017 Apple launched their upscale technology product the iPhone X, which is the latest version in the series of iPhones. One remarkable component of this new launched product was its price. Opposite other competitors the product price were not lowered as a part of a price war, but instead it reached the highest price for an iPhone ever. After first quarter of the sale, the production of the iPhone X was decided on to be lowered by half the amount as expected due to decreasing sale (Breinstrup, T., 2018).

Apple, which Forbes Magazine announced The World Most Valuable Brand of 2017 (Badenhausen, 2017) is an extremely recognizable brand and with their Apple Macintosh

logo, most people would find it familiar and connect it with iPhones, MacBooks, and technological innovation (Schild, 2018). Though to be a part of the “Apple world” consumers must pay a certain price. The CEO, Tim Cook, admits in 2016 that the product prices, especially their iPhones is a bit steep (Hein, B. 2016, May 26). He also acknowledges that the Apple fans, from developing nations finds it hard to pay the price of their products. This problem calls for new adapting pricing strategies in order to develop their market (Hein, B. 2016, May 26).

Because of the Apple hype people most likely associate certain emotions towards the brand and the products. The emotions and physical reactions towards a brand and their products can affect how people choose to involve with the products, their price consciousness, their internal reference price, and perceptions towards the relationship between price and quality. Therefore it is interesting to look into how price sensitive consumers as university students in Denmark, reacts to the upscale technology products that Apple provides especially the iPhone X. This, in order to understand the decrease in sales after the premium pricing strategy, as well as to understand and suggest how Apple could work further on their pricing strategies, with help from knowledge about price perceptions, price sensitivity and elasticity of demand.

The epistemology of the study builds on a social constructivist philosophy, as it is the subjective meanings and social constructions, which shapes what the truth is (Saunders, M., et al., 2016). The Ontology of this study, concerning what is the nature of reality, is building on psychology and psychological terminologies and is taking a subjectivist approach, which means that social phenomena are developed from perceptions and actions of social actors. This approach is also related to social constructionism, which means that the reality is socially constructed (Saunders, M., et al., 2016).

The method builds on both a primary and secondary data collection, the primary data collection is grounded in qualitative research, and this interpretive data collecting method enables an investigation of the subjective and socially constructed meanings and affects. The qualitative research method for this study consist of 12 semi-structured interviews with a sample frame concerning university students in Denmark who is considered to be a sensitive consumer target group.

The conducted semi-structured interviews reflect and draw on the propositions and framework of O'Neill & Lambert (2001). This makes it possible to find relationship between primary collected data and secondary existing knowledge in order to work further on how this knowledge can be used for future suggestions in regards to effective pricing strategies (Saunders, M., et al., 2016). The framework is emphasizing on four propositions of how price can affect people and furthermore how different people can evaluate price. These four propositions are concerning *product involvement*, *price consciousness*, *internal reference price* and *price-quality* and their relationship (O'Neill & Lambert, 2001). These propositions are therefore grounding for the interview themes. Furthermore the concept of price fairness is represented as a theme as well, as it is related to affective reactions. To identify key meanings and opinions from the different interview themes, the analysing process of summarizing and theory driven thematic analysis is used (Saunders, et al., 2016). The thematic analysis is an approach that emphasizes the search for themes or patterns that occurs in the collected interview data, using themes and coding under each of these (Saunders, et al., 2016). This process is used in order to build ground for the analysis and discussion.

In relation to the secondary data used, it includes documentary secondary data, as journals and newspaper articles are used to supplement and help to understand primary findings based on information from earlier observations (Saunders, et al., 2016). This is especially in regards to the literature concerning consumer emotions and the observations and research on this, furthermore the understandings of price fairness and the measurements of price sensitivity. Through a literature review on the research area, a likely availability of the secondary data was established (Saunders, et al., 2016). The secondary data for this research was mainly located on online databases as Libsearch and Google Scholar, as well as in online magazines.

The research and findings of how price sensitive consumers react to upscale technology and how the insights on this can be used for effective pricing strategies have implications for a potential wakeup call for companies. This is for companies that are missing the understanding of how pricing strategies, consumer reactions, price perceptions, and price sensitivity can have major consequences on their sales and reputation in the business landscape. This research can help companies to look into their pricing objectives and

pricing strategies so these can be optimized and made the most effective in relation to their target group.

In order to investigate the research area and to uncover the problem statement, the structure is as follow. First the Theoretical foundation chapter is presented which emphasizes the concepts and thoughts building ground for the investigation in the research area. Then the Methodology chapter presents the thoughts behind as well as describes the methodological approach and process in detail. From the Methodology chapter, the Findings chapter is presented; here the findings are emphasized. Then the Analysis and Discussion chapter argues for relationships between the findings, and the theory is applied and discussed. In extension to and based on the insights in the relationships, recommended emphasis, and pricing strategies for Apple is discussed. At last a conclusion of the findings and the discussion will be presented.

2. Theoretical foundation

This chapter will explain and emphasize the propositions about the emotional side of price and the concept of price fairness. This is in order to understand how reactions and perceptions towards price can be affected. Furthermore it will go into depth with price sensitivity and price elasticity of demand to gain an understanding of how product prices can affect consumers purchasing behaviour. This is in relation to price sensitive consumers and their reactions towards upscale technology products such as Apple and their products prices. Afterwards the concepts and theories of effective pricing and pricing strategies will be elaborated on. These frameworks and concepts will be the foundation for the research, the analysis, and discussion.

2.1 Background

Since the 1980's the focus and research in consumers affects i.e. emotions and reactions in relation to marketing has become more popular and recognized (Ervelles, 1998). This is because of the realization that earlier cognitive models have been inadequate in understanding and explaining consumer-purchasing behaviour. Affects, is a term covering emotions, moods, and reactions, the knowledge about these, have given the research richer insights in consumer purchasing behaviour (Ervelles, 1998). Though the research of affects has often been challenged, as it has previously been difficult to concretize what to observe, identify, and measure when researching emotions and reactions (Ervelles, 1998). Therefore since then propositions on how consumer affects relates to price and measurements on sensitivity has been developed in order to understand a relationship between pricing and purchasing behaviour, these will be emphasized further on through this chapter (O'Neill & Lambert, 2001).

In relation to the evolving research on consumer emotions and price sensitivity area, is the rise of the modern and unpredictable consumer. The modern consumer is characterized as consumers being influenced and exposed to a large amount of social channels, advertisement, and competitive brands (Target Data, 2018). Because of this the consumers becomes familiar with a variety of products and is more open to explore different products, in order to find one that matches their needs (Target Data, 2018). The more options a consumer has to fulfil their purchasing needs, the less loyal they tend to

be. Furthermore because of the massive possibilities from competing products, the consumers can become more price sensitive as competing companies is pushing each other to lower their prices (Target Data, 2018). As the modern consumer has become empowered due to the market competition, it has become even more important for companies to acknowledge consumer emotions in relation to price, as well as look into their price sensitivity. This is because it can be an important factor in relation to the development of pricing objectives as well as pricing strategies (Lewis & Shoemaker, 1997).

2.2 Price affects - The emotional side of price

Price affects are a concept that emphasize on the physical and emotional reactions in relation to customer behaviour. This concept has gained a lot of attention the recent years in relation to marketing, as it is perceived valuable to have insights in consumers' affects towards a product or service and its price (O'Neill & Lambert, 2001). Gaining insights in consumers affective reactions towards price can help businesses to better understand consumers decisions making processes, furthermore is can help to develop adaptive and effective pricing strategies (O'Neill & Lambert, 2001).

In order to understand and find a relationship between the affective reactions towards price O'Neill & Lambert (2001) propose four propositions. These are as follow:

- P1: Price affect will be associated with product involvement.
- P2: Price affect will be associated with price consciousness.
- P3: Price affect will be associated with internal reference price.
- P4: Price affect will be associated with price-quality inferences.

To understand how product involvement, price consciousness, internal reference price, and price-quality inferences can generate affective reactions, the concepts will be emphasized further on here.

2.2.1 Product Involvement

O'Neill & Lambert (2001) emphasize product involvement as the way consumers are emotionally and physically involved with a product. This could be their interest and perceived importance of wanting or having a product. The product involvement is an important element for the rest of the propositions.

First in relation to *price consciousness*, which reflects the focus of getting a product at a low price, the product involvement can have the affect of making people willing to pay more for a product they are emotionally or physically involved with, which results in a lower price consciousness. Secondly in relation to the *internal reference price*, which means the price that consumers expect to pay for a product. The more people are involved with a product, the more people are willing to pay for the product, this increase the consumers internal reference price as the product involvement can generate a standard price for a product range. Thirdly in relation to *price-quality*, consumers who are highly involved with a product tend to relate quality with that product, as they associate it with important components of functionality and their social life.

2.2.2 Price Consciousness

Price consciousness is a concept concerning consumers desire for a low product price. In other words it is the consumers price sensitivity in relation to price differences. The concept is important as it is the price consciousness that plays a big role when it comes to decision making, if the price are greater than the consumers internal price limits, the consumer can be affected and choose not to buy. In relation to *internal reference price*, price conscious consumers will have a low internal reference price, and opposite if the consumers have a high internal reference price, because of high product involvement, the price consciousness will decrease (O'Neill & Lambert, 2001).

2.2.3 Internal Reference Price and Price-Quality Inferences

The internal reference price is in close relation to the price consciousness as explained in the above section. Furthermore the internal reference price is concerned with the

perceptions consumers have with similar competing products or previously experienced prices of similar products.

The internal reference price is also closely related with the perceptions of *price-quality inferences*, this is in regards to consumers that believe that products at high prices is at a higher quality as well, in this matter their internal reference price will be higher too (O'Neill & Lambert, 2001).

2.2.4 Price fairness

In relation to price affects and the emotional side of price, the concept of price fairness is important to address. The perception of fairness or unfairness of a price can have important consequences for decision-making and buyer behaviour (Dooley, 2011).

There is not always one single perception of a price's fairness, as it can depend on various factors such as society, culture, income, product involvement, price consciousness, internal reference price, and price-quality inferences (Dooley, 2011). Though it is important for businesses to be aware of the perceptions consumers have about their product prices, as they can use it to gain insights in their customers buying behaviour and further be able to affect consumers.

The perception of price fairness is often judged by comparing a product or service to reference transactions and similar product prices. Consumers also tend to use existing products prices to judge whether a new product and its price is fair or unfair (Kuester, 2015). Especially when evaluating the price of a new product the price fairness can be affected by the expected perceptions of what the price should be based on reference prices, which can create a negative experience if the price of a new launched product does not meet the consumers' internal reference price.

Furthermore the price perception can influence the intention to buy in both a positive or negative way, therefore it is important for a company to acknowledge their target group as both positive and negative word of mouth attention can affect their income and reputation (Malc, et al., 2016).

A study by Bolton et al. (2003) states and investigates three reference points that consumers use when deciding on whether a price is fair or not. These are; past prices (looking back over time), competitor prices (looking across firms, and what they are

offering), and costs (looking within the firm). Bolton et al. (2003), emphasize that when one or more of these reference points are evoked, the perceptions of the price fairness is made through judgments on the difference between a given product price and the three reference points. If the price fits favourably with the three reference points, the price of the product is perceived as fair and opposite if it does not align with the reference points the price is perceived as unfair (Bolton et al. 2003).

Another important factor for the perception of price fairness is personal income and social comparisons. These factors can have huge consequences of who becomes a company's target group and can create a certain image or perception of the product or service (Malc, et al., 2016). The price of a product can therefore influence consumers differently, based on their product involvement, price consciousness, internal reference price, and price-quality inferences.

To further understand the concept and influences of price fairness, a study shows that consumers tends to believe that the price of a good or service in general is higher than the fair price. The Bolton et al. (2003) study emphasize that this often happens because consumers internal references and sensitiveness of price difference seem to; "underestimate the effects of inflation, over attribute price difference to profit, and fail to take into account the full range of vendor costs" (Bolton, et al, 2003).

Knowing about the possible affects that these above concepts can have, it is important to look into which effects price sensitivity can have and why knowledge about this can be important for a company to acknowledge. Furthermore acknowledge which pricing strategies that are the most effective, in order to create positive price affects and a fair perception of prices.

2.3 Price Sensitivity

The concept of price sensitivity concerns how consumers are affected by price changes, in regards to their purchasing behaviour. If a company raises a product price, the price sensitivity would become visible by looking into the demand of the product (Staff, 2010). If the demand decreases after a price increase the price sensitivity has become greater, and opposite if the price is increased and the demand is the same as before the price change,

the price sensitivity is considered to be low (Staff, 2010). Price sensitive consumers can therefore be expected to be affected by raised prices that could have an impact on their purchasing behaviour. Therefore companies can use knowledge about product price sensitivity to develop towards effective and optimal pricing strategies. The method to gain knowledge about price sensitivity is known as the elasticity of demand. The elasticity of demand enables a company to measure change in quantity demanded in relation to a price change and is expressed mathematically as; $\text{price elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$ (Staff, 2010).

If the consumers still demand a given product even though the price has been raised, it means that there is an elastic demand whereas if the demand decreases when the price is raised it means that the demand is inelastic. In order to find the most efficient price, a company should seek to find the equilibrium price, which is the price where supply and demand are balanced (Staff, 2010).

Price sensitivity can be influenced by different elements, one element is the product and its uniqueness, this means that if the product offers a special value or has few substitutes consumers tend to be less price sensitive. Another element is the consumers' income, which can have a great influence on their price sensitivity (Staff, 2010). Managing price sensitivity can therefore be an important step in developing the right pricing strategy. One effective initiative such as adding value to a product instead of changing the price, has showed it self to be a powerful tool to lower price sensitivity (Lewis & Shoemaker, 1997). Insights and acknowledgement of price sensitivity therefore says a lot about a target group and can be very important for a company to understand and look into in order to find the most effective pricing strategy.

2.4 Pricing strategies

When a business sells a product or a service they can choose between several pricing strategies. There are pricing strategies for different kinds of goals, which can end up having great impact on consumers' decision-making and thereby the sales, profit, and brand perception. A too low product pricing could give an indication of poor quality, which can give the brand a cheap reputation, and opposite a too high price can make consumers turn away from a purchase. Therefore a business need to acknowledge the importance of

knowing themselves and their consumers in order to stay competitive and reach their business goal (Bhasin, 2018).

Because of the great consequences pricing strategies can have, pricing is one of the most important components of the Marketing Mix, which consists of the four P's; Product, Price, Promotion and Place. The Marketing Mix is a marketing tool for businesses to take actions or to make tactics in order to promote a brand or product on the market (The Economic Times, 2018). The marketing P's will briefly be described, whereas the component price will be the main component emphasized in order to go into depth with pricing strategies.

Product; is concerning the actual product or service being sold, the way a product functions, feels, and look can have a huge impact on how it is perceived, furthermore it can affect the consumers experience. **Promotion;** is concerning the activities and initiatives made to inform and expose the product or service to the consumers. Promotion can consist of advertisement, press, direct marketing etc. **Place;** is concerning the place where the product or service is exposed in order to catch the consumers eye and to sell, also called the point of sale. The placement can be very important for the brand, as there is great competition in getting the consumers attention (The Economic Times, 2018).

Price; is considered one of the most important components of the marketing mix, because it is the only source of income, whereas the others are cost generators (The Economic Times, 2018). Pricing is therefore crucial for a business as it determines what other activities a business can afford. Price is concerning the value in money for a transaction between two parties. The buyers have to give something (the price) to gain something (the product or service) from the seller.

“Pricing is a complicated element, which need to reflect supply and demand, the actual value of the object, and the perceived value of it in the mind of the consumer” (Cleverism, 2014).

Because of changing environments and competition, the factors from the above quote can shift and make the prices shift, due to market changes. This is important for a business to acknowledge, as they need to adapt to the environment, because if a product price does

not meet these above criteria, it can be too low or too high, which can have negative consequences for the business' sales and reputation. In order to define the right price, to ensure to meet the criteria of; supply and demand, actual value, and perceived value, a business needs to carefully investigate; the market, consumers expectations, and their own strategic objectives. Pricing can for an example be used as a trigger for first impressions, which means that the price of a product or service can make the consumer form a perception of the product or service quality and relevance as soon as they see and experience the price (Cleverism, 2014).

2.5 Business objectives for pricing

Before a business decides on which strategy that will be the most effective pricing strategy for them, they need to look into what their objectives and goals for the pricing strategy is. These can vary between the following; *profit maximization*, *revenue maximization*, *maximize quantity*, *maximize profit margin*, *quality leader*, *partial cost recovery*, *survival*, and *status quo* (Cleverism, 2014). *Profit maximization* is a pricing objective that seeks to maximize profits due to the revenues and costs in business. A *Revenue* maximization is a pricing objective, seeking to increase revenues, which can lead to an increase in market share and result in lower costs in the long term. *Maximize quantity* is a pricing objective with focus on producing and selling large number of products in order to decrease costs in the long term. *Maximize profit margin* is a pricing objective with focus on increasing the profit margin for each unit, instead of focusing on the total number of units sold. *Quality leader* is a pricing objective using price to signal a high quality as they wish to be perceived as quality leaders on the market. A *partial cost recovery* is when a business owns several revenue streams, and they do not need to focus on the recovering of all its costs. *Survival* is a pricing objective used to cover a business costs to stay in a competitive market. Due to a competitive market survival may be the first priority and cost generator. *Status quo* is an objective with focus on maintaining a stable price, in order to avoid a price competition with other competitors in the market (Cleverism, 2014). Through these objectives it can be made clearer for a business which pricing strategies they need to relay on and invest in. A business' objectives can change over time due to the environment and thereby the business' pricing strategies can change as well. Some of these pricing

strategies will be elaborated on in the following, in order to give knowledge of effective pricing strategies.

2.6 Pricing strategies

Competition pricing is a strategy that can enable a business to compete against similar product or services. Here the purpose is to either make the price higher in order to create a perception of higher product quality, or to set the price as the same as the competitors' to show consumers that they get more value for the same price as the competitors', or to lower the price to attract a wider target range (Cleverism, 2014).

Premium Pricing is a strategy used to state that the product is a luxury and exclusive. This is done by setting the price high, which creates a certain perception and image in the consumers' mind. The effective component of the strategy is that the product brand therefore will be recognized and build a reputation of exclusiveness (Cleverism, 2014).

Bundling pricing is a concept where two or more separate products are bundled together in one package. The strategy can be seen as an effective and persuasive strategy, as the consumer cannot easily evaluate the value or price for each separate product in the bundle. In extension to this, the consumer cannot evaluate the fairness of the deal, and therefore negative perceptions of the deal can be minimized (Dooley, 2011).

Dynamic pricing is a pricing strategy that makes it possible for the seller to charge different prices for the product to different buyers. Therefore the strategy is often referred to as individual-level price discrimination. The effectiveness of charging different prices in different consumer segments is that it can help on the consumers' fairness perception, as the price can be customized to their internal price limits (Haws & Bearden 2006).

From the presentation of the theoretical background, the frameworks and concepts for the Analysis, and discussion have been clarified. Below the methodological choices for this research will be clarified.

3. Methodology

This chapter introduces and uncovers the research philosophy as well as it goes through the methodological approach used to understand and work with the literature and data obtained in the process. Furthermore the qualitative methods for the data collection will be elaborated on.

3.1 Research philosophy

Research philosophy concerns the beliefs and assumptions there is in the development of knowledge. The assumptions undertaking a research are shaping how the uncovering and understanding of the research problem is executed and developed. This means that it will affect the methods chosen and the interpretation of the findings. Therefore it is important to acknowledge the assumptions used (Saunders, et al., 2016).

Grounding for this research, investigating and working towards uncovering the following research is the epistemological assumption, social constructionism. The research philosophy, epistemology, concerns how knowledge is created and in relation to social constructionism it enables the acknowledgement of the difference in people's perceptions and emotions regarding price, based on their various engagements (Crotty, 1998). Furthermore it emphasizes that truth, meaning, and reality is created from the engagements that people are in. This also concerns, that different people might construct a different meaning and reality based on various cultures and social interactions. It is therefore the subjective meanings and social constructions that shape what the truth is (Saunders, M., et al., 2016).

The Ontology of this study, concerning what is the nature of reality, is building on psychology and psychological terminologies and is taking a subjectivist approach, which means that social phenomena are developed from perceptions and actions of social actors. This approach is also related to social constructionism, which means that the reality is socially constructed (Saunders, M., et al., 2016).

The following focus will be on the reasoning's that lies behind the choice of research problem and how it will be emphasized.

3.2 Theory development approach

In order to develop towards the use of theory there exist three reasoning approaches, these are the deductive reasoning, the inductive reasoning, and the abductive reasoning. The following explanations will briefly touch upon each, and then go into depth with the reasoning used for this research (Saunders et al., 2016).

The deductive reasoning goes from the general to the specific, and use data collection to test hypothesis. The findings can then be used to falsify or verify the stated theories (Blaikie, 2007). Whereas *the inductive reasoning* goes from generalizing from the specific to the general, here the data and literature obtained can be used to explore and “create” new frameworks or theories (Blaikie, 2007). Last is *the abductive reasoning*, which concentrate on the propositions with the fewest assumptions should be favoured, thereby it goes from a particular observation to a satisfactory hypothetical explanation. This means that after an observation, it is possible to draw on existing knowledge and then come to an abduced conclusion. The aim is to: “describe, understand and explain social life in terms of social actors’ motives and understandings” (Blaikie, 2007).

In order to work with and investigate the research problem, this study is based on an abductive reasoning approach. This is because the research strives to investigate, observe, and explain how people respond towards price and how they are affected by it. Therefore the data collection will draw on existing knowledge from the framework of O’Neill & Lambert (2001) who are emphasizing four propositions of how price can affect people and furthermore how different people can evaluate price. As well as on existing knowledge of concepts and perceptions of price fairness, price perceptions, and price sensitivity. Thereby the primary observations combined with the secondary existing knowledge should enable this research to work towards an understanding of which pricing strategies that would be most suitable for Apple to pursue (Josephson & Josephson, 1994).

The abductive reasoning’s aim is to understand and describe social life, in relation to this research; how price sensitive consumers are affected and react towards upscale technology and its prices. The reasoning approach has its start in discovering everyday concepts and its meanings and motives, and finish by developing an understanding that can be elaborated on (Josephson & Josephson, 1994).

From the theory development approach and the clarification of the use of the abductive reasoning, the following emphasis is on the methodological choice.

3.3 Secondary data collection

To gain insights and to answer the problem statement, there will be made use of secondary data. This is because secondary data can provide contextual data, which means that it is possible to understand and use the primary collected data in general context (Saunders, M., et al., 2016).

In relation to the secondary data used for this research, it includes documentary secondary data, as journals and newspaper articles are used to supplement and help to understand primary findings based on information from earlier observations (Saunders, et al., 2016). This is especially in regards to the literature concerning consumer emotions and the observations and research on this, furthermore the understandings of price fairness and the measurements of price sensitivity. Through an evaluative literature review on the research area, a likely availability of the secondary data was established (Saunders, et al., 2016). The secondary data for this research was mainly located on online databases as Libsearch and Google Scholar, as well as in online magazines. The secondary data used in this research are founding for the following methodological approach, as the qualitative method is based on existing knowledge from secondary data.

The secondary data used as foundations for this research is elaborated on in the theoretical framework chapter.

3.4 Methodological approach

3.4.1 Qualitative method

In order to gain insights in price sensitive consumers emotions and meanings concerning how upscale technology products as Apple is affecting them, this research will make use of a qualitative method. A qualitative research design is concerning a data collecting method that focus on interpretation. In relation to this research's problem, it is important to make sense of subjective and socially constructed meanings and affects (Saunders, et al., 2016). Some characteristics of the qualitative method are that it investigates participants' meanings and relationship between these. The qualitative research methods data

collection is non-standardized, which enables the possibility for the study to emerge from interview questions and helps the research process to be interactive (Saunders, et al., 2016).

3.4.2 Research strategy

The research strategy is the:” plan of action to achieve a goal” (Saunders et al., 2016) which means that research follow a chosen strategy, with which it strives to answer the research problem with.

In order to make an exploratory study, the research strategy is to conduct research interviews, which is a qualitative research method. The interviews will be based on a subjective approach, which means that the interview data are seen as socially constructed between interviewer and interviewee because of the possibility of different interpretations (Saunders et al., 2016). To be more specific the research interviews conducted consist of semi-structured interviews, which will be emphasized on, in the *construction of interview* section.

3.4.3 Time horizon

The interviews conducted are cross sectional interviews, which means that it is administered and conducted at a specific point in time. This allow the research to get an insight in what people think at that given point in time. Though it is important to acknowledge, that because of these time-based interviews, it can be difficult to generalize the affects and opinions of the participants, as it could change over time (Saylor Academy, 2012). A way to overcome the problem of only getting a brief insight in what people think at a given time, is to make a longitudinal study, which is a type of study that focus on making observations over extended time periods. Due to time limitations on this project it has not been possible to conduct such a longitudinal study, though it is important to notice its possibilities for a potential further research (Saylor Academy, 2012).

3.4.4 Primary Data collection

In order to investigate the research problem; How do price sensitive consumers react to upscale technology? How can such insights be used for effective pricing strategies? The primary data will be obtained through a qualitative research design as described in the above sections. This is to gain insights in which affective reactions people have towards

Apple and the prices of their products. Furthermore how these physical and emotional reactions can vary from person to person based on the product involvement, price consciousness, internal reference price, price-quality inferences, and price fairness perception (O'Neill & Lambert, 2001).

3.4.5 Selecting samples

As it is not possible to collect data from an entire population due to time and economic limitations the following sample is selected.

In order to go about the selection of a sample, this research will make use of the sampling technique non-probability sampling also called non-random sampling. This technique is suitable for studies that need to be worked with in depth, in order to answer the problem statement and can therefore turn out to be more information rich (Saunders et al., 2016).

3.4.6 Sampling frame

A sample frame is the target population that the sample will be drawn from. In this case of trying to uncover price sensitive consumers affective reactions to the upscale technology products of Apple, a homogeneous sample frame, of university students in Denmark is chosen. This sample frame has been selected, as university students can be considered sensitive in regards to price, because of their relative low income from State Educational Grant and Loan Scheme (SU) or a possible student job.

To reach a data saturation, which means that until the collected data show little or if any new information in relation the research, this primary qualitative research consist of 12 conducted interviews, as the recommended sample size for semi-structured/in-depth interview is between 5-25 (Saunders, 2012).

In order to provide the 12 interviewees' with anonymity they have been given a number instead of their name, though their age, education and institution is still intact.

- **Interviewee 1**, age; 24, education; Master in Economy, institution; Copenhagen University (KU).
- **Interviewee 2**, age; 24, education; Master in psychology, institution; KU.
- **Interviewee 3**, age 26, education; Cand. Merc. EMF, institution; Copenhagen Business School (CBS).

- **Interviewee 4**, age 25, education; Master in Pharmacy, institution; KU.
- **Interviewee 5**, age 26, education; Multimedia design, institution; KEA.
- **Interviewee 6**, age 26, education; Cand. Merc. Financing and Accounting, institution; CBS.
- **Interviewee 7**, age 25, education; Msc. in landscape architecture, institution; KU.
- **Interviewee 8**, age 26, education; Industrial Engineering and Management, institution; Technical University of Denmark (DTU).
- **Interviewee 9**, age 25, education; Computer Science, institution; KU.
- **Interviewee 10**, age 24, education; Industrial Engineering and Management, institution; Technical University of Denmark (DTU)
- **Interviewee 11**, age 26, education; Engineering Acoustics, institution; DTU.
- **Interviewee 12**, age 23, education; Master in Law, institution; KU.

3.4.7 Construction of the interviews

In order to gain insights in the research area, this study is based on semi-structured one-to-one, face-to-face interviews. By conducting semi-structured interviews, it makes it possible to have some key open-ended questions to be covered, but also provides the freedom to discuss themes relevant in relation to the research area, depending on where the conversation in the interview goes (Saunders et al., 2016).

As this is an exploratory research with an abductive reasoning, the collected data from the interview is used to investigate, observe and explain how people react towards price and how they are affected by it. Because of that, the interviews key-questions and themes need to reflect and give insights in existing knowledge from theories and frameworks (Saunders et al., 2016).

The interviews are based on the concepts of affective reactions towards price. This is to understand and explore how and why people act towards price, furthermore which factors that play a role in people's perceptions evaluating price (Wiley, 2008). As this research wants to look into how price sensitive consumers react to upscale technology products, the framework of O'Neill, R. & Lambert, D (2001) is drawn on. The framework is emphasizing on four propositions of how price can affect people and furthermore how different people can evaluate price. These four propositions are concerning product involvement, price

consciousness, internal reference price and price-quality and their relationship. Furthermore the interview is based on the concept of price fairness as well as it is related to affective reactions and how it is shaped through internal reference prices as well as through social norms (Kuester, et al., 2015). Through the interviews the aim is to gain insights in how the perceived price fairness is affecting the interviewees' buying decisions. Gaining insights into this enables the research to look into which pricing strategies that would be most effective for future improvement and competitiveness (Dooley, 2011).

The interview questions is building on O'Neill, R. & Lambert, D (2001) propositions as wells as on the concepts of price fairness, therefore the following themes guided the construction of the questions for each proposition mentioned in the above section. The themes for the interview are; 1) the personal involvement in the brand Apple and their products. 2) The price consciousness that people have in general and in relation to Apple. 3) The personal internal reference price of technology in general and in relation to Apple. 4) The fairness of technology prices in relation to the brand Apple. 5) The affective reactions towards price and quality in general and in relation to Apple (Interview guide, Appendix 1).

The questions stated under the themes; *Product involvement*, *Price consciousness*, *Internal reference price*, *Price – quality* is as mentioned based on O'Neill, R. & Lambert, D's (2001) framework; The Emotional Side of Price, to uncover and investigate whether there is a relationship between the four categories.

From the product involvement theme, the questions should capture whether the interviewees' were involved with Apple or not, furthermore what they associated with the Apple brand in regards to features as well as emotions when they saw the Apple Logo (Interview guide, Appendix 1). By showing the Apple logo to the interviewees (Apple logo, Appendix 2), the picture should generate recognition or certain emotions or perceptions towards the brand, which is interesting to know, in order to understand the interviewees' reactions towards purchasing.

The price consciousness theme represented questions that were focused on revealing whether the interviewees where price conscious in regards to Apple or not. The interview

questions should therefore seek to uncover what the interviewees found important when buying technological devices, in order to get a feeling or how much the price of a product weighed their purchasing behaviour. Furthermore the questions should seek to uncover how the interviewees' perceived Apple's prices in relation to competing products. To narrow it down, the last question ends up concerning the price of the iPhone X, this is to find out how price conscious the interviewees' were about this particular product from Apple (Interview guide, Appendix 1).

The questions under the internal reference price theme aim were to investigate how the interviewees' decided on the amount they were willing to pay for the iPhone X. This is to understand how their internal reference price was developed. The questions had an interactive element, which means that 9000 DKK (fake printed money, Appendix 4) were given to the interviewee to put the interviewee's physical and emotional reactions into play when deciding on the amount willing to spend on the iPhone X (Interview guide, Appendix 1).

The questions under the price fairness theme were created to uncover how the interviewees' decided on whether a price is fair or not. This in order to understand what a company potentially should acknowledge in order to be perceived as charging fair prices and to avoid bad word of mouth. Furthermore the questions should uncover whether social circles could determine a perception of fair pricing, in order to investigate if individuals could feel pressure from a social group that then made them buy the new iPhone X. At last the focus were on questions regarding which price the interviewees' found the most fair in relation to three newly launched smartphones (Interview guide, Appendix 1). As well as which smartphone they would choose to buy, this could uncover how much price fairness weighed a purchase.

The questions under the price-quality theme were constructed in order to uncover how the interviewees' connected product quality and price, this is in order to understand if they thought there were a relationship or not. To gain insight in how the interviewees decided on this relationship, an exercise were made (Interview guide, Appendix 1). The exercise consisted of two ranges: a price range and a quality range. The ranges were both indicated with a low, medium and high mark. Then the interviewees' had to place three

smartphones the iPhone X, Samsung 9+ and Huawei Mate 10 (The newest flagship smartphones from each brand) on each range, ranging which smartphone that had either, low, medium or high quality and which smartphone that had either low, medium or high price in their perception.

The answers towards these questions can help the research to uncover and gain insights in how price sensitive consumers are affected by Apple as a brand and their product prices. This should further enable the research, to look into which pricing strategies that could be most efficient for Apple to pursue.

Furthermore the concept of price fairness is integrated in relation to the themes, as the four concepts above; *Product involvement*, *Price consciousness*, *Internal reference price*, *Price - quality* can have a major impact on whether or not people find the price fair. The interactive parts in the interview are developed in order to put the interviewee's physical and emotional reactions into play. This should also enable the interviewees' to imagine the context of buying an Apple product, paying the money, and deciding whether the price is fair compared to other similar products with a different brand.

3.4.8 Analysis process

To identify key meanings and opinions from the different interview themes listed in the above, the analysing process of summarizing will be used (see appendix 7). This is because it enables the possibility to compress long statements into more brief statements. Furthermore it makes it possible to find key opinions from the different themes (Saunders, et al., 2016). To compliment the summaries of the interviews, and because of the categories derived from the theoretical background emphasized on in the theoretical background chapter, categorizes are made and used as codes for grouping the data. The categories for further analysis is; *product involvement*, *price consciousness*, *reference price*, *price fairness perception* and *price-quality inferences*.

As the interview is divided in these categorizes, it is important to look after meaning and themes to each of these. This will be done through a theory driven thematic analysis, which will be emphasized on below (Saunders, et al., 2016).

3.4.9 Theory driven thematic analysis

The thematic analysis is an approach that emphasizes the search for themes or patterns that occurs in the collected interview data. These themes can then be further analysed on in relation to the research area (Saunders, et al., 2016).

The collected data is analysed through the lenses of the social constructivist view, as it seeks to investigate people's interpretations and affects of Apple and their product prices.

3.4.10 Coding

For the categories to give meaning and insights in the interviewees' opinions, the categories will be assigned with chunks of data/small sentences from the interviews that fit these categories. Doing this helps to reduce the amount of data into a more manageable size and to find themes and relationships in the data (Saunders, et al., 2016). There is five main codes related to the overall themes in the interview, as it is a theory driven thematic analysis that draw on the framework of O'Neill, R. & Lambert, D (2001) which is further explained above in the Construction of the interview section. The main codes are; *Product involvement, price consciousness, Internal reference price, price fairness perception and price-quality inferences.*

The coding process has been a search for underlying themes, meanings and relationships in the interview answers. The coding is performed through the process of summarizing the interviews. This means that the codes are both based on the theory themes as well as on how the interviewees' has responded to the questions and thereby their opinions under each theme (see appendix 7 - interview summaries). The following codes are based on the themes, meanings and answers that were continuous through the interviews compressed into small chunks of words and sentences.

Product involvement

The following codes are found and developed to find insights and relationship in the interviewees' involvement with the Apple brand and their affections towards it.

Codes: Involved, Not involved, Positive affections, Negative affections.

Price consciousness

The following codes are found and developed to investigate if there is a relationship in the interviewees' price consciousness and their internal reference price furthermore how the interviewees are affected by Apples product prices compared with a competing product range and in particular the new iPhone X.

Codes: Importance when buying technological device (price, quality, usability, technological improvement), Positive affections, Negative affections.

Internal reference price

The following codes are found and developed to investigate if there is a relationship between the price-quality inferences and the internal reference price.

Codes: Reference price based on: (Comparison with same brand products, Comparison with the general product market, Comparison with older versions of a product), High Internal reference price in relation to the iPhone X's price, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X), Positive affects (would buy the iPhone X).

Price fairness perception

The following codes are found and developed in order to investigate if there is a relationship between internal reference price and price fairness perceptions, furthermore if there is a relationship between social pressure and price fairness perceptions.

Codes: What makes a price fair or unfair (Good quality, Match internal reference price, Good design, Features, Income), Affected by social groups, Not affected by social groups, Affected by fairness of price when buying a smartphone, Not Affected by fairness of price when buying a smartphone.

Price - quality inferences

The following codes are found and developed to investigate if there is a relationship between product involvement and price-quality inferences and which affects there is when asking how the interviewee connects quality with price.

Codes: Price reflects good quality, Price does not always reflect good quality

To get a comprehensive and structured view of the themes and codes from the interviews a finalized scheme with the codes is presented in appendix 8, Theory driven thematic analysis codes scheme.

In the Findings chapter the findings and results of the theory driven thematic analysis will be presented, this enables a analysis of how the themes and codes are related and can thereby give insights in the interviewees' price affections.

3.5 Research Quality

3.5.1 Reliability

Because the semi-structured interviews lack standardization, there can be concerns about the reliability. This is because of the issues of bias, which needs to be considered. There are three potential bias types, which need to be taken into account when conducting the data from the interviews. These are *the interviewer bias*, which concerns the tone and non-verbal behaviour that can create a bias in how the interviewee will respond to the questions. *The interviewee bias* concerns the uncertainty of sharing sensitive information because of the ways the interviewer has asked question or performed non-verbally. *The participation bias*, which concerns the reductions in willingness to participate in an interview, this can occur because of the amount of interview time. Furthermore it can concern cultural differences, which can lead to misinterpretation (Saunders, et al., 2016). Therefore it is relevant for this research to acknowledge that it is important to establish a good environment for the interviews so that the interviewees' feels comfortable. This has therefore been taken into consideration both in regards to the practical information about the project and what the results are for. As well as it has been important to find an appropriate location, where the interviewees feel comfortable. With this in mind the bias that can occur during an interview should be manageable (Saunders, et al., 2016).

3.5.2 Validity

The external validity of a research concerns whether the findings can be used as a generalization in relation to other relevant settings or groups (Saunders, et al., 2016). In regards to this research the semi-structured interviews can achieve a good validity, as the interview questions used is clarifying. In order to ask clarifying questions the open ended questions needs to be phrased clearly, so that the participants can easily understand

these. Furthermore the open-ended questions has been followed by probing questions, which makes it possible to explore the interviewees' responses even more. During the process there have been focus on avoiding leading or proposing questions, which can lead to biased responses (Saunders, et al., 2016). This focus on using clarifying questions through out the research, can ensure a possibility for generalization, though it can be hard to measure, as qualitative research deals with human interpretations and understandings, which can be hard to measure and generalize in larger groups (Saunders, et al., 2016). These clarifications of the methodological approach, as well as the analysis process are grounding for the following findings.

4. Findings

The purpose of this chapter is to look into the qualitative findings from the collected interviews in order to allow meanings to be explored and to be clarified. This is in order to address the research area concerning: How do price sensitive consumers react to upscale technology? And how can the insights on this be used for effective pricing strategies?

The goal for the findings is to build ground for an analysis and a discussion of the relationships between the propositions concerning price affects and the emotional side of price, the concept and perception of fairness, as well as price sensitivity.

Furthermore the goal is to build ground for a discussion of how the insights, on price sensitive consumers' affective reactions to prices of the upscale technology products of Apple, can be used for future effective pricing strategies and acknowledgements.

4.1 Theory driven thematic analysis

As mentioned in the analysis process section, the collected interviews are analysed with a theory driven thematic analysis. This means that the interviewees' answers is attached with codes, depending on their opinions and affects to each theme.

The coding process and findings in these gives an indication of the interviewees' opinions as well as it gives the possibility to look into and further analyse relationships between the themes. Therefore the findings from the theory driven thematic analysis (Appendix 8 & 9, Theory driven thematic analysis scheme) together with the summaries of the interviews (Appendix 7, Summaries) will be used as a foundation for the analysis. Furthermore the following overview of the interview findings is divided into themes.

4.2 Product involvement

Product involvement is the first theme in the theory driven thematic analysis.

From the interview questions regarding product involvement presented in the methodology section, it became possible to get an indication of how the interviewees were emotionally and physically involved with the Apple brand and their products.

First of all, the first question in the interview, regarding the Apple logo and what the interviewees associated with the brand, gave an indication of every interviewee being familiar with the brand and its values. The question also opened up for the interviewees' opinions of the brand that could give an indication of their affects towards Apple. Some of the interviewees associations are presented here;

"Efficient, smart, expensive" (Interviewee nr. 1, appendix 7)

"Popular, over prized, more design than quality" (Interviewee nr. 3, appendix 7)

"Simple, cool, new" (Interviewee nr. 6, appendix 7)

"Mainstream, high prices, exclusiveness" ("Interviewee nr. 7, appendix 7)

From these statements an overall agreement about Apple being smart and cool but also that their products are expensive became visible.

Looking into the theory driven thematic analysis (Appendix 8 & 9, Theory driven thematic analysis scheme), it became visible that a majority of the interviewees were involved with the Apple brand. The interviewees described for what reasons they were involved with the brand in the following statements;

"Addictive to Apple when first trying it" (interviewee 1, appendix 7)

From this statement one can see a clear indication of a strong involvement in the Apple brand, as an addictiveness of Apple's products would make the interviewee buy again.

"I have an Apple computer and an iPhone because of the good quality"
(Interviewee nr. 2, appendix 7).

This interviewee's product involvement is based on the expectation of good quality that the interviewee gets when buying Apple.

"I have an iPhone because it is easy to use, and because I got it recommended, therefore I continue to buy it" (Interviewee nr. 4, appendix 7).

This statement shows that recommendations is important, as the product can be perceived more trustworthy and of good quality if people we know recommend it to us.

"I have had several iPhones, I have the iPhone because of the quality"(Interviewee nr. 8, appendix 7).

The interviewee is highly involved with the Apple brand and their iPhones as the interviewee has continued to buy the products. Because of this high product involvement, the quality is also perceived as high.

From the theory driven thematic analysis, one could also see, that even though a majority of the interviewees were involved in the brand, their affections towards Apple and Apple's products prices were mixed. Most of the interviewees were having positive affections towards Apple and only a few interviewees were having negative affections towards the brand. This means that people involved with Apple can still have negative affections towards Apple. These negative affections towards Apple can have a huge impact on whether the consumer chose to buy an Apple product in the future or not.

Some of these negative affections towards Apple even though the interviewees were involved are presented here:

"I think the brand is nice, but too expensive, and I am irritated with the cables and things that you have to buy extra" (Interviewee 8, appendix 7)

The interviewee shows frustration over the price and the extra accessories cost, though a strong product involvement had made the interviewee buy Apple products. This frustration could have future impact on buying decisions.

"In the recent years their products has become too pricey, I makes me almost angry, they were very original when Steve Jobs was alive, now they have not changed themselves, if I could I would buy something else" (Interviewee 9, appendix 7).

From this statement, there is a clear indication of the disagreements of Apple's product prices in relation to their innovative development, furthermore the interviewee wants to buy products from another brand, but is forced to use Apple because of their exclusive software agreements of creative programs. In this way Apple has made itself unavoidable for the interviewee.

"I am annoyed, Apple demands too much money and are too overpriced, I think I could buy products as good as Apple, for a better price" (Interviewee 12, appendix 7).

Here the statement indicates that the interviewee would rather use the money on another brand than Apple because the quality can be found other places at a better price. Here it seems like the price frustration could impact future buying decisions.

These statements give examples of product involvements that are turned into frustration because of the expectations of high or unfair product prices for Apple's products.

From the findings and insights in the interviewees' product involvement, the findings of price consciousness are presented.

4.3 Price Consciousness

Price consciousness is the second theme and from the interview questions presented in the methodology chapter, it became possible to get an indication of how price sensitive the interviewees' were.

Through the theory driven thematic analysis, the focus where to look into what the interviewees thought was important when buying a technological device in order to find out how much the price weighted their thoughts when shopping.

The findings showed that the considerations of price was only mentioned a few times by the interviewees when thinking about what was important for them considering buying a technological device. What the interviewees had more focus on when buying a technological device was the design, the quality, usability and technological improvement these factors was found just as, or more important than price, which indicates that the interviewees were not that price conscious in general.

An acknowledgement here is that the question was in relation to all kinds of technological devices and brands, which might be the reason for the differentiated findings and lower concerns of price.

When the interview questions became more specific towards Apple and their products prices, and in particular the new iPhone X, the price consciousness became more visible. Through the theory driven thematic analysis it was found that it was especially the negative price affects that the interviewees emphasized on, here all of the interviewees explained mixed or negative price affections towards Apple's product prices as well as to the price of 8999 DKK for the new iPhone X.

Some of the price affections towards Apple's product prices and the price of the iPhone X are presented in the following:

Apple's product prices; "you pay for the design, not for what is inside"

The new iPhone X; "I would not buy it, the price is too high, there is too little improvement, it is made of glass, and breaks too easy" (interviewee nr. 3, appendix 7).

From this statement the negative price affects is visible, which makes the interviewee not want to buy the iPhone X. The high price consciousness has led to a negative price affect towards Apple, which potentially can harm the brand, as the consumers choose the competitors instead, as well negative word of mouth can spread.

Apple's product prices; "It is very expensive, could get a Windows for half the price, but then it would not support the other products".

The new iPhone X; "I would not buy it, I would rather spend the money on a computer instead. The price crosses my internal limits" (Interviewee nr. 5, appendix 7).

The interviewee acknowledges the high prices, but is involved with the Apple products, and does not want to lose the Apple ecosystem to Windows. Though the interviewee would not buy an Apple product at any price, which become visible in regards to the iPhone X.

Apple's product prices; "I don't know the market, but I am aware of them being expensive, but as long I get my money worth I don't mind paying the price".

The new iPhone X; "I would probably not buy the iPhone, but I would buy a older version" (Interviewee nr. 6, appendix 7).

From this statement it is indicated that the interviewee has a high product involvement and therefore a lower price consciousness. Though in regards to the new iPhone X, the internal reference price is crossed, which makes the interviewee chose an older version instead of the newest.

Apple's product prices; "They are way too high, but I buy them anyway, as they are almost always above their competitors"

The new iPhone X; “I have bought the new iPhone X - I decide on the amount by seeing that I can use it every day, and if it have improvements from the last iPhones” (Interviewee nr. 10, appendix 7).

The interviewee above is very involved with Apple, and is therefore less price conscious, which have made the interviewee buy the new iPhone X. Furthermore Apple's high prices are acknowledged but in relation to the quality, the interviewee find it reasonable to keep buying Apple products.

The findings show that the interviewees are very price consciousness towards Apple and their product prices, especially towards the new iPhone X. The price consciousness can as mentioned earlier have the consequences of people deciding not to buy Apple products. From the findings and insights in the interviewees' price consciousness, the findings of internal reference price are presented.

4.4 Internal Reference Price

Internal reference price is the third theme and from the interview questions presented in the methodology chapter it became possible to get insights in the interviewees' internal reference price, as they were asked to reflect on their thought processes when deciding on a amount of money representing what they would pay for the new iPhone X.

By using the theory driven thematic analysis it became possible to search for patterns in how the interviewees' internal reference price is affected, as well as if they had a low or high internal reference price in relation to Apple's new iPhone X and its price of 8899 DKK. Furthermore to gain insights in whether the interviewees had positive or negative price affects towards the iPhone X.

From the theory driven thematic analysis, one can see that the interviewees' internal reference price was based on both the Comparison with same brand products - older versions of a product, and Comparison with the general product market. Below is an example of this comparison method affecting the internal reference price.

“I would compare to others brands products, look at what is important for me, especially the features. I would pay 5500 DKK for the iPhone, because that is what I paid for my last iPhone” (see appendix 7).

An interesting acknowledgement from the interviews was, that those involved with the Apple brand tended to say that they would not compare with the general market, as they were sure that they would only buy Apple. Therefore they would only check same brand products - and older versions of a product prices. An example of this can be seen in interview nr. 3 (see appendix 7);

“ I would compare it to previous iPhones and their prices, I would not consider android phones, as they are not an option in my opinion”.

When looking into whether the interviewees' internal reference price were low or high in relation to the price of the iPhone X, the findings were very clear, as the majority of the interviewees had a low internal reference, as they would not pay the amount of 8899 DKK for the iPhone X. The general price level that the interviewees found acceptable for the iPhone X was about 5000 DKK, therefore the price affects were negative, which became visible when it was found that all the interviewees except two explained and emphasized that they would not buy the new iPhone X. An example of the interviewees' opinions of the price of the iPhone X and their internal reference price are:

“I would need to know the price market and the versions before that, and compare the price, why is the phone better, which new features does it have. I would compare to previous phones as well.

I want to pay max 5000 DKK, if the price was higher I would question if it was really worth it” (Interviewee nr. 7, appendix 7).

Through the analysis and from the findings of the internal reference price, it became clear that the interviewees found the price of the new iPhone X crossing their limits.

If Apple has a goal of integrating the iPhone X among university students in Denmark, they might need to acknowledge the students' internal reference price. This would be further elaborated on the discussion chapter concerning effective pricing strategies based on these interview insights and findings.

From the findings and insights in the interviewees' internal reference price, the findings of price-quality inferences are presented.

4.5 Price-Quality Inference

Price-quality inference is the fourth theme, and from the interview questions presented in the methodology chapter, it became possible to get an indication of how the interviewees saw price and quality and the relationship between them, if there is one. The theory driven thematic analysis helped to gain insights about the opinions, whether price reflects good quality or if price does not always reflect good quality.

The findings showed that most of the interviewees believed that price reflects good quality and few believed that price does not always reflect good quality. The interviewees that stated that price reflects good quality were sure that high product prices were equal to high quality as well, as this was the most important factor for a high price being fair. Opposite, if the price of a smartphone were too low, the quality will automatically be thought less of, an example is presented here:

"When I see a phone with a low price, I think that the quality must be low as well. The price and the quality need to be connected" (Interviewee nr. 7, appendix 7).

Another pattern was also observed from the interview answers. This was that several interviewees acknowledged that there were a relationship between price and quality but then added, that in regards to Apple, the price and quality relationship was not always equal. The interviewees stated that Apple is overpriced because of their popular brand, and therefore does not have the highest quality even though they have the highest price.

"There is a relationship, but Apple is a little overpriced because of the brand" (Interviewee nr. 1, appendix 7).

From this statement, one see the acknowledgement of a price-quality relationship, though the interviewee adds that Apple is overpriced, which could indicate an unequal relationship between the price and quality.

"Quality and price is somehow connected, but in the case of Apple, it is expensive because of its popularity and its design. Though I will always choose Apple over other brands, because of high product involvement" (Interviewee nr. 2, appendix 7)

The interviewee cited above also recognizes that Apple might charge high prices because of their popularity. Though the interviewee is so involved with the product, which influences the perception of quality as well as makes the interviewee less price conscious.

“I think there is a relationship, it might not be a rational relationship, in relation to Apple, the relationship is not between quality and price in a way where you get technological features that match the price, but you get everything that Apple stands for; brand, design, influence” (Interviewee nr. 3, appendix 7).

The interviewee emphasizes the tangible and intangible values that Apple can provide the consumer, which also allows Apple to charge a high price because of their popularity. This is what makes the relationship between price and quality irrational for Apple's products.

“The quality of Apple might not be the highest, because they have not renewed themselves that much.

There is a connection between quality and price, Apple has the highest price, but maybe not the highest quality” (Interviewee nr. 5, appendix 7).

These above statements and acknowledgements can have consequences for Apple and their image. As consumers expect to get a premium quality for a premium price the consumers can end up being disappointed, which can affect future buying decisions and their perception of price fairness.

The relationship between the propositions, as well as the consequences of the findings will be further elaborated on in the discussion chapter. From the findings and insights in the interviewees' price-quality inferences, the findings on price fairness are presented.

4.6 Price fairness

By using the theory driven thematic analysis, it became possible to gain insights in what the interviewed university students in Denmark valued when creating a price fairness perception. Furthermore it became visible whether the interviewees, were socially influenced in building their perception and at last whether they were affected by the price fairness or not when buying a smartphone.

Looking into what could make a price fair, some of the most important factors the interviewees found crucial were a match between the product price and the internal reference price.

Looking further at the findings, it could be seen that it were important for the interviewees that the new technological product, that should be considered to be bought, should have good and improved features, which indicated that the new product should be better than the previous. The interviewees indicated that these factors would make a high price fairer. Quality was also found as an important factor for a high price to be perceived as fair as well as the importance of good design.

In the interview questions regarding whether the interviewees would be social influenced to buy the new iPhone X or not, showed that the majority of the interviewees emphasized that they were not affected by social circles when considering buying the iPhone X at a price they themselves found to be unfair. This could have something to do with aspects of society, culture, and income.

The last interesting insights from the theory driven thematic analysis were to find out, first which price of the 3 latest smartphones: the iPhone X, Samsung Galaxy 9+, and Huawei Mate 10 the interviewees found the most fair and why. Then asking them which smartphone they would buy, this is in order to find out whether they were affected by their price fairness perception or not.

Two interesting things came from this, first of all a consistency were found when most of the interviewees said that they were affected by the price fairness, when they saw the prices of the iPhone X (8899 DKK), Samsung Galaxy 9+ (7499 DKK), and Huawei Mate 10 (2999 DKK) and should decide on which phone they would buy. They would buy the Huawei Mate 10 because they were chocked by the other smartphones prices.

Second, that the interviewees that were not affected by the price fairness of the smartphones prices said that the price of the Huawei phone was the most fair, but still chose to buy the iPhone in the end. This phenomenon leads us back to the interrelatedness between product involvement, price consciousness, internal reference price, and price-quality inferences.

To sum up the findings the key points will be presented in the key findings section below.

4.7 Key findings

From the product involvement theme it became clear that the interviewees were very involved with Apple and owned several products from the brand. In relation to the proposition: price affect will be associated with product involvement, which indicates that people can be willing to pay more for a product they are involved with, thereby being less affected by the price. This showed that most of the interviewees were willing to pay the price for the products, as they found it important to be involved with Apple. This finding could indicate that Apple has a very high customer loyalty, as customers choose Apple over other competing brands, this despite of Apple's high prices and the consumers' negative affections towards these. Furthermore it was found that the degree of product involvement, negative or positive, could be crucial for how a consumer's price consciousness, internal reference price, price-quality inferences, and price fairness perception develops.

From the price consciousness theme the focus where to look into what the interviewees thought was important when buying a technological device, in order to find out, how much the price weighted their thoughts when shopping. The interviewees found the quality, usability, and design the most important when buying a technological device. These answers of price not being the most important, when buying a technological device, could be because of the question asking about technological devices in general. When the questions got more specific towards Apple and their products prices, and in particular the new iPhone X, the price consciousness were very high, every interviewee had negative price affects towards Apple's product. This finding is interesting as the majority of the interviewees were involved with Apple despite this negative price affect. This could again lead back to the product involvement, and show that owning an Apple product is more important than the price of it, even though the results showed that the interviewed university students were very price conscious, especially to the new iPhone X and the price of 8899 DKK.

Furthermore it was emphasized through the propositions drawn on, that price conscious consumers will have a low internal reference price. This complemented the findings and meanings of the new iPhone X's price affects, as one could see findings of the interviewees being very price conscious about the iPhones X's price of 8899 DKK,

because the interviewees' internal reference price were approximately 5000 DKK. This finding could be important for Apple to look into, as the price does not seem to match the target group of university students.

From the internal reference price theme it became possible to look into how the interviewees' internal reference price was affected, as well as if they had a low or high internal reference price in relation to Apple's new iPhone X and its price of 8899 DKK. The findings showed that the interviewees developed their internal reference price by comparing with same brand products - older versions of a product and by comparing with the general product market.

Furthermore it became visible that from these comparisons an internal reference price of approximately 5000 DKK had become a standard which made the interviewees allocate negative price affects towards the new iPhone X and the price of 8899 DKK, because it crossed an internal limited.

Therefore again if Apple has a goal of integrating the iPhone X among university students that can be seen as a price sensitive group, they might need to acknowledge this group's reference price.

From the price-quality inference theme it became possible to get an indication of how the interviewees saw price and quality and the relationship between these. Furthermore the theory driven thematic analysis helped to gain insights in the opinions of whether price reflects good quality or if price does not always reflect good quality. The findings showed that most of the interviewees believed that price reflects good quality and only a few believed that price does not always reflects good quality.

It was also observed that in regards to Apple, the interviewees stated that Apple were overpriced because of their brand, and therefore their products does not necessarily have the highest quality even though they have the highest price. This finding should be crucial for Apple to do something about, as they want to be perceived at the best quality, so that their consumers find the brand valuable and stay involved instead of choosing other competitors' products at lower prices.

From the price fairness perception theme and by using the theory driven thematic analysis, it became possible to gain insights in what these university students valued when creating a price fairness perception. Here it came to the expression that the interviewees found a price the most fair if it matched their internal reference price. As well as if the product had new and improved features, they were willing to pay a higher price, good design and quality was also important.

Furthermore it became visible that most of interviewees were affected by the price fairness when buying a smartphone, whereas some of the interviewees would buy an iPhone despite the high price and the acknowledgement of the price not being completely fair.

This finding can again be affected by how involved and loyal the interviewees are with the Apple brand and their products. Therefore consumers' fairness perception can have great consequences for buying behaviour and for brand perception as well. The consumers need to feel that they gain some value for their money if they shall perceive the price as fair.

To gain further insights and to get an overview of how the above presented product involvement, price consciousness, internal reference price, price-quality inferences, and price fairness perception can influence each other, the possible relationships and consequences will be discussed in the following chapter.

5. Analysis and Discussion

5.1 Proposition Relationship

5.1.1 Product involvement in relation to price consciousness

Product involvement is the first component of O'Neill & Lambert's (2001) propositions in relation to price affects and the emotional side of price. The proposition is as follow P1:

Price affect will be associated with product involvement.

Product involvement has a great impact on the rest of the propositions. This is because the involvement, opinions, and experiences with a brand or product can generate either negative or positive affects, which then have consequences for the development of the consumers' price consciousness in regards to a product or brand, as well as the internal reference price, price-quality inferences, and perceptions of price fairness (O'Neill & Lambert, 2001).

Looking into the findings from the interviews, it became clear that most of the interviewees were involved with Apple. Some of the interviewees even had more than one Apple product, which could indicate that they were highly involved with the Apple brand and might be considered loyal to Apple as well. This indication can according to O'Neill & Lambert (2001) affect the consumers' price consciousness in a way, where the consumers are willing to pay more for a product that they are emotionally or physically involved with, which means that they become less price conscious.

This acknowledgement is interesting in relation to the findings from the interview questions regarding price consciousness. Here the majority of the interviewees had negative affects towards Apple's product prices, which means that they thought Apple's product prices were too high. This can in relation to the product involvement findings, where most of the interviewees were involved, seem conflicting. This finding could indicate that because the interviewees were so involved with the products from Apple, they prefer to buy Apples' products even though they acknowledge the high prices. This means that the high product involvement results in a decreased price consciousness when buying an Apple product.

These findings could therefore indicate that when a company like Apple has a lot of people involved with their products, their customers tend to be less price conscious and more loyal towards the brand, which is a great advantage for the company.

It is important to acknowledge that the price affect towards Apple's products were very negative, which could indicate that the university students interviewed had negative emotions and associations with the purchase of an Apple product. This could potentially harm the company, if the consumers eventually become so negative affected that they decide to buy products from another brand. Furthermore it could be assumed that if a majority of the 12 interviewed university students have negative price affects towards Apple, a greater amount of people with the same income or lower than a university student would find Apple's prices too high as well. This could potentially in the future be a reason for a customer to choose another brand in a purchasing situation, which is a great disadvantage for the company. This assumption could be important for Apple to take into consideration when deciding on future pricing objectives and pricing strategies.

5.1.2 Product involvement in relation to internal reference price

Looking at product involvement in relation to internal reference price. As it was emphasized above, the more people are involved with a product, the more people are willing to pay for the product. This consequence can lead to an increase in consumers' internal reference price, as the product involvement can generate a standard price for a product range (O'Neill & Lambert 2001). So when the interviewees is highly involved with the Apple products, their price consciousness decrease and their internal reference price could be expected to align with Apple's product prices of for example the iPhone range which should be a great advantage for the company.

When looking at the interviewees' answers regarding their internal reference price for a smartphone, they almost agree on a price of 5000 DKK (Appendix 7, Interview summaries). This price is based on comparisons with the market and older versions of the same brands product. O'Neill & Lambert, (2001) emphasize that a person's internal reference price is constructed and affected by the perceptions and experiences with previous product prices as well as competing product prices on the market. The

interviewees' previous product involvement in Apple and their iPhones have made their internal reference price at approximately 5000 DKK. Therefore when Apple introduces the new iPhone X at a price of 8899 DKK, which almost doubles the interviewees' internal reference price, they experience a negative price affect, which makes them answer, that they would not buy the new iPhone X, but look at older versions of the iPhone instead (appendix 7).

From these findings it became visible that the product involvement in some degree affected the interviewees' internal reference price, as they almost agreed on a reference price of 5000 DKK for a smartphone, which some of the older versions of the iPhones are available at. Though the newly launched iPhone X with the price of 8899 DKK scared the interviewees away, as the price crossed their internal limits even though they were involved with Apple and wanted to buy their products. Therefore high product involvement does not ensure a purchase if the price crosses the consumers' internal reference price too much which has seem to be a great disadvantage for Apple.

This observation could be crucial for Apple to look into, because this research indicates that Apple's highly involved customers would not necessarily buy their products at any price. The consequences of this could be loss of customers to other competitors. It could therefore be interesting to look further into, on how big a scale, customers were negatively affected by the price of the iPhone X and when that has resulted in buying decisions where consumers turned away. This is in order to prevent further loss in sales and possibilities to know their consumers even better so the match between product prices and internal reference prices could be aligned more efficient.

5.1.3 Price fairness in relation to the propositions

In extension to O'Neill, R. & Lambert, D's (2001) framework, the concept of fairness has been important to address, this is because of its interrelatedness, as it can affect and is a part of the creation of the price consciousness and internal reference price.

The price fairness perception can as Dooley (2011) emphasize depend on various factors as society, cultures, income, product involvement, price consciousness, internal reference

price, and price-quality inferences. As the sample group is concerning university students in Denmark, the price fairness perception of the iPhone X can be affected by this fact and the student's circumstances of for example low income. This means that the findings might be particular for Danish students with a certain income, social class, and culture. The findings could therefore be different if the interview had another sample group.

A study by Bolton et al. (2003) emphasize three reference points that consumers often use in their decision making. These are past price, competitor prices, and costs. The three reference points matches the findings from this research and questions regarding internal reference price, from what the interviewees based their internal reference price on and thereby what they saw as a fair price. Therefore if the given price for the iPhone X does not match the internal reference price, a negative price affect occurs, and a perception of an unfair price develops. If a negative price perception occurs it can harm the product sale and have huge consequences of who becomes a company's target group and can create a certain image or perception of the product or service (Malc, et al., 2016).

According to the literature concerning fairness perceptions, the social influences could have an affect on what is perceived as a fair price or not (Malc, et al., 2016). Though through the interviews a majority of the interviewees' emphasized that they were not affected by social circles when considering buying the iPhone X at a price they themselves found to be unfair. This finding could have something to do with other aspects of society, culture, and income. In regards to the culture and society in Denmark, it is very popular to be independent which could be the consequence of the interviewees that were not affected by social influence when considering buying the newly launched iPhone X.

From the price fairness perception questions regarding whether the interviewees would be affected by the fairness of the smartphone prices, most of the interviewees were affected, and chose to buy the cheapest phone, as they found the prices of the Samsung Galaxy 9+ (7499 DKK) and especially the iPhone X (8899 DKK) way too high. In relation to this finding Bolton et al.'s (2003) study emphasize, that this often happens because consumers internal references and sensitiveness of price difference seem to; "underestimate the effects of inflation, over attribute price difference to profit, and fail to take into account the

full range of vendor costs” (Bolton, et al, 2003), this explanation could help to understand the interviewees’ chock reactions towards the iPhone X price.

From these findings and insights in price fairness, it can be extremely important and an advantage for a company to be perceived as a company that offers fair prices for their products. As negative associations with unfair prices can be a disadvantages and lead to bad word of mouth, which can harm the company’s reputation. As well as it can make people turn away from a potential buying decision.

5.1.4 Product involvement in relation to price-quality inferences and price fairness

Looking at product involvement in relation to *price-quality*, consumers who are highly involved with a product tends to relate high quality with that product, as they associate it with important components of functionality (O’Neill & Lambert 2001).

From the interviews it became clear that the interviewees thought there were a relationship between high prices and good quality. Furthermore they believed that the iPhone was at the highest quality when ranking the three smartphones (iPhone X, Samsung Galaxy 9+ and Huawei Mate 10) on the quality range (appendix 7). These answers could according to O’Neill & Lambert (2001) be a consequence of the interviewees’ high product involvement with Apple.

From these findings it becomes visible, that it can be very important for a company to pursue a perception of good product quality, as consumers tend to be willing to pay more for good quality products. In relation to Apple, it became visible that the high product involvement could be a reason for the high quality perception. Furthermore the observation of the perceptions in regards to Apple’s high prices is that their products quality must align, which is a great advantage for Apple.

Though an important acknowledgement, that could be crucial for Apple to look further into, is the findings of sceptical affects regarding if Apple’s high prices has a realistic relationship with the quality. The Interviewees wondered if Apple might be too overpriced considering what one gets for the money. If these doubts about the price-quality relationship spread and becomes a general opinion, it could potentially harm Apple, as

their customers might turn to their competitors' products, which would be a huge disadvantage for the company.

In relation to the price fairness perception, the interviewees thought that good quality, good design, and features would make a high price more fair, as well as they had a tendency to believe that the product prices of the product they were involved with were more fair, because they were guaranteed a better quality from Apple's products, than from other products (appendix 7).

Even though a high product involvement can create a positive price fairness perception of a high priced product, the product involvement is not ensuring the price fairness perception. As one could see in the findings, Apple's prices were not considered completely fair, which could have consequences of consumers turning away from buying their products.

5.1.5 Price consciousness in relation to internal reference price and price fairness

Looking at price consciousness in relation to internal reference price and price fairness O'Neill & Lambert (2001) emphasize consumers' desire for a low product price, furthermore that the price consciousness can have great consequences when it comes to decision making of buying a product or not. This is because, if the price is greater than a person's internal price limit, the person can be negative affected and choose not to buy. Furthermore price conscious consumers will have a low internal reference price, and opposite if the consumers have a high internal reference price, because of high product involvement, the price consciousness will decrease (O'Neill & Lambert, 2001).

In relation to the interview, it was visible that the interviewees had an internal reference price on approximately 5000 DKK for a smartphone. Though when they were asked if they would buy the new iPhone X at the price of 8899 DKK, they became very price conscious as the price crossed their internal reference price.

In extension to this, if the price of the product both crosses the internal reference price and is perceived as unfair, because the criteria of good quality, new features, and good design does not matches the price, the price consciousness will increase as well. In this way the

price fairness perception plays a central role in regards to price consciousness, internal reference price, and price-quality inferences.

From these findings it could be crucial for Apple to find out or look into how big a portion of their consumers that are thinking that the price of the iPhone X is crossing their internal reference price, as well as find that Apple's products does not live up to the expected quality. If this becomes a tendency it could be important for Apple to work on, in regards to how their product prices and quality is perceived so a disadvantage can be turned into an advantage.

To sum up the key take-outs, the findings chapter indicated that Apple had a high product involvement among the interviewed university students in Denmark. Additionally the results showed that the interviewees were very price conscious even though they were involved with Apple. Furthermore it became clear that the price of the new iPhone X crossed the interviewees' internal reference price, which made them decide on not to buy, which is a sign of the result of negative price affects. The price-quality inference indicated that the interviewees had a general opinion about price and quality being related, though it was emphasized that the prices for Apple products did not necessarily relate to an equal quality.

From these findings and insights in how the relationship between the propositions can affect each other, it is interesting to look into how Apple can investigate their different consumer segments and prepare for price sensitivity in order to avoid losses and negative price affects.

5.2 Price sensitivity

Price sensitivity is an important concept to acknowledge and measure. This is because purchasing behaviour can depend on the consumers' price sensitivity, which can have great consequences for sales and reputation (Staff, 2010). The degree of price sensitivity can become visible when a company increases product prices. If the demand decreases after a price increase the price sensitivity has become greater, and opposite if the price is

increased and the demand is the same as before the price change, the price sensitivity is considered to be low (Staff, 2010).

In relation to this research, it was found through the interviews, that the participants found a price of 5000 DKK for a smartphone a reasonable price, as this price matched their internal reference price. When they were introduced to Apple's newest iPhone X with a price of 8899 DKK, their internal reference price were crossed, and they became very price conscious and negative affected by the price, which made most of them decide not to buy. Therefore when Apple raised the price on their iPhone, the demand for the iPhone in this particular sample frame decreased. This means that the price sensitivity can be considered high.

This finding of a lowering demand for the iPhone X, with an increased price in relation to the previous versions of the iPhone, can be a disadvantage for Apple. When the majority of the sample group have negative price affects towards the iPhone X and would choose not to buy it, it is possible that people within the same target group on a larger scale (university students) would have the same opinions as the interview participants.

This indication calls for Apple's attention, as the negative price affects and the perception of unfair pricing can harm Apple with negative word-of-mouth.

5.3 Recommended emphasis

In order to turn this potential threat into an advantage, the measurement of price elasticity could be used for future developments toward effective and optimal pricing strategies, furthermore to gain knowledge of price sensitivity in Apple's different target groups. The measurement of elasticity of demand enables a company to measure change in quantity demanded in relation to a price change and is expressed mathematically as; price elasticity of demand = $\% \text{ change in quantity demanded} / \% \text{ change in price}$ (Staff, 2010). If the consumers still demand a given product even though the price has been raised, it means that there is an elastic demand whereas if the demand decreases when a price is raised it means that the demand is inelastic. In order to find the most efficient price, a company should seek to find the equilibrium price, which is the price where supply and demand are balanced (Staff, 2010).

As this research's sample group can be considered sensitive in relation to the price of Apple's iPhone X, an element that can help to reduce the price sensitivity is product uniqueness, which means that if the product offers a special value or has few substitutes, consumers tend to be less price sensitive (Staff, 2010). Though a lot of people could consider Apple very unique, participants in this research argued that different smartphone companies could deliver products as good as Apple at a lower price, furthermore that the innovative parts of Apple have not been that great this past year, therefore the rising price can seem conflicting (Appendix 7). These findings should be an important acknowledgement for Apple, as their reputation builds heavily on innovativeness and uniqueness.

One effective initiative to turn the disadvantage of high price sensitivity among a target group into an advantage can be initiated by adding value to a product instead of changing the price, this method has shown to be a powerful tool to lower price sensitivity (Lewis & Shoemaker, 1997). These factors can be very important to acknowledge and look into in order to find the most effective pricing strategy.

Therefore from these findings and insights in how price sensitivity can influence purchasing behaviour as well as how it can be measured and managed, it is interesting to look into how these understandings can be used for the upscale technology brand Apple to develop efficient pricing strategies.

5.4 Recommended emphasis and pricing strategies for Apple

The discussion and emphasis below will draw on the findings in regards to how sensitive consumers can be affected by upscale technology prices and the presented pricing strategies from the theoretical background chapter.

As it is indicated from the findings and the proposition relationships discussed in the above, product price affects can have great impact on consumers' decision making processes of whether to buy or not. It is therefore relevant and interesting to discuss how an upscale technology company like Apple can draw on the concepts of the emotional side of price as well as price sensitivity and pricing strategies to meet the consumers' reactions and perceptions of prices, in the most effective ways.

In order for a company to stay competitive and efficient, various business objectives for pricing and pricing strategies can be used (*Cleverism, 2014*). In order to address the

research area, regarding sensitive consumers in relation to upscale technology, the following objectives and pricing strategies are suggested.

First, to emphasize how complex it can be for a company to develop a product price, the following quote explains it very well:

“Pricing is a complicated element, which need to reflect supply and demand, the actual value of the object, and the perceived value of it in the mind of the consumer” (Cleverism, 2014).

In extension to this quote and to emphasize the complications around pricing, it can be difficult for a company to figure out or satisfy consumers with pricing strategies. This is because negative price affects can occur at prices set too high, which then can be perceived as unfair pricing. As well these negative price affects can also occur at a perception of a too low product price, which can give an indication of poor quality, which then can give the brand a cheap reputation, and can make consumers turn away from a purchase as well (Cleverism, 2014).

The relationship between Apple's price sensitive target group and Apple's objectives for pricing could seem rather conflicting, as Apple can be seen as using the pricing objective quality leader. A quality leader means that a company can be seen as using their prices as a signal of high quality (Cleverism, 2014). This is because they wish to be perceived as a quality leader in the market. With this pricing objective, Apple's pricing strategy would most likely be a premium pricing strategy. This is a strategy used to signal that the product is exclusive and a luxury item. By setting the prices of their products high, it can create a certain perception and image in the consumers' mind and will be recognized and get a reputation of exclusiveness (Cleverism, 2014).

In relation to Apple's iPhone X, the price have obviously overwhelmed some of their sensitive consumers that have developed negative affects towards the iPhone and would choose not to buy the product. This became visible after first quarter of the sale, as the production of the iPhone X was decided on to be lowered by half the amount as expected due to decreases in sale (Breinstrup, T., 2018). Though the price of the iPhone X might follow Apple's pricing objective of being a quality leader as well as their premium pricing

strategy to signal a luxury item, Apple should be very aware of their target group's opinions and perceptions so that their current pricing strategy does not turn out as a disadvantage.

In extension to this, Apple could also be seen as using competition pricing. This strategy's purpose can be to make the price higher in order to create a perception of higher product quality. By setting the price higher than the competitors, it shows the consumers, that they get more value from Apple's products, than from the competitors. Throughout the research, the interview participants indicated that Apple's products must be at high quality due to the high price, though that the relation between price and quality became doubtful when the prices continues to rise as well as the perception of the quality being as good at competing products at lower price. The emerging perceptions and doubts about Apple and their product quality in regards to the high prices can ruin their reputation as a quality leader, which could harm their premium pricing strategy and cost losses in sale. Therefore for Apple to generate a positive price affect in their sensitive consumers' target group minds and to minimize their high price consciousness, the following suggested pricing strategies are discussed in order to turn a potential disadvantage into an advantage.

5.5 Effective pricing strategies

Bundling pricing is a strategy where two or more separate products are bundled together in one package. The strategy can be seen as an effective and persuasive strategy, as the consumer cannot easily evaluate the value or price for each separate product in the bundle (Dooley, 2011). This pricing strategy could be seen as an advantage and effective for Apple to consider, as especially the sensitive consumers would get the feeling that they got more value for their money, and thereby would accept a higher price because of this added value.

Furthermore the consumer cannot evaluate the fairness of the deal, and therefore negative perceptions of the deal can be minimized (Dooley, 2011). This strategy could also help Apple to generate a positive price affect, as the price consciousness could be decreased, as the price would count for several products. As an example Apple could offer a student package, which could include both an iPhone and an iPad or an iPhone and a Macbook.

Dynamic pricing is another effective pricing strategy that Apple could make use of in order to generate positive price affects among their sensitive consumers. The strategy makes it possible for a company to charge different prices for the products depending on the target group or customer. Therefore the strategy is often referred to as individual-level price discrimination.

In relation to Apple, the effectiveness of charging different prices in different consumer segments, is that every segment or target group gets a customized price. The prices would fit each segments price consciousness, their internal reference price and the price fairness perception. Using the dynamic pricing strategy could therefore remove the negative price affects as well as reduce price sensitivity because the price would appeal to the consumers' limits (Haws & Bearden 2006).

The dynamic pricing strategy needs careful thoughts, so that the discrimination does not seem unfair and creates negative attention but instead benefits the really sensitive consumer with an offer for example.

The insights in how university students in Denmark (sensitive consumers) perceive Apple's pricing objectives as well as pricing strategies was discussed in order to understand that there could be a potential conflict between the sensitive consumers and Apple's pricing strategies in regards to the iPhone X. For Apple to change the negative price affects towards their products' prices, the pricing strategies; bundling pricing and dynamic pricing were suggested. These could both help to decrease the price consciousness, as well as give a feeling of price fairness.

From this discussion, first concerning the relationships between the propositions in relation to the interview findings and then, concerning the recommended emphasis and pricing strategies for Apple, the conclusion below will bring together the essential findings and acknowledgements in relation to the research area.

6. Conclusion

Through this research it has been found that products and pricing can generate multiple affections, which is the physical and emotional reactions in relation to customer behaviour (O'Neill & Lambert, 2001). These price affects can be crucial for how the consumer perceive a brand and product as well as affect the decision making processes of whether to buy a product or not.

Consumer price affects can therefore be essential for a company to be aware of, in order to understand the consumers and to better predict or adjust their pricing strategies, to be the most effective, and to be in line with the consumers' perceptions.

From this research concerning: *How do price sensitive consumers react to upscale technology? How can such insights be used for effective pricing strategies?* five theory driven themes concerning product involvement, price consciousness, internal reference price, price-quality inferences, and price fairness perception build the ground for a qualitative analysis of university students (sensitive consumers) in Denmark. The findings from the qualitative interviews made it possible to gain insights in how the five themes and propositions were connected and how they affected each other. This was also in regards to how the interview participants were affected and how their price affects were developed in regards to the brand Apple and especially to Apple's newly launched iPhone X.

6.1 Product involvement

The findings regarding the proposition product involvement showed that the interview participants were highly involved with Apple and their products. As product involvement has a great impact on the other propositions, this finding could indicate that the interviewees would be willing to pay a high price for an Apple product as high product involvement can result in low price consciousness. Though in regards to Apple's iPhone X it became visible that a high product involvement was not enough to make the interview participants pay a price that exceeded their internal reference price. The conclusion from this finding would therefore be, that an upscale technology company like Apple can not always rely on their consumers' high product involvement in relation to their sales of products with increasing prices. When indications of negative price affects develop within a target group it could be important to acknowledge and approach.

6.2 Price consciousness

As price consciousness is a concept concerning consumers' price sensitivity in relation to price differences (O'Neill & Lambert, 2001), the findings showed that the interview participants were price conscious in relation to Apple. Especially towards the iPhone X, as the price difference from the earlier iPhone versions were almost doubled. This high price consciousness makes the consumers very price sensitive, which can have great consequences of consumers turning towards a competitor brand where the price in relation to a consumer's internal reference price is not overwhelming.

The acknowledgment and conclusion from this finding would be for a company to focus on their target groups and to research the consumers' price consciousness in order not to loose to competitors.

6.3 Internal reference price

The findings in regards to the proposition, internal reference price, showed that the interview participants had a low internal reference price in relation to the price of the iPhone X, furthermore it became visible that they would not want to buy the product. A person's internal reference price is constructed and affected by the perceptions and experiences with previous product prices as well as competing product prices on the market (O'Neill & Lambert 2001). Therefore when a price exceeds a consumer's internal reference price, the consumer will often develop negative price affects and most likely turn away from a purchase. Perceptions of unfair pricing can also occur when product prices are increased. The consequences of this finding could lead to losses in sales and therefore it could be essential for a company like Apple to rethink their pricing strategy and investigate their target group's internal reference price in order not to be perceived as a brand that use unfair pricing.

6.4 Price-quality inferences and price fairness

The findings in regards to the proposition, price-quality inferences, showed that the interview participants thought that there should be a relationship between price and quality. Though the interview participants thought the relationship between price and quality in regards to Apple were irrational, as an agreement of overpricing were found. This

can be seen as a serious acknowledgement for Apple, as this finding can generate a perception of unfair pricing, because the consumer does not get the quality that is paid for. The fairness perception of a price is important in regards to a brand's image, therefore it is important to have prices that represent the quality of the products, which can make a high price fairer. A perception of unfair pricing can generate negative word-of-mouth behaviour, which can be very harmful and should be avoided.

These research findings indicate that a consumer can be affected in various ways, which can either harm or help a company like Apple. It is therefore very important that a company like Apple understands how their brand and their product prices affects their consumers in order to ensure sales and to stay competitive.

6.5 Price sensitivity

In regards to price sensitivity, it was emphasized that a company's pricing strategy could have great impact on a consumer's purchasing behaviour and demand for a product. Therefore it became clear that it is important for a company to measure price sensitivity in various target groups in order to decrease price sensitivity. Therefore this research suggests that an upscale technology brand as Apple should acknowledge the price elasticity in their different target groups, in order not to experience great losses when offering a new product as the iPhone X.

6.6 Pricing strategies

From the findings and proposition relationships from the analysis, it became possible to discuss how Apple's pricing objectives and strategies is perceived from a price sensitive consumers point of view. Furthermore it became possible to discuss what Apple could do in order to meet their price consciousness consumers with negative price affects towards their more expensive products, as the iPhone X.

Apple's current pricing strategies could indicate the use of premium pricing, where it is very obvious that their products should represent exclusiveness and be perceived as kind of a luxury brand. Therefore to meet their sensitive consumers and their objectives concerning price consciousness and internal reference price, the pricing strategy bundling pricing and dynamic pricing is suggested.

The use of bundling pricing could be effective for Apple as the consumers would believe that they got more value for their money, as they can not evaluate the fairness of the deal, which can result in minimized negative price affects.

Making use of dynamic pricing would help Apple to generate positive price affects among their sensitive consumers. This is because the strategy would make it possible for Apple to charge different prices for the products depending on the target group or customer. The prices would therefore fit each segments price consciousness, their internal reference price, and the price fairness perception.

From the findings, discussion, and conclusion of the affective reactions that Apple's prices can generate from their sensitive consumers, suggestions for an interesting further research is presented below.

7. For further research

From this research it was found how university students in Denmark are involved with Apple, their high price consciousness regarding the new iPhone X, their internal reference price of approximately 5000 DKK, their unfair price perceptions of smartphones especially of the iPhone X, and the mixed price-quality inferences in regards to Apple. With this knowledge it could be interesting to make the same interviews but with a larger sample frame in order to investigate if there is a general perception among university students thinking that Apple's product prices, especially the new iPhone X price, is too high. This knowledge could be used by Apple to gain insights in their university student- or price sensitive consumer segment, in order to prevent failed sales of for an example the iPhone X in the future. In relation to this, it would be interesting to research and make an experiment, investigating if the university students' perceptions, in each of the above-mentioned themes, would change, if Apple changed their pricing strategies to the suggested strategies of bundling pricing or dynamic pricing.

This further research's objective would be to change the interview participants' price consciousness from high to low, as well as address the fairness perception of Apple being overpriced at the moment. Furthermore it could be interesting to look into how and if a shift in pricing strategies can change negative price affects into more positive price affects.

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9. Appendices

Appendix 1

Interview guide

The semi-structured interview begins with a short introduction of the research area so that the interviewee participant is familiar with the procedure.

In order to make sufficient interview questions, interview themes has been developed based on the research problem and the above-mentioned frameworks.

Interview themes

- The personal involvement in the brand Apple and their products.
- The price consciousness that people have in general and in relation to Apple.
- The personal internal reference price of technology in general and in relation to Apple.
- The fairness of technology prices in relation to the brand Apple.
- The affective reactions towards price and quality in general and in relation to Apple.

Below is an Introduction draft, which might be moderated throughout the 12 interviews depending on the effect of it.

Introduction

Thank you for your willingness to participate in my interview.

I will now shortly introduce you to my research area.

I am currently writing my master thesis at CBS, studying cand. merc IT, and I am researching the affective reactions and perception to prices of Apple's products.

By Affective reactions I mean the emotional and physical reactions.

From the interview I hope to gain insights in how university students with a long-term education is affected by the brand Apple and their product prices. This is in order to

investigate and suggest which pricing strategies that would be the most effective for Apple and their student consumers.

For practical information; I will be recording the interview electronically, in order to use the interview in the most efficient way through the processing of the data. I hope you can agree to this.

Interview questions

Product involvement

- Here is the logo of the brand Apple, can you mention the first 3 things you think of when seeing this? **(show Apple Logo. See appendix 2)**
- How have you previously been involved with the Apple Brand?
 - **Probing question:** And for what reasons?
- What features do you associate with the brand Apple?
- What personal emotions do you associate with the brand Apple?
- Why would you or why would you not choose to buy an Apple Product?

Price consciousness

- What do you find important when considering buying a technological device?
- What do you think about Apples product prices compared to a competing product range?
- Here is a iPhone X at the price of 8899 DKK, would you buy it? Why or why not?
(show a picture of the iPhone X. See appendix 3)

Internal reference price

- You are about to buy the new iPhone X, how would you decide the amount of money you are willing to spent on it?
- Can you show me the price you are willing to pay for the iPhone X? **(I give the interviewee “fake printed” 9.000 DKK in their hand, so they can imagine the procedure and tap into their emotions. Then I ask them to give me the amount of money they are willing to pay. See appendix 4)**
 - **Probing question:** Why did you decide on this amount?

Price fairness

- How do you decide on whether a price is fair or not?
- Imagine that people in your social circle have just bought the new iPhone X at a price of 8899 DKK, and asks you why you would or would not buy? what would you answer? **(show the interviewee a picture of the iPhone X, see appendix 3)**
- Which of these smartphones prices is the most fair and why? **(Show picture of 3 latest phones, iPhone X, Samsung Galaxy 9+, Huawei Mate 10 See appendix 3+5+6)**
- Which one would you buy **(They need to give me the “fake money” in order to imagine that they are doing a purchase)**
 - **Probing question:** Why where you or why where you not affected by the fairness?

Price - quality

- **Exercise:**
 - We have a quality range and a price range that goes from lowest, low, average, high, highest.
 - We have 2x pictures of the iPhone X, Samsung 9+ and Huawei Mate 10.
 - Please place the phones on the quality range first; lowest, low, average, high, highest
 - Then please place the phones at the price range; lowest, low, average, high, highest
- How do you connect quality with price?

Appendix 2



Appendix 3



Appendix 4



Appendix 5



Appendix 6



Appendix 7 - Interview summaries

- **Interviewee 1**, age; 24, education; Master in Economy, institution; Copenhagen University (KU).

- **Product involvement**

- **Apple logo**; efficient, smart, expensive
- Have Apple computer - because of recommendations
- **Associated Features**; expensive, nice design, addictive to apple when first trying it
- **Associated Emotions**; image, feel comfortable, good apps

Codes: *Involved, positive affections*

- **Price consciousness**

- *Focused on price, last a long time, good quality, easy to use*
- *Apples product price; expensive but good quality and worth it*
- *The new iPhone X: would not buy it, not used to iPhones*

Codes: *Price, Quality, Usability, *Negative price affection but also Positive price affection, because she says that the product it worth the money because of good quality*

- **Reference price**

- Would not buy the iPhone X as its price of almost 9000 DKK,
- Looks at the quality and features
- Would pay maximum 4000 DKK for, would not be willing to pay to much, want a simple phone

Codes: Comparison with the general product market, Comparison with older versions of a product, Low internal reference price (compared to the price of the iPhone). Negative affects (would not buy the iPhone X)

- **Price fairness perception**

- *How long does it last, quality,*
- *Social groups could influence, if friends used certain app, but not really*
- *Would buy the Huawei, because the price is most fair, but is uncertain, need more information, base it on recommendations*

Codes: Good quality, Good design, Not affected by social groups, Affected by fairness of price when buying a smartphone

- **Price-quality inferences**

- **Relationship between price and quality:** there is a relationship, but Apple is a little overpriced because of the brand

- **Interviewee 2**, age; 24, education; Master in psychology, institution; KU.

- **Product involvement**

Apple logo; Quality, Expensive, popular

Have an Apple computer and a iPhone, because of good quality

Associated Features; high speed, good quality, easy to use

Associated Emotions; Happy, because it works well

would buy an Apple product because of good quality, familiarity with the systems, though it is expensive

Codes: Involved, positive affections

- **Price consciousness**

Focused on; quality, usability, design

Apples product price; quite expensive, but would still buy it because of its quality

The new iPhone X: would not buy it, too expensive, not so many new feature compared to the price, the price is too high compared to what else you could buy, a vacation or so.

Codes: Good quality, Usability, design, negative price affection - it is too expensive, but would buy it anyway because of quality, positive price affection

- **Reference price**

Would not buy the new iPhone X at that price, but if money or income was not a concern i would maybe buy it.

look at the features and be willing to pay maximum 5000 DKK, because of its features,

Codes: Comparison with same brand products, Comparison with older versions of a product, Low internal reference price, negative affects

- **Price fairness perception**

Depends on, the design, the features, income - personal economy

Social affects: if already having an iPhone, then do not want to buy the newest version, social pressure would not affect that much, if already having a relative new iPhone.

Find the Huawei smartphone price the most fair, but will still buy an iPhone because of the brand, even though the price is very expensive, because of the feature and design.

Codes: Good design, Features, Income, Not affected by social groups, Not Affected by fairness of price when buying a smartphone

- **Price-quality inferences**

Quality and price is somehow connect, but in the case of Apple, it is expensive because of its popularity and its design,

Will always choose Apple over other brands, because of high product involvement

Codes: Price reflects good quality

- **Interviewee 3**, age 26, education; Cand. Merc. EMF, institution; Copenhagen Business School (CBS).

- **Product involvement**

Apple logo; popular, over prized - more design than quality (but prefer iPhone over android phone)

Have a iPhone, Mac computer, iPad, because of the popularity later the design

Associated Features; Their design, user friendly, bad battery lifetime, good features in general

Associated Emotions; sort of positive, like the brand

Would buy an Apple product because of their design, know about the iOS system, would not like to get to know the android system.

Codes: Involved, Positive affections

- **Price consciousness**

Focused on; If its a phone - the design, if is was a computer the software and hardware

Apples product price; you pay for the design, not for what is inside

The new iPhone X; would not buy, too high price, too little improvement, made of glass, break to easy

Codes: Price, design, quality, negative price affections Technological improvement

- **Reference price**

Would compare it to previous iPhones and their prices, would not consider android phones, as they are not an option in the interviewee's opinion.

Would pay around 5000 or 6000 for the new iPhone X, though it is still a lot compared to others things you can get - for an example a computer.

Codes: Comparison with older versions of a product, Comparison with same brand products, Low Internal reference price, Negative affects

- **Price fairness perception**

Decide on the specs, the value it gives, the design, how it makes the interview feel

Could be influenced from social circles

Find the price of the Huawei phone the most fair, but would not buy it, because the interviewee is not a fan of the android system, if the interviewee had the money - would still buy the iPhone because it is familiar, would therefore not be affected from the fairness perception

Codes: Good quality, Good design, Affected by social groups, Not Affected by fairness of price when buying a smartphone

- **Price-quality inferences**

Think there is a relationship, might not a rational relationship, *in relation to Apple, the relationship is not between quality and price in a way where you get technological features that match the price, but get everything that Apple stands for; brand, design, influence

Codes: Price does not always reflect good quality

- **Interviewee 4**, age 25, education; Master in Pharmacy, institution; KU.

- **Product involvement**

Apple logo; laptops, smartphones, beautiful design

Have an iPhone, because it is easy to use, because of recommendations, therefore continues to buy it

Associated Features; Apps, not sure

Associated Emotions; familiar, know what it is when buying, know that it is expensive, give an impression of people using it that they have a lot of money

Would buy an Apple product, because of the familiarity - easy to use, have tried Samsung and did not like the interface or system.

Would not buy it if there were no actual improvement on the iPhone, but have gotten more expensive, would buy older and cheaper version then.

Codes: Involved, Positive affections

Price consciousness

Focused on; good quality, usability, design, size, - don't like the shift in charger and earphones, like the brand, but would

Apple's product price; Little overpriced, when they make a new iPhone there is not enough improvement from the later version.

The new iPhone X; Would not buy it, as the older versions give the interviewee what is wanted and needed. The price is too high, it is like a computer.

Codes: Quality, Usability, Design, Negative price affections

- ***Reference price***

Would compare with older phone, and other smartphones on the market.

Would pay 5000 DKK for the new iPhone X, it looks like a lot of money when having the "money" in the hands (the fake printed money) change the meaning to 4000 DKK.

5000 DKK is a okay price for a mini computer and the expectation of a price when buying a smartphone.

Codes: Comparison with same brand products, Comparison with older versions of a product, Comparison with the general product market, Low Internal reference price, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X).

- ***Price fairness perception***

would compare to other products, the value that the phone gives the features.

Would not be affected by the social circle, cool to be different.

The price of the Huawei is the most fair, but is not sure of its quality, therefore would the Huawei, because of the fairness.

Apple think that they are so cool, that they can just raise their price and still people would buy their product, but they have to show improvement as well.

Codes: Match internal reference price, Good quality, Features, Not affected by social groups, Affected by fairness of price when buying a smartphone

- **Price-quality inferences**

Doubts that the iPhone has the highest quality compared to the price.

A high quality makes a higher price more okay but lower price product have often shown to have a high quality as well.

Codes: Price reflects good quality

- **Interviewee 5**, age 26, education; Multimedia design, institution; KEA.

- **Product involvement**

Apple logo; iPhone, iPod, MacBook

Have computer, iPhone, iPod - use it for work in creative business - have the products because they are all interrelated, like the features the quality

Associated Features; music player, Photoshop, programs, could not live without - in job relation

Associated Emotions; feels that it is trustworthy, reliable compared to other product brands, how you represent at the job, like a status symbol.

would not buy the products because of price, but because of good quality and priority of good technology the interviewee would buy Apple product

Codes: Involved, Positive affections

- **Price consciousness**

Focused on; be able to synchronize, design,

Apples product price; It is very expensive, could get a windows for half the price, but then it would not support the other products.

The new iPhone X; would not buy it, would rather spend the money on a computer instead. Crosses internal limits

Codes: *Design*, Negative price affections

- **Reference price**

Would give 6000 DKK the most, would look into previous prices on phones bought + would look into what Apple's products have cost earlier

Codes: Comparison with older versions of a product, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X)

- **Price fairness perception**

Compare it to older products, features, would not compare it to other brand.

Would not be affected by it, but would think about if everyone had it.

Would be happy with the older versions.

Would never pay the price of the new iPhone X, would buy the cheapest smartphone, but would be afraid of the quality.

Codes: Match internal reference price, Features, Not affected by social groups, Affected by fairness of price when buying a smartphone.

- **Price-quality inferences**

The quality of Apple, might not be the highest, because they have not renewed themselves that much.

There is a connection between quality and price, Apple has the highest price, but maybe not the highest quality.

Codes: Price reflects good quality

- **Interviewee 6**, age 26, education; Cand. Merc. Financing and Accounting, institution; CBS.

- **Product involvement**

Apple logo; simple, cool, new

Have an iPhone, had an iPod - because of the design, it is nice, good functionality and simplicity, know what you get, it is familiar.

Associated Features; I am not that technical; do not use the full potential because I buy it for the design.

Associated Emotions; don't enjoy the price, but want to pay the premium because of their design.

Codes: Involved, positive affections

- ***Price consciousness***

Focused on; Price and design

Apple's product price; don't know the market, but aware of them being expensive, but as long I get money worth I don't mind paying the price.

The new iPhone X; Would probably not buy the iPhone, would buy a older version

Codes: Price, design, Negative price affections

- ***Reference price***

Would compare to others brands products; look at what is important for me, the features.

Would pay 5500 DKK for the iPhone, because what I paid for my last iPhone.

Codes: Comparison with the general product market, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X)

- ***Price fairness perception***

Research the market, benchmarked with other phones on the market

Not affected by the social group, would might go the opposite way.

Like the price of the Huawei but does not know about quality, so would buy the iPhone, would not be affected by the fairness. Shift opinions - would buy the Huawei

Codes: Match internal reference price, Features, Not affected by social group, Affected by fairness of price when buying a smartphone

- ***Price-quality inferences***

iPhone highest quality range, highest price. Think there is a relationship between price and quality, put the Huawei phone on average quality only based on the low price.

Codes: Price reflects good quality

- **Interviewee 7**, age 25, education; Msc. in landscape architecture, institution; KU.

- **Product involvement**

Apple logo; Mainstream, high prices, exclusiveness

Do not own any Apple products, always took a distance from it, would not shift from Windows

Associated Features; good graphics, the adobe package, the iOS system

Associated Emotions; Mixed feeling, on one hand there must be a reason that is has become mainstream, on the other hand, I feel that people are only getting the products because everyone else have it, can get my needs in a product much cheaper at a other brand.

Codes: Not involved, Negative affections.

- **Price consciousness**

Focused on; Quality, functionality, usability, big screen, that programs can work on other machines.

Apple's product price; really high, especially when you are a student, higher than they have to be, do not want to pay the amount of money for exclusiveness

The new iPhone X; No, would not buy is, it is crazy, do not want to support Apple, would rather use the money on an Android phone.

Codes: Quality, Usability, negative price affections

- **Reference price**

I would need to know the price market, and the version before that, compare the price, why is the phone better, which new features. Compared to previous phones.

Want to pay max 5000 DKK, if the price were higher I would question if it was really worth it.

Codes: Comparison with same brand products, Comparison with the general product market, Comparison with older versions of a product, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X)

- **Price fairness perception**

Compare the products with previous versions and the features.

Is not affected by social circle, maybe when I was a teenager, but would only buy a new phone if I broke mine.

The price of the Huawei is the most fair, but would never buy a Huawei, but would buy a Samsung, because of the familiarity - you choose a product at some age, and then stick with it.

Codes: Match internal reference price, Features, Not affected by social groups, Affected by fairness of price when buying a smartphone.

- **Price-quality inferences**

When I see a phone with a low price, I think that the quality must be low as well. The price and the quality needs to be connected.

Codes: Price reflects good quality,

- **Interviewee 8**, age 26, education; Industrial Engineering and Management, institution; Technical University of Denmark (DTU).

- **Product involvement**

Apple logo; Design, quality, simple

Have had several iPhones, an iPad, I have it because of the quality

Associated Features; Face time functions, the Siri function, the fingerprint

Associated Emotions; I think it is nice, but too expensive, irritated with the cables and things that you have to buy extra.

Codes: Involved, Negative affections,

- **Price consciousness**

Focused on; good quality, a good size, simple, classy design

Apple's product price; Are not sure what the market price is, it is very expensive for the iPhone.

The new iPhone X; If my computer and my phone did not work, I would consider buying it, would like to know what the previous phone could do

Codes: Quality, Design, Negative price affections

- **Reference price**

Compare to what I get, and to other brands, and older versions.

Would pay 6000 DKK,

Codes: Comparison with same brand products, Comparison with the general product market, Comparison with older versions of a product, Low Internal reference price in relation to the iPhone X's price, Positive affects (Would buy the iPhone X)

- **Price fairness perception**

Compare it to the market, and do I really need this iPhone.

Would not be affected, if my current iPhone works, I do not need to buy a new one.

The Huawei has the most fair price, what would be afraid of the quality, does not know it enough, would buy the iPhone X instead.

Codes: Match internal reference price, not affected by social groups, Not Affected by fairness of price when buying a smartphone

- **Price-quality inferences**

know there is a relationship, but the brand and recommendations from other can play a huge part in deciding to buy a product

Codes: Price reflects good quality

- **Interviewee 9**, age 25, education; Computer Science, institution; KU.

- **Product involvement**

Apple logo; Design, good quality, pricy, music

Have had an iPhone, have a MacBook Air, Mac computer - because the iPhone was the main smartphone brand in the beginning, the computers was because of music producing and the programs is exclusive for Apple

Associated Features; Good material, the programs, iTunes,

Associated Emotions; in the recent years their products has become too pricey, I makes be almost angry, they were very original when Steve Jobs

was alive. but know they have not changed themselves. If I could I would buy something else.

Codes: Involved, negative affections,

- ***Price consciousness***

Focused on; Power, hardware, how fast, quality, design,

Apple's product price; The price is too high, the hardware is very good, but not as good as it should be in relation to the price.

The new iPhone X; Would never buy it,

Codes: Quality, Design, Negative price affections

- ***Reference price***

I would look at the hardware, compare with other products from other brands. To get the best for the best price.

Would use max 5000 DKK, if I should buy the iPhone - its the amount I used to buy my windows laptop

Codes: Comparison with the general product market, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X)

- ***Price fairness perception***

Check the market price

Not affected by social groups, don't care what is popular. Software as games and apps I would be more affected

Finds the Huawei phones price the most fair, maybe the price is too low, would therefore buy the Huawei phone

Codes: Match internal reference price, Not affected by social groups, Affected by fairness of price when buying a smartphone,

- ***Price-quality inferences***

Price and quality should be equal,

Codes: Price does not always reflect good quality

- **Interviewee 10**, age 24, education; education; Industrial Engineering and Management, institution; Technical University of Denmark (DTU)

- ***Product involvement***

Apple logo; Design, computers, iPhones

I have almost all their products, because I like their design, and because they work together all the products, it is easy to get into the whole Apple system, when you have bought a product

Associated Features; clean software and easy to use interface, in come out of the box ready to use.

Associated Emotions; I really like the brand, have read Steve jobs biography, interested in the history and philosophy

Would not buy an Apple product if the price is too high, or if I have need for it.

Codes: Involved, Positive affections

- ***Price consciousness***

Focused on; Design, functionality, new innovations

Apple's product price; they are way too high, but I buy them anyway, almost always above their competitors

The new iPhone X; I have bought the new iPhone X - I decide on the amount by seeing that I can use it every day, have improvements from the last iPhones

Codes: Design, Technological improvement, Positive and negative price affections - Would buy the products anyway even I think the price is too high.

- ***Reference price***

I have bought the new iPhone X - I decide on the amount by seeing that I can use it every day, have improvements from the last iPhones

Think that 7000 DKK would be a fairer price

Codes: High Internal reference price in relation to the iPhone X's price, Positive affects (Would buy the iPhone X)

- ***Price fairness perception***

Don't check the market, but check the iPhone market

Affected by my family - they all have Apple products

Codes: Match internal reference price, Affected by social groups, Not Affected by fairness of price when buying a smartphone

- ***Price-quality inference***

There is a relationship between quality and price

Codes: Price reflects good quality

- **Interviewee 11**, age 26, education; Engineering Acoustics, institution; DTU.

- **Product involvement**

Apple logo; High prices, nice packaging - not best components, nice experience,

Have never owned an Apple product, have stayed away from it, don't want to use the Apple ecosystem because it is very limited to apple products.

Associated Features; Siri, one of the firsts to have a voice activated AI, the iPhone - their flagship product

Associated Emotions; torn, can't deny the fact that they make really nice products, maybe if they were cheaper I would consider it, but they know what they can take for a phone.

Would not buy an Apple product because of the prices, because you can get similar product for the same price.

Codes: Not involved, Negative affections,

- **Price consciousness**

Focused on; Price, because of limited income, usability - need to live up to my everyday needs,

Apple's product price; they seem high, but remember that they know that they can see it because of the brand, and has social status,

The new iPhone X; No would not, because of the price, and the ecosystem and because I am caught in the android system.

Codes: Price, Usability, Negative price affections

- **Reference price**

I would look at the stock prices, check the market, and compare the prices, Would pay 6000 max for the new iPhone,

Codes: Comparison with the general product market, Comparison with same brand products, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X),

- **Price fairness perception**

If they have new innovative features, good quality in specs.

Would not be affected by social groups, maybe if it was with apps, social media apps.

The iPhone is a little bit expensive, Huawei is a little too cheap maybe, but over 6000 is a lot, because you can get a computer for that price. Therefore would buy the Huawei

Codes: Features, Good quality, Not affected by social groups, Affected by fairness of price when buying a smartphone

- ***Price-quality inferences***

The quality and the prices, does not always match, an example could be Apple, because of their strong brand and exclusive design, they can set the price higher. If you are an Apple guy, you would buy the product regardless of the price. but price and quality should follow each other.

Codes: Price does not always reflect good quality

- **Interviewee 12**, age 23, education; Master in Law, institution; KU.

- ***Product involvement***

Apple logo; Steve jobs, capitalism, Ashton Kutcher - because of the movie Use to have an iPhone, have a MacBook air, because it was the best smartphone in the market, have them for the quality.

Associated Features; Face recognition, creative programs, camera

Associated Emotions; Annoyed, demand too much money, too overpriced, think i could buy products as good as Apple, for a better price.

Codes: Involved, Negative affections

- ***Price consciousness***

Focused on; what you can use it for, functionality, quality, be usable for basic needs,

Apple's product price; ridiculously high, but they are so good at branding, so that they make it so attractive, very good at marketing, you get an image when using Apple.

The new iPhone X; I would not buy; it is too expensive, even though it is a small computer

Codes: Quality, Usability, Negative price affections

- **Reference price**

I would look at the market, how expensive is other smartphones.

Would pay a maximum of 5000 DKK, for a new phone with new features and design.

Codes: Comparison with the general product market, Low Internal reference price in relation to the iPhone X's price, Negative affects (would not buy the iPhone X).

- **Price fairness perception**

Comparing to the rest of the market, looking for similar products, to have a good overview.

Would not be affected by social groups, because of the price, maybe when I was younger. If the iPhone was cheaper I would consider buying it, but it is too overpriced right now

Codes: Match internal reference price, Not affected by social groups

- **Price-quality inferences**

I think there is a relationship to some extent, but the Huawei is too cheap, and the iPhone is too expensive. A fair price for a smartphone with a good quality would be around 5000 DKK.

Codes: Price does not always reflect good quality

Appendix 8, Theory driven thematic analysis code scheme

Themes	Codes
Product involvement	Involved
	Not involved
	Positive affections
	Negative affections
Price consciousness	Importance when buying technological device <ul style="list-style-type: none"> • Price • Quality • Usability • Design • Technological improvement
	Positive price affections
	Negative price affections
Internal reference price	Reference price based on: <ul style="list-style-type: none"> • Comparison with same brand products • Comparison with the general product market • Comparison with older versions of a product
	High Internal reference price in relation to the iPhone X's price

	Low Internal reference price in relation to the iPhone X's price
	Negative affects (would not buy the iPhone X)
	Positive affcets (Would by buy the iPhone X)
Price fairness perception	What makes a price fair or unfair <ul style="list-style-type: none"> • Good quality • Match internal reference price • Good design • Features • Income
	Affected by social groups
	Not affected by social groups
	Affected by fairness of price when buying a smartphone
	Not Affected by fairness of price when buying a smartphone
Price-quality inferences	Price reflects good quality
	Price does not always reflect good quality

Appendix 9, Theory driven thematic analysis scheme

(To find meaning and keep track of interviewees' opinions)

Themes	Codes + interviewee's nr. to identification
Product involvement	Involved (nr. 1, nr. 2, nr. 3, nr. 4, nr. 5, nr. 6, nr. 8, nr. 9, nr. 10, nr. 12)
	Not involved (nr. 7, nr. 11)
	Positive affections (nr. 1, nr. 2, nr. 3, nr. 4, nr. 5, nr. 6, nr. 10)
	Negative affections (nr. 7, nr. 8, nr. 9, nr. 11, nr. 12)
Price consciousness	Importance when buying technological device <ul style="list-style-type: none"> • Price (nr. 1, nr. 3, nr. 6, nr. 10) • Quality (nr. 1, nr. 2, nr. 3, nr. 4, nr. 7, nr. 8, nr. 9, nr. 12) • Usability (nr. 1, nr. 2, nr. 4, nr. 7, nr. 10, nr. 12) • Design (nr. 2, nr. 3, nr. 4, nr. 5, nr. 6, nr. 8, nr. 9, nr. 10) • Technological improvement (nr. 3, nr. 10)
	Positive price affections (nr. 1*, nr. 2*, nr. 10 *)
	Negative price affections (nr. 1*, nr. 2*, nr. 3, nr. 4, nr. 5, nr. 6, nr. 7, nr. 8, nr. 9, nr. 10*, nr. 11, nr. 12)
Internal reference price	Reference price based on <ul style="list-style-type: none"> • Comparison with same brand products (nr. 2, nr. 3, nr. 4, nr. 7,

	<p>nr. 8, nr. 11)</p> <ul style="list-style-type: none"> • Comparison with the general product market (nr. 1, nr. 4, nr. 6, nr. 7, nr. 8, nr. 9, nr. 11, nr. 12) • Comparison with older versions of a product (nr. 1, nr. 2, nr. 3, nr. 4, nr. 5, nr. 7, nr. 8)
	High Internal reference price in relation to the iPhone X's price (nr. 10)
	Low Internal reference price in relation to the iPhone X's price (nr.1, nr.2, nr.3, nr. 4, nr. 5, nr. 6, nr. 7, nr. 8, nr. 9, nr. 11, nr. 12)
	Negative affects (would not buy the iPhone X) (nr. 1, nr. 2, nr. 3, nr. 4, nr. 5, nr. 6, nr. 7, nr. 9, nr. 11, nr. 12)
	Positive affects (Would buy the iPhone X)(nr. 8, nr. 10)
Price fairness perception	<p>What makes a price fair or unfair</p> <ul style="list-style-type: none"> • Good quality (nr.1, nr. 3, nr. 4, nr. 11) • Match internal reference price (nr. 4, nr. 5, nr. 6, nr. 7, nr. 8, nr. 9, nr. 10, nr. 12) • Good design (nr.1, nr. 2, nr. 3) • Features (nr. 2, nr. 3, nr. 4, nr. 5) nr. 6, nr. 7, nr. 11) • Income (nr. 2)
	Affected by social groups (nr. 3, nr. 10)
	Not affected by social groups (nr.1, nr. 2, nr. 4, nr. 5, nr. 6, nr. 7, nr. 8, nr. 9, nr. 11, nr. 12)

	Affected by fairness of price when buying a smartphone (nr.1, nr. 4, nr. 5, nr. 6, nr. 7, nr. 9, nr. 11)
	Not Affected by fairness of price when buying a smartphone (nr. 2, nr. 3, nr. 8, nr. 10)
Price-quality inferences	Price reflects good quality (nr.1, nr.2, nr.4, nr. 5, nr. 6, nr. 7, nr. 8, nr. 10)
	Price does not always reflect good quality (nr.3*, nr. 9, nr. 11, nr. 12)