How Discount Price Negatively Influences Ethical Consumption

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This research demonstrates that discount prices can have a negative impact on the purchase of ethical products—a boomerang effect. This effect is mediated by perceived product efficacy and is prevalent among ethically minded consumers. Further, this research demonstrates how additional information can mitigate the boomerang effect of discount price.

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EXTENDED ABSTRACT

Over the years, the topic of pricing has been of great interest in ethical consumption. In particular, the high price of ethical products has been considered an obstacle for consumers when they want to make an ethical purchase decision. To promote consumers’ purchase of ethical products, marketers and scholars have suggested that ethical products need to be offered at a discount price. The current research, however, made a counterargument that a discount price negatively influences consumers’ purchase behavior. Guided by the price-product efficacy beliefs, we argued that consumers perceive ethical products with discount prices to be less efficient, which in turn leads them less willing to purchase the discounted ethical products.

To demonstrate the hypothesis, four experiments were conducted. In Experiment 1, 75 participants who were recruited from Amazon’s MTurk randomly assigned either to the discount price condition or to the premium price condition. Whereas participants in the discount price condition received information that organic tomatoes are on sale for a dramatically discount price ($1.89 → $0.89/lb), those in the premium price condition were told that organic tomatoes are selling at a premium price ($1.89) as usual. Participants then expressed how they are willing to purchase organic tomatoes with five items on a seven point scale (Dodds, Monroe, and Grewal 1991). The findings provided preliminary evidence that organic foods with discount prices (M = 4.65) can decrease consumers’ willingness to purchase the organic foods (vs. premium price: M = 6.03; F = 18.052, p < .001).

The purpose of Experiment 2 was to demonstrate the moderating role of consumers’ ethical mindsets. A total of 125 participants were recruited from Amazon’s MTurk and randomly assigned either to the discount price condition or to the premium price condition. Participants were shown an online coupon for a cup of fair trade coffee that is available any grocery store near them. In the discount price condition, the coupon was worth $0.89, whereas the coupon in the premium price condition was worth $2.56. After expressing their willingness to purchase the fair trade coffee coupon, participants also measured their moods with the PANAS scale (Watson, Clark, and Tellegen 1988) and ethical mindset with the EMCB scale (Sudbury-Riley and Kohlbacher 2016). After controlling for the mood effects, the results showed that there was a significant interaction effect between the price of a fair trade coffee coupon and consumers’ mindset (β = .271, t = 3.957, p < .001). The spotlight analysis (Aiken and West 1991) revealed that the boomerang effects of discount prices are prevalent among those who have high levels of ethical mindset (M_discount = 4.97 vs. M_premium = 6.54; t = -5.82, p < .001), but this relationship was not significant among those with low levels of ethical mindset (M_discount = 6.3 vs. M_premium = 6.39; p > .1).

In the context of the ethical clothes consumption, Experiment 3 aimed to demonstrate how the perceived product efficacy mediates a negative impact of discount prices. A total of 135 participants who were recruited from Amazon’s MTurk were randomly assigned to a price condition (premium vs. discounted). They were shown a picture of an ethical T-shirt and hypothetically given a chance to purchase the product. The price was manipulated by indicating different prices on the label of the T-shirt (i.e., $2.5 for the discount price condition vs. $5 for the premium price condition). Along with the questions that were measured in Experiment 2, participants then answered questions concerning the perceived product efficacy with three items on a seven point scale (White, MacDonnell, and Ellard, 2012). Social desirability (Ballard 1992) was also measured and controlled as a confounding variable. The PROCESS analysis (Hayes 2013, Model 8, 5000 bootstrap resamples) showed a significant mediated moderation effect (95% CI, -.39 to -.13). In particular, the price × ethical mindset interaction had a significant effect on perceived product efficacy (β = -.32, t = -.32, p < .001; 95% CI, -.43 to -.17). Perceived product efficacy, in turn, had a significant positive effect on WTP_premium (β = .752, t = 7.965, p < .001; 95% CI, .56 to .94). Consistent with the predictions, participants with high levels of ethical mindset in the discounted price condition (M = 4.83) were less likely to purchase the ethical T-shirt than those in the premium price condition (M = 6.32; 95% CI, 1.01 to .49) when the perceived product efficacy was included in the model. Participants’ willingness to purchase an ethical T-shirt was not different among those with low levels of ethical mindset (M_premium = 5.37 vs. M_discount = 5.3; 95% CI, -.32 to .16).

In the last experiment, we suggested how additional information about product efficacy can prevent the boomerang effects of discount prices. The procedure and measurements were in keeping with those used in Experiment 4. However, in Experiment 4, 117 participants were exposed only to a discount price even if the half of them received information that boosts the efficacy of the discounted ethical products whereas the others did not. The significant additional information × ethical mindset interaction (β = -1.25, p < .001) indicated that participants did not receive information about product efficacy were less likely to purchase the discounted fair trade coffee coupons as their ethical mindset (EMCB) increased (β = -.91, p < .05). However, when the information was presented, the level of ethical mindset (EMCB) did not predict the likelihood of purchasing the discounted coupon (β = .25, p > .1).

The findings collectively indicated that price promotions without a consideration of consumers’ belief system would backfire. The present research first demonstrated the boomerang effect of ethical products with discounted prices in the wide range of the ethical consumption contexts (e.g., fair trade coffee, organic foods, and ethical clothes). In addition, the present research provided deeper understandings about consumers’ responses to pricing actions by demonstrating a mediating role of the product efficacy. In particular, this research suggested a boundary condition of the boomerang effects of discount prices by examining the moderating role of consumers’ ethical mindsets. This highlighted that the individual-related factor plays a vital role in ethical consumption and the boomerang effects are predominant in certain consumer segments.

REFERENCES


