

When Risk Rules Price Negotiations: The Effects of Goods versus Services on Customers in Personal Selling

Marco Schwenke

University of Applied Sciences Europe

Johannes Habel

European School of Management and Technology

Sascha Alavi

University of Bochum

Christian Schmitz

University of Bochum

Cite as:

Schwenke Marco, Habel Johannes, Alavi Sascha, Schmitz Christian (2019), When Risk Rules Price Negotiations: The Effects of Goods versus Services on Customers in Personal Selling. *Proceedings of the European Marketing Academy*, 48th, (8843)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.



When Risk Rules Price Negotiations: The Effects of Goods versus Services on Customers in Personal Selling

Abstract

Due to the growing importance of services for business and retail markets, marketing research has examined the divergent effects of goods versus services on customers' perceptions and behaviors. However, this study is the first to empirically examine the consequences of goods versus services for customers' price negotiation behavior. Using four negotiation simulations with approximately 700 participants across different B2C industries, the authors show that customers negotiate tougher when buying services than they do when buying goods. Based on perceived risk theory and aspiration level theory, the authors ascribe this elevated level of negotiation toughness to customers' perception of higher risk in a service context. The results provide useful insights for salespeople and managers on how to improve price enforcement for services. Specifically, the implementation of service guarantees proves to be an effective way to increase success in price negotiations with customers.

Keywords: *price negotiations; goods versus services; personal selling*

Track: Sales Management and Personal Selling