Scarcity’S Effects on Evaluation of Prices

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Abstract
This research develops a conceptual framework which incorporates both the motivational and the interference effects of scarcity on information processing. The results from two studies show that scarcity influences consumers’ perceptions of price information for a travel package with the pattern of results being dependent on price levels and consumers’ motivation to process information. Analyses of thought measures provided further support for the underlying processes.

Consumer Response to Marketplace Deception: Implication of the Persuasion Knowledge Model
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Extended Abstract
Deception—intentionally misleading others about the truth—is a fundamental human behavior, commonly practiced in the marketplace by both buyers and sellers. Building upon the Persuasion Knowledge Model (Friestad & Wright, 1994), we propose that consumers develop sensitivity and coping strategies in response to marketers’ deceptive attempts. In particular, consumers’ deception knowledge functions as a sensor in the formation of a valid attitude towards an advertisement or an influence agent. This process is described as associative decision making in psychology literature (e.g. Massaro, 1994). The basic notion is that consumers are able to recognize similar misleading patterns based on what they learn about marketers’ practices. Therefore, they are more likely to perceive advertisement as deceptive and are less likely to be misled.

The Persuasion Knowledge Model (PKM) is a useful framework for organizing knowledge that is relevant to marketplace deception since knowledge of deception can be viewed as a subset of knowledge about persuasion. The PKM argues that from early childhood through early adulthood and beyond, an individual develops knowledge relevant for the two persuasion-related tasks of everyday life: coping effectively with others’ persuasion attempts and effectively executing one’s own persuasion attempts. In this study, we aim to investigate the functions and limits of deception knowledge when consumers cope with deceptive ads. Both situational factors and individual differences are examined: knowledge or salience of the potentially deceptive tactics used, high and low stake situation (whether the expected consequence of being misled is serious), and cognitive optimism (the extent to which consumers wish the claims were true).

Hypotheses
First, we hypothesize that consumer deception knowledge increases the perceived deceptiveness of advertisements. Deception knowledge refers to consumers’ beliefs about a deceptive agent’s motives, strategies and tactics, and how to cope with deception episodes. Although deception knowledge does not necessarily lead to an accurate judgment, it makes consumers more skeptical toward advertisements. Second, we argue that high or low stake situation moderates the effect of perceived deception on consumers’ attitude. In high-stake situation, consumers believe that being misled may cause serious consequences to themselves or others (e.g. safety and health problems), so they will form a stronger negative attitude. Third, we argue that consumers’ attitude is also influenced by the degree to which consumers would like to believe the advertising claims are true. Advertisers often encourage consumers to believe that purchasing a product or service will make them more attractive, sexy, glamorous, popular, etc. The mechanism of cognitive optimism that leads to wishful thinking reduces consumers’ negative attitude toward deceptive advertisements. Even though consumers do not completely trust advertisers’ claims, positive thinking brings hopeful comfort and triggers an intention to try.

Method
The experiment used a 2 (instruction of deception knowledge vs. no instruction, between) X 2 (high vs. low stake situation, between) X 2 (deceptive ads vs. non-deceptive ads, within) mixed design and was administered to one hundred and thirty-three college students on personal computers. Deception knowledge was manipulated by instructions placed at the beginning of the questionnaire. The one-page instruction described the nature of deception knowledge, common deceptive tactics and cues to detect deception in advertising. Participants in the control condition were not given the instruction. The seriousness of expected consequences and advertisement deceptiveness were manipulated by having the participants view different types of print ads. In the high-stake situation (with serious consequences), participants rated six ads, half of which were higher in deceptiveness, and half of which were lower in deceptiveness. This was repeated in the low-stake situation (without serious consequences). A total of 12 stimuli were selected out of 248 print advertisements in major U.S. popular magazines published during the past two years. Stimuli were carefully examined along the manipulation dimensions in a pretest with 48 college students.

Results and Discussion
The repeated-measure ANOVA results show that deception knowledge significantly increased perceived deception but did not change attitude toward advertisements. Participants in the instruction condition (Mean=5.19, SD=1.51) rated the ads as more deceptive than those in the no instruction condition (Mean=4.63, SD=1.38), F(1, 130)=6.007, p<.05. Also, perceived deceptiveness had a significant negative impact on attitude toward ads, F(1, 128)=31.581, p<.001, when deceptive ads led to stronger negative attitude (Mean=4.96,
SD=1.33) than non-deceptive ads (Mean=5.63, SD=.99). There was no significant interaction between deception knowledge and high vs. low-stake situation, F (1,128)=2.51, p>.05.

There was a significant interaction between perceived deceptiveness and high vs. low-stake situation, F (1,128)=41.63, p<.001. Consumers’ attitude toward deceptive ads (Mean=4.23, SD=1.24) was more negative than that toward the non-deceptive ads (Mean=5.63, SD=1.03) in high-stake situation. In low-stake situation, however, participants’ attitude toward deceptive ads was not significantly different from that toward non-deceptive ads. Further, when individuals’ cognitive optimism was controlled for, the interaction between perceived deceptiveness and high vs. low-stake situation remained significant; however, the main effect of perceived deceptiveness was no longer significant, which suggests that participants who wish the claims were true tended to hold less negative attitude toward advertisements despite perceived deceptiveness.

This study extends the Persuasion Knowledge Model to marketplace deception. Deception knowledge appears to make consumers more skeptical toward advertisements. However, whether it involves with a high or low stake situation moderates the effect of perceived deception on attitude. When consumers foresee more serious consequences, they tend to hold stronger negative attitude toward deceptive advertisements. Also, individuals’ desire to trust advertised claims appears to moderate the negative effect of perceived deceptiveness on attitude. As consumers want to believe ads, they tend to hold less negative attitude.

Key References

### Consumer Consideration Sets: Altering Memory, Brand Evaluations, and Choice

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Brands that have increased memory accessibility have an advantage to less accessible brands (Nedungadi, 1990). The present work focuses on the effects of prior experiences on consumer memory for brands in choice situations. Previous research suggests that only minor (i.e., relatively low share) brands within a product category will benefit from advertising effects of competitors (Nedungadi, 1990). For example, advertising for Sprite would be more beneficial to a minor brand such as 7-Up than to a major brand within that category, such as Coke.

### The DRM Effect
The pattern of priming effects found on only the minor brand is surprising in light of the DRM effect (Deese; 1959; Roediger & McDermott, 1995). The DRM paradigm consists of showing participants lists of related words such as *thread, pin, sewing, sharp, point*, and so on; participants falsely report having seen the non-presented critical lure, *needle* (in the context of either an explicit or implicit memory task; e.g., McDermott 1997; McKone and Murphy 2000; Hancock, Hicks, Marsh and Ritschel 2003), and are even more likely to do so if longer lists are used (e.g., Robinson & Roediger, 1997). Warning participants about the illusion right before the memory task does not eliminate the effect (Gallo, Roediger and McDermott 2001); however, if the warning occurs before the exposure session, the instruction serves to attenuate the effect (Gallo, Roberts and Seamon 1997; Gallo et al. 2001), suggesting that the illusion is created by the encoding process.

### Hypothesis Development
The DRM findings suggest that advertising effects of competitors would be of more benefit to major rather than minor brands in the same category. That is because the major brands have many more schema-based associations in memory than do the minor brands. For example, Hilton (major) could be linked to, or expected from lobby, lounge, front desk, swimming pool, comfort, and so on, whereas Days Inn (minor) may not be linked to all of those associates. Following this logic, the schema-based associations created by advertising of competitors are more likely to overlap with already existing associations of the major versus the minor brands. This would cause more facilitation of the major than the minor brands.

We speculated that Nedungadi’s (1990) results may have been restricted by the limited set of brand categories he used. Moreover, his hypotheses were derived from assumptions of the separate systems account of memory, assuming principles of activation and inhibition. Recent evidence for the DRM effect has been inconsistent with simple activation accounts (Watson, Balota and Roediger 2003) and has favored attributional accounts (Gallo and Roediger 2003; Whittlesea 2002). Thus we performed a re-inquiry into the work of Nedungadi (1990) to investigate the extent to which his findings may or may not be consistent with the DRM effect; we used more categories and drew our predictions from the current DRM literature.

### Current Work
We conducted extensive pilot testing to develop 28 stimulus sets, each comprising a product category (e.g., vehicles), major brands (e.g., Toyota), minor brands (e.g., Nissan), and associates to those brands (e.g., car, drive). In our preliminary studies, we observed that
participants reported having been exposed to “major brand lures” such as Coke, when in fact they had only been exposed to associates (e.g., caffeine) and direct competitors of those lures (e.g., Pepsi). This effect was attenuated when participants were warned about the illusion before the memory test.

We also examined preference ratings of major brand lures. Participants had higher preference ratings for major versus minor brands, and for brands seen earlier versus those not seen. Thus, preliminary testing demonstrated that brand accessibility does influence brand evaluation. It thereby provided the basis for using the present stimulus set to investigate the effects on brand choice and to assess the relationships among consideration set inclusion, brand evaluation, and choice.

In an initial study conducted in a mixed-choice (a combination of memory-based and stimulus-based) setting, prior exposure to associates and competitors had minimal influence on the choice of major brand lures; and more importantly, such prior exposure had no influence on the choice of minor brand lures. Further, prior exposure to associates and competitors had no effect on brand evaluations (of either major or minor brands), although in the absence of prior exposure, evaluations were consistently higher for the major versus minor brands. These results appear to contradict those of Nedungadi (1990). We are currently investigating the reasons for the divergence in the results we obtained compared to those of Nedungadi (1990).

We suggest that stimulus-based and memory-based, as well as mixed choices may be influenced by (a) one’s evaluation of the match between the current fluency of processing and the expectations developed “on the fly” (Kahneman and Miller 1986) that are acquired through the exposure situation that increases accessibility (cf. Whittlesea 2002; 2004), and (b) people’s intuitive theories of cause and effect (Marcel 1983; Ross 1977).

In contrast to Nedungadi’s (1990) assertion that priming can affect accessibility without having any influence of brand evaluation, we hypothesize that accessibility and choice are both based on the same mechanisms, and that the processing style and outcome involved in brand memory are the same as those in brand evaluation (for a similar perspective, see Kronlund and Bernstein 2006). In addition, we assume that stimulus- and memory-based choices are influenced by the same factors (cf. Whittlesea and Leboe 2000), even though the decision-making for each type of choice has been found to differ (e.g., Lynch et al 1988).

References