Instant Wins, Sweepstakes and Gift Vouchers: Consumer Attitudes Towards Sales Promotions

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Retailers frequently use sales promotion tools as a part of their marketing effort. The goal of our study is to provide a deeper understanding of consumer attitudes towards such activities. In particular we are interested in how risk attitudes, time preferences and affective responses shape individual preferences for sales promotions. Our experimental results show that consumers prefer hedonic prizes over utilitarian ones. They also prefer a sure prize over a sweepstakes when the prizes are to be obtained immediately but this preference is weaker for future cases. These findings can be explained by non-stationary risk preferences and anticipatory feelings such as savoring.

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Retailers frequently use sales promotion tools as a part of their marketing effort. The market for consumer-oriented activities, such as sweepstakes, discount coupons and free samples, has grown substantially in the last decade, reaching approximately $300 billion in the United States alone (Promo Trends Report, 2004). Given this huge volume, it is essential for companies and policy-makers to understand how individuals respond to different types of reward mechanisms.

To our knowledge, experimental studies focusing on consumer response for promotional activities are quite scarce (see Ward and Hill, 1991; Prendergast et al, 2005; Chandran and Morwitz, 2006). The current study investigates the impact of time preferences on attitudes towards sales promotion tools. Our conjecture is that delayed promotions do not always induce the same kind of purchase behavior and that risk attitudes, time preferences and affective responses contribute to differences in consumer reactions.

Sales promotion activities can take various forms with respect to the reward structure. A possible taxonomy is as follows:

1. Risky versus certain: The promotional campaign can offer a risky prize (through a lottery or contest) or a certain one (discount coupons).
2. Immediate versus delayed: The prize can be redeemed immediately (checkout coupons, instant-wins) or in the future (mail-in rebates, sweepstakes).
3. Hedonic versus utilitarian: The prize can be more pleasure-oriented (vacation, perfume, etc) or more functional (monetary reward, gasoline, etc).

Past experimental findings have shown that individuals prefer more hedonic alternatives in a probabilistic setting and hedonic options are more popular as prizes than purchases (O’Curry and Strahilevitz, 2001). There is also evidence that even though individuals are generally risk-averse for immediate lotteries, this aversion decreases overtime (Shelley, 1994; Sagristano et al, 2002). Anticipated feelings such as hope and savoring can be one possible reason for this declining risk aversion (Loewenstein 1987, Chew and Ho, 1994). Individuals are also found to be less sensitive to changes in probabilities for affect-rich rewards (Rottenstreich and Hsee, 2001).

Taking these findings as a starting point, we propose that individuals prefer a certain prize to be obtained immediately to an immediate risky prize but this preference for a certain prize over a risky one decreases over time. In addition, the preference for lotteries with hedonic prizes over utilitarian prizes increases with delay.

An experiment is conducted to test these hypotheses. The experiment consists of a ranking task, where subjects (31 MBA students) are asked to rank 8 different promotion packages from the most attractive to the least attractive option. The options are generated in a 2x2x2 design, where we manipulated the type of the reward (perfume or gasoline), the temporal dimension (immediate or in two weeks) and the riskiness (certain or with 10% probability). The preliminary results provide evidence for our hypotheses. On average, the most attractive option was a future hedonic prize: 48% of the subjects ranked “10% chance of winning a $100 voucher for a bottle of perfume, to be determined and given in two weeks” as their first option; followed by 32% who ranked “a $10 voucher for a bottle of perfume, to be given in two weeks” as their first option ($\chi^2=33.10, p<.01$). The least preferred option was “10 chance of winning a $100 voucher for gasoline, to be determined and given immediately”, chosen by 45% of the subjects as the least attractive option. Further analysis will examine the interactions between the type of the reward, its temporal distance and its riskiness.

These preliminary results have interesting implications. If a marketer has to choose one single promotional tool, the most attractive option for the average consumer would be a lottery drawing in the future, involving hedonic prizes. In a following experiment, we plan to explore whether preference for promotional tools varies depending on the price of the product. We believe that exploring the behavioral response to different sales promotion activities is a rich vein for future research.

References


**Transumers: Motivations of Non-ownership Consumption**

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Transumers engage in fractional ownership to enjoy products and experiences without the hassles or risks of permanent ownership. The dynamic changes taking place in the global marketplace related to economic, social, and cultural forces have created an environment ripe for fractional ownership. Previous studies forecast the rapid pace of technological innovation will result in a shift toward shared ownership. There is an absence of research on the motivations of fractional ownership. Based on exploratory consumer interviews, a survey instrument was developed and tested. Findings suggest consumers engage in fractional ownership for reasons ranging from environmental consciousness to status seeking.

Imagine having access to the latest luxury handbags or golf clubs whenever you desired or using a car share service and never having to worry about the costs of automobile ownership. This is reality for a growing consumer segment participating in fractional ownership consumption experiences. These individuals, known as Transumers, are defined as, “consumers driven by experience instead of the fixed, by entertainment, by discovery, by fighting boredom, who increasingly live a transient lifestyle, freeing themselves from the hassles of permanent ownership and possessions” (Trendwatching.com 2006). The term Transumer was coined in 2003 by, global design and business consultancy firm, Fitch and originated from the marriage of the words transient and consumer (Trendwatching.com 2006). While the popular press is replete with research related to transumption behaviors, Transumers have not been specifically studied in the consumer behavior literature. Transumers are thought to be motivated by experiences instead of possessions, by entertainment, by discovery, and environmental consciousness. The primary purpose of this research is to understand the motivations and individual difference variables influencing transumption behavior.

The dynamic and unique changes currently taking place in the global marketplace related to economic, social, and cultural forces have created an environment ripe for shared or fractional ownership. According to Zukin and Maguire (2004), consumption is an economic, social, and cultural process of selecting goods reflecting the opportunity and limitations of modern life. As interest in sustainability and green marketing increases, these consumers are of particular interest to businesses seeking to capitalize on the growing interest in protecting the environment by offering alternative consumption experiences. Previous studies have forecasted the increasingly rapid pace of technology change will result in a shift toward shared ownership. By engaging in fractional ownership, consumers have access to the latest and greatest and increased social status with less cost. Nissanoff (2006) believes we will evolve into a society where we view the ownership of most things as temporary—like the perception of leased vehicles. The concept of fractional ownership is not new. For example, car leasing introduced consumers to the idea of temporary ownership of vehicles that were above their ownership threshold (Nissanoff 2006). However, the key characteristic that differentiates Transumers from simply leasing a car or owning a timeshare is their pursuit of experiences across consumption categories (Levenson 2007). Consumers do not permanently acquire products, but rather an experience. Bag, Borrow, or Steal; ZipCar; and NetFlix are examples of firms that allow consumers to “own” a product for a flexible amount of time for a usage fee.

A two-part study was conducted to first illuminate common themes among individuals and then to investigate how these individual difference variables influence attitudes and behavioral intentions toward fractional ownership. First, an exploratory qualitative study consisting of semi-structured interviews was conducted with individuals engaging in non-ownership consumption. Coding of interviews revealed five themes which illuminate motivations to participate in non-ownership consumption. Although not exhaustive these themes provide insight into the reasons consumers seek non-ownership consumption opportunities.

Based on the emerging themes and the popular description of Transumers, a survey instrument was developed and tested using PLS. Data were collected with the use of 161 self-report questionnaires from adults in the southeastern United States. The hypothesized model describes the individual difference variables including possessiveness, materialism, variety seeking, status consciousness, frugality, and environmental consciousness and their relationships with attitude toward fractional ownership and behavioral intentions to participate in fractional ownership. The hypothesized model was supported by the data. The findings reveal the strongest motivators of positive attitudes and intentions towards fractional ownership were environmental consciousness and status consciousness.

The primary contribution of this research is the conceptual understanding of a unique and growing consumer segment previously absent from the marketing literature. The purpose of this study was to develop the concept of a consumer that engages in fractional ownership across product categories in an effort to collect new experiences while freeing themselves from the responsibilities of permanent ownership. Findings suggest Transumers are both status seeking and environmentally conscious which at first appears counterintuitive. However, research suggests that while consumers use luxury goods to symbolize success, their definition of success is changing. Many consumers want the brands they buy to reflect their concern for the environment and social issues. At least 1 in 4 American adults hold environmentalism, global issues, and spiritual searching as personal values (Bendell and Kleanthous 2007).

Further, past research on duration of use and acquisition mode suggests consumers expecting to use a product for a short amount of time, all other variables being equal, would rather rent than own (Moore and Taylor 2008). This counterintuitive finding lends a clue as