Making a Discount Feel Like a Favor: How Pairing an Offer With a Favor Request Helps Seal the Deal

Simon J. Blanchard, Georgetown University, USA
Kurt A. Carlson, Georgetown University, USA
Jamie D. Hyodo, Pennsylvania State University, USA

We demonstrate that, in consumer-seller negotiations, requesting a favor from consumers increases acceptance of a discounted offer made by a seller. The favor request effect occurs through increases in perceived reciprocity and in the confidence that the price offered is the lowest possible. Implications are discussed.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1019672/volumes/v43/NA-43

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
EXTENDED ABSTRACT

We demonstrate that, in consumer-seller negotiations, requesting a favor from consumers increases acceptance of an discounted offer made by a seller. The favor request effect occurs through increases in perceived reciprocity and in the confidence that the price offered is the lowest possible. Implications are discussed.

To compel consumers to purchase without delay, sellers often allow consumers who have identified an appealing product to negotiate on price. In the US, this often occurs when buying houses, art, designer or vintage fashion, personal loans such as mortgages, and cars, and in some countries (e.g., India) negotiation is common for an even wider array of products and service. Our focus in this paper is on single-issue price negotiation, wherein a consumer has identified a product that they would like to buy, conditional on price. In this setting then, the focus shifts to overpayment concerns and consumers’ subjective evaluation of deal favorability (or viewed oppositely, perceived confidence in lowest price).

Sellers should thus be motivated to identify techniques convince consumers that a given offer has low overpayment risk. Inman et al. (1997) demonstrate that purchase restrictions (such as limited time offers or maximum purchase quantities) serve to “activate a mental resource that is used to render a judgment regarding a promoted product” (p. 77). This judgment typically involves a comparison of the current price to a reference price (Meyer 1981) that can come from contextual information (Alba et al. 1999). Without clear reference price information, contextual cues can determine intent to purchase. Research has shown that parties in a negotiation are aware that their negotiation partner will use a set of strategies to maximize their expected payoffs. As these strategies and the desired outcomes are not fully known to both parties, a negotiation process not only involves an expected set of actions, but also a learning opportunity regarding what the other party sees as a desirable outcome (Pruitt 1981). The implication from the expectation of concessions is that although any discount offered by a seller should decrease economic risk, a discount by itself may do little to reduce perceived overpayment risk during a negotiation. Uncertainty may still be significant.

We suggest that pairing a price discount offer with a favor request (i.e., making a request, of the consumer, for an act beyond what is typical in negotiations) will reduce overpayment risk by positioning the discount as worthy of reciprocation. We demonstrate this effect in four experiments.

Experiment 1 - Pairing a Discounted Offer with a Favor Request

This experiment provides the first test of whether pairing a discounted offer with a favor request increases the probability the offer is accepted. Two product categories (record player and coffee table) and two favor requests (recommend the store to a friend and writing a review) are tested.

Method

Participants completed a 2 (context: record player vs. coffee table) x 3 (favor request: none vs. online review vs. recommend) between-subjects design.
Making a Discount Feel Like a Favor: How Pairing an Offer with a Favor Request Helps Seal the Deal

Z=3.852, p=.05) and record player (78.5% vs 40.6%; β=1.672; Z=17.947, p<.01) scenarios.

Experiment 2 - A Negotiation with Real Financial Stakes

In experiment 2, we investigate whether the favor request effect persists when consumers have real monetary stakes at play. We use a multi-stage negotiation paradigm adapted from Srivastava and Oza (2006), who incentivized negotiation in advance of a consumer choice. We created an iterative negotiation between a seller and a prospective consumer, wherein consumers requested a lower-than-initially-listed price and received at least one counter offer. To further generalize across product categories, the negotiation was for a piece of art.

Method

As in experiment 1, participants were told that they would participate in a shopping scenario as a consumer interested in a product being sold. In addition, they were then told that they would have a chance to earn a bonus based on the outcome of the negotiation. Because the task involved successfully purchasing a product at the lowest possible price, this incentivized participants to obtain a low price for an agreed-upon offer. Thus, participants had real money at stake during the negotiation. Second, to ensure that participants provided reasonable offers, each participant was warned that the seller would likely reject ‘extreme low ball’ offers and subsequently terminate the negotiation process. Participants would thus consider the amount of their offers as carefully as they would in a real-life purchase setting. After these instructions, participants were introduced to the actual shopping scenario which was the same as those in E1, aside from being about a $100 piece of art.

Setting the Stage: First Consumer Offer and First Seller Counter-Offer

Next, participants began the price negotiation with an initial offer of their choosing (less than $100) after which they wrote a short justification to the shop owner. The survey was programmed so that any initial offer below $40 was rejected outright. Participants who provided an offer of greater than $40 (denoted below by X) read a response and a counter offer of $Y, where $Y was calculated as a 25% movement from $100 toward the participant’s offer. Participants who countered continued to the next step of the negotiation and provided the sample for our analyses.

Participants were asked to provide a second counter-offer (W) and a short justification for the value of their offer. After doing so, they read: “After deliberating for a while, the dealer agrees to sell you the painting for Z. She says that Z is her absolute lowest price.” Z was a 50% movement toward the participant’s most recent offer from the seller’s previous offer.

Favor Request Manipulation

Those in the control condition read no further information, while those in the favor request condition read the same protocol as participants in experiment 1’s review request condition, adapted to be a review posted on “the local art dealers website”. Participants again decided between accepting, rejecting, or countering the offer. The ability to close at this stage, accept versus reject (and/or counter offer), was the focus of our analysis.

Participants and Procedures

136 participants completed the second-stage negotiation and passed an attention check. Each participant was paid $2.00 and could earn up to another $0.50 depending on how low a final price was obtained (and accepted).

Results

We observed a positive effect of pairing a favor request with a discounted offer on the probability that the offer was accepted (68.9% vs. 48.4%; χ² (1)=5.90, p=.001). Separating the types of rejections, post-hoc tests suggest that consumers who did not accept the offer were not more (or less) likely to exit the negotiation (9.5% vs 12.9%; χ² (1)=0.2, p=.89). That is, while requesting a favor increased the probability of closing the deal, requesting a favor did not come at the cost of discouraging other consumers to exit the negotiation.

Experiment 3 – Moderating Role of Contextual Appropriateness

For persuasion attempts to succeed, they must be seen as suitable or proper in the circumstances in which they are used (Miniard et al. 1991; Sengupta, Goodstein and Boninger 1997). For instance, use of images not suited for the focal product elicit thoughts of inappropriateness, which decreases persuasion (Miniard et al. 1991). For a requested favor to promote acceptance of a discounted offer, the favor request must increase the perception that the discounted offer is a favor warranting reciprocity. To the extent that the favor request is seen as contextually appropriate, these perceptions should naturally occur. When a favor request is contextually inappropriate (e.g., creepy), however, we expect this to mitigate the otherwise positive effect of favor request effect.

Method

Participants completed one of six conditions in a 2 (product category: jeans vs. painting) x 3 (favor request: none vs. online review vs. send a picture) between-subjects design.

Shopping Scenario Manipulation

Participants in the painting scenario condition then read the same scenario as used in experiment 3, up until the favor request. Participants in the jeans shopping scenario condition read a similar scenario involving $90 jeans.

Favor Request Manipulation

The online review condition used the same format as previous studies. Those in the picture condition read: “Specifically, she says that after purchasing the jeans/painting and completing your purchase she hopes that you would take a picture of yourself posing with the jeans/painting when you get home and send it back, to potentially be used on the store/shop’s website.”

Contextual favor request appropriateness pre-test

A pre-test with a separate sample of screened mTurk participants confirmed showed that asking consumers for a picture of themselves wearing new jeans was seen as more inappropriate (M=5.24) than asking for a picture with a new painting (M=3.78; F(1,73)=17.19, p<.001). Within the jeans condition, asking for a picture was more inappropriate than requesting a review (M=3.36; F(1,73)=21.39, p<.001). Finally, the online review request was considered equally appropriate for both scenarios (F(1,73)=3.15, p=.58)

Participants and Procedures

We recruited 392 participants for a study about shopping for consumer products from mTurk in exchange for financial compensation.

Results

The probability of accepting the discounted offer was analyzed via a logistic regression with binary coding of product category, picture request, review request, and interactions between the type of favor request (review vs. picture) and scenario.
First, in both conditions and consistent with previous studies, we found that the review favor request increased the probability of acceptance relative to the control (60.47% vs. 44.36%; β = 6.48; Z = 6.66, p = .01). This positive effect of the review favor request did not differ between the painting (64.2% vs. 43.9%) and jeans (56.5% vs. 44.8%) product categories (β = .18; Z = .51, p = .48), providing additional evidence that the review favor request can be similarly used across various product categories.

Second, and as expected, we found a significant interaction between the product category and the picture favor request conditions (β = .66; Z = 6.64, p = .01). While there was a positive effect of the picture favor request on acceptance in the painting scenario (63.1% vs 43.9%; β = .78; Z = 4.76, p = .03), the picture favor request did not significantly increase acceptance in the jeans condition (32.3% vs. 44.8%; β = -.53; Z = 2.15, p = .14). Post-hoc analyses suggest that this reduction in acceptance was due to an increase in the probability that the consumers exited the purchase situation altogether (41.5% vs. 19.4%; χ(1) = 6.64, p = .01). In the jeans condition, participants reacted strongly to the inappropriate (picture) request, some to the point of refusing to continue the exchange.

**General Discussion**

Across three experiments, we show that consumers are more likely to accept a deal when a seller requests a favor than if the discount is offered on its own. We also identify one important boundary condition of this effect, as showing that the favor requested must be appropriate for the purchase context. This work has implications for both the persuasion and signaling literatures.

**REFERENCES**


