Semantic Price Claims and Discount Expectations

Patricia Norberg, Quinnipiac University, USA
Albert Della Bitta, University of Rhode Island, USA
Stephen Atlas, University of Rhode Island, USA

This research examines how phrases used to describe discounts, such as “unbeatable savings” or “special sale,” affect deal valuation. We provide evidence that these phrases, herein called semantic price claims, have consistent numerical interpretations, and influence value perceptions and purchase intention through expectancy-disconfirmation.

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Albert J. Della Bitta, University of Rhode Island, USA
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EXTENDED ABSTRACT

Extant research on “semantic price cues” employed in sale ads has focused almost exclusively on the effects of words that refer to externally supplied reference prices and offer prices. However, with the exception of Barnes (1975), there has been no exploration into how phrases that describe sales affect value perceptions and purchase intention. In this paper, we investigate whether consumers have consistent numeric interpretations of semantic price claims. We find that claims and numeric price information jointly influence purchase intentions and that this interaction occurs through expectancy-disconfirmation.

The ‘encoding-complex’ model (Campbell and Clark1988) views individuals as developing cognitive representations of numerical data (verbal, visual, magnitude, etc.), depending on the modality/format of the inputs. This framework suggests that numbers, in addition to words and phrases, will be associatively connected to other words and phrases in semantic memory. A considerable body of research evidence is consistent with this model (e.g., Bernado 2001; Campbell 1994; Campbell and Epp 2005; Campbell, Parker, and Doetzel 2004; Lee and Kang 2002; Sciana, Semenza, and Butterworth 1999). We suggest that expectations stemming from word-number associations are activated when consumers view sale information, since such messages typically combine a verbal phrase (semantic claim) with numeric discount information. Based on this:

Hypothesis 1: Consumers expect greater numeric discounts following exposure to high value semantic price claims than when they are exposed to low value semantic claims.

The evaluation of the “value of a deal” requires a relative comparison to other available information, and we expect that claims cue internally held comparison standards for discounts and therefore influence perceptions of deal value, or transaction value. We also hypothesize that the effect on acquisition value will work through transaction value, consistent with Grewal et al. (1998) who found that price influenced acquisition value through transaction value. Based on this:

Hypothesis 2: Semantic claim and numeric discount information will affect perceived transaction value, which will mediate the effect of claim and numeric discount information on acquisition value.

Originating from Helson’s (1948) adaptation level theory, expectancy disconfirmation suggests that one’s evaluation of an object is based on the discrepancy between expectations which develop over time and a performance outcome (Oliver 1980). Disconfirmation is typically applied in marketing to satisfaction, but has also been applied to other contexts, such as its effect on new product quality expectations (Kopalle and Lehmann 1995; Olshavsky and Miller 1972) and price recall (Helgeson and Beatty 1987). Zeithaml and Graham (1983) suggest that a reference price can be thought of as a price expectation. Mazumdar, Raj and Sinha (2005) suggests that in addition to integrating previously encountered price information into price expectation (internal reference price), consumers also integrate contextual information into that expectation. Consequently we propose:

Hypothesis 3: Differences between expectations based on semantic cues and actual discount information impact purchase intentions.

Study 1, a 2 (special [low], blowout [high]) modifier x 2 (sale, deal) core word between-participants design, tested the effects of claims on discount expectations and value perceptions. Chosen claims resulted from a content analysis on newspaper sale ads. Claims were pretested for numeric discount associations. One hundred undergraduates were asked to fill in the numeric discount they believed would be in an ad for a watch based on the semantic claim displayed. They also answered questions on perceived value and purchase intention. ANOVA revealed significantly different numeric discount expectation by phrase ($F(3, 95) =16.45, p < .001$). Pairwise comparisons showed that discount perceptions of high value phrases were different from low value phrases ($p < .01$), supporting H1. Transaction value significantly differed by condition ($F(3, 96) = 3.92, p = .01$) and was found to fully mediate the relationship between semantic claim/numeric discount and acquisition value, supporting H2.

Study 2 replicated and extended these results by investigating the discount associations between more core words (cool, smart, blowout, unbeatable) and modifier words (deal, sale, savings). 357 participants drawn from an online panel viewed one of 12 possible ads, and then answered questions to assess expected discount, acquisition value and transaction value. We again found support for H1 and H2, as semantic claims were again linked to numeric discount expectations, and transaction value mediated the relationship between claim/numeric discount and acquisition value.

Study 3 tested whether semantic price claims interacted with explicit discount information to influence purchase intentions through expectancy-disconfirmation and fluency, as predicted by Hypothesis 3. 297 participants recruited from Amazon’s Mechanical Turk read a promotional advertisement for sunglasses, normally priced at $149, and read one of six conditions in a between-participants design manipulating semantic discount claims (blowout savings [high] vs. cool savings [low] ) and actual discount levels (5%, 30%, 70%). Participants rated likelihood of buying the sunglasses, fluency questions, and controls.

Consistently with Study 1, participants expected a greater discount after reading that the savings were “blowout” than “cool” ($M_{\text{blowout}} = 39.38, SD_{\text{blowout}} = 17.4; M_{\text{cool}} = 27.81, SD_{\text{cool}} = 13.77; F(1, 295) = 40.15; p < 0.0001$), supporting H1. Purchase likelihood is a function of expected discount ($p < 0.001$), unexpected discount ($p < 0.001$) and fit ($p < 0.001$). In jointly-estimated simultaneous equations with three mediators (fluency, expected savings, unexpected savings) the indirect effects of expected and unexpected discount each mediate semantic price and purchase intentions (expected discount: $\beta = 0.45, 95% CI = [.26, 0.67]$, $p < .001$; unexpected discount: $\beta = 0.52, 95% CI = [.35, 0.71]$, $p < .001$) while fluency does not ($p > 0.30$ and CI includes 0). Notably, semantic prices lead to disconfirmed expectations which impacts purchase intentions.

Together, these studies provide support for the ideas that semantic price claims affect not just price expectations, but that these
expectations interact with actual discount information to influence purchase likelihood. We tested and found that semantic price claims influence expected savings, unexpected savings, and fluency. Notably, we find that semantically-induced discount expectations and disconfirmations influence purchase intentions. This research highlights the need to carefully consider wording in sale ads.

REFERENCES


