Dimensions of Attitude Towards a Sales Promotion Offer

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In this study we investigate the underlying multi-dimensionality of consumers’ attitudes towards sales promotions. We demonstrate that consumers perceive each sales promotion offer across multiple dimensions. Based on a review of literature we initially identified the dimensions as monetary benefits, non-monetary benefits, efforts needed, risk involved, ambiguity of benefits, uncertainty of benefits, benefit delay, and effort delay. We develop a scale to verify our multi attribute attitude model for sales promotions. Based on factor analysis methods, we show that various sales promotions have six independent dimensions. Apart from contributing to the sales promotion literature, this research provides practitioners with a scale to identify and predict consumers’ attitudes towards any promotional offer.

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Extended Abstract

Walk into a supermarket and you will not be surprised to see a great many products on promotion of one kind or the other. Promotions have rightfully become the ubiquitous element of consumers’ shopping experience with US marketers spending more than $100 billion in the form of annual promotional expenditure (Kerin et al, 2003).

The present study contends that consumers’ responses towards various sales promotions depend on their attitudes towards a given sales promotion and such attitudes depend on the intrinsic characteristics of a given promotional offer. Blatteberg and Neslin (1990), They define a sales promotion as “an action-focused marketing event whose purpose is to have a direct impact on the behavior of the firm’s customers.”

Different sales promotional tools serve different objectives. Some promotions such as in-store display and ‘two-for-one’ help generate un-planned purchases (Inman et al, 1990; McClure and West, 1969) and Mulhern and Padgett (1995) show how retail promotions induce consumers to buy regular priced merchandise. Sales promotions are also used to increase store traffic (Grewal, Monroe and Krishnan, 1998; Lichtenstein and Bearden, 1989) increase number of visits to the store (Walters and Rinnie, 1986) and reduce retailers’ inventory carrying costs by inducing consumers to stockpile (Blattberg, 1981; Soo Ong, 1999).

Prior research has studied the variations in consumers’ responsiveness to deals by product category, market, and type of consumer (Blattberg et al 1995). Evidently, there hasn’t been much of an attempt, bearing a few exceptions, to study the differences in consumers’ responsiveness to different promotions arising out of variation in the intrinsic characteristics of a promotional offer. We propose that consumers view promotions as a bundle of some combination of these attributes and each promotional offer represents a unique bundle of attributes. Based on literature review, the initial set of attributes viz. monetary benefits, non-monetary benefits, efforts needed, risk involved, ambiguity of benefits, imprecision in benefits, benefit delay, and effort delay were identified.

Monetary benefits are defined as the economic incentive offered by a promotion, the basic purpose of promotions is to offer an economic inducement to consumers for making the purchase of the product on promotion (Blattberg and Neslin, 1990). Many research findings suggest that consumers do respond to sales promotions for benefits other than monetary savings viz. joy of getting a good deal, the hedonic value of a free gift etc. (for a comprehensive analysis see Chandon et al, 2000). Some promotions involve immediate expense of efforts at the time of availing promotional offer e.g. early bird incentive, clipping coupons, entering in a lucky draw (sometimes entries for draws can be sent at a later date) etc. Sometimes consumers exert efforts in advance of the promotional benefit viz. registering for frequent flyer programs. Research in behavioral decision theory explicates procrastinating behavior by reasoning that future efforts are substantially discounted (Akerlof, 1991; Loewenstein, 1996). A promotional offer may offer an incentive at future date after the purchase is made with or without any additional conditions. Promotions like price-discounts are instantly received at the time of purchase but the benefits of many promotions arise only at a later date. The winners of contests, sweepstakes etc. are determined much after they have made their purchases. The ‘worthiness’ of all promotions is not easily determinable e.g. win a dinner with a TV star. Ambiguity also arises when the promotion is attached with many qualifications. Some promotions like lucky draws are risky where in the consumer may not gain anything and finally, in some instances the benefits offered are imprecise e.g. all items with red tags on sale, up to 75% off etc.

A composite scale representing all eight dimensions was developed and presented to 57 undergraduate students. The same scale was used for each of the seven most widely used consumer promotions viz. Coupons, Mail-in-rebates, Lucky draws, free gifts, price breaks, Contests, etc. The popularity of different sales promotions was assessed through literature review and consultations with an expert. The underlying dimensions were then identified by factor analysis techniques. The study also incorporated measures for testing convergent validity and criterion / predictive validity.

Based on the recommended scale development procedures (Gerbing and Anderson, 1988), the data analysis began with checking the dimensionality underlying the attitude towards sales promotions. The procedure undertaken involved factor analysis (both exploratory as well as confirmatory factor analysis), inter-item correlations (across entire scale and more importantly within each facet) and validity tests for criterion and convergent validity. The six components derived by factor analysis have eigen values of more than 1 and collectively they explain 67% of the total variance. All the components have alpha more than 0.6 except monetary benefits, which has alpha of 0.56. To ascertain the criterion validity the correlations between perceived dimensions (six components) and the predicted likelihood of use of that sales promotion were measured. Except Effort-delay (.05 level) all the correlations are significant at .01 levels providing a strong support for criterion validity. Finally, based on the empirical analysis the identified factors are 1) Perceived effort-return benefit, 2) Benefit transparency representing the degree of precision in stating the promotional benefits and the clarity with which the promotional benefits are communicated 3) Non-monetary benefits 4) Effort delay 5) Risk impact and 6) Perceived monetary benefits. We also discuss the explanation and interpretation of these derived dimensions.

References


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**Affect, Affective Precision, and Primacy Effect in Stock Choices**

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**Extended Abstract**

The role of affect in everyday decisions has received an increasing amount of attention in recent literature. Espeitn’s (1996) dual processes describe that we have analytical and experiential systems that are interrelated, and most of the time we use both of the systems to make decisions. Slovic et al. (2002) proposed the idea of the affect heuristic, which states that we often use affect as a shortcut to guide judgment and decision making processes. Zajonc (1980) claimed that all perception contains some affect, and it is capable of influencing the ensuing cognitive process to a significant degree.

However, until recently, numerical information was considered to be processed purely cognitively, therefore, free from affect. A few exceptions exist. Peters et al. (2006) demonstrated that affect can be calculated from numbers and used to guide decisions. Kida et al. (1998) also suggested that affect guides choices that involve numerical information. In their study, they presented two sets of stock information. When asked, about 80% of the participants chose the clearly better firm in the first set, although two firms from the second set were actually better. Combining this with other findings in their study, they concluded that participants chose the best firm in the first set because they did not remember the actual financial characteristics of stocks. Instead, they remembered having a higher affect toward that stock option, due to its clear superiority within its own set. An alternative explanation for this finding, however, is an order effect, specifically, participants may feel greater positive affect and choose the best options in a set presented first.

In our study, we investigated the role of affect in stock choice by replicating and extending Study 3 of Kida et al. (1998).

**Hypotheses**

H1a: The majority of participants will choose the best firm in Set A when the options are presented in the same order as those in Kida et al. (1998).

H1b: The majority of participants will not choose the best firm in Set A when the sets are presented in a reversed order as those in Kida et al. (1998).
H2: Participants have significantly higher positive affect toward the best choice in each set.
H3a: Affect toward stock choices will significantly predict choices independent of set order.
H3b: Affective precision toward stock choices and its interaction with affect will significantly contribute to the prediction of choices above and beyond affect and option order.

Method
We replicated the methodology used in Study 3 of Kida et al (1998). As in their study, each of two information sets (Set A and Set B) contained financial characteristics of five firms. The best firm in Set A was far better than the rest of the firms in its own set, and the best firm in Set B was not as clearly the best within its set. However, the best and second best firms in Set B were better than the best firm in Set A.

In our study, half of the participants were presented with Set A first, then Set B (a replication of Kida et al.); the other half of participants were presented with Set B first, then Set A. All participants were then asked to choose their most preferred stock from either set. They also rated their affect and affective precision towards each firm.

Results:
Hypotheses 1a and 1b were supported. Although the majority of participants (83%) chose the best stock in Set A when Set A was presented first, only 25% of participants chose the best stock in Set A when Set B was presented first; the remaining 72% chose the best from in Set B.

Hypothesis 2 was supported. Affect toward the best firms in each set was calculated by subtracting the mean of the raw affect ratings toward the rest of the firms from raw affect ratings toward the best firm. Affective precision was calculated in a similar manner. Participants had significantly higher positive affect and affective precision toward the best firms in Set A and Set B compared to affect toward the average of the rest of the firms.

Hypotheses 3a and 3b were also supported. Logistic regression indicated that affect and the order in which information sets were presented significantly predicted choices. Our new construct, affective precision, and its interaction with affect significantly contributed to the prediction of choices above and beyond the affect and primacy effects. These findings indicate that people developed higher affect and affective precision within the local context of each set and that they used their affect to guide their decisions.

Conclusion
Over the last couple of decades, research has demonstrated that decision makers use affect to guide decisions: to decide where to go to vacation or which car to buy. However, numerical information in decisions is still thought to be processed very cognitively. Results of our study demonstrated that people develop affect not only to events, persons, and material objects, but also to numbers. Decision makers appear to draw affective meaning from numbers and to use this affect to guide their decisions. They may be even more likely to rely on affect when information is unavailable at the moment of choice and they have to make decisions from memory. Our findings can also be applied to many other decisions that involve numerical information, such as prices, nutritional facts about food and drinks, and drug information.

Our study also suggests that people are very susceptible to primacy effects with numerical information. This may be because once people develop affect toward a particular option, they tend to stick with it. Therefore, they are not very open to other choices. Further investigations are needed for clearer explanations. Affect’s role in judgments and decisions that involve numerical information is ubiquitous in everyday decisions. Yet, not many studies have been done on this topic. It is important to understand how people rely on affect to make choices and decisions so that we can facilitate better choices and decisions among managers and consumers.

References

The Role of Emotional Attachment in Consumers’ Responses to Service Changes
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Extended Abstract
Consumers are often faced with changes to services they consume; their ability to adapt to changes is moderated by their emotional attachment to the service. We explore the following research questions: (1) What is the relationship between a consumer’s emotional attachment and the level of human interaction the service provides? and (2) How does the level of emotional attachment to the service influence a consumer’s satisfaction, word of mouth, and repurchase intentions, in response to service changes?

For consumers, the “human interaction” element is an important service factor (Zeithaml and Bitner 2003). The level of human interaction consumers receive from services ranges from higher levels (e.g. financial advising) to lower levels (e.g. ATMs) (Schmenner