When Exploding Deals Create Competitive Customers: Understanding the Psychological Consequences of Scarcity Marketing Tactics

Jillian Hmurovic, University of Pittsburgh, USA
Kelly Goldsmith, Northwestern University, USA
Cait Lamberton, University of Pittsburgh, USA

Although scarcity marketing tactics have been broadly considered to enhance product desirability, we demonstrate that exposure to time-based scarcity promotions engenders competitive orientation targeting the retailer, consequently producing the ironic effects of motivating consumers to devalue the promoted product and to look for better deals elsewhere.

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EXTENDED ABSTRACT

Scarcity marketing tactics are a time-honored mainstay in promotional advertising. It is common for television, online, and in-store advertisements to emphasize the limited nature of promotional offers, often referencing either the limited quantity (e.g., “while supplies last!”) or limited time (e.g., “one day only!”) associated with a promotional offer (Cialdini 2009). The pervasive use of both tactics is not surprising, given that the practical value of such promotions has been supported by academic findings, which reveal that perceptions of scarcity often positively correlate with perceptions of desirability, value, and purchase intentions (e.g., Brock 1968; Inman, Peter, and Raghubir 1997; Sevilla and Redden 2014).

However, in the current research, we highlight an important caveat to these prior findings. In a series of studies, we evidence that time-based scarcity promotions can produce the ironic effects of motivating consumers to (1) devalue the promoted product and (2) look for better deals elsewhere. This shift in consumer behavior occurs because consumers exposed to time-based scarcity marketing promotions are more likely to be aware that they are being manipulated by the retailer. This activation of persuasion knowledge subsequently engenders a sense of competition with the retailer, which produces these negative results.

By testing this, we provide a novel and important demonstration of the negative consequences of time-based scarcity marketing. Further, we highlight an important and heretofore unrecognized distinction between the psychological consequences instantiated by time-based scarcity marketing tactics versus quantity-based scarcity marketing tactics. Whereas quantity-based scarcity marketing tactics have been shown to increase competition among consumers (Aggarwal, Jun, and Huh 2011), we provide evidence that time-based scarcity marketing promotions can have the negative effect of increasing a sense of competition with the retailer, which has negative consequences for how retailers’ products are valued.

Recent research in this domain has demonstrated that consumers exposed to reminders of resource scarcity adopt a competitive orientation (Roux, Goldsmith, and Bonezzi 2015). We suggest that scarcity marketing tactics may provoke a competitive orientation in certain contexts. Indeed, Aggarwal et al. (2011) found that print advertisements highlighting limited quantity increased perceptions of competition with other consumers, thereby increasing participants’ purchase intentions.

However, whereas quantity-based scarcity marketing tactics engender competition among consumers, we suggest that time-based marketing tactics will engender a competitive orientation toward the retailer. We draw from the literature on persuasion knowledge (e.g., Friestad and Wright 1994) to argue that consumers perceive time-based scarcity marketing tactics as evidence that the retailer is trying to manipulate them (e.g., Campbell and Kirmani 2000). Consequently, consumers will become suspicious of the retailer (Campbell and Kirmani 2000), and will be moreinclined to regard the retailer as an adversary (trying to maximize his own financial gain). For this reason, consumers will be motivated to (1) devalue the promoted product and (2) engage in search elsewhere for the same product when they are exposed to time-based scarcity marketing tactics, as compared to other conditions. To date, we have conducted three studies to investigate this idea.

In Study 1, MTurk participants (n = 383) imagined shopping online for a tablet for their significant other, viewing a fictional retailer’s website advertising the discount. Participants saw a timer counting down until the deal expires (time-scarcity condition), a timer counting down until the retailer’s two-year anniversary (time-control condition), or no timer (control condition). Participants in the time-scarcity condition reported significantly lower WTP for the promoted product than both control conditions, despite recognizing that significantly less time remained to purchase the product. There was no difference, however, for product quality perceptions or website quality perceptions. Thus, contrary to prior literature, these results indicate that time-based scarcity marketing can cause consumers to devalue the promoted product.

Study 2 replicates this effect in a laboratory setting and examines whether consumers exposed to time-scarcity promotions engage in greater product search behavior as a result of a competitive orientation towards the retailer. Participants (n = 131) first read the same study 1 scenario (conditions: time-scarcity; time-control; control) and then had the opportunity to search competitors’ websites for a better deal, subsequently rating their felt competition with the retailer. Those in the time-scarcity condition reported a significantly greater desire to “beat” the retailer. Additionally, the time-scarcity condition spent marginally more time than those in the control conditions searching competitors’ websites for a better deal. Importantly, the effect of time scarcity promotions had a positive, indirect effect on search time through participants’ competitive orientation towards the retailer. Thus, consistent with our theorizing, consumers exposed to time scarcity promotions experienced greater competition with the retailer, subsequently motivating them to search for the promoted product elsewhere.

In study 3, we directly demonstrate the mediating role of persuasion knowledge activation. Using a 2 (Scarcity: time-scarcity, control) x 2 (Recipient: self, other) between-subjects design, we exposed MTurk participants (n = 371) to an online shopping scenario similar to previous studies. In addition to manipulating product recipient, we randomized the countdown start time (time-scarcity condition). Participants estimated the time they’d be willing to spend searching for a better deal and then rated their competitive orientation (towards retailer and other consumers), persuasion knowledge, affect, and psychological reactance. Those exposed to the time-scarcity promotion indicated more persuasion knowledge and greater felt competition with the retailer, but did not differ from the control condition in consumer competition, affect, or psychological reactance. Critically, time-scarcity promotion exposure had a positive, indirect effect on search time, through the effect of persuasion knowledge on experienced competition with the retailer. Thus, in line with our predictions, we find that time-scarcity promotions activate consumers’ persuasion knowledge, which increases consumers’ competitive orientation toward the retailer and, consequently, increases consumers’ willingness to search for a better deal.

In sum, the current research evidences that time-based scarcity promotions can produce the ironic effects of motivating consumers to (1) devalue the promoted product and (2) look for better deals elsewhere. As such, this investigation not only offers practical impli-
cations, but theoretical advancements both for the literature on scarcity promotions and for understanding the psychological processes instantiated by exposure to scarcity marketing promotions.

REFERENCES