



Daily deal shoppers: What drives social couponing?

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ABSTRACT

This paper contributes to the service marketing literature with a focus on deal-of-the-day (DoD) website shopping. The work explores drivers of adoption of DoD shopping among young consumers. We show that value conscious consumers are less oriented towards DoD while deal-prone consumers are more likely to purchase DoD. In contrast to previous research, which found that price savings are the main reason for coupon use, our study finds that Enjoyment plays a major role in young consumers' DoD shopping behaviour. DoD platforms could leverage Enjoyment to create a compelling value proposition for both consumer and merchant attraction and retention.

1. Introduction

The growing prevalence of digital media and tools in marketing has affected companies in recent years (Leeftang et al., 2014). Companies employ the new online channels in different ways to promote their products and services, and seek a better understanding of how they should formulate their online promotion strategy to maximize customer response (Ailawadi et al., 2009; Shankar and Hollinger, 2007). Coupons have become digital, and consumer goods manufacturers, service providers and retailers make them available online (Barat et al., 2013; Suri et al., 2004). For instance, on their website Kroger offer online coupons that can be automatically redeemed when the shopper checks-out at any Kroger store. In addition, e-coupon websites have established themselves as platforms that enable consumers to browse through numerous service and product categories and download coupons that appeal to their preferences (Fortin, 2000; Kang et al., 2006). In recent years, a relatively new type of online coupon website called “Deal of the Day” (DoD) has emerged (Ardizzone and Mortara, 2014; Krasnova et al., 2013). DoD websites enable customers to purchase “in a social way”: the more customers purchase together (a specific service or product), the greater the discount they get (Anand and Aron, 2003; Hu et al., 2013; Liang et al., 2014). DoD savings opportunities range from 50% to 90% off. Moreover, DoD differ from traditional coupons because they require consumers to pay in advance for services and products in order to receive bigger discounts (Nakhata and Kuo, in press).

DoD have been referred to as one of the biggest phenomena in e-commerce (Magno et al., 2014). DoD platforms have significantly

changed the retailing of services across several industries, such as tourism, hospitality and beauty (Heo, 2016). Groupon has emerged as the leading DoD player in several countries (Krasnova et al., 2013): the company is nearing 50 million customers worldwide and has worked with over a million merchants (Investopedia, 2016). Recently, DoD platforms have taken advantage of new mobile applications and tools (e.g., push alerts, geo-localization) to boost their use by consumers (De Canio et al., 2015).

Despite the growing appeal that DoD platforms have for consumers, most studies to date have focused on the benefits that DoD platforms offer to merchants: DoD websites put small merchants (such as restaurants, fitness clubs, niche e-tailers) in contact with prospects. DoD provide opportunities for price discrimination and customer acquisition (e.g., Edelman et al., 2014). However, profitability of DoD for merchants is often compromised due to the depth of price cuts (e.g., Kumar and Rajan, 2012). Recent research shows that consumers exposed to price promotions rely on affect and emotions as well as price when they choose promoted goods and services (Aydinli et al., 2014). A closer exploration of drivers of DoD shopping among consumers would provide new useful insights to ensure the sustainability of the DoD business model (Kim et al., 2013; Krasnova et al., 2013; Kumar and Rajan, 2012). However, there is a lack of studies in this area, and the need for further contributions on the topic has been highlighted by several previous works (e.g., Boon et al., 2015; Kim et al., 2013; Krasnova et al., 2013; Kumar and Rajan, 2012). A better understanding of drivers of DoD adoption would also be beneficial for developing new theory on online price promotion.

This paper aims to identify the drivers that influence consumers in

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their adoption of DoD shopping which could be leveraged to create a more compelling value proposition for both consumer and merchant retention and attraction. The study is based on a rich body of literature in the areas of marketing promotion and e-commerce, exploring the role of six different constructs: Deal Proneness, Value Consciousness, Market Mavenism, Shopping Smart, Perceived Risk and Enjoyment.

We focus on young consumers – mostly college students and graduates – because they represent a valuable target for DoD platforms, apart from reasons of convenience. According to Lester et al. (2005), college students spend hours surfing the Internet each day, and are among the consumers most eager to make online purchases (Seock and Bailey, 2008). Moreover, consumers who engage in DoD websites are mostly young people – i.e. college students and white-collar workers – who are open to changes and like experimenting new goods and services (Erdoğan and Çiçek, 2011). Thus, it is important for DoD websites to identify the drivers of college students' online shopping behaviour if they wish to target this substantial market segment effectively.

The present work aims to make the following contributions. First, we improve the understanding of drivers of DoD shopping, which is a relevant contemporary phenomenon in the area of service marketing (Kumar and Rajan, 2012). Our paper shows that there are positive and negative drivers of DoD shopping behaviour among young consumers. Empirical evidence reveals that, in addition to Deal Proneness, Enjoyment plays a major positive role in DoD shopping behaviour. Value Consciousness and Perceived Risk are negatively related to DoD shopping: consumers who are more sensitive to the risk and to the value-price ratio of a purchase will buy less DoD. Second, marketers' attention is directed to the fact that resources will yield better returns if invested in promotional tactics and website features that stimulate fun and enjoyment, rather than invested in price cuts only. This type of DoD platform positioning could attract more merchants, as they will not be scared away by the imperative to sell at rock-bottom prices. Third, our paper provides future research directions. Our findings point to the need to reconsider the way consumers respond to price promotion, as suggested by Aydinli et al. (2014). In fact, one of the key elements behind the mass adoption of DoD platforms lies in the fact that customer response is also driven by affect. This leads to the need for further theoretical contributions on the role of affect and emotions in consumer decision making in the context of price promotion and, more generally, of services marketing.

2. Literature review and hypotheses

Marketing literature has long investigated coupons as tools that support customer acquisition and trial of new products and services (Blattberg and Neslin, 1989; Dholakia, 2012; Narasimhan, 1984). Price savings have been identified as the main driver for coupon use (Ashworth et al., 2005; Babakus et al., 1988). Over time, technological innovations have driven coupon evolution from paper format (e.g., Lichtenstein et al., 1993) to electronic-coupon (e.g., Fortin, 2000), mobile-coupon (e.g., Khajehzadeh et al., 2014) eventually to social-coupon or DoD (e.g., Nakhata and Kuo, 2017).

As far as DoD purchasing and redemption are concerned, we find studies on: shoppers' demographic characteristics (e.g., Dholakia and Kimes, 2011), shopping experience (e.g., Erdoğan and Çiçek, 2011), drivers of DoD shopping (e.g., Erdoğan and Çiçek, 2011; Krasnova et al., 2013; Tuten and Ashley, 2011) and DoD redemption failure (e.g., Nakhata and Kuo, 2017; Parsons et al., 2014).

Consumers involved in DoD shopping show keen interest in deals (Krasnova et al., 2013). The concept of deal proneness was introduced by Webster (1965). Deal prone consumers employ promotional information to make purchase decisions and have a higher propensity to respond to an offer (Martinez and Montaner, 2006). They are known to switch brands in order to take advantage of price promotion. Several researchers suggest that deal proneness is a general characteristic that

may vary according to product category (Bawa and Shoemaker, 1987), the channel of deal delivery (Ward and Davis, 1978) and the type of promotion (Blattberg and Neslin, 1990; Lichtenstein et al., 1997; Netemeyer et al., 1995). Deal prone consumers have been found to be more attracted by the availability of a promotion than by the actual depth of the price cut (Dholakia and Kimes, 2011). As DoD platforms provide a huge variety of deals in terms of type of products and services and discount levels (Parsons et al., 2014), we expect a positive relationship between deal proneness and high levels of DoD shopping. Hence we formulate the following hypothesis:

H1. Deal Proneness has a positive relationship with DoD Shopping. Hence, the greater the Deal Proneness, the higher the DoD Shopping activity.

Value conscious consumers have generally been treated as different from deal prone consumers (Lichtenstein et al., 1990). Recent literature has shown that these “are not mutually exclusive concepts, and there can be a segment [of consumers] that is both value conscious and coupon prone” (Pillai and Kumar, 2012, p. 30). While deal prone consumers are interested in deals independently of the depth of the discount or the quality of the product/service, value conscious consumers buy coupons to have a price discount where there is a certain level of quality. Lichtenstein et al. (1993) identify value consciousness as a “concern for price paid relative to quality received” (p. 235) and find it to be negatively related to the quantity of promoted products purchased. To identify the role of value consciousness in DoD shopping we propose the following hypothesis:

H2. Value Consciousness has a negative relationship with DoD Shopping. Hence, the greater the Value Consciousness, the lower the DoD Shopping activity.

Feick and Price (1987) define market mavens as consumers that have great motivation and sense of obligation to find information about a variety of products and share this information with other consumers. These consumers are willing to introduce new brands and new products to their friends (Feick and Price, 1987). For mavens, coupons are a type of product information they like to collect and share. Price et al. (1988) find that mavens are super-couponers because they tend to spend time and effort collecting and buying coupons. In a qualitative study on DoD shopping, mavens were found to buy a great number of promotions, regardless of their utilitarian or hedonistic value. They were also more likely to share information about deals and they tended to “go from deal to deal” (Boon, 2013). We can thus hypothesize as follows:

H3. Market Mavenism has a positive relationship with DoD Shopping. Hence, the greater the Market Mavenism, the higher the DoD Shopping activity.

The two main skills displayed by smart shoppers are sales awareness and ability to evaluate price effectively (Mano and Elliott, 1997). Smart shoppers feel a state of excitement due to price promotion (Schindler, 1989). Smart shoppers' buying experience creates feelings of pride and enthusiasm that facilitate a positive shopping experience (Feick et al., 1988; Holbrook et al., 1984). Smart shoppers perceive couponing as a challenge and a hobby (Price et al., 1988). They are motivated by money and time saving and by the opportunity to get referrals from other shoppers (Green Atkins and Kim, 2012). Based on these characteristics, we postulate that:

H4. Shopping Smart has a positive relationship with DoD Shopping. Hence, the more Shopping is Smart, the higher the DoD Shopping activity.

Perceived Risk reflects the consumer's overall perception of the risk inherent in purchasing products in a specific category (Del Vecchio and Smith, 2005; Dowling and Staelin, 1994). Consumers' perceived risk has been found to be greater in online than in offline purchasing (e.g., Hansen, 2006; Van Den Poel and Leunis, 1999). Previous research associates perceived risk with the purchase of new products or services (e.g., Grewal et al., 1994), as well as with uncertainty about the

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