

# A Study of the Role of Product Variety and Perceived Value on Cross-buying Intentions

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**Abstract:** Enhancing customer life time value through cross-selling additional products to the existing customers is an attractive strategy. This tactic is used by organisations, which offer them additional benefits of lowering cost of acquiring new customers and increasing the chance of retaining existing customers. This also presents a high probability of lowering resistance to sell products to customers who know the company from previous interactions. But customer decision to buy a cross-sell product is a more complex process, which is influenced by different factors. In this study authors examine the effects of, product variety offered by the provider, which satisfies current and future needs of the customer and Perceived value in terms of Price, Product quality and Provider's better offer than competitor's offer, on customer's cross-buying decision. Research design adopted is descriptive. Sample size is 50 for the study and drawn through purposive sampling. Descriptive and inferential statistics is used for the study. The results show that all the aspects studied of Product variety and Perceived value has positive effect on the customer cross-buying decision.

**Keywords:** Cross-selling, Cross-buying decision, Product Variety, Perceived Value

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## I. INTRODUCTION

In the past when a customer purchased a product, the supplier would have been involved with customer until the purchase is completed. After that, his focus used to shift to a new customer. However, recently this behaviour of the supplier has changed.<sup>1</sup>

Large internationally oriented companies are trying to expand globally. They seek collaborative and co-operative solutions.<sup>2</sup> This and the factors like sophistication of customer, dynamic market condition, power of competitive forces and shrinking profit margins has brought a shift in the approach of organisations.<sup>3</sup>

Incremental Innovation and usual marketing programs will seldom lead to sales growth in today's markets.<sup>4</sup> The focus now has shifted to prolonging the relation with customer by establishing, developing and maintaining it.<sup>1</sup> Customer insights are essential for sales growth.<sup>2</sup>

On this backdrop this paper attempts to study the effect of the constructs, product variety and perceived value, on customer buying decision while supplier cross-sell different products to the customer.

## II. LITERATURE REVIEW

The intent of relationship marketing is "to establish, maintain, enhance and commercialise customer relationships so that the objectives of the parties are met. This is done by the mutual exchange and fulfilment of promises".<sup>5</sup> Soureli, et al.(2008)<sup>3</sup>; Verhoefa, et al.(2001)<sup>6</sup> in their research work mentioned three dimensions of Relationship between customer and supplier – Length corresponds to the time duration customer is with the supplier<sup>7</sup>, Depth signifies consumption and usage level of the services of the customer from the same supplier<sup>8</sup>,<sup>9</sup> and Breadth corresponds to the number of services customer has purchased from the same provider.<sup>3</sup> It is imperative for the profitability of the organisation that to enlarge the relationship with customer, in all three dimensions.<sup>3</sup> Researchers have defined breadth dimension in terms of cross-selling.<sup>7,3</sup>

**Cross-selling and Cross-buying:** cross-buying is a more complicated process as compared to customer retention.<sup>10</sup> The pattern of past purchases made by a customer gives a clue for the next possible purchase of the customer.<sup>11</sup> This gives the organisation an understanding of the needs of the customer. Satisfying these needs marks the beginning of a fruitful relationship with the customer, which benefits the organisation by an opportunity of an add-on sale. "Cross-selling is the beginning of the relationship and opportunity to sell additional product or service."<sup>12,13</sup>

A company which has myriad products should take advantage of cross-selling opportunities. Butera (2000)<sup>14</sup> claimed that, cross-selling generally described as selling an add-on or accessory product to existing customer, but it will be an important strategy if the products are unbundled. In short, he suggested that to augment sale, cross-sale efforts be focussed on promoting complementary product line. He generalised cross-selling as "The practice of promoting additional products or services to existing customers in addition to the ones a customer currently has."<sup>14, 13,15</sup>

Cross-selling is as well a chance of fulfilling the natural sequential demand of products for the companies producing multiple products and services. "The existence of sequentially developed demand for

naturally ordered products offers substantial opportunities for companies that carry multiple products and services to "cross-sell" other products and services to their existing customer base.<sup>16</sup> But do consumers have favourable perception for Cross-selling; this thought process led to the concept of cross-buying.

Verhoef, Frances, and Hoekstra (2001)<sup>6</sup> defined this as an act of buying number of products from same provider. Ngobo, (2004)<sup>17</sup> defines Cross-buying as a customer's way of purchasing products and services from the same supplier in addition to the ones currently posses.

Previous research put forward many benefits of cross-selling to customers such as Cross-selling satisfies the customer's existing and future needs with more convenience by giving solutions in form of products or services at one place along with reduced formalities and paper work, reduced cost of transactions, reduction in transactional risks and time saved of alternative option search.<sup>18</sup>

These benefits do not assure success of cross-selling since decision of cross-buy involves a more complicated process.<sup>10</sup> Synthesis of the existing literature revealed a research gap that not much research is available on how the provision of variety of the products and perceived value of the product offer affect the customer's cross-buying decision. Researchers propose following proposition to study this research gap in this research work.

### **Objective of the study**

This study is focussed on getting an insight of the effects of constructs, which will help devise an appropriate cross-selling strategy, for cross-selling different products to the customer. This research paper has two research objectives:

1. To study whether the Product Variety offered by the provider influences the customer's cross-buying decision, in Pune city.
2. To study the effect of the Perceived Value, of the product offer given by the provider, on the customer's cross-buying decision, in Pune city

### **Theoretical background and hypothesis**

#### **Product variety**

Jeng (2008)<sup>19</sup> research work stated Product variety as the number of options offered in a product group. If a provider supplies greater variety in its product line consumer will experience benefit of time and effort saving.<sup>17</sup> To cross-sell provider has to display the products to which customer is interested in purchasing and at times provide the products which will satisfy customer's future needs.<sup>20</sup> The result of the Jeng (2008)<sup>19</sup> study suggested that if competing supplier offers better product variety it negatively affects the cross-buying decision. So following two propositions are proposed for the study.

a)  $H_{01}$ -Provision of the varied products by the same provider has no effect on the customer's cross-buying decision.

$H_1$ - Provision of the varied products by the same provider has an effect on the customer's cross-buying decision.

b)  $H_{02}$ -Provision of the varied products covering both current and future needs of the customer by the same provider have no effect on the customer's cross-buying decision.

$H_2$ -Provision of the varied products covering both current and future needs of the customer by the same provider have an effect on the customer's cross-buying decision.

#### **Perceived value of the product proposition**

Perceived value is defined as a result of the trade off between perceived benefits and perceived sacrifices that the customer undergoes in an interaction with the provider.<sup>21</sup> It is a quality, that customers receive for the price they give.<sup>22</sup> Bolton, et al., 2000<sup>9</sup> proposed that customers consider to repurchase, based on their assessment of the service quality provided and the price they have paid in previous interactions, which they have arrived at after doing evaluation of the competing offers. Study of Soureli, et al., (2008)<sup>3</sup> suggested that perceived value indirectly affects cross-buying intentions. While Ngobo, (2004)<sup>17</sup> asserts that Perceived value has a positive impact on the cross-buying decision. The researchers propose following three propositions

a)  $H_{03}$ - Competitive price offered of the product by the provider has no effect on the customer's cross-buying decision.

$H_3$ - Competitive price offered of the product by the provider has an effect on the customer's cross-buying decision.

b)  $H_{04}$ - Competitive product quality of the product offered by the provider has no effect on the customer's cross-buying decision.

$H_4$ - Competitive product quality of the product offered by the provider has an effect on the customer's cross-buying decision.

c)  $H_{05}$ - Provider's better offer than competitor's offer for the product has no effect on the customer's cross-buying decision.

$H_5$ - Provider's better offer than competitor's offer for the product has an effect on the customer's cross-buying decision.

### III. RESEARCH METHODOLOGY

The objectives of the study were achieved through a planned research. Research design is descriptive. Both qualitative and quantitative methods were adopted for the research. From the review of 70 different white papers, reports, research articles, books constructs related to the study are identified.

Qualitative methods give flexibility in getting insights of the concepts. In the exploratory phase factors affecting customer perception regarding cross-selling responsiveness were identified. Perceptions from, five unstructured In-Depth Interviews followed by three Focus Group discussions conducted with participants ranging in age from 26 to 57 years and diverse educational and professional backgrounds, helped in developing measurement instrument for quantitative phase. Unlike in statistical sampling, sample size is not predetermined and sampling method used was snowballing and purposive for qualitative phases.

A structured research instrument is prepared for Descriptive /Quantitative phase of the study. It is divided into three parts- first part- a qualifying question to select the respondent, who has experienced cross-buying incident, second part to check customer responsiveness towards cross-selling efforts and third part for demographic information of the respondent. The scale has 5 statements and use 7 points Likert scale for measurement. Five statements of the scale are adapted from- two statements of Product variety from Jeng(2008)<sup>19</sup> and three statements of Perceived value from Soureli, et al.(2008).<sup>3</sup> Reliability of the scale is checked through Cronbach alpha. Cronbach alpha was 0.798 which is a good and accepted value.<sup>23</sup> (Hair Jr. & Celsi, 2011).

For the quantitative strand, the questionnaire was administered at different parts of Pune city on different gender, age groups, and different educational background respondents. The sampling method used was purposive sampling and sample size was 50. Codes are designed and a code book was prepared before assimilating data for analysis.

### IV. ANALYSIS

#### Descriptive analysis

Descriptive analysis is done to understand the demographic data and composition of the sample. Three product categories were chosen for the study from the data collected from qualitative phase, where respondent's cross-buying is seen present- 1) Banking Products 2) Consumer Electronic Products and 3) Personal care products. For the selected product categories the products were identified in which are often cross-buying is done by the customers- 1) Banking Products-Saving's a/c, Fixed Deposits, Housing Loan, Vehicle Loan, Personal Loan, Mutual Fund 2)Consumer Electronic Products- Television, Fridge, Washing Machine, Air conditioner and 3)Personal care products- Sun Screen, Moisturiser, Aftershave Lotion, Toothpaste, Toothbrush.

Considering the Product applications, respondent's ranging from 15 to 55+ were selected. As seen from Table 1, 2 and 3 demographic statistics composition of sample was as follows- 58% male and 42% female, 60% respondents were from age group of 25-39 years, and 88% had completed graduation.

Table 1 – Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	29	58.0	58.0	58.0
	Female	21	42.0	42.0	100.0
	Total	50	100.0	100.0	
Table 2-Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Age	15-19	1	2.0	2.0	2.0
	20-24	4	8.0	8.0	10.0
	25-29	17	34.0	34.0	44.0
	30-34	8	16.0	16.0	60.0
	35-39	5	10.0	10.0	70.0
	40-44	3	6.0	6.0	76.0
	45-49	5	10.0	10.0	86.0
	50-54	6	12.0	12.0	98.0
	55+	1	2.0	2.0	100.0
	Total	50	100.0	100.0	
Table 3-Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Education	SSC/HSC	1	2.0	2.0	2.0

Some college(Incl Diploma) but not graduate	5	10.0	10.0	12.0
Graduate /Post graduate :general	10	20.0	20.0	32.0
Graduate / Post graduate Professional	34	68.0	68.0	100.0
Total	50	100.0	100.0	

One qualifying question was asked, to choose respondents who have experienced cross-buying incident- mention the products you owned in the above mentioned three product categories. It is observed that respondents have done maximum cross-buying in banking products (80%) followed by Personal Care Products (76%), while consumer Electronic products have minimum occurrence (66%).

Table-4 Who has done Cross-buying in Banking Products					
		Frequency	Percent	Valid Percent	Cumulative Percent
	No	10	20.0	20.0	20.0
	Yes	40	80.0	80.0	100.0
	Total	50	100.0	100.0	

Table 5- Who has done Cross-buying in Consumer Electronic Products					
		Frequency	Percent	Valid Percent	Cumulative Percent
	No	17	34.0	34.0	34.0
	Yes	33	66.0	66.0	100.0
	Total	50	100.0	100.0	

Table 6- Who has done Cross-buying in Personal Care Products					
		Frequency	Percent	Valid Percent	Cumulative Percent
	No	12	24.0	24.0	24.0
	Yes	38	76.0	76.0	100.0
	Total	50	100.0	100.0	

#### Inferential statistics

A question was asked to the respondents, regarding the situation wherein after purchasing one product from a brand if brand tries to sell other products to them, state their degree of agreement for the reasons they will purchase additional product for following propositions.

Scale used is 7 point Likert scale, where 1 represents not at all liking and 7 represents liking very much. An Univariate one sample t-test was used to test all 5 hypotheses. Test value is taken 4 which represent neutral on scale. The null hypothesis is that the sample mean would not be different from 4. The alternative hypothesis is that the sample mean would be different from 4. 95% Confidence Interval is chosen.

**Table 7- Brand provides varied products**

One-Sample Statistics							
		N	Mean	Std. Deviation	Std. Error Mean		
Brand provides varied products		50	5.18	1.600	.226		
One-Sample Test							
		Test Value = 4					
		t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Brand provides varied products		5.216	49	.000	1.180	.73	1.63

As seen from table 7, since significance value 0.000 is  $< 0.05$ , we reject the null hypothesis ( $H_{01}$ ), and accept the alternative hypothesis ( $H_1$ ). We conclude that Provision of the varied products by the same provider has a positive effect on the customer's cross-buying decision.

**Table 8- Varied packages covering both current and future needs**

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Varied packages covering both current and future needs	50	5.32	1.236	.175
One-Sample Test				

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Varied packages covering both current and future needs	7.550	49	.000	1.320	.97	1.67

As seen from table 8, since significance value 0.000 is  $< 0.05$ , we reject the null hypothesis ( $H_{02}$ ), and accept the alternative hypothesis ( $H_2$ ). We conclude that Provision of the varied products covering both current and future needs of the customer by the same provider have a positive effect on the customer's cross-buying decision.

**Table 9- Gives me Best price**

One-Sample Statistics						
	N	Mean	Std. Deviation	Std. Error Mean		
Gives me best price	50	5.82	1.190	.168		
One-Sample Test						
	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Varied packages covering both current and future needs	7.550	49	.000	1.320	.97	1.67

As seen from table 9, since significance value 0.000 is  $< 0.05$ , we reject the null hypothesis ( $H_{03}$ ), and accept the alternative hypothesis ( $H_3$ ). We conclude that Competitive price offered of the product by the provider has a positive effect on the customer's cross-buying decision.

**Table 10- Best Product quality**

One-Sample Statistics					
	N	Mean	Std. Deviation	Std. Error Mean	
Best product quality	50	5.94	1.236	.175	
One-Sample Test					
	Test Value = 4				
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper
Best product quality	11.101	49	.000	1.940	1.59 2.29

As seen from table 10, since significance value 0.000 is  $< 0.05$ , we reject the null hypothesis ( $H_{04}$ ), and accept the alternative hypothesis ( $H_4$ ). We conclude that Competitive product quality of the product offered by the provider has a positive effect on the customer's cross-buying decision.

**Table 11- Better offer than competitors**

One-Sample Statistics					
	N	Mean	Std. Deviation	Std. Error Mean	
better offer than competitors	50	5.80	1.212	.171	
One-Sample Test					
	Test Value = 4				
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper
better offer than competitors	10.500	49	.000	1.800	1.46 2.14

As seen from table 11, since significance value 0.000 is  $< 0.05$ , we reject the null hypothesis ( $H_{05}$ ), and accept the alternative hypothesis ( $H_5$ ). We conclude that Provider's better offer than competitor's offer for the product has a positive effect on the customer's cross-buying decision.

## V. DISCUSSION / FINDINGS

Analysis shows that customers agree that provision of the variant in the product group affects positively the cross-buying decision. ( $H_1$ ). Not only provision of the variant in the product group but even the provisions of the varied products which satisfy current and future needs of customer affect the cross-buying



decision positively. ( $H_2$ ). This supports Jeng (2008)<sup>11</sup> suggestion that if competing supplier offers better product variety it negatively affects the cross-buying decision.

Results show that Competitive price, Competitive product quality and better offer than competitor's offer for the product offered by the provider has a positive effect on cross-buying decision. These Results supports previous research of Bolton, et al., 2000<sup>9</sup> who proposed that customers consider to repurchase based on their assessment of the service quality provided and the price they have paid in previous interactions which they have arrived at after doing evaluation of the competing offers. Results are also in line with the Soureli, et al. (2008)<sup>3</sup> and Ngobo( 2004)<sup>17</sup> assertion that Perceived value has a positive impact on the cross-buying decision. The interrelationship of the factors and constructs further needs to be investigated.

The demographic composition of the sample of the study represents almost equal composition of male and female, 88% have completed graduation and 60% are from the age group of 25-39 years. While all the three product categories show above 50% cross-buying incidents, banking products have more cross-buying incidents. Analysis of the results suggests that, customers of this demographic composition are educated and exhibit value for money buying behaviour for cross-selling products. Results suggest that customer does not get carried away by cross-selling efforts of the provider. Customer compares the provider's offer to the competitor's offer while undergoing a decision about purchases of cross-sell products.

#### **Limitations and Areas for further research**

Though the study identified and statistically tested effects of constructs contributing to product related factors that affect customer cross-buying decision, it has its limitations and need to be studied in greater details. The constructs are not exhaustive, and there could be aspects which are not identified by the study, like effects of the product complexity and product relatedness on the cross-buying decision of customer. The interrelationships between constructs need to be studied for better understanding of cross-buying behaviour of the customer. The sample size is quite small and restricted to Pune city. It needs more representation to generalise the findings. Study only considered three product categories and should be studied for other product categories also. Future research in these areas should be conducted to confirm the findings of the study.

## **VI. CONCLUSIONS**

Vigorous cross-selling efforts of the organisation are futile, if providers do not cater to customer, what they need and want. Provider needs to provide variety of products taking into consideration the customer's current and future needs. Cross-buying will not take place if competitors offer better product in comparison with the marketer. The results of the study indicate that while cross-selling, marketers cannot bank only on the cross-selling benefits like one stop shopping convenience and reduced cost. Customer takes into consideration these benefits, only after confirming on product variety and perceived value of the offer, in comparison with the competitor's offer. Results show that customer is becoming more knowledgeable and takes conscious purchase decisions. Now Customer demand value for money. In view of this, marketers' need to devise cross-selling strategy, according to customer expectations.

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