Price Promotion For Emotional Impact

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We propose that price promotions temporarily reduce consumers’ motivation to engage in effortful deliberation, which in turn tilts the relative weight of cognitive and affective processes in favor of the latter. Consequently, price promotion shifts choice towards affectively superior goods and causes valuations that are more polarized and scope insensitive.

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EXTENDED ABSTRACT

The process by which consumers respond to price promotions is generally thought to be a cognitive process (Inman, McAlister, and Hoyer 1990). Emotions are seldom considered, unless they are the output of an established deliberative process (Chandon, Wansink, and Laurent 2000) or evoked spontaneously (Naylor, Raghunathan, and Ramanathan 2006). We propose a new interpretation of the way consumers respond to price promotions, acknowledging that behavior is the joint product of affective and deliberative processes (Loewenstein and O’Donoghue 2007).

We suggest that a price promotion lowers the stakes in the decision environment, thereby reducing the motivation of consumers to engage in effortful deliberation. In a dual-process framework, an inattentive consumer is then more likely to rely on affective processes to make purchase decision and product evaluations. As such, price promotion produces a series of related effects, including a stronger preference for affectively superior goods and valuations that are more polarized and insensitive to scope.

We report five experiments that offer multiple replications and refinements in support of this theory. In Experiment 1, participants approached a table displaying a Snickers Candy Bar and a Nature Valley Granola Bar and were asked to purchase one unit of the preferred product. Both snacks were either sold at full price or at a 50% discount. As predicted, the presence of a price discount shifted preferences towards the affectively superior Snickers Bar. Importantly, participants in the discount (vs. full price) condition performed worse on a feature recall task and reported relying more on their feelings when deciding. We tested for two plausible confounds, a mood and a justification mechanism, but found no evidence of these accounts. Experiment 2 is a replication of our basic phenomenon in the context of monetary valuations for a series of products that differed in affective and cognitive content. Consistent with our theory, participants were willing to pay more for products featuring a stronger affective component in the presence of a price promotion, but not in its absence, controlling for cognitive content.

Experiments 3 and 4 test the causal sequence proposed by our theory by introducing situational and dispositional moderators that may influence the motivation to deliberate. In Experiment 3, we increased this motivation by instructing one group of participants to use cognition as the basis for their decisions (Pham et al. 2001). Participants were asked to create a list of DVDs from a sample of ‘highbrow’ and ‘lowbrow’ movies belonging to an online DVD rental service that either did or did not offer a price promotion for 50% off the regular subscription price. The experiment thus employed a 2 (price promotion) × 2 (decision process) between-subjects factorial design. As expected, analyses revealed a 2-way interaction (p = .018). Participants chose more affectively superior ‘lowbrow’ movies in the presence of the price promotion than in its absence when the decision process was unspecified (p = .010). In contrast, when the decision process was cognitive, participants’ relative preferences were not affected by the price promotion (p = .466). Furthermore, a comparison of time spent on the movies information section provides further evidence in favor of the process: participants in the reduced price condition spent less time studying the sample of movies than participants in the regular price condition.

In Experiment 4, we examined whether an individual’s need for cognition (NFC) —known to be a determinant of processing motivation — moderates the predicted impact of a price promotion. The experiment utilized a 2 (promotion) × 2 (NFC) mixed design. Participants were asked to indicate their preference between an affectively superior resort room and a cognitively superior resort room. Both rooms were offered either at full price or at a 30% discount. Consistent with our conceptualization, the price promotion increased preference for the affectively superior room for low NFC individuals who were comparatively less motivated to deliberate (p < .001), while high NFC individuals’ preferences were unaffected by the promotion (p = .737). A second objective of this experiment was to document another facet of reliance on feelings (Ratner and Herbst 2005), testing the prediction that a price promotion would lead to more extreme and polarized evaluations of the target object. We found support for our prediction.

Finally, in Experiment 5, we tested our theory by capitalizing on a judgmental correlate of affective processing and extended implications of our theory to quantity decisions. Based on prior research that suggests that affect-based evaluations are relatively insensitive to the scope of the target stimulus (Hsee and Rottenstreich 2004), we predicted that the scope insensitivity should be more pronounced in the presence of a price promotion than in its absence. Consistent with this prediction, we found that in their willingness to pay for a bundle of music CDs, participants were significantly less sensitive to the number of CDs in the box set when the box set was on promotion than when it was not on promotion.

Overall, these experiments demonstrate the impact of price promotions on consumers’ reliance on affective vs. deliberative processes and how this would influence their preferences and valuations. Our findings highlight the importance of understanding the guts of consumers’ reactions to price promotions.

REFERENCES


