

Consumer Response to Price Discount And Premiums : The Moderating Role Of Brand Awareness

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ABSTRACT :the effectiveness of sales promotion tools depend on many factors like the level of promotional benefit and brand equity and product nature. The purpose of this paper is to examine how brand awareness moderates consumers' evaluations of different types of promotions including Premiums and price discount . This research uses a cross-sectional experiment to manipulate type of promotion, brand awareness and measures consumers' value perceptions and purchase intentions and search intentions . The results obtained suggest that at high brand awareness level and low brand awareness level price discounts are more effective than premium.

Keywords : premiums, price Discounts, , Brand awareness

I. INTRODUCTION:

In recent years ,sales promotion become one of the most important element in promotional mix, because it plays pivotal role in sales volume increasing and changing the behavioral intentions (Zheng shi et al,2005), and support the other elements in communication mix(Kotler&Armstrong,2011).But the effectiveness of sales promotion tools depend on many variables like promotional benefit level (Plazon & Delgado, 2009) ,brand equity(Montaner et al,2011), Product nature (Chandon et al,2000), Perceived risk (lowe,2011), price conscious (Smith &S sinha,200). In this paper we will study the moderating effect of brand awareness on 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 nonmonetarypromotion. (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 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 reasoning 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 take 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. 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:

H1: At low brand awareness level :

H1a: perceived value is higher for price discount than for premium.

H1b: purchase intentions is higher for price discount than for premium.

H3c: search intention is higher for price discount than for premium .

H2: At High brand awareness level:

H2a: perceived value is higher with premium than price discount .

H2b: purchase intentions is higher with premium than price discount.

H2c: search intentions is higher with premium than price discount

IV. METHODOLOGY:

In this study , 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.

4.1Pretests 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, (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.

4.2 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.

Three items search intention measure (anchored by "Very Low" and "Very High") is based on Plazon&Delgado(2009). The items were as follows: (1)Before making a purchase decision, I would visit other stores to check for similar promotions.

(2) Before making a purchase decision, I would need to search for more information about alternative promotions,(3) Before making a purchase decision, I would visit other stores looking for a better promotion.

4.3 Sample and Procedure:

Data were collected from a 315 student sample at Higher institute of business administration (Syria).The students were distributed in Four 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

4.4 Manipulation Check:

Manipulation check shows the adequacy of the treatments.

A- 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.**b- 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.

Hypotheses test :

To test H1,H2, 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 H1a, H2a, comparisons across promotional benefit levels were performed. H1a 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.H2a posits that premiums generate a higher perceived value than price discount at high level of brand awareness , and Table 2 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 ,H1a was supported empirically , but H2a was not supported

Table 1 .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
Search intentions	88,940	0,00	2,784	0,098	11,537	0,001

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 H1b, H2b, comparisons across brand awareness levels were performed. At low awareness levels (H1b), price discounts generate a higher buying intention than premiums do, giving empirical support to H3b as table 2 shows. At high awareness levels (H2b) premiums generate a lower buying intention than price discount do, that lead to reject (H2b) as table 2 shows. An ANOVA of search intentions on the two treatment factors reveals significant main effects of sales promotion ($F=88,94, p=0,00$), but the main effect of brand awareness is not significant ($F=2,784, p=0,098$) while for the interaction between sales promotion and brand awareness level is significant ($F=11,537, p=0,001$). To assess whether there is empirical evidence for H1c, H2c, comparisons across promotional benefit levels were performed. At low awareness levels (H1c), price discounts generate a lower search intentions than premiums do, giving empirical support to H3b as table 2 shows. At high awareness levels (H2b) premiums generate a higher search intentions than price discount do, that lead to reject (H2b) as table 2 shows

Table2. 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	
Search intentions	Price discount	3,01	1,24	2,83	1,29
	premium	3,62	1,38	4,13	1,20
	Sig	0,00		0,00	

V. 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 touse 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 brand awareness level from the perspective of consumers’ reactions. the results obtained show when the brand awareness is low(H1), the findings indicate that price discounts are more effective than premiums because they are valued more (H1a) and generate higher buying intentions (H1b) and lower search intentions (H1c). when the brand awareness is high (H2), the findings indicate that price discounts are more effective than premiums because they are valued more (H2a) and generate higher buying intentions (H2b). and lower search intentions(H2c).

VI. 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($\alpha=0.96$)

- 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