

The moderating role of promotional benefit level and brand awareness on the effectiveness of price discount and premium

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ABSTRACT: Purpose – The purpose of this paper is to examine how promotional benefit level and brand awareness moderate consumers' evaluations of different types of promotions including Premiums and price discount. **Design**- This research uses a cross-sectional experiment to manipulate promotional benefit level, type of promotion, brand awareness and measures consumers' value perceptions and purchase intentions. **Findings**- The results obtained suggest that at high benefit levels and moderate benefit level price discounts are more effective than premiums, also at high brand awareness level and low brand awareness level price discounts are more effective than premium. **Research limitation/implications:** we need to study the different effect of other types of sales promotion, and we need to determine the moderating role of product nature. The findings offer guidance to managers who might benefit from knowing what is the best strategy to promote their products and services. **Originality/value** – Our work also extends prior related research because, to this date, the effectiveness of price discounts and premiums across promotional benefit levels and brand awareness is an under-researched issue.

KEYWORDS: premiums, price Discounts, promotional benefit level, Brand awareness
Paper type: Research paper

I. INTRODUCTION

Sales promotion has become a pivotal element in the marketing communication mix, because it is very effective in the short term (sales volume increasing), and in the long term (brand equity building), and support the other element in promotional mix like advertising. Kotler & Armstrong, 2012 show Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now.

The marketers spend long time in design their promotional strategy, because there are many variables moderate the effective sales promotion tools, we can arrange these variables in three categories:

- 1- Variables related to promotional offer: like promotional benefit level (Plazon & Delgado, 2009) and promotion offer frame (Delvecchio et al, 2007).
- 2- Variables related to Product: like product type (Chandon et al, 2000), Brand type (Montaner et al, 2011), perceived performance risk (Lowe, 2010).
- 3- Variables related to consumer: like deal Proneness (Rao, 2009), price conscious (Plazon & Delgado, 2010).

In this paper we will study how the promotional benefit level and brand awareness moderate the effectiveness of price discount and premiums.

II. CONSUMER RESPONSE TO MONETARY AND NONMONETARY PROMOTIONS:

Sales promotions have often been classified by researchers as monetary or nonmonetary (Chandon et al., 2000). For example, a price discount (e.g. 50 percent off) would be a monetary promotion and free gift would be a nonmonetary promotion. (Zheng et al, 2005), for example argue that price discount is a temporary reduction of the list price of the product, while (d'Astous & Jacob, 2002) show that free gift is simply a product or a service offered free or at a relatively low price in return for the product. The implications of Prospect Theory Value Function (Kahneman & Tversky, 1979) for sales promotions provide plausible explanations for different consumer reactions to different promotional framings. Based on this theory, consumers perceive a promotion relative to a subjective reference point, (e.g., the reference price of the product). Then it is probable that a monetary promotion would be considered as a reduction in the "loss" because it reduces the purchase price, while a nonmonetary promotion would be viewed as a "gain" obtained in the transaction. The logic of this reasoning is clear. People tend to evaluate price discounts in relative terms because both the purchase price and the change are expressed in monetary terms. However, when consumers are offered a free gift, they do not have an accurate understanding of its pecuniary value, which makes it more difficult to discount its value from the product price. This may inhibit consumers' tendency to evaluate the promotion in relation to the focal product, or its price.

Therefore, the type of promotion determines the mental accounting conducted, which is a segregate evaluation in the case of free gift, and an integrate evaluation when analyzing price discounts. These notions of integration or segregation resemble the types of reasonings suggested by (Nunes & Park, 2003) in a sales promotions context. The use of discounts places a greater emphasis on price, leading people to assess the incentive relative to what they pay (relativistic and quantitative reasoning), while free gift takes the focus away from price (absolute and qualitative reasoning). Consequently, the fact that the promotional framing (monetary or nonmonetary) determines the difficulty of its analysis leads to the conclusion that two promotional tools with an equal promotional benefit are evaluated differently. For example, (Sinha & Smith 2000) showed that the transaction value for three economically equivalent promotions could be different, being highest for price promotion (50% off), followed by extra-product promotion (buy one, get one free), and finally mixed promotion (buy two, get 50% off).

III. PROMOTIONAL BENEFIT LEVEL AND CONSUMER INFORMATION

Processing: Different promotional framings (e.g., price discounts or free gift) are not the only factor affecting how consumers judge promotions. The benefit level is also an important characteristic that determines the evaluation of a specific promotion. Grewal, Marmorstein, and Sharma's study (1996) is probably the first to delve into the effect of discount size on consumers' level of processing and hence on consumer reactions in a promotional context. Specifically, these authors suggested an inverted U explanation of consumer information processing regarding consumer reactions to price promotions. Thus, when price discounts are low, consumers are unlikely to process information extensively, since the price promotion has little monetary value. Similarly, when price discounts are high, consumers do not process information extensively, since there is less uncertainty about the merits of the deal. However, in situations where moderate discount levels are involved, there is greater uncertainty regarding the deal, and therefore consumers are expected to process information more elaborately. This premise is also consistent with Thaler's (1985) Silver Lining Principle. It postulates that individuals carry out a specific mental accounting depending on the size of the promotion, and this mental accounting results in the integration or segregation of the benefit derived from the promotion. Several studies have applied this perspective and concluded that, depending on the promotional benefit level, consumers are willing, able, and motivated to expend the cognitive resources necessary to integrate promotional information and product price (Hardesty & Bearden, 2003). Although information processing theories, Prospect Theory, and price acceptability functions have been extensively applied to explain the evaluation of price promotions, little effort has been made to explain how consumers evaluate non price promotions across different benefit levels, and the existing studies focus on bonus pack as a type of nonmonetary promotion (see Diamond, 1992; Hardesty & Bearden, 2003). However, (Peattie, 1998) suggests that an extra quantity of the product is a monetary promotion because it is value-increasing, since it manipulates the price-quantity relationship as price discounts do. On the other hand, premium promotions can be considered a nonmonetary stimulus because they are value-adding and they do not manipulate the quantity/price equation. Consequently, we analyze whether consumers have different reactions to alternative promotional offers (price discounts and free gift) at different levels of benefit.

3.1-Promotional Effectiveness at "High" Benefit Levels:

When price discounts are high, consumers are also predicted to be unlikely to process information extensively since there is less uncertainty about the merits of the deal (Grewal et al, 1996). According to (Hardesty & Bearden, 2003) When the promotional benefit level is high, price discount promotions are valued more highly than bonus pack promotions. Thus, price discounts might be better than bonus pack promotions when large discounts are offered, also (Palazon & Delgado, 2009) concluded that when the promotional benefit is high the price discounts are more effective than premiums because they are valued more, and generate higher buying intentions, this leads to H1:

H1: At "high" promotional benefit levels:

H1a: The perceived value is higher for price discounts than for premiums.

H1b: The buying intention is higher for price discounts than for premiums.

3.2- Promotional Effectiveness at "Moderate" Benefit Levels:

At moderate benefit level past research has not found differences in the effectiveness of different promotional tools (Hardesty and Bearden, 2003; Nunes and Park, 2003) because, according to the rationale of the U-inverted function proposed by Grewal et al. (1996), at this level consumers are expected to process information more elaborately or thoughtfully. Therefore it reduces the potential for miscomprehension and skepticism, resulting in a similar evaluation of equivalent price discounts and premiums. this leads to H2:

H2: At “Moderate” promotional benefit levels:

H2a: The perceived values for premiums and price discounts are equal.

H2b: The buying intentions for premiums and price discounts are equal.

IV. THE MODERATING ROLE OF BRAND AWARENESS

The evaluation of sales promotions tool is likely to depend on the type of brand used (e.g. whether high or low brand equity). Recognizing brand awareness is a component of brand equity, previous research has shown that promotions involving high quality brands which have high awareness have significantly different effects from the same promotions using medium or low awareness brands (Chandon .et al,2000; Montaner .et al,2011).

Blattberg and Wisniewski (1989) argued that those who buy lower quality brands are more price sensitive than the consumers of higher quality brands. Thus, promotions for lower quality brands only attract customers of similar or lower price brands. By contrast, promoting strong brands causes consumers to switch from a competing brand in greater numbers. Chandon.et al(2000) concluded that non monetary promotions are more effective than monetary promotions at high level of brand equity, Lowe,(2010) shown that consumers prefer monetary promotions like price discount with low brand awareness product, and prefer non monetary promotion like extra free product with high brand awareness. Montaner.et al ,(2011) concluded that consumers evaluate the free gift more positive with high brand equity product, above discussion lead to the following hypotheses:

H3: At low brand awareness level :

H3a: perceived value is higher for price discount than for premium.

H3b: purchase intentions is higher for price discount than for premium.

H4: At High brand awareness level:

H4a: perceived value is higher with premium than price discount .

H4b: purchase intentions is higher with premium than price discount.

V. METHODOLOGY

In this study ,2 promotional benefit level (moderate, high) x 2 promotion type (price discount, premium)X 2brand awareness (low, high) between-subjects experimental design was employed. The data for the empirical study were obtained from a controlled experiment involving undergraduate and post graduate students

5.1PRETESTS TO THE TREATMENTS’ DESIGN:

Different pilot studies were conducted to choose the product category to be used and to select the discount levels and the premium. The first pretest involved 72 subjects, and 9 products were pretested. These products were chips, toothpaste, soap, chocolate , coffee, shampoo, soft drinks , and noodles. Subjects responded to a set of items to measure the hedonic or utilitarian nature and the interest in these products. The hedonic or utilitarian nature of the product was measured with three 7-point semantic differential scales based on Wakefield and Inman (2003) Soft drink was finally chosen as the focal product, (see Appendix I for scale items and Appendix II for further information about the pretest).The use of a purely hedonic or utilitarian product was deliberately avoided to prevent possible congruencies between the promotion and the product that may enhance one type of promotion over another (Chandon, Wansink, & Laurent, 2000). The second pretest involved 60 subjects and sought to guide the selection of the premium used as a nonmonetary incentive .A total of 6 different premiums were pretested. Four measures were obtained for each premium: attractiveness, value, utilitarian or hedonic nature, and perceived fit between the premium and the main product (Soft drink). These premiums were: a backpack, a t-shirt, an alarm clock, , football, Mug, sport cap.it was of interest to select a premium that was neither very attractive nor especially unattractive to avoid the possibility that this characteristic would determine the effectiveness of one type of promotion over another. The fit between the premium selected and the product used in the study was also controlled. The use of a purely hedonic premium was avoided because it could have enhanced the deal by making the benefits congruent (Chandon,Wansink,& Laurent, 2000) and because receiving something people could not justify buying for themselves may have enhanced the attractiveness of the premium(Nunes & Park, 2003). Based on this procedure, the Football was selected, and the monetary value assigned to it was \$2 (see Appendix II). The purpose of third pretest is chosen tow brands for soft drink. one with high awareness and another with low awareness. This pretest was carried out with 70 student. six brands were pretest: Pepsi, Coca cola ,Canada dry , Sport cola , Original , Ugarit . The brand awareness was measured by 5 points Likret scale based on (Yoo. et al,2000). Finally Pepsi was chosen as high brand awareness and Original as low brand awareness

Table I Descriptions of promotional scenarios

Promotional benefit level	High level of brand awareness		Low level of brand awareness	
	Price Discount	Premium	Price Discount	Premium
High	12 cans of soft drink (330ml) Regular price:4,2 \$ 50 percent discount	4 bottles of soft drink(2,25L) Regular price:3,75 \$ Foot ball	12 cans of soft drink (330ml) Regular price:3,2 \$ 50 percent discount	5 bottles of soft drink(2,25L) Regular price:3,9 \$ Foot ball
Moderate	24cans of soft drink (330ml) Regular price:8,4 \$ 20 percent discount	10 bottles of soft drink(2,25L) Regular price 9,3 \$ Foot ball	24cans of soft drink (330ml) Regular price:6,5 \$ 20 percent discount	12 bottles of soft drink(2,25L) Regular price:9,3 \$ Foot ball

5.2 Measures:

The dependent variables used to evaluate promotional effectiveness are perceived value, buying intention, and search intention. All of them were evaluated on a 5-point Likert scale, anchored by “Disagree Strongly” and “Agree Strongly.” Perceived value was measured with seven items based on Chandon, Wansink, and Laurent (2000) and d’Astous and Jacob (2002). The items were as follows: (1) I like this type of promotion; (2) I wish there were more promotions like this; (3) This promotion offer incites me to buy the product; (4) This promotion offer is of great value; (5) This promotion offer is original; (6) This promotion offer pleases me; and (7) This promotion offer interests me.

The two-item buying intention measure (anchored by “Very Low” and “Very High”) is based on Grewal, Monroe, and Krishnan (1998). The items were as follows: (1) The probability that I would consider buying this product is; (2) The likelihood that I would purchase this product is very high.

5.3 Sample and Procedure:

Data were collected from a 635-student sample at Higher institute of business administration (Syria).The students were distributed in eight similar size groups which were actually practice groups of a subject. The information to contrast hypotheses was obtained by means of a survey adapted to the experimental conditions of each group. At the beginning of the session each participant was given a questionnaire with two differentiated parts and they were asked to complete the first part. After this, a PowerPoint presentation which simulated the purchase conditions of the product and brand corresponding to each group was performed in the classroom. At the end of the practical session, the participants had to answer the second part of the survey. The experimental groups and the treatments are summarized in table2.

Table 2 sample distribution by promotional scenarios

Promotional benefit level	High level of brand awareness		Low level of brand awareness	
	Price Discount	Premium	Price Discount	Premium
High	85	75	80	75
Moderate	75	85	75	85

5.4 Manipulation Check:

Manipulation check shows the adequacy of the treatments.

A-Promotional benefit level: An ANOVA indicated that for price discounts the perceived benefit varied across levels (F=34,148, sig=0.001). Each pair wise comparison was significant (LSD test P< 0,05, Xmoderate =4,43, Xhigh = 5). Similarly, an ANOVA indicated that for the premium offer the perceived benefit varied across levels (F=34,148, sig=0.001). The post-hoc test showed that the pair wise comparison was also significant(LSD test p< 0,05, Xmoderate =3,6, Xhigh =4,7).

B- The creditability of promotional scenarios : the credibility of each promotional scenario was tested with a 7-point semantic differential scale with endpoints of ‘ Not Believable’ and ‘Believable.’ The promotional

conditions were perceived as believable(overall mean =5,20). Each of the individual promotional evaluations exceeded the neutral point, and the credibility ratings ranged from 4,8 to 5,6.

C- Brand awareness : An ANOVA indicated that for price discounts the perceived benefit varied across levels(T=19,123,p=0,001), For Pepsi product the brand awareness was=3,68 and for Original Product the brand awareness was=2,35 ,P=0,003.

6- Hypotheses test :To test H1,H2, an ANOVA was conducted for each dependent variable, focusing on the interaction between promotion type and promotional benefit level. After that, the simple effects driving the interaction were obtained. The ANOVA including perceived value as dependent variable, and promotion type and promotional benefit level as independent factors indicated significant main effects of promotion type(F=63,36,p=0,001). However the main effects of benefit level is not significant (F=0,14,p=0,905), also the interaction between the two experimental factors was not significant (F=0,34,P=0,853). To assess whether there is empirical evidence for H1a, H2a, comparisons across promotional benefit levels were performed. H1a posits that price discounts generate a higher perceived value than premiums at High level of brand awareness , and Table 4 shows that the differences between them are significant. (H2a) posits that perceived value is equal for price discount and premiums at “moderate level”. and Table 4 shows that the differences between them are significant.the results suggest that price discounts are more valued when high promotional benefit levels and moderate promotional benefit are employed ,H1a was supported empirically , but H2a was not supported

Table3. The effect of interaction between sales promotion and promotional benefit level

Dependant Variable	Sales promotion		Promotional benefit level		Sales promotion* promotional benefit level	
	F	Sig	F	Sig	F	Sig
Perceived value	63,61	0,001	0,14	0,905	0,34	0,853
Purchase intentions	21,789	0,00	6,646	0,011	3,241	0,072

An ANOVA of buying intention on the two treatment factors reveals significant main effects of sales promotion (F=21,789,p=0,002), Although promotional benefit level the effect is not significant (F=6,646,p=0,011) while for the interaction between sales promotion and promotional benefit level is not significant (F=3,241,p=0, ,072).

To assess whether there is empirical evidence for H1b, H2b, comparisons across promotional benefit levels were performed. At “high” benefit levels (H1b), price discounts generate a higher buying intention than premiums do, giving empirical support to H1b as table 4 shows.At “Moderate” benefit levels (H2b) price discounts generate a higher buying intention than premiums do, that lead to reject (H2b) as table 4 shows .

Table4. Means, Standard Deviations, and Test of Significance for interaction between sales promotion and Promotional benefit level

Dependant Variable	Sales promotion	Promotional benefit level			
		High		Moderate	
		M	SD	M	SD
Perceived value	Price discount	3,37	0,56	3,38	0,63
	premium	2,85	0,84	2,83	1,17
	Sig	0,00		0,00	
Purchase intentions	Price discount	3,68	1,13	4,08	0,83
	premium	3,21	1,32	3,48	1,39
	Sig	0,004		0,00	

To test H3,H4, an ANOVA was conducted for each dependent variable, focusing on the interaction between promotion type and brand awareness level. After that, the simple effects driving the interaction were obtained. The ANOVA including perceived value as dependent variable, and promotion type and brand awareness as independent factors indicated significant main effects of promotion type(F=66,8 ,p=0,001). And the main effects of brand awareness is significant (F=11807,p=0,001), also the interaction between the two experimental factors was significant (F=15,713,P=0,00).

To assess whether there is empirical evidence for H3a, H4a, comparisons across promotional benefit levels were performed. H3a posits that price discounts generate a higher perceived value than premiums at low level of brand awareness, and Table 6 shows that the differences between them are significant. H4b posits that premiums generate a higher perceived value than price discount at high level of brand awareness, and Table 6 shows that the differences between them are significant. The results suggest that price discounts are more valued when high brand awareness and low brand awareness level are employed, H3a was supported empirically, but H4a was not supported.

Table 5 .The effect of interaction between sales promotion and Brand awareness level

Dependant Variable	Sales promotion		Brand awareness		Sales promotion* Brand awareness	
	F	Sig	F	Sig	F	Sig
Perceived value	66,8	0,00	11,807	0,001	15,713	0,00
Purchase intentions	21,12	0,00	2,385	0,125	15,323	0,00

An ANOVA of buying intention on the two treatment factors reveals significant main effects of sales promotion ($F=21,12, p=0,00$), but the main effect of brand awareness is not significant ($F=2,385, p=0,125$) while for the interaction between sales promotion and brand awareness level is significant ($F=15,323, p=0,00$). To assess whether there is empirical evidence for H3b, H4b, comparisons across brand awareness levels were performed. At low awareness levels (H3b), price discounts generate a higher buying intention than premiums do, giving empirical support to H3b as table 6 shows. At high awareness levels (H4b) premiums generate a lower buying intention than price discount do, that lead to reject (H4b) as table 6 shows.

Table6. Means, Standard Deviations, and Test of Significance for interaction between sales promotion and brand awareness level

Dependant Variable	Sales promotion	Brand awareness level			
		High		low	
		M	SD	M	SD
Perceived value	Price discount	3,36	0,591	3,39	0,604
	premium	3,08	0,912	2,58	1,809
	Sig	0,03		0,00	
Purchase intentions	Price discount	3,76	1,02	3,98	1,07
	premium	3,21	1,11	3,2	1,42
	Sig	0,00		0,00	

VI. CONCLUSIONS AND IMPLICATIONS

Marketers spend an enormous amount of time finding out what consumers really want and what promotions will be most effective. Given the very large expenditures allocated to sales promotion tools, understanding what strategy to use for a given promotional cost/value remains important. Thus, one of the basic decisions confronting a manager, when implementing a promotion, is the type of promotion to be used and the benefit to be offered to consumers. Therefore, it is a very relevant issue for both academics and researchers to understand what promotional tool (monetary vs. nonmonetary) works better at a given promotional benefit from the perspective of consumers' reactions. In this sense, one of the most interesting contributions of this research is that, even between two equivalent promotions, "low" and "high" benefit levels can lead subjects to infer different values for monetary and nonmonetary promotions. The results obtained show when the promotional benefit is high (H1), the findings indicate that price discounts are more effective than premiums because they are valued more (H1a) and generate higher buying intentions (H1b). When the promotional benefit is moderate (H2), the findings indicate that price discounts are more effective than premiums because they are valued more (H2a) and generate higher buying intentions (H2b). The results obtained show when the brand awareness is low (H3), the findings indicate that price discounts are more effective than premiums because they are valued more (H3a) and generate higher buying intentions (H3b). When the brand awareness is high (H4), the findings indicate that price discounts are more effective than premiums because they are valued more (H4a) and generate higher buying intentions (H4b).

The results reported here may have profound implications for managers because they offer guidelines for improving promotional strategies. First, they have to consider that the allocation of the promotional budget to price discounts or premium promotions may have different consequences in terms consumers' evaluation. Overall, the current results suggest that the selection of one tool over another should depend on the promotional benefit level offered. Thus, marketers have to take into account that consumers value a "high" price discount more than an equivalent premium but also that, as Raghbir (2006) suggests, sometimes consumers may purchase a product on sale because it is on sale, rather than because of the cost savings of the sale. This may incline managers to avoid offering an unnecessarily high discount. also at the moderate benefit level the price discount more effective than premium.

VII. LIMITATION AND FUTURE RESEARCH:

The current study represents a small step toward understanding consumers' response to sales promotions and therefore the effectiveness of different promotional tools. This research investigates just one type of monetary and nonmonetary promotion, price discount and premium. However, due to the high number of promotional tools (e.g., bonus pack, sweepstakes, and so on), it is possible that these results may not generalize to other tools. Therefore, future research is needed to identify how different promotional tools work. Also we need to study the nature of the premium offered (e.g., hedonic or utilitarian) is of special relevance because it can influence the evaluation of a promotional offer and determine the arousal of affective and cognitive responses in the evaluation process.

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APPENDIX I: Pretest1

Scale Items: Hedonic or utilitarian nature of the product category (a=0.82)

“Think of the situation in which each product is typically used”:

- Practical purpose/just for fun
- Purely functional/pure enjoyment
- For a routine need/for pleasure

Table A the nature of product

Product categories	Hedonic/Utilitarian Nature
chips	5,56
Toothpaste	2,49
soap	3,10
noodles	4,81
Shampoo	2,68
coffee	5
Soft drink	3,93
chocolate	5,63

APPENDIX II: Pretest2

Scale Items: Perceived product-premium fit(a=0.83)

- This premium is appropriate for the product.
- This premium is a logical choice for the product.
- There is a good association between the premium and the product.

Scale Items: Premium attractiveness (a=0.96)

- This premium interests me.
- This premium pleases me.

Scale Items: Hedonic or utilitarian nature of the premium

- “Would you characterize the premium as primarily a functional gift or an entertainment/enjoyable gift?”
- Primarily for functional use/Primarily for entertainment use

Table B The premium Features

The Premium	Product-premium fit	attractiveness	Hedonic/Utilitarian Nature	Monetary Value
backpack	3,33	2,87	4,5	4,5\$
t-shirt	3,37	2,85	4,6	3\$
an alarm clock	2,59	2,47	2,1	2,4\$
football	4,01	3,15	4,4	2\$
Sport cap	3,51	2,93	3,6	1,8\$
Mug	4,18	4,3	3,5	1,5

APPENDIX III: pretest 3

Scale Items: brand awareness(a=0.96)

- 1-I know what X looks like
- 2-I can recognize X among other competing brands
- 3-I am aware of X brand
- 4-I know X brand

Table C the level of brand awareness

Brand	mean	SD
Ugarit	3,66	0,129
Pepsi	4,61	0,068
Canada Dry	3,78	0,086
Original	2,61	0,012
Sport cola	3,32	0,089
Coca cola	4,48	0,062