

## **The purchasing Risk : How is it perceived by the consumers**

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## **The Purchasing risk: How is it perceived by the consumers ?**

### **Abstract:**

Taking into account economic as well as technological and informational transformations and insecurity consequences felt by the individuals, the researches have to assert a fresh look on the notion of risk, as the null-risk does not exist. There is no way for the consumer to avoid the risk but to define what is an acceptable one. Our qualitative exploratory study is part of a context of discovery carried out on six distinct products among 84 consumers in a pre-purchasing period. We show, first, how do the “personal propensity to risk” and “the inherent risk” dimensions are at the origin of the personal risk structuring. Then, we highlight two dimensions which are the consequences of this structuring, becoming more important than the *classic* “reduction of functional loss”: the fact of “integrating the global risk” and “establishing a relationship”. Our results clarify the mix of functional and relational paradigms but we suggest to pursue the research with regard to the handling of the “global risk” that we are going to define.

### **Key words:**

Risk, Relational marketing, Functional risk, Integrated global risk, Qualitative research.

# 1. INTRODUCTION

If the purchasing risk, with all its aspects, had been scrutinized throughout the last thirty years, the results of prior researches, however, largely fit into the scheme of accounting for a functional risk occurring at the moment of purchasing (Bower, 1976; Cunningham, 1976 a). This is generally perceived in periods both of economic and social growth and optimism. Nevertheless, as null-risk does not exist, there is no way to escape the risk, but to define the one that is acceptable. The act of purchasing is no longer only at the core of the relationship between the firms and their customers. Producers and distributors have to cooperate with the final purchaser in order to solve the conflicts related to risk and promote, together with their customers, new ways to limit it. This strategy would lead the promoters of the economic life to give up a logic of relationships based on power. Volle (1995) underlines the fact that it is not sufficient to consider taking the perceived risk into account as a simple aiding tool to improve the firm's performance with regard to its marketing mix. We should analyse how does the consumer really evaluate the purchasing risk from a descriptive psychology perspective in contrast to the normative psychology which postulates the consumer's perfect rationality.

This research is part of an exploratory context - and not in justification context - so as to assert a fresh look on the notion of risk encountered by the individual toward a product / service and then to be able to suggest new original ways on individual and behavioural aspects as well as the changeable and unchangeable attitudes, either at a speedy or a slow rate.

To carry out this exploratory study, the consumer is conceived as someone maintaining relationships not only with sellers, but also with his own surroundings to reduce his perception of risk in a pre-purchasing situation. The consumer will take place as well as in a perspective of relational marketing than a transactional one. In addition, the consumer of the XXI st century no longer limits himself to the said "classic" information sources, the internet has become a device allowing product comparisons and discussions with other internet users over their attitudes before purchasing which implies a real interactive relationship (Bergadaà & Coraux, 2004 a ; 2004 b).

We are inclined to adopt a constructivist position and a qualitative methodology to understand how do individuals conceive the risk before purchasing. The content analysis of

interviews deeply conducted on 84 consumers (at least fourteen interviews for each product category), concerns six different products: generic medical drugs, health advices in natural medicines suggested in the drugstore, the personal computer, the family car, luxury watches and foodstuffs. The analysis has enabled the structuring of a very real risk for the individual. However, if such a risk is identified, what are the origins, the antecedents and what are the means, other than functionalist ones, that the individual has at his disposal to reduce it ? There exists some factors which encourage the perception of a risk before purchasing and which are themselves related to the individual, to the product, but also to the purchasing situation (Cox & Rich, 1964). Moreover, there are factors which enable to reduce these perceived risks and which are themselves related not only to the individual, but also to the firm selling the goods or the service. The aim of this study is then to provide answers to these questions.

## **2. REVIEW OF THE RESEARCH'S LITERATURE AND RESEARCH QUESTIONS**

The explicitness of the risk can be articulated in a description of the risk concept in order to understand the different origins. Then two dimensions would be presented: the personal propensity to risk and the inherent risk that structures the personal one. Eventually, the outcomes of this structuring would be based on three distinct possibilities of action: the reduction of the functional loss, the reinforced relational exchange and the fact of integrating the global risk.

### **2.1. The traditional risk concept in marketing.**

According to Bauer (1967), any behaviour from the part of the consumer implies a risk in the sense that each act of purchasing is going to generate consequences, sometimes negative, which he cannot anticipate with certainty. The risk perceived by the consumer corresponds to the fear of making a bad choice. The more the uncertainty about the perception of risk increases, the more the amount of the imaginary and the irrational in the perception of risk is large; the risk gives then rise to worry and anxiety towards the future (Bouyssou,1997).

The initial suggestion of Bauer (1967) concerning the risk is the following: “any action of a consumer will produce consequences which he cannot anticipate with anything approximating certainty, and some of which at least are likely to be unpleasant”. Thus we note the emergence of the two first perceived risk components highlighted by the author: the uncertainty and the consequences. Bauer postulates that the future purchaser is concerned only with the subjective (perceived) risk and not by the risk of the real world called objective. Bauer’s vision on the perceived risk is related not only to the acquisition of information about the consumer’s pre- decision and the activity on which this process depends, but also to the post-decision process.

Cunningham (1967 a) goes further than Bauer (1967) in defining the perceived risk as a concept including the two following components: the uncertainty and the consequences. The last component is subdivided into performance-related consequences and psychosocial ones. Other researchers like Roselius (1971) have distinguished the psychological consequences from the social ones and have identified other types of consequences: physical and financial security. Jacoby and Kaplan (1972) and Kaplan, Szybillo and Jacoby (1974) have identified the most usable model by the researchers. They have identified five risk dimensions including the psychological aspect, the financial aspect, the performance, the physical risk and the social risk. In this type of study, the psychological risk perception is conceived as an experience of anxiety or of a psychological lack of comfort reaching the affective post-behavioural anticipated reactions such as anxiety and regret towards the purchase or the product use.

Nevertheless, other risk perceptions as those thoughts attached to potential losses, from a social or functional point of view which stem from cognitive process of specific aspects related to the produced information. Thus, these risk perceptions can be reached through the cognitive information. For instance, social risk is concerned with unfavourable consequences associated with other people’s significant hostile opinions toward the purchase or the product use. This type of risk is particularly potent in cases of socially visible products such as cars. The risk of losing time was identified by Roselius in 1971. There may exist another type of risk said the opportunity risk when the loss is associated with a purchase in which the quality/ price relationship improves quickly as, for instance, the products of high technology. We can postulate that the risk Components’ explicative factor are the following: connection to the product or the brand and to the situation.

Thus, the generic risk definition is based on the perception of an uncertainty relative to the negative consequences potentially associated to a choice alternative. The risk, therefore is the possibility to accept losses in case of purchasing, or product, goods or service consumption. Therefore, according to Cox (1967 c), the potential losses include: the intended but not reached goals, possible penalties inflicted on the consumer by his environment, the loss of the means engaged in purchasing such as money and time, and, eventually, any other danger related to the purchase. Peter and Ryan (1976) have, from the other hand, put in evidence that the notion of loss is particularly pertinent for the inherent risk, whereas that of probability is more pertinent to the assumed one.

To conclude, we note that we have to make a distinction between the risk perceived with regard to the purchase situation, the situation of consumption, and the point of sale of the product. According to the authors of reference who have conducted researches about the risk perceived by the consumer, we notice two components: Either uncertainty and consequences, or uncertainty and importance. The uncertainty paves the way for doubt and cannot be established with exactitude, and unlike the risk, there is no favourable environmental situation for its development. The risk refers to situations in which the decision is taken and whose consequences depend on the results related to future events which themselves have known achievement probabilities (Lopes, 1987). In this study, we are considering the notion of loss and uncertainty as components of risk. We are interested here by the dynamic aspect of the individual through his capacity to accept the risk, in general, and not only in the act of purchasing. Therefore, we are going to discuss the risk perceived by the individual regarding the product / service and himself.

## **2.2. The individual and the risk.**

Not all individuals are equal in front of risk. The risk propensity affects the relative importance of a situational threat or of an opportunity and this leads to create improper perceptions (Sitkin and Weingart, 1995). More specifically, individuals with a propensity to avoid risks are supposed to watch over and to weigh the potential negative results more heavily than the positive ones, and thus have an overestimation of the relative loss probability with regards to the gain probability. Conversely, individuals who seek the risk in their decision making are supposed to watch over and to weigh the positive opportunities more seriously, and

thus to have an overestimation of the relative gain probability with regard to the loss probability. According to Pras and Summers (1978), there exists individual differences in the propensity to accept the risk.

The personal propensity to risk would integrate two major components: the perception of risk and the tolerance of risk. The perception of risk may also be connected with another relational component rather than an emotional one (Rundmo, 2001). There exists a positive significant correlation between the risk perception and the behaviour in front of the risk. In fact, the more the person undergoes a dangerous experience related to risk, the more his behaviour in front of the situation is risky. The feeling of security includes the rationality as well as the emotional aspect (so anxiety). Rundmo (2001) postulates that the affective components of the judgements over the perception of risk may be an important anticipator for the individual's risky behaviour. Consequently, numerous questions would arise according to Baird and Thomas (1985). Is the perception of risk defined as an estimation from the part of the decision maker in view of the inherent risk in a given situation ? How to control this uncertainty ? What kind of confidence can we accord to these estimations ?, etc. The risk tolerance, from the other hand, was tackled by Mitchell and Boustani (1993) with the term of risk acceptability threshold. In fact, this threshold determines the consumer's search for extra information. In addition, this tolerance may vary according to the type of the purchaser: mail order purchasers (Akaah and Korgaonkar, 1988), purchasers belonging to a socio-economic group, purchasers of new products (Mitchell & Boustani, 1993).

*Our first research question would be: What are the factors which influence this personal propensity to risk?*

### **2.3. The inherent risk to the product/service.**

We owe to Bettman (1973) the first distinction between the inherent risk and the integrated one. The difference between both forms is based on the introduction of the information in the decision process. The integrated risk is traditionally the one taken by the consumer when he chooses a brand from among a series of alternatives, once the quest for information is fulfilled. However, the inherent risk is associated with a class of product: It would for instance, be weaker for a toothbrush than for a car. The author postulates that the risk potentially integrated for each brand is inferior or superior to the risk inherent to the product

category with regard to the acquired information which generates, if not, an extra perceived risk. Bettman makes the distinction between the inherent risk which depends on the product category, and the integrated risk which depends on the level of conflict in a product category occurring when the purchaser chooses a brand from among a class of products during his usual purchasing situation.

If the risk is associated with the product/service, there exists more or less two typical components: the situation and the implication. Dholakia (2001) explains that the risk and the implication both incorporate the notion of the “importance” of the product class for the consumer. For Dholakia (1997), the risk perception constitutes the importance of the purchase. And this implies that the importance of the product class is outstanding for the consumer. The level of implication as well as the amount and the nature of the risk perceived by the consumer while purchasing determines the intensity, the complexity and the extent of cognitive and behavioural process during the consumer’s choice procedure, thus underlies the inherent similarities in the consequences of these concepts (Gemünden, 1985). The conceptual distinction stems from the fact that the perceived risk considers, in a traditional way, only the negative consequences with regard to the purchase and the use of the product implication is, in addition, allocated to a large scale of positive consequences. Nevertheless, the perceived risk has also been seen as a consequence of the product implication. Thus, Venkatraman (1989) makes the following suggestion: “ since the lasting implication concerns the products on a long term, then the former precedes the risk”.

The works of Bloch and Richins (1983), from their side, highlight that the perceived risk affects the situational implication. They show that this implication is a temporary nature and fades away when the purchase is accomplished. For Bloch and Richins, the situational implication brought up by a particular situation as an occasion of purchasing, and is influenced by the product attributes (including the price of the product, its complexity and the similarity among the choice alternatives), as well as by situational variables (mainly if the product is used with other products). So, the situational implication seems to result from a perceived risk. As for the lasting implication, it is the outcome of the experience undergone by the individual with the product and of the values’ power for which the product is pertinent.

*The second question suggested is the following: Are there any significant variances of the perceived risk to the product / service foreseen by the consumer and under what conditions do they exist?*

## **2.4. The paradigm of functional loss reduction**

For more than thirty years, the notion of risk has been tackled from a functional approach. This approach is based on the fact whether we buy or not a product after a systematic and rationalized analysis of the risks that it may generate. A risk reducer can be defined as an action, to the purchaser's as well as to the seller's initiative, used as a strategy of risk resolution (Roselius, 1971). In the literature of risk reduction, reducers are mainly conceived in the perspective of a specific risk reduction to products (Roselius, 1971). Yet, the study of factors accounting for levels of weak risks highlights reducing elements of risk related to the situation. The reducers can be differentiated according to risk component over which they act. Taylor (1974) identifies the uncertainty about the result and the uncertainty about the consequences of the purchase, and successively suggests two types of reducers: information acquisition and reduction of the amount in question.

If we consider the risk theory within the framework of a dynamic activity, several significant implications would emerge. The acquisition of information coming from informal origins have to decline when the purchaser acquires experience. The brand loyalty should be more marked through the course of time if the brand's image exists, and is strong. The analysis during the pre-purchasing period should reach a minimal level (Sheth and Venkatesan, 1968). Thus, the perceived risk determines the information research activity, a principal strategy to reduce the former to an acceptable level. In the case where the information is a device for reducing the uncertainty, the information searching activity would vary according to the degree and the dimensions of the perceived risk (Bettman, 1975 ; Cox, 1967 c). Nevertheless, commercial information, such as advertising, are considered as not much affective to reduce the risk, for a credibility reason. ( Cox , 1967 c ; Roselius, 1971).

Throughout this searching process, the consumer faces new sources of uncertainty because the information acquisition can alert the consumers to the risks and to the traps they have not thought before (Locander & Herman, 1979). Gemünden (1985) points out that half of

the empirical studies lead to deny the existence of a positive link between the risk and the search for information. Dowling and Staelin (1994) go further in their studies and show that if the consumers engage themselves in the process of information search, it is only when the integrated risk is superior to an integrated risk level and when the interest of the reduction strategies is superior to their perceived cost. Mitchell and Boustani (1993) establish the information search as prior to the risk reduction. They suggested explicative factors, that is to say the individual characteristics, both those of the products and of the environment, will be moderating variables of this information search and so of the risk reduction.

To reduce the purchasing risks, there exists two other major functionalist reduction strategies: the brand and the product guarantee. The evaluation of alternative brands enables the consumer to make preferences for the brands of the fixed choice (Cunningham, 1967 b). In most cases, the consumer's highest preference, according to the perceived risk theory, will be associated with the brand including the least perceived risk. The consumer who decides to carry out a purchasing intention will end with several sub-decisions. For instance, in buying a hi-fi equipment, the decision over the brand attribute is simply a decision, but others can exist: From where to buy? How to pay? What about the guarantee?, etc. In addition, guarantees influence consumers in that they assure the value and the quality of the product. They, in a specific way, increase individual's confidence and, thus, his perception of risk and equally provide a kind of satisfaction through a significant reduction (Shimp & Bearden, 1982).

Besides the brand and the guarantee of the product, the price can also be a reducer of a functional risk. Olson (1977) points out that the relationship between the perceived quality and the price do not operate independently comparing to other attributes of the product, this means that the capacity of guarantees to reduce the risk is also linked to other elements of risk reduction, and particularly tools in conformity with the quality guarantee. Several studies show that the role of the risk reduction strengthens the brand reputation. The repayment guarantees mainly enable to reduce the consumer's perception vis-a-vis potential financial losses. The quality of the perceived guarantee can generally play an instrumental role by alleviating the consumer's perception in view of the inherent financial risk related to the purchase of an innovative product (Shimp & Bearden, 1982). So, the consumers use a variety of purchase risk reduction strategies which are related to one or many elements of the marketing mix.

Our third research question is: *Does the reduction of the functional loss risk has a predominant position in the structuring of the personal risk?*

## **2.5. Reinforced relational exchange**

If the marketing literature had focused its researches on the purchase of the product and not on what surrounds the act of purchasing, an evolution occurs in our discipline. It is based on taking into account the firm which delivers the product/service and the relationship established between the consumer and the firm.

Markets are becoming more and more global and technologically sophisticated where competition is intense and the consumer has more and more precise demands. To satisfy new preoccupations of securing the consumer's loyalty, we are witnessing since the beginning of the nineties the emergence of a relational marketing as an alternative or a supplement of the transactional marketing (Peterson, 1995 ; Sheth & Parvatiyar, 1995). If the transactional marketing is defined as the fact of targeting the consumers so that they react positively to the marketers' will, the relational marketing, from the other hand, strives to meet the consumers' expectations in an intended and personalized manner (Pels, 1999 ; Wolfe, 1998). The firm's interest is to take the consumer's individual preferences into account, leaving place for the dialogue and the exchange, and allowing a value co-creation. On one hand, transactional marketing is more appropriate to the sale of largely consumed products / services known as "basics", in that they appeal to a weak level of service and information. On the other hand, relational marketing is oddly linked to the notion of relational exchange, to the duration of the consumer's retention and to the implication of leaders group and to the firm means to succeed in maintaining this level of relationship.

The research works of Butaney and Wortzel, (1988) and Sheth and Parvatiyar (1995) have shown that certain types of consumers are looking for a direct relationship with the producer. Thus, the producer has to make use of all information and communication technologies (NTIC) to achieve this type of exchange (Pels, 1999). In addition, when the individual faces high degrees of perceived risk before purchasing, he tries to keep himself informed by, intensively, using Internet (Dutta, Kwan, and Segev, 1997 ; Dutta and Segev, 1999 ; Glazer, 1991). However, as underlined by Barnes (1994), we should not confuse the brand loyalty and the relational marketing, and we cannot speak about relational marketing right after a simple series of repeated transactions. The relationship implies to know the person to create a dialogue based on exchange. So, the two involved groups are active in the process

and this depends on the bilateral sharing of advantages and disadvantages (Duyer, Schurr & Oh, 1987).

On a relational term, the seller is an intermediate between the firm and the customer. In 1999, Sweeney, Soutar, and Johnson argue that the seller is an important reducer in the perception of the consumer's risk, because he can provide extra information which can reassure the individual in his purchasing decision and more particularly in purchasing lasting goods, conceived as representatives of the highly perceived risk. Adding to that, their study aims at accounting for the importance of the quality perceived by the consumer vis-a-vis the product to reduce the perceived risk from a financial and product performance point of view. In their study, the authors collect results showing that the consumer can think that a shop having a good quality service has also in stock products known for their quality. The quality of the shop service can be more important in the reduction of personal risk types (psychological and social) than of non- personal ones (product performance, financial, physical and time loss). We notice that the relationship maintained by the consumer towards the seller grows stronger through the consolidation of long term relationships and comes under the concept of Customer Relationship Management (Brown,2001).

*Our fourth research question is the following : Which form of reinforced relational exchange is privileged by the individual in facing risk?*

## **2.6. Global risk integration: a new option ?**

Unlike the functionalist conception of risk focusing on the product and on the purchasing act, a new perspective considers the product category as a whole. For instance, we do not consider the nutritious quality of one product, as low-fat yoghurts, but the global manner in which the individual feeds himself. Fischler (1994) insists on this point by indicating that the eater's life and health are threatened each time he incorporates a nourishing product, it is also his place in the universe, his species, his nature, in one word: it is his identity which is implied. In addition, we do not only consider the isolated efficiency of a medicine but how does the individual control his global health (Bergadaà and Watters, 2003). The authors' report which goes along with this tendency is the following: in our society, the consumer does no longer interfere in the production process and is constantly moving away from it. While the direct

distribution and the traditional channels are considered as guarantees of trust, the contemporary foodstuff, for instance, progressively becomes what Fischler (1990) calls an UEO ( Unidentified Edible Object) . Henceforth, how to control a risk that we cannot identify?

Risk cannot be clearly identified, so not really measurable not even conceivable, but also, within this new perspective, it is not cancellable. And because the consumer knows that he has to live with this risk and not to delude himself by seeking to do away with it and tries to be the co-creator of his health. He wishes to get what he ingests, such as food or medicine, under control. The incorporation of an unknown foodstuff may reduce the risk of “dispossessing the consumer of himself”. There exists mainly two adaptable mechanisms to face the idea about ”self disappearance reality”. The first suggested mechanism corresponds to the increase of self esteem. Thus some authors put in evidence the effects of the increase of self esteem (Greeberg and al., 1990, 1992 ; Solomon and al., 1991 ; Bergadaà and Urien, 2003). The individual is seen as a being with intellectual capacities which enable him to be conscious of his existence potentialities as well as of his vulnerability.

The matter of better understanding how to come to term with the global risk conceived by the consumer comes under a constructivist and an exploratory logic. It is to explore what are the dimensions of this latter and so what are the losses really integrated by the consumer in his choice. However, it should also be clear to what extent does the consumer perceive a global risk or a sketchy one. The consumer can change loss category in order to adopt the one where he has the least tolerance, he can delay his purchase when he moves from a general risk category to another, the consumer can also carry out his purchase by avoiding in his decision the unresolved risk. All the options are here to be explored.

*Our fifth research question is : Does the individual feel the obligation of integrating a global risk when he buys a product?*

### 3. RESEARCH METHODOLOGY

This research comes under an exploratory context. It is to understand how do the consumers conceive the previously formulated questions, and how do they allow their deep meanings to appear. The method (either of an ethnological or phenomenologic type) should lead to the induction of the phenomenon underlying “reasons”. To structure the research conditions on the field, we have initially formed a focus group of ten managers of leading firms displaying in different sectors from B to C and services under the leadership of neutral professor, they have first chosen, after deliberation, to investigate the three major issues: A) “goods and services related to health” , B) “personal products”, C) “family products”. A second debate has sprung from the first structure which enabled to choose the products to be studied (appendix 1. describes these products). The final choice was on: A1) “the generic medical drugs”, A2) “the advices on alternative medicine in the drugstore”, A3 ) “foodstuffs”, B1) “personal computer”, B2) “luxury watch”, and C1) “family car”.

We have made a questionnaire (available on request) on the basis of the five open questions previously defined. Postgraduate students were specially trained to carry them out on the field. In a “natural” study, the researcher is never meant either to be active or passive, as he is an integral part of the research concerning the collection and the analysis of the data (Lincoln and Guba, 1985). He tries to be neutral as possible as he can. Thus, the asked questions are always left open to provide those who reply with a maximum range of liberty. The same questionnaire was used for all the products in order to avoid any distortion. The interviews for each product took place on the point of sale, either : A1) a drugstore, A2) a pharmaceutical group suggesting this totally new lucrative service, A3) a distributor; B1) The FNAC, B2) luxury watch fair, C3) a Citroen agent.

This type of research makes use of a small sample whose exact size depends on the research’s balance between the need to go deep in the understanding of the phenomenon and that of the basic comparing definitions (Glaser and Strauss, 1967). It consists, here, of obtaining a sufficient number of propositions to give to the analyses, but not so much important in order not to lose in the qualitative representation what would be gained in a strictly numerical one. Fifteen interviews per product were conducted. As six were incomplete, the analysis has finally considered 84 interviews approximately with thirty minutes each.

The content analysis was carried out on the basis of transcriptions from tape-recorded interviews. First, we have made difference between the data global structure and the content of individual documents to clearly distinguish the general framework and the particular reasons (Garfinkel, 1967 ; Belk, Sherry, and Wallendorf, 1988). Answers to the questions were thematically gathered. The investigation of the documents is carried out through a dialectical movement which enables the researchers to carry out alternatively a global analysis and specific analyses. The messages' deep meaning is conveyed little by little, by understanding the dynamic relation between the listed elements. A first validation of the results' content is performed by moving from this dynamic relation to a basic descriptive structure (Churchill and Wertz, 1985). The themes categorically codified at this stage allow the creation of a factual text issued from the crossed validation of both researchers. Eventually, six texts organized according to our queries have reproduced the structuring of the personal risk for each of the studied products.

In any qualitative study we should validate the results before writing up the definitive proposals. For a strong reason the qualitative methods are usually suspected to be too much "subjective". We have finally carried out a last validation by two experts. We have provided the texts below to two experts who know nothing about the research and we have asked them to codify the formulated proposals in the final integrative diagram.

## **4. INTERVIEWS ANALYSIS**

In the following analyses, we have maintained the considerations on which there seemed to exist a consensus among the interviewed persons. The particular comments or cases that have often emerged are not mentioned below.

### **4.1. The personal propensity to risk**

The first query concerns the factors that influence the personal propensity to risk. We have analysed how are these factors based on the fact that the individuals have a certain conscience about the nature of risks related to the studied products' categories.

- **Products and services linked to health:** As for *the generic drugs*, the personal propensity to risk does not interfere because treating oneself is an obligation and not a real choice. Whereas for *the health advices in natural medicines suggested in drugstores*, the personal propensity to risk interferes largely. Even though they are generally less anxious, the individuals of the sample are conscious that our world and our societies are more and more complex. The individual does not want to be overtaken by events by taking initiatives at hand. As for the purchase of *foodstuffs*, the personal propensity to risk is an important factor. The food risk is related to health risk. Henceforth, the perception of risk is more or less important or less tolerated depending on the individuals. Some do not try new products out of fear, whereas others put a lot of themselves into this procedure. Nevertheless, the current conditions and the media coverage of health problems increase a certain awareness of risk. The animal food, the rivers pollution, the conditions of preparing the products, the respect of cold chain etc..., are risks which, for the majority of the individuals of the sample can cause the development of diseases.

- **Personal products:** The personal propensity to risk seems to interfere less in the purchase of *personal computer*. Only the product complexity tends to make the customer a little bit “anxious”, if he is not accustomed to the product. In other words, if the questioned persons are not “confirmed” purchasers of this type of product, they would lack a landmark. The personal propensity to risk for the luxury watches stems from the culture of the questioned individuals. Persons from “less secured” countries (South American countries) where the travellers encounter the robbery risk with much more intensity. This risk at the level of security, the risk of watch loss or robbery, represents not only a financial loss but also an emotional one. We notice, however, that this same customer thinks that “all can be insured” and that the luxury firms’ reputation is a guarantee.

- **Family products:** While purchasing a *family car*, the personal propensity to risk seems to interfere too little, in an indirect way, and does not seem to influence the purchasing decision. The interviewed families are neither seduced nor anxious regarding the risks concerning the complexity of life. The families rather worry about the security of their children and mainly about their future life in this complex world. With regard mainly to the risk propensity for their cars, the interviewed families trust themselves and consider their past experience, the training and the knowledge acquired before buying their vehicles.

## 4.2. The inherent risk to the product / service

Subsequently we are attaching ourselves to verify whether there existed a certain variance in the risk inherent to the product / service foreseen by the consumer. Obviously, (following the example of the generic drugs), certain products do not seem to carry an inherent risk whereas others largely do; as shown in the analysis below.

- **Products and services related to health:** The inherent risk is not relevant to the purchase of *generic drugs* because all the interviewed persons are convinced that the generic drugs contain the same molecule as the original ones. The inherent risk of *the health advices in natural medicines suggested in the drugstore* lies on the idea, made by the individual, of whether the pharmacist is competent or not. If the doctor's position is clear enough, (which allows to trust him), that of the pharmacist is rather ambiguous. Is he well-trained to be able to afford trustworthy health advices ? It has been for ages that the doctor "prescribes" and the pharmacist "advices". Can the pharmacist himself be a prescriber, and mainly of natural medicines? The inherent risk lies on a large implication vis-a-vis the provided service and on the drugstore context which still worry the individuals of our sample. They need to be in confidence against this ambiguity mainly if they do not know the service of the natural medicines. The inherent risk for the *foodstuffs* lies also on its relationship to health and on the direct impact the product has on the human organism. The consumer worries more than ever that this product cannot be totally controlled by the distributor. But below a potential disease, the consumer is also responsible for the hygiene concern, and the interviewees fear more particularly the addition of a colouring substances or of undeclared preservatives.

- **Personal products:** the risk inherent to the product is important in purchasing a personal computer. It interacts with the personal propensity to risk. If some do not well know the computer science and intend to use the computer only for relatively "simple" tasks, others have more precise and complex ambitions. However, all people are afraid of purchasing a bad product: the computer can either be too much or not enough highly capable. Moreover, some worry about the compatibility problems that is possible to come across between the computer and its peripherals. However, we notice that the inherent risk is more "diluted" in time ; the risk being too far, is in a way "postponed". Finally, the computer's obsolescence is rather

worrying: generally speaking this latter is quickly “outdated” and it is difficult to be up to date with the technology which progresses rapidly, so it is becoming less and less useful. The risk inherent to purchase of *luxury watch* on the contrary, does not exist insofar as it is closely related to the reputation given by the customer to the brand which implies a very subjective judgement. Moreover, this reputation feeds in the customer the feeling of a social prestige and the attachment to a brand in particular.

- **Family product:** The inherent risk is less related to the purchase of the family car. The latter is not, in our days perceived as a holder of an intrinsic risk. With the technological progress and the other interior’s improvements, the individual expects the car to be “perfectly” safe and unrisky. On the other hand, the car accident is a risk perceived as uncontrollable and inherent to the product use: it is generalized for all cars without exception. That is why the implicit ways of reintroducing a risk related to a product tends nowadays to show the efficiency of airbags. But, here also, the questioned persons consider that all is done uniformly to the better by the manufacturers.

### **4.3. The reduction of the personal loss.**

The third research query is related to the reduction of the functional loss risk. Does it occupy a predominant position in the structuring of the personal risk ? We have noticed, on one hand, just down the articulating dimensions and we have, on the other hand, shown its relative intensity. It has been found that the search for the functional loss reduction has essentially been present with the computer and the family car products.

- **Products and services related to health:** The consideration of the functional risk in the purchase of *generic medical drugs* is taken in charge by the medical staff. The resort to generic drugs simply enables the purchaser to spend less. In fact, in our country, the insured person has to discharge his duty from the entire amount as long as it has not reached the excess fixed by his health insurance. Surprisingly, the reduction of the functional loss is nearly not mentioned by the interviewees concerning *the health advices in natural medicines suggested in the drugstore*. All the theories, however, seem to indicate that the risk is serious for this type of “abstract service”. It appears here that the psychological, social and time loss do not occur as far as health is concerned. The interviewees have suggested that the price of this service is sufficiently high to promote an image of quality able to reduce the perception of all these

functional risks. As for the *foodstuffs*, only the functional risk related to the price is mentioned. But, if this economic risk is high, the majority of the individuals will not be interested in the price, as a choice criterion, only if this risk is perceived as weak for health (cf. previous paragraph). In a functional way, the interviewed persons declare to verify the expiry date on the foodstuffs to avoid intoxication and diseases. The second considered functional risk is related to the consumption's sensory aspect. The risk the consumer undergoes can be related to the fact that the product is below his taste. This risk takes two aspects: the product visual aspect and its freshness. For instance, the product's photo on the cover, or the manner in which the products are on display are the intervening elements on the two previously mentioned aspects. Thus, the individual makes use of a whole range of functional reducers of risk put, nowadays, at his disposal.

- **Personal products:** The functional risk is the most requested for purchasing a *personal computer*. Its first lever is the financial risk. The computer purchasing, an occasional expenditure, implies large sum of money. In addition, the computer quickly becomes an obsolete commodity: we cannot easily sell it again. Because the investment cannot be recovered, the consumer has little margin for error. Finally, the evaluation of its price creates a problem: how to judge whether the price is high or weak in comparison with the competing branded goods ? If the functional risk related to price is perceived as immediate, the risks related to the product use are postponed. A psychological distance takes place. The "experienced" individuals of the sample, that is those who have already bought and used computers, are more conscious about this previously mentioned type of risk. They, therefore, take it more into account during the purchasing process and try to protect themselves from it (after-sales services, confidence in the point of sale or in a particular trademark). For *the luxury watches*, the functional loss risk is based on the price, because the invested sum represents a highly substantial amount. However, for a Baume and Mercier watch, placed at the top of luxury, the risk is also social because for one or two more thousands of swiss francs, the individual will really be in possession of an upmarket watch. The psychological risk is also present, as a luxury watch would normally be put on the wrist for long years. The cognitive jar could manifest itself each time we look at the watch. In the majority of the here studied cases, the purchase of a luxury watch comes within a well-thought of process and not within an impulsive one.

- **Family product:** The functional loss risk is largely influential during the purchase of the family car mainly because of its price. The purchase of a car has to correspond to a targeted need, with taking the family budget into account. The risk perceived here is the capacity to honour and to bear the whole payment for this purchase. If the brand reliability is an influential factor during the purchase of a family car, it is because families make future plans and take the residual value of the family car into account during its “possible” resale. The questioned families also worry the technical maintenance of the family car which can represent an additional burden to be considered within the budget. Thus, families look for affordable spare parts and other after-sales facilities, but also the proximity with regard to the place of residence.

#### 4.4. Relationship exchange reinforced

To answer the fourth research question, which concerns the relational exchange privileged by the individual with regard to his perception of risk, we have analysed how has the latter maintained a relationship with the seller / adviser. Even if Internet, the surroundings, the brands or also the sign equally play a role in this relational responsibility, the long term relationship with the seller / adviser is predominant. This form of relational exchange cannot be ignored for foodstuffs, luxury watches, generic drugs and the advices in drugstores. The relationship with the seller seems here as a central mainstay of the individual structuring of the personal risk.

- **Products and services related to health:** As for the *generic drugs* the relational exchange obscures all the other dimensions. The conviction that the generic drug is equal to the original one stems from the acquired knowledge from the pharmacist’s and / or the doctor’s side. Thanks to the experts’ demonstration of the efficiency of the generic, people have total confidence in the generic products and feel no anxiety towards them. Certain persons use the knowledge acquired from different sources (media and associates of the medical field), complementary to the doctor’s and / or to the pharmacist’s indications. Concerning *the health advices in natural medicine suggested in the drugstore*, the relational exchange is equally the centre of gravity to the structuring of the individual risk of our sample. Certainly, the doctor has a big amount of confidence at hand but he is not always available (the needed time to make an appointment, an appointment over a short period, etc.). Whereas health means also to follow

one's own inclinations. That's why, the pharmacist can represent a good alternative if he converses with him. He sometimes allows to postpone a visit to the doctor. The pharmacist is asked to become, together with his customer, a co-producer of the latter's health. The relational exchange has appeared also important in the case of the *foodstuffs*. The sign is a vehicle of confidence because the turnover guarantees the policy of respecting dates, the freshness and the quality of the selected products, which are risk reducing factors. The reputation of these signs prevent them from selling risky items. Besides the majority of the interviewees who declare to optimise their quality/price relationship sometimes choose the products "distributor's brands". In order to reduce their health risk, the consumers lean on one or several signs of reference. The confidence in the "seller" is a shared notion between the consumers. When he speaks to commercial employees, the consumer seeks again advices on the quality and the taste of products.

- **Personal products:** As for the purchase of a *personal computer*, the dimension of relational exchange was not highlighted. On the contrary, the individuals have clearly declared that they do not trust sellers or any intermediates who wanted to help them. The relational exchange is on the other hand, very important in the process of choosing a *luxury watch*. Thus, the purchase of this object represents a particular experience. Usually, it takes place in leading stores having a decoration specific to the field. Each is a relational setting which highlights the value of the customer's encounter with his luxury possession. This aspect is highlighted by the customers. Nevertheless, it can also generate an intimidator risk. Certain persons have also mentioned that if they wear rather casual clothes, they can be badly welcomed, or they can notice the seller's less-haughty attitude. But stores represent also a quality guarantee thanks to their reputation. Eventually, even if at first, the customers say that they do not trust the seller, this latter, though, plays a serious role in their purchasing process. Even though, this role has been perceived as rather more important at the level of information than in giving personalized advices.

- **Family products:** in purchasing a family car, relational exchange exists, but it is based on the shared commitment of the married couple and not on the relation with the agent. In this relationship, roles seem already well distributed in the point of sale: the man is the technical expert (motor, the bodywork, the guarantee..), whereas the woman is more interested in aesthetic properties as well as options. The child does not directly interfere in the purchasing process. The individuals of the sample do not trust their friends' or their family's advices. They

do not equally like to give advices, because the purchase of a family car is considered to be rather personal. There's no exclusive or faithful kind of relationship between the customer and the agent. Once decided on a "family car" concept, the studied families consider that all brands are equal. In his purchasing process, the consumer seeks the agent's advice where he compares between the family cars by identifying which ones are closer to his need. Consequently, the customers also seek information from their garage owners whom they trust more than the agent. They consider them more motivated by the restoration of a loyalty link. Finally, the families gather information from the seller but the latter is perceived as the worst source of information.

#### **4.5. Global risk integration**

The fifth research query concerns the manner with which the individual takes charge of the global risk. It seems that the individual's awareness of the responsibility of his future physical integrity, prevails. They are in fact the three products: generic drugs, health advices and foodstuffs, which are concerned here. The individual responsibility goes even beyond the individual sphere to include the other members of the family, the inhabitants of third world countries (for the generics), the pharmacists ( for the advices).

- **Products and services related to health:** All the questioned persons include the purchase of *drugs* in the global context of health. Out of honesty and solidarity, some interviewees favour the generics which, according to them, help to save up the costs of health at a national level. For others, the worry to have a restrained number of big laboratories monopolizing the medicines market stimulates them to buy generics to pave the way for competition. In fact, these persons consider the generic producing companies as "small firms", they are more inclined to support than the large pharmaceuticals groupings. The will to take in charge the health global risk also affects the individual *in the health advices in natural medicine suggested in the drugstore*. It exists at the level of the consumer's will, that is his way to go as a person. The individual structures his risk over a principal dimension which is the seriousness of the symptoms he feels through a personal comparison with his health and the quality of his life. If the pharmacist makes effort in this aspect of global risk of health and life quality, the individuals would rely more on confidence and on a partnership form. Also for the foodstuffs, the consumer seems nowadays more and more ready to integrate the global risk. The experiential marketing interferes because it is the perception of market place which largely

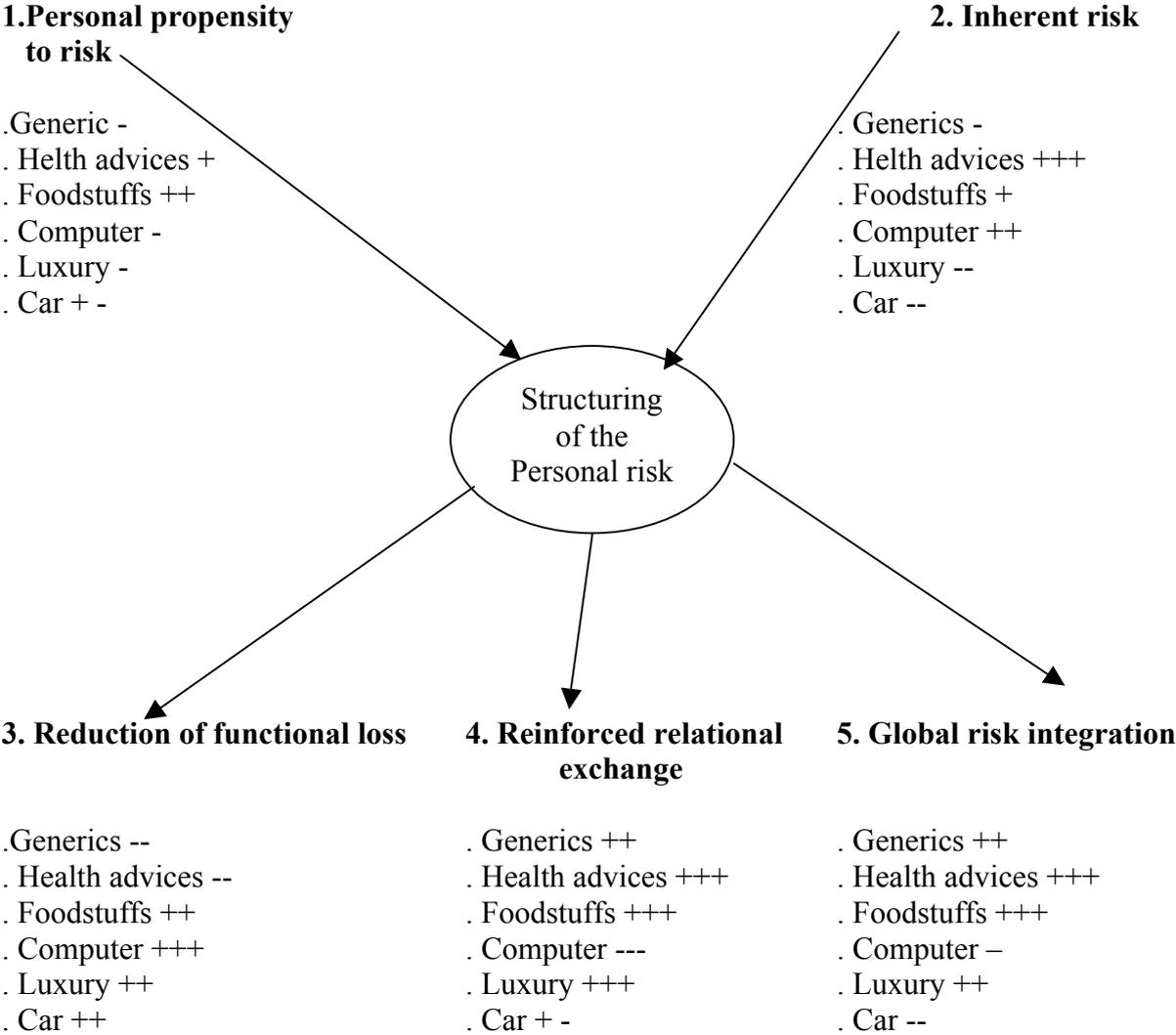
affects the search for global health. The individuals of the sample spontaneously favour fresh and natural products over the products they do not know such as modified products. They also worry about the quality of the fat they ingest. To reduce their risk over meat, for instance, they choose the “proximity” and they give priority to the local meat. The Bio products are associated with the sound and natural products, but are favoured only in the limit of a psychological acceptable price. The aspect in which fresh foodstuffs and vegetables are on display is a quality guarantee. The aspect will reduce health and sensory risk. Many interviewees admit to be attracted by the suggestion of a dish or of a salad prepared in advance and having an attractive sensory aspect.

- **Personal Products:** For the purchase of a personal computer, the notion of the global risk was not highlighted during this study. The *computer* seems to be considered as a simple tool. By the purchase of a *luxury watch*, the individual integrates a global risk related to the image he has about himself. The possession of a luxury watch is clearly a part of the “extended ego” (Belk, 1988): It is important to see it, to touch it, to try it on. However, even though it is a product we have declared “personal”, the study shows that the purchase of a luxury watch also implies the surroundings of the purchaser. The purchaser receives advices from his relatives. Sometimes, these relatives may have developed a loyalty relationship towards the brand or specific firm. The concept “we” prevails over the concept of “ego”, and the watch as an individual purchase becomes a symbol of tribal unification.

- **Family product:** The only indication that permits to have the conscience of integrating the global risk during the purchase of a family car is related to the mechanism of self-image through the image of the manufacturer and his nationality. In this sample, the male choice is oriented towards the agents / distributors who have performances in the field of formula 1 or in the international rallyes, whereas women are more seduced by the slogans of “car designer”. But the functionality which sticks to the family character of the car quickly regains the upper hand.

## 5. INTEGRATIVE MODEL OF RESULTS

After having carried out the texts below, we have handed them over, in an unconsidered way, to three validators and asked them simply to write in front of each product category on a scale from -3 to +3 how have they considered the different dimensions of our model. The points of disagreement have then been discussed and a return to the original documents has taken place in two cases of conflict. The figure below represents the final consensus. For reasons of intelligibility the scale from -3 to +3 has been replaced by minus (-) and plus (+) signs.



**Fig 1: The dimensions of the structuring of the personal risk and the analysed products**

This figure clearly puts in evidence the rich results obtained by well distinguishing the three personal strategies to face the risk. The three products directly related to the health of the individual, either the generics, the advices in drugstore or the foodstuffs, come clearly under a logic of “integration” of the global risk and the relational responsibility. However, family car and computer come under the logic of functional loss reduction. For both, the relational exchange is avoided by distrust inspired by the sellers of these products, even if they are inevitable in this type of purchase. The Luxury watch itself comes under three processes, for it is at once a long-term investment, needs particular relations with an attentive seller and is an integrative part of his “extended ego”.

## **6. CONCLUSION AND NEW PATHS TO BE EXPLORED**

Making a research fit into the context of discovery and not of justification paves the way for new paths to be explored, to clarify new conceptual options, to investigate the pertinence of some academic modes, but not to confirm or invalidate precise prior results. This study has enabled us to verify how to articulate the reduction strategies of the consumer’s risk. The three principal strategies, the reduction of the functional loss, the relational exchange, the fact of integrating the global risk, are used in a complementary manner. It seems that it has to do, as suggested by our specialized literature, with alternative paradigms. The consumers, in the purchasing perspective, seem to choose either of these strategies as being the best adapted. This research does not allow to conclude that there would be persons more particularly attached to either of these strategies. But a complementary study should be here carried out, by questioning a sample, not about one product category, but about all the studied products. We call here lose theoretical comprehension, but it will certainly be possible to verify whether individual variances exist or not.

The research has enabled us to ascertain the influence that the personal propensity may have on risk and that of the inherent risk on the structuring of the personal one. Nevertheless, we have been astonished to discover that some products, such as generics, the Luxury watch and the Car where, in fact, intrinsically little risk holders. Conversely, the health advice, the foodstuffs and the computer have generated the conscience of certain risk undergoing. In terms

of reducing strategies, the clearly associated products to either of them, excepting two, appeal to the three strategies. The foodstuff is a product for which strategies are used in parallel. It is true that its impact on the individual health is central, permanent and renewed each day. The Luxury watch is also a product very different from others. It seems that the purchaser reduces its risk in a manner identical to the reduction of the functional risk the relational exchange and the global risk integration. What is surprising is that we have chosen the luxury watch as being very personal (unlike the personal Computer which can be used by others, but not the Luxury watch). However, it turns out that the others, through the relationship but also the aura that the choice of a Luxury or another watch may confer, are omnipresent.

The reduction of the functional loss, a dominant marketing paradigm, is always active for the products such as the computer, the luxury watch and the car. But it is really the risk of financial loss that seems to be the central pivot. The analysed results show that this reduction ends at the financial loss for the generic medical drugs, the personal computer, the family car, the luxury watches and the foodstuffs.

In addition, we have also highlighted the importance of the relational exchange dimension for the same products related to the individual health. Recently, a certain academic but also managerial, tendency implies a relational marketing rather than a transactional one. The relational marketing comes under the six customers' conversation over a long period, and is based on the exchange notion between the consumer and the firm (Stone and Mason, 1997 ; Wolfe, 1998). The real relational marketing is closely related to the efficiency of the whole interacting process between the firm and the customer. However, for the computer and the car, it is the reduction of the functional risk that is looked for. The lever of this strategy is the large distrust of the computers' and the cars' purchasers toward the sellers. Nothing allows us, at this stage, to integrate that if these sellers develop relational attitudes, this would influence the individuals' attitude. If deep changes would come to existence in the seller's perception and job (Bergadaà and Laaroussi, 2004), a study should be carried out specifically on the risk felt by their customers. It is possible that certain product categories call for sellers able to help reducing the functional risk whereas others ask for interlocutors able to suggest a relational exchange.

One of this research most significant result is based on the fact that the "the global risk integration" seems predominant for the generic drugs, the advice in drugstore and for the

foodstuffs. These three products have an impact on the individual health. The consumer would, therefore, realize that he should be a co-producer of his health. An account for this too much strong tendency would be, in our days, that the individual grows up in a more and more complex world. Constantly witnessing transformations in his social and economic environment and thus, may change his attitudes and his behaviours. Therefore, the individual can never avoid risks, he tries to live with, to accept them as a whole and to integrate them. The literature mentions less often this consequences of the risk structuring. Under these conditions, the fact of integrating the global risk has to settle a new research territory for the future studies.

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## **Appendix 1 : types of studied products**

### 1/ The generics:

The generics are medicines whose active principle, the layout and the amount are the same as those of the original medicine. They are cheaper because the producing firm does not have to incur all the costs associated to the research and the development. The pharmacist has the right to substitute an original by a generic with the doctor's consent. The relatively structured interviews carried out on a sample made up of sixteen persons, have been tape-recorded, transcribed and analysed. The interviews have taken place at the same drugstore.

### 2/ The "health advices":

Different studies have shown the public's ignorance in the field of health and drugstores (xxx) have improved a concept combining "the human dimension with medical dimension in order to increase their awareness, to inform and make patients learn how to better lead their daily life" (sic). It is to reconsider the pharmacist's job through payable health conversations (60 euros for the first initiation hour). The drugstores xxx also suggest a set of eleven natural products selected by the pharmacist to find the best adapted product for the customer's health. Seventeen persons have been questioned, one of the interviews appeared unusable.

### 3/ Foodstuffs:

The nutritive habits are acquired since childhood and are engraved in a context of structuring religious, cultural and family values: The geographic and economic context in which the individual grows up shapes his tastes. Each foodstuff intrinsically holds the risk of the unknown. In this study, fifteen consumers have been questioned at a distributor's. It has asked them to explain which products were the most risky on a list including six categories. The question only concerned the products' category they judge the most risky.

### 4/ The personal computer:

The purchase of a personal computer is one of the most risky to exist until now, because the technological field constantly innovates: Three months later, the purchased product would already be replaced in the market by another more improved version. The consumer knows and so calculates within the limit of a "minimum risk" perceived. Fourteen interviews were deeply carried out on persons with no skill in the field of computer science at the point of sale which is FNAC. All wanted to be owners of a computer used for personal and private ends.

### 5/ The luxury watch:

The luxury represents the world of emotion, on the intangible, of the eternal. This study has a goal to analyse the perceived risk by the customer at the moment when he decided to own a luxury watch. Sixteen interviews were carried out on future clients of Baume & Mercier during the luxury watch-making exhibition.

### 6./ The family car:

The majority of the interviews had been realised on an agent's site at a sales campaign ("Family days") during which people principally came in couples or in family to seek information. The thirteen questioned persons had at least one child and had the intention to buy a family car.