

Imran Anwar Mir¹

IMPACT OF DIFFERENT LEVELS OF INSTANT PRICE DISCOUNTS ON CONSUMER PERCEPTIONS AND PURCHASE INTENTIONS

This study examines the impact of higher and lower benefit levels of precise instant price discounts on consumers' perceptions of promoted products in a poor economy. The results reveal that in poor economies both higher and lower levels of instant price discounts positively affect consumer perceptions and their purchase intentions of promoted products. The findings of this study would guide international marketers in understanding consumer behavior of poor economies in Asia.

Keywords: instant price discounts; precise price claims; consumer perceptions; purchase intentions.

Імран Анвар Мір

ВПЛИВ РІЗНИХ РІВНІВ ЗНИЖОК НА СПРИЙНЯТТЯ СПОЖИВАЧІВ ТА НАМІР ЗРОБИТИ ПОКУПКУ

У статті досліджено вплив різних видів знижок на сприйняття споживачами продуктів, що просуваються в умовах нерозвинутої економіки. Результати показали, що в умовах нерозвинутих економік як значні, так і незначні знижки позитивно впливають на сприйняття споживачами та їхні наміри придбати продукт. Результати дослідження можуть бути корисними для міжнародних маркетологів при вивченні споживацької поведінки у азійських країнах, що розвиваються.

Ключові слова: миттєва знижка, остаточне формулювання ціни, споживацьке сприйняття, намір купити.

Рис. 1. Табл. 2. Літ. 33.

Имран Анвар Мир

ВЛИЯНИЕ РАЗЛИЧНЫХ УРОВНЕЙ СКИДОК НА ПОТРЕБИТЕЛЬСКОЕ ВОСПРИЯТИЕ И НАМЕРЕНИЕ КУПИТЬ

В статье исследовано влияние различных видов скидок в цене на потребительское восприятие продвигаемых продуктов в условиях неразвитой экономики. Результаты показали, что в условиях неразвитых экономик как значительные, так и незначительные скидки позитивно влияют на потребительское восприятие и намерение купить продукт. Результаты исследования могут быть полезны международным маркетологам при изучении потребительского поведения в развивающихся странах Азии.

Ключевые слова: мгновенная скидка, точная формулировка цены, потребительское восприятие, намерение совершить покупку.

Introduction. For the last couple of decades sales promotion has emerged as an important marketing communication tool as it directly affects consumer purchase intentions (Ansari, 2011). Its application grew in 1980s and 1990s (Keller, 2007, p. 278). Sales promotion absorbs the major chunk of a marketing budget (Low and Mohr, 2000; Kotler et al., 2009). To examine the effectiveness of several forms of sales promotion numerous studies have been conducted. For instance, Dhar et al. (1999) studied tensile and definite price claims, Smith and Sinha (2000) examined the impact of extra promotions, Kim and Kramer (2006) studied the impact of novel forms of sales promotion, Chatterjee (2007) studied the impact of advertised versus unexpected next purchase coupons, Palazon and Delgado-Ballester (2009) investi-

¹ Ph.D Scholar, Iqra University, Islamabad, Pakistan.

gated the effectiveness of price discounts and premium promotions. Choi et al. (2010) studied the impact of scratch and save (SAS) versus tensile price claims and Gamliel and Herstein (2011) studied the impact of negative and positive price framing effect on consumers' purchase intentions. But most of these studies present the evidence from Western economies. This study attempts to examine the impact of precise instant price discounts with higher and lower benefit levels on consumers' perceptions and purchase intentions in an Asian economically poor economy. Price discount is a specific reduction in an original price of a product offered to consumers for a specific time period. Instant price discount is the immediate price reduction. Precise or definite price discount is the straight percentage off the original price of a product. Consumers prefer straight price discounts/definite (e.g. 50% off promotions) especially when they are intended to buy a single item or product (Smith and Sinha, 2000). This study examines the impact of different benefit levels of price discount as discount level impacts consumers' perceptions of the value of a discount and their purchase intentions (Nusair et al., 2010). This study would guide practitioners in devising the benefit level of instant price discounts in poor Asian economies like Pakistan. Coker et al. (2010) suggested that comparative research studies that focus on identifying the best formats and alternatives that differ on temporal aspects of consumer reward may be particularly appealing to marketing managers. Research conducted in different cultures will provide "valuable insights for marketers as they plan different types of price promotions around the global marketplace" (Choi et al., 2010).

Underlying Theories and Model. Marketers practice various techniques such as sales promotions to attract consumers and boost sales (Simonson et al., 1994). Sales promotions are short-term inducements used to stimulate consumers to try a new product or maximize the usage of an existing product or a service (Keller, 2007). Two main categories of sales promotions are monetary and non-monetary sales promotions. The area of this study is monetary sales promotions. Monetary sales promotions provide utilitarian benefits to consumers (Chandon et al., 2000). Within monetary sales promotion the point of this investigation is precise instant price discount. This study advances that instant price discounts with different benefit levels have different impact on consumer perceptions and purchase intentions of the promoted products. Schiffman and Kanuk (2007, p. 172) defined the perception as "the process by which an individual selects, organizes, and interprets stimuli into a meaningful way and develops a coherent picture of the world". Understanding consumer perceptions is imperative as they influence purchase intentions and actual purchase behavior of consumers (Kotler and Keller, 2006). According to Businessdictionary.com (2011), purchase intentions are "a plan to purchase a particular good or service in the future". Understanding consumers' purchase intentions is essential as through intentions an individual's future behavior can be predicted (Fishbein and Ajzen, 1975).

Price discount is the most popular and frequently practiced sale promotion tool. But its effectiveness depends on the way it is presented to consumers (Gendall et al., 2006). It is framed in diverse forms to inspire consumer perceptions and purchase intentions. Sometimes it is presented in percentage terms and sometimes in amount terms. Both frames have positive influence on perceived deal savings but deal percent has more impact (Krishna et al., 2002). This study measures the instant price dis-

count in terms of percentages as it influences consumer behavior more (Krishna et al., 2002). This study examines instant price discount instead of delayed discount because of its immediate impact on consumers' perceptions and purchase intentions. Instant reward promotions result in stronger reminder impulse buying than a delayed-reward promotion (Liao et al., 2009). It strongly impacts the consumer's brand choice process (Alvarez and Casielles, 2005). This study proposes that precise instant price discount affects consumer perceptions and purchase intentions of promoted products positively, because precise price claims that state discounts at "an exact level of price reduction" (Choi et al., 2010) and strengthens consumer confidence in a promoted product. Consumers prefer straight price discounts (e.g. 50% off promotions) especially when they intend to buy a single item or product (Smith and Sinha, 2000). Consumers prefer straight price promotions (e.g. 50% off) for less frequently consumed products such as powdered cheese and yogurt (Li et al., 2007). However, this association depends on the discount level. More the discount level, higher the influence on consumers' perceptions and their purchase intentions of promoted products. Type of price discount frame and discount level both impact consumers' perceptions of discount value and their purchase intentions (Nusair et al., 2010). To measure the impact of different benefit levels of instant price discount on consumers' perceptions and purchase intentions, benefit levels are divided into higher benefit level (HBL) and lower benefit level (LBL) in this study. For instance, it is supposed that 50% off has higher and positive impact on consumer perceptions and purchase intentions of promoted products than 10% off price discounts. Price discounts with higher benefit level are more effective than premiums especially in case of price sensitive consumers (Palazon and Delgado, 2009). The theorization of constructs of this study is shown in Figure 1.

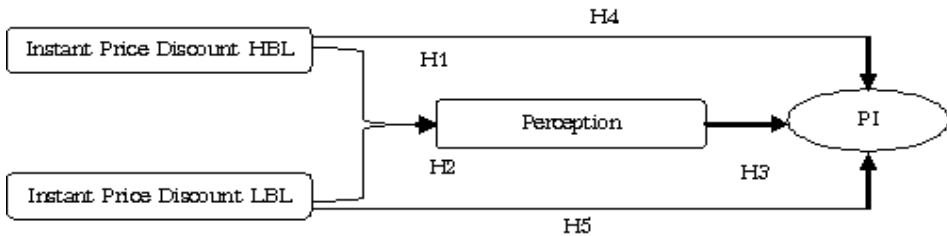


Figure 1. Impact of instant price discount on consumer perception and purchase intentions

Hypotheses:

H1: Instant price discount with higher benefit level (e.g. 50% off the original price) positively affects consumer perceptions of promoted products.

H2: Instant price discount with lower benefit level (e.g. 10% off the original price) negatively affects consumer perceptions of promoted products.

H3: Consumers' perceptions and purchase intentions of promoted products are positively associated.

H4: Instant price discount with higher benefit level directly and positively affects consumer purchase intentions of promoted products.

H5: Instant price discount with lower benefit level directly but negatively affects consumer purchase intentions of the promoted products.

Method. The data was collected from the households of Islamabad. The first data was collected from 170 randomly chosen respondents to examine the validity and reliability of the items of the measurement. This sample size meets the minimum requirements of the exploratory factor analysis suggested by Tabachnick and Fidell (2007), Pallant (2005) and Coakes and Steed (2003). The detail of exploratory factor analysis is given in Table 1. In the main survey 900 questionnaires were distributed among randomly chosen respondents. Respondents were randomly chosen from the census report of 1998 in Pakistan. 607 questionnaires were received back in a usable condition. Initial 170 questionnaires were included in the 607 questionnaires in order to maintain the consistency in data. Total 777 questionnaires were used for the analysis. Measures were adapted from the studies conducted by Laroche et al. (2001), Alford and Biswas (2002), Lichtenstein et al. (1989), and Licata et al. (1998) to measure the impact of price discounts on consumers' perceptions and purchase intentions. The number of items was reduced through exploratory factor analysis. Only those items were selected whose factor loadings were more than 0.60. The items with their loadings and reliability values of measurement scales are displayed in Table 1. All the constructs except purchase intentions were measured on 5-point Likert scale. Purchase intentions were measured on 3-point comparative scale. Consumer perceptions and purchase intentions were measured on the promoted products such as shoes, bodycare products and wrist watches. These products were mentioned and explained in the questionnaire.

Table 1. Measurement items of the constructs under study

Construct:	Measurement:	Factor Loadings	Cronbach's α
<i>Instant price Discount with higher benefit level</i>	I like discount offers with precise price claims (e.g. 50 % off an original price).	.709	.801
	Price discounts with higher percentage off an original price attract me.	.755	
	I am always looking for products with higher percentage off price reduction.	.890	
<i>Instant price Discount with lower benefit level</i>	I don't like price discount offers with lower percentage off (e.g. 10% off an original price).	.708	.811
	Price discounts with lower percentage off an original price are less attractive.	.667	
	Instant price discounts with lower percentage off offer little benefit to consumers.	.797	
<i>Purchase intentions</i>	I would like to buy a product if it offers a higher instant price percentage off an original price.	.644	.703
	I would not like to buy a product if it offers a minor instant price percentage off an original price.	.721	
<i>Consumer Perceptions</i>	I believe that instant price discount promotions with straight percentage off an original price are true claims.	.797	.797
	I believe that instant price discount promotions with higher percentage off an original price truly benefits consumers.	.822	
	I believe that instant price discounts with lower benefit level are used just to attract consumers.	.739	
	I believe that instant price discounts benefit low income consumers.	.818	

Results and Discussion. For the analysis the responses of 777 households (53.1% male and 46.9% females) were included. The majority of respondents age was between 21 and 27. Maximum respondents' per month income was between Rs.

10000 and 30000 and 53% respondents were postgraduates. First, multiple regression was applied to examine the impact of instant price discounts with higher benefit level and lower benefit level on consumers' perceptions of promoted products (*model 1*). The relationship between instant price discounts with higher benefit level and lower benefit level and consumers' perceptions is significant at the 5% level of significance as ($p < 0.05$), $F = 157.628$ and $R = .538$. $R^2 = .289$ indicates that instant price discounts with higher benefit level and lower benefit level accounts for 28.9% variation in consumers' perceptions of promoted products. Instant price discount containing higher benefit level for consumers with $p = .000$ ($p < .05$), $\beta = .562$ and $t = 16.943$ supports the hypothesis (H1) that instant price discount with higher benefit level (e.g. 50% off an original price) positively affects consumer perceptions of promoted products. Similarly, instant price discount containing lower benefit level for consumers with $p = .040$ ($p < .05$), $\beta = -.068$ and $t = -2.060$ supports the hypothesis (H2) that instant price discount with lower benefit level (e.g. 10% an the original price) negatively affects consumer perceptions of promoted products. These results are consistent with the findings of Smith and Sinha (2000) who found that consumers prefer straight price discounts (e.g. 50% off promotions) than other offers especially when they intend to buy a single item or product. Instant price discount with higher benefit level affects the consumers' perceptions of promoted products positively whereas instant price discounts with lower benefit level affects them negatively. Nusair et al. (2010) found that price discount level impacts consumers' perceptions of discount value.

Second, multiple regression was applied to test the direct impact of instant price discounts with higher benefit level and lower benefit level on consumers' purchase intentions of promoted products (*model 2*). The relationship between instant price discounts with higher benefit level and lower benefit level and consumers' purchase intentions is significant at the 5% level of significance as ($p < 0.05$), $F = 10.485$ and $R = .162$. $R^2 = .026$ indicates that instant price discounts with higher benefit level and lower benefit level accounts for 2.6% variation in consumers' purchase intentions of promoted products. Instant price discount containing higher benefit level for consumers with $p = .000$ ($p < .05$), $\beta = -.177$ and $t = -4.546$ supports the hypothesis (H4) that instant price discount with higher benefit level directly and positively affects consumer purchase intentions of promoted products. Similarly, instant price discount containing lower benefit level for consumers with $p = .177$ ($p > .05$), $\beta = .052$ and $t = 1.352$ does not support the hypothesis (H5) that instant price discount with lower benefit level directly but negatively affects consumer purchase intentions of promoted products. These results indicate that whether instant price discount benefit level is higher or lower both positively impacts consumers' purchase intentions of promoted products in an economically poor economy like Pakistan. Higher benefit level price discounts are more effective (Palazon and Delgado, 2009) however, in the absence of higher benefit levels, lower level price discounts are also workable in influencing consumer purchase intentions of promoted products as proved by the present study. These results are consistent with the findings of Krishna et al. (2002) who found that straight price claims influence consumer perceptions and purchase intentions positively. The possible reason for this relationship may be that consumers exposed to ads

or promotions in which minimum benefit level is shown perceive them as honest and fair (Goldsmith and Amir, 2010).

Third, the regression was conducted to examine the association between consumers' perceptions of promoted products and their purchase intentions (*model 3*). The relationship between consumers' perceptions of promoted products and their purchase intentions is significant at the 5% level of significance as ($p < 0.05$), $F = 12.841$ and $R = .128$. $R^2 = .016$ indicates that consumers' perception of promoted products accounts for 1.6% variation in their purchase intentions. Consumers' perceptions of promoted products with $p = .000$ ($p < .05$), $\beta = -.128$ and $t = -3.583$ supports the hypothesis (H3) that consumers' perceptions and purchase intentions of promoted products are positively associated. Another finding of this research are in line with the findings of Li et al. (2007) that consumers prefer straight price promotions (e.g. 50% off) for less frequently consumed products as the products studied in this study were shoes, bodycare products and wrist watches which consumers buy less frequently. Summary of the regression results is shown in Table 2.

Table 2. Summary of Regression Results

Regression Results	β	t	R	R ²	F	P
Model 1						
Consumer Perceptions	3.261	52.842	.538	.289	157.628	.000
Instant Price Discount HBL	.562	16.943				.000
Instant Price Discount LBL	-.068	-2.060				.040
Model 2						
Purchase intentions	2.709	14.151	.128	.016	12.841	.000
Consumer Perceptions	-.128	-3.583				.000
Model 3						
Purchase intentions	2.353	25.682	.162	.026	10.485	.000
Instant Price Discount HBL	-.177	-4.546				.000
Instant Price Discount LBL	.052	1.362				.177

Managerial Implications. Although impact of price discount promotions on consumer perceptions has been studied in various Western economies, the results of this study would provide consumer insights to marketers especially who are involved in Asian markets. Research conducted in different cultures will provide "valuable insights for marketers as they plan for different types of price promotions around the global marketplace" (Choi et al., 2010). In poor economies of Asia marketers can apply any price discount level to motivate consumers to buy promoted products. Second, marketers should give reasonable discount benefits to consumers, even minimum discounts make sense in poor economies. The possible reason for this relationship may be that consumers exposed to ads or promotions in which minimum benefit level is shown perceive them as honest and fair (Goldsmith and Amir, 2010). Marketers should bear in mind that consumer perceptions and purchase intentions are positively associated, so they should be honest in sales promotions activities to positively influence consumer perceptions.

Conclusion. In this study the impact of higher and lower benefit levels of precise instant price discounts on consumer perceptions and their purchase intentions was examined. As opposed to previous studies this research found that both higher and lower benefit levels impact consumer perceptions and purchase intentions positively,

especially in case of less frequently purchased products in poor economies of Asia. This study only examined the precise instants price claims, future studies should also test the impact of tensile price claims and non-monetary sales promotion tools such as gifts, membership offers in the Asian context.

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