Attitudes and Promotions: the Case of a Minimum Spending Restriction

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The Effects of Restrictions on Coupon Effectiveness: The Mediating Role of Attitudes

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I propose a process that underlies consumers’ perception of promotions, in which they evaluate the economic value and form attitudes towards the promotion. The paper focuses on attitude antecedent and consequences. In a series of three lab and one field study I show that compared to an unrestricted promotion, a restricted promotion is less effective in terms of redemption rates, generates less income and revenue, decreases people’s attitudes toward the store, and that these attitudes mediate the observed behavior. A recall task shows that people recall more negative and less positive items when given a restricted promotion.

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The Impact of Certain and Uncertain Store Promotions on the Decision-Making Process in Product Choices
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EXTENDED ABSTRACT

Store promotions presented at the beginning of a consumer’s shopping trip influence the consumer’s affective states during the trip (e.g., Gardner 1985). Although the promotion-induced affect should be regarded as irrelevant in subsequent product choices, previous research shows that it influences a consumer’s choice decision (e.g., Heilman, Nakamoto and Rao 2002). The impact of promotion-induced affect on a consumer’s product choice can find theoretical support from the incidental affect literature, which has demonstrated that affect elicited in one incident extends its effect to other unrelated incidents (Isen 2001). However, a majority of incidental affect research compares the impact of positive affect with that of negative affect and neutral state. Although this group of studies is helpful for us to predict the impact of store promotions in general, it may be insufficient to discriminate the impact of a variety of promotions which generally would make consumers feel positive, since relative pleasantness is quite unimportant to differentiate positive emotions (Smith and Ellsworth 1985).

Recent incidental affect literature demonstrates that, regardless of valence, the uncertainty associated with an affect influences the extent of systematic decision-making of a subsequent judgment (e.g., Tiedens and Linton 2001). Since promotions are different in terms of the uncertainty of the benefit provided (e.g., an instant dollar-off coupon provides more certain benefit than a sweepstakes), a promotion providing a probabilistic benefit may make consumers feel more uncertain than a promotion providing a sure and immediate benefit. Thus, focusing on the uncertainty of promotion-induced affect can be important in differentiating the impact of types of promotions on subsequent product choice process.

Although it is shown that uncertainty can decrease confidence and lead to more systematic decision making, there exist inconsistent findings which shows less systematic decision making when subjects feel uncertain (e.g., Bodenhausen et al 2000). This inconsistency may be explained by the effect of uncertainty on perceived ability. Uncertainty to which people have no control can also decrease a subject’s perceived ability (Sedek, Kofta and Tyszka 1993), which, according to the ability and motivation framework, would decrease the extent of systematic decision making.

According to the affect-as-information theory (Schwarz 1990), we expect that the uncertainty can decrease perceived ability when one is ambiguous about his ability of accomplishing a task. This can be examined by varying choice difficulty. When a choice is easy, people generally perceive themselves as being capable of systematically analyzing information to make a choice. Since the ability assessment is not ambiguous, the feeling of uncertainty induced by an uncertain promotion is less likely to add any informational value for the perceived ability judgment and thus should not decrease the perceived ability. Since in this case, an uncertain promotion may decrease a subject’s confidence (Tiedens and Linton 2001) but not perceived ability, it is expected that uncertain promotion would lead to a more systematic decision-making process than the certain promotion and the no-promotion situation. In contrast, when a choice is difficult, it is often ambiguous to a subject whether he/she can systematically analyze all the information to make a correct choice (Payne, Bettman and Johnson 1988). In such cases, a subject is more likely to rely on his/her affective state as an informational cue for the perceived ability judgment. Thus, the feeling of uncertainty induced by an uncertain promotion is more likely to decrease a subject’s perceived ability and lead to a less systematic decision-making process relative to a certain promotion and a no-promotion situation. The hypotheses were examined by a lab experiment.

The experiment (N= 360) investigated the extent of systematic decision making by comparing the impact of feature importance on the choice decision. Subjects who were more (vs. less) systematic should scrutinize the product features more carefully and thus be more likely to differentiate high-importance features from low-importance features. Thus, their decisions should be greatly influenced by the feature importance and more subjects should choose the option that was dominant on high-importance features (vs. low-importance features). Subjects who were less systematic, however, may not discriminate high-importance and low-importance features and may be influenced by heuristic cues like the number of dominating features. Thus, the likelihood of choosing an option that was dominant on high-importance features may not differ from that of choosing the one dominant on low-importance features.

This experiment was a 3 (promotion) x 2 (choice difficulty) x 2 (importance of dominant features) between subject design. Subjects were presented a “certain” promotion ($50 gift certificate to Disneyland for any purchases over $200), or an “uncertain” promotion (30% chance to win a $150 gift certificate to Disneyland for any purchases over $200), or no promotion. The two choice options were non-dominant to each other in the difficult choice condition and one option was superior to the other in terms of the number of dominating features in the easy choice condition. Supporting the hypothesis, the data revealed that when the choice was easy, an uncertain promotion led to more systematic processing (indicated by a higher choice proportion of the option dominating on high (vs. low) importance features) than a certain promotion and no promotion. In contrast, when the choice was difficult, an uncertain promotion led to less systematic processing than a certain promotion and no promotion. Evaluation and recall data provided converging results.

Overall, the results suggest that 1) store promotions may influence the decision-making process of a subsequent product choice through promotion-induced affect, 2) uncertain promotions influence the decision-making process differently from certain promotions and no promotion situations, 3) the impact of uncertain promotions is moderated by choice difficulty. The demonstration of the impact of promotion-induced affect on product choices enables us to go beyond the traditional view of promotion as signals for product quality and understands the effect of various types of promotions on the choice decision-making process. The comparison of the certain, uncertain and no promotion in different choice contexts lends support to the uncertainty-focused research in the incidental affect research and highlights its importance when affect management objective is not salient (Wegener et al 1995).
EXTENDED ABSTRACT

Price Matching Guarantees (PMG) are tools where retailers explicitly or implicitly claim to offer the lowest market price and promise to match or beat lower market prices located by buyers. Prior to a purchase, matching or beating of lower prices is achieved by suitably lowering prices by the PMG-offering seller and following a purchase, matching or beating is achieved by issuing a refund to consumers.

Past research on PMG has generally indicated favorable effects of such guarantees on consumer pre-purchase perceptions and behavioral intentions. For instance, exposure to PMG raised consumer perceptions of offer value, their shopping intention and their belief in the overall low-priced nature of the retailer, while reducing their search intention (Biswas et al. 2002; Srivastava and Lurie 2001). Although researchers have indicated some theoretical conditions delimiting the effectiveness of such guarantees (Srivastava and Lurie 2004), no clear-cut understanding exists about marketplace factors consumers consider in their assessment of PMG. In the present research we propose a model of PMG effects and suggest that PMG favorably affects consumer perceptions when consumers perceive a low dispersion of market prices but not when they perceive a high dispersion of prices.

Till date, most researchers have conceptualized PMG as a marketplace signal (Biswas et al. 2002; Srivastava and Lurie 2001, 2004) whose primary function is to overcome information asymmetry between retailers and consumers regarding the precise location of individual retailers’ offer prices in the marketplace continuum of prices. The purpose of a PMG is to inform consumers that an offer price is close to or equal to the lowest market price and to compensate consumers monetarily should that information turn out to be inaccurate.

We propose that if PMG is perceived by consumers to be truly diagnostic of the offer price’s position among market prices, then exposure to PMG ought to affect consumers’ estimate of the lowest market price and should also reduce their perception of financial risk involved in transacting with the retailer. Past research indicates that consumer perception of market price dispersion likely differs from an existing dispersion (Grewal and Marmorstein 1994; Urbany and Dickson 1991) and that usually consumers are not quite confident of their estimates of market prices and consequently, consumer price estimates are susceptible to external cues (e.g., Winer 1986). Hence, exposure to PMG may lead consumers to readjust their estimate of the lowest market price for the product concerned such that consumer lowest price estimate is higher when an offer is accompanied by a PMG, compared to an offer without a PMG. Also, the implicit or explicit promise of a PMG to offer a price close to the lowest market price should reduce consumer concern about overpayment; that is, an offer with a PMG should lead to lower perceived financial risk than one without a PMG. Given that the sacrificial components of an exchange are reduced in the presence of a PMG, we argue that these effects, in turn, enhance consumer perception of offer value, raise their intention to shop the retailer and reduce their intention to search for lower prices. In other words, consumers’ estimate of the lowest market price and their perceived financial risk mediate the effects of PMG on perception of offer value, shopping intention and search intention.

Finally we posit that such favorable consumer responses to PMG as outlined above are not unconditional and that these effects are less likely to occur when consumer perception of market price dispersion is high. A high price dispersion indicates the likelihood of a larger number of existing price points to consumers and given the constraints existing on consumer search ability, this is likely to be perceived as a situation where it is relatively easier for high-priced retailers to opportunistically place the signal in the market with a sense of impunity. In other words, consumer perception of the strength of marketplace disciplinary mechanisms is likely to be low thereby leading to loss of signal potency (Srivastava and Lurie 2004). On the other hand, when consumers perceive low price dispersion in the market, they are less concerned about high-priced retailers getting away with a false signal thereby enhancing signal potency.

In a preliminary one-factor (PMG: present; absent) study with 43 non-students, we found support for our proposed mediation-based model of PMG effects. In a second, 2 (price dispersion: high vs. low) × 3 (PMG absent, PMG 100% refund, PMG 150% refund) study with 154 undergraduate students, we found that favorable effects of PMG occur only when perceived price dispersion was low. An examination of simple main effects within the low price dispersion condition revealed that the presence of an LPG was effective in influencing all dependent variables in the hypothesized direction (all F's <.06, all η² ranged from .10 to .30). In the high price dispersion condition, the presence of an LPG offering a 100% refund had no effect on the dependent variables of lowest price estimates, risk perception, offer value, and search intention (all F's <1, p's>.06, all η²<.06). An LPG offering a 150% refund within the high price dispersion condition, however, was effective in enhancing shopping intention (F (1, 53)=4.86, p<.03, η²=.08).

Theoretically, our findings are important in their demonstration that signal potency is not unconditional and consumers’ judgment of marketplace disciplinary mechanisms delineates the boundary condition for low price signal effects (Srivastava and Lurie 2004). Particularly, our findings include that consumers are observant of the context, as defined by relevant market characteristics, in which a signal is evaluated. Further, our findings are supportive of the basic assumption of consumer rationality integral to signaling theory, in that consumers incorporate perception of seller motives in their evaluation of signals (Kimani and Rao 2000). The most important practical implication of our findings is that retailers would be well advised to refrain from opportunistic use of PMG, as consumers are not blind to such possibilities in their evaluation of this pricing tool.

REFERENCES


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