Journal of Retailing and Consumer Services ∎ (∎∎∎∎) ∎∎∎–∎∎∎

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

Consumer avoidance of specially priced items during social coupon redemption

Chinintorn Nakhata [a,*], Hsiao-Ching Kuo [b]

[a] Department of Management & Marketing, College of Business Administration & Information Sciences, Clarion University of Pennsylvania, 317 Still Hall, 840 Wood Street Clarion, PA 16214, United States
[b] Department of Economics and Business Washington and Jefferson College, Burnett 110, 60 South Lincoln Street, Washington PA 15301, United States

ARTICLE INFO

Keywords:
Social coupons
Perceived deal waste
Coupon redemption
Consumption goal
Promotions

ABSTRACT

Social coupons (SCs) (e.g., Groupon) differ from traditional or regular coupons (RCs) in that they require consumers to make a prepayment to receive substantive discounts. As the general rule of SCs prohibits double-promotion, SC consumers tend to engage in certain avoidance behaviors when experiencing another promotion (i.e., specially priced for selected items). The results across two scenario-based experiments reveal that SC consumers (vs. RC consumers) have a greater tendency to avoid specially priced items when redeeming a coupon for hedonic consumptions, but not for utilitarian consumptions. Such avoidance is due to one's motivation to minimize the perception of deal waste.

1. Introduction

Social coupons (SCs) (e.g., Groupon and LivingSocial), sometimes known as online daily deals (Dholakia, 2012), are online coupons that offer substantial discounts with long redemption periods (Kumar and Rajan, 2012). SCs differ from traditional or regular coupons (RCs) in that they require consumers to prepay for services in order to receive a large the discounts. Given the ability of SCs to increase brand awareness and to attract new customers (Dholakia, 2012), the popularity of SCs has grown among a wide variety of service retailers. Although some researchers have identified some disadvantages regarding SC offers (e.g., SC consumers tend to be poor tippers (Groupon Tipping Issues, 2015), SC campaigns result in a lower consumer rating (Byers et al., 2011)), the benefits of offering SCs have been shown to outweigh the disadvantages (Kimes and Dholakia, 2011).

Unlike RCs, SCs include a two-phase process of consumer behavior (Luo et al., 2014): the *purchase phase* (i.e., prepay at the coupon price) and the *redemption phase* (i.e., consumption at the promotional value). Although there have been some research efforts focusing on the behaviors of SC-consumers, the majority of them are related to the first phase of purchase behaviors, specifically, factors influencing consumer's SC purchasing decisions such as social influence (Luo et al., 2014), discount levels (Parsons et al., 2014), non-price cues (Nakhata and Kuo, 2014), level of variety-seeking (Nakhata and Kuo, 2014), purchase limits (Coulter and Roggeveen, 2012), time to expiration (Coulter and Roggeveen, 2012), attitudes toward SC images (Gafni et al., 2014), and consumer trust toward SC providers (Gafni et al., 2014). However, our understanding of consumers' SC behaviors would be limited if either phase is ignored (Luo et al., 2014). Thus, this paper aims to extend our understanding by incorporating the examination of consumers' SC redemption decisions. Although Luo et al. (2014) have examined the influence of deal popularity on both consumers' SC purchase and SC redemption decisions, their focus concerns an SC as a single sales promotion.

Our paper, however, seeks to empirically investigate how the presence of other sales promotions (i.e., specially priced for selected items) influences the redemption behaviors of SC consumers. As SCs tend to have a long redemption period (i.e., three months up to one year) (Kumar and Rajan, 2012), it is very likely that consumers will redeem SCs at the presence of other sales promotions. Thus, it will be unrealistic to examine the responses of SC-consumers without considering the potential effect of other promotional offers on SC redemption behavior. Further, as the general rule of SC prohibits double-promotion where the promotional value of an SC cannot be combined with other promotional offers (Groupon.com), we contend that SC consumers would engage in certain avoidance behaviors when redeeming an SC in the presence of other sales promotion that do not require prepayment. For example, SC consumers may avoid ordering 50% off tacos items on Taco Tuesday Night even when specially priced items (i.e., Taco)

* Corresponding author.
E-mail addresses: cnakhata@clarion.edu (C. Nakhata), hkuo@washjeff.edu (H.-C. Kuo).

http://dx.doi.org/10.1016/j.jretconser.2016.01.011
0969-6989/© 2016 Published by Elsevier Ltd.

could be their favorite dish. We propose that this avoidance behavior is due to SC consumers' motivation to minimize the feeling of imbalance or inequity between the effort invested in the purchase phase and the outcome received in the redemption phase, so called *perceived deal waste*. Also, as SC redemption can occur across different types of consumption goals, we further examine whether the avoidance behavior of SC consumers varies with different consumption goals (hedonic vs. utilitarian).

Our paper shows that SC (versus RC) consumers have a greater tendency to avoid specially priced items when redeeming SCs for hedonic (versus utilitarian) consumptions even when the specially priced items are their most preferable choice. Importantly, our findings deviate from a utility maximization perspective (Swofford and Whitney, 1987) by showing that consumers do not always act in a way that maximizes their self-interest (e.g., choose the most preferable item) but instead make decisions that minimize perception of deal waste.

This paper specifically investigates: (1) whether SC (versus RC) consumers are more likely to avoid specially priced items, (2) the situation where such avoidance behavior is more likely to occur, and (3) the underlying process of such avoidance behavior. In the following sections, this paper begins with a conceptual framework to formulate hypotheses. The methodology and data collection for the two experiments are further explained, followed by an analysis of the empirical results for each experiment. This paper wraps up with our conclusions and implications for researchers and managers, along with limitations and directions for future research.

2. Conceptual framework and hypotheses

2.1. SCs vs. RCs

Both SCs and RCs provide benefits to consumers (e.g., triggering smart-shopper feelings and monetary savings), while incurring some costs. For example, the fixed costs associated with RCs when consumers search for coupons either online or offline and variable costs when consumers cut, sort, or redeem the coupons ("handling costs") or choose a less preferred brand simply because it is on sale ("substitution costs") (Bawa and Shoemaker, 1987). However, the major difference between SCs and RCs is that SCs require consumers to prepay for the deal. Thus, while both SC and RC consumers share similar non-monetary costs in coupon searching (fixed cost) and sorting and redeeming (variable costs), SC consumers incur a monetary cost when they prepay for the coupon in order to enjoy the benefits of discounts. This additional cost to SC consumers could potentially alter their responses in the redemption phase given that a different mental account was created.

Mental accounting theory (Thaler, 1985) posits that consumers tend to track costs in their mental accounts after the costs are incurred to obtain future benefits. This mental account will remain open until consumers have completed a transaction and obtained the consumption benefit. Consumers evaluate the overall experience and prefer to close the mental account in the black (gain) rather than in the red (loss) (Prelec and Loewenstein, 1998). As such, when the same outcome can be obtained without incurring the cost of prepayment, consumers consider the experience as a loss and close the mental account in the red. To avoid the mental account closing at a loss, consumers have a tendency to avoid situations where the same benefits or outcomes can be achieved without incurring the cost of prepayment. Sunk-cost literature suggests that consumers may make decisions based on past costs rather than future costs or benefits (Arkes and Blumer, 1985). While the sunk cost effect can occur for both non-monetary (e.g., coupon searching, sorting, redeeming) and monetary costs (e.g., prepaying for SC), the effect has been shown to be significantly stronger for monetary costs relative to non-monetary costs (Soman, 2001). Accordingly, consumers who prepaid for coupons (SC consumers) would be more committed to the associated benefits (received discounts) and attempt to minimize wasting the deal they have prepaid for by making decisions based on the cost of prepayment. Thus, it is predicted that SC consumers, relative to RC consumers, are more likely to avoid specially priced items because the same benefits obtained from choosing the specially priced options can be achieved without prepaying for the SC.

Carrell and Dittrich (1978) suggests that one tends to maintain a balance between the input and the outcome so that the outcomes are proportional to the inputs. As such, SC consumers are more likely to adjust the outcome in a way that maintains the balance between their input at the purchase phase and their output at the redemption phase. Furthermore, when input increases, so does the expectations for the outcome and creating a shift in the reference away from the neutral status quo (Kivetz, 2003). Thus, greater input from SC consumers could create a shift in the reference point, while the reference point for RC consumers remains at the status quo or shifts only slightly away from the status quo. That is, RC consumers who invest less input prior to redemption will perceive any positive experience (e.g., ordering the most preferred item) as a gain. However, SC consumers who invest more inputs will perceive the same experience as a loss if the experience can be obtained without investing the additional input. Thus, SC (versus RC) consumers are more likely to avoid specially priced items.

H1. Consumer avoidance of specially priced items is greater when redeeming SCs compared to when redeeming RCs.

2.2. Consumption goals

There are two broad types of consumption goals: utilitarian and hedonic (Hirschman and Holbrook, 1982). *Utilitarian consumption* (e.g., an auto maintenance service) is viewed as more functional and instrumental, while *hedonic consumption* (e.g., a romantic dinner) are typically linked to more experiential consumption. Prior research has indicated that different consumption goals will influence how consumers evaluate a product and the extent to which a given cue influences consumers' judgment (Lee and Shavitt, 2006). Consumers tend to focus on the functionality of a product when seeking utilitarian goals, but focus on how much pleasure the product provides when seeking hedonic goals (Voss et al., 2003). Roggeveen et al. (2014) also find that when consumers seek hedonic goals, they tend to focus on the hedonic elements of the consumption experience. As such, the impact of the utilitarian elements, including semantic price cues, will be weakened or diminished when one seeks hedonic goals. However, when consumers seek utilitarian goals, they become easily influenced by the utilitarian elements of the consumption experience (e.g., semantic price cues).

Extending the literature regarding consumption goals, we posit that consumers tend to focus on maintaining a positive feeling when redeeming SCs for hedonic consumption, but not for utilitarian consumption. This is because feelings tend to be weighed more heavily for experiential motives than for instrumental motives and, thus, have a greater effect on one's hedonic consumption than one's utilitarian consumption. Accordingly, when consumers seek hedonic goals, they have a tendency to avoid any situations that would interfere with the anticipation of positive feelings in order to maximize the pleasure of the consumption experience (Loewenstein, 1987). In contrast, when consumers seek utilitarian goals, they pursue functional goals, such as product quality or convenience, and have a lower tendency to minimize negative feelings as long as the product or service meets its utilitarian