

# A comparison of two types of price discounts in shifting consumers' attitudes and purchase intentions

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## Abstract

This study focuses on consumer responses to two different types of price discounts: 1) a price discount with and 2) a price discount without a minimum purchase requirement. The effects of the discounts are examined to the extent that they may change consumers' attitudes and purchase intentions regarding a particular brand, by moving it from consumers' hold set to consideration set. A three-phase study on fast-food services in China was conducted. The results of the study provide new empirical insights regarding how to use a brand categorization model to predict the effects of different types of price discounts on consumer purchase behavior. More specifically, this study demonstrates that when a price discount with and without a minimum purchase requirement is applied to a brand in a hold set, the brand moves from the consumers' hold set to the consideration set. However, the effects of the two types of price discounts on consumers' attitudes and purchase intentions are not significantly different. The results are discussed in relation to brand management and marketing strategies in consumer goods industries.

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## 1. Introduction

Companies often hope that consumers will consider their brands when making a purchase decision. Unfortunately, consumers only take into account a limited number of brands, included in their consideration set. Most brands are excluded from consumers' consideration set and are categorized in their hold or reject sets (Erdem and Swait, 2004; Laroche et al., 2005; Mitra, 1995). Therefore, companies are faced with the challenge of attracting consumer attention, and altering brand attitudes and purchase intentions towards their brands in order to move the brands from consumers' hold or reject sets to their consideration set.

Marketers often use sales promotions to enhance or improve consumers' perceptions regarding the value of their products, which will, in turn, increase sales volume (Lattin and Bucklin,

1989; Taylor, 2001). Marketers continue to spend a large proportion of their budget on sales promotions. However, most promotion strategies fail to achieve their goals (Gedenk and Neslin, 1999; Grewal et al., 1998). Therefore, marketers are keenly interested in the possibility of predicting the effectiveness of their marketing strategies on increasing consumer purchase intentions before implementation (Laroche, 2002).

Research has shown that, in most market segments, only two to three brands hold the majority of market share, and the remaining brands are either close to or just below average market share (Laroche et al., 2005). Given the highly competitive arena that most brands face, it is important to understand whether offering a price discount will effectively change consumers' evaluations of a particular brand. To date, there is little empirical research that has addressed the effects that the different types of price discounts have on the movement of brands from consumers' hold set to their consideration set through the changing of consumers' attitudes and purchase intentions regarding these brands.

This study uses a brand categorization model to compare the relative effectiveness that a price discount with and without a minimum purchase requirement has on shifting consumers'

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attitudes and purchase intentions regarding a particular brand, thereby moving the brand from the consumer's hold set to consideration set. The methodology used in this study is also applicable to many other frequently used marketing promotions.

## 2. Research framework and hypotheses

### 2.1. Brand categorization model

Narayana and Markin (1975) suggest that, while consumers often face a large number of brands in the market, they only consider a handful of options out of the total array of brands when making a purchase decision. Consumers split the total available set of brands into two groups: the awareness set and the unawareness set. The awareness set includes the brands that a consumer is consciously cognizant of, whereas the unawareness set includes the brands that a consumer does not recognize. Brisoux and Laroche (1980) elaborated on this model and proposed an expanded awareness set, which is divided into two groups: the processed set and the unprocessed (foggy) set. Consumers assess the brands in the processed set on at least one salient attribute and, in turn, form their attitudes and purchase intentions. However, consumers do not evaluate brands in the foggy set on any salient attribute. Although consumers are aware of brands in the foggy set, they have no clear opinion of them, because "1) they have not seen any advertisements about them or do not remember seeing any, or if they do, it was not informative enough to allow them to judge the brand; 2) they have not tried some of these brands or if they have had a personal experience with it, it was inconclusive; and 3) they do not remember whether anybody has mentioned it, consumed it, or ordered it" (Brisoux and Laroche, 1980, p.112–114).

In the Brisoux–Laroche brand categorization model (Brisoux and Laroche, 1980), the processed set is further split into three sets: the consideration set, the hold set, and the reject set. The consideration set includes the brands that a consumer evaluates when making a purchase decision. Consumers are familiar with the brands in the consideration set and carefully process all salient brand attributes. Consumers generally hold positive attitudes and purchase intentions toward these brands and only consider these brands when making a purchase decision. The hold set includes the brands which consumers do not consider when making a purchase decision but still hold either a negative, neutral or positive attitude or purchase intention towards these brands (Laroche, 2002). For example, a consumer may dislike a brand because of its design, but may still have a positive purchase intention and keep it in the hold set for special occasions. Alternatively, a consumer may neither like nor dislike some brands in the hold set. Another possible result is that a consumer may like a brand in the hold set because of its quality, but may consider its price too high in relation to its quality. Although the consumer has a positive attitude toward the brand, the brand is still not considered as one of the possible purchase alternatives. The reject set includes those brands which consumers have a high level of knowledge but do not consider when making a purchase decision because of a general negative attitude regarding the brand.

Based on the Brisoux–Laroche brand categorization model (Brisoux and Laroche, 1980), it is concluded that brands in a consumer's hold set with a negative attitude will move into the reject or foggy sets if the companies do not adopt any substantial marketing efforts to improve their situation or image. However, brands with a positive attitude in a consumer's hold set have the potential to move into the consideration set if the company adopts appropriate marketing strategies, including, but not limited to, advertising, promotion, package modification, and use of new methods of distribution. Marketers are interested in the effects of such strategies on shifting consumers' attitudes and purchase intentions regarding their brands (Narayana and Markin, 1975). Therefore, this study aims to address a promotion strategy which will have such an effect on consumers' attitudes and purchase intentions. Specifically, this study focuses on price discounts with and without a minimum purchase requirement and examines whether the discounts can influence consumers' attitudes and purchase intentions, in turn, move a brand from the hold set to the consideration set.

### 2.2. Price discount

Price discounts offer economic benefits to consumers, influence consumers' beliefs about the brand, and arouse positive feelings and emotions within consumers, which will increase consumers' brand awareness and purchase intentions (Ailawadi et al., 2001; Heerde et al., 2003; Raghuram et al., 2004). For example, companies may offer incentives, such as a reduction from the regularly priced item. Price discounts can be applied to either individual products or to a bundle of products. The latter involves a price reduction when a large quantity of items are purchased, which encourages customers to purchase larger quantities, or bundles of items, during a single shopping trip. Fraccastoro et al. (1993) suggest that price discounts may work by enhancing customers' perceptions of savings and value, and by improving attitudes towards the brand relative to competitors' brands. Laroche and Toffoli (1999) also note that consumers purchase brands with a higher value – that is, brands with a high quality relative to price. Consumers prefer both high value and low price. For instance, if a company offers a brand with a higher value than their competitors' brands, a reduction in price will result in a greater increase in consumer purchasing than when competitors lower their price (Sivakumar and Raj, 1997). Although price discounts are efficient in terms of influencing consumers' attitudes and purchase intentions, they are very costly and may have detrimental effects, such as reducing consumers' reference prices and reducing company profitability (Blattberg et al., 1995; Dahlen and Lange, 2005). Alternatively, price discounts with a minimum purchase requirement are likely to benefit manufacturers and retailers. Thus, an understanding of this strategy should be of interest to both retailers and manufacturers.

Research investigating promotions, such as quantity discounts, have largely remained in the context of evaluating the impact of discounts assigned to the overall quantity purchased (Chakravarti et al., 2002; Janiszewski and Cunha, 2004; Johnson et al., 1999). Price discounts with a minimum purchase

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