When Do Limited Time Offers Work? a Reactance Perspective

Ashesh Mukherjee, McGill University, Canada
Seung Lee, Konkuk University, South Korea
Andrew Gershoff, University of Texas at Austin, USA

Retailers, e-commerce websites, and television shopping channels frequently use limited-time offers such as “one day only sale” or “deal expires in one hour” to promote their products. This research uses the theoretical lens of reactance to identify new moderators of the effect of limited time offers on product evaluation.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1024058/volumes/v45/NA-45

[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/.
When Do Limited Time Offers Work? A Reactance Perspective
Ashesh Mukherjee, McGill University, USA
Seung Yun Lee, Konkuk University, South Korea
Andrew D. Gershoff, University of Texas at Austin, USA

EXTENDED ABSTRACT
Marketers often use limited-time offers to attract customers. For example, retailers make offers that are for “one week only”; flash sales websites make offers stating “today’s deal” or “deal expires in one hour”; and online shopping portals make limited-time offers with a countdown clock ticking down the remaining time. Given the popularity of limited time offers, it is important to understand when these offers do or do not work in terms of improving product evaluation. Past research has found that putting any kind of restriction on offers – such as time restriction or quantity restriction – tends to increase product evaluation because restrictions prompt consumers to make inferences of product value (Inman et al. 1997; Parker and Lehman 2011). The present research extends this literature by applying the theoretical lens of reactance to limited time offers, and showing that the positive effect of limited time offers on product evaluation is moderated by factors related to reactance.

Reactance has been defined as the motivational state aroused when individuals perceive threats to their freedom of action (Brehm 1966; Levav and Zhu 2009). We propose that limited time offers can prompt reactance when consumers perceive that their freedom to buy the product whenever they want is being overly restricted. For example, compared to the offer “20% off regular price” which has no time restriction, a limited-time offer stating “20% off regular price, deal expires in one hour” gives consumers lesser freedom regarding when the offer can be accepted. We suggest that such restrictions on one’s freedom of choice timing can prompt reactance, which in turn can reduce the positive effect of limited time offers on product evaluation. We verify this proposed reactance mechanism in series of four studies by showing that a set of factors related to reactance – trait reactance, an experimental manipulation of reactance, and time to expiry of the offer – moderate the positive effect of limited time offers on product evaluation. We also show that negative reactance responses to limited time offers can be overcome by reminding consumers of future regret if they miss the offer.

Study 1 tested the hypothesis that individuals high in trait reactance are likely to experience greater reactance to limited time offers than those low in trait reactance, which in turn should reduce the positive effect of limited time offers. One hundred and eighty student participants read an advertisement for a new brand of digital camera which manipulated the presence versus absence of a limited time offer by including or omitting the phrase “one day only, buy now!” Participants then indicated their intent to purchase the advertised camera, and responded to a multi-item scale for trait reactance (Hong and Faedda 1996). Consistent with a reactance mechanism, spotlight analysis showed that the presence (versus absence) of the limited time offer increased purchase intent for low trait reactance respondents, but not for high trait reactance respondents. Study 2 tested the hypothesis that experimentally increasing reactance will reduce the positive effect of limited time offers on product evaluation. Two hundred and forty seven participants from Amazon Mechanical Turk evaluated an advertisement for a pair of headphones which manipulated the presence versus absence of a limited time offer, as well as reactance to the limited time offer. Consistent with a reactance mechanism, the limited time offer increased purchase intent in the control condition but not in the high reactance condition. Further, more, reduction in purchase intent due to the reactance manipulation was found to be mediated by the manipulation check for reactance.

Study 3 tested the hypothesis that decreasing the time to expiry will increase reactance to limited time offers, and thus reduce the positive effect of limited time offers on product evaluation. One hundred and thirteen student participants evaluated an advertisement for a spa package with or without a limited time offer, featuring short or long expiry times. Consistent with a reactance mechanism, the limited time offer increased purchase intent for longer expiry times such as one week and one day, but not for shorter expiry times such as one hour and one minute. Finally, study 4 investigated whether negative reactance responses to limited time offers can be overcome by reminding consumers of future regret if they miss the offer. Two hundred and fifty nine student participants evaluated an online advertisement for a backpack with a short-horizon limited time offer. The advertisement manipulated the presence versus absence of a limited time offer, as well as the presence versus absence of an anticipated regret reminder. Results showed that the presence of an anticipated regret reminder was sufficient to overcome reactance responses and restore a positive effect of the limited time offer on purchase intent.

In summary, our findings make three theoretical contributions to the literature on limited time offers. First, we identify a new reactance mechanism underlying the effect of limited time offers on product evaluation. Second, we identify new reactance-based moderators of the effect of limited time offers on product evaluation, i.e., trait reactance, an experimental manipulation of reactance, and time to expiry of the offer. Third, we show that reminders of future regret can overcome reactance and restore the positive effect of limited-time offers on product evaluation. Methodologically, we present convergent evidence across four studies using different product categories and measures of product evaluation. Managerially, our results give new insight into when the widely used promotional technique of limited time offer is likely to be effective for increasing product evaluation.

REFERENCES


